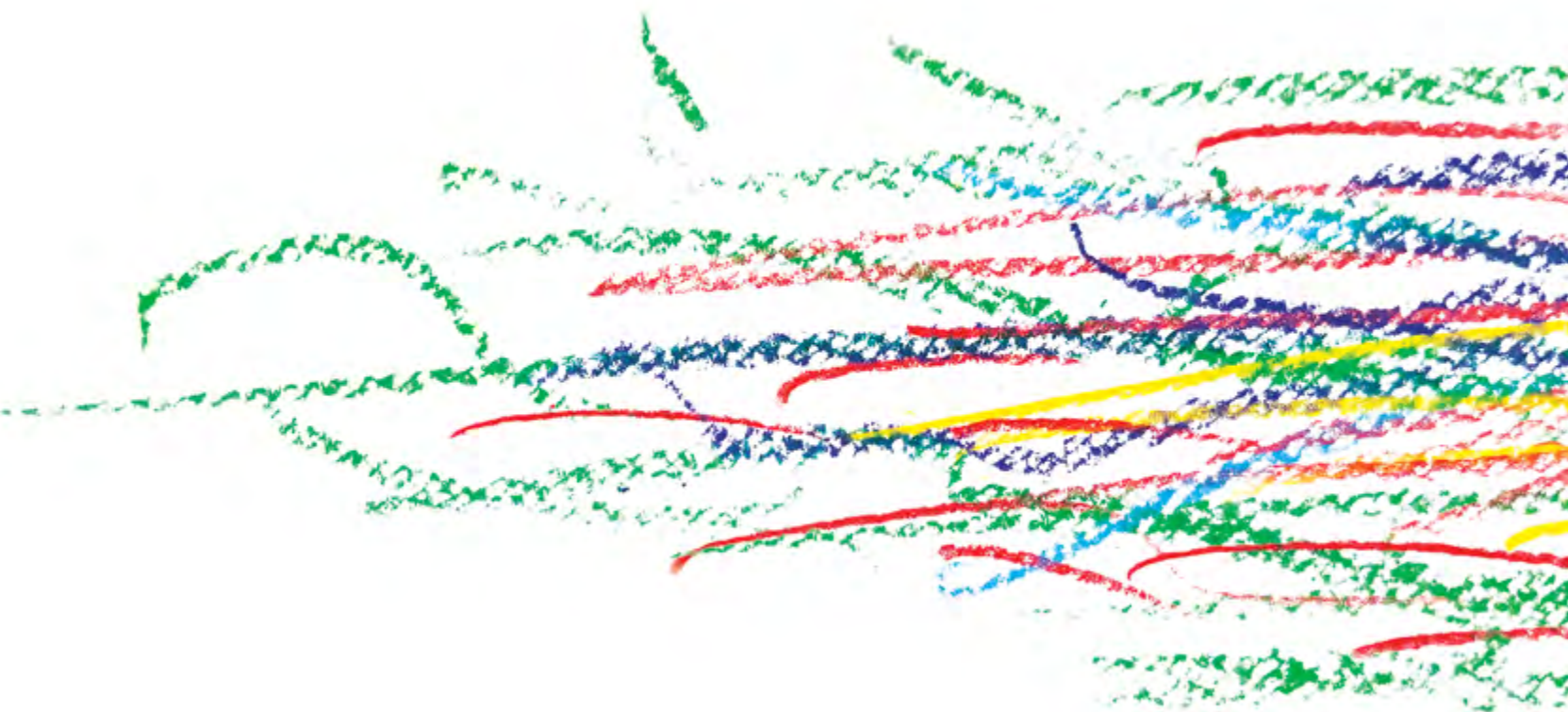
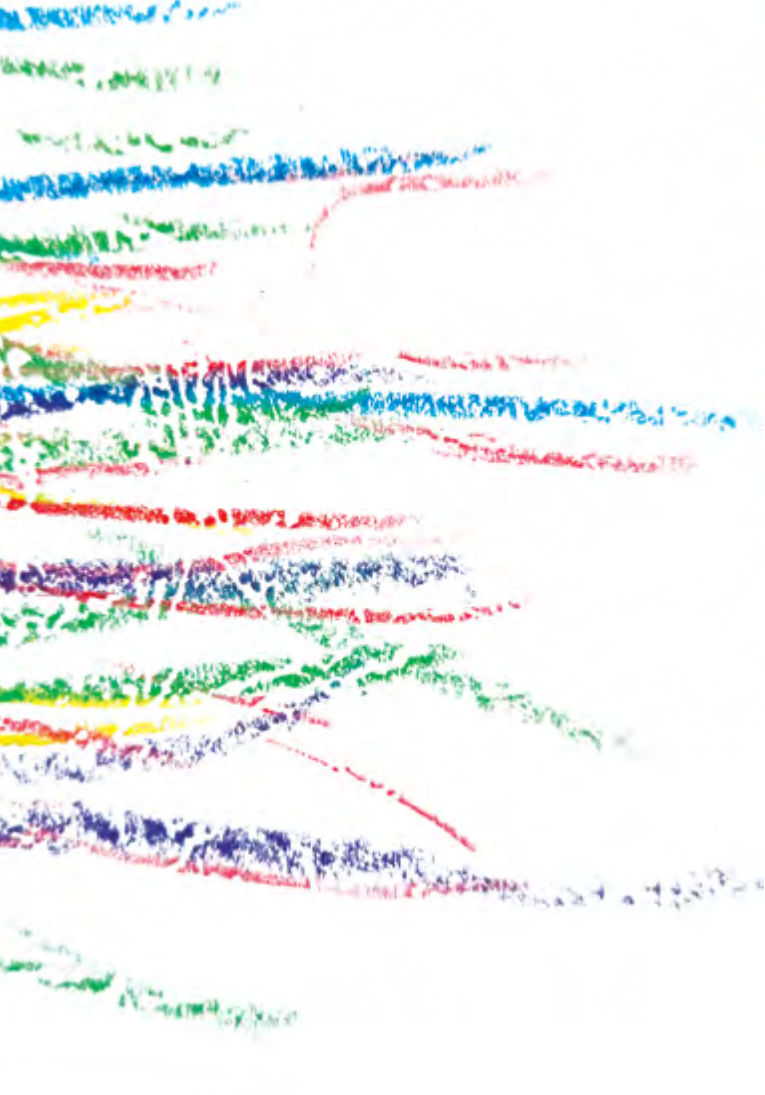




Energy for life

PETROL

Annual Report 2019



**We are everywhere, inextricably intertwined with the
environment, people, energy.**

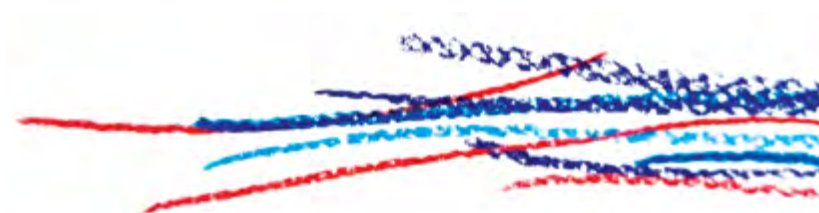
Petrol, Slovenska energetska družba, d.d., Ljubljana
Dunajska cesta 50, 1000 Ljubljana
Registration number: 5025796000
Companies Register entry: District Court of Ljubljana, entry number: 1/05773/00
Share capital: EUR 52,240,977.04
VAT ID: SI80267432
Telephone: +386 1 47 14 232
www.petrol.eu, www.petrol.si

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March 2020

Annual Report of the Petrol Group and Petrol d.d., Ljubljana 2019



Statement of the Management Board

Pursuant to Article 60 a of the Companies Act, members of the Management Board and the Supervisory Board of Petrol d.d., Ljubljana represent that the Annual Report of the Petrol Group and Petrol d.d., Ljubljana for the year 2019, including the corporate governance statement and the non-financial statement, has been prepared and published in accordance with the Companies Act, the Financial Instruments Market Act and International Financial Reporting Standards as adopted by the EU.

As provided in Article 110 of the Financial Instruments Market Act, members of the Management Board of Petrol d.d., Ljubljana, which comprises Nada Drobne Popović, President of the Management Board, Danijela Ribarič Selaković, Member of the Management Board, and Ika Krevzel Panić, Member of the Management Board and Worker Director, declare that to their best knowledge and belief:

- the financial report of the Petrol Group and Petrol d.d., Ljubljana for the year 2019 has been drawn up in accordance with International Financial Reporting Standards as adopted by the EU and gives a true and fair view of the assets and liabilities, financial position, financial performance and comprehensive income of the company Petrol d.d., Ljubljana and other consolidated companies as a whole;
- the business report of the Petrol Group and Petrol d.d., Ljubljana for the year 2019 gives a fair view of the development and results of the Company's operations and its financial position, including the description of material risks that the company Petrol d.d., Ljubljana and other consolidated companies are exposed to as a whole.



Nada Drobne Popović
President of Management Board

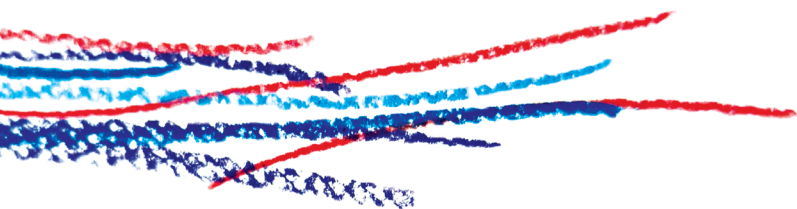


Danijela Ribarič Selaković
Member of Management Board



Ika Krevzel Panić
Member of Management Board,
Worker Director

Ljubljana, 9 March 2020

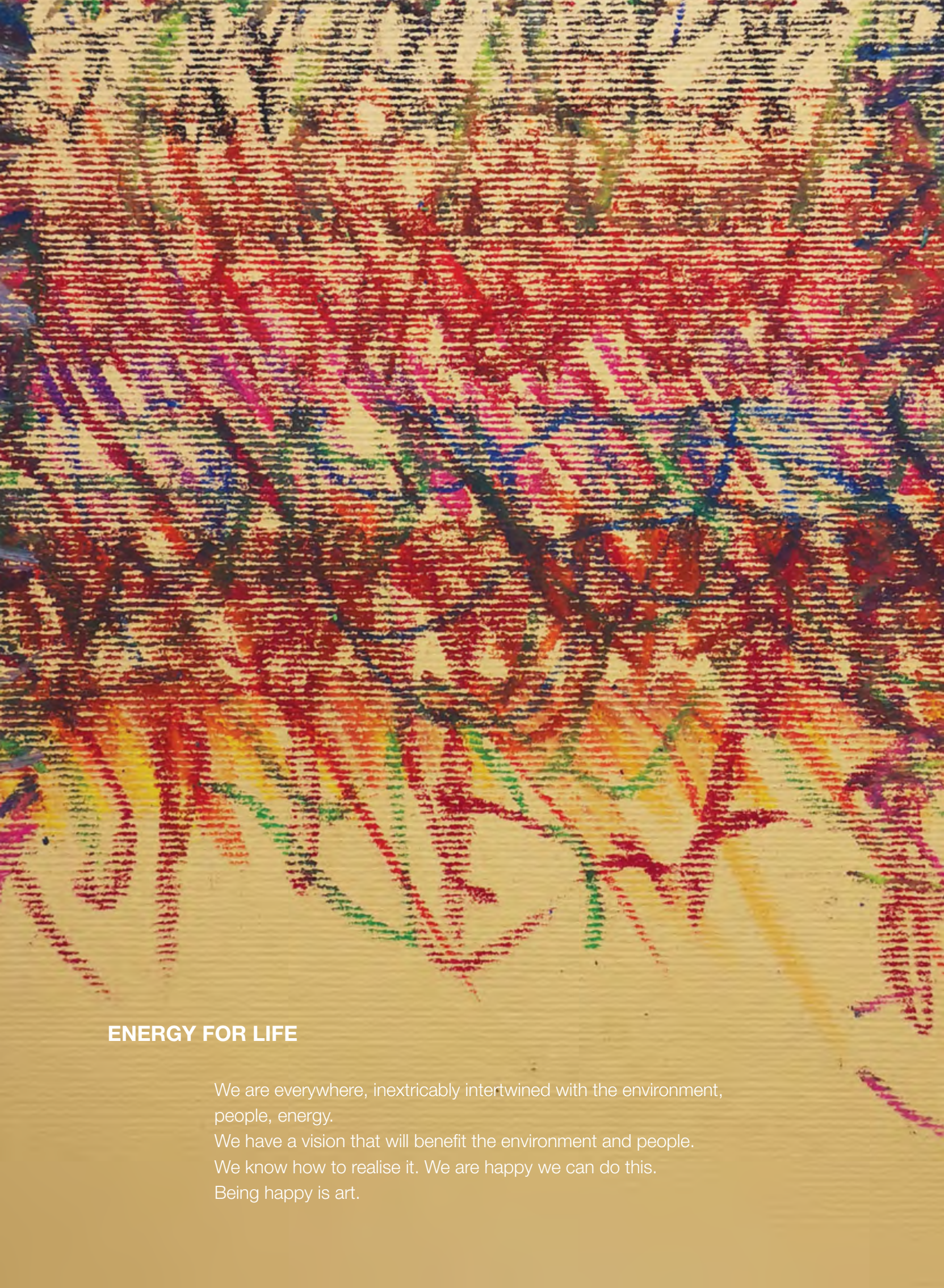




Danijela Ribarič Selaković
Member of Management Board

Nada Drobne Popović
President of Management Board

Ika Krevzel Panić
Member of Management Board,
Worker Director



ENERGY FOR LIFE

We are everywhere, inextricably intertwined with the environment,
people, energy.

We have a vision that will benefit the environment and people.

We know how to realise it. We are happy we can do this.

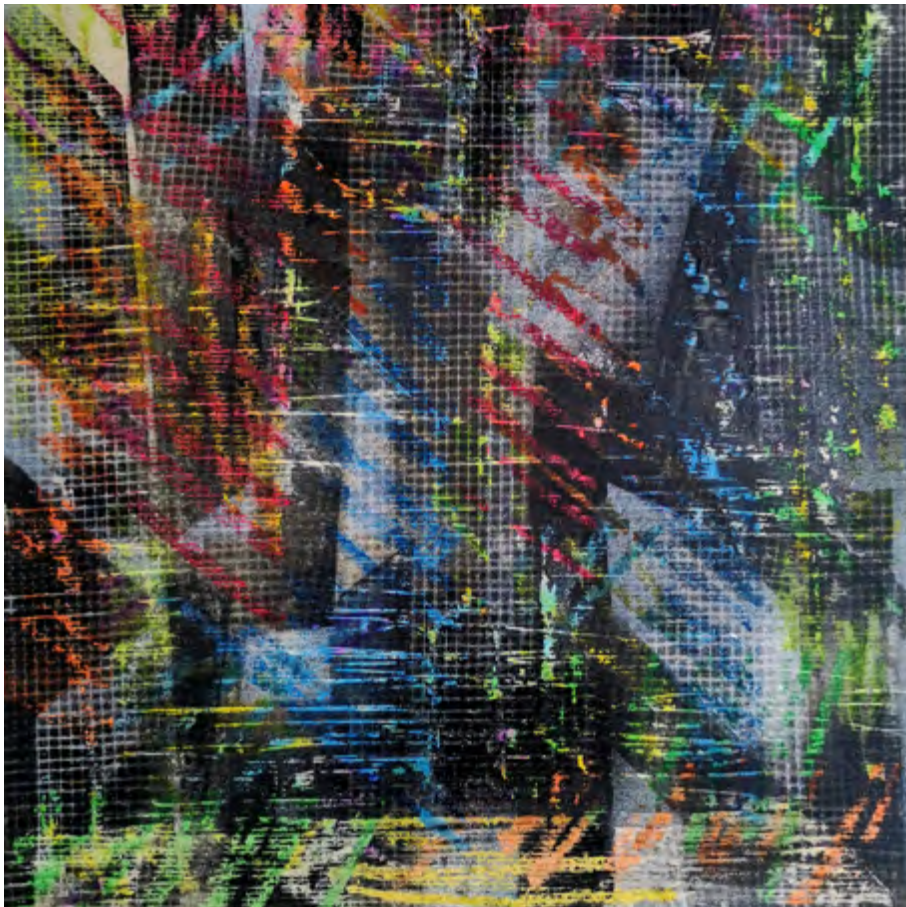
Being happy is art.

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Business Report 2019



The future

We reach for the future and make it our present. We get to know the secrets of little things. We strive for the secrets which will make our lives easier on this planet. We are curious for the good of all people and the planet. We explore and bring new-found secrets to everyday life. To be happy. We and our descendants.

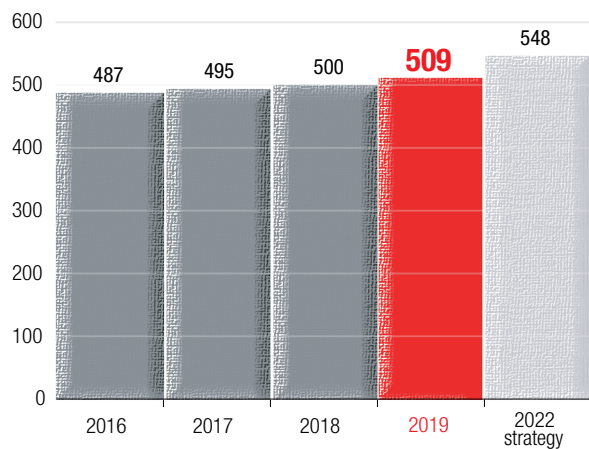
Business highlights of 2019

THE PETROL GROUP	Unit	RESULTS		2019/2018 Index
		2019	2018	
Sales revenue ¹	EUR million	4,375.9	4,318.1	101
Adjusted gross profit ²	EUR million	472.9	442.6	107
Operating profit	EUR million	128.1	128.6	100
Net profit	EUR million	105.2	91.8	115
Equity	EUR million	811.3	747.5	109
Total assets	EUR million	1,859.6	1,730.8	107
EBITDA ²	EUR million	196.5	180.7	109
EBITDA/Adjusted gross profit ²	%	41.6	40.8	102
Operating costs/Adjusted gross profit ²	%	73	76	97
Net debt/Equity ²		0.4	0.4	111
Net debt/EBITDA ²		1.8	1.7	110
ROE ²	%	13.5	12.7	107
Added value per employee ²	EUR thousand	65.6	64.8	101
Earnings per share	EUR	51.2	44.7	115
Share price as at last trading day of the year	EUR	375.0	310.0	121
Volume of petroleum products sold	million tons	3.7	3.5	106
Volume of liquefied petroleum gas sold	thousand tons	176.4	157.3	112
Volume of natural gas sold	TWh	21.5	19.9	108
Electricity sold	TWh	22.6	19.9	113
Revenue from the sale of merchandise and related services	EUR million	466.5	465.7	100
Number of service stations as at last day of the year		509	500	102
Number of employees (including third-party managed service stations) as at last day of the year		5,275	4,857	109

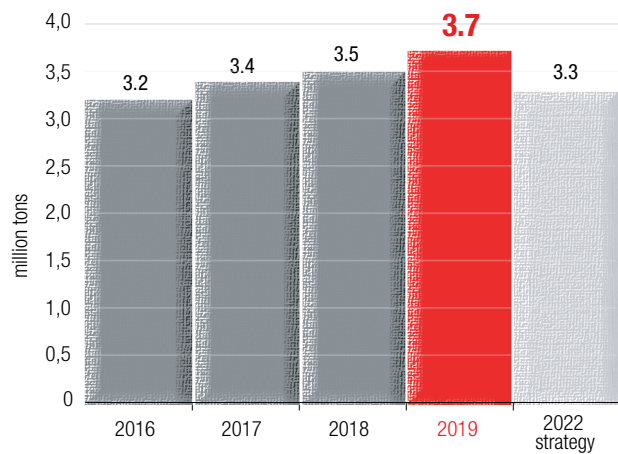
¹ Previously, revenue from the sale of goods also comprised excise duties charged when making a sale and these used to be part of the cost of goods sold. After re-examining this method of presentation, it was determined that it is more appropriate to present revenue from the sale of goods and the cost of goods sold without excise duties. The main reason underlying this change was to ensure better comparability of the financial statements with other companies and the industry, which do not present excise duty as part of revenue. This allows for better analyses and comparisons. In 2019 the accounting policy for recognising realised commodity forward contracts for electricity sales was changed. In accordance with an IFRIC clarification, which became effective in March 2019, these contracts shall be recognised at fair value, whereas they used to be recognised at nominal amount before 2019. All the changes are specified in the financial report on pages 170 - 172. The 2018 sales revenue was adjusted accordingly.

² Alternative performance measures (APM) as defined in chapter Alternative Performance Measures on page 47.

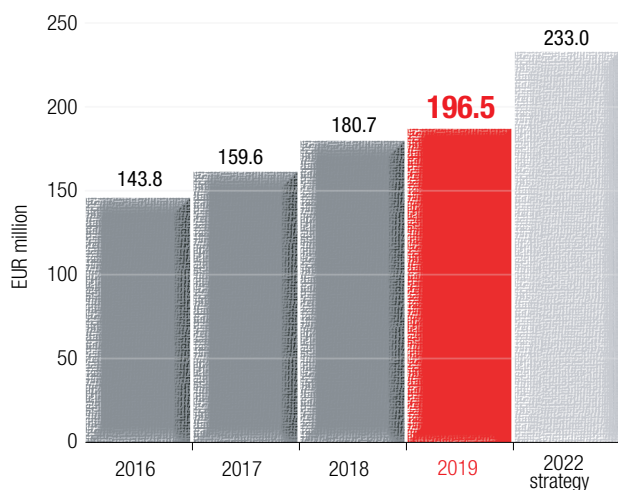
Number of service stations



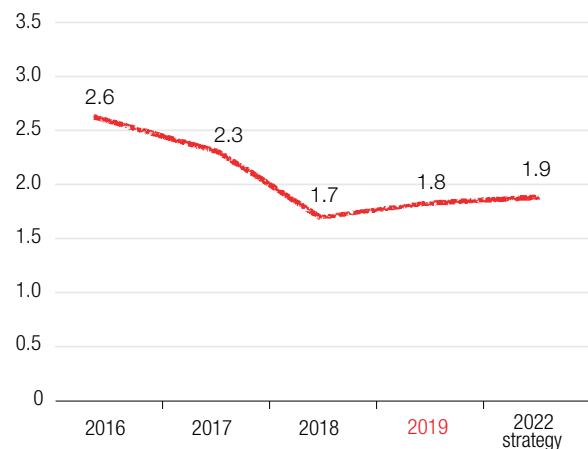
Volume of petroleum products sold



EBITDA

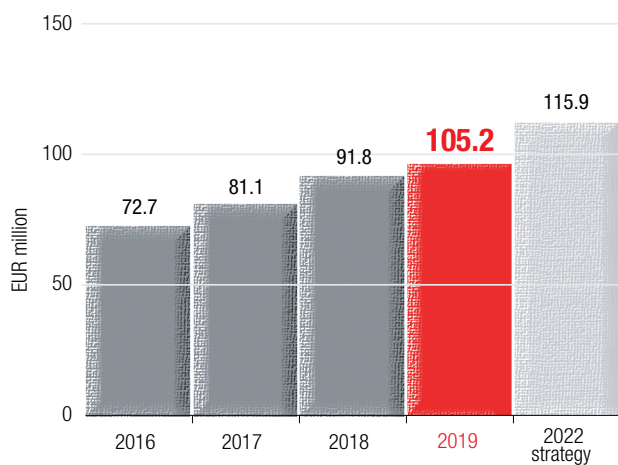


Net debt to EBITDA ratio

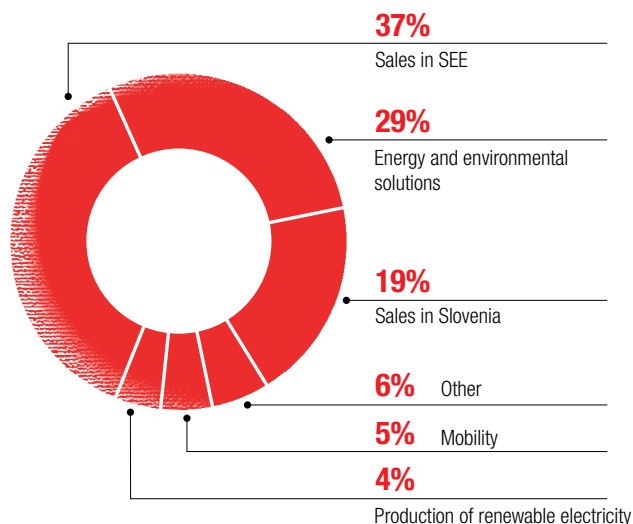


(Op. kazalnik Neto dolg/EBITDA za leto 2022 ob upoštevanju MSRP 16)

Net profit



Breakdown of the petrol group's investments in 2019



Letter from the President of the Management Board



Dear shareholders, business partners and co-workers.

The Petrol Group is one of Slovenia's largest companies, playing an increasingly prominent role also in the wider region. It operates in the highly competitive markets of energy and trade. This, in conjunction with our environmental efforts, makes for business conditions that are indeed very demanding. In 2019 our guiding principle was to co-create products, services and ideas which contribute to having a better world that is also more pleasant and more advanced.

Risks are an inherent part of the Petrol Group's operations. Good risk management enables us to respond in a timely and appropriate manner, which is why it is the focus of our attention. Key risks the Company is facing are thus identified, assessed, monitored and controlled.

Doing business eventually boils down to numbers, and the Petrol Group ended the year 2019 with strong results. In 2019 the Group generated EUR 4.4 billion in sales revenue, up 1 percent from 2018. Adjusted gross profit stood at EUR 472.9 million or 7 percent more than in the previous year. EBITDA totalled EUR 196.5 million, which was 9 percent more than in 2018. Net profit, which stood at EUR 105.2 million, was the highest to date. The sales of petroleum products, merchandise and related services, LPG, natural gas and electricity were also marked by strong performance. We generated 13 percent of EBITDA through energy and environmental solutions. Production of renewable electricity is becoming increasingly important and will be a major business and development activity again in 2020.

Petrol's shareholder policy is based on maximising shareholders' return. Through a stable dividend policy, we ensure a balanced dividend yield for shareholders and the use of free cash flows to finance the Petrol Group's investment plans. In 2019 our shareholders received a dividend of EUR 18.0 per share – the highest so far. Over EUR 120 million was allocated to investments in order to provide for the Group's development also in the future.

Customers are at the heart of our operations. This is why we are developing a comprehensive and uniform approach to our customers (omnichannel) which comprises all our communication and sales channels. The omnichannel strategy is a basis for reaching out to the new generations of customers using tailored solutions. As we try to approach our customers in innovative ways, we also change and enhance our internal operating processes, which enable us to develop new solutions and models. Customers can visit us at 509 modern service stations across Slovenia and SE Europe. They can do their shopping online and pick up their orders at the point of sale of their choice. Our mobile apps help us to stay in contact with customers at all times. For advice and assistance, they can turn to staff working at our call centre.

Petrol considers its suppliers to be its full strategic partners. They are actively involved not only in the development and provision of our sustainable products and services, but also in the development of the Group's new business models which place emphasis on sustainable development. Petrol's supplier relations strategy is based on the reliability of supply, the quality of products and services, price competitiveness and prospects for long-term development cooperation. We engage with suppliers to develop new products and services

while taking into account sustainability criteria that help reduce our environmental footprint and keep the environment clean. All products and services provided by our suppliers comply with laws and standards. The competitiveness of our supply chain is subject to constant scrutiny. Our aim is to develop innovative ways of working with our suppliers and achieve horizontal integration both within and outside the Petrol Group.

The Petrol Group is operating in a rapidly changing environment. Energy and trade are key industries, with continuous change being the only constant. At Petrol, we are very much aware of that. In 2018 we adopted a development strategy of the Petrol Group 2018 – 2022 and we continued to pursue it also in 2019. We are a company that provides answers to contemporary challenges when it comes to optimising the demanding systemic transition to renewable sources in order to ensure the supply of energy products, reduce energy consumption, boost the use of alternative, environment-friendly energy products, and develop sustainable mobility. We respond to climate change by also producing electricity from renewable sources – water, wind and sun. We provide cities with integrated services for smart management. The transition to the circular economy is seen as an opportunity to boost resource efficiency. We are committed to reducing the use of primary raw materials, to their reuse, to separating waste at source and to increasing material recovery. Where material recovery is not possible or feasible, we promote energy recovery from waste instead. Our aim is to become a low-carbon energy company.

In 2019 we launched a new diesel fuel called Q Max iQ Diesel. This is a new, premium quality diesel fuel developed based on new trends and market demands. It fulfils both the technological requirements of modern diesel engines as well as the latest requirements in the field of environmental protection and reduction of the impacts of fuel on climate change. In this respect, Q Max iQ Diesel is undeniably a future-oriented fuel. Given its lower carbon footprint, it is an ideal energy source for the transition to low- and carbon-free fuels.

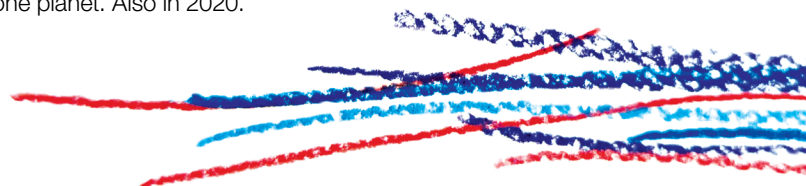
Working at Petrol means pursuing a common mission, values and vision. We are linked by our culture which brings together work, harmony and courage. We are committed to business excellence and ethics. In 2019 the Petrol Group had 5,275 employees already. Their knowledge, potential, commitment and values are the core pillar of sustainability of the Petrol Group and represent our competitive edge. We are developing the competences of our employees, constantly providing for their education and monitoring their satisfaction. Employee health and safety are of central importance. Maintaining good energy at the workplace is a task we are happy to fulfil. The Family Friendly Enterprise certificate reflects our actions and commitment to help our staff reconcile their work and family responsibilities, much to the satisfaction also of first-graders whose parents get a special day off so that they can be there for their children at their first day of school.

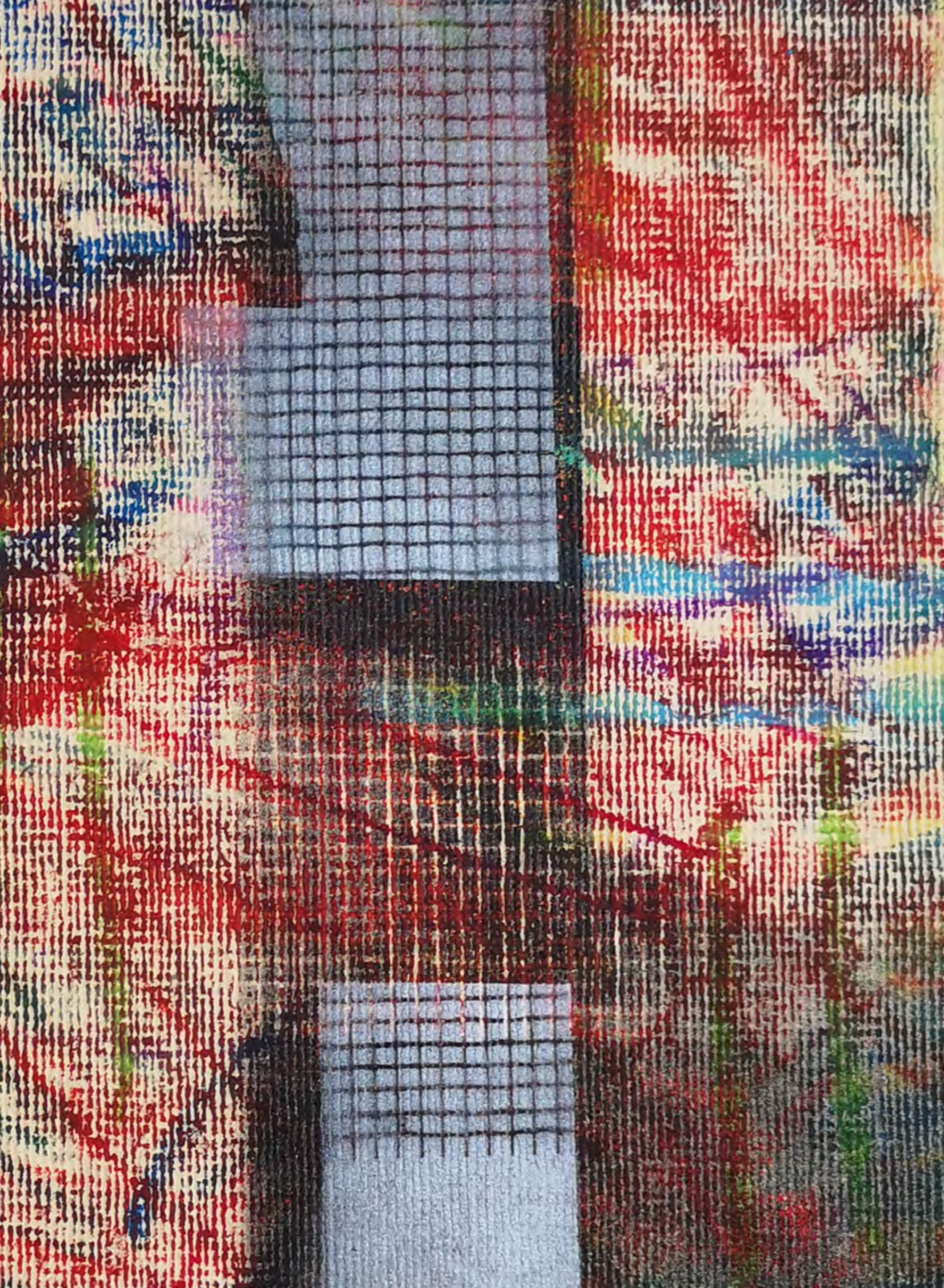
We give back to society. Supporting and helping our environment is embedded in our long-term growth strategy. This is demonstrated through the support we provide to a number of sports, arts, humanitarian and environmental projects. The Petrol Group has close ties with a number of professional and other communities. Our experts take part in conferences, events, forums, symposiums, congresses, awareness-raising campaigns and projects both at home and abroad. We also pass our knowledge onto younger generations by organising education and awareness-raising events, visiting schools and nurseries.

Energy for life. This was a motto which guided Petrol staff and you also in 2019. And it remains our commitment for the future. For all our common journeys and stops along the way, for the heat at our homes and the lights in the schools our children go to; for the delicious cake our grandparents make, and for the best coffee-to-go when we hurry to work. For our courage and partnership with the environment in which we operate. For the new, green energy sources. Because we only have one planet. Also in 2020.

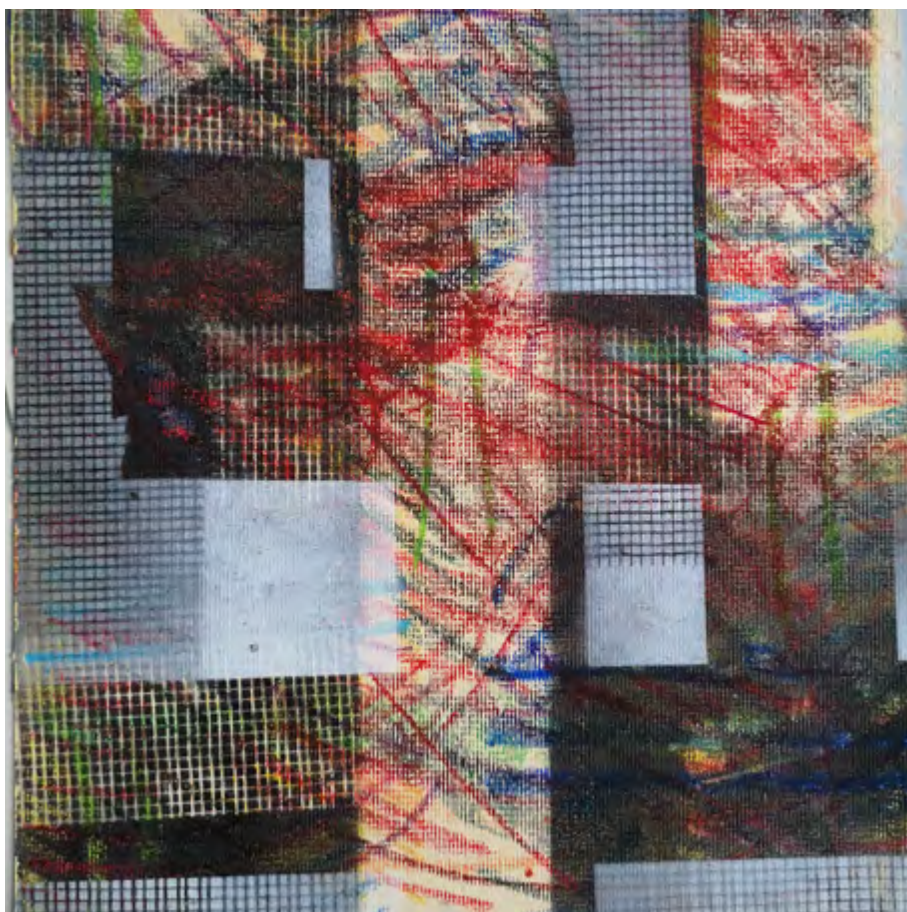


Nada Drobne Popović
President of the Management Board





Business Performance in 2019



Journeys

To work. Home. To distant lands. On holiday. To see our loved ones. Petrol, diesel, electricity, gas, hydrogen, kerosene: the carriers of energy powering the wheels. Pushing rockets to the edge of space.

Strategic orientations

Mission

By offering a comprehensive range of solutions, the Petrol Group will be a sustainable provider of first-rate energy for homes, journeys and businesses. Our actions will serve to demonstrate our social responsibility and commitment to sustainable development on a daily basis. The implementation of our mission, which is summed up in our corporate signature Energy for Life, reflects not only our values and core capabilities but also our competitive advantages.

Vision

As a major regional provider of comprehensive and sustainable solutions, we are committed, under Petrol's 2022 vision, to integrating energy, trade, mobility and advanced services into an excellent user experience. Through innovation, digital solutions, cost-effectiveness and partnerships, we will develop successful business models.

Our value proposition, or benefits for customers, consists of straightforward, comprehensive, modern, convenient, accessible, quick, reliable, personalised and fair solutions provided through an active, uniform and multi-channel approach to our customers, which are treated in an all-round and life-long manner. Risk management is integrated into all aspects of our business, making it possible to create additional value for shareholders and maintain our investment-grade credit rating.

Values

Respect: We respect fellow human beings and the environment.

Trust: We build partnerships through fairness.

Excellence: We want to be the best at all we do.

Creativity: We use our own ideas to make progress.

Courage: We work with enthusiasm and heart.

At Petrol, we feel a strong sense of responsibility towards our employees, customers, suppliers, business partners, shareholders and the society as a whole. We meet their expectations with the help of motivated and business-oriented staff, we adhere to the fundamental legal and moral standards in all markets where we operate, and we protect the environment.

Strategy of the Petrol Group for the period 2018 – 2022

In 2018 the Petrol Group reviewed and reassessed its strategic goals, updating its 2016 – 2020 strategy accordingly. The Supervisory Board adopted the Strategy of the Petrol Group for the period 2018 – 2022 in June 2018.

Our business model is built on innovativeness and cost effectiveness, and our customers are offered straightforward, comprehensive, modern and reliable solutions. Risk management is integrated into all aspects of our business, making it possible to create additional value for shareholders and maintain our investment-grade credit rating.

The Petrol Group operates primarily in South Eastern, but also in Central Europe. In addition to a number of bigger and smaller companies with innovative business models already operating there, new and even global players are now joining trade and energy activities in these markets. Globally and locally, we are faced with significant societal and technological changes which can be captured concisely by the notion of »digital globalisation«. All of this increases risks while also providing new opportunities.

Our key strategic orientations – or strategic themes – for the period up to 2022 are as follows:

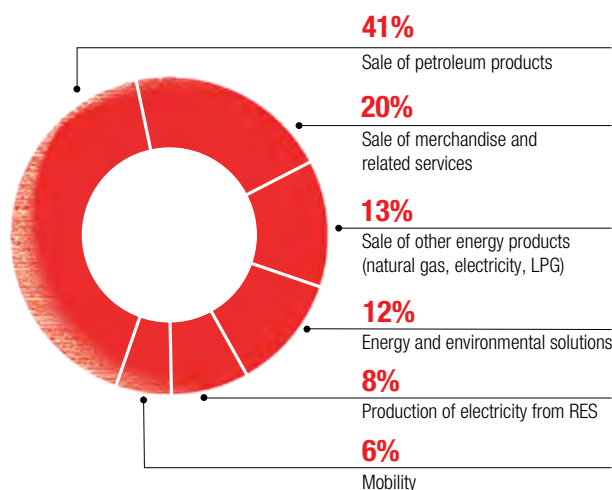
1. Balance between stable operations and development in order to address new challenges (the setting up of a flexible and agile organisation providing suitable and risk-adjusted returns while taking into account sustainable development and social responsibility).
2. More value for the customer thanks to a comprehensive range and excellent user experience (development of existing and acquisition of new markets and customers through innovative business models; focus on a comprehensive and personalised treatment as well as on excellent customer experience throughout the user journey, by pursuing an omni-channel sales and marketing orientation).
3. Process efficiency and risk management (dynamic organisational structure management, advanced risk management systems, cutting-edge IT and business intelligence, efficiency of operations in line with the principle of good management).

Achieving these goals strengthens the long-term financial stability of the Petrol Group. Through a stable dividend policy, we will ensure a balanced dividend yield for shareholders and the use of free cash flows to finance the Petrol Group's investment plans. This will allow for long-term growth and development of the Petrol Group, maximising its value for the owners.

The main targets for 2022 are as follows:

- Sales revenue of EUR 5.3 billion
- EBITDA of EUR 233 million
- Net profit of EUR 116 million
- Net debt to EBITDA ratio of 1.6 (or 1.9 if IFRS 16 is taken into account)
- 3.3 million tons of petroleum products sold
- Revenue from merchandise sales and related services of EUR 700.0 million – a figure in accordance with IAS 18 which is no longer in effect (or EUR 570.6 million if IFRS 15 is taken into account)
- Retail network consisting of 548 service stations
- Total investments in fixed assets of EUR 521 million in the period 2018 – 2022

EBITDA BROKEN DOWN BY ACTIVITY IN 2022



Petrol as the ambassador of corporate integrity

Petrol will meet its targets while complying with applicable regulations and the Corporate Integrity Guidelines. In the pursuit of our work, we will abide by high standards of business ethics and build corporate culture promoting lawful, transparent and ethical conduct and decision-making by all staff. We will raise and consolidate the awareness of how important compliance is among employees and business partners. We will apply the zero tolerance principle to unlawful and unethical conduct of employees and business partners.

Plans for 2020

The Petrol Group operates in two highly competitive industries – energy and trade.

Besides trends in the area of energy and commerce, the Group's operations are subject to several other and often interdependent factors, in particular changes in energy product prices and the US dollar exchange rate, which are a reflection of global economic trends. In addition, operations in the Petrol Group's markets are influenced to an important extent by local economic conditions (economic growth, inflation rate, growth in consumption and manufacturing) and measures taken by governments to regulate prices and the energy market.

Energy market participants are presented with vast challenges and change. On the one hand, they have to deal with an extremely difficult systemic transition to renewable supply sources, while on the other, a considerable shift can be observed in the behaviour of end customers, who are becoming increasingly engaged. As a main energy company in Slovenia and in SE Europe, the Petrol Group took on an active role in increasing energy independence, energy efficiency and the share of renewable energy sources in the markets where it operates. In the long term, our goal is to have an energy mix that is increasingly friendly to the environment, also when it comes to sustainable mobility.

The sales of merchandise and services make up an important part of the Group's revenue, which is why the situation in the trade sector has a major impact on operations. The Group takes part in the development of trade which is changing the purchasing habits of consumers and distribution channels through the digitisation of business.

Customers are at the heart of Petrol's operations. This is why we are developing a comprehensive and uniform approach to our customers (omnichannel) which comprises all our communication and sales channels. The omnichannel strategy is a basis for reaching out to the new generations of customers using tailored solutions. As we try to approach our customers in innovative ways, we also change and enhance our internal operating processes, which enable us to develop new solutions and sustainable models.

The Petrol Group's sustainable orientation is built on three pillars:

1. Low-carbon energy company – focusing on a more sustainable energy mix and sustainable mobility, own production of renewable electricity and energy efficiency.
2. Partners with employees and the social environment – focusing on boosting corporate integrity, providing for healthy working conditions and employee satisfaction, with the support for the wider community in all markets where the Petrol Group operates (support for humanitarian, cultural, sports and environmental projects) also having a prominent role.
3. Circular economy – involvement in wastewater treatment, recycling of carwash water and re-use of industrial wastewater. Particular attention is paid to reducing or replacing raw materials used in packaging with recycled and biodegradable materials.

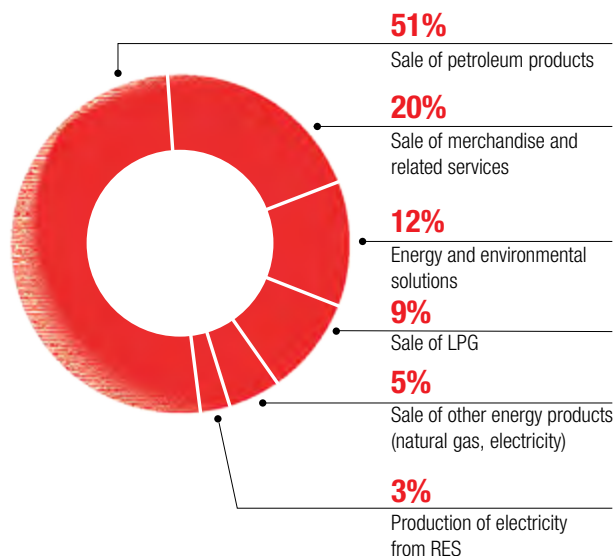
The Petrol Group has set ambitious goals for 2020. At the Petrol Group, we realise that despite careful preparation, informed business decisions, quick response to changes and an efficient risk management system external factors may arise in the business environment which are beyond our direct control and may pose a risk or a threat when it comes to meeting our targets. In 2020 these factors include:

- sales in the EU market, which is extremely volatile,
- impact of the Real Property Tax Act and its new valuation model,
- impact of the Energy Savings Requirements Act in Croatia.

The Petrol Group's main business targets for 2020:

- Sales revenue of EUR 6.4 billion (5.3 billion excise duties excluded)
- Adjusted gross profit of EUR 510 million
- EBITDA of EUR 214.8 million
- Net profit of EUR 109.8 million
- Net debt to equity ratio of 0.4
- Net debt to EBITDA ratio of 1.7
- Financial leverage ratio of 30 percent
- 3.4 million tons of petroleum products sold
- EUR 467.6 million in revenue from merchandise sales and related services
- Retail network consisting of 522 service stations
- More than 5,500 employees

EBITDA BROKEN DOWN BY ACTIVITY IN 2020



The Petrol Group in its region

THE CZECH REPUBLIC

AUSTRIA

ROMANIA

SLOVENIA

CROATIA

BOSNIA AND
HERZEGOVINA

SERBIA

MONTE-
NEGRO

KOSOVO

MACEDONIA

Corporate governance statement and statement of compliance with the code

Pursuant to Article 70(5) of the Companies Act (ZGD-1), Petrol d.d., Ljubljana hereby issues its Corporate Governance Statement.

1. Reference to the applicable Corporate Governance Code

In the period from 1 January 2019 to 31 December 2019, the Company was bound by the Slovene Corporate Governance Code for Listed Companies (hereinafter 'the Code') as jointly drawn up and adopted by the Ljubljana Stock Exchange and the Slovene Directors' Association on 27 October 2016. The Code entered into force on 1 January 2017. It is available both in Slovene and in English from the website of the Ljubljana Stock exchange at <http://www.ljse.si/>. The Company has not adopted a corporate governance code of its own. It is managed in accordance with the Companies Act and within the framework of the above Code. In compliance with the recommendations of the applicable Code, the Supervisory Board and the Management Board drew up and, at the Supervisory Board meeting of 23 November 2010, adopted the Corporate Governance Policy of Petrol d.d., Ljubljana, which was published via the Ljubljana Stock Exchange SEOnet information system on 28 December 2010. The policy was updated at the Supervisory Board meetings of 12 December 2013, 11 December 2014, 15 December 2016, 14 December 2017, 13 December 2018 and 12 December 2019, and published via the Ljubljana Stock Exchange SEOnet information system (the version currently in force is available at <https://www.petrol.eu/binaries/content/assets/skupina-petrol-eng/publications/2019/12/corporate-governance-policy-of-petrol-d.d.%2C-ljubljana---december-2019.pdf>) on 23 December 2013, 13 January 2015, 23 December 2016, 29 December 2017, 31 December 2018 and 31 December 2019, respectively. It is also available, in Slovene and in English, from the website of Petrol d.d., Ljubljana (www.petrol.si, www.petrol.eu).

Declaration of compliance with the Code

The company conducts its operations in compliance with the Code, i.e. both with its guiding principles and recommendations. Any deviations or partial deviations from the Code are listed and explained below.

- In its Rules of Procedure, the Supervisory Board has not set the scope of topics and timeframes to be respected by the Management Board in its periodic reporting. The topics are already laid down in the Company's annual financial calendar rather than in the Rules of Procedure. In addition to the Financial Calendar, which is published on SEOnet, the Supervisory Board adopts an extended version of the calendar comprising additional topics and timeframes applicable to the Supervisory Board and its committees and, as such, representing a coherent and comprehensive working plan of this body (the Code: Supervisory Board's Tasks, first sentence of paragraph 12.3).
- Due to a high degree of data confidentiality and to ensure a higher standard of communication with Supervisory Board members, information technology is seldom used to convene meetings and distribute Supervisory Board documents. It will be introduced as soon as all members of the Supervisory Board and its committees are equipped with sufficiently secure connections and protocols to prevent unauthorised access to documents and, where necessary or desirable, to securely provide themselves with printed documents (the Code: Supervisory Board's Tasks, paragraph 12.5).
- When setting up committees, the Supervisory Board did not define their tasks. For the Audit Committee, these have already been defined in laws and recommendations and, specifically, in each annual work programme of the Audit Committee which is approved by the Supervisory Board. The Human Resources and Management Board

Evaluation Committee performs all of its tasks as decided by the Supervisory Board on a case-by-case basis (the Code: Supervisory Board Committees, first sentence of paragraph 18.2).

- The Company's management has not adopted particular rules and a corporate communication strategy that would contain rules on the protection of confidentiality, trade secret and inside information as well as clearly define information flow inside the Company, along with the recording and supervision of access to inside information from origin to public announcement, as well as warnings that the information has not been publicly disclosed yet and therefore constitutes inside information. The Company has in place the Rules on the Safeguarding of Trade Secrets at the Petrol Group, and everybody that is in any way whatsoever linked to inside information is required to keep this information confidential as they are included on the insider list and may be penalised on various grounds, depending on whether they are external contractors, employees, Management Board members or Supervisory Board members. Although the Company has not laid down particular rules governing this field, it has in place a well established system of communicating with the public and provides information about all important events as they arise (the Code: The Company's Corporate Communication Strategy (indents 1 and 2 of paragraph 27.2).
- The Company has not yet drawn up an internal act or adopted rules that would lay down additional rules on trading limitations regarding its shares in addition to legal provisions and regulations. Nevertheless, any person having access to inside information signs a special statement to keep inside information confidential. In accordance with the requirements of the Securities Market Agency, the Company keeps a list of persons with access to inside information, which is always up-to-date. The Company has laid down and enforced the highest ethical standards and values which are communicated to the persons having access to inside information. Trading in accordance with an act could have been too rigid, as each individual must assess on their own when they are in possession of inside information that prevents them from trading. Only an exceedingly good act can be considered a better alternative to not having such an act in the first place, as it can also be used to formally address borderline cases (the Code: Trading Restrictions with Shares, paragraph 27.3).
- The Company provides prompt information about its financial and legal situation through public announcements, but it does not report on operational estimates as this is inconsequential as long as its operations are in line with the applicable strategy and annual work programme. In the event of deviations, the Company would immediately make a public announcement to inform interested stakeholders of other business events, impacts and deviations (the Code: Public Announcement of Important Information, indent 3 of paragraph 29.1).
- At the Company's General Meeting of April 2017, the Management Board was authorised to acquire own shares within 36 months of the adoption of the resolution. The Management Board did not act on the above authorisation in 2019, which is why it did not draw up and publicly announce the programme of acquisition of own shares (the Code: Public Announcement of Important Information, paragraph 29.3).
- The Company has not published the applicable wording of the rules of procedure of its bodies on its website. The Management Board and the Supervisory Board discussed the benefits of this recommendation and view the Supervisory Board's Rules of Procedure and the Management Board's Rules of Procedures as texts which are updated on a regular basis and are intended for the sole use of these bodies. Moreover, any external assessment of these documents by third parties would have been inappropriate due to their not being familiar with the needs of these bodies. The General Meeting Rules of Procedure were adopted at the first general meeting of the joint-stock company Petrol d.d., Ljubljana in 1997. They are always available during the general meeting and do not contradict the Companies Act, which lays down, through peremptory provisions, all elements concerning the running of a general meeting, making it sufficient to have the rules of procedure available only during each general meeting (the Code: Public Announcement of Important Information, paragraph 29.9).

2. Description of main characteristics of the Company's internal control and risk management systems in connection with the financial reporting process

The Company's management is responsible for the keeping of proper books of account, setting up and ensuring the functioning of internal controls and internal accounting control, selecting and applying accounting policies and safeguarding the Company's assets. The establishment of the system of internal controls, which is based on the three lines of defence model¹, pursues the following three objectives:

- accuracy, reliability and completeness of financial records, and true and fair financial reporting,
- compliance with applicable laws and regulations, and
- effectiveness and efficiency of operations.

The company's management aims to establish a control system that is both as efficient as possible as regards the prevention of undesired events and acceptable in terms of cost. It is aware that every internal control system, regardless of how well it functions, has its limitations and cannot fully prevent errors or frauds. Nevertheless, it must be configured so that it flags them as soon as possible and provides management with suitable assurance about the achievement of objectives.

Petrol therefore keeps and further improves:

- a transparent organisational structure of the parent company and the Group;
- clear and uniform accounting policies and their consistent application throughout the Petrol Group;
- an efficiently organised accounting function (functional responsibility) within individual companies and the Petrol Group;
- a uniform accounting and business information system of the parent company and its subsidiaries, thus boosting the efficiency of operational and control procedures;
- reporting in accordance with International Financial Reporting Standards, including all disclosures and notes that are required;
- regular internal and external audits of business processes and operations.

The Risk Management chapter of this business report presents risk management and control mechanisms relating to the assessment of specific types of risk in greater detail. It is our opinion that in 2019 the existing internal control system of the company Petrol d.d., Ljubljana, and of the Petrol Group allowed for efficient and successful achievement of business objectives, operation in compliance with the law, and fair and transparent reporting in all material respects.

3. Information under Article 70(6) of the Companies Act

As a company bound by the Takeovers Act, Petrol d.d., Ljubljana hereby provides information on the situation as at the last day of the financial year and all the necessary explanations, in accordance with Article 70(6) of the Companies Act:

3.1 Structure of the Company's share capital

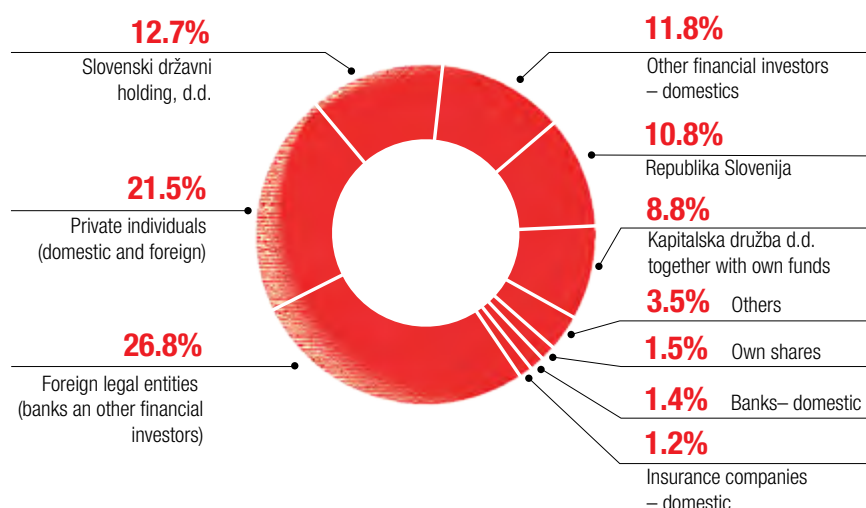
The Company has issued only ordinary registered no-par value shares, the holders of which have the right to participate in the management of the Company, the right to profit participation (dividends) and the right to a corresponding share in other assets in the event of liquidation or bankruptcy of the Company. All shares belong to a single class and are issued in book-entry form.

¹ The three lines of defence: (1) operational management or risk owners, (2) control functions, including compliance, as risk managers, (3) internal audit tasked with providing independent assurance.

THE LARGEST SHAREHOLDERS OF PETROL D.D., LJUBLJANA AS AT 31 DECEMBER 2019

	Shareholder	Address	Number of shares	Share in %
1	ČEŠKOSLOVENSKA OBCHODNI BANK, A.S. - FID	RADLICKA 333/150, 150 57 PRAGA 5, REPUBLIKA ČEŠKA	269,391	12.91
2	SLOVENSKI DRŽAVNI HOLDING, D.D.	MALA ULICA 5, 1000 LJUBLJANA	264,516	12.68
3	REPUBLIKA SLOVENIJA	GREGORČIČEVA ULICA 20, 1000 LJUBLJANA	225,699	10.82
4	KAPITALSKA DRUŽBA, D.D.	DUNAJSKA CESTA 119, 1000 LJUBLJANA	172,639	8.27
5	OTP BANKA D.D. - CLIENT ACCOUNT - FIDUCI	DOMOVINSKOG RATA 61, 21000 SPLIT, HRVAŠKA	111,122	5.33
6	VIZIJA HOLDING, K.D.D.	DUNAJSKA CESTA 156, 1000 LJUBLJANA	71,676	3.44
7	VIZIJA HOLDING ENA, K.D.D.	DUNAJSKA CESTA 156, 1000 LJUBLJANA	63,620	3.05
8	PERSPEKTIVA FT D.O.O.	DUNAJSKA CESTA 156, 1000 LJUBLJANA	36,262	1.74
9	CITIBANK N.A. - FIDUCIARNI RAČUN	CITIBANK CENTRE, CANADA SQUARE, CANARY W, E14 5LB, LONDON, VELIKA BRITANJA	28,961	1.39
10	SOP LJUBLJANA	VOŠNJAKOVA ULICA 6, 1000 LJUBLJANA	27,642	1.32

SHARE CAPITAL STRUCTURE OF PETROL D.D., LJUBLJANA AS AT 31 DECEMBER 2019



3.2 Restrictions on the transfer of shares

All shares are fully transferable.

3.3 Qualifying holdings under the Takeovers Act

Pursuant to Article 77(1) of the Takeovers Act (acquiring a qualifying holding), the following information is provided (valid as at 31 December 2019):

- Češkoslovenska Obchodni Bank, a.s. – FID held 269,391 shares of Petrol d.d., Ljubljana, representing 12.91 percent of the issuer's share capital,
- Slovene Sovereign Holding held 264,516 shares of Petrol d.d., Ljubljana, representing 12.68 percent of the issuer's share capital,
- the Republic of Slovenia held 225,699 shares of Petrol d.d., Ljubljana, representing 10.82 percent of the issuer's share capital,
- Kapitalska družba, d.d. held 172,639 shares of Petrol d.d., Ljubljana, representing 8.27 percent of the issuer's share capital.

3.4 Holders of securities carrying special control rights

The Company did not issue any securities carrying special control rights.

3.5 Employee share scheme

The Company has no employee share schemes.

3.6 Restrictions on voting rights

There are no restrictions on voting rights.

3.7 Shareholder agreements potentially resulting in restrictions on the transfer of shares or voting rights

The Company is not aware of such agreements.

3.8 The Company's rules regarding

- **Appointment and replacement of members of management or supervisory bodies**

The president and other members of the Management Board are appointed and discharged by the Supervisory Board. Apart from the worker director, the Supervisory Board appoints Management Board members on the proposal of the president of the Management Board. Management Board members are appointed for a five-year term of office and may be re-appointed. On the proposal of the Human Resources and Management Board Evaluation Committee and according to its Rules of Procedure, the Supervisory Board determines general and specific criteria for selecting candidates for the president and members of the Management Board, at the same time laying down a framework for contracts concluded with Management Board members. The Supervisory Board also determines the weight of individual criteria that comprise the competence model of the president and members of the Management Board. The Human Resources and Management Board Evaluation Committee proposes to the Supervisory Board which method or a combination of methods to apply in order to find candidates for the president of the Management Board (personal invitations, job vacancy postings) and determines whether it is necessary to engage an external headhunting expert. The Human Resources and Management Board Evaluation Committee carefully checks the fulfilment of general and specific conditions required for the post of Management Board president or member and other conditions laid down in the Company's Articles of Association. The Committee also verifies the references stated in candidates' CVs, and conducts interviews. It puts together a selection of candidates for the president of the Management Board, conducts selection interviews and ranks them. Short-listed candidate or candidates for the president of the Management Board propose other Management Board members, with the Committee then checking the conditions and references of the proposed candidates. The Committee thereupon proceeds with the evaluation of the entire Management Board and negotiates with candidates the basic elements of their contracts. The candidate or candidates for the president of the Management Board and the proposed Management Board members together present the vision of the Company's development at a Supervisory Board meeting. After carrying out selection interviews, the Supervisory Board selects and appoints the president and members of the Management Board. If the Supervisory Board finds the candidates proposed by the candidate for the president of the Management Board (the proposed Management Board as a whole) unsuitable, the procedure is repeated.

The Supervisory Board reappoints the Management Board within one year before the term of office has expired, but it is customary for the reappointment to take place not later than three months before the expiry. If the Company's General Meeting passes a vote of no confidence in the Management Board, the Supervisory Board, convening immediately after the General Meeting, states its opinion concerning the recall of a

Management Board member. If the General Meeting does not grant the Management Board and/or Supervisory Board discharge from liability, the Supervisory Board is required to convene as soon as possible to identify the reasons for the discharge of liability not being granted. Without prejudice to the above, the Supervisory Board may recall the Management Board, for reasons stipulated by law, on its own discretion. The Supervisory Board is required to notify immediately the Management Board not fully fulfilling the tasks falling under its mandate of its findings and opinions and to set the shortest deadline possible to eliminate the identified shortcomings. If the Management Board fails to achieve the expected results by the set deadline, the Supervisory Board decides whether to recall individual members of the Management Board. The Supervisory Board may appoint one of its members as a temporary Management Board member to replace a missing or absent member of the Management Board for a period of not more than a year. Reappointment or extension of the term of office is permitted if the entire term of office is not extended by more than one year.

The Supervisory Board of the Company comprises nine members, of which six are elected by the Company's General Meeting with a majority vote of shareholders present and three by the Company Workers' Council. They are elected for a term of four years and may be re-elected when their term of office expires. A resolution on an early recall of the Supervisory Board members representing shareholders shall be adopted with a three-quarters majority of votes present at the General Meeting, while the conditions for the recall of the Supervisory Board members representing employees shall be determined by the Workers' Council in a general act.

• **Diversity Policy**

At its 21st meeting of 13 December 2018, the Supervisory Board adopted the Diversity Policy with regard to Representation in the Company's Management and Supervisory Bodies. On 31 December 2018, it was published in Slovene and in English on the Company's website (the full text of the Diversity Policy, including its goals and method of implementation, is available at https://www.petrol.si/sites/www.petrol.si/files/attachment/politika_raznolikosti_druzbe_petrol_d.d._ljubljana_-_december_2018.pdf (Slovene) and <https://www.petrol.eu/binaries/content/assets/skupina-petrol-eng/2018/reports/2018/diversity-policy-of-petrol-d.d.-ljubljana---december-2018.pdf> (English)). In view of the fact that the Diversity Policy was only adopted at the end of 2018, it was not yet possible to report on its results in 2018 and 2019 as no changes were planned to take place in management and supervisory bodies during this period. In October 2019, however, membership of both bodies changed unexpectedly when an agreement to end the terms of office of three Management Board members was signed. On 25 October 2019, Supervisory Board president Nada Drobne Popović became President of the Management Board ad interim, in accordance with Article 273 of the Companies Act. As a result, both bodies became wholly incompatible with the Diversity Policy when it comes to gender diversity. In the period up to the end of the financial year, the Management Board was run by three women and the Supervisory Board by eight men. The Supervisory Board set out to select and appoint a new Management Board immediately following the above changes and has aimed and will attempt to ensure appropriate gender balance at the beginning of the financial year, when a new Management Board is expected to be appointed. It is believed that the composition of the supervisory body can only be changed to a greater extent in 2021, when the terms of office of all Supervisory Board members come to an end. It should be noted that in 2019 the Supervisory Board joined the initiative to achieve voluntary 40/30 ♂♀ gender diversity by 2026 as proposed by the Slovene Directors' Association. Among other partners, the initiative was also supported by the Slovene Sovereign Holding and the Ljubljana Stock Exchange.

• **Amendments to the Articles of Association**

The General Meeting decides on amendments to the Articles of Association with a majority of three-quarters of share capital represented in the voting.

3.9 The powers of Management Board members, particularly in connection with own shares

The powers of Management Board members are laid down in section 5 below. At the 27th General Meeting, the Management Board was authorised to acquire own shares within 36 months of the adoption of the resolution. The authorisation specifies the largest number of own shares that may be acquired and other conditions for the acquisition as well as disposal conditions, including the exclusion of the shareholders' pre-emptive right upon disposing of own shares. The Notary's Minutes of the 27th General Meeting, which contain the full text of the resolution relating to the Management Board's authorisation, is available on the Company's website at <https://www.petrol.eu/binaries/content/assets/skupina-petrol-slo/2018/objave/2017/04/notarski-zapisnik-27.-seje-skupscine.pdf>.

3.10 Important agreements that enter into force, are amended or expire due to changes in the control over the Company resulting from a takeover bid

The Company is not aware of such agreements.

3.11 Agreements between the Company and the members of its management and supervisory bodies or employees which foresee compensation should such persons resign, be discharged without cause or have their employment relationship terminated due to a bid as defined in the Takeovers Act

In the event of resignation, Management Board members are not entitled to compensation, but they are entitled to it in the event of a recall and termination of their employment contract without cause.

3.12. Petrol d.d., Ljubljana has no subsidiaries falling within the scope of indent 4 of Article 70(3) of the Companies Act (ZGD-1).

3.13. The Petrol Group's activities include an activity listed in Article 70 ter of the Companies Act, specifically commercial exploitation of mineral resources (geothermal source), but the payments to the Republic of Slovenia did not exceed the amount laid down in Paragraph 2 of Article 70 ter in 2019.

4. Information on the workings of the General Meeting

As provided by the applicable legislation, specifically the Companies Act, the General Meeting is a body through which shareholders exercise their rights in respect of matters concerning the Company. The convening of General Meetings is governed by the Articles of Association, in conformity with applicable legislation. The General Meeting is convened at the request of the Management Board, at the request of the Supervisory Board, or at the request of the Company's shareholders who collectively represent at least five percent of the Company's share capital. The party requesting the convening of a General Meeting must submit to the Management Board an agenda for the General Meeting together with an explanation and justification of the purpose and reasons for convening the General Meeting. The Management Board calls a General Meeting of the Company's shareholders one month before the meeting takes place by publishing a notice via the Ljubljana Stock Exchange SEOnet information system, the AJ PES website and the Company's website. In the notice of the General Meeting, the Management Board specifies the time and place of the meeting, the bodies conducting the meeting, the agenda and proposed resolutions. At the General Meeting held on 18 April 2019, the Company's shareholders were presented with the annual report and the Supervisory

Board's report on the verification of the annual report for the financial year 2018, as well as with the remuneration of the members of management and supervisory bodies. They discussed and adopted a resolution on the distribution of accumulated profit and the granting of discharge from liability to the Management Board and the Supervisory Board for the year 2018, a resolution on the appointment of an auditor to audit the Company's financial report and review its business report for 2019, 2020 and 2021.

At the General Meeting held on 12 December 2019, shareholders were informed in more detail of the reasons for the early termination of terms of office of the President and members of the Management Board of Petrol d.d., Ljubljana, with an emphasis on the causes, grounds and consequences of the early termination of the above-mentioned terms of office and key elements of the early termination agreement concluded between the former Management Board and the Supervisory Board of Petrol d.d., Ljubljana. Following a request to add an item to the agenda and submission of counter-proposals, the shareholders also adopted a resolution to appoint the company BDO Revizija d.o.o., Cesta v Mestni log 1, Ljubljana, as a special auditor tasked with verifying the handling of transactions made in the period from 1 January 2015 to 24 October 2019. The scope of the audit is limited in terms of the amounts and the number of the transactions, and a written report needs to be drawn up not later than in eight months of the adoption of the resolution.

5. Information on the composition and workings of management and supervisory bodies

The company Petrol d.d., Ljubljana is managed using a two-tier system. The Company is led by the Management Board, which is supervised by the Supervisory Board. The management of the company Petrol d.d., Ljubljana is conducted in conformity with the law, Articles of Association as the Company's fundamental legal act, internal regulations, and established and generally accepted good business practices.

Workings of the Management Board

The Management Board of Petrol d.d., Ljubljana manages the Company independently and on its own responsibility, and represents and acts on behalf of the Company. According to the Company's Articles of Association, the Management Board is comprised of a president and other members and shall not have less than three and more than six members. The exact number of Management Board members, their sphere of duties and their powers are determined by a resolution adopted by the Supervisory Board at the proposal of the Management Board president. One of Management Board members is always a worker director, who only participates in decisions relating to human resources and social policy issues. As of 2017, however, following the amendments to the Articles of Association, the worker director is also authorised to jointly represent of the Company. In 2019 the Management Board was composed of four members until 24 October 2019 and of three members from 25 October 2019 until the end of the financial year. The Management Board discussed matters falling within its competence at 59 meetings. All decisions were adopted unanimously. In addition to holding formal meetings, the Management Board exercised the powers and responsibilities pertaining to its daily activities and to the General Meeting, as stipulated by the Companies Act. The activities concerning the Supervisory Board were carried out in accordance with the provisions of the Supervisory Board Rules of Procedure. The Management Board regularly reported to the Supervisory Board on the Company's operations and consulted it in connection with the Company's strategy, business development and risk management. Some of the Management Board's activities were also focused on collaboration with the Workers' Council and the representative trade union. Management Board members are appointed for a five-year term of office and may be re-appointed. The president of the Management Board and all Management Board members represent the Company in an independent and individual

capacity, except for the worker director, who may represent the Company together with another member or president of the Management Board. Legal representatives need an approval of the Supervisory Board to acquire or dispose of their own shares, or acquire, establish or dissolve companies and business units. Approval is also required for raising or granting loans that individually exceed five percent of the Company's total capital or for other individual capital investments exceeding five percent of total capital. They also need approval to grant a power of attorney and mortgages.

In 2019 there were changes in the composition of the Management Board of Petrol d.d., Ljubljana. Tomaž Berločnik, President of the Management Board, Rok Vodnik, Member of the Management Board, Igor Stebernak, Member of the Management Board, and Ika Krevzel Panič, Member of the Management Board/Worker Director, were members of the Management Board of Petrol d.d., Ljubljana until 24 October 2019. The terms of office of the first three of the above Management Board members ended through mutual agreement at the end of 24 October 2019. Nada Drobne Popović, President of Petrol d.d., Ljubljana Supervisory Board, took over as Management Board president ad interim until such time as a new Management Board was appointed. She has not acted as president/member of the Supervisory Board since that time. The Supervisory Board also appointed Danijela Ribarič Selaković, the then director of strategic risk management at Petrol d.d., Ljubljana, as a Management Board member. From and including 25 October 2019 to the end of the financial year, the Management Board had three members: Nada Drobne Popović, President of the Management Board, Danijela Ribarič Selaković, Member of the Management Board, and Ika Krevzel Panič, Member of the Management Board/Worker Director.

Members of the Management Board of Petrol d.d., Ljubljana, in 2019:

Tomaž Berločnik, President of the Management Board

Appointed for a first five-year term of office beginning on 1 February 2011 and ending on 31 January 2016, and re-appointed, in 2015, for a second five-year term of office beginning on 1 February 2016. His term of office ended through mutual agreement on 24 October 2019. In accordance with the Articles of Association, the president of the Management Board also holds a mandate to propose Management Board members. Born in 1968, he holds a bachelor degree in mechanical engineering and a master's degree in business administration. Fields of responsibility:

- Procurement and logistics
- Process support
- Point-of-sale management and development
- Technical support

Rok Vodnik, Member of the Management Board

Appointed for a first five-year term of office beginning on 30 August 2009 and re-appointed for a second five-year term of office beginning on 30 August 2014. At its 26th meeting of 26 January 2016, the Supervisory Board aligned his term of office with that of the president of the Management Board/mandatary, with his new five-year term of office now also beginning on 1 February 2016. His term of office ended through mutual agreement on 24 October 2019. Born in 1970, he holds a bachelor degree in electrical engineering and a master's degree in business administration. Fields of responsibility:

- Sales
- Trading
- Energy and environmental solution

Igor Stebernak, Member of the Management Board

Appointed for a five-year term of office beginning on 1 May 2015. At its 26th meeting of 26 January 2016, the Supervisory Board aligned his term of office with that of the president of the Management Board/mandatary, with his new five-year term of office now also beginning on 1 February 2016. His term of office ended through mutual agreement on 24

October 2019. Born in 1968, he holds a bachelor degree in electrical engineering. Fields of responsibility:

- Business support

Ika Krevzel Panič, Member of the Management Board/Worker Director

Appointed by the Supervisory Board as a worker director for a five-year term of office beginning on 11 December 2015. Born in 1974, she holds a bachelor degree in law. She participates in decisions relating to human resources and social policy issues, and may represent the Company together with another member or president of the Management Board. The worker director does not have a specific field of responsibility.

In the period from 25 October 2019 to 31 December 2019, the worker director Ika Krevzel Panič managed the Company as a Management Board member in addition to the two Management Board members indicated below.

Nada Drobne Popović, President of the Management Board ad interim

Nada Drobne Popović, President of Petrol d.d., Ljubljana Supervisory Board, took over as Management Board president ad interim until such time as a new Management Board was appointed. She has not acted as president/member of the Supervisory Board since that time. In accordance with Article 273 of the Companies Act, a member of the Supervisory Board may deputise for a missing member of the Management Board for a maximum period of one year. Born in 1975, she holds a master's degree in economics. Fields of responsibility:

- People, organisation and systems
- Finance, information and risks
- Informatics
- Management of energy products and energy
- Energy and Environmental solutions
- Innovative business models
- Internal audit

Danijela Ribarič Selaković, Member of the Management Board

On 25 October 2019, she was appointed as Member of the Management Board for a five-year term of office. Born in 1972, she holds a master's degree in economics. Fields of responsibility:

- Procurement and logistics
- Sales
- Point-of-sale management and development
- Investments and technology
- Corporate control and investigations

Responsibilities and composition of the Supervisory Board

In the two-tier management system, the Supervisory Board of Petrol d.d., Ljubljana fulfils its legally mandated responsibilities, i.e. to supervise the conduct of the Company's operations (including the selection and appointment of the Management Board) and carry out tasks related to the General Meeting's powers.

Under the Company's Articles of Association, the Supervisory Board of the company Petrol d.d., Ljubljana comprises nine members. They are elected for a term of four years and may be re-elected when their term of office expires. The Supervisory Board elects its president and deputy president from among its members. The president and deputy president of the Supervisory Board are always shareholder representatives. The president of the Supervisory Board represents the Company in relation to the Management Board, and the Supervisory Board in relation to the Management Board and third parties,

unless specifically determined otherwise. The president of the Supervisory Board also represents the Company in relation to the appointed external auditor.

The following committees were operational in 2019: the Audit Committee and the Human Resources and Management Board Evaluation Committee.

Members of the Supervisory Board of Petrol d.d., Ljubljana were as follows in 2019:

Nada Drobne Popović, shareholder representative

President of the Supervisory Board

Finance Director at SIJ ACRONI d.o.o. until appointed as Management Board President ad interim on 25 October 2019. Appointed for a four-year term of office beginning on 11 April 2017 at the 27th General Meeting of 10 April 2017. She served as President of the Supervisory Board from the inaugural meeting of 22 April 2017 up to her appointment as Management Board President ad interim on 25 October 2019.

Sašo Berger, shareholder representative

Deputy President of the Supervisory Board

President of the Management Board of S&T Slovenija d.d. Appointed for a four-year term of office beginning on 11 April 2017 at the 27th General Meeting of 10 April 2017. He has served as Deputy President of the Supervisory Board since the inaugural meeting of 22 April 2017.

Mladen Kaliterna, shareholder representative

Member of the Supervisory Board

Executive director of Perspektiva FT d.o.o. Ljubljana. Appointed for a four-year term of office beginning on 16 July 2013 at the 23rd General Meeting of 4 April 2013, and reappointed at the 27th General Meeting of 10 April 2017, with his four-year term of office beginning on 16 July 2017.

Metod Podkrižnik, shareholder representative

Member of the Supervisory Board

Member of the Management Board of Luka Koper d.d. Appointed for a four-year term of office beginning on 11 April 2017 at the 27th General Meeting of 10 April 2017.

Sergej Goriup, shareholder representative

Member of the Supervisory Board

Independent solicitor. Appointed for a four-year term of office beginning on 11 April 2017 at the 27th General Meeting of 10 April 2017.

Igo Gruden, shareholder representative

Member of the Supervisory Board

Director of Credit Management and Workout at Bank Assets Management Company. Appointed for a four-year term of office beginning on 7 April 2013 at the 23rd General Meeting of 4 April 2013, and reappointed at the 27th General Meeting of 10 April 2017, with his four-year term of office beginning on 11 April 2017.

Zoran Gračner, employee representative

Member of the Supervisory Board

Petrol d.d., Ljubljana, organisational unit Energy and Environmental Solutions in the Public and Commercial Sector Appointed for a four-year term of office beginning on 22 February 2013 at the 3rd Workers' Council meeting of 4 February 2013, and reappointed for another four-year term of office beginning on 22 February 2017 at the 3rd Workers'

Council meeting of 27 January 2017.

Alen Mihelčič, employee representative

Member of the Supervisory Board

Petrol d.d., Ljubljana, Head of Wholesale Development Appointed for a four-year term of office beginning on 22 February 2017 at the 3rd Workers' Council meeting of 27 January 2017.

Robert Ravnikar, employee representative

Member of the Supervisory Board

Petrol d.d., Ljubljana, Point of Sales manager. Appointed for a four-year term of office beginning on 22 February 2017 at the 3rd Workers' Council meeting of 27 January 2017.

The Supervisory Board had two standing committees in 2019: the statutory Audit Committee and the Human Resources and Management Board Evaluation Committee.

The Audit Committee was composed of the following members in 2019:

- Mladen Kaliterna, committee president
- Metod Podkrižnik, committee member
- Igo Gruden, committee member
- Zoran Gračner, committee member
- Janez Pušnik, external committee member

The Human Resources and Management Board Evaluation Committee was composed of the following members until 24 October 2019:

- Sašo Berger, committee president
- Nada Drobne Popović, committee member
- Sergij Goriup, committee member
- Alen Mihelčič, committee member
- Robert Ravnikar, committee member

From 25 October 2019 to 31 December 2019, it was composed of the following members:

- Sergij Goriup, committee president
- Sašo Berger, committee member
- Igo Gruden, committee member
- Alen Mihelčič, committee member
- Robert Ravnikar, committee member

Remuneration policy for members of management and supervisory bodies

In accordance with Article 294(5) of the Companies Act (ZGD-1), the Company shall disclose the remuneration policy for members of management and supervisory bodies. This report discloses nominal amounts received in the financial year 2019 by each Management Board member and each Supervisory Board member. The information on fixed and variable remuneration of Management Board members and the ratios are also disclosed. The remuneration policy for Management Board members is set by the Supervisory Board. The remuneration policy for the Management Board member who is also the worker director and the legal representative authorised to represent the Company only together with another member of the Management Board and, in accordance with a Supervisory Board's resolution, does not have a specific field of responsibility is set in the Workers' Participation in Management Agreement concluded by the Management Board and the Workers' Council on 7 October 1997. The variable part of the remuneration of the Management Board member who is also the worker director is adjusted to the applicable multiple of the monthly salary which is determined by the Supervisory Board for the other members of the Management Board, meaning that the worker director is paid the same multiple of the average monthly gross salary of Company employees.

As stated above, the remuneration policy for the remaining members of the Management Board is defined by the Supervisory Board:

- the members of the Management Board receive the fixed part of the remuneration based on an agreement concluded with the Supervisory Board;
- the basis for the payment of the variable part is set out in the Rules on Performance-related Remuneration of the Management Board, which were conceived so that the input elements for calculating the variable part of the remuneration, both in quantitative and qualitative part, depend on the fulfilment of the commitments (results) made by the Management Board upon the adoption of the Petrol Group's Business Plan and Key Targets for each year.

The remuneration policy for Supervisory Board members is determined by the General Meeting of the Company: At the 29th General Meeting, which was held in 2019, a resolution was adopted that laid down the remuneration of Supervisory Board members. The full text of the resolution is set out in the announcement of the General Meeting resolutions, which is available at: <https://www.petrol.eu/binaries/content/assets/skupina-petrol-slo/2018/objave/2019/04/resolutions-29th-general-meeting-petrol.pdf>.

APPENDIX C: Composition and remuneration of the management and supervisory boards

C.1: Composition of the Management Board in the financial year 2019

Name and Surname (gender, nationality, year of birth)	Function (president, member)	Area of work in the Management Board	First appoint- ment to the office	Termination of office/mandate	Education	Professional profile	Membership of supervisory bodies of non-related companies
Nada Drobne Popović female, Slovene, 1975	President of the Management Board ad interim	People, organisation and systems, Finance, informa- tion and risks, Informatics, Management of energy products and energy, Energy and Environmental solutions, Innovative business models, Internal audit	25 October 2019	24 October 2020 at the latest	Master of Science, School of Government and European Studies, Brdo pri Kranju	All-round mana- gement compe- tences, including management of equity investments	/
Danijela Ribarič Selaković female, Slovene, 1972	Member of the Management Board	Procurement and logistics, Sales, Point-of-sale mana- gement and development, Investments and technology, Corporate control and investigations	25 October 2019	Until 24 October 2024	Master of Economic Sciences	All-round management competences, especially sales and finance	/
Ika Krevzel Panič female, Slovene, 1974	Member of the Management Board and Wor- ker Director	The worker director does not have a specific field of responsibility.	11 December 2015	10 December 2020	Bachelor of Law	Corporate and civil law	/
Tomaž Berločnik male, Slovene, 1968	President of the Management Board	Procurement and logistics, process support, point-of- sale management and development, technical support	1 February 2011	24 October 2019	Bachelor of Mechanical Engineering and Master of Business Administration	All-round manage- ment competences	/
Rok Vodnik male, Slovene, 1970	Member of the Management Board	Sales, trading, Energy and Environmental solutions	30 August 2009	24 October 2019	Bachelor of Electri- cal Engineering and Master of Business Administration	All-round manage- ment competences	MDS IT inovativne tehnologije d.d. – member of the Supervisory Board
Igor Stebernak male, Slovene, 1968	Member of the Management Board	Business support	1 May 2015	24 October 2019	Bachelor of Electri- cal Engineering	Finance, IT, risks	Zavarovalnica Triglav d.d. – president of the Supervisory Board

C.2: Composition of the Supervisory Board and committees in the financial year 2019

Name and Surname (gender, nationality, year of birth)	Function (president, deputy president, member)	First appointment to the office	Termination of office/mandate	Shareholder/employee representative	Attendance at SB meetings according to the total number of meetings	Education
Nada Drobne Popović female, Slovene, 1975	President of the Supervisory Board	10 April 2017	10 April 2021; appointed as President of the Management Board ad interim in accordance with Article 273 of the Companies Act (for a maximum of one year) on 25 October 2019. Not active as Supervisory Board member during this time.	Shareholder representative	At 8 meetings	Master of Science, School of Government and European Studies, Brdo pri Kranju
Sašo Berger male, Slovene, 1966	Deputy President of the Supervisory Board, who took over the duties of President of the Supervisory Board on 25 October 2019 when the latter was appointed as President of the Management Board ad interim (has been receiving remuneration for the performance of office of president since then)	10 April 2017	10 April 2021	Shareholder representative	At all 15 meetings	Bachelor of Economics
Mladen Kaliterna male, Slovene, 1967	Member of the Supervisory Board	4 April 2013	15 July 2021	Shareholder representative	At all 15 meetings	Master of Business Administration
Metod Podkrižnik male, Slovene, 1971	Member of the Supervisory Board	10 April 2017	10 April 2021	Shareholder representative	At 14 meetings	Master of Economic Sciences
Sergij Goriup male, Slovene, 1955	Member of the Supervisory Board	10 April 2017	10 April 2021	Shareholder representative	At all 15 meetings	Bachelor of Law
Igo Gruden male, Slovene, 1972	Member of the Supervisory Board	4 April 2013	10 April 2021	Shareholder representative	At all 15 meetings	Bachelor of Mechanical Engineering
Zoran Gračner male, Slovene, 1970	Member of the Supervisory Board	4 February 2013	21 February 2021	Employee representative	At all 15 meetings	Master of Business Administration
Alen Mihelčič male, Slovene, 1975	Member of the Supervisory Board	27 January 2017	21 February 2021	Employee representative	At all 15 meetings	Bachelor of Economics
Robert Ravnikar male, Slovene, 1979	Member of the Supervisory Board	27 January 2017	21 February 2021	Employee representative	At all 15 meetings	Bachelor of Economics

External committee member (audit, HR, remuneration, etc.)

Name and Surname (gender, nationality, year of birth)	Committee	Attendance at committee meetings according to the total number of committee meetings	Education	Professional profile	Membership of supervisory bodies of non-related companies
Janez Pušnik male, Slovene, 1970	Audit Committee	At all 7 meetings	Master of Business Administration	Court expert witness for economics, specifically business valuation and accounting, certified appraiser	/

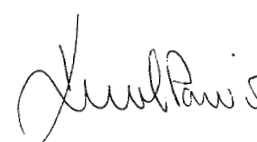
Appendices C. 3 and C. 4 are included in the financial section of the Annual report.



Nada Drobne Popović
President of Management Board



Danijela Ribarič Selaković
Member of Management Board



Ika Krevzel Panič
Member of Management Board,
Worker Director

Ljubljana, 9 March 2020

Professional profile	Independence according to Article 23 of the Code (YES/NO)	Existence of a conflict of interest in the financial year (YES/NO)	Membership of supervisory bodies of other companies	Membership of committees (audit, HR, remuneration, etc.)	President/member	Attendance at committee meetings according to the total number of committee meetings
Management of equity investments	YES	NO	/	Human Resources and Management Board Evaluation Committee	Member of the committee until 24 October 2019	First two meetings
Monetary matters, finance, IT	YES	NO	/	Human Resources and Management Board Evaluation Committee	President of the committee until 24 October 2019	At all 6 meetings
Management of investments and group companies	YES	NO	VIZIJA HOLDING ENA, k.d.d. – member of the Supervisory Board and VIZIJA HOLDING, k.d.d. – member of the Supervisory Board; the term ended in January 2020 due to change of the companies' legal status	Audit Committee	President of the committee in 2019	At all 7 meetings
Energy, logistics, procurement	YES	NO		Audit Committee	Member of the committee in 2019	At 6 meetings
Attorneyship	YES	NO	STH VENTURES, družba tveganega kapitala, d.o.o., Ljubljana – President of the Supervisory Board and Zatvoreni investicioni Fond sa javnom ponudom "FORTUNA FOND", d.d., Cazin – President of the Supervisory Board	Human Resources and Management Board Evaluation Committee	Member of the committee until 24 October 2019 and president of the committee since 25 October 2019	At all 6 meetings
Banking and asset management	YES	NO	Hranilnica Lon d.d., Kranj – President of the Supervisory Board	Audit Committee and also the Human Resources and Management Board Evaluation Committee since 25 October 2019	Member of the committees in 2019	At all 7 meetings of the Audit Committee and at 4 meetings of the Human Resources and Management Board Evaluation Committee
Energy	YES	NO	/	Audit Committee	Member of the committee in 2019	At all 7 meetings
Commercial operations	YES	NO	/	Human Resources and Management Board Evaluation Committee	Member of the committee in 2019	At all 6 meetings
Sales	YES	NO	/	Human Resources and Management Board Evaluation Committee	Member of the committee in 2019	At all 6 meetings

Non-financial statement 2019

Pursuant to Articles 56(12) and 70 quater of the Companies Act (ZGD-1), Petrol d.d., Ljubljana hereby issues the Non-financial statement of the Petrol Group and Petrol d.d., Ljubljana.

Description of the Company's business model

The Petrol Group is a business concern consisting of the parent company Petrol d.d., Ljubljana and its subsidiaries, jointly controlled entities and associates located in the countries of Central and South Eastern Europe. Among the activities of the companies within the Group, the most significant is the sale of petroleum products, other energy products and merchandise (see Sales for more information). Petrol's development activities are focused on the introduction of new energy activities (see Energy and environmental solutions for more information), production of renewable electricity (see Production of renewable electricity for more information) and mobility (see Mobility for more information). The operations of the parent company and some of its subsidiaries encompass multiple areas, from sales to energy and environmental systems, with other companies focusing on a narrower range of business operations (see The Petrol Group for more information). Petrol Group companies are located in several European countries (see The Petrol Group in its region for a map). The sustainable development of the Petrol Group is based on the respect for the natural environment and partnership relations with the wider community (for more information, see Sustainable development) and on the Sustainability Report of the Petrol Group 2018 (<https://www.petrol.eu/investors/reports>) which is prepared in accordance with GRI standards.

Policies and due diligence, policy results, main risks and their management, key performance indicators

Environment

Policy

The policies defining our environmental impact are: the framework safety and security policy, the energy policy and the quality and environmental management policy. All three policies overlap in the course of operations, as they form an integral part of all processes at Petrol. The quality and environmental management policy lays down our environmental protection efforts. Environmental protection is integrated in all levels of operations of Petrol d.d., Ljubljana. Petrol's environmental management system complies with the requirements of the international standard ISO 14001 and is an integral part of Petrol's development plan (see Quality control for a list of certificates by company). All Petrol's employees are responsible to ensure consistent compliance with the requirements, while the Company's Management Board guarantees that these requirements can actually be met and that our fundamental environmental goals can be achieved.

In the field of environmental management the Petrol Group has committed itself to four fundamental goals:

1. To keep all storage facilities, service stations and other buildings up-to-date with current and foreseen environmental standards and guidelines;
2. To reduce emissions of hazardous substances to the minimum;
3. To use natural resources economically;
4. To prevent accidents and reduce the possibility of accidents as much as possible.

Depending on the activities taking place at different sites, Petrol d.d., Ljubljana has obtained several environmental permits. It has valid environmental permits for all SEVESO plants posing a higher or lower risk to the environment, and all provision laid down in the permits are strictly implemented.

The energy policy obliges us to establish control over the use of energy and water necessary for the provision of our services. At Petrol, we are committed to continuously optimise our business efficiency and reduce the costs of energy and water, while also reducing our environmental impact and consequently the greenhouse gas emissions. Through its energy policy, Petrol aims for responsible and efficient energy use and water saving in connection with all its property, plant and equipment, which is also reflected in a smaller environmental footprint. Energy management and operations as well as water saving are given a prominent role, and we follow the example of the best and most cost-effective practices. Our aim is to reduce the costs of energy and water in comparison to the revenue generated. This way we want to obtain competitive advantage in the sector.

Due to the strategic importance of products and services related to oil and merchandise sales, ensuring the safety, security and continuity of business is one of the key principles of the Petrol Group's business. This principle is being realised through the implementation and operation of the integrated safety and security system, which stands for a comprehensive, all-encompassing safety and security system in which the synergy between individual safety and security areas and within the areas of safety and security (safety and security processes) needs to be ensured in connection with other business processes.

The framework safety and security policy includes the following areas:

1. Occupational safety and health
2. Fire safety
3. Physical and technical protection of people and property
4. Environmental protection
5. Safe handling of chemicals and safety while transporting dangerous substances by road, rail or sea
6. Protection of classified information and trade secrets
7. Information security

Due diligence

Environmental due diligence is carried out as an integral part of the environmental management system. This includes the energy aspect and the safety and security aspect, since Petrol applies a broad notion of environment. In the scope of every process an annual activity report is drawn up, including also environmental content (monitoring results, inspection results, execution of environmental projects, compliance). The Company's management reviews the reports and discusses them at the management review of the quality and environmental management system. The management review also covers the environmental policy and addresses the results of internal audits. The management review leads to the conclusions referring to the changes in the environmental management system, the continuous improvement of the system and the opportunities for better integration of the environmental management system into the processes of the Company.

Main risks and their management

Risks related to environmental protection are managed by the Petrol Group through the framework safety and security policy of the Group, the compliance system and the elementary (implementing) safety, security and environmental subpolicies/systems (e.g. the safety and security management system under the SEVESO Directive, which applies to all SEVESO establishments managed by the Petrol Group).

The key risks are related to ensuring process safety, which when handling dangerous substances implies comprehensive protection of people, the environment and property in the narrow and broad sense. Process safety defines the areas of occupational safety and health, environmental protection (air, water, soil, noise, radiation), safety culture, handling and manipulation of hazardous and non-hazardous chemicals, fire protection, inspection supervision and other areas.

The above is provided:

- through compliance with the applicable legislation relating to safety, environment, security, protection and rescue;
- through consistent implementation of the instructions, warnings and regulatory arrangements laid down by respective administrative bodies in the relevant areas of safety, security and the environment;
- by taking into account national programmes in the field of environmental protection, protection against natural and other disasters, occupational health and safety, road safety and other areas of safety;
- through the effective security and protection of the Petrol Group in terms of safety, security and rescue;
- through the organisation, powers and responsibilities of employees to provide for control over the operation of establishments from a technical, safety and security point of view;
- through instructions, procedures and arrangements for the access of third parties to establishments;
- through instructions, procedures and arrangements for the implementation of hazardous works at the establishments;
- by managing the operation from the point of view of controls, monitoring and audits;
- by defining and evaluating the risk of major disasters and measures to mitigate their consequences;
- by managing changes from a technical, safety and security point of view;
- by managing extraordinary events, including the examination of events and action plans to prevent recurrence (i.e. LFI – learning from incidents);
- by verifying and evaluating the risks and environmental aspects that serve as a basis for planning safety and security measures in individual areas of safety and security;
- through operations compliant with the ISO 9001:2015 standard (quality management), the 14001:2015 standard (environmental management) and the occupational health and safety standards;
- by ensuring the quality of products and services.

High levels of competence and awareness among the employees are of key importance for a successful implementation of the safety and security system. Therefore, the Petrol Group continuously carries out training in accordance with the training programme and plan. The training covers the following areas: occupational health and safety, hazardous chemicals handling, transport of dangerous goods, fire safety, anti-explosion protection, environmental protection, the SEVESO plant safety management system, information security, etc.

Key performance indicators

The Petrol Group was the first energy company in Slovenia to commit itself to sustainable development. We perceive our role in fulfilling this strategic commitment as twofold. On the one hand, we pursue our core business with a high level of responsibility towards the natural and social environment and on the other hand we are actively promoting a sustainable transformation of the wider society through our business programmes and products.

In addition to optimising the environmental footprint of Petrol's own activities, we help our partners reduce their energy, carbon, water and material footprint with our business products. Every two years we prepare a standalone sustainability report stating the indicators according to the GRI-4 Guidelines (Petrol d.d., Ljubljana published the 2018 Sustainability Report of the Petrol Group in 2019). The content of the sustainability report is determined on the basis of three criteria: relevance, the integrity of key indicators of sustainable development management and the sustainability context. The criterion of relevance means that the content of the report shall be narrowed down to the most relevant areas of interest defined based on the matrix of key stakeholders and the sustainable development strategy of Petrol Group. We selected those that influence our sustainability footprint the most. Through sustainability indicators, which are used to measure our performance, we

obtained additional leverage for long-term sustainable development management in new areas defined as our strategic goal. Because we conform our sustainability performance to the life cycle philosophy (LCA), the key indicators of our sustainability performance also include those concerning our suppliers and customers. We will continue the orientation of spreading sustainable impact because our sustainability performance gradually influences the sustainable transformation of a wider society. The sustainability report gives an analysis of the present and, where relevant, a comparison with past trends, while at the same time also being forward-looking. We realise that sustainable development is not a goal but merely a path, so our path is carefully recorded and assessed in three time dimensions. Reporting is transparent and accurate as per the data currently available to the Petrol Group.

The environmental aspects of our sustainable development are measured and managed through indicators that reflect the environmental footprint of our own activities (service stations, storage facilities for petroleum products and liquefied petroleum gas (LPG), treatment plants, the biogas plant, office buildings, etc.), and through indicators that reflect the contribution of our activities towards a smaller environmental footprint of other parts of the wider society. The monitoring of wastewaters, air emissions, noise sources, leak detection in reservoirs and fuel quality is carried out on a regular basis. We also monitor the treatment of biodegradable waste and waste assessment. To monitor the functioning and management of biological processes in treatment plants and the biogas plant, we perform daily measurements of individual parameters, which ensure successful process control and the possibility of reducing environmental burden. Our strategic sustainability indicators are measured and managed annually. The assessment of environmental aspects is carried out by professionals from different fields within the Petrol Group. The assessment takes place at least every three years or when significant legislation or environmental policy changes occur, or when the opinion of the interested public has changed. We work closely with our suppliers and contractual partners in dealing with significant environmental aspects and indicators (for more information, see Protection of the environment and the 2018 Sustainability Report of the Petrol Group which was published by Petrol d.d., Ljubljana in June 2019).

Social and human resources matters and the protection of human rights

Policy

In the Petrol Group, social responsibility is perceived as a lasting commitment to work together with the environment in which we operate. Supporting and helping our environment is embedded in our long-term growth strategy. Caring for social and environmental issues and offering help in solving social problems is part of the Petrol Group's operations and its wider social activities. Our responsible social attitude is demonstrated through the support we provide to a number of sports, arts, humanitarian and environmental projects. We help wider social and local communities achieve a dynamic and healthier lifestyle and, through this, better quality of life.

The Petrol Group is one of the biggest employers in Slovenia and in the region. The HR strategy is an important part the Group's development strategy. Successful, motivated, committed and loyal employees are the heart of the Petrol Group and its future. The far-reaching vision, with which we address several main challenges of the modern society, and ambitious business plans require comprehensive human resources management. This includes a well thought-out recruitment policy, caring for the development and training of staff, team work, an effective system of employee remuneration and promotion, monitoring satisfaction and commitment, and caring for the safety and health of employees.

The cornerstone of our work is equal opportunities for all. We respect human rights which are recognised by internationally established principles and guidelines, including the European Convention for the Protection of Human Rights and Fundamental Freedoms and the United Nations Declaration on Human Rights. We comply with legal and human rights

standards in all countries where we operate. This is our guide in business relationships with customers, suppliers and employees. We ensure an ethical attitude towards employees and our wider environment. During the selection and recruitment process, all candidates are given equal treatment irrespective of sex, age or other circumstances (ethnicity, race, religious beliefs and other cultural differences). The Petrol Group has employees whose rights are recognised based on their disability. We are a family- and employee-friendly company. The rights and duties of employees of Petrol d.d., Ljubljana are regulated in the Corporate Collective Agreement.

Due diligence

At Petrol, we are aware of the importance of social dialogue and cooperation with social partners. When adopting regulations governing the rights, obligations and responsibilities of employees, we organise joint consultations and co-decision making with the Workers' Council or the Trade Union, in accordance with the applicable legislation and other general regulations. The Trade Union of the Petrol Group and the Service Station Workers' Union include over 1,300 employees. Employees in subsidiaries are also members of other trade unions. The Workers' Council of Petrol d.d., Ljubljana has three standing committees (Committee for Status and Personnel Matters, Committee for Occupational Safety and Health Matters and Trade Union Cooperation Committee) comprising 13 members representing all organisational units.

The Worker Director, as a member of the Management Board, participates in decision-making in connection with issues relating to the formulation of personnel and social policy. The Supervisory Board of Petrol d.d., Ljubljana includes three employee representatives, who are elected by the Workers' Council.

Preventive and periodical medical examinations are carried out within the scope of ensuring health and safety at work. We also regularly educate and provide technical training to staff to ensure they work safely. In addition, the project "Healthy at Petrol" comprises programmes designed for preventive and curative measures and health promotion in the workplace. We also ensure the safety of work and appropriate professional qualification of our external colleagues by carrying out various technical programmes designed for them in the area of occupational safety. We lay down procedures relating to violence committed by third parties and we inform employees occupying higher-risk workplaces thereof.

Good health is a precondition for quality and success in life and at work. Through our Healthy at Petrol programme, we enable our staff to take part in different activities. The programme is mainly aimed at providing for a safe and stimulating working environment, raising the awareness of staff about the importance of remaining healthy and distributing knowledge about a safe and healthy lifestyle at work which can then be reflected also in personal lifestyles. Promoting a healthy lifestyle of our staff and taking ownership of our own health can prevent various chronic illnesses that are usually the result of an individual's lifestyle (e.g. cardiovascular, respiratory and intestinal disease, obesity, cancer, early onset of dementia, osteoporosis). It can also improve the quality of life in old age.

Main risks and their management

No major risks are identified as regards Petrol's relations with the wider social environment from the point of view of support to different stakeholders. Through perfected processes of cooperation and allocation of funds to different stakeholder groups we ensure that such cooperation with the wider society is congruent with the legislation and the ethical principles of the Petrol Group. Risks related to human resources may arise in relation to the lack of required knowledge, skills, experience and motivation of employees, and the unwanted turnover of key personnel. In order to prevent, eliminate and manage cases of violence, mobbing, harassment and other forms of psychosocial risk at work, the Petrol Group adopted the Code of Conduct, which is handed to every employee,

who thus becomes acquainted with Petrol's values and principles that commit us to respect the ethical and professional standards. In the scope of the periodic organisational climate measurement and other internal surveys, the employees can express their opinion and draw attention to any irregularities. Management risks can lead to the risks of managerial competencies, disruptions in communication with employees, inadequate authorisation and limitation, risks of unrealistic, subjective and infeasible benchmarks. Management risks are controlled through the regular measurement of organisational climate and employee satisfaction and commitment across the Petrol Group, the system of annual and quarterly interviews, the assessment of skills and leadership, the measurement of the quality of internal services and the adopted human resources strategy. We have introduced a system of mentoring and coaching, the main purpose of which is the transfer of good practices, knowledge, skills, values and experience. Petrol's Business Academy is where talents develop. We also have a modular training system for leaders and managers.

The management of risks of fraud and other illegal acts is split into two subgroups that are subject to individual assessment, i.e. the risk of criminal offences/fraud and the corporate integrity risk. The risks of criminal offences/fraud include fraud committed by management, illegal acts, fraud, theft, abuse of employees and third persons, unauthorised use of resources, intentional damage and violent illegal acts. The management of the risk of criminal offences/fraud requires constant supervision and control. The risk of corporate integrity breach refers to the incompatibility of the Company's operations with the law, Petrol's Code of Conduct, other rules, applicable recommendations, internal regulations, good business practices and ethical principles. The management of this risk includes the application of the compliance system (Rules on the Functioning of the Compliance Assurance System). Petrol is exposed to a higher risk of fraud due to the nature of its operations, which include point of sales operations involving cash registers and the selling of petroleum products. Pursuant to the Code of Conduct and internal regulations, a zero tolerance policy to fraud has been adopted within the Petrol Group. In charge of the comprehensive management of the risk of fraud is a task force that has put together a fraud register, assessed the risk of certain acts of fraud being committed, catalogued existing preventive and remedial checks, and drew up actions for the containment of fraud. The responsibility to detect and investigate fraud within the Petrol Group is in the hands of Corporate Operations Control and Investigations, a professional service consisting of a qualified team of investigators. Risks related to the respect for human rights can emerge both within the Company as well as in its relations with external stakeholders. These risks are managed by adhering to applicable regulations.

Key performance indicators

The regular measurement of organisational climate and employee satisfaction and commitment at Petrol is used to measure progress, build relationships, ensure proper communication and management of employees. We recognise our own strengths and areas where there is room for improvement. The organisational climate is good and stable, and employees of the Petrol Group are satisfied. In recent years, we have improved existing and introduced additional management and development systems, which helped us to greatly improve this area.

The Petrol Group systematically and routinely provides for the development and education of all employees. We provide various ways for employees to acquire expertise, skills and work experience. Fifty-nine percent of the Petrol Group employees are male and 41 percent are female. Over the years, the structure has been gradually improving in favour of women, whose share has grown by an average of 1 percentage point per year since 2003. The gender balance differs across companies depending on the activity of each company.

In 2017 we received special acknowledgement for expanding the culture of a family-friendly enterprise, and we continued this practice also in 2019. We have been involved in the certification process for over ten years and we successfully passed the second final audit by an external audit council. We successfully implemented all the planned measures to facilitate the balance between work and private obligations. In 2018 Petrol also received the Age Friendly Employer Award – Ageing Still Means Engaging.

In 2019 Petrol received the Respected Employer award and was ranked first in the Energy Industry category.

In note 6.6 (Labour costs) of the financial report we have disclosed the receipts of the employees of the Petrol Group and Petrol d.d., Ljubljana, whereas the receipts of employees at third-party managed service stations are included in the item Costs of service station managers under note 6.5 Costs of services. Added value per employee in the Petrol Group is presented in chapter Business highlights of 2019 (for more information, see chapters Employees and Risk management in the Petrol Group, and the 2018 Sustainability Report of the Petrol Group which was published by Petrol d.d., Ljubljana in 2019).

Fight against corruption and bribery

Policy

Petrol is a signatory and ambassador of the Slovene Corporate Integrity Guidelines. In the pursuit of its work, it abides by high standards of business ethics and builds corporate culture promoting lawful, transparent and ethical conduct and decision-making by all staff.

Due diligence

Petrol's Code of Conduct contains provisions on fair and transparent operations and the prevention of bribery and corruption. Every employee receives the Code in physical form. The Code is also published on the intranet and on the web. Petrol has adopted rules on ensuring compliance of operations.

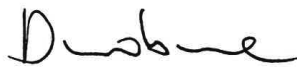
Petrol d.d., Ljubljana has appointed three corporate integrity officers. They are appointed by the Company's Management Board with the approval of the Supervisory Board. Among other responsibilities, they provide expert assistance and explanations to employees. We have set up lines for reporting fraud and other violations both internally (kodeks@petrol.si) (https://www.petrol.eu/binaries/content/assets/skupina-petrol-slo/2018/pages/trajnostni-razvoj/zaposleni/korporativna-integriteta/petrol_kodeks_2012--1.pdf) and externally through a web link (<https://www2.deloitte.com/si/en/pages/about-deloitte/articles/wbl-index.html>) and via the telephone number 080 13 95. Before concluding a (sales/purchase) transaction we obtain information from business partners using the "Know Your Client" (KYC) questionnaire whenever possible, on the basis of which we conduct a due diligence of the business partner. Obtaining data that forms an integral part of the questionnaire is a requirement under the provisions of the Prevention of Money Laundering and Terrorist Financing Act. We have adopted the Rules on conducting operations control and investigations in the Petrol Group. The purpose of the Rules is to determine actions and steps to be taken in operations control and when conducting investigations, and to establish an effective system of ensuring the integrity of the Company. The procedures for controlling operations and conducting investigations are aimed at quickly identifying and detecting violations as well as at establishing mechanisms for appropriate actions (sanctioning), enabling the Petrol Group to operate and conduct business in accordance with moral, legal and ethical principles. In the event of a suspected violation, procedures are initiated under a specific protocol. The implementation of supervision and investigation procedures in Petrol is carried out through the organisational unit Corporate Operations Control and Investigations. Special emphasis is on the protection of bona fide whistleblowers. An internal audit of the corporate integrity risk management process was carried out, the results of which were also presented in the internal bulletin.

Main risks and their management

The risks in the area of corruption and bribery could arise at all levels of Petrol's business; both among employees at the points of sale as well as with executive and other staff in different areas of business. In view of the above, risk-mitigating control mechanisms have been embedded in processes, for instance the publication of the Code of Conduct, regular communication about the Code and corporate integrity within Petrol, anti-corruption clauses in agreements with business partners, mandatory KYC procedures. Employees of the Petrol Group are also regularly trained in this field.

Key performance indicators

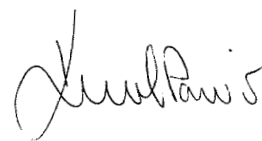
The Petrol Group has a zero tolerance policy towards criminal offences committed with intent.



Nada Drobne Popović
President of Management Board



Danijela Ribarič Selaković
Member of Management Board



Ika Krevzel Panić
Member of Management Board,
Worker Director

Ljubljana, 9 March 2020

Analysis of business performance in 2019

The operations of the Petrol Group involve and are intertwined with two very demanding industries – energy and trade. Operations take place in a competitive environment influenced by oil price fluctuations, global and domestic economic developments, and national laws governing the pricing of energy products. The price of crude oil and exposure to foreign exchange risks thus have a significant impact on the Petrol Group's operations. In 2019 Petrol witnessed intense activity in the oil markets. Oil prices per barrel ranged from USD 53.2 to USD 74.7 in 2019. The average price of crude oil stood at USD 64.2 per barrel in 2019, down 10 percent year-on-year. While the petroleum product pricing model passes the greater part of price and foreign exchange exposure – or changes in the US dollar to the euro exchange rate – on to the market, the remaining exposure is monitored on a regular basis and kept at bay by entering into derivatives contracts.

In 2019 we continued to employ measures to lessen the impact of economic conditions on our operations, such as:

- receivables and credit exposure to customers were subjected to tighter control;
- the amount of current operating assets was optimised, while the stocks of petroleum products were kept at levels that were still sufficient for the performance of business activities;
- credit lines were maintained with a number of banks in Slovenia and abroad, enabling Petrol to keep ensuring uninterrupted liquidity to the Petrol Group.

Sales revenue

In 2019 the Petrol Group generated EUR 4.4 billion in **sales revenue** or 1 percent more than in 2018, owing mostly to higher sales.

Previously, revenue from the sale of goods also comprised excise duties charged when making a sale and these used to be part of the cost of goods sold. After re-examining this method of presentation, it was determined that it is more appropriate to present revenue from the sale of goods and the cost of goods sold without excise duties. The main reason underlying this change was to ensure better comparability of the financial statements with other companies and the industry, which do not present excise duty as part of revenue. This allows for better analyses and comparisons. In the above examination, other factors determining the nature of the duty and appropriateness of its presentation were also considered: examination of the basis for calculations, the point when the duty is paid, possible changes in the selling prices if the duty changes, risks related to the value of goods inventories. Based on all of the above indicators and an analysis of presentation methods in comparable companies, it was determined that it is appropriate to present revenue from the sale of goods and the cost of goods sold without excise duties (for more details, see pages 170 through 172 of the Financial Report).

In 2019 the accounting policy for recognising realised commodity forward contracts for electricity sales was changed. In accordance with an IFRIC clarification, which became effective in March 2019, these contracts shall be recognised at fair value, whereas they used to be recognised at nominal amount before 2019. In commodity forward contracts, sales revenue and the cost of goods sold are recognised at fair value (for more details, see pages 170 through 172 of the Financial Report).

Adjusted gross profit

Adjusted gross profit from sales stood at EUR 472.9 million, an increase of 7 percent on the previous year. This was mainly the result of higher sales of petroleum products, liquefied petroleum gas and natural gas as well as of revenue from energy and environmental solutions.

Costs

Costs (in EUR)	2019	2018	2019/2018 Index
Costs of materials	29,066,046	30,106,197	97
Costs of services	142,645,358	145,787,380	98
Labour costs	103,688,725	91,215,283	114
Depreciation and amortisation	68,886,670	52,713,086	131
Other costs	1,975,769	14,490,611	14
Operating costs	346,262,568	334,312,557	104

The Petrol Group's **operating costs** totalled EUR 346.3 million in 2019, which was EUR 12.0 million or 4 percent more than in 2018.

The costs of materials totalled EUR 29.1 million in 2019, which was EUR 1.0 million or 3 percent less than in 2018. The costs of energy increased by EUR 1.2 million or 6 percent, with the costs of consumables dropping by EUR 2.2 million or 25 percent.

The costs of services totalled EUR 142.6 million and were down EUR 3.1 million or 2 percent from 2018.

- The most significant part of the costs of services were the fees charged by service station managers, which equalled EUR 35.1 million and were up EUR 0.4 million or 1 percent compared to the previous year. This was mainly due to higher sales and salary increases.
- The costs of transport services stood at EUR 31.5 million, which was EUR 0.3 million or 1 percent less than in the previous year.
- The costs of fixed-asset maintenance services totalled EUR 19.7 million, an increase of EUR 1.4 million or 8 percent from the previous year. This was mainly the result of higher building maintenance costs (Petrol's office building and service stations) and computer hardware maintenance costs.
- The costs of payment transactions and bank services amounted to EUR 10.9 million, which was EUR 1.4 million or 14 percent more than in the previous year. This was mainly due to growth in retail sales volume and more extensive payment card use.
- The costs of professional services stood at EUR 9.2 million in 2019, down EUR 1.2 million or 11 percent from 2018. This was the result of decreased costs of certain projects (ERP) and M&A projects.
- Amounting to EUR 8.8 million, the costs of fairs, advertising and entertainment rose by EUR 1.7 million or 23 percent compared to the previous year, due to an increase in advertising activities envisaged in the plan for 2019.
- Outsourcing costs stood at EUR 5.3 million and were up EUR 2.7 million relative to 2018, chiefly due to an increase in heat pump installations.
- The costs of insurance premiums totalled EUR 4.1 million, which was EUR 0.1 million or 2 percent less than in 2018.
- Rental costs totalled EUR 6.4 million and were down EUR 9.0 million or 58 percent from 2018 (effect of IFRS 16).
- The costs of environmental protection services totalled EUR 1.8 million in 2018, which was EUR 0.1 million or 5 percent more than in 2017.
- Other costs of services totalled EUR 4.4 million and were down EUR 0.5 million or 10 percent from 2018.

The depreciation and amortisation charge stood at EUR 68.9 million, an increase of 31 percent or EUR 16.2 million relative to 2018. This was mainly due to IFRS 16 implementation, which requires that most operating leases be recognised and measured according to the rules for finance leases, to an increase in the depreciation of computer and other equipment, and to the acquisition of Crodux plin d.o.o.

Labour costs totalled EUR 103.7 million and were up 14 percent or EUR 12.5 million. This was mainly due to an increase in the number of service stations, higher sales at service stations, salary increases and adjustments at service stations, and organic growth of business.

Other costs stood at EUR 2.0 million, which was EUR 12.5 million less than in 2018, owing to an increase in reversed provisions from previous years and lower write-downs than in 2018.

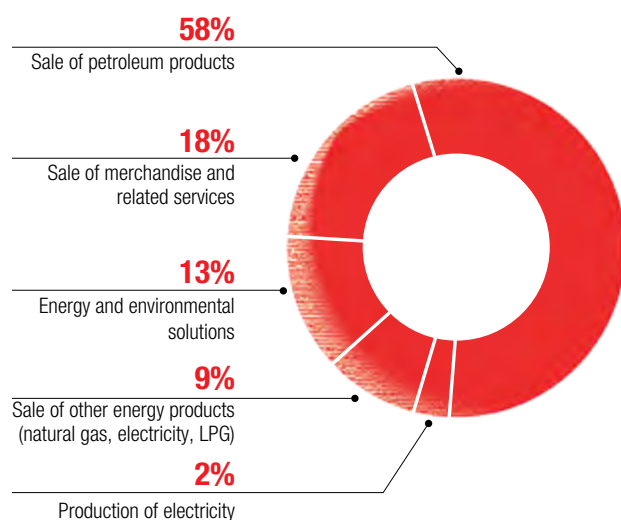
The Petrol Group uses derivative financial instruments (forward contracts and commodity swaps) when purchasing petroleum products and natural gas and trading in electricity. Before 2019, the effects of derivatives had been presented as part of other finance income or expense. In 2019, however, the Group changed the way it recognises the effects of those transactions; they are now recorded as other revenue or expenses, as part of operating profit or loss. For the sake of comparability, the data for 2018 are also corrected accordingly.

The change was made due to the fact that the above derivatives are an inherent part of operations and need to be considered together with the effects of commodity swaps, i.e. as part of operating profit or loss, as this constitutes one of the activities of the Petrol Group. The change of presentation is expected to improve the representability of information and the comparability of the Petrol Group's financial statements with those of other companies. These changes are presented in detail in the accounting part of the report at pages 170–172.

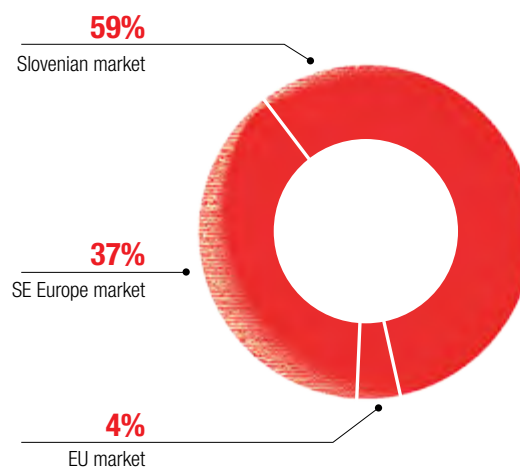
Other operating revenue stood at EUR 86.1 million, which was EUR 18.7 million more than in 2018. Gain on derivatives totalled EUR 80.0 million or 28 percent more than in 2018. **Other operating expenses** stood at EUR 84.7 million, which was EUR 37.5 million more than in 2018. Loss on derivatives stood at EUR 84.4 million, which was EUR 37.8 million more than in 2018.

Operating profit totalled EUR 128.1 million in 2019, which was on a par with 2018. **EBITDA** totalled EUR 196.5 million or 9 percent more than in 2018.

EBITDA OF THE PETROL GROUP BROKEN DOWN BY ACTIVITY



EBITDA OF THE PETROL GROUP BROKEN DOWN BY MARKET



In 2019 the **share of profit from equity accounted investees** increased by EUR 0.6 million relative to the previous year.

Net finance expenses of the Petrol Group stood at EUR 3.5 million, which was EUR 15.4 million less than the year before. In 2019 net gain on derivatives and foreign exchange differences was up EUR 3.6 million year-on-year. In 2019 the Petrol Group's allowances for operating receivables were down by EUR 5.9 million compared to 2018. There was no impairment of investments and of goodwill at the Petrol Group in 2019.

Pre-tax profit totalled EUR 127.1 million and was 14 percent higher than in 2018. **Net profit for the year 2019** stood at EUR 105.2 million, up 15 percent from 2018.

Financial position of the Petrol Group

STATEMENT OF FINANCIAL POSITION OF THE PETROL GROUP

(in EUR)	31 December 2019	31 December 2018	2019/2018 Index
ASSETS			
Intangible assets, property, plant and equipment, investment property	924,494,015	858,761,171	108
Investments in jointly controlled entities and associates	55,265,880	52,692,273	105
Right-of-use assets	71,538,949	0	-
Other non-current assets	27,170,498	26,489,986	103
Non-current (long-term) assets	1,078,469,342	937,943,430	115
Current assets	781,124,587	792,872,262	99
Total assets	1,859,593,929	1,730,815,692	107
EQUITY AND LIABILITIES			
Total equity	811,252,257	747,478,064	109
Financial liabilities	287,757,788	144,505,616	199
Lease liabilities	62,893,671	24,107	-
Operating liabilities	942,817	1,152,162	82
Other non-current liabilities	62,467,899	61,840,516	101
Non-current liabilities	414,062,175	207,522,401	200
Financial liabilities	38,983,796	212,350,212	18
Lease liabilities	9,718,871	0	-
Operating liabilities	552,151,273	523,858,709	105
Other current liabilities	33,425,557	39,606,306	84
Current liabilities	634,279,497	775,815,227	82
Total liabilities	1,048,341,672	983,337,628	107
Total equity and liabilities	1,859,593,929	1,730,815,692	107

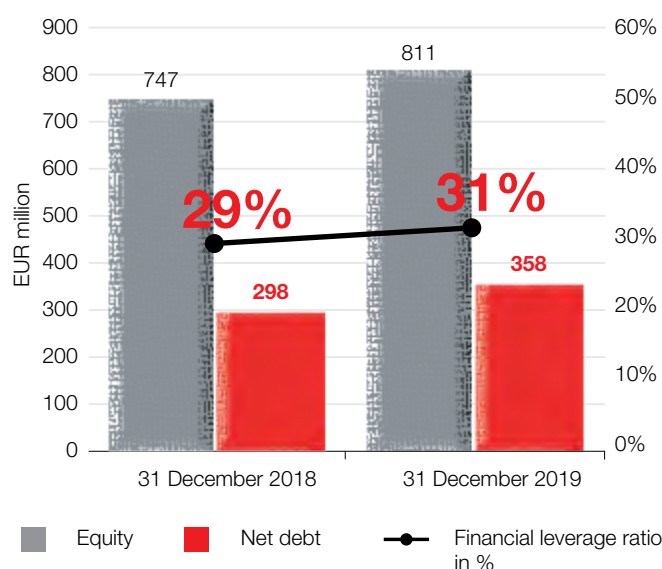
The most important items of **non-current assets** consisted of property, plant and equipment, intangible fixed assets and investment property, totalling EUR 924.5 million. Right-of-use assets totalled EUR 71.5 million at the end of 2019. Non-current investments in jointly controlled entities and associates stood at EUR 55.3 million, which was EUR 2.6 million more than in the previous year.

The management of **current assets**, which accounted for 42 percent of the Petrol Group's total assets, is given particular attention. The amount of current operating assets affects the amount of borrowing from suppliers and banking institutions. With short-term crediting ensured both at home and abroad, we are, however, able to respond quickly to changes in the amount of these assets. Compared to the end of 2018, the balance of operating receivables as at the last day of 2019 decreased by 11 percent. The value of inventories increased by 27 percent year-on-year, mainly due to higher oil prices at the end of 2019 relative to the end of 2018.

As at the last day of the period, the Petrol Group had EUR 83.6 million in **working capital** or EUR 59.1 million less than at the end of 2018 when it had stood at EUR 142.7 million. This was mainly the result of a year-on-year decrease in operating receivables.

Cash from operating activities totalled EUR 236.4 million in 2019, which was EUR 67.7 million more than in 2018. Own funds generated by the Petrol Group were used for investment activities, payment of dividends and repayment of loans. Other necessary funds were obtained from banks. The net financial liabilities to equity ratio (**net D/E ratio**) was 0.44 as at the last day of 2019, while at the end of 2018 it had stood at 0.40. **The net debt to EBITDA ratio** stood at 1.8 at the end of 2019 compared to 1.7 at the end of 2018. **The financial leverage ratio** stood at 31 percent at the end of 2019, up from 29 percent at the end of 2018.

EQUITY, NET DEBT AND FINANCIAL LEVERAGE RATIO



The financial position of the Petrol Group remains solid. Through successful business performance, active daily cash flow planning and the monitoring of customers' operations, Petrol remains highly liquid and meets the criteria of the financial profession and Standard & Poor's credit rating agency regarding short-term and long-term solvency.

A shareholder policy that is based on the long-term maximisation of returns for shareholders is still one of the cornerstones of Petrol's development strategy. Petrol's management advocates a stable long-term dividend policy, which fits best the Petrol Group's long-term development targets.

Alternative performance measures

To present its business performance, the Petrol Group also uses alternative performance measures (APMs) as defined by ESMA. The APM set remained unchanged in 2019 compared to 2018. The APMs we have chosen provide additional information about the Petrol Group's performance.

The effect of IFRS 16 implementation is explained in the financial report (pages 168–170).

LIST OF ALTERNATIVE PERFORMANCE MEASURES

APM	Calculation information	Reasons for choosing the measure
Adjusted gross profit	Adjusted gross profit = Revenue from the sale of merchandise and services - Cost of goods sold	The Group has no direct influence over global energy prices, which makes the adjusted gross profit more appropriate to monitor business performance.
EBITDA	EBITDA = Operating profit net of allowances for operating receivables and impairment of goodwill + Depreciation and amortisation net of depreciation of environmental fixed assets, which stood at EUR 0.5 million in 2019 and EUR 0.6 million in 2018. The depreciation of environmental fixed assets is excluded because long-term revenue has been created for this purpose which is reallocated each year to other operating revenue at an amount corresponding to the depreciation of environmental fixed assets (for more information, see Note 6.35 in the Financial Report).	EBITDA indicates business performance and is the primary source for ensuring returns to shareholders.
EBITDA/Adjusted gross profit	Ratio = EBITDA/Adjusted gross profit	The ratio is a good approximation of the share of free cash flows from operating activities in adjusted gross profit.
Operating costs/Adjusted gross profit	Ratio = Operating costs/Adjusted gross profit	The ratio is important in terms of the cost-effectiveness of operations.
Net debt/Equity	Net debt = Current and non-current financial liabilities + Current and non-current lease liabilities – Cash and cash equivalents; Ratio = Net debt/Equity	The ratio indicates the relationship between debt and equity, and is important for monitoring the Company's capital adequacy.
Net debt/EBITDA	Ratio = Net debt/EBITDA	The ratio expresses the Petrol Group's ability to settle its financial obligations, indicating in how many years financial debt can be settled using existing liquidity and cash flows from operating activities.
ROE	ROE = Net profit/Average equity	The ratio indicates the Petrol Group's efficiency to generate net profit relative to equity. Return on equity also reflects management's performance in increasing the value of the Company for its owners.
Added value/Employee	Added value per employee = (EBITDA + Integral labour costs)/Average number of employees Integral labour costs = Labour costs relating to Petrol Group employees + Labour costs relating to third-party managed service stations, which stood at EUR 32.9 million in 2019 and EUR 32.3 million in 2018.	This productivity ratio indicates average newly created value per Petrol Group employee.
Working capital	Working capital = Operating receivables + Assets arising from contracts with customers + Inventories – Current operating liabilities – Liabilities arising from contracts with customers	The ratio reflects operational liquidity of the Petrol Group.
Financial leverage	Financial leverage = Net debt/(Equity + Net debt)	Financial leverage indicates the proportion to which the Petrol Group's operations are financed through equity relative to borrowing.
Net investments	Net investments = Investments in fixed assets (EUR 118.6 million in 2019) + Non-current investments (EUR 9.8 million in 2019) – Disposal of fixed assets (EUR 4.0 million in 2019)	The information about investments reflects the direction of the Petrol Group's development.

Events after the end of the accounting period

At its meeting held on 21 January 2020, the Supervisory Board offered Nada Drobne Popović, MSc, to become mandatary and propose a new Management Board of Petrol d.d., Ljubljana.

At the meeting of 10 February 2020, the Supervisory Board of Petrol d.d., Ljubljana appointed three Management Board members for a term of office of five years. Nada Drobne Popović, MSc, became President of the Management Board on 11 February 2020, while the terms of office of Management Board members Matija Bitenc, MSc, and Jože Bajuk, MSc, will begin on 11 March 2020.

Nada Drobne Popović resigned as Member and President of the Supervisory Board of Petrol d.d., Ljubljana at the meeting of 10 February 2020. On 11 February 2020, Sašo Berger became President of the Supervisory Board of Petrol d.d., Ljubljana, and Igo Gruđen became Deputy President of the Supervisory Board of Petrol d.d., Ljubljana.

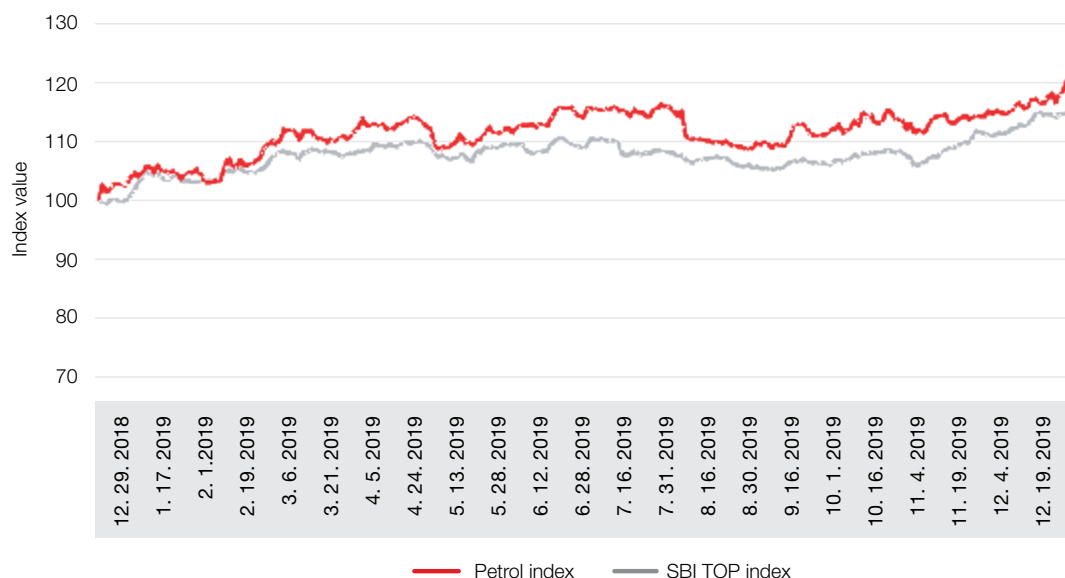
Petrol's Shares

Overall, the year 2019 was a successful one for investors at the Ljubljana Stock Exchange. At the end of the year, share prices were on average higher than at the end of 2018, and this was also reflected in the SBI TOP index, which gained 15 percent relative to the end of 2018 and was up to 926.10 points.

Petrol's shares are traded on the prime market of the Ljubljana Stock Exchange (LJSE), and have been listed there since 5 May 1997. In 2019 the volume of trading in Petrol's shares at the stock exchange amounted to EUR 26.4 million, a decrease of 35.1 percent from 2018. Petrol's shares were again one of the most traded among those listed on the Ljubljana Stock Exchange.

In contrast to the previous year, 2019 was marked by an increase in the prices of most shares traded on the Ljubljana Stock Exchange. Petrol's share price exhibited a positive trend in 2019, being 21 percent higher at the end of 2019 as compared to the end of 2018, while the SBI TOP index gained 15 percent during this period. The shares accounted for 21.98 percent of the index as of 23 December 2019.

BASE INDEX CHANGES FOR PETROL'S CLOSING SHARE PRICE AGAINST THE SBI TOP INDEX IN 2019 COMPARED TO THE END OF 2018

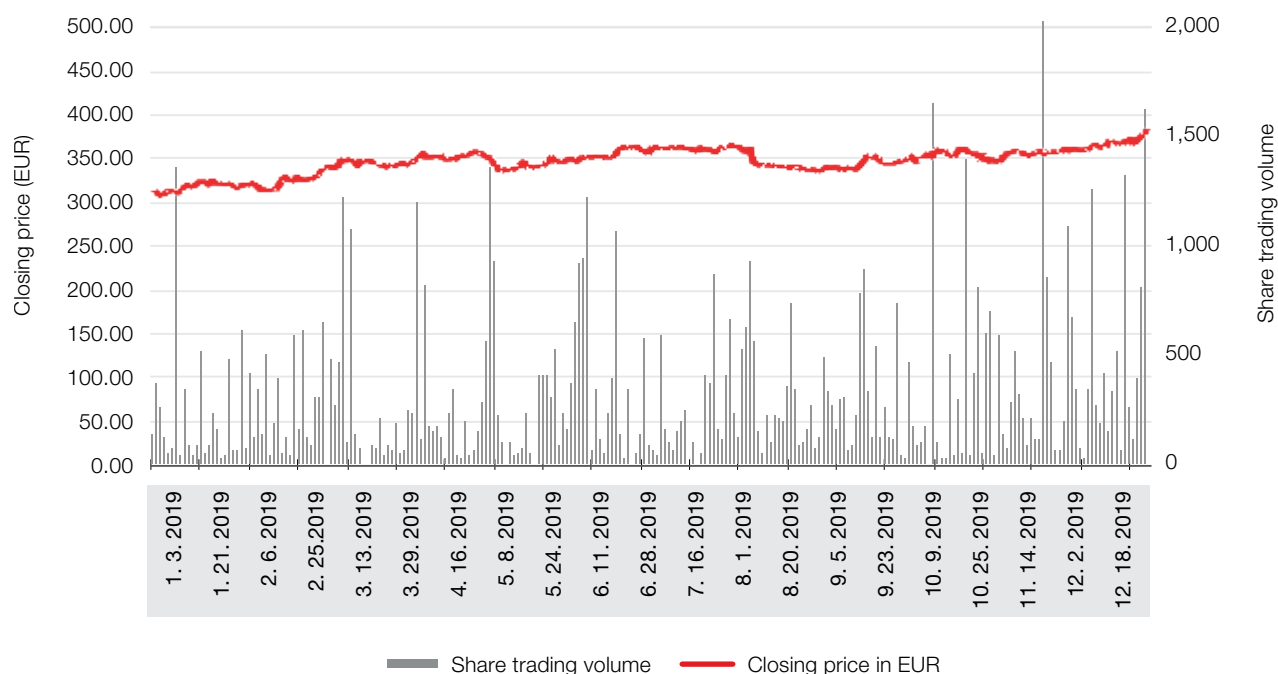


At the end of December 2019, the share price stood at EUR 375.00 and was up 21 percent year-on-year. The average price of Petrol's shares, which stood at EUR 346.02 in 2019, was up 1.2 percent year-on-year. The closing share price ranged between EUR 315.00 and EUR 375.00 in 2019.

PETROL'S SHARE PRICES IN 2019 AND 2018 IN EUR

	2019	2018
Total shares outstanding	2,086,301	2,086,301
Highest closing price for the year	375.00	363.00
Lowest closing price for the year	315.00	303.00
Average closing price for the year	346.02	341.96
Closing price as at last trading day of the year	375.00	310.00
Closing price increase/decrease (closing price as at last trading day of the year/closing price as at last trading day of the previous year)	20.97%	-11.29%

CLOSING PRICE AND THE VOLUME OF TRADING IN PETROL'S SHARES IN 2019



Trading volume and market capitalisation

The volume of trading in Petrol's shares at the Ljubljana Stock Exchange amounted to EUR 26.4 million in 2019 and was down 35.1 percent from 2018. The decrease in the trading volume is the result of a drop in the number of Petrol's shares traded in 2019 (66,283 shares) relative to the previous year (119,028 shares). The trading in Petrol's shares accounted for 8 percent of the Ljubljana Stock Exchange total trading volume, which stood at EUR 329.5 million, and 10.4 percent of the stock market's share trading volume.

The shares of Petrol d.d., Ljubljana were ranked fourth on the Ljubljana Stock Exchange by trading volume. On average, the monthly volume of transactions involving Petrol's shares totalled EUR 2.2 million.

The market capitalisation of Petrol d.d., Ljubljana as at the last trading day of 2019 totalled EUR 782.4 million, which accounted for 11.1 percent of the stock market's total capitalisation. Petrol d.d., Ljubljana was ranked third in terms of market capitalisation as at the last trading day of 2019.

Key financial indicators for Petrol's shares

The Petrol Group's earnings per share (EPS) for the year stood at EUR 51.19 and its cash earnings per share (CEPS) at EUR 84.48. The return per share calculated by comparing the closing share price as at the end of 2019 and the closing share price as at the end of 2018 stood at 21 percent. Combined with the dividend yield of 5.8 percent, the total return per share stood at 26.8 percent in 2019.

The ratio between the shares' market price and book value as at the end of 2019 – the latter amounting to EUR 388.85 in the case of the Petrol Group – was 0.96 (P/BV), which was lower than at the end of 2018. The ratio between the shares' market price as at the end of 2019 and the Petrol Group's earnings per share stood at 7.33 (P/E).

Share capital structure

The structure of Petrol d.d., Ljubljana share capital changed slightly in 2019 compared to the end of the previous year. With 269,391 shares, Československa Obchodni Bank, A.S. – fid. is the largest single shareholder, followed by Slovene Sovereign Holding with 264,516 shares, the Republic of Slovenia with 225,699 shares and Kapitalska družba d.d. with 172,639 shares. Other large single shareholders include OTP banka d.d. – client account, Vizija Holding k.d.d., Vizija holding ena k.d.d., Perspektiva FT d.o.o., Citibank N.A. – escrow account, and SOP Ljubljana.

The chart presenting the ownership structure is shown in the corporate governance statement of Petrol d.d., Ljubljana.

At year-end, 563,475 shares or 27 percent of all shares were held by foreign legal or natural persons. Compared to the end of 2018, the number of foreign shareholders increased by 0.7 percentage points, while the total number of shareholders decreased from 23,729 as at the end of 2018 to 22,632.

SHARES OWNED BY MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD AS AT 31 DECEMBER 2019

	Name and Surname	Position	Shares owned	Equity share
	Supervisory Board		87	0.0042%
	Internal members		0	0.0000%
1.	Zoran Gračner	Supervisory Board member	0	0.0000%
2.	Alen Mihelčič	Supervisory Board member	0	0.0000%
3.	Robert Ravnihar	Supervisory Board member	0	0.0000%
	Zunanji člani		87	0.0042%
1.	Sašo Berger	Supervisory Board deputy president	0	0.0000%
2.	Igo Gruden	Supervisory Board member	0	0.0000%
3.	Sergij Goriup	Supervisory Board member	5	0.0002%
4.	Metod Podkrižnik	Supervisory Board member	82	0.0039%
5.	Mladen Kaliterna	Supervisory Board member	0	0.0000%
	Management Board		6	0.0003%
1.	Nada Drobne Popović	Management Board President	1	0.0000%
2.	Danijela Ribarič Selaković	Management Board member	5	0.0002%
3.	Ika Krevzel Panič	Management Board member and worker director	0	0.0000%

Other explanations by Petrol d.d., Ljubljana

The prospectus of the company Petrol d.d., Ljubljana, which has been prepared for the purpose of listing its shares on the stock exchange, is published on the Company's website. All changes to the prospectus are published in the Company's strategy document, annual reports of Petrol d.d., Ljubljana and its public announcements available from the Company's website www.petrol.eu and the website of the Ljubljana Stock Exchange seonet.ljse.si.

Contingent increase in share capital

The General Meeting of Petrol d.d., Ljubljana did not adopt any resolutions in 2019 regarding the contingent increase in share capital.

Reserves for own shares

Petrol d.d., Ljubljana did not repurchase its own shares in 2019. As at the last day of 2019, the number of own shares stood at 30,723, representing 1.5 percent of the share capital. This includes 24,703 own shares that were acquired by Petrol d.d., Ljubljana in the period 1997 to 1999. Their total cost equalled EUR 2.6 million as at 31 December 2019 and was EUR 8.9 million lower than their market value on that date. The remaining 6,020 shares are the shares that are considered as own shares which were held by the subsidiary Geoplin d.o.o. Ljubljana at the time it was incorporated in the Petrol Group.

Own shares of Petrol d.d., Ljubljana, in total 36,142 (without the shares of Geoplin d.o.o. Ljubljana), were purchased between 1997 and 1999. The Company may acquire these own shares only for the purposes laid down in Article 247 of the Companies Act (ZGD-1) and as remuneration to the Management Board and the Supervisory Board. Own shares are used in accordance with the Company's Articles of Association.

In accordance with a resolution of the 27th General Meeting held on 10 April 2017, the Company's Management Board is authorised to acquire own shares within 36 months of the adoption of the resolution. Under this authorisation, a maximum of 208,630 own shares may be acquired, but the total percentage of the shares acquired based on this authorisation may not exceed, together with other own shares already held by the Company (24,703 own shares plus 6,020 own shares of Geoplin d.o.o. Ljubljana, in total 30,723 own shares), 10 percent of the Company's share capital (208,630 shares). In 2018 and 2019, Petrol d.d., Ljubljana did not adopt a programme to prepare a policy for creating own shares.

A dividend policy maximising long-term returns

A shareholder policy that is based on a long-term maximisation of returns for shareholders is one of the cornerstones of Petrol's development strategy. Petrol's management advocates a stable long-term dividend payout. This fits best with the Company's development needs as it delivers more predictable returns and long-term stability of Petrol's share price.

In accordance with a resolution of the 29th General Meeting of 18 April 2019, Petrol paid out in 2019 a gross dividend for 2018 of EUR 18 per share.

OVERVIEW OF DIVIDEND PAYMENTS 2013 – 2018

Period	Total dividends	Gross dividend per share
2013	21,071,640.10 EUR	10.10 EUR
2014	24,409,721.70 EUR	11.70 EUR
2015	26,287,392.60 EUR	12.60 EUR
2016	29,208,214.00 EUR	14.00 EUR
2017	33,380,816.00 EUR	16.00 EUR
2018	37,553,418.00 EUR	18.00 EUR

Accumulated profit

The accumulated profit of Petrol d.d., Ljubljana, as determined in accordance with the Companies Act, stood at EUR 45.36 million in 2019.

Regular participation in investors' conferences and access to information

Petrol d.d., Ljubljana has set up a programme of regular cooperation with domestic and foreign investors, which consists of public announcements, individual meetings and presentations, and public presentations.

The Company also regularly attends investors' conferences organised each year by stock exchanges, brokerage companies and banks. In 2019 we participated in a Ljubljana Stock Exchange webcast, which took place in March. In April, we attended an investors' conference organised by the Ljubljana Stock Exchange and the Zagreb Stock Exchange in New York as well as an investor roadshow in London organised by Zagreb-based InterCapital and the London Stock Exchange. In May, we attended a joint investors' conference in Zagreb, which was organised by Ljubljana and Zagreb Stock Exchanges. In September, we took part in another Ljubljana Stock Exchange webcast. At the beginning of December, we attended a conference in Prague organised by Wood & Company, an investment firm, and an investors' conference organised by the Ljubljana and Zagreb Stock Exchanges in Ljubljana. In addition to the above, several individual meetings were held with domestic and foreign investors.

All information relevant to shareholders, including the financial calendar, is published on the Company's website. The contact person responsible for investor relations is Ms Barbara Jama Živalič, who can be reached at investor.relations@petrol.si.

Risk management

Risk management at The Petrol Group in 2019

The Petrol Group operates in two intensive and challenging business activities: trading and energy. Both areas are facing significant changes, which require a fresh view of the key business model concepts. In the energy field, increasing importance is given to energy efficiency and new uses of existing energy products as well as the development of new ones. There is increasing awareness of sustainable development, accompanied by tightening regulations. In trading, we are noticing a shift in the behaviour of end customers who are becoming more engaged and digitally aware. The Petrol Group is aware of these changes and has responded to them in its 2018 - 2022 strategy. We are addressing the trends in the energy industry with a comprehensive range of energy solutions. We approach our customers with straightforward, comprehensive, modern and reliable solutions, which contribute to energy and cost efficiency. The described changes in the business environment and related trends increase risks while providing new opportunities. In its 2018 - 2022 strategy, the Petrol Group has adjusted its business objectives according to its risk management policies and its risk appetite.

In addition to the strategic risks described above and the risks arising from the business environment, financial (credit, liquidity, market, etc.) risks remained the most relevant and probable risks the Petrol Group was facing in 2019. That is why several activities were carried out in this area in 2019. This resulted in updated risk assessment and monitoring methodologies being implemented, committees being established and improvements being made to the processes used to continuously control and monitor risk management at a global level and contribute to reducing the Petrol Group's exposure to individual financial risks.

In connection with credit risks, we paid attention to our customers' solvency and, by extension, the balance and quality of operating receivables. We have also continued to build on the solid foundations laid in recent years in terms of the collaterals we hold. As at 31 December 2019, 84 percent of Petrol's trade receivables individually exceeding EUR 100,000 were secured through insurance policies, bank guarantees and other appropriate insurance instruments. In 2019 credit risk management was upgraded as we switched to a new information system that monitors our partners' credit risk and supports the process of setting credit limits. The system is already in place at the parent company, with other Group companies following as scheduled.

The Credit Committee continued to actively pursue its mandate. With regard to natural persons, the process of approving limits and the system of limits itself were upgraded. In 2019 the Credit Committee also focused on and overhauled the Petrol Group's credit insurance programme. The Petrol Group began the year 2020 with a new insurance system, which is adapted to the needs of the Petrol Group and aligned with the Group's strategic outline for credit risk management.

Liquidity of Petrol Group companies was ensured through the central management and reconciliation of current cash flows and by managing the Petrol Group's debt. In ensuring the structural liquidity of the Petrol Group we follow the guidelines set out in connection with the rating assigned to us by Standard & Poor's Ratings Service. In 2019 our investment grade BBB- long-term credit rating, A-3 short-term credit rating and our stable credit rating outlook were reaffirmed by the agency. This continues to provide us with better access to higher-quality financial sources and, at the same time, a stable financial position. In 2019 the Assets and Liabilities Management Committee of the Petrol Group continued to monitor liquidity, foreign exchange and interest rate risks.

The Petrol Group plays an increasingly important role in electricity sales, distribution and trading. As in the previous year, it was therefore necessary in 2019 to devote a lot of attention to credit, price and volumetric risks in this area and to upgrade the system of limits and its monitoring and reporting processes. We also strengthened our IT support systems for market risk monitoring. A key topic dealt with by the Energy Product Risk Management Committee in 2019 was ensuring a uniform perspective on the management of all energy products of the Petrol Group.

The above activities help us to develop a risk-awareness culture to ensure better control over the risks and high-quality information for decision-making at all operational levels. Risk management concerns each Petrol Group employee who is, as a result of their decisions and actions, exposed to risks on a daily basis while carrying out their work assignments and responsibilities. The very fact that at the Petrol Group risk management is integrated into all aspects of business enables us to generate added value for shareholders and maintain the investment-grade credit rating.

Strategic outline for risk management at the Petrol Group

Strategic orientation: To ensure stable business growth while taking on moderate levels of risk. To adjust the required rate of return to the expected risks.

We are willing to take on risks arising from the Petrol Group's development strategy, which provides for stable business growth also in the future. We tread carefully, however, when taking on risks arising from:

- expansion to new activities and markets in line with the strategic outline;
- operations related to the existing activities.

We are not willing to take on the following risks:

- Environmental risks
- Risks affecting the safety and health of our staff
- Reputational risks
- Risks of fraud and corruption
- Risk of losing the investment-grade credit rating (arising from the Group's operations)

In accordance with this overarching principle, the following strategic risk management orientations of the Petrol Group were defined:

1. The Petrol Group shall monitor changes in the industry and markets, and proactively adapt its operations and targets in order to achieve its strategic objectives.
2. New investments of the Petrol Group shall be aligned with its strategic and financial plans, and the required rates of return shall reflect the risks assumed.
3. The Petrol Group's human resources policy shall be aligned with its strategic orientations. The human resources department shall be actively involved in staff development and training while also monitoring the organisational climate.
4. The Petrol Group shall promote compliance with the law and internal rules and, through its values and Code of Conduct, seek to build a corporate culture that promotes lawful, transparent and ethical conduct and decision-making.
5. The Petrol Group shall be mindful of the operational risks it is facing and shall seek to establish an appropriate process, systemic and IT environment which allows for its strategic development and reduces operational risk to an acceptable level.
6. The Petrol Group shall secure its energy product sales margins either through natural adjustments or derivative trading in order to hedge risk and ensure the stability of cash flows. The Group shall use derivatives only for hedging purposes.
7. The Petrol Group shall make sure that its partner portfolio is of high quality and appropriately dispersed. The Petrol Group shall strive to have its at-risk receivables sufficiently secured, either by obtaining credit insurance instruments or taking out insurance.
8. The Petrol Group shall provide for long-term financial stability through sustainable financial leverage.

9. The Petrol Group shall manage its short-term liquidity by matching inflows and outflows and by maintaining adequate credit lines.
10. The Petrol Group shall make every effort to hedge its interest rate risk.

Petrol's risk model with most relevant and probable risks

Petrol's risk model essentially consists of a set of 20 risk categories divided into two major groups: environment risks and performance risks.

RISK CATEGORIES WITHIN THE PETROL GROUP

I. Environment risks

I.1. Political risks

I.2. Economic environment risks

I.3. Financial environment risks

I.4. Legislation and regulation risks

I.5. Disaster risks

II. Performance risks

II.1. Operational risks

- II.1.1. Human resources management and leadership risks
- II.1.2. Process risks
- II.1.3. Information system risks
- II.1.4. Security and safety risks
- II.1.5. Risks of discontinued operations

II.2. Strategic risks

- II.2.1. Strategic decision-making risks
- II.2.2. Business decision-making risks
- II.2.3. Information risks
- II.3. Risks of fraud and other illegal acts
- II.3.1. Risks of criminal offences/fraud
- II.3.2. Corporate integrity risks

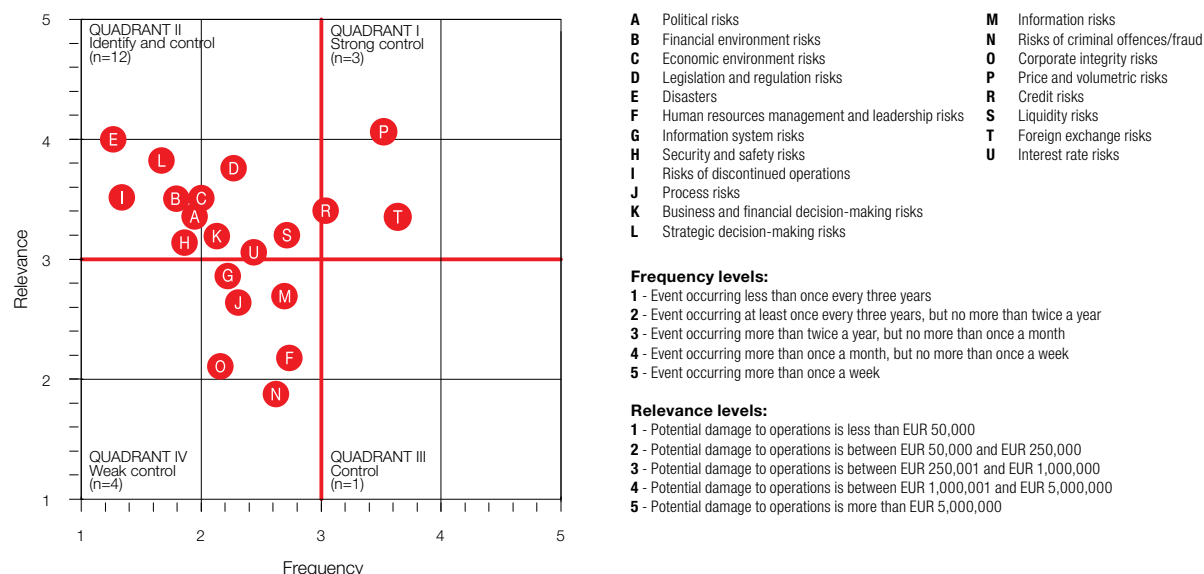
II.4. Financial risks

- II.4.1. Price and volumetric risks
- II.4.2. Credit risks
- II.4.3. Liquidity risks
- II.4.4. Foreign exchange risks
- II.4.5. Interest rate risks

In 2019 the risks were reassessed, and according to the results of the 2019 risk assessment, the most relevant and probable risks comprise the following financial risks: price and volumetric risk, foreign exchange risk, credit risk and liquidity risk. To control and manage these risks, the most rigorous control system possible is required. The Company uses such a system, which is described in more detail in sections dealing with individual financial risks. In addition to the main financial risks, the most relevant and probable risks include legislation and regulation risks, interest rate risks, information risks, economic environment risks, business decision-making risks and political risks.

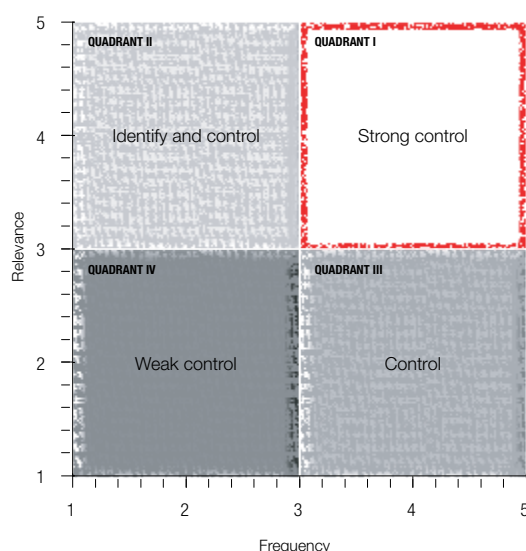
The chart below shows the distribution of individual risks according to the latest assessment.

DISTRIBUTION OF THE PETROL GROUP'S RISKS ACCORDING TO THE LATEST ASSESSMENT



Based on the assessment obtained for individual risk categories in terms of relevance and probability, risks are classified into four quadrants giving a broad indication of what kind of control system should be in place in order to control and manage them.

THE PETROL GROUP'S RISK MANAGEMENT MATRIX WITH CONTROL METHODS



In 2019 individual risk categories were managed as follows:

I. Environment risks

The Petrol Group protects itself against external environment risks by systematically monitoring developments in the business environment and responding to them in a timely manner. The most relevant and frequent risks included in the group of external environment risks consist of legislation and regulation risks. Although relevant, disaster risks, which also belong to this group, occur infrequently. Economic environment risks, financial environment risks and political risks were assessed as medium-relevance and lower-frequency risks and were classified into the second quadrant together with other environment risks.

Legislation and regulation risks are managed by proactively engaging with institutions that are able to amend relevant laws and by analysing the impact of relevant legislative proposals and changes on the Petrol Group's operations.

We try to identify the financial environment risks also through financial planning and simulations as well as through co-operation with the financial environment (banks, financial institutions, investors). What is more, these risks are taken into account when preparing the strategic business plan.

Economic environment risks are managed by constantly monitoring competitors and analysing the operations of electricity, oil and gas companies, as well as by means of market surveys, benchmark analyses, customer satisfaction measurement, etc.

II. Performance risks

Performance risks include operational risks, strategic risks, risks of fraud and other illegal acts, and financial risks.

II.1. Operational risks

Operational risks are a category of risks that includes human resources management and leadership risks, process risks, information system risks, security and safety risks, and risks of discontinued operations. According to the latest assessment, information system risks are the most relevant and frequent of those risks.

Nowadays, information infrastructure is increasingly important. The risk of information systems not being properly set up, not functioning correctly, not being sufficiently secure or being prone to interruptions, or of errors occurring in the collection and processing of data, or of the systems not being responsive to changes in the external and internal environment or to the needs of users, is extremely relevant, which is why we pay considerable attention to this field. The projects addressing this risk include the replacement of the Petrol Group's ERP system and the deployment of a new CRM system. This already took place at the parent company in 2019. In the remaining companies, the new systems will be deployed in the coming periods.

Human resources management and leadership risks are controlled through the regular measurement of organisational climate across the Petrol Group, the annual interview system and the assessment of management skills, the measurement of the quality of internal services and the adopted human resources strategy. The Petrol Group is more and more aware of the importance of human resources, as also seen in the latest risks assessment according to which these risks became more relevant.

Process risks refer to a potential loss resulting from incorrectly defined/set up organisational processes, their ineffective/inefficient execution and unresponsiveness to changes in the Company's external/internal environment. The Petrol Group therefore actively reviews all of its business processes and develops a process architecture in which the owners and managers of individual processes are clearly defined.

II.2. Strategic risks

Strategic risks are closely connected to operational risks. They include strategic decision-making risks, business decision-making risks and information risks, with the latter being the most relevant and frequent, according to the latest assessment.

Information risks were classified into a higher category in the latest assessment. This means that the Petrol Group recognises the importance of crucial information for a successful business performance of the Petrol Group. The management of risks related to ICT adequacy and security therefore represents a vital and ongoing activity in this field. Timely and complete provision of information about new business processes, products and services to all departments concerned is also important.

Business decision-making risks are managed by implementing and improving various organisational rules and by regularly monitoring operations and reporting to various stakeholders. Strategic decision-making risks are mitigated by means of a clearly defined strategy, by exercising control over its implementation, via annual conferences and through concerted action via the Projects, Ideas and Capacity Development Committee.

II.3. Risks of fraud and other illegal acts

The management of risks of fraud and other illegal acts is split into two subgroups, i.e. the risk of criminal offences/fraud and the corporate integrity risk. The risks of criminal offences/fraud include fraud committed by management, illegal acts, fraud, theft, abuse of employees and third persons, unauthorised use of resources, intentional damage and violent illegal acts. The management of the risks of criminal offences/fraud requires constant supervision and control as they are assessed to be of high frequency and low relevance.

The risk of corporate integrity breach refers to the incompatibility of the Company's operations with the law, Petrol's Code of Conduct, other rules, applicable recommendations, internal regulations, good business practices and ethical principles. The management of this risk includes the application of the compliance system (Rules on the Functioning of the Compliance Assurance System).

Petrol is exposed to a higher risk of fraud due to the nature of its operations, which include point of sales operations involving cash registers and the selling of petroleum products. Pursuant to Petrol's Code of Conduct and internal regulations, the zero tolerance policy to fraud has been adopted within the Petrol Group.

In charge of the comprehensive management of the risk of fraud is a task force that has put together a fraud register, assessed the risk of certain acts of fraud being committed, catalogued existing preventive and remedial checks, and drew up actions for the containment of fraud.

The responsibility to detect and investigate fraud within the Petrol Group is in the hands of Corporate Operations Control and Investigations, a professional service consisting of a qualified team of investigators.

II.4. Financial risks

According to the assessment of frequency and relevance, financial risks have a high ranking. As a result, the Petrol Group focuses in particular on this risk category. This is reflected in detailed risk management procedures including clearly specified systems of limits, appropriate monitoring levels and reporting on exposure to individual financial risks, and an active involvement of boards and committees tasked with monitoring and controlling individual financial risks. The financial risk management system is subject to continuous assessment and improvement. Specific activities in this area are presented below in sections dealing with individual risks.

The most relevant and probable financial risks include price and volumetric risks as well as foreign exchange and credit risks, with liquidity and interest rate risks having a slightly less prominent profile. Detailed information about exposure to individual types of financial risk and disclosures about financial instruments and risks are provided in notes to the financial statements, specifically in the financial instruments and risk management chapter.

Price and volumetric risks and foreign exchange risks

The Petrol Group's business model includes energy products, such as petroleum products, natural gas, electricity and liquefied petroleum gas, exposing the Group to price and volumetric risks and to foreign exchange risks arising from the purchase and sale of these products.

The Petrol Group purchases petroleum products under international market conditions, pays for them mostly in US dollars and sells them in local currencies. Because the global oil market and the US dollar market constitute two of the most volatile global markets, the Petrol Group is exposed to both the price risk (changes in the prices of petroleum products) and the foreign exchange risk (changes in the EUR/USD exchange rate) while pursuing its core line of business. The Petrol Group manages volumetric and price risks to the largest extent possible by matching suppliers' terms of procurement with the terms of sale applying to customers. Any remaining open price or foreign exchange positions are closed through the use of financial instruments, in particular commodity swaps in the case of price risks and forward contracts in the case of foreign exchange risks.

Electricity trading exposes the Group to price and volumetric risks. These are managed with an assortment of limits systems defined depending on the business partner, the area of trading and the value at risk, and with appropriate processes in place to monitor and control these risks.

In addition to the risks arising from changes in the EUR/USD exchange rate, the Petrol Group is exposed, to some degree, also to the risk of changes in other currencies, which is linked to doing business in the region. The Group monitors open foreign exchange positions and decides how to manage them on a monthly basis.

Credit risks

The credit risk was assessed in 2019 as the third most relevant financial risk to which the Petrol Group was exposed in connection with the sale of goods and services to natural and legal entities. The risk is managed using the measures outlined below.

The operating receivables management system provides us with an efficient credit risk management.

In addition, the upgrading and redesign of the system of limits for operations involving natural persons was completed in 2019.

As part of the usual receivables management processes, we keep actively pursuing the collection of receivables. Particular attention is given to individual treatment of major customers or customers in relation to which outstanding receivables balances exceed EUR 250,000. We refine procedures for approving the amount of exposure (limits) to individual buyers and expand the range of first-class credit insurance instruments as a requirement to approve sales (receivables insurance with credit insurance companies, bank guarantees, letters of credit, collaterals, corporate guarantees, securities, mortgages, pledges). A great deal of work is put into the management of receivables from large customers in Slovenia, and significant attention is also devoted to the collection of receivables in SE Europe markets, where the solvency and payment discipline of the business sector differs from that in Slovenia. Receivables are systematically monitored by age, region and organisational unit as well as by quality and individual customer. The exposure of customers in the Petrol Group's portfolio to the credit risk is monitored at a global level. To monitor our subsidiaries, we use a joint receivables management application, which provides us with automated control over the exposure to individual customers and the possibility to respond immediately. The data pertaining to the parent company is monitored using the new ERP system. In addition, we introduced centralised control over credit insurance instruments received and centralised the collection process.

We consider that credit risks are adequately managed within the Petrol Group. Our assessment is based on the nature of our products, our market share, our large customer base, the vast range of credit insurance instruments and a higher volume of secured receivables. The Petrol Group too, however, is unable to fully avoid the consequences of bankruptcies, compulsory composition proceedings and personal bankruptcies.

Liquidity risks

The Petrol Group has been assigned a BBB- long-term international credit rating, an A-3 short-term credit rating and a stable credit rating outlook by Standard & Poor's Ratings Services, which reaffirmed the ratings on 10 October 2019. This investment-grade rating enables us to tap international financial markets more easily and represents an additional commitment towards successful operations and the deleveraging of the Petrol Group. We are currently introducing relevant S&P's methodology into the management of liquidity risks.

Average petroleum product prices were slightly lower in 2019 than in 2018, meaning that slightly less working capital may be needed. The acquired long-term and short-term credit lines provide us with a high level of liquidity. At the end of 2019, we also repaid all obligations under the eurobonds, in total EUR 203 million.

Cash flow management nevertheless requires considerable attention and prudence, especially as regards the planning of cash inflows from lay away sales, this being the main source of credit risks and, consequently, liquidity risks.

The Petrol Group is capable of meeting all of its outstanding liabilities at any given moment. The Group's successful operations in particular are a guarantee for the Group's long-term solvency and boost its equity capital.

Interest rate risks

The Petrol Group regularly monitors its exposure to the interest rate risk. 89.7 percent of the Group's non-current financial liabilities contain a variable interest rate that is linked to EURIBOR. The average EURIBOR rates in 2019 were similar to the ones at the end of 2018 and thus remain historically low (negative).

To hedge against exposure to the interest rate risk, a portion of variable interest rates is transformed into a fixed interest rate using derivative financial instruments, thus protecting our net interest position. When deciding whether to pursue additional hedging activities, forecasts regarding interest rate changes are considered. The time of hedging and the type of instruments used to this effect are determined based on market conditions. In 2019 no additional interest rate hedging contracts were concluded.

Internal audit

Internal Audit has operated as an independent and autonomous support function within the organisational structure of the controlling company since 2002. Organisationally, it has a direct reporting line to the president of the Management Board, while functionally it reports to the Audit Committee and the Company's Supervisory Board. Internal Audit operates throughout the Petrol Group and adheres to the International Standards for the Professional Practice of Internal Auditing. The purpose of Internal Audit is to give objective assurance to the Management Board and the Audit Committee and provide advice at all levels as regards property protection, compliance with law and internal regulations, and the improvement of the quality and efficiency of risk management, thus improving the Petrol Group's operations. By doing so, it helps to achieve strategic and business goals based on best practices.

Internal Audit operates in accordance with the Charter and Rules Governing the Work of Internal Audit and the principles of independence, professional competence, objectivity and ethical principles as the fundamental principles of the auditing profession. Internal Audit's annual work programmes and annual reports are approved by the Management Board and the Supervisory Board's Audit Committee or the Supervisory Board itself. Internal Audit provides regular reports on its work to the Management Board and reports at least quarterly to the Supervisory Board's Audit Committee. In 2019 the Audit Committee received reports on all audits, significant findings and recommendations for improving supervisory controls and risk management within the Petrol Group, and quarterly reports on the work of Internal Audit and the implementation of recommendations. In 2019 the quality of internal auditing was again assessed externally, resulting in a report, which confirmed conformity with the International Standards for the Professional Practice of Internal Auditing. The external assessment was performed by an independent international audit firm which also prepared a benchmarking analysis determining that according to the eight elements of excellence, the Petrol Group's internal auditing significantly exceeds the average of 453 global companies and the average of 57 companies with revenues above USD 2 billion.

In 2019 Internal Audit continued to carry out certain procedures to improve the quality of work:

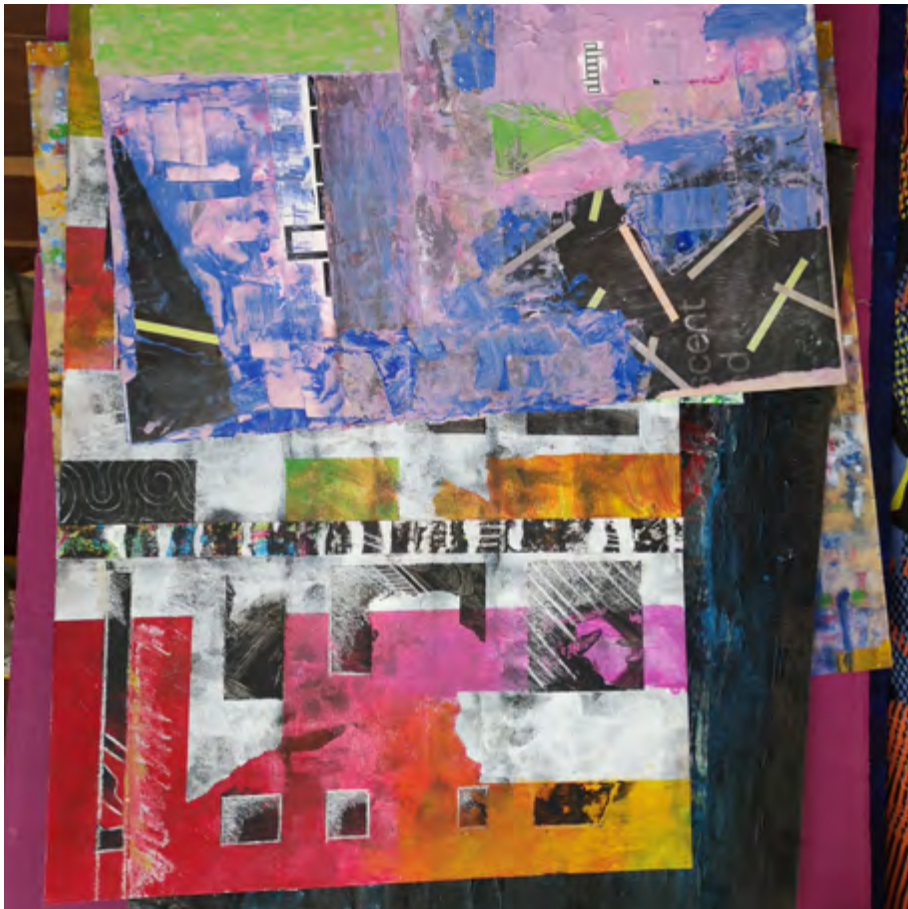
- due to changes in the Petrol Group's operations, organisation and environment it updated the set of departments/processes within the Petrol Group (the audit universe);
- based on the COSO methodology, it reassessed risks according to processes and organisational units of the Petrol Group, taking into account the significance of the processes and the date of the previous internal audit;
- following a new risk assessment, Internal Audit's work programme for 2020 was approved in December 2019 by the Management Board and the Supervisory Board;
- it carried out procedures to measure the efficiency of internal audits;
- it updated the working methods in accordance with the International Standards for the Professional Practice of Internal Auditing and changes in the environment in which it operates;
- it prepared a new programme of improving the quality of internal auditing for the next three years.

The verification of the functioning of internal controls in the Petrol Group's retail network was carried out by a dedicated team of qualified experts from the Corporate Operations Control and Investigations service, which, in order to prevent and detect fraud, focus primarily on the monitoring of service station, logistics and storage facility operations from the perspective of goods and finance.

Internal Audit performed nine audit and assurance assignments in 2019. All audits were carried out using the System Based Auditing approach to verify the integrity of financial and business decision-making reporting, compliance with law and internal regulations, implementation of the Petrol Group's strategy and process effectiveness. In terms of their content, the audits were focused mainly on verifying the efficiency of processes that were either new or were not subjected to an audit during the past four years. For the processes that were audited, Internal Audit gave assurance that the audited units had in place a suitable internal control system which was operational on a regular basis. As there was still room for improvement, numerous recommendations were provided, the implementation of which was checked on a regular basis. In 2019, in addition to the audits, Internal Audit regularly monitored the implementation of recommendations from previous and current years and, in accordance with the Management Board's instructions, took part in Company projects related to the risk management system of the Petrol Group.



Business Activities



A stop for provisions

Petrol, diesel, motor oil, screen wash, wipers, bulbs. Bread, wine, water, honey, sweets. Concert tickets. Lottery tickets. Newspapers and magazines. Flowers for a birthday. A present for a friend. Coffee to go. A smile from the sales assistant. We are moving forward, even powered by electricity.

Sales

Sales of petroleum products

In 2019 our business operations were marked by fierce competition, legitimate customer expectations and intense developments in the area of the economy and energy. High-quality goods and services, strategic partnerships, openness to innovation, development of service stations and other sales channels are all factors which affect the long-term stability of business operations. Successful sales are a combination of hundreds of carefully considered moves, a desire to improve, but most of all the ability to listen and understand the actual needs of customers. The year 2019 was a success in terms of sales.

In 2019 we sold 3.7 million tons of petroleum products², an increase of 6 percent over 2018 and 16 percent more than planned. 43 percent of our sales were generated in Slovenia, 35 percent in EU markets, and 22 percent in the markets of SE Europe. Further, 37 percent of the sales were generated in retail and 63 percent in wholesale operations. The Petrol Group's sales of motor fuels rose 8 percent relative to 2018.

Fuels under the Q Max brand represent the supporting pillar of Petrol's fuel range both in terms of quality and quantity. We introduced new fuels in 2019.

In 2019 Petrol extended the Q Max brand family with two new fuels: Q Max iQ Diesel and Q Max Diesel Polar. The Q Max Diesel Polar represents an upgrade of the existing Q Max Diesel featuring further improved low temperature resistance. Certain user segments, such as ski resorts, winter and emergency services, hauliers, etc., require reliable operation of their vehicles and machines in all winter conditions, including extreme ones. Since the use of diesel fuels may be limited in winter due to the natural composition of these fuels, our goal was to meet the needs of customers by introducing Q Max Diesel of enhanced quality. Q Max Diesel Polar ensures that diesel engines run smoothly in all conditions, even in extreme winter conditions.

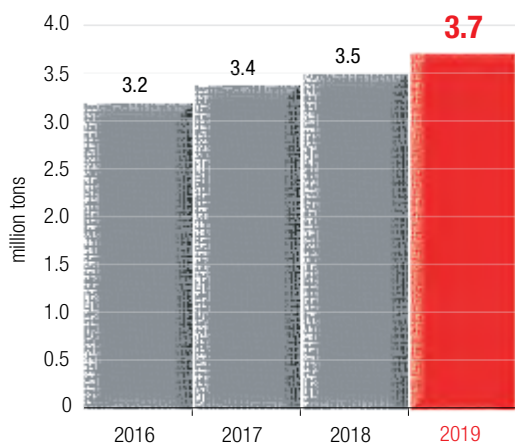
In addition, a new Marine Diesel brand has been included in the range of fuels. Marine Diesel is a diesel fuel that meets all the requirements of EN590 and SIST EN590 standards. It is suitable for all types of engines for the propulsion of ships and marine vessels using diesel as the source of energy. It differs from conventional diesel fuels by its higher flash point (min. 60°C), and is thus consistent with the specification requirements applying to marine diesel.

Q Max iQ

Diesel Q Max iQ Diesel is a brand new, premium quality diesel fuel developed based on new trends and market demands. It is primarily intended for more demanding buyers of diesel vehicles and can be used without restriction in all diesel engines, regardless of age or technological design. It fulfils both the technological requirements of modern diesel engines (high self-ignition capacity, extreme weather resistance, compatibility with all on-board systems for harmful emissions reduction, etc.) as well as the latest requirements in the field of environmental protection and reduction of the impacts of fuel on climate change. In this respect, Q Max iQ Diesel is undeniably a future-oriented fuel. Given its lower carbon footprint, it is an ideal energy source for the transition to low- and carbon-free fuels (electricity, hydrogen, etc.).

² From 2019 on, the quantities of liquid fuels are converted from liters to kilograms using slightly changed converters due to internal unification of sales recording; the impact on the calculation being minimal.

THE PETROL GROUP'S SALES OF PETROLEUM PRODUCTS 2016 – 2019



The sales of petroleum products were up 6 percent year-on-year.

On the go with Petrol

The “Na poti” (On the Go) app wins over an increasing number of users every year, which is why we continued its development in 2019.

In addition to the existing fuel payment, coffee-to-go and car wash services, the app now features the option to order products from our regular Fresh range. Using the app, it is possible to simply order products from the Fresh range and pick them up at a Fresh cash desk at the selected point of sale.

Many users have expressed their desire to be informed about changes in fuel prices. We inform these customers quickly and in good time by sending push messages when fuel price changes become known.

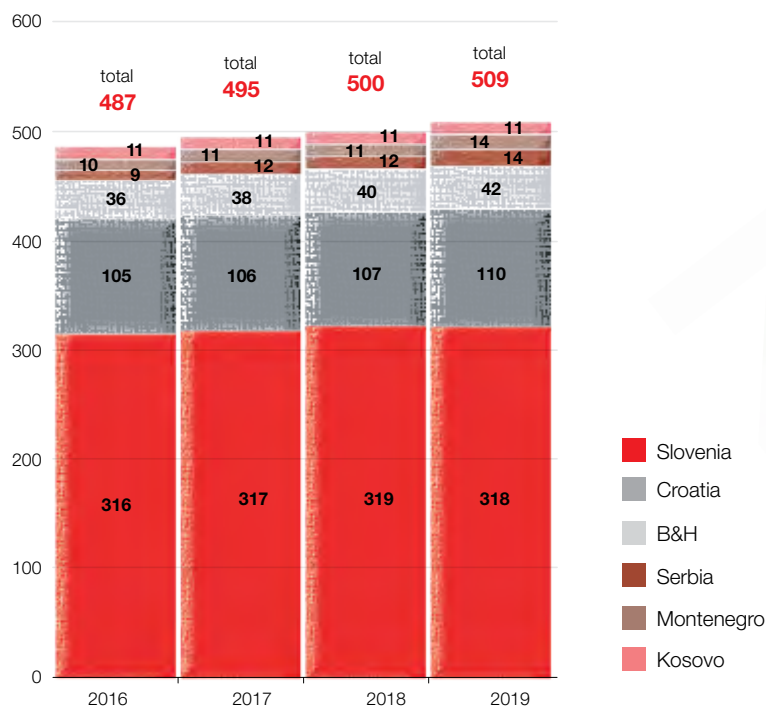
In addition to the possibility of paying for goods and services with existing means of payment (Petrol Club payment card, mBills), we also enabled payment with Visa and Mastercard cards in 2019.

In 2019 we recorded over 70,000 app downloads. Over 24,000 users have been actively using the On the Go app.

Retail network of the Petrol Group

At the end of 2019, the Petrol Group's retail network comprised 509 service stations: 318 in Slovenia, 110 in Croatia, 42 in Bosnia and Herzegovina, 14 in Serbia, 14 in Montenegro and 11 in Kosovo. Complementing the services provided at service stations are 135 car washes, 176 bars, 33 Fresh restaurants, more than 150 charging points for electric vehicles and 8 TIP STOP quick-service facilities. The latter are dedicated to the maintenance of freight and passenger vehicles.

EXPANSION OF PETROL'S SERVICE STATION NETWORK 2016 – 2019



**509
service
stations
at the end
of 2019**

With its 318 service stations, the Petrol Group has a 56-percent share of the Slovene market in terms of the number of service stations. Its competitive advantage consists of having a leading position as regards transit routes, with particular emphasis on motorway locations and key urban and border locations. Petrol's main competitor is the company OMV, which has a 20-percent market share in terms of the number of service stations.

Thanks to the strategic expansion of its retail network, the Petrol Group is becoming an increasingly important energy supplier in the markets of SE Europe. In Croatia, the Petrol Group holds a 13-percent market share in terms of the number of service stations, its major retail competitors being Ina, Crodux, Lukoil Croatia and Tifon. In Bosnia and Herzegovina, Petrol has almost 4 percent of the market in terms of the number of service stations. Its major retail competitors include Nestro Petrol, Energopetrol and Nešković Group. In Montenegro, Petrol has nearly 13 percent of the market in terms of the number of service stations, its major competitors including Eko and Lukoil. In Serbia, the companies NIS, Lukoil, Knez Petrol and Mol have the largest retail networks. Petrol has a 1-percent market share there in terms of the number of service stations. In Kosovo, where Petrol has a market share of 1 percent, the companies with the largest retail networks include Shell, Petrol Company and IP. The opening hours of our points of sale are adjusted to reflect seasonal traffic flows and customer needs.

Wholesale

The Petrol Group sells more than half of its petroleum products on the wholesale market. Wholesale of petroleum products is marked by intense competition. The high level of sales services, which is made possible by the broad network of sales representatives, appropriate technical and advisory support, and efficient logistics, is an important competitive advantage. Flexibility and reliability have enabled us to justify trust and either maintain or strengthen cooperation with our major customers.

Ongoing contacts with our business partners and open dialogue are a guarantee for a high level of customer satisfaction. We realise that we are deeply embedded in the industrial sector, which is why our business decisions are taken with great care.

Thanks to our market position, the Petrol Group can ensure an uninterrupted supply of motor fuels and other petroleum products, making it an important supplier to companies in the markets in which it operates.

Key impacts on operations

The pricing of petroleum products is chiefly subject to changes in petroleum prices on the global market, changes in the US dollar exchange rate and national petroleum product pricing regulations.

Pricing of petroleum products in Slovenia

The prices of petrol and diesel fuel at motorway and expressway service stations have been liberalised and determined by the market, while the prices of petrol and diesel fuel at other service stations remain regulated.

Until 31 March 2019, the prices of regulated motor fuels were set in accordance with the Decree on Setting Prices for Certain Petroleum Products which was in force from 1 October 2018 onwards. On 28 March 2019, the Government of the Republic of Slovenia adopted a new Decree on Setting Prices for Certain Petroleum Products, which was in force until 30 September 2019. On 26 September 2019, the Government of the Republic of Slovenia adopted a new Decree on Setting Prices for Certain Petroleum Products, which remained in force until 31 December 2019. The pricing methods under each of the decrees remained unchanged compared to their preceding decrees.

On 19 December 2019, the Government of the Republic of Slovenia adopted a new Decree on Setting Prices for Certain Petroleum Products, which shall remain in force until 31 March 2020. The pricing method for regulated petroleum products remains unchanged also under this decree.

The model-based margin is still government-regulated at most service stations and stands at EUR 0.08701 per litre of NMB-95 petrol and EUR 0.08158 per litre of diesel fuel.

Since 9 April 2016, the prices of the 98-octane and higher-octane petrol and of extra light heating oil have been liberalised and determined by the market.

Gross fuel margins for government-regulated motor fuel remain well below European average. In the case of unleaded 95-octane petrol, the margin amounted to 68 percent of the average gross margin in the EU countries (59 percent if the compulsory stocks membership fee is not taken into account) and in the case of diesel fuel to 55 percent (48 percent if the compulsory stocks membership fee is not taken into account) (own calculations based on Platt's and Oil Bulletin data).

Fuel pricing in Croatia

Since 20 February 2014, when the Oil and Petroleum Products Market Act entered into force and fully liberalised the pricing of petroleum products, the prices of petroleum products in Croatia have been set freely and determined by the market.

Fuel pricing in Bosnia and Herzegovina

In Bosnia and Herzegovina, the prices of petroleum products are not government-regulated and are set freely and determined by the market. The prices may change on a daily basis. In the Federation of Bosnia and Herzegovina, retailers notify the Federal Ministry of Commerce of new retail prices three days in advance, whereas in the Republic of Srpska changes in retail prices need not be notified in advance. Due to the free setting of prices, retail fuel prices vary according to the location of a service station.

Fuel pricing in Serbia

Since the legislation liberalising Serbia's oil market (unregulated imports of oil and petroleum products) entered into force on 1 January 2011, the prices of petroleum products have no longer been government-regulated and are set freely and determined by the market.

Fuel pricing in Montenegro

In Montenegro, the prices of petroleum products are set in accordance with the Regulation on the Method of Setting Maximum Retail Prices, which has been in force since 1 January 2011. The prices change fortnightly, provided that prices on the oil market (Platts European Marketscan) and the exchange rates of the euro and the US dollar change by more than 5 percent. In addition to market oil prices and changes in the exchange rates of the euro and the US dollar, the methodology used to calculate selling prices takes into account taxes, the costs of transshipment, handling, bank charges, storage, transport and distribution, as well as (excise) duties and an oil companies' gross margin. The latter amounts to EUR 0.063 per litre of petrol, EUR 0.064 per litre of eurodiesel and EUR 0.076 per litre of extra light heating oil. In addition to these gross margins, liquid fuel traders may factor in all of the above costs at EUR 0.05 per litre of petrol, EUR 0.05 per litre of eurodiesel and EUR 0.026 per litre of extra light heating oil.

Fuel pricing in Kosovo

In Kosovo, retail and wholesale prices of petroleum products are not government-regulated. Only in the case of sales of petroleum products to government institutions and state-owned companies are prices set in accordance with a prescribed methodology, which takes into account average monthly market prices, changes in the exchange rate of the euro and the US dollar, logistics costs and a maximum margin. These prices represent an unofficial basis for retail prices, which change according to market-based fuel prices.

Oil price movements in 2019

Oil prices per barrel ranged from USD 53.2 to USD 74.7 in 2019. The average price of crude oil stood at USD 64.2 per barrel in 2019 and was up 10 percent year-on-year while the average price in euros was down 5 percent. The prices of petrol and middle distillates followed the same trends as crude oil prices.

CHANGES IN BRENT DATED HIGH OIL PRICE IN 2019 IN USD/BARREL



Source: Petrol

The average price of crude oil stood at USD 64.2 per barrel in 2019, down 10 percent year-on-year.

CHANGES IN BRENT DATED HIGH OIL PRICE IN 2019 IN EUR/BARREL



Source: Petrol

US dollar exchange rate

The average exchange rate of the US dollar according to the reference exchange rate of the European Central Bank stood at 1.12 US dollars for 1 euro in 2019.

Procurement and logistics of petroleum products

Efficient management of the supply chain is a key factor of the Petrol Group's successful operating performance.

Procurement of petroleum products

Long-standing cooperation with competitive suppliers – major oil and petroleum product traders – grants Petrol the status of a partner. In keeping with its strategy, the purchased motor fuels and middle distillates were mostly delivered by sea. The increase in the volume of sales also led to an increase in the share of procurement from local inland refineries located in SE Europe, which complement the procurement network and enhance the reliability of supply, mainly of derivatives for which there is local demand, such as fuel oil, bitumen and gas. Petrol also successfully secured a new procurement route serving SE Europe markets via the River Danube. It thus made sure that the price of petroleum products was as competitive as possible and ensured optimal logistics for servicing service stations and wholesale customers.

In line with Petrol's long-term financial goals, its sustainable orientation and key policies, the selection of suppliers is subject to the following factors:

- compliance of all products procured with applicable European standards and regulations;
- commercial terms of procurement ensure the lowest procurement and logistics costs;
- reliability of supply, ensuring lower operational stocks and, through that, reduced costs of stock financing.

Logistics of petroleum products

Ensuring cost-effective logistics for all supply chains and in all markets is Petrol's permanent goal. The supply of fuel to service stations and customers in all markets was conducted in its entirety in line with the procurement and logistics model. As far as storage facilities are concerned, the main activities included the upgrading of the maintenance process, implementation of the investment plan and the replacement of fuel kept on behalf of the Agency of the Republic of Slovenia for Commodity Reserves.

Sales of merchandise

In 2019 the Petrol Group generated EUR 466.5 million in revenue from merchandise sales and related services, which equals the level of sales in 2018 and 1 percent less than planned. Good performance was achieved in the sale of tobacco, foodstuffs, hot beverages and automotive products. The sales through the Petrol Club catalogue and loyalty schemes were continued and further developed. The Petrol Group still generates the bulk of its revenue from merchandise sales in Slovenia, but has been intensively working on further bettering the sales performance in SE Europe markets, where the sales were up 14 percent year-on-year.

Petrol's service station has become a modern point of sale, where customers, besides fuelling up, can make daily grocery purchases, buy small items for personal consumption and tickets for shows or sports events, and pay bills. We now stock a wider assortment of consumer electronics, toys, and virtual products and services. Customers can also buy tickets from the Flixbus bus operator and the GoOpti carrier. Delivery and collection of parcels at points of sale has greatly increased. Cooperation with the organisers of major events, including catering, is a new part of our range. Customers are also offered a variety of gift vouchers.

Petrol's coffee-to-go is one of our most visible products. In 2019 we started the refurbishment of coffee corners, which will be fitted with new, more modern coffee machines, offering a bigger selection of coffee drinks of different tastes and sizes. Together with the replacement of the coffee machines, we will also give the coffee corners a new look. The refurbishment project will be completed in three years.

Our eShop customers were provided with a diverse and broad range of products. We put together an attractive offer for five Petrol Club catalogues and carried out two major loyalty campaigns and two minor ones under the slogan "Spend and Get". Our important competitive advantage is the widespread network of collection points, as customers can simply pick up their orders at our points of sale.

Thanks to our management and optimal execution of procurement and sales processes as well as the management of the selling space for all sales channels, we are in a position to offer customers favourably priced products at the right time and in the right place. Our operations are governed by laws: in 2019 we continued GDPR-related activities, there were new provisions introduced in the Agriculture Act, there were changes regarding tobacco laws which introduced standardised packaging for cigarettes and rolling tobacco, and there were changes in the tax rate applicable to newspapers, books and other original publications.

Sales of services

The Group's major revenue streams from services related to oil and merchandise sales include revenue generated from storing and handling petroleum products, from transport services, car washes, leasing of restaurant facilities and the Petrol Club card. New services are added to this range every year. The majority of the Petrol Group's revenue from services is generated by the parent company.

Petrol SKI – going skiing with Petrol

We provide customers with quick and convenient purchase of ski passes at more than 400 points of sale of Petrol. The Petrol SKI application enables the purchase of ski passes at points of sale in Slovenia, Croatia and Bosnia and Herzegovina for most Slovene and foreign ski resorts that use the Skidata and Access information systems. Upon purchasing a ski pass at Petrol, users may also purchase a valid prepaid ski pass on a contactless card for some ski resorts and thus avoid waiting in long queues at ski resort cash desks. For other ski resorts, a special voucher is issued at Petrol and customers pick up their passes at the ski resort. For some resorts, Petrol offers passes at a more favourable price than charged at the resort. Passes can also be paid in instalments by means of the Petrol Club loyalty card, which represents an additional benefit. Customers collect gold points when making purchases and in some cases these points can be redeemed against a pass at a discounted price.

Petrol mBills digital wallet

In January 2019, we were the first in the region to enable Garmin Pay payments with a Garmin smart watch connected with the mBills Mastercard debit card. In 2019 Petrol received the 2019 FinTech Award for the mBills mobile wallet – the award of the internationally recognised Wealth & Finance magazine for the best e-payment application in Central Europe. It accounted for more than 40% of all presale tickets sold for major events (e.g. the Škis Fair and EuroVolley). At the time of these events, we recorded additional 3 new users per minute. In 2019 mBills repeatedly ranked no. 1 in the Apple App Store, and at the end of 2019 had 68,251 users. In December 2019, the Company was the first in the wider region to provide services in the transaction accounts of NLB's customers according to the new Payment Services Directive (PSD2), namely payment initiation service (PIS) and account information service (AIS), and is the only company authorised for these services by the Bank of Slovenia in the Republic of Slovenia.

Sales of liquefied petroleum gas

Liquefied petroleum gas (LPG) is considered a top-quality and one of the cleanest fossil fuels. It is characterised by economical consumption and low costs, and it also helps to mitigate negative environmental impacts. LPG can be used for vehicle propulsion, heating, industrial use, in gas bottles for home use and for electricity generation. In EU Directive 2014/94 it has been declared an energy product of the future for transport purposes.

LPG sales are becoming increasingly important for the Petrol Group, seeing that regional infrastructure, which is a basis for establishing presence in the wider SE Europe region, is now being set up. LPG operations are divided into several segments, i.e. gas sales through networks and gas storage tanks, autogas sales and bottled gas sales.

The Petrol Group is engaged both in the LPG supply and in the construction and management of LPG distribution networks. The selling prices of liquefied petroleum gas are determined freely in Slovenia, as they are in Croatia, yet there they follow a formula that is based on Platts Mediterranean LPG prices. In Serbia, the prices of liquefied petroleum gas are determined freely based on Argus daf Brest prices, with other price sources also currently being considered in the pricing.

In Slovenia, the Petrol Group operated 5 LPG supply concessions in 2019, with the company Petrol d.o.o. having LPG supply contracts in the towns of Šibenik and Rijeka, Croatia. Liquefied petroleum gas is supplied to customers also through LPG storage tanks, at service stations (autogas) – either within or outside the Group's network – and in gas

bottles that are sold via a broad distribution network. In Croatia, we further expanded our business through our own retail network as well as through wholesale operations. In September, we acquired the company Crodux plin, including its logistics infrastructure. This will be reflected in an improved market position both locally and in the wider region.

The company Petrol LPG d.o.o. continued to expand in the region by exporting LPG to Macedonia, Montenegro, Bosnia and Herzegovina, Kosovo, Albania, Bulgaria and, indirectly, to Greece. This was also reflected in higher market shares in those markets. To optimise logistics, we leased an additional barge and a towboat, meaning we now operate four barges and two towboats.

In 2019 the Petrol Group's sales of liquefied petroleum gas totalled 176.4 thousand tons³ or 12 percent more than in 2018 and 9 percent less than planned. This was the result of the subsequent incorporation of LPG sales of the company Crodux plin d.o.o.

Sales of natural gas

Considering the energy and environmental challenges we are currently facing, natural gas is a particularly suitable energy product for ensuring a reliable energy supply, business competitiveness, a low-carbon energy system and sustainable development. The use of natural gas in combination with renewable energy sources (RES) improves air quality (less SO_x, NO_x and PM₁₀ dust particles) and reduces greenhouse gas emissions (CO₂).

The condensation technique allows us to boost the efficiency of heating systems, and the use of natural gas in cogeneration results in an above-average system utilisation rate. Moreover, EU Directive 2014/94 defines natural gas as the transport energy product of the future. In urban areas, the use of natural gas as fuel for buses and freight vehicles is especially recommended because it pollutes the environment considerably less than traditional fuels.

Storage and the use of LNG terminals, in combination with biogas use in the network, enable the development of low-carbon technologies and innovative projects for the deployment of hydrogen technologies (power-to-hydrogen, power-to-gas).

The natural gas market in Slovenia is part of the EU's single natural gas market, which is regulated by EU Gas Directive (2009/73/EC). There is strong competition in the retail natural gas market in Slovenia, the main competitors being Adriaplin, Plinarna Maribor and Energetika Ljubljana. After absorbing the company Geoplin d.o.o., the Petrol Group holds about a 51-percent market share of the Slovene retail natural gas market.

In addition to offering products and services at regular prices, household customers were actively presented with special offers (promotional prices valid during a certain supply period) as well as package offers (which also included other services, payment methods tailored to the customer, etc.).

Natural gas is supplied to business customers in the form of different products. The range is segmented and adjusted with a focus on customer needs. Depending on these, it includes the provision of information from the energy market and advice on the purchase of natural gas together with price risk management.

Natural gas prices began to decrease in the first quarter of 2019 due to a mild winter. With high stocks and rising imports of LNG into the EU, the downward trend continued throughout the year. In December 2019, natural gas prices were the lowest as compared to the recent years.

³ From 2019 on, the quantities of LPG are converted from liters to kilograms using slightly changed converters due to internal unification of sales recording, the impact on the calculation being minimal.

Natural gas prices in Serbia are set subject to Serbia's Energy Agency approval. Missing implementing regulations, however, hamper the liberalisation of the natural gas market. The Petrol Group has about a 1-percent market share of the retail natural gas market.

The Petrol Group sold 21.5 TWh of natural gas in 2019, an increase of 8 percent from 2018 and 3 percent more than planned.

Electricity sales and trading

Electricity is essential for the modern way of living and is, because of its versatility, an indispensable commodity for both households and industry. Owing to new appliances and applications, the demand for electricity has been increasing in spite of the efforts to reduce consumption through efficient use. Electric vehicles, which are more environment friendly, are becoming more and more accessible, and this will lead to increased use of electricity.

By offering electricity to households and small, medium and large businesses, Petrol consolidated its position as a major supplier of the full range of energy products across Slovenia and in the wider region. Through our electricity-related range, we pursue Petrol's goal of comprehensive energy product supply.

We further strengthened our business cooperation with the electricity producers that sell us energy from renewable sources produced in solar power plants, hydroelectric power plants and high-efficiency combined heat and power (CHP) cogeneration units.

Quick and effective adjustment to change is the key to market success, which is why we tailor and update our sales range and campaigns according to the requirements of partners and the market situation in each sales segment.

There is strong competition in the retail electricity market in Slovenia. The Petrol Group has about a 10-percent market share of the retail electricity market. In 2019 we offered ELES the possibility of purchasing electricity needed for the provision of tertiary frequency regulation, thereby helping to ensure the safe, reliable and efficient operation of the transmission system. In the area of electricity supply to end customers, the Petrol Group supplied electricity to more than 64 thousand household customers in 2019.

Household customers were actively presented with both special and package offers, which in addition to the supply include other services, payment methods tailored to the customer and provision of other products sold by Petrol.

The range of products for the supply of electricity to business customers is segmented and adjusted with a focus on customer needs. Depending on these, it includes the provision of information from the energy market and advice on the purchase of electricity together with price risk management. The segment of tailored products has been growing and is becoming an increasingly important part of the sales portfolio.

In 2019 we continued to supply electricity to customers in the Republic of Serbia and Bosnia and Herzegovina.

Participating in projects

In our view, the key to success in the market is the development of services utilising the flexibility in the electricity market and of new solutions facilitating green transformation of the energy industry.

X-Flex is an international project co-funded by the EU through the Horizon 2020 programme. The project will involve the development and testing of a model for generation of heat from renewable energy sources (RES Power2Heat), which will improve the reliability and

efficiency of district heating by optimising the use of CHP units and electric boilers. At the same time, we will provide system services using the flexibility offered by the entire system and help Slovenia's electricity network. We will develop a solution to manage domestic EV charging infrastructure in an area with grid constraints and a high share of RES, which will support the expansion of e-vehicle charging and the integration of diffuse RES, while reducing congestion of the existing electricity network. In the scope of the project, we will also develop a marketing system for efficient cooperation between the distribution system operator and the aggregator.

Compile is an international project co-funded by the EU through the Horizon 2020 programme. The project aims to activate and use local energy systems in order to support the fast growth of energy production from renewable energy sources in parts of the network facing constraints, and foster the transition from a centralised system with passive users into a flexible network of active users and energy communities. This will result in an energy community with improved self-sufficiency and above all in increased security of supply in the energy system. As part of the project, we have already set up solar power plants with a total power of 103 kW at nine facilities in Luče, introduced energy management of RES production in a facility, and installed a system battery, which will be the first in Slovenia and the wider region to enable isolated operation of the micro grid.

Dom24 – Petrol will develop a smart home concept featuring a user-friendly solution that will connect a wide range of IoT household devices and integrate them into a comprehensive cloud solution.

DEUP – together with our partners we have been developing a solution for energy optimisation in the steel industry and for traditional industrial production as well as management and energy optimisation of water supply systems.

OPERH2 – we participate in the development of offtake management combined with the production of hydrogen from renewable energy sources in the glass industry to help customers gain better control of consumption and reduce energy costs, while the system-wide flexibility will allow us to offer system services and support Slovenia's electricity network.

Electricity trading is taking place in an increasingly dynamic and unpredictable environment. In 2019 energy markets were most characterised by the high prices of emission allowances and a large supply of natural gas in Europe.

The allowances reached a 10-year peak at around EUR 30 per ton as a result of the slightly lower availability of allowances and continued high demand for them. On the other hand, natural gas dropped to its lowest price in 10 years due to great supply and high imports of LPG to Europe. Due to the combination of low prices of natural gas and high prices of allowances, gas-fired power plants outstripped thermal power plants in the production structure, which is an important step in Europe towards cleaner electricity production.

The high prices of allowances caused the countries with surplus electricity (Romania, Bulgaria) to significantly reduce exports to other SEE countries, which resulted in high electricity prices.

In 2019 the Petrol Group operated in 21 markets in Central, Western and South-Eastern Europe. We are present on 12 exchanges. For the purpose of business optimisation, we began to transfer activities in Croatia from the local company to the parent company Petrol d.d., Ljubljana. We wish to further establish our presence also in Greece, where we have already obtained a trading licence. Electricity trading is expected to start in 2020.

In 2019 the Petrol Group sold a total of 22.6 TWh of electricity (of which 1.2 TWh to end customers). This was 13 percent more than in 2018 and 41 percent more than planned.

Energy and Environmental solutions

Energy and environmental solutions in the public and commercial sector

Due to efficient energy consumption (EEC) and the use of renewable energy sources (RES), sales of fossil fuels are expected to decrease. Much like the EU, Slovenia has also committed itself to relatively ambitious goals in the field of EEC, increasing the use of RES and reducing greenhouse gas emissions. With restrictive legislation, the state strengthened the conditions for energy supply and use of fossil fuels, increased fossil fuel charges and promoted investments in EEC and RES in the form of subsidies and loans at favourable terms. It is the subsidies that direct demand and thus also affect the situation on the supply side. In the field of EEC and RES, the value chain benefits most the equipment manufacturers and dealers as well as the providers of comprehensive solutions that offer comprehensive energy and environmental solutions to large users.

The field of energy and environmental solutions for the public and commercial sector covers comprehensive solutions in the field of optimisation of investments and operating costs for infrastructure systems (district energy, street lighting), facilities, water circuits (water supply systems and wastewater treatment). It also covers the solutions related to the introduction of a technical and information system, called Petrol Tango, as the core information platform for “smart cities”.

As a rule, the implementation of these complex projects is carried out on the basis of a long-term contract on energy supply and savings (in the public sector typically based on a concession relationship). Under such a contract, Petrol, in addition to the implementation and management of energy systems, also provides financing of investment measures based on the principle of energy efficiency and water conservation contracting and/or the principle of contractual energy supply. Petrol also guarantees the achievement of the agreed goals.

Petrol's experts offer their knowledge, experience and achievements to the market. We offer customers the possibility of reducing the consumption of primary energy sources and water, cutting costs for energy supply, drinking water supply and wastewater discharge, while on the other hand we gain a long-term energy client and build a partnership with our customers. We ensure efficiency through economical planning of the construction or refurbishment of energy systems and water circuits, and by optimising their real-time operation. Our operations enable customers to develop sustainably and we have a significant influence on the reshaping of social values. With innovative business models and solutions, we are involved in the circular economy and make an important contribution to changing the region into a low-carbon society.

We provide these services in Slovenia, Italy, Austria, Croatia, Bosnia and Herzegovina, Serbia, Bulgaria and Romania. In 2019 we expanded our operations to Montenegro and Russia.

Achievements in 2019:

District energy systems DISNet-DH (Digital Intelligent Smart Networks – District Heating)

At the end of 2016, the European Commission adopted the so-called Winter Package of measures to reduce greenhouse gas emissions. The package includes district energy systems (district heating and cooling) which are recognised as infrastructure enabling cities to achieve a transition to a low-carbon society. Therefore, district heating has a key role when it comes to supplying green energy and enabling the integration of energy systems in cities and towns.

The main guidelines pursued in the development of modern district systems are low energy consumption, lower temperature regimes tailored to customers, lower heat losses, diversification of production sources (use of renewable energy sources, highly efficient heat and power cogeneration, use of excess heat from industrial processes, etc.) and heat and electricity accumulation. District heating systems are becoming “smart grids” that will connect district heating and cooling systems to other energy systems and provide for the coordination of energy needs of customers.

Our services help customers optimise investments in the development and refurbishment of district energy systems and reduce operating costs. We take into account and analyse all aspects of the operation of district energy systems, employing the most advanced technologies, including thermo-hydraulic network modelling systems, systems for the recording and processing of technical and business data (TANGO), business intelligence (BI) and artificial intelligence (AI).

These are the main guidelines for the development of intelligent systems:

- to reduce energy consumption through cost-effective energy efficiency measures,
- to increase the share of RES,
- to integrate energy storage solutions,
- digitisation.

DISNet-DH services contribute to boosting energy and environmental performance in 9 countries in the region (Slovenia, Austria, Italy, Croatia, Bosnia and Herzegovina, Serbia, Bulgaria, Romania and Russia). We are partners with 27 major district energy systems (Ljubljana, Velenje, Maribor, Vienna, Bolzano, Zagreb, Osijek, Sisak, Tuzla, Belgrade, Novi Sad, Sofia, Plovdiv, Arad, Yekaterinburg, etc.). Together, we help our customers to optimise the production, distribution and consumption of more than 17 GW of thermal power in real time.

In 2019 Petrol won the Best of the Best 2019 competition for best business practice, a project run by the American Chamber of Commerce in Slovenia, AmCham Slovenia. Together with the company Danfoss, we won first place with our practice titled “Slovenia, Connected through Energy: Showroom of Global Trends”. We won the award for carrying out the International DHC+ Summer School (organised by Euroheat & Power) on district energy, which was attended by over 40 energy experts involving students, professors and employees from 10 European countries, who were developing innovative district energy solutions in Slovenia.

District heating

District heat supply consists of heating systems where heat is produced in one or more boiler rooms and distributed to end customers via a hot-water network. Heat distribution systems are now considered to be one of the most reliable and, in terms of the environment and costs, acceptable systems for supplying heat to end customers. Buildings supplied via a district heating system do not require their own heating source, with the system itself providing the following supply advantages:

- improved energy efficiency,
- friendlier to the environment,
- straightforward operation and maintenance, reliability, comfort and convenience,
- lower cost of investment,
- lower cost of operation and major repairs.

Heat distributors must ensure that at least 50 percent of heat is produced from renewable energy sources (biomass, geothermal energy, etc.) or that a minimum of 75 percent of heat is produced from high-efficiency cogeneration of heat and power. Fifty percent can also be supplied by combining heat coming from the above two sources.

At the end of 2019, the Petrol Group operated 29 district heating systems, of which 16 were organised as an optional public utility service (a concession) or concession agreements for their management were signed with municipalities. Ten district heating systems were organised as a proprietary system and three as market distribution systems.

In 2019 the Petrol Group sold 145.8 thousand MWh of heat, an increase of 6 percent from 2018 and 3 percent less than planned.

Water supply systems DISNet-WS (Digital Intelligent Smart Networks – Water Supply)

Increasing the efficiency and economy of drinking water supply is one of the major efforts of European countries. Petrol d.d., Ljubljana has developed the DISNet-WS service, which enables economical planning of the development and refurbishment of the existing water supply system, optimisation and supervision of construction (new sections, reconstructions, etc.) and efficient real-time management and maintenance. It is possible to calculate dynamic performance indicators (KPIs), which connect the processes of managing water supply systems and the aspects considered in assessing the performance of drinking water supply services (safety, quality, user support, sustainability, efficiency).

Digitised management of the water supply system, together with the establishment of performance indicators, helps to improve operational energy and environmental performance, the effectiveness of managing non-revenue water (NRW) and water losses. Improved efficiency of the water supply system ensures greater operational safety and reduces the risks of ensuring the conformity and wholesomeness of drinking water channelled from the water source to the customer's point of consumption.

In 2019 we won our first project in Croatia. Using DISNet-WS services, we digitise the operation of the Međimurske Vode water supply system in real time and thereby help increase energy and environmental efficiency, reduce water losses and improve the compliance and health safety of drinking water.

We provide DISNet-WS services in 7 countries in the region (Slovenia, Italy, Croatia, Bulgaria, Romania, Montenegro and Bosnia and Herzegovina). We are partners with 14 major drinking water supply systems (Ljubljana, Maribor, Kranj, Velenje, Murska Sobota, Novo mesto, Ptuj, Čakovec, Novara, Arad, Sofia, Podgorica, etc.). We help our customers optimise over 10 thousand kilometres of water supply network in real time comprising over 1.3 million users and more than 320 thousand water meters, which collectively produce and distribute over 120 million m³ of drinking water. We have thus achieved a proven reduction of water losses by 3.5 million m³ annually.

Wastewater treatment

A cleaner environment is becoming an increasingly important issue in the present time. Wastewater is a major factor in this, as it can pollute the environment if left untreated. In the Petrol Group, we are aware of the significance of technology used in wastewater treatment, for it has to be environmentally friendly and cost-effective. Yearly operational monitoring performed by authorised institutions indicates that all machinery in the Petrol Group has been operating in compliance with legislation.

In 2019 the Petrol Group operated four concessions for the public utility service of municipal wastewater treatment. The capacity of the treatment plant in Murska Sobota is 42,000 population equivalents (PE), in Sežana 6,000 PE, in Ig 5,000 PE and in Mežica 4,200 PE. Petrol also managed industrial waste treatment plants at Vevče Paper Mill and Paloma.

In total, 5.2 million m³ of wastewater was treated in 2019.

At the four municipal waste treatment plants we treated 3.5 million m³ of municipal wastewater, whereas at the two industrial waste treatment plants 1.7 million m³ of industrial wastewater was treated.

Wastewater treatment efficiency was at the expected level and fully compliant with the law at all waste treatment plants in 2019.

In 2019 we also operated 49 small treatment plants at the points of sale owned by Petrol.

As an important member of the company Aquasystems d.o.o., Petrol d.d., Ljubljana is involved in the treatment of municipal wastewater also in the municipality of Maribor, the capacity of which is 190,000 PE.

Efficient lighting systems

Slovenia is one of the few countries that has begun solving the problem of light pollution through state-level regulation. In 2007 the Government of the Republic of Slovenia adopted the Decree on Limit Values due to Light Pollution. The Decree prescribes a certain method of lighting and the maximum consumption of electricity for lighting, which have to be observed by lighting operators (legal and natural persons).

Over 200 thousand inefficient lamps were replaced in 2019.

Similar guidelines on limiting light pollution are followed also by other countries in the region. In Croatia, a new act on the protection from light pollution has been in force since 1 April 2019. Serbia has in place the Energy Act, the Efficient Energy Consumption Act and Rules on Energy Performance Contracting laying down measures for improving energy efficiency in the public sector.

Legislative frameworks directly affect the potential or interest of public local communities in the area of energy and environmentally effective renovation of public lighting systems. In urban areas, Petrol is running public-private partnership projects with the aim of reducing energy consumption, greenhouse gas emissions and light pollution, as well as to provide traffic and general

safety, and lighting comfort for the users of public spaces in an energy efficient way. Owing to the digitisation of lighting infrastructure, we enable our customers to develop and use new services intended for public infrastructure users.

We also provide street lighting digitisation services to larger systems in the region by integrating the systems into our Tango platform. The purpose of the service is to employ modern ICT technologies to digitise the lighting infrastructure and to allow the customer to develop and use new services intended for the users of public infrastructure and of the following services:

- new services of regulating stationary and dynamic traffic flows in the city;
- new services of supervision and protection of the general public and the environment exposed to light pollution;
- integration and transmission of data related to other public service infrastructure.

When it comes to public lighting, we operate in 15 Slovene towns (Koper, Bled, Črnomelj, Hrastnik, Ankaran, Postojna, Radlje ob Dravi, Poljčane, etc.), three Croatian towns (Kraljevica, Pušća, Sveti Ivan Zelina) and one town in Serbia (Sečanj).

In 2019 we successfully carried out an energy efficient renovation of public lighting in the Croatian town of Sveti Ivan Zelina and also completed the first project of this kind performed by our company in the territory of Serbia – in Sečanj municipality, all of which helped to further consolidate our position in the region of SE Europe.

In total, we manage 19 concessions or systems of public lighting and over 35 thousand public lighting lamps. Within the product group for energy and environmental management of buildings, the measure of replacing inefficient lighting in public buildings continued.

Systems of energy and environmental management of buildings

The Energy Efficiency Directive (2012/27/EU) establishes a number of efficient energy consumption measures, including assigning the leading role in the energy renovation of buildings to the public sector to serve as an example for other stakeholders. In this context, the Directive requires that from 1 January 2014, 3% of the total floor area of buildings owned and occupied by the public sector in the narrow sense shall be renovated each year. The Directive is transposed into Slovene law by the Energy Act (Official Gazette of the Republic of Slovenia, No. 17/14).

Energy performance contracting is also one of the key measures under the Energy Efficiency Action Plan (AN-URE 2020) and the implementation of the Operational Programme for the Implementation of the EU Cohesion Policy in the period 2014 – 2020. That way, private capital is included to a greater extent in the financing of energy efficiency measures, multiplying the public funds invested and resulting in higher energy savings achieved per unit of investment incentive.

Petrol carries out energy performance contracting services for buildings in the narrow and wider public sector. Energy performance contracting is defined as a contractual reduction of energy costs. It is more than just a financing method: it is a contract model that, in addition to designing and implementing (construction and technological) actions, also covers the financing, management and supervision of operation, servicing and maintenance, elimination of defects as well as the encouragement of consumers towards efficient energy use. Energy performance contracting is a method of contract-based reduction of energy costs, with the operator providing a range of measures necessary for the efficient use of energy on the client's premises, and the client undertaking to pay the agreed amount for these services (reduced energy consumption and provision of comfort), taking into account contractual penalties, if any, in case the agreed results or savings are not achieved (no service - no payment). The basis is a contract, concluded for the agreed period between the owner (or manager) of the building, i.e. the client, and the contractor, i.e. energy service company (ESCO).

In 2019 we carried out energy renovation and assumed management of 64 buildings with a total area of 171,738 m².

In 2019 we implemented energy performance contracting services at 339 buildings with a total area of 1,009,404 m², which is equivalent to approximately 84 office buildings such as the one of Petrol at Dunajska 50 in Ljubljana.

As part of the Energy Renovation in the City of Ljubljana project (EOL-1 and EOL-2) we performed, together with our partners, the energy efficient renovation of 59 buildings in the City of Ljubljana following the energy contracting model. With these two projects, we helped save more than EUR 1.5 million annually and reduced CO₂ emissions by about 3,500 tonnes annually, which is equivalent to the quantity that is absorbed by 400 ha of forest or 175,000 trees annually. After renovation, all buildings which have been completely renovated with regard to energy efficiency are supplied with at least a 25 percent share of energy from renewable sources. The EOL-1 project has also been recognised at the European level, having received the European Energy Service Award 2019 at the Covenant of Mayors Investment Forum held on 20 February 2019 in Brussels.

In 2019 we prepared energy contracting projects to be implemented in 2020 for an additional 45 buildings in Slovenia with a total area of 162,465 m². We also prepared a video on collaboration with the City of Kranj, which has been co-creating the sustainable story with us for 19 years (https://www.youtube.com/watch?v=U1UA_HBsYuQ). In addition to the Slovene market, we made the first steps to expand energy contracting to the Serbian and Croatian markets.

In addition to the energy management of buildings, we also managed:

- 32 photovoltaic power plants with a total power of 2.63 MW, generating 2,328 MWh of electricity annually;
- 58 CHP (small combined heat and power units) with a total rated power of 5.8 MW (net) or 6.5 MW (gross), generating 24,017 GWh annually;
- 125 charging points (in Slovenia) for electric vehicles, where 511.4 MWh of electricity was sold.

Technical and information system Tango

Tango is an open aggregation platform, which addresses the challenges of modern business and enables digital transformation, regardless of customer activity or size. It focuses on building smart and pragmatic work processes, making smart decisions and creating new added value.

Tango, which is Petrol d.d., Ljubljana's first software product, has been developed with the end user in mind and it encompasses the best practices in district heating systems, water supply systems, public lighting, industry, energy management of buildings, etc. Tango provides internal and external customers with:

- increasingly faster response times and accurate and trusted decision-making based on fast, accurate and trusted data;
- near real-time control and improved operational efficiency;
- reduced energy use and costs;
- increased asset utilisation and reduced downtime or failure;
- more effective predictive maintenance and improved quality management;
- automation using machine learning and improved efficiency of work and decision-making processes.

Tango is one of the key software tools used by Petrol d.d., Ljubljana on its path to digital transformation. It provides an important strategic development advantage in offering near real-time process optimisation services in cities, industry, travel and at home.

In November 2019, we presented the Tango at the European Utility Week in Paris, where we upgraded the Tango presentation from 2018, which took place in Vienna, using real-world cases of application. We also prepared a video for this purpose. (https://www.youtube.com/watch?v=9e_6UhyPm3c). We are proud of Tango's first buyer, Energetika Maribor, and of the results achieved by Tango through machine learning, as it successfully lowers the costs of heat production and distribution in the city of Maribor.

Energy solutions in industry and apartment buildings

In the field of industry, we have been developing various business models that are fully tailored to the needs of customers and their technological processes. We design solutions in the area of steam and heat, natural gas, industrial gases and compressed air, industrial water, cooling systems and industrial waste treatment plants. We also prepare projects in the field of efficient lighting in industrial buildings and manage an LPG storage facility. Industrial customers are included in our virtual power plant. At two locations, we have obtained the status of closed electricity distribution system, and we also have the status of closed natural gas distribution system at one location. For management purposes, we established a comprehensive Management Centre at Ravne na Koroškem, where we provide for reliable and efficient functioning of our customers' processes throughout

the year. In addition to industrial users, we are developing solutions for commonhold unit owners and managers in the field of energy-saving renovation, control and management of boiler rooms, and installation of heat cost allocators.

Key projects and activities in 2019:

Energy solutions for industry:

- We obtained the status of closed distribution system in the area of Štore.
- In 2019 we distributed 602 GWh of natural gas (in Ravne and Štore industrial zones).
- In Ravne we continued the project of siting CHP Ravne 2 in 2019. Together with CHP Ravne 1, production will stand at 20,232 MWh or 54 percent of total heat required for district heating. The existing CHP modules in Ravne (rated power of 2 x 2.723 MW) were included in the provision of power system reserve services for ELES as transmission system operator (mFRR).
- We are managing district heating systems in Ravne na Koroškem and Sladki Vrh.
- In 2019 we generated more than 39.149 GWh of heat in the heating plant at Ravne. Every year we produce 52 thousand m³ of domestic hot water, extract 722.3 thousand m³ of drinking water for technological purposes and drinking, and distribute 80,814 m³ of drinking water and 4.4 million m³ of cooling water.
- Annually, we produce and distribute 78.3 million m³ of compressed air (Ravne and Štore).
- In the field of industry, we carried out a number of investment and development projects, such as the renewal of cable connections at the Štore site, the installation of a new medium voltage cable transmission line and the installation of a new transformer station (5/0.4 kV). At the Ravne site, we renovated CHP and modernised the supply of compressed air.
- We renovated industrial lighting at the Presad plant.

We are successfully developing projects in the field of waste heat utilisation. In 2019 the effective utilisation of waste heat stood at 8,611 MWh, up 7.2 percent on the previous year. In total, a saving of 916,450 Sm³ of natural gas (9.861 GWh) was achieved.

Electricity distribution systems and networks:

- In 2019 we distributed 347 GWh of electricity (equivalent to the annual consumption of 60 thousand dwellings), specifically 163 GWh at the Štore closed distribution system and 184 GWh at the Ravne closed distribution system.
- In 2019 electricity production at CHP Ravne amounted to 26.27 GWh. As part of the provision of system services (mFRR), we provided services to the transmission system operator at a positive mFRR at an annual level of 8 MW/h and at a negative mFRR of 5 MW/h. Additionally, we provided 5 MW/h on a monthly basis. In addition to our own machinery, we also included external vendor machinery (as an aggregator) in the VE.TER system.
- We have begun the implementation of a development project for the installation of a 6 MW electric boiler and cooling system. The electric boiler will be integrated into the existing district heating system. The original purpose of the electric boiler is provision of services to the transmission system operator (ELES) in the field of tertiary frequency control.

Solutions for the apartment building segment:

- We have refurbished a number of boiler rooms, mostly in the Koroška region (in total 1,880 kW), using the energy contracting model. In addition to the comprehensive refurbishment of the boiler rooms, we also took over their management.
- The refurbished boiler rooms in the Koroška and Štajerska regions provide heat to apartment buildings with 140 entrances (over 106 thousand m² of heated surface). We have installed 15,000 heat cost allocators in apartment buildings.

Distribution of natural gas

The Petrol Group distributes natural gas in Slovenia, Croatia and Serbia.

In 2019 we held 30 concessions in Slovenia, supplying approximately 16,500 end users and over 9,670 active connections.

In 2019 we started introducing advanced reading of devices on the natural gas distribution systems of the concessionaire Petrol d.d., Ljubljana. In collaboration with the supplier, we set up a pilot project and installed about 350 devices for remote reading of gas meters in Gornja Radgona under the respective concession. Once the pilot is successfully completed, the installation of remote reading equipment will start in the second half of 2020 for all natural gas concessions in Slovenia.

In Serbia, Petrol distributes natural gas through Beogas d.o.o. in the Belgrade area in three municipalities (Čukarica, Palilula, Voždovac) and in the municipalities of Pečinci and Bačka Topola. In Serbia, the Company supplies approximately 13 thousand end users and distributes about 320 thousand MWh of natural gas, ranking among the top four distributors in the country. The Company is proactively increasing the number of customers in its existing gas distribution network.

In Croatia, the companies Petrol d.d., Ljubljana and Geoplin d.o.o. Ljubljana acquired an interest in the company Zagorski metalac d.o.o. in December 2018. Zagorski metalac d.o.o. distributes natural gas in the Zagreb County and in the Krapina-Zagorje County. The company has a broad gas distribution network (of approximately 830 km), through which it supplies gas to over 17 thousand end customers, distributing 250 thousand MWh of natural gas on a yearly basis. The company is among the top 10 distributors in Croatia. At the end of 2019, Petrol d.d., Ljubljana acquired an additional 19-percent interest in Zagorski metalac d.o.o. from the municipality of Sv. Križ, increasing its holding to 75 percent. The remaining 25 percent is owned by Geoplin d.o.o. Ljubljana.

In 2019 the Petrol Group distributed 1.1 TWh of natural gas.

Production of renewable electricity

Rapid development of the global energy system is fuelled by growing energy needs as well as by environmental requirements linked to climate change. Recognising this, we also produce electricity from renewable sources – wind, water and sun, with wind power becoming increasingly important in the European energy market.

As a key element in the future development of the Petrol Group, renewable electricity production has a strategic place in Petrol's decision to become a respectable energy company. It helps us secure own long-term sources for the purpose of selling electricity, while keeping us prepared for new trends in the area of transport. At Petrol, we see enormous potential for the development of renewable electricity production in SE Europe. By developing our own production capacity, we pursue the strategic orientation of becoming a visible regional provider of comprehensive energy and environmental solutions, and a partner in the development of the circular economy for transition to the low-carbon society.

The Petrol Group has been involved in electricity production since 2003, when electricity was produced at smaller production plants (photovoltaics, micro cogeneration, biogas plants).

We produce hydroelectric power in Bosnia and Herzegovina, where electricity is produced at five small hydroelectric plants. In total, 30 GWh of electricity was produced at those plants.

In Croatia, the Glunča wind power plant produced 50 GWh of electricity. At the end of 2019, an investment in a 30 MW windfarm was also launched. In addition, we began to develop four photovoltaic power plants with a total power of 11 MW.

In Serbia, we joined forces with a business partner to begin developing a major 100 MW wind power plant. We also began the construction of a small 1 MW hydroelectric power plant.

Mobility

We are developing new smart solutions in the field of electric mobility and mobility services, which will constitute an important pillar of Petrol's sustainable and innovative business over the long term. At Petrol, there are two segments we are focusing on when it comes to mobility. The first segment is e-mobility itself, which means setting up, managing and maintaining infrastructure for the charging of electric vehicles, and providing the charging service. The second segment consists of mobility services comprising new types of mobility such as operating leasing, car sharing, transport on demand, and more dynamic forms of alternative transport which complement the existing ones, such as bus

and other transport. Related to this, we successfully completed the acquisition of the company ATET d.o.o. which specialises in fleet management, rent-a-car services, provision of replacement vehicles to insurance companies, etc.

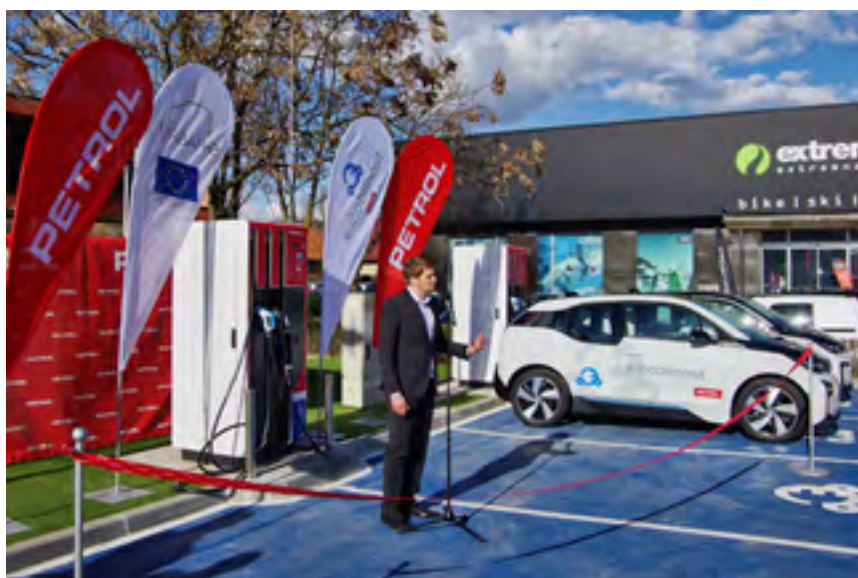
Developing sustainable solutions for smart mobility

In 2019 we continued to operate two European projects – Urban-E and Multi-E, and we are also closely involved in the European Next-E project as a partner. Urban-E and Multi-E combine both mobility segments, namely the e-vehicle charging infrastructure and the development of mobility services which is naturally based on e-mobility. The projects complement each other in this part. Urban-E is a pilot project, whereas the aim of Multi-E project is to further expand our market presence. Urban-E is operated in Ljubljana and

Zagreb, and the Slovak partner covers the Bratislava area, while the Multi-E Petrol project is conducted in Slovenia, Croatia and northern Italy.

The common denominator of all three projects is the introduction of alternative fuels, decarbonisation and innovation in transport. To this end, we are setting up a network of infrastructure for charging with alternative energy sources such as electricity and compressed natural gas, as well as sustainable smart mobility services, for example the intermodal transport market. In 2019 we set up 24 new AC charging points and 7 fast-charging points, which means that Petrol operates and provides electric vehicle charging services at more than 150 public charging stations. We have also taken a decisive step towards the future construction of charging points, thus laying the foundations which allow us to successfully and quickly launch new charging points in 2020.

In March 2019, we opened the first public rapid-charging mini hub for electric vehicles in Slovenia within the Urban-E project.



In 2019 we successfully launched the OneCharge mobile app, which allows the use of charging stations via a mobile phone with various means of payment. Practically every electric vehicle owner in Slovenia is a holder of Petrol's e-mobility card and/or is using the OneCharge app.

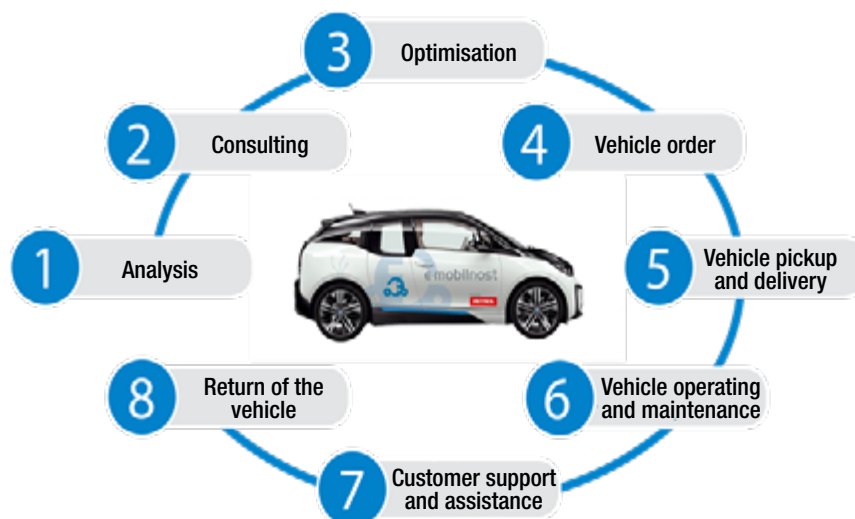
The number of charges on e-infrastructure rose by 115 percent in 2019 compared to 2018, and the amount of electricity transmitted went up by 149 percent.

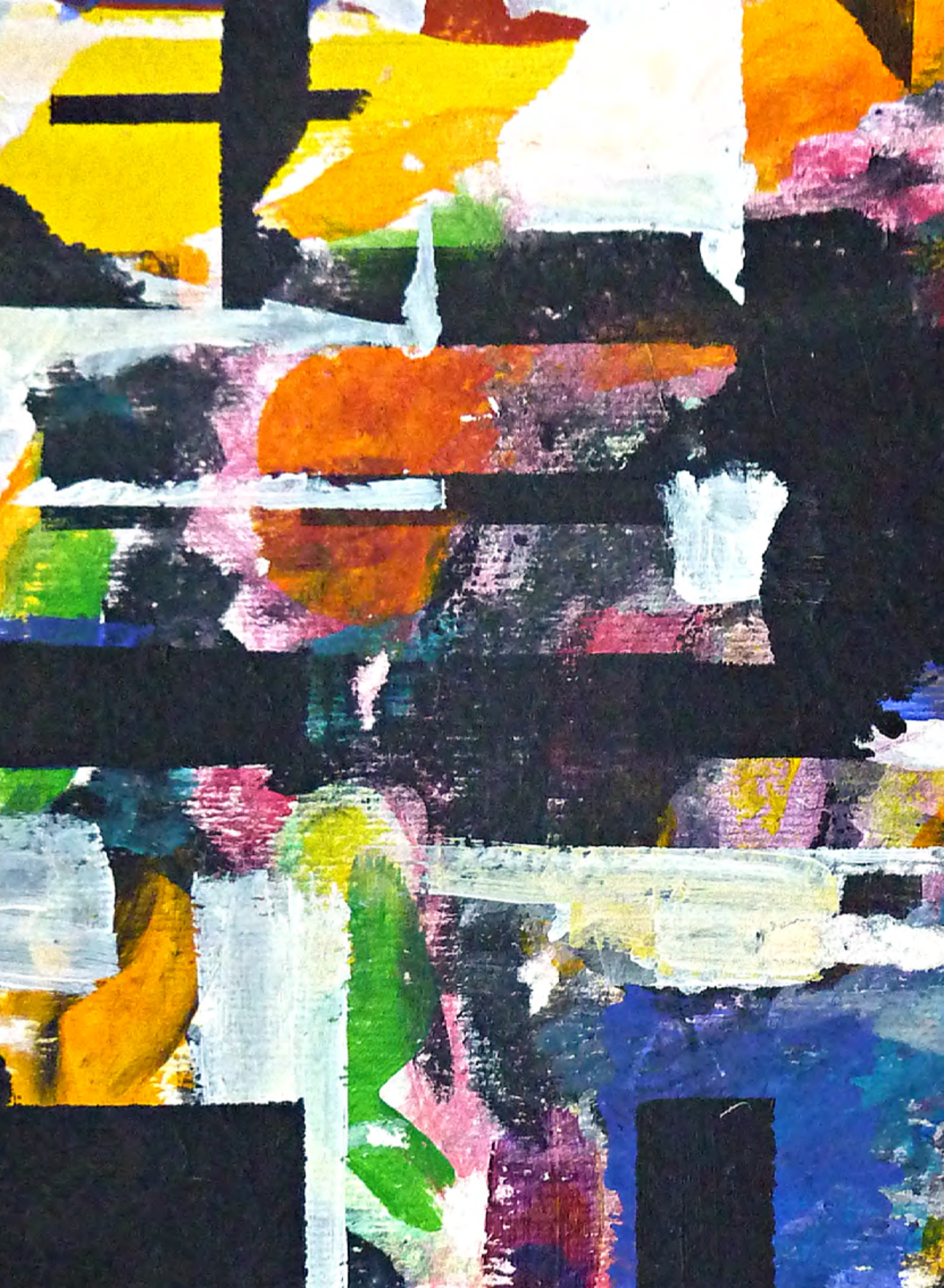
Vehicle as a service

In the light of the mobility trends, where in addition to fleet electrification various types of e-vehicle rental rather than purchase are mentioned, we started developing a new service called Vehicle as a Service in 2017. This represents an upgrade of a typical e-vehicle operating lease for up to 5 years. This is just one of the products that complements comprehensive mobility solutions. We also offer municipalities and companies the optimisation and management of their existing fleets.

In addition to financing, the Vehicle as a Service package covers all operating costs incurred during the lease of a vehicle (insurance, regular and emergency repairs and maintenance, additional sets of summer and winter tyres, tyre replacement and storage, 24/7 customer assistance, vehicle replacement assistance, etc.). The service can be enhanced with additional options such as a charging package for Petrol's charging infrastructure, door-to-door service, and the yearly vignette.

The first vehicle was put into service in the scope of the Vehicle as a Service at the end of 2017 and we operated 40 electric vehicles at the end of 2019.





Sustainable Development



The planet

We wish to manage water with care. And soil. And waste. Our efforts are focused on reducing air, water and soil pollution. We ensure a responsible way forward. We know what future brings if we do the right thing. Has it ever happened in the history of our planet that we were such masters of our fate?

Sustainable development

Sustainable development is the key driver for the future

The Petrol Group views its operations in a holistic manner. A very important aspect of our business is our sustainable orientation, which is part of our vision, our operations and relationships with the stakeholders, and is reflected in our results.

The “sustainability review” presented every two years through the Sustainability Report (<https://www.petrol.eu/investors/reports>) is part of Petrol's overall concern for our sustainable fitness and represents a step towards greater well-being for all. How to recognise opportunities for creating greater value with fewer resources? How can we operate differently, using innovative ideas, employing different methods, having different relations and processes, and thus create greater value for ourselves and the wider community? This is our sustainable business path, divided into stages to maintain a high level of motivation for pushing the limits and overcoming the obstacles. For long-haul runs, especially when confronted with changing circumstances and unpredictable obstacles, one requires good fitness. Especially, if one wants to be in the top ranks.

We are integrating many players into the big sustainability picture

THE PETROL GROUP'S SUSTAINABLE STRATEGY IS BUILT ON THREE PILLARS:

Low carbon energy company

Partnership with employees and the social environment

Circular economy

Sustainable development has been strategically positioned in Petrol's operations, where our endeavours for a transition to a low-carbon society, partnership with employees and the social environment as well as a circular economy represent a central pillar. As an energy company, Petrol achieves its sustainable results partly independently. An increasingly important aspect, however, is our commercial activity, where we have been attaining sustainable goals together with our partners.



Opportunities and challenges of the low-carbon society

With regard to our vision and strategy for transition to a low-carbon energy society, we act in several areas:

- for transport purposes, we are introducing a more sustainable energy mix producing less harmful gas emissions (we offer alternative fuels: LPG, CNG, biofuels, electricity); we are improving conventional fuels by using additives to reduce fuel consumption as well as greenhouse gas emissions;

Use of alternative fuels with lower emissions



Adding additives to fuels



Use of biofuels



E-mobility



Innovation in transport



- we are developing and implementing new smart solutions in the field of electro-mobility and mobility services, which will serve as an important pillar of Petrol's sustainable and innovative business in the long run; business users can opt for the possibility of entering into an operating lease of a carbon-free fleet;
- we are setting up our own electricity production from renewable sources;



Sun



Wind



Water



Biowaste

- we are working on projects aimed at boosting energy efficiency and energy independence; and
- by providing, both through our own actions as well as through cooperation with our partners, a comprehensive range of energy and environmental solutions for cities, businesses and households, we are generating energy and environmental savings.

Our partners and the wider society are expecting ever more

Proper bilateral relations are the cornerstone of a sustainable business and the wider society. These relations are based on shared values and interests. The Petrol Group has many stakeholder groups owing to its diversified activities and size.

Employees, their knowledge, potential and values are the core pillar of sustainability of the Petrol Group. We are developing the competences of our employees, constantly providing for their education and monitoring their satisfaction. Employee health and safety are of central importance.

The Petrol Group operates on the basis of social responsibility, which is why our activities are also geared towards contributing to the well-being of the wider society. We demonstrate our socially responsible conduct through support and assistance to the environment in which we operate:

- by providing convenient, high-quality and healthy services tailored to our customers;
- by enhancing employee satisfaction and strengthening corporate integrity as well as personal and career development;
- by supporting a number of sports, arts, humanitarian and environmental projects;
- by providing for the more vulnerable groups; and
- by investing in a new generation of professionals.

Opportunities and challenges of circular economy

The transition to the circular economy is seen as an opportunity to boost resource efficiency. We are committed to reducing the use of primary raw materials, to their reuse, to separating waste at source while generating fractions that are as pure as possible and to increasing material recovery. Where material recovery is not possible or feasible, we promote energy recovery from waste instead.

Petrol's contribution to the United Nations sustainable development goals

As an international player in the region, the Petrol Group is also contributing to meeting the UN 2030 sustainability goals. It is well known that the UN has identified 17 key goals which could make our global society more sustainable. Petrol's activities, in concert with its partners, contribute to as many as 10 sustainability goals.



Our sustainable management on display

Our stand-alone sustainability report (<https://www.petrol.eu/investors/reports>) is intended for all interested stakeholders. It is important for Petrol that both the employees and the external stakeholders are made aware of where we are, where we want to be and where our challenges lie. These are multidisciplinary areas where collaboration is needed. And this is also the beauty of sustainable development, which encourages the participation of the wider community in creating change.

Employees

The Petrol Group operates in an international environment and brings together over 5,000 employees of different generations, genders, nationalities, convictions, professions and talents. We are bound by common values: respect, trust, excellence, creativity and courage.

Employees are crucial for achieving and exceeding business objectives, and are the key to success. It is therefore extremely important for Petrol to constantly build a culture of mutual trust and respect, innovation and teamwork, striving to provide a friendly, stimulating and dynamic work environment as well as opportunities for employee development and creativity.

At Petrol, employees have numerous opportunities to develop their potential. The internal onboarding system contributes to a faster and systematic gaining of the necessary knowledge and skills, and the training system helps to build competencies. Last year, special attention was devoted to a comprehensive approach to employee development with the aim of ensuring a better quality of life. Employees are offered a range of opportunities to participate in development programmes, health care, dissemination of knowledge, socialising and networking. The redesigned organisational structure is flexible and the matrix setup of work represents an opportunity for project work. Corporate, team and individual achievements alike are rewarded based on performance and exceeded goals.

Advanced human resources systems enable us to identify potential and talents, while internal trainers, coaches and mentors help with the personal development and professional growth, supporting intergenerational cooperation and employee involvement at all levels. We are united by a common drive for work, good interpersonal relationships and a stimulating working environment. We meet at sports games and challenges, corporate volunteering campaigns and team workshops, as well as in the Open Space which is intended for all employees.

The Respected Employer award is a recognition of business excellence and human resources management, while the Family Friendly Enterprise certificate and the Age Friendly Employer award testify to the understanding and acceptance of different approaches to individual groups of employees at different stages of life.

Recruitment

The challenges of securing appropriate experts for various jobs in the Petrol Group

Recruiting the right experts to the right posts is the key for achieving our business goals. Attracting top external experts, a diverse pool of in-house staff and scholarships constitute important components of the business growth plan.

During the selection and recruitment process, all candidates are given equal treatment irrespective of gender, age or other circumstances. As it is increasingly challenging to find the right staff, we try to recruit them using multiple channels. We collaborate with external partners, work with faculties and take part in job and recruitment fairs in Slovenia and abroad. We also use social networks to find staff. We have set up our own recruitment database to find new staff quickly and efficiently. The promotional video which presents the interesting yet demanding job of the service station employee at Petrol's points of sale was of additional help in finding staff. In recruitment and selection, we use different psychological tests and in-depth interviews.

Petrol's system of human resources development, continuous employee education and training also provide for a diverse choice of internal human resources. The high level of qualification enables our staff to quickly adapt to changes and also take advantage of internal vacancies to find challenges in new areas of work within the Group.

In 2019 we improved the onboarding process using the scrum method. The project involved an interdisciplinary team that outlined an ideal scenario for all phases of onboarding. The phases were regularly implemented. We defined and introduced a (welcome) package for new employees, which includes a water bottle inscribed with Petrol's values, and a schedule planner, a pen, and an energy bar. We prepared pictorial instructions for managers and teams that welcome a new employee on board in order to ensure a uniform user experience.

Engaging with young people – a great way to get to know your future colleagues

Corporate scholarships in 2019

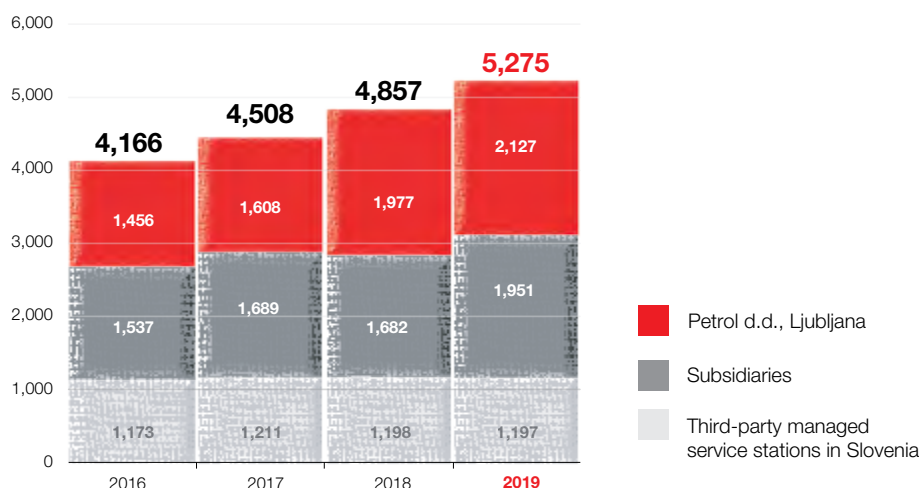
Working with young people at the time of schooling is a great way to get to know your future colleagues. We connect with young people through scholarships, internships and other collaboration with faculties.

We also drew up a new scholarship policy and published a scholarship advertisement based on an approved scholarship plan. We invited candidates to apply for a scholarship through a call for applications, focusing on finding future talent in the fields of energy, mechanical engineering and computer science as well as some scarce occupations, such as car mechanics. In line with the adopted strategy for promoting diversity, we also awarded scholarships to female students interested in natural sciences and engineering.

Key employee data for 2019

At the end of 2019, there were 5,275 people employed within the Petrol Group and at third-party managed service stations, of whom 35 percent abroad. Compared to the end of 2018, the number of employees increased by 418 or 9 percent. In Slovenia, the number of employees rose in the parent company Petrol d.d., Ljubljana (especially at service stations and as a result of opening HopIN shops in cities and towns, but also in the areas of sales and energy and environmental systems) and owing to the acquisition of ATET d.o.o. Abroad, staff numbers were up especially due to the absorption of the company ADRIA-PLIN d.o.o. and a slight increase in recruitment at Petrol d.o.o., Petrol BH Oil Company d.o.o., Petrol d.o.o. Beograd and Petrol Crna Gora MNE d.o.o.

NUMBER OF EMPLOYEES IN THE PETROL GROUP 2016 – 2019



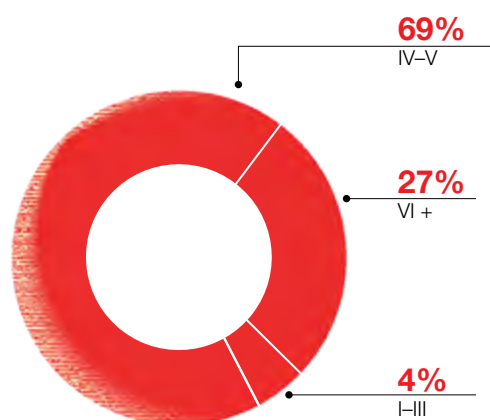
In 2019 the Petrol Group recruited 1,164 workers, the employment contracts of 746 employees ended and 17 people were transferred to new positions within the Group.

At the end of 2019, the average age of employees was 39 years.

59 percent of employees were male and 41 percent female. Over the years, the employee structure has been gradually improving in favour of women (on average by 1 percentage point per year). The gender balance differs across companies depending on the activity of each company.

Because our core business is retail, the highest proportion of Petrol Group employees have level V education (secondary education).

THE PETROL GROUP'S EDUCATION STRUCTURE AS AT 31 DECEMBER 2019



Remuneration and motivation of employees

The Petrol Group's remuneration systems are aimed at motivating employees to perform even better and increasing satisfaction in everyday work. Salaries consist of a fixed and variable part, the latter depending on the remuneration system in place. Different groups of employees have different remuneration systems that are used as a basis to calculate the variable part of the salary.

At the Petrol Group, most employees either have a point-of-sale remuneration system or a remuneration system for corporate functions.

Point-of-sale employees receive the variable part of their salary in the form of a monthly performance bonus based on the productivity of a point of sale. They receive an additional bonus for maintaining or improving the quality of operations. Employees are also remunerated by taking into account the results of sales promotion campaigns, especially as regards the sale of new products and services. Through the best salesperson competition we select and reward the best salespersons in each country, and we also reward employees at the best performing points of sale.

The job performance of employees in corporate functions is monitored through quarterly interviews and is remunerated according to whether their goals have been achieved or surpassed.

Employees receive jubilee benefits in appreciation of their loyalty to the Company.

At Petrol, the voluntary supplementary pension insurance of employees has been part of the salary policy since 2002. The scheme covers the employees of the parent company, subsidiaries and third-party managed service stations in Slovenia.

Redesign of the point-of-sale remuneration system

In 2012 we put in place an employee remuneration system at points of sale, which defines the criteria for calculating the variable part of the salary based on the sales performance of the point of sale. After seven years, the system was redesigned in 2019.

The purpose of the redesign was to adapt the system to the current working conditions at points of sale and to legislative changes, especially pertaining to the minimum wage. The process involved specialised services (Human Resources Management and Retail), point-of-sale employees, social partners (the Petrol Group's Trade Union and Workers' Council) and the Management Board of Petrol d.d., Ljubljana.

The new remuneration system will be applied as of 2020. It will introduce changes in the calculation of sales performance of points of sale and setting the variable part of the salary. The redesigned system will enable an even more relevant, transparent and stimulating rewarding of employees at points of sale in the future.

Quarterly and annual targeted staff management based on goals and feedback



We are developing human resources in an integral and systematic way

Petrol's annual and quarterly interviews are among the best practices of targeted management and providing feedback on the achievement of goals. Since 2018, the setting of goals has been separated from the development interview, which enables a greater focus on the achievement of results in one interview and deepening of relationships and ensuring personal growth in the other interview.

A total of 890 employees were included in the quarterly interview and 640 in the annual interview. Achieving or exceeding the quarterly or annual goals is the basis for rewarding individual performance.

Learning to develop

At Petrol we have a holistic view of staff development, taking into account all personal circumstances and the possibilities of realising potential. A systematic approach allows for transparency of plans, while measures can be tailored to the individual. Every two years we measure competences and refer to their level in development interviews. This way, our colleagues gain a true picture and feedback from various assessors and learn about their own advantages and development possibilities. Such an overview of competences helps staff to establish their annual development plans and goals. At the same time, it is a tool for building a relationship between an employee and the manager conducting the development interview, as it encourages mutual trust, respect and feedback. Thus, we help our colleagues to positively influence their own motivation, success, results and relationships.

767 employees opted for an individual development plan, accounting for 73 percent of the employees involved in the development. In 2019 we conducted various skills workshops through which employees strengthened their competences, such as business negotiations, public speaking, time management, creativity, conflict resolution and similar. Computer and language courses are a constant support in competence building.

We have upgraded the HRM information system

The year 2019 was marked by the information technology redesign, which, in addition to paperless operations, increased the transparency of data and the possibility of analysis. Through the portal, employees can participate and engage in various development,

education and motivation programmes. In order to provide efficient and quality support to the activities of our co-workers, we carried out a major HRM application redesign project in 2019. The system now offers even more functionalities and an improved user experience. The new tool facilitated the measuring of competences, registering development plans, monitoring the onboarding of probationary employees and coaching as well as other functionalities.

Education as a constant part of development to achieve business goals and personal growth

The rapid growth of business results in new training programmes and a greater focus on onboarding

Knowledge ensures a successful integration of individuals in business processes and creates long-term competitive advantages of an organisation. That is why we consider investments in employee training and development an investment for the future. Staff education and development are intertwined with numerous business and support activities, resulting in trained staff committed to achieving current goals and motivated to pursue future goals. The Company's values are a common bond connecting the employees. We strengthen and communicate them through all internal communication tools. They are integrated into the general competences model and we use different systemic measures to promote them even more among employees.

In 2019 the number of Petrol Group employees taking part in various forms of education and training stood at more than 23,600. In all, more than 133,000 teaching hours of training were carried out, meaning that on average each employee received 27 teaching hours of training.

2010 : 2019 = additional 9 hours of training per employee

We multiply knowledge by sharing it ...

Education and training are systematic, meaning that our employees are provided with the functional knowledge needed to do their job. At the same time, we perceive training as the development of capabilities for the future and the ability to adapt to change, and encourage critical thinking and a positive attitude. We will be able to adequately respond to the new demands of the times only by employing a combination of specialised technical know-how necessary for our current job and opening the horizons to the idea of what kind of employees we want to be in the future.

Training is systematically arranged for many target groups in the sales and technical departments. Certain programmes are mandatory for all employees and are largely carried out in the form of distance self-learning (for example, on occupational safety, information security, food handling). With the number of products and services available to our customers increasing, we also provide more and more content relating to the retail network. Refresher courses were organised within the framework of the e-classroom on compulsory content, representing great savings in terms of employee absenteeism. Practical fire extinguishing drills are an integral part of a successfully completed fire safety e-course. In 2019 more than 1,200 people passed the fire extinguishing test on a simulator.

We regularly carry out training in sustainable development, as this is integrated into our strategy. In 2019 we thus organised training on trends in renewable energy sources, climate change, road transport of the future, battery production boundaries, energy savings, sustainable packaging and similar.

An increasing number of Petrol's experts have been disseminating knowledge to the public at various events and conferences, or participating in round tables.

To ensure that there is sufficient transfer of information from management to staff, we organise annual meetings, such as Sales Day, Energy and Environment Day, Planning Conference, Business Conference, Retail Day, and other events.

By connecting we are building different communities

We encourage the transfer of internal information and communication, and seek new opportunities for connecting, searching for common interests and the opportunity to realise potentials. Therefore, we set up a network of Office 365 ambassadors in addition to our team of team promoters, internal coaches and retail coaches. An employee survey revealed that computer skills are best learned with the help of colleagues who transfer this knowledge to others.

We have laid new foundations for team workshops and cross-sectoral networking, which we believe to be good practice for improving processes, communication and even better cooperation. Team events organised in an informal environment boost employee motivation and commitment and strengthen team ties, making it easier to overcome work challenges in the ordinary work environment. To this end, we have trained a network of team facilitators (currently 28) so that they will be able to constructively take on team challenges in their work environment with the help of new skills and acquired knowledge of team dynamics. The project continues successfully in 2020, as we will hold regular annual meetings to present good practices and exchange experience with different team workshops.

In the field of sales channels, we carry out systematic training to boost customer satisfaction

In 2019 the Learning Centres in Zalog and Rače were joined by a third Learning Centre in Nova Gorica, where introductory seminars were held for new sales staff. This involved a simulated shop workplace, where employees are trained in sales skills and where we developed the first internal network of coaches at points of sale. In 2019 we expanded the network of internal coaches to 7 coaches in Slovenia. They all have the appropriate skills and knowledge to conduct training and workshops. The network of internal coaches in southeastern markets grew to 12 coaches. Every year, we renew our internal certificates and we are committed to maintaining the quality of coaching skills. The learning centre makes it possible to train new employees, to refresh or gain knowledge, to practice sales skills and to acquaint all sales personnel with major novelties. This way, we provide for an even level of knowledge, consolidate the standard of sales skills, lessen the workload of managers related to the induction of new employees, reduce stress upon onboarding, and decrease the risk of mistakes at work. We aim to transfer good practices in Slovenia to foreign markets, thus allowing for a systematic development of staff in all markets where we operate. In October 2019, we organised a first meeting of trainers and coaches of the Petrol Group to transfer good practices, provide additional training and promote team networking.

Coaching culture leading to constant care for employee development

At the end of 2019, we had 39 internally certified coaches in Slovenia and 4 internal coaches in southeastern markets. They carried out 42 workshops for managers called Manager as a Coach and 29 workshops for managers and their assistants called Coaching Skills Refreshment. In southeastern markets, training involving 12 internal coaches was launched towards the end of 2019. We carried out an internal training on sales skills and coaching. To do their work, coaches use a coaching platform, which already contains close to 2,400 coaching plans.

In 2019 the traditional top seller competition was redesigned as it was placed in the realistic environment at a point of sale, under the watchful eye of a commission consisting of trained coaches who evaluated sales skills demonstrated in a sales process involving actual customers based on a pre-set methodology and criteria, and gave feedback to each competitor in an appropriate manner. This method of competition was successfully transferred to the southeastern markets as good practice.

Twice a year we reward sales staff who are the so-called stars of mystery shopping with an award and a special event, which demonstrates that they achieved the best score in an anonymous assessment of the sales process, and we have also been developing internal competitions for the best pizza baker in the scope of the Fresh range.

Petrol's talents are nurtured at Petrol Business Academy

At Petrol Business Academy, which hosted 62 lecturers from the Faculty of Economics in Ljubljana and from Petrol (members of the Management Board, directors of departments and divisions, directors of subsidiaries), we completed the training of the fourth generation of 25 young promising employees who gained, in the course of one academic year consisting of 180 hours of lectures and practical classes, in-depth knowledge of the Petrol Group's operations and successfully defended their assignments on selected topics of strategic interest in May 2019. Petrol also uses this programme to develop talents so that they acquire new knowledge, learn about project and team work, and prepare for more demanding tasks in the future. Thanks to the Academy, a third of the participants already had an opportunity to assume more responsible positions.

Energy for Leadership – a programme for leaders and managers

The programme was launched in 2015. It consists of several levels, with managers from the strategic through operational levels all participating in the management skills part. In 2018 the training programme was completed by the first group of participants (top management of the Petrol Group). Three years ago, we developed a modular system of training leaders up to the third level of reporting. Thanks to the success of the programme, we expanded the content, adapting its scope as appropriate, to all managers who conduct quarterly interviews or are entrusted with the role of coordinating work among co-workers. The programme enables the upgrading of managerial communication and motivational skills, the skills of strategic and systematic thinking and personal skills. In combination with individual coaching, managers are provided in-depth insight into the management style and opportunities for improvement. There are more than 170 managers participating in the programme.

Internal Project Management Academy

In March 2019, we organised the Project Management Academy, which included 24 existing and future project managers working with 17 external and in-house lecturers and experts. The Academy participants were given the practical assignment of devising project plans for sustainability (use of e-bikes and a sustainable packaging plan). We placed great emphasis on soft skills, as good knowledge of ourselves and others enables successful project management and completion.

Mentoring as a way of transferring knowledge, experience and skills among employees

Petrol's employees have a diverse range of experience, knowledge, talents, skills and abilities. To be able to harness this diversity we build the knowledge and competences of our staff also through mentoring pairs. Petrol's mentoring programme enables employees to acquire the required knowledge with the help of a mentor from within the company.

Having this knowledge can be important to them for professional or career reasons, but also for personal reasons, as the motives for joining the programme can be as varied as the colleagues themselves. We encourage employees to join the programme either as mentors or mentees, leaving the choice of the topic to colleagues themselves. We are proud to have strengthened the last year's second-generation mentors and mentees this year. In addition to knowledge transfer and intergenerational cooperation, employees often point out informal socialising, getting to know other areas and activities of the Company, becoming acquainted with new colleagues and acquiring skills that constitute added value also in their personal lives as an advantage of this programme.

Training of external staff and customers

**Petrol has a
full Family
Friendly
Enterprise
certificate**

In the Petrol Group, particular attention is also given to the training of external staff (students, hauliers, cleaning personnel at service stations, etc.) and customers. In 2019, 1,488 external participants took part in our trainings.

Age and family-friendly company

Thanks to our involvement in the project of comprehensive support to companies for active ageing of the workforce – ASI, we recognise potential among our staff, and appreciate the experience, knowledge and hard work of older employees. We have methodically invested in the training and development of older co-workers in eastern Slovenia (Ravne na Koroškem, Štore, Hrastnik and Lendava). The combination of strategic activities such as various preventive measures for a healthy old age, encouraging intergenerational cooperation, joining training programmes aimed at the particularly vulnerable group of older employees, individual treatment through annual interviews, mindful management and support by the management are the basis for the efficient management of older employees, which was also recorded in the strategy for managing older employees.

For the sixth consecutive year, Petrol employees have been giving back to society, this time through ten volunteer campaigns and raising humanitarian aid. We collected food for pets, tidied up and cleaned the surrounding area, painted walls, spent time with the elderly, young people, families and children. This way, we become more attentive to the needs of society during Corporate Volunteer Week. During the Become Petrol's Santa campaign we brought presents to 250 children from socially disadvantaged families, and Petrol's Summer Mermaids brought the children everything they needed for seaside holidays.

**Innovation and
creativity in
Open Space**

This year, Petrol's Family Day took place at Ljubljana Puppet Theatre, with more than 350 families attending the event. Measures to facilitate the reconciliation of work and family responsibilities include a day off for employees on the first school day for first-graders, a gift package for newborns, organisation of the open-house event in the office building during the autumn holidays and a one-week active summer holiday outdoors. During the last week of August, 37 children holidayed in Pokljuka.



With Open Space we create new ways of developing individuals and the Company

The concept of Open Space, which comprises various events, gives all employees the opportunity to grow personally and connect with colleagues in order to contribute to the sustainable development of the Company.

In 2019 the Programme Committee updated the strategy and classified events into segments: knowledge and skills at roundtables featuring interesting speakers and internal experts being the first segment, innovation and sustainability being the second, health being the third and team work being the fourth. Topical events called What is happening? are a good way to transfer information between departments, share good practices, establish contacts, build an organisational culture of openness and create new ideas. This way, we promote relaxed and open communication, have an opportunity to work in interdisciplinary teams, and encourage new ideas.

In 2019, 41 events were organised in Open Space and were attended by 770 participants.

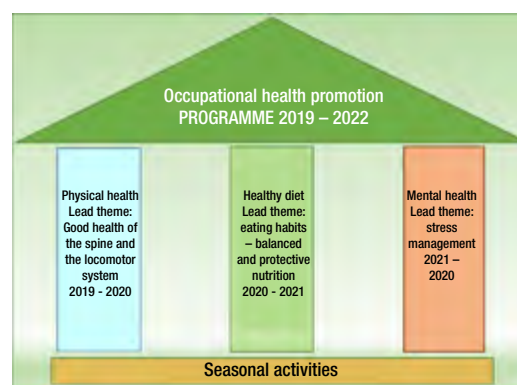
The Open Space concept is also implemented in the Coaching Room, designed for the personal and professional development of employees, the organisation of individual consultations of employees with experts in various fields of health, and other activities for employees.



Healthy at Petrol

Maintaining health, well-being and balance in our body requires constant care. Health is one of our fundamental values and also an essential condition if we are to do our job successfully. With this in mind, some years ago Petrol set up the Healthy at Petrol programme, which is primarily aimed at encouraging all generations of staff to take a more active role in caring for their own health.

As part of the Healthy at Petrol programme, various health promotion activities took place in 2019. In the second half of the year, the Healthy at Petrol strategy for the period 2019 – 2022 was adopted. It was mapped out based on a more extensive analysis, which included an analysis of staff sick leave over a five-year period, the analysis of occupational health reports following preliminary and periodic examinations, and a survey, which comprised nearly 1,300 employees. The priority areas for planning employee health promotion measures were physical health, healthy nutrition and mental health.



Healthy at Petrol programmes in 2019

With the aim of reaching every single employee through the health promotion in the workplace programme we used very diverse implementation methods in 2019. The major ones are the following:

- **The Do You Accept the Challenge?** activities encourage employees to participate in sports. In the past year, 15 different events were organised, some of them several times. The events were attended by over 600 employees.

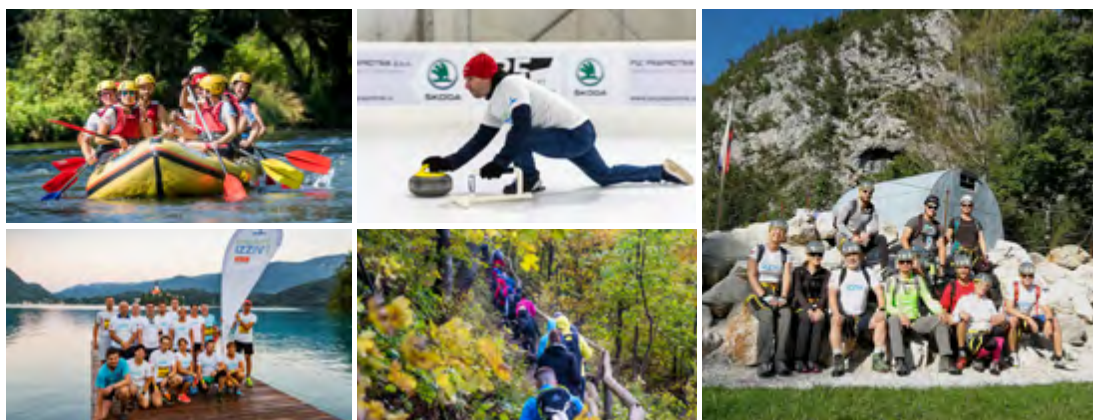
- Once a month, **Open Space** hosts experts in various fields of health and healthy lifestyle. Among the programmes carried out in 2019, we would like to highlight especially the following contents: how to manage the challenges of menopause, connections between emotions, hormones and the body, how to improve concentration and reduce the effects of stress by breathing, why good relationships keep us happy and healthy, the impact of technology on physical and mental health, how to protect ourselves from viral infections, and various aspects of effective stress management (several different lectures and lecturers).
- Through **Connected in Awareness Raising campaigns** we presented to our employees the importance and diversity of national programmes and performed various measurements, for instance such as bone mineral density measurements. The measurement was carried out at various locations across Slovenia in 2019 and included 388 employees.
- As part of the annual training programme, we conducted the Spine and Locomotor System Health training. Thus far, 762 employees have participated in the programme.
- We organised **individual consultations** with an occupational medicine doctor, a physiotherapist or a kinesiologist. Thus far, 115 employees have taken part in the individual consultations.
- We also raised awareness through posters placed in our work environments.
- We share important content with our employees through articles in print and electronic form ("mednami", "e-magazine", etc.).
- We introduced a short **active break** during working hours or a short morning exercise so as to relieve the spine, joints and other parts of the locomotor system, which are the most under pressure during lengthy periods of sitting and affect our well-being and efficiency.

Do You Accept the Challenge?

This is a programme of sports and recreational activities in which all staff can take part as long as there is availability. It is designed to get to know different sports, facilitate informal socialising with colleagues and promote mutual encouragement, with the app inviting users to take on as many challenges as possible and rewarding them with virtual prizes (medals and trophies) for successful participation and acceptance of challenges.

Do You Accept the Challenge? comprises a series of 10 day-long events over a period of one year – 10 months, 10 Saturdays, 10 sports challenges – each with a challenge in a different sports discipline. The events are adapted to all age groups of employees, some are also family-friendly as family members can take part in them as well. Expert advice is available before each event. Last year's events included the following activities:

- curling
- forest escape
- wall climbing
- adrenaline adventures
- various running challenges (including nocturnal)
- mountain trips
- rafting on the River Krka



Mini Sport Challenges include short events during the week. Last year we were also active in aerial yoga, night sledging, trampoline park, "Cherry blossom" bowling, a cycling tour, and golf (ABC golf school).

Organisational climate, satisfaction and commitment of Petrol Group employees

Based on regular measurements of organisational climate, satisfaction and commitment of employees we carry out numerous activities to create an environment in which staff feel well and can develop their potential. The survey is a powerful tool that has been helping us to systematically identify our own strengths and areas for improvement since 2001. It is carried out every two years and involves all Petrol Group employees.

Satisfied employees are the key to success

Internal communication and networking to build organisational culture

Developing and communicating a corporate culture of sustainability in relation to employees, services and the reputation of the Petrol brand as a sustainable and innovative energy company involves communicating the culture of work, organisational change and transformation of activities. In Petrol, which is an attractive employer, the above encompasses developing and communicating workplace well-being programmes for fostering relationships between a good leader, connected and cooperative employees, and programmes that build good communication and atmosphere in work environments where employees feel valued, involved and proud to work at Petrol.

In 2019 we strengthened Petrol's values using a new generation of posters that captured the Company's activities through the faces of colleagues, who communicated why they like working at Petrol. In the field of employer branding, we strengthened the Company's culture through internal communication by presenting employee career stories depicting jobs, stories of intergenerational cooperation and diversity, stories of values that open up a view of life, stories of innovation, stories of creativity through employee portraits. Creativity was also strengthened through internal competitions, stories of courage and bonding. Petrol's newsletters gave extensive coverage to the topics of employee development through presentation of change, sustainable development, integrity and social responsibility. In 2019 we also published a special issue of the internal newsletter "Energija med nami – Petrol zame" (Energy Among Us – Petrol for Me), which addressed the content and programmes by which Petrol builds culture, provides for employee growth and development and offers many benefits because of which Petrol staff like working at Petrol.

Notable projects in 2019 include awareness-raising activations for personal growth. The "Moj lonček" project (My Mug) has motivated employees to use their own coffee mug at a coffee machine, while the projects called "21-Day Challenge for More Happiness at Work" and "30 Days for 30 Heartfelt Actions" have reinforced values and a culture of bonding among employees. In parallel with the launch of the My Mug project, we implemented another three sustainable measures to change employee habits through example as part of our care for the environment and the health of our employees. We stopped purchasing beverages and water in plastic bottles for Company needs and gave our employees a glass water bottle, also providing glasses and jugs at meetings.

Quality free time for employees and their family members

At the Petrol Group, we offer our employees different ways of spending their free time in a quality manner. In Slovenia and Croatia, we have holiday homes where we can spend our holidays together with our families. Each year, we organise the Petrol Trip, we

Petrol a recipient of the Respected Employer award

get together at a staff party before the New Year, and Petrol's Toddlers are visited by Santa Claus in December. We have been promoting sports, recreation and other forms of socialising for nearly 50 years. Petrol's winter and summer games are also open to our employees' children, who are then given our outmost attention.

Petrol received the Respected Employer award for the eighth time running

Petrol received a number of distinguished awards in 2019, including an award in a survey by Mojedelo.com, Slovenia's biggest employment portal.



More than 13,000 respondents took part in the survey by the employment portal Mojedelo.com, assessing the reputation of individual companies based on various criteria. Of all companies in Slovenia, Petrol was recognised as the most respected employer in the category of energy and electrical industry, and was placed third in the overall ranking.

Occupational safety and preventive medical check-ups

In the Petrol Group, we realise that occupational safety and health, in addition to their main purpose, also ensure the satisfaction of employees. That is why we strive constantly and systematically to reduce the level of risk arising from the performance of working processes by introducing appropriate organisational and security measures. Although the working environment is changing owing to the development and introduction of new technologies and procedures, Petrol successfully keeps up with the changes. We look for solutions that are healthier and safer for our employees. All companies of the Petrol Group have adopted safety declarations with risk assessment. The latest findings in occupational safety and health are integrated into new processes and projects. In addition, we monitor the risks related to the occurrence of accidents and injuries. The risks are assessed periodically and, through safety measures, maintained at an acceptable level. A priority in the advancement of occupational safety and health is the reduction of risks at highly exposed workplaces and seeking links with other areas of safety, in particular fire safety, environmental protection and chemical safety.

The programme of preventive medical check-ups includes all staff. Particular attention is devoted to co-workers with reduced working capacity.

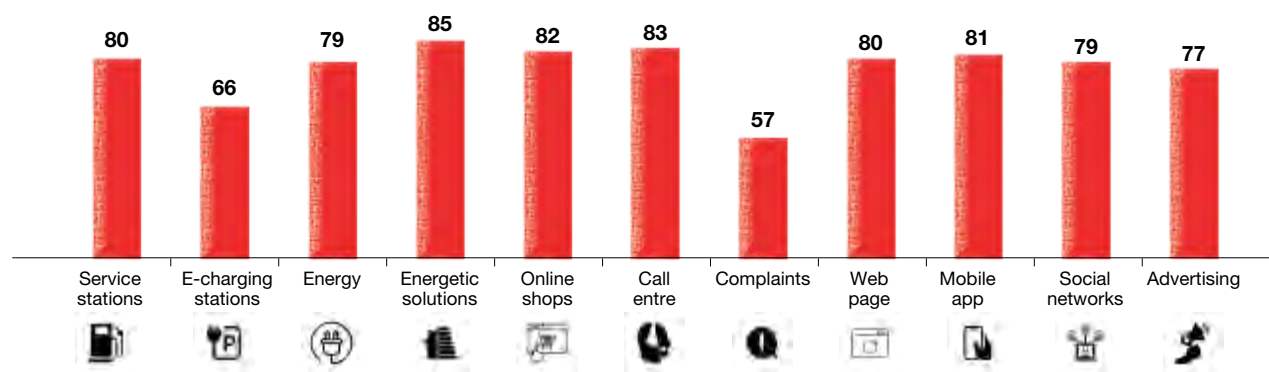
Considerable attention is paid also to the theoretical and practical training of employees in occupational safety and health, workplace ergonomics, fire safety, environmental protection, safe handling of chemicals, safe transport of hazardous goods and first aid.

Customer satisfaction

Customer satisfaction is the goal of every company, as satisfied customers are a company's greatest asset. At Petrol we appreciate their importance and therefore strive to get to know them as much as possible, understand their expectations and meet their needs. Providing a first-rate user experience is one of our key focuses, as we are aware that in a rapidly changing environment and with increasingly demanding customers, an excellent experience is one of the Company's most significant competitive advantages. It is also essential for customers to return, and selling to loyal customers is much simpler, quicker and cheaper than searching for new ones. Satisfied customers strengthen our reputation by word of mouth, giving us references boosting demand and sales contacts.

Quality and price are just two of the factors

Customer satisfaction is not influenced by product quality and price alone, far from it, but rather by a group of factors. That is why we carry out a retail customer satisfaction survey once a year to find out whether we are satisfying our customers' expectations from various aspects in key common points when compared to our rivals. The 2019 survey results indicate that Petrol's customers are most satisfied with energy solutions, the online shop, and the Call Centre.



Source: Petrol Satisfaction Survey 2019, N=1002

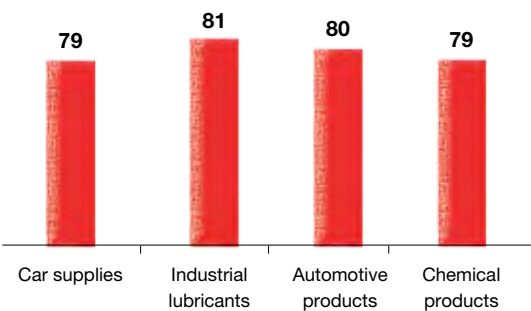
A review of customer satisfaction by specific segment reveals that Petrol's greatest competitive advantage is its wide range of services and products.

In addition, we regularly verify wholesale customer satisfaction. Here again, the results are outstanding, and customer satisfaction is high (index >80). According to customers, Petrol stands out in this area thanks to the responsiveness and accessibility of sales representatives and a wide array of products.



Satisfaction with the programme

What is your personal overall satisfaction with the quality of the service and your collaboration with Petrol by product range?



Source: Wholesale Customer Satisfaction Survey 2019

Our survey panel comprises more than 3,000 customers

Petrol's survey panel has been active for two years. It is a community of loyal customers, helping us understand buying habits in various product segments and develop a new product range. Currently, the panel includes 3,000 customers, 481 of whom responded to every invitation to participate in a survey in 2019.

Petrol survey panel: In 2019 customers responded

-  **80%** order products **online** at least a few times a year, most frequently to be delivered to home or a service station.
-  **96%** would recommend our On the **Go app**, especially thanks to the fast service.
-  **61%** are willing to drive more than 5 km to get **quality fuel**.
-  They believe it is important that Petrol communicates, is the only company in Slovenia with an in-house laboratory, and constantly **tests and verifies** fuel quality throughout the supply and sales chain.
-  **98%** are willing to **strive** for a better world.
-  **95%** expressed the opinion that preservation of the **natural environment** and social well-being are very important.
-  **93%** believe that Petrol operates in accordance with **sustainable principles**.

www.petrol.si

Satisfied respondents of Petrol's panel

-  **92%** of the respondents said that Petrol's panel survey fulfilled their expectations.
-  **83%** found all or most of the topics interesting.

How did the survey panel exceed your expectations and what did you particularly like?

-  Co-creating the product range and giving my opinion
-  Survey questions
-  Rewarding with gold points

What survey topics are most conducive to you checking our product and service range or using/purchasing our service or product?

-  Coffee-to-go
-  Petrol car washes
-  Collecting stickers
-  User portal and MojPetrol app
-  Petrol "power" and natural gas range

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We keep an open ear to customers every day

For two years we have been continually measuring transaction satisfaction using the Net Promoter Score (TNPS) at our service stations, TipStop repair shops and HopIN stores. In 2019 the NPS was 72, which is 12 points more than in 2018. We have been surveying the channel of energy solutions for retail customers since 2019 and we have upgraded and consolidated scoring in other sales channels.

Through NPS, customers can provide immediate feedback on satisfaction with our products, services or processes after every purchase through a sales channel. This metric provides Petrol with real-time feedback and enables us to follow up with the promoters and detractors of our product and service range. We monitor the scores and feedback from customers on a daily basis, and that allows us to promptly eliminate any irregularities or problems customers report.

More than 11,000 customers submitted a score. The customers who assigned a low score and expressed a desire to be contacted received feedback information. All activities have led to increased customer satisfaction and the successful resolution of the situations described in their comments.

Besides the quantitative metrics described above, we systematically conduct qualitative measurements involving focus groups and in-depth interviews with our customers.

Customers co-create our solutions

We endeavour to put into practice the observations we gain through the said surveys – either by upgrading the existing product and service range or developing new solutions. We devise the changes by using design thinking methods, such as Design Sprint or Process Hack, all with the aim of better understanding the end users and creating the best solution for them. As all departments of the Company share the responsibility for providing customers with an excellent experience, a matrix team was set up in 2019 to systematically address improvements and development of user experience of Petrol's sales channels and the Company's assortment of products and services.

Brand loyalty – Petrol Club

At the end of 2019, the number of Petrol Club members increased by 5 percent compared to the year before. Gold points remain their primary and preferred currency. They can be used to pay part of an electricity bill or redeemed for numerous discounts on goods and services. The use of gold points ("Zlate točke") increased by 7 percentage points in 2019. In mid-2019, we introduced the option to redeem gold points ("Zlate točke") against the purchase of a number of products for the price of EUR 0 and quarterly rewards to loyal Petrol Club loyalty card holders based on the model of the bonus balance on Petrol Club payment cards. This year we continued to regularly reward holders of the Petrol Club payment card with Fresh products and car-care products and supplies as well as beverages, surprising them on various occasions, which has become an indispensable feature of customer service.

In the scope of Petrol's sales range, Petrol Club members could choose from among 1,500 products and services at discounted prices. All of them were presented in 5 editions of the well-known Petrol Club catalogue and in the Petrol eShop. The prices of selected seasonal and trendy items were additionally reduced for Petrol Club payment card holders with an option of interest-free instalment purchase. Redemption of gold points ("Zlate točke") against electricity bills remains a popular service among users.

In the autumn of 2019, we launched a prize contest for loyal customers from the Petrol Club. At every Petrol Club Top Draw ("Top žreb") a hundred tickets are given to winners for popular sports and cultural events from the Petrol Ticket range. This is possible thanks to Petrol's heightened focus on sponsoring the main events in Slovenia.

We redirected communication with customers to digital channels at every step. Since February 2019, we have been communicating with more than half a million Petrol customers in a more suitable and segmented manner owing to the introduction of personalised marketing tools.

In October 2019, we rolled out the online application for the Petrol Club loyalty card through which new customers receive the card in a matter of minutes and immediately enjoy the benefits of being a member. The same procedure can be used by customers to order a physical Petrol Club card, for which more than 70 percent of new customers have opted. Digital membership registration for the Petrol Club, product mix expansion and upgrade of Petrol's online and mobile application functionalities have paved the way to attracting more young users.

Petrol's Product and Contact Centre provides support to customers, either natural or legal persons, and works towards quick and

A red square graphic with a white border. Inside the square, the text "Petrol's Call Centre" is written in white, bold, sans-serif font, with "Petrol's" on the first line and "Call Centre" on the second line. Below this, the number "080 22 66" is written in a larger, bold, white sans-serif font.

**Petrol's
Call Centre**
080 22 66

high-quality communication. In the course of our work, we put customers at the forefront; thus, we pursue their needs and expectations. In 2019 the Product and Contact Centre undertook to support additional content, serving as a one-stop source of information for customers about a wide array of energy products and other products and services of Petrol. Most frequently, customers inquire about electricity, natural gas, heating oil, Petrol's financial services and the loyalty programme. The Product and Contact Centre offers customers an accommodating service, enabling them to conclude a contract on energy products remotely, buy products from the Petrol eShop and Petrol Club catalogue, order heating oil, purchase a fresh meal from the Fresh range and benefit from personalised and professional advice on the purchase of household energy solutions. In 2019 we introduced live online chat to get as close as possible to our customers.

Customer claims and complaints handling

Expectations being closely related to the quality of products and services, they are an important factor in customer satisfaction. High-quality products and services are one of our principal business commitments, which is why we handle each case of customer dissatisfaction with great care. We realise that an efficient claims and complaints handling system is an important factor, which has a positive long-term impact on the satisfaction and loyalty of our customers and, consequently, on the Company's image and reputation. We have set up a single claims recording and handling system covering all communication channels to be able to resolve various complaints in an efficient and customer-friendly manner. In the Petrol Group, claims and complaints are a valuable source of information about customer satisfaction, and their efficient resolution is part of a comprehensive service that does not end with the purchase of a product or service. Claims and complaints are reviewed systematically. Based on findings, measures are introduced to improve, in practice, the quality of our processes and increase the satisfaction of our customers. Using analysis and research, a project was launched in 2019 to further develop a more efficient handling of claims. Currently, we are setting up a customer assistance centre to provide for an efficient handling of complaints and we are also upgrading information support.

The quality management system

Quality and excellence are an integral part of Petrol's strategy, which is why we are constantly upgrading and expanding our quality management systems. The company Petrol has thus certified its quality management system (ISO 9001), environmental management system (ISO 14001) and energy management system (ISO 50001). In addition to the certified systems, the Company's comprehensive quality management system incorporates the requirements of the HACCP food safety management system, of the ISO 45001 occupational health and safety system and of the ISO 27001 information security system. The company Petrol has a Responsible Care Certificate for its activities relating to storage, logistics and retail network of service stations in Slovenia, an FSC certificate for the sale of FSC-certified products, and an ISCC certificate for trading and storage of renewable energy sources.

In the Petrol Group, ensuring maximum quality is a fundamental principle of our operations. Thanks to our specialist services and support, we have built up and maintained the status of being a leading petroleum organisation in Slovenia, which has an important impact also on the development and introduction of new technologically most advanced fuels to the Slovene market. Operating as part of the Company, there are Petrol Laboratory, which is accredited to the SIST EN ISO/IEC 17025: 2005 standard (General requirements for the competence of testing and calibration laboratories) and has 57 accredited test methods for petroleum product testing, and an inspection body, which is accredited to the SIST EN ISO/IEC 17020: 2012 standard (General criteria for the operation of various types of bodies performing inspection) and has 20 accredited test methods for the inspection of flow and tyre pressure measuring devices, of pressure equipment, of tightness of fixed steel reservoirs, of wall thickness of liquid fuel reservoirs, of the measurement of dielectric strength of liquid fuel reservoir insulation and of the measurement of noise in the natural and living environment.

Quality management systems are maintained also at our subsidiaries.

Company	Quality management system	Environmental management system	Energy management system	Laboratory accreditations	Other certificates
Petrol d.d., Ljubljana	ISO 9001: 2015	ISO 14001: 2015	ISO 50001: 2011	SIST EN ISO/IEC 17025: 2005 SIST EN ISO/IEC 17020: 2012	ISCC, AEO*** POR*, FSC**
Petrol d.o.o.	ISO 9001: 2015	ISO 14001: 2015	/	/	ADR/RID/ADN-I-PTR ****
Petrol Geo d.o.o.	ISO 9001: 2015	/	/	/	/
Beogas d.o.o.	ISO 9001: 2015	/	/	/	/
Petrol d.o.o., Beograd	ISO 9001: 2015	ISO 14001: 2015	/	/	ISO 45001 :2018

*Based on the Report on the implementation of the Responsible Care Global Charter commitments, Petrol d.d., Ljubljana became a holder of a Responsible Care Certificate for its activities relating to storage, logistics and retail network of service stations in Slovenia and granted the right to use the initiative's logo.

**Petrol d.d., Ljubljana is a holder of an FSC certificate for the sale of FSC-certified products. The FSC certificate, which is issued by an international NGO called the Forest Stewardship Council, promotes environmentally appropriate, socially beneficial and economically viable management of forests.

***The AEO certificate is issued by the Customs Administration of the Republic of Slovenia which also carries out control and inspects AEO certificate holders. The certificate allows for easier admittance to customs simplifications, fewer physical and document-based controls, priority treatment in case of control, a possibility to request a specific place for such controls and a possibility of prior notification. To obtain an AEO certificate, several conditions and criteria need to be met: compliance with security and safety standards, appropriate records to demonstrate compliance with customs requirements, a reliable system of keeping commercial and transport records for control purposes, and proof of financial solvency.

****Certificate to carry out an in-house inspection service for the performance of pressure receptacle inspections in accordance with Directive 2010/35/EU. Petrol d.o.o. is an IS body under the authority of the notified body Bureau Veritas Italia for the purpose of carrying out periodic inspections of pressure receptacles defined in accordance with chapter 6.2 of ADR/RID/ADN.

Major projects in 2019

Fuels under the Q Max brand represent the supporting pillar of Petrol's fuel range both in terms of quality and quantity. They enable us to meet market requirements across the whole spectrum of needs and demands. Fuel quality and availability depend on several requirements. The key ones are still the specifications required by car (engine) manufacturers. However, an increasing number of requirements and limitations are set by legislation – both at the European and local level. In most cases, these regulations are predominantly related to the parameters affecting environmental and human health protection, with additional emphasis on the potential impacts of fuel use on climate change. In addition to these restrictions, the supply of fuel must consider also market trends and supply-side competitiveness. Precisely for this reason, Petrol regularly upgrades and adjusts the quality of its existing fuels to these requirements, and occasionally complements such upgrades with completely newly designed products.

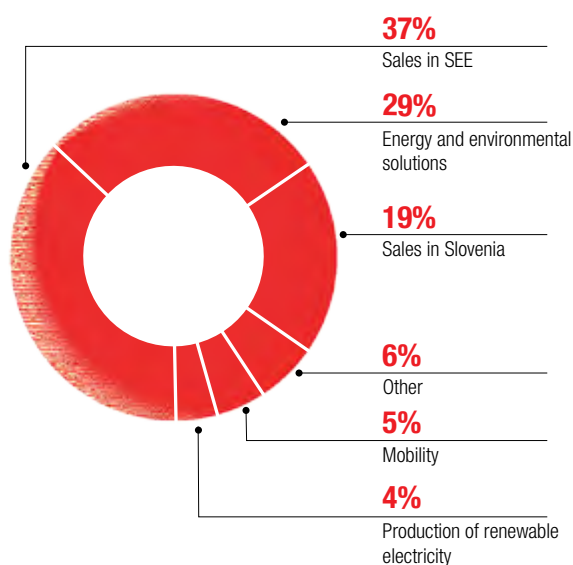
In 2019 Petrol extended the Q Max brand family with two new fuels: Q Max iQ Diesel and Q Max Diesel Polar. In addition, a new Marine Diesel brand has been included in the range of fuels

Investments

In 2019 the bulk of the investment budget was allocated to the expansion of sales in SE Europe markets. We also invested in the expansion of energy and environmental solutions both in Slovenia and in SE Europe as well as in the expansion of sales, in upgrades and maintenance of logistics capacities in Slovenia.

In 2019 net investments² in property, plant and equipment, intangible assets and long-term investments stood at EUR 121.6 million.

BREAKDOWN OF THE PETROL GROUP'S INVESTMENTS IN 2019



In 2019 for net investments in tangible fix assets, intangible assets and long-term financial investments EUR 124.4 million were allocated, while in 2018 those investments stood at EUR 86.6 million.

Sales in Slovenia

In 2019 we constructed a replacement service station in Bled. We carried out five major refurbishments of service stations, i.e. in Lopata, Ivančna Gorica, Kranj – Zlato Polje, Kranj – Labore and Vrtojba – South. We also refurbished shops and bars as well as introduced the Fresh range at eight service stations.

In addition, we fully refurbished automatic car washes at 14 sites. A new Tip Stop garage was constructed in Celje, and a Tip Stop garage in Ljubljana was expanded. The process of acquiring land, preparing documentation and obtaining building permits for construction work scheduled to begin in 2020 was also underway.

In 2019 significant attention was placed on maintenance, security and upgrading of storage capacity. In the field of storage, the fire water pumping station at the Lendava storage facility was completely renovated and an upgrade of the warehouse information system started. At the Rače storage facility, an access gallery was built at the railway decanting station, including the upgrade of the active fire protection system. At the Sermin storage facility, we completed the remediation of the slope above the R9 tank, which was needed due to soil erosion. Also, nearing the final stages are our investments in the conversion of technological installations by changing the intended use of the R1 and R2 tanks for

² Net investments in fixed assets = Investments in fixed assets – Disposal of fixed assets.

storing marine and polar diesel, and the remediation of the slope between R19 and R20 by installing oil and water separators. Renovation of the hydrant system and fire protection systems has begun at Sermin as well. At the Zalog storage facility, we have completed the upgrade of the active fire protection system at the northern part of the warehouse and started renovating the rings for extinguishing fire and cooling.

At storage facilities, service stations and Tip Stop Vianor garages we upgraded equipment, carried out repairs and renovations, invested in environmental protection and in the security of buildings.

Sales in SE Europe markets

Most of the investments were made to incorporate the company Crodux plin d.o.o. in the LPG market in Croatia. In SE Europe markets, we expanded our retail networks by acquiring or constructing service stations in Bosnia and Herzegovina (2), Croatia (2), Serbia (1) and Montenegro (2). The process of preparing documentation and obtaining building permits for construction work scheduled to begin in 2020 was also underway.

Energy and environmental solutions

In 2019 we mostly invested in the development of energy and environmental solutions. In addition, we invested in projects involving energy management in buildings, efficient energy consumption and lighting in towns and business facilities. Major projects include energy-saving renovation of buildings in the City of Maribor and in the municipalities of Idrija and Šmarje pri Jelšah, and energy renovation projects in the municipalities of Ljubotomer, Šmarje, Kostanjevica na Krki and other municipalities. We also invested in public lighting projects in two municipalities in Croatia. In addition, investments were made in the expansion of the gas network in Slovenia, Serbia and Croatia.

Mobility

Particular attention is given to the development of mobility. In 2019 investments were made to further develop e-mobility infrastructure. We acquired an interest in the company Atet d.o.o. The company's principal activity is rental and leasing of cars and light motor vehicles (short-term rental of vehicles, transport activities with a driver, and ancillary mobility services).

Information and other infrastructure

The use of modern information technologies is a major factor in successful operations. We thus continued to invest in the development of the information system and in the new ERP system in 2019.

Information technology

Modern, well-integrated information technology is essential for the commercial success of a business. In the Petrol Group, 2019 was characterised by major changes and novelties in the field of information technology, which affected the majority of the employees.

Key projects in 2019

Launch of the new SAP (ERP SAP) business information system: The introduction of ERP SAP in the Petrol Group poses the biggest challenge as it requires a redesign of all key processes and activities in our business. In January 2019, after intensive preparations, active use of the new system was initiated at the parent company in Slovenia. In 2019, in accordance with the plan, we successfully implemented the major phase of introducing ERP SAP, which supports all core functions of operations and the supply of energy products within Slovenia. Despite great challenges arising from supporting the operations and at the same time developing the existing and new business models as well implementing the key business information system, we have completed the design phase with success and in a quality manner. Over 100 Petrol employees and 35 external consultants participated in the project of introducing ERP SAP S/4HANA. In parallel with this launch, we naturally had to provide for integration with other systems (PIS, CRM, trading system, web and mobile applications). After a successful first phase, we are continuing our work on the project as there are plenty of challenges still ahead of us. ERP SAP has to be rolled out in other companies of the Petrol Group as well as in other substantive areas of operation. At the end of 2019, we began introducing this system in Petrol d.o.o. in Croatia and, at the same time, analysis and preparations for the area of sales have been under way.



The new CRM: The system, which was introduced in 2018, was further upgraded and its user base broadened in 2019. We added new modules and functionalities (the „marketing cloud“ for support of marketing campaigns, the „social cloud“ for monitoring digital channels) and provided support for some of the new processes (sales processes relating to energy solutions, support for sales representatives in the field, monitoring customer feedback, etc.). In parallel with the new ERP SAP in Petrol d.o.o., we will launch the CRM system, and we started redesigning the entire complaints system as we would like to make this significant component of Petrol as customer-friendly as possible.

TANGO: The technical information system Tango is an important IT platform as it provides a comprehensive system for monitoring, management and analysis, supporting and surpassing the operational needs of smart cities, infrastructure managers, modern industry and smart home owners. The system enables us to adopt modern approaches to planning, controlling, managing and optimising systems. This is one of the areas in which we are already successfully employing artificial intelligence and machine learning methods today. We are also successfully using these technologies in purchasing and trading energy products since we are able to provide energy to our customers at the best price.

Digital information solutions: Today, quality IT solutions are not only essential for providing good support to internal processes, but are also a foundation for a good user experience of our customers which is in the core of Petrol's digitisation strategy. In the beginning of 2019, new web pages were set up and the redesigned MojPetrol portal for customers became fully operational, providing our customers with friendly and modern solutions, accessible with maximum ease. Special attention has been given to mobile solutions. Our customers can follow up their use of Petrol services using the MojPetrol mobile app, while the mobile application Na Poti (On the Go) now enables customers to pay for their fuel, coffee and car wash services, as well as order and pay for products from the Fresh product range. We are particularly proud of the latter service as it is technologically very advanced and at the same time practical for all who spend a lot of time on the road, as it allows them to quickly get a fresh meal in a very simple way. Electric car users can use the OneCharge web and mobile solution, allowing users to locate the most suitable charging station, reserve the desired charging slot and also pay for the service. We also participated in the further development of the mBills partner solution.

Petrol's service platform: As part of a comprehensive modernisation of Petrol's IT architecture, we started building Petrol's service platform as a strategically important solution, supporting all channels through which our customers come in contact with us. In 2019 we upgraded this solution by adding a whole set of additional functionalities that support the new solutions (distribution and monitoring of shipments, additional functionalities for the products catalogue, development of a system for complex price lists, connection to the document system for all documents, new payment mechanisms, etc.). Special mention should be made of an entirely new solution, the interactive HIP terminal, which allows the users to shop for their favourite products while refuelling, as well as providing an opportunity for advertisers. As the skiing season opened, we pleased our customers by making it possible to purchase passes for their favourite ski destinations on-the-go at a Petrol point of sale of their convenience and thus avoid queues at ski resort cash desks.

eMA: This remains one of the essential information solutions covering sales at all physical points of sale of Petrol, presently totalling over 500. A lot has been done in this field for we offer a truly extensive product line at our points of sale. By switching to the new ERP SAP, we have commenced the technological renewal of this solution.

In the Petrol Group, we devote a great deal of attention to the development of information solutions. The majority of development activities takes place in our own DevOps environment, which allows for a quick introduction of novelty and change. In developing new products, we gradually implement agile work methods such as design thinking, process hack, scrum, etc.

For several years, cyber security has been considered the first on the list of risks that all modern companies face. Despite having no security incidents in 2019, provision of information security is one of the priority tasks. A great asset for Petrol has been the successful PCI-DSS standard certification (a security standard for payment card processing). In addition, we introduced two-factor authentication, thereby increasing the security of the entire Petrol information system. Being recognised as a critical infrastructure company, we have been actively engaged in a comprehensive European project called Infracress, which gave us another opportunity to verify our information system's security mechanisms.

User training, regular security check-ups, back-up location testing and security testing by means of social engineering methods as well as other similar activities have already become our regular practice. Additionally, a comprehensive risk analysis was re-conducted in 2019. All these activities made it possible for the Petrol information systems to operate well in 2019 and provided the Company with excellent conditions for achieving good business results.

Environmental protection

Caring for the environment is integrated into all aspects of the Petrol Group's operation, as also evidenced by its ISO 14001:2015 certificate. When developing business processes, along with new products and services, we always comply with all environmental regulations, introduce products and services that are friendlier on the environment and pay attention to efficient energy consumption. We use our compliance assurance system to monitor and implement regulations and get involved in their preparation. The environmental management system is defined using organisational acts on environmental management. The Petrol Group implements its processes in such a way that they affect the environment as little as possible. We identify the environmental aspects of our activities by taking into account the usual and extraordinary operating requirements as well as exceptional circumstances, if such exist.

Emissions into air

In the Petrol Group, caring for the quality of air stands chiefly for efforts to reduce the emissions of volatile hydrocarbons on an ongoing basis. It also stands for measures to reduce the emissions of ozone-depleting substances and fluorinated greenhouse gases, and measures to reduce emissions resulting from heating.

The emissions of volatile hydrocarbons occur due to evaporation during decanting and storage of fuel. At Petrol, the process of reducing volatile hydrocarbon emissions is part of all three key elements of the petroleum products distribution chain: storage, transport and sales. At service stations and fuel storage facilities, Petrol has installed systems for closed loading of storage tanks. In addition, we make sure to install state-of-the-art cooling, air conditioning and heating systems and devices. The efficiency of emissions management is ensured through regular inspections by authorised operators and regular monitoring of emissions into air.

Noise emissions

Petrol carries out operational monitoring and professional assessment of noise pollution in individual areas to be able to reduce the nuisance through noise and implement certain measures for it to go down. These activities are carried out in accordance with the Decree on Limit Values for Environment Noise Indicators by creating a 3D acoustic model which takes into account the characteristics of a site: its location, land development, landform and infrastructural characteristics, etc.

Wastewater

Petrol's operations currently involve three categories of wastewater: rainwater, sewage water and industrial wastewater. Rainwater which comes into contact with functional circulation areas is collected separately and purified in oil and water separators. Sewage water is handled in three ways. In built-up areas, it is channelled into a local sewage network. Where connection to a sewage network is not available, small treatment plants are installed. Some sites, however, still use cesspits, which are maintained on a regular basis. At these sites, cesspits are being discontinued according to schedule. For small treatment plants to function efficiently, the choice of the wastewater purification technology is vital, as are regular professional monitoring of their operation and their management. Industrial water is treated in state-of-the-art industrial treatment plants. We have

obtained environmental permits for all emissions to water that are regulated by law and we monitor them as legally required.

Waste management

Petrol's waste management strategy is about preventing the generation of waste and accelerating efficient separation of waste at source. Petrol's operations give rise to municipal waste, non-hazardous non-municipal waste (paper, cardboard and plastic packaging, biodegradable waste) and hazardous waste. All waste is collected separately. It is then passed on or handed over to authorised waste carriers. By promoting the separate collection of municipal waste, we reduce the volume of mixed municipal waste (relative to the volume of sales) which needs to be transferred to disposal sites, thus cutting down pollution and waste transport costs. We will continue to improve the waste separation system and introduce novel collection methods also in the coming years. When developing own-brand products, the aspect of final waste disposal and of the required packaging and its environmental impact are also taken into account.

Prevention of major accidents

Petrol d.d., Ljubljana operates seven facilities posing a minor or major risk to the environment (so-called SEVESO plants). In keeping with the Framework Safety and Security Policy, Major Accident Prevention Concept (Petrol's safety focus) and the Safety Management System, a number of activities laid down in environmental risk reduction concepts, safety reports and protection and rescue plans were carried out at the facilities in connection with major accident prevention and mitigation of their consequences. Our actions are chiefly geared towards ensuring that during the planning, construction, operation, maintenance, modification or shutdown of a facility every possible step is taken to prevent security incidents and major accidents and to minimise their impact. Delivering these commitments requires ongoing coordination between organisational units as well as consistency between legal obligations (legislation on the protection of the environment and water, on construction, on fire safety, on the protection against natural and other disasters), documentation and environmental permits issued.

Fire safety and anti-explosion protection are a very important aspect of safety at Petrol. They are ensured through both statutory and preventive safety measures to allow for business continuity and the protection of persons, environment and property. In accordance with protection and rescue plans, practical fire and evacuation drills were organised in October, the month of fire safety, in Petrol's office buildings, at service stations and at fuel storage facilities.

In the past year, particular attention was given to continued development of the Company's safety culture by organising training for employees and by introducing regular monthly safety reminders, tips in guidelines.

More information about our environmental actions is available in the Sustainability Report of the Petrol Group (https://www.petrol.eu/binaries/content/assets/skupina-petrol-eng/2019/publications/tp-2018_eng.pdf).

Social responsibility

In the Petrol Group, we are aware of the importance of cooperating with the social environment in which we operate and live. At the same time, we are aware of our responsibility as one of the largest Slovene companies. Supporting and assisting the social environment is closely linked to our long-term growth strategy. That is why Petrol's operations and social engagement also include caring for social and environmental issues. Consequently, we try to lend a hand when it comes to solving various social and other problems. Our responsibility to the environment and local communities is demonstrated through the support we provide to numerous humanitarian, cultural, sports and environment projects which contribute to a healthier and more dynamic lifestyle and to a higher quality of living overall.

Sponsorship

For a number of years, Petrol has been a major supporter of Slovene sport, thus contributing to the development of various disciplines and to the successes of Slovene athletes. We sponsor individuals, clubs, associations and sports events at the international and national levels. Through sponsoring we strengthen our reputation and make our brands more visible. Petrol has a traditional presence in winter sports. Through the Ski Association of Slovenia, we have been supporting junior and senior national teams in alpine skiing and biathlon for a number of years, and we also support Slovene snowboarders. In all three disciplines, we are personal sponsors of the best and most promising athletes, including Žan Kranjec, Jakov Fak, Žan Košir and the young Alex Cisar, Tit Štante and Anja Drev. We also support the men's alpine skiing competition, the Vitranc Cup, the biathlon world cup competition in Pokljuka, and the snowboarding world cup competition in Rogla. In 2019 we sponsored the first edition of Dila, the national championship in alpine skiing for all categories, which took place at the Krvavec ski resort.

As temperatures begin to climb, ball games become more relevant for sponsorship purposes. The most notable, successful and also repeatedly awarded event in 2019 was undoubtedly Petrol's sponsorship of the European Volleyball Championship EuroVolley 2019 and the promotional event "Odbojka na Ljubljanici" (Volleyball at the River Ljubljana). Last year, we continued our cooperation with the Basketball Federation of Slovenia and the largest Slovene basketball club, which was renamed Cedevita Olimpija after its merger with Cedevita Basketball Club. We also sponsor several smaller local clubs. With regard to team sports, we have been supporting the Football Association of Slovenia for many years, and by sponsoring the hockey clubs HDD Jesenice and HDD Jesenice Mladi we are also present in ice sports. With regard to individual sports, we promote the development of tennis and gymnastics as the sponsor of the Slovene Tennis Association and of some individual players (Blaž Kavčič, Maša Viriant) as well as of the Gymnastics Federation of Slovenia.

Petrol is particularly focused on automotive sport, through which we approach mainly professionals. In 2019 we successfully cooperated with Aleks Humar, Simon Marčič and Klemen Gerčar, thus promoting development and successful results also in automotive sport.

Our presence in many sports disciplines is complemented by our sponsorship of the Slovene Olympic Committee, with whom we jointly carried out a charity campaign in 2019 to provide young male and female athletes sports scholarships. In 2020 our collaboration will reach one of its peaks with the Tokyo Olympics.

In addition to sports sponsorships, we take part in technical projects linked to various energy and environmental activities. As sponsor, we continued to support conferences, symposiums and events on sustainable development, energy efficiency and e-mobility as well as conferences on management, marketing and public relations (Ljubljana Forum, Slovene Energy Managers' Days, Portorož Business Conference, Slovene Management Congress, Slovene Marketing Conference and many more).

In the area of arts, we cooperate with the Ljubljana Festival and Lent Festival, and we also support cultural events taking place in Ljubljana City Theatre, Cankarjev dom and other Slovene cultural institutions. In addition, we are involved in the area of entertainment shows, concerts and musicals.

Humanitarian projects

Shared values and integrity connect Petrol's employees with the social environment. Part of our social footprint is corporate volunteering activities, which we have been nurturing for the seventh year and through which we give back to society through our volunteer work, knowledge and the collection of material aid. In 2019, 139 employees participated directly in the Corporate Volunteering Week in 12 work campaigns. In doing so, Petrol contributed 278 work hours, while volunteers additionally contributed about 550 volunteer hours in these work campaigns.

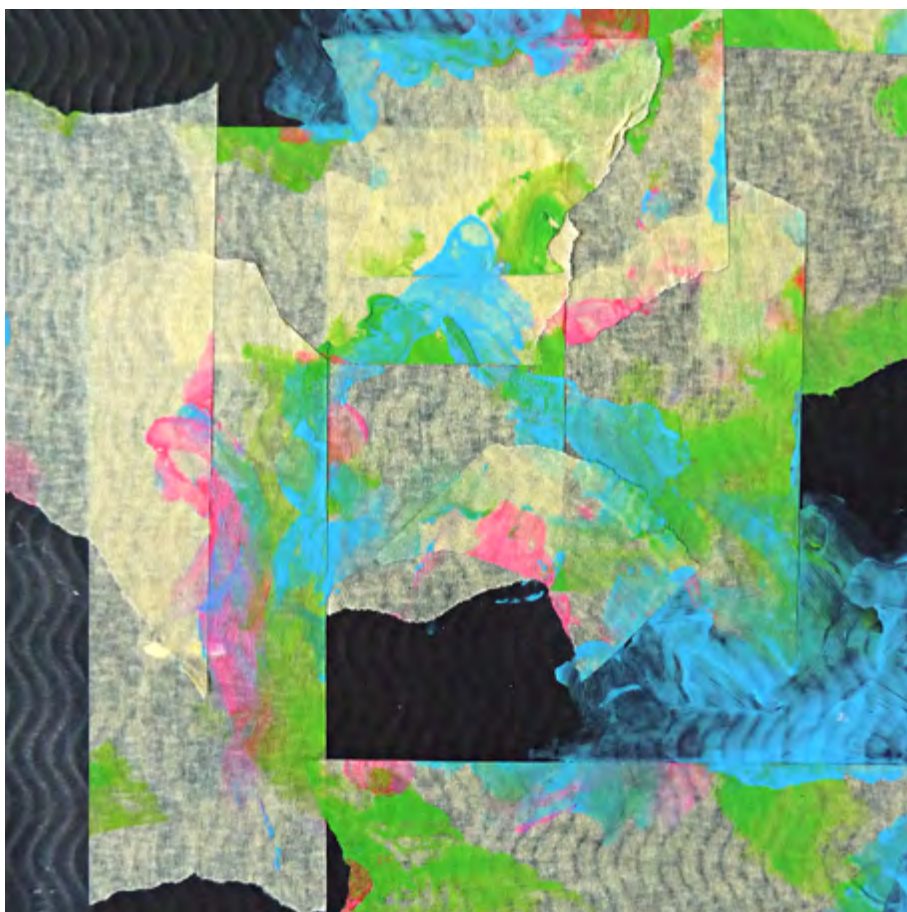
In cooperation with the Red Cross and the Blood Transfusion Centres we carried out a ninth consecutive humanitarian campaign Give Energy for Life. This ongoing campaign is used to encourage existing blood donors and to successfully win new blood donors as well as to raise the awareness of Slovenes of the importance of blood donation. In 2019 the scouts of the Pusti Grad scouts club from Šoštanj joined our blood donation campaign, proving that any of us can be a hero. As in previous years, the campaign was also supported by our sponsored athletes via their own channels.

A number of humanitarian projects operated by non-profit organisations were again supported through donations. At the end of the year, we organised a ninth Our Energy Connects campaign in which the funds earmarked for business gifts are given to charity. Each service station in Slovenia proposes a humanitarian project for which we allocate 200 euros. This way, a total of more than EUR 580,000 was donated over the past nine years.

We also extended our helping hand to the Moste – Polje Association of Friends of Youth. As part of the Energy of the Heart campaign, 50 youngsters were provided with full backpacks of necessities for their summer holiday at the seaside, and in December, more than 210 children from socially disadvantaged families were presented with gifts. At the end of the year, in collaboration with the Humanitarček Society, we collected supplies for the homeless and voluntary contributions for warm meals for the elderly.



The Petrol Group



Employees

The strength of the company are the people who work for it. Each and all of us, together with the knowledge, experience and commitment, co-creating the present and the future. 5.275 people of various occupations, skills, personalities and talents contribute to achieving Petrol's vision on a daily basis.

Companies in the Petrol Group

THE PETROL GROUP as at 31 December 2019	SALES	ENERGY AND ENVIRONMENTAL SOLUTIONS	PRODUCTION OF RENEWABLE ELECTRICITY	MOBILITY
The parent company				
PETROL d.d., LJUBLJANA	•	•	•	•
Subsidiaries				
PETROL d.o.o. (100%)	•	•		•
PETROL JAVNA RASVJETA d.o.o. (100%)		•		
ADRIA-PLIN d.o.o. (75%)	•			
PETROL BH OIL COMPANY d.o.o. Sarajevo (100%)	•			
PETROL d.o.o. BEOGRAD (100%)	•	•		
PETROL CRNA GORA MNE d.o.o. (100%)	•			
PETROL TRADE HANDELSGES.m.b.H. (100%)	•			
BEOGAS d.o.o. (100%)	•	•		
PETROL LPG d.o.o. Beograd (51%)	•			
TIGAR PETROL d.o.o. (100%)	•			
PETROL LPG HIB d.o.o. (100%)	•			
INTRADE ENERGIJA d.o.o. Sarajevo (99.7518%)			•	
PETROL -ENERGETIKA DOOEL Skopje (100%)	•			
PETROL BUCHAREST ROM S.R.L. (100%)	•			
PETROL PRAHA CZ S.R.O. (100%)	•			
PETROL TRADE SLOVENIJA L.L.C. (100%)	•			
PETROL HIDROENERGIJA d.o.o. Teslić (80%)			•	
VJETROELEKTRANE GLUNČA d.o.o. (100%)			•	
IG ENERGETSKI SISTEMI d.o.o. (100%)	•			
PETROL GEO d.o.o. (100%)		•		
EKOEN d.o.o. (100%)		•		
EKOEN GG d.o.o. (100%)		•		
EKOEN S d.o.o. (100%)		•		
ZAGORSKI METALAC d.o.o. (75%)	•	•		
MBILLS d.o.o. (91.04%)	•			
ATET d.o.o. (72.96%; 76% of voting rights)				•
VJETROELEKTRANA LJUBAČ d.o.o. (100%)			•	
STH ENERGY d.o.o. Kraljevo (80%)			•	
GEOPLIN d.o.o. Ljubljana (74.28%)	•			
GEOCOM d.o.o. (100%)	•			
GEOPLIN d.o.o., Zagreb (100%)	•			
GEOPLIN d.o.o. Beograd (100%)	•			
ZAGORSKI METALAC d.o.o. (25%)	•	•		
Jointly controlled entities				
PETROL OTI SLOVENIJA L.L.C. (51%)	•			
PETROL - OTI - TERMINAL L.L.C. (100%)	•			
GEOENERGO d.o.o. (50%)		•		
VJETROELEKTRANA DAZLINA d.o.o. (50%)			•	
SOENERGETIKA d.o.o. (25%)		•		
Associates				
PLINHOLD d.o.o. Ljubljana (29.6985%)		•		
AQUASYSTEMS d.o.o. (26%)		•		
VICOM ENERGY d.o.o., Žagubica (25%)			•	

The parent company

PETROL, SLOVENSKA ENERGETSKA DRUŽBA, D.D., LJUBLJANA

Management Board: Nada Drobne Popović – President of the Management Board (since 25 October 2019), Danijela Ribarič Selaković, Member of the Management Board (since 25 October 2019), Ika Krevzel Panič – Member of the Management Board and Worker Director, Tomaž Berločnik – President of the Management Board (until 24 October 2019), Rok Vodnik – Member of the Management Board (until 24 October 2019), Igor Stebernak – Member of the Management Board (until 24 October 2019)

E-mail: petrol.pr@petrol.si

Petrol d.d., Ljubljana was formally established on 5 June 1945 as a subsidiary of the state-owned company Jugopetrol. Before being transformed into a private joint-stock company in 1997, Petrol had operated under a variety of different organisational forms. Petrol d.d., Ljubljana's predominant activity is to sell petroleum products and other energy products (liquefied petroleum gas, natural gas and electricity) as well as merchandise and services. In addition, the Company is engaged in environmental and energy solutions projects.

With its 318 service stations, it has a 56-percent share of the Slovene retail market in petroleum products.

It generates the greater part of the Petrol Group's revenue and profits.

In 2019 the company Petrol d.d., Ljubljana generated EUR 3.5 billion in sales revenue, remaining at the level of 2018.

Previously, revenue from the sale of goods also comprised excise duties charged when making a sale and these used to be part of the cost of goods sold. After re-examining this method of presentation, it was determined that it is more appropriate to present revenue from the sale of goods and the cost of goods sold without excise duties. The main reason underlying this change was to ensure better comparability of the financial statements with other companies and the industry, which do not present excise duty as part of revenue. This allows for better analyses and comparisons. In the above examination, other factors determining the nature of the duty and appropriateness of its presentation were also considered: examination of the basis for calculations, the point when the duty is paid, possible changes in the selling prices if the duty changes, risks related to the value of goods inventories. Based on all of the above indicators and an analysis of presentation methods in comparable companies, it was determined that it is appropriate to present revenue from the sale of goods and the cost of goods sold without excise duties (for more details, see pages 170 through 172 of the Financial Report).

In 2019 the accounting policy for recognising realised commodity forward contracts for electricity sales was changed. In accordance with an IFRIC clarification, which became effective in March 2019, these contracts shall be recognised at fair value, whereas they used to be recognised at nominal amount before 2019 (for more details, see pages 170 through 172 of the Financial Report).

Petrol d.d., Ljubljana's sales revenue was generated through the sale of:

- 3.4 million tons of petroleum products,
- 36.3 thousand tons of LPG,
- 1.0 TWh of natural gas,
- merchandise and related services totalling EUR 398.1 million,
- electricity and energy and environmental solutions.

Adjusted gross profit stood at EUR 348.0 million, which was on a par with the previous year.

Operating costs totalled EUR 267.1 million or 4 percent more than in 2018. The costs of materials totalled EUR 24.5 million and were 2 percent lower than in 2018. The costs of services stood at EUR 120.6 million, an increase of 1 percent over the year before. Labour costs totalled EUR 75.3 million or 13 percent more than in 2018. The increase was the result of new recruitments at the points of sale and in the area of energy solutions, which was expanded. The depreciation and amortisation charge totalled EUR 44.3 million, which was 18 percent more than in 2018. This was mainly due to the depreciation of right-of-use assets (IFRS 16). Other costs totalled EUR 2.3 million and were 73 percent lower than in 2018 owing to the reversal of provisions.

The Petrol Group uses derivative financial instruments (forward contracts and commodity swaps) when purchasing petroleum products and natural gas and trading in electricity. Before 2019, the effects of derivatives had been presented as part of other finance income or expense. In 2019, however, the company Petrol d.d., Ljubljana changed the way it recognises the effects of those transactions; they are now recorded as other revenue or expenses, as part of operating profit or loss. To ensure comparability, the figures for 2018 were also adjusted.

The change was made due to the fact that the above derivatives are an inherent part of operations and need to be considered together with the effects of commodity swaps, i.e. as part of operating profit or loss, as this constitutes one of the activities of Petrol d.d., Ljubljana. The change of presentation is expected to improve the representability of information and the comparability of the Petrol Group's financial statements with those of other companies. The changes are specified on pages 170 through 172 of the Financial Report.

Other operating revenue stood at EUR 81.5 million, which was EUR 20.7 million more than in 2018. Gain on derivatives totalled EUR 77.1 million or 33 percent more than in 2018. Other operating expenses, the bulk of which is attributable to loss on derivatives, stood at EUR 84.6 million, which was EUR 37.5 million more than in 2018.

Operating profit totalled EUR 77.9 million or 25 percent less than in 2018.

Finance income from dividends of subsidiaries, associates and jointly controlled entities stood at EUR 2.2 million, a decrease of EUR 31.8 million relative to 2018 (IGES d.o.o. dividends for 2018 stood at EUR 30.2 million). Net cash flow stood at EUR -6.8 million, an improvement of EUR 13.8 million compared to 2018. In 2019 Petrol d.d., Ljubljana's allowances for operating and financial receivables were down by EUR 2.3 million relative to the previous year, with its gain on derivatives increasing by EUR 4.6 million. Net foreign exchange differences were negative in 2019 and as such down EUR 0.6 million compared to 2018. Finance expenses decreased by EUR 7.4 million, which was the result of the impairment of investments and goodwill.

Pre-tax profit totalled EUR 73.3 million or 37 percent less than in 2018. Net profit of Petrol d.d., Ljubljana for the year 2019 stood at EUR 60.2 million, down 40 percent relative to 2018.

Total assets of Petrol d.d., Ljubljana as at 31 December 2019 equalled EUR 1.5 billion, which was 2 percent more than at the end of 2018. Non-current assets accounted for EUR 1.0 billion of the above figure, which was 10 percent more than on 31 December 2018, with current assets amounting to EUR 502.0 million, down 12 percent as compared to 31 December 2018. This was mostly the result of a decrease in operating receivables.

The equity of Petrol d.d., Ljubljana as at 31 December 2019 equalled EUR 601.9 million, which was 3 percent more than at the end of 2018.

Subsidiaries

THE PETROL ZAGREB GROUP

President of the Management Board: Boris Antolović

E-mail: boris.antolovic@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

The company Petrol d.o.o. is a 100-percent owner of the company Javna rasvjeta d.o.o. and a 75-percent owner of Adria-Plin d.o.o. The interest was acquired through the purchase of the rights and assets of the company Crodux Plin d.o.o. In September 2019, the Petrol Zagreb Group acquired Crodux Plin d.o.o.'s LPG operations, acquiring its electricity-trading operations in January 2020. The Petrol Zagreb Group sells oil, merchandise and services in Croatia. In 2019 it sold 680.4 thousand tons of petroleum products and LPG, up 11 percent from 2018. In total, it generated EUR 736.7 million in sales revenue in 2019, an increase of 1 percent from 2018. Out of this amount, EUR 645.7 million was generated from the sale of petroleum products and LPG and EUR 59.5 million from the sale of merchandise. Its operating profit stood at EUR 29.9 million in 2019, an increase of EUR 16.8 million from the previous year. The group's net profit for 2019 totalled EUR 24.4 million, which was EUR 14.6 million more than in the previous year. The Petrol Zagreb Group operated 110 service stations at the end of 2019.

The company Dubrovnik Plin d.o.o. was merged into the company Petrol d.o.o. in August 2019.

The group's equity totalled EUR 165.4 million as at 31 December 2019.

PETROL BH OIL COMPANY D.O.O. SARAJEVO

General Manager: Gregor Žnidaršič

E-mail: gregor.znidarsic@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

The company's principal activity is selling petroleum products, merchandise and services in Bosnia and Herzegovina. In 2019 it sold 228.2 thousand tons of petroleum products and LPG, up 6 percent from 2018. The company generated EUR 260.2 million in sales revenue in 2019, a decrease of 1 percent from 2018. Out of this amount, EUR 235.0 million was generated from the sale of petroleum products and LPG and EUR 12.5 million from the sale of merchandise. Its operating profit stood at EUR 6.5 million in 2019, an increase of EUR 3.6 million from the previous year. The company's net profit for 2019 totalled EUR 6.0 million, an increase of EUR 3.0 million from 2018. Petrol BH Oil Company d.o.o. Sarajevo operated 42 service stations at the end of 2019.

The company's equity totalled EUR 60.4 million as at 31 December 2019.

PETROL D.O.O. BEOGRAD

General Manager: Uroš Bider

E-mail: uros.bider@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

The company's principal activity is selling petroleum products, merchandise and services in Serbia. The volume of petroleum products and LPG sold in 2019 totalled 87.2 thousand tons, an increase of 31 percent on the previous year. In total, it generated EUR 111.3 million in sales revenue in 2019, an increase of 25 percent from 2018. Out of this amount,

EUR 106.1 million was generated from the sale of petroleum products and LPG and EUR 4.0 million from the sale of merchandise. Its operating profit stood at EUR 1.7 million in 2019, an increase of EUR 1.1 million from the previous year. The company's net profit for 2019 totalled EUR 1.4 million, an increase of EUR 831.1 thousand from 2018. At the end of 2019, Petrol d.o.o. Beograd operated 14 service stations.

The company's equity totalled EUR 29.1 million as at 31 December 2019.

PETROL CRNA GORA MNE D.O.O.

Executive Director: Dean Krivec (until 22 December 2019), Jaka Hrastnik (since 23 December 2019)

E-mail: jaka.hrastnik@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

The company's principal activity is selling oil, merchandise and services in Montenegro. It was formed when the company Petrol Crna Gora d.o.o. Cetinje was legally and formally merged into the company Petrol Bonus d.o.o. in July 2012. The merger resulted in a new company called Petrol Crna Gora MNE d.o.o. In 2019 it sold 44.8 thousand tons of petroleum products and LPG, up 3 percent from 2018. In total, Petrol Crna Gora MNE d.o.o. generated EUR 54.6 million in sales revenue in 2019, which was on a par with the previous year. Out of this amount, EUR 51.4 million was generated from the sale of petroleum products and LPG and EUR 3.0 million from the sale of merchandise. The company's operating profit or loss stood at EUR -1.9 million in 2019. Its net profit or loss for 2019 totalled EUR -2.1 million. At the end of 2019, Petrol Crna Gora MNE d.o.o. operated 14 service stations.

The company's equity totalled EUR 20.0 million as at 31 December 2019.

THE GEOPLIN GROUP

General Manager: Boštjan Napast

E-mail: bostjan.napast@geoplin.si

Ownership interest of Petrol d.d., Ljubljana: 74.28%

The company has been engaged in energy operations related to supplying, trading and acting as an agent and intermediary in the natural gas market, the company's principal activity, since mid-1978. Its operations in the area of natural gas supply and services also extend abroad. To be able to ensure reliable supply, it has appropriate and diversified procurement sources at its disposal, as well as transport and storage facilities. The Geoplin Group comprises the parent company Geoplin d.o.o. Ljubljana and its subsidiaries: Geoplin d.o.o. Zagreb, Geoplin d.o.o. Beograd and Geocom d.o.o., which are wholly owned by the company, as well as the company Zagorski metalac d.o.o., which is 25-percent owned by the company. In 2019 the company's focus was mainly on carrying out and developing its principal activity of marketing and trading in natural gas. To this end, the company developed trading infrastructure to support the optimisation of its procurement and sales portfolio as well as its expansion to new markets. Together with efficient energy consumption and RES projects, it also continued to develop and market energy solutions. In 2019 the Geoplin Group sold 20.9 TWh of natural gas, generating EUR 397.4 million in sales revenue. The group's net profit for 2019 totalled EUR 8.2 million. The net profit attributable to Petrol d.d., Ljubljana amounted to EUR 6.1 million.

The group's equity totalled EUR 127.1 million as at 31 December 2019.

BEOGAS D.O.O. BEOGRAD

General Manager: Uroš Bider

E-mail: uros.bider@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

Beogas d.o.o. is engaged in financing, designing and constructing distribution pipelines, but it also distributes natural gas in Belgrade municipalities Čukarica, Palilula and Voždovac, as well as in Pećinci since August 2015 and in Bačka Topola since June 2018. Beogas d.o.o. Beograd is the owner of 435.9 km of the gas distribution network and 11,320 active gas connections. In 2019 the company sold 313.3 thousand MWh of natural gas, up 19 percent on the previous year. In 2019 it generated EUR 11.0 million in sales revenue, up 24 percent on the previous year. The company's operating profit stood at EUR 800.0 thousand in 2019, down 26 percent year-on-year. The company's net profit for 2019 totalled EUR 744.4 thousand, down 26 percent from 2018.

The companies Beogas Invest d.o.o. and Domingas d.o.o. were merged into Beogas AD Beograd in April 2019.

The company's equity totalled EUR 17.9 million as at 31 December 2019.

THE PETROL LPG GROUP

General Manager: Bojan Kocić

E-mail: bojan.kocic@petrol.eu, matjaz.burger@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 51%

Petrol LPG d.o.o. was established in February 2013 and is the sole owner of the company Tigar Petrol d.o.o. The companies sell liquefied petroleum gas in Serbia. In July 2016, the company Petrol LPG HIB d.o.o. was established, which is also fully owned by Petrol LPG d.o.o. The company sells liquefied petroleum gas in Bosnia and Herzegovina. In 2019 the Petrol LPG Group sold 96.0 thousand tons of liquefied petroleum gas, up 11 percent on the previous year. In 2019 it generated EUR 62.8 million in sales revenue, up 3 percent from 2018. Operating profit for 2019 totalled EUR 2.2 million, up 39 percent from 2018. Net profit for 2019 totalled EUR 1.9 million, up 44 percent on the previous year. The net profit attributable to Petrol d.d., Ljubljana amounted to EUR 948.6 thousand.

The group's equity totalled EUR 9.5 million as at 31 December 2019.

PETROL GEO D.O.O.

General Manager: Matej Prkič

E-mail: matej.prkic@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

Petrol Geo d.o.o. was established in July 2018. In October 2018, mining services consisting of the drilling and maintenance of gas and oil boreholes, including the extraction of natural gas and oil, were transferred from Petrol Geoterm d.o.o. to Petrol Geo d.o.o. In December 2018, Petrol Geoterm d.o.o. was merged into Petrol d.d., Ljubljana (production of heat from geothermal boreholes; management and development of district heating systems based on geothermal boreholes). In 2019 the company generated EUR 1.6 million in sales revenue, its operating profit or loss amounting to EUR -64.1 thousand and its net profit or loss for the year to EUR -156.2 thousand.

The company's equity totalled EUR 1.5 million as at 31 December 2019.

IG ENERGETSKI SISTEMI D.O.O.

Manager: Barbara Jama Živalič from 25 January 2020, Tomaž Berločnik until 24 January 2020

E-mail: barbara.jama-zivalic@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

The single most important investment of IG energetski sistemi d.o.o. (IGES) was a 25-per-cent interest in GEN-EL d.o.o. In accordance with Petrol d.d., Ljubljana strategy, a contract was signed on 22 June 2016 to dispose of the 50-percent interest held by the subsidiary IGES d.o.o. in the company GEN-I, d.o.o. The interest was then acquired by the company GEN-EL d.o.o. for EUR 45.1 million. The transaction was carried out in two parts: the first part was completed in 2016 and the second part in May 2018.

PETROL TRADE HANDELSGESELLSCHAFT M.B.H.

General Manager: Marko Malgaj

E-mail: marko.malgaj@petrol-trade.at

Ownership interest of Petrol d.d., Ljubljana: 100%

Petrol-Trade Handelsges.m.b.H. sells petroleum products in Austria and in the neighbouring countries. In 2019 the company purchased and sold 92.2 thousand tons of petroleum products and LPG, of which 82.2 thousand tons were sold outside the Petrol Group. In 2019 it generated EUR 65.2 million in sales revenue, up 2 percent from 2018. The company's net profit for 2019 totalled EUR 1.1 million.

The company's equity totalled EUR 2.7 million as at 31 December 2019.

VJETROELEKTRANE GLUNČA D.O.O.

General Managers: Suvad Bajrić, Slaven Tudić

E-mail: suvad.bajric@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

In February 2016, Petrol d.d., Ljubljana became the full owner of the Šibenik-based company Vjetroelektrane Glunča d.o.o. which is engaged in electricity production. The company owns a 20.7 MW wind farm in the Šibenik area. In 2019 it generated EUR 5.5 million in sales revenue, its net profit totalling EUR 1.5 million.

The company's equity totalled EUR 9.8 million as at 31 December 2019.

PETROL HIDROENERGIJA D.O.O. TESLIĆ

General Manager: Gregor Žnidaršič

E-mail: gregor.znidarsic@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 80%

In September 2015, the companies Petrol d.d., Ljubljana and Eling – Inženjering d.o.o. Teslić established the company Petrol Hidroenergija d.o.o. Teslić which is engaged in electricity production. In 2019 the company generated EUR 967.7 thousand in sales revenue. Its net profit for 2019 totalled EUR 741.5 thousand. The net profit attributable to Petrol d.d., Ljubljana amounted to EUR 593.2 thousand.

The company's equity totalled EUR 7.0 million as at 31 December 2019.

INTRADE ENERGIJA D.O.O. SARAJEVO

General Manager: Suvad Bajrić

E-mail: suvad.bajric@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 99.7518%

Intrade energija d.o.o. Sarajevo became a subsidiary of Petrol d.d., Ljubljana when the company IG Investicijski inženiring, d.o.o. was merged into Petrol d.d., Ljubljana. The company produces and distributes electricity. In 2019 the company generated EUR 825.9 thousand in sales revenue, its net profit or loss for 2019 totalling EUR -398.6 thousand. The net profit or loss attributable to Petrol d.d., Ljubljana amounted to EUR -397.6 thousand.

The company's equity totalled EUR -1.6 million as at 31 December 2019.

MBILLS D.O.O.

General Manager: Primož Zupan

E-mail: primoz.zupan@mbills.si

Ownership interest of Petrol d.d., Ljubljana: 91.04%

In February 2018, Petrol d.d., Ljubljana became a 76-percent owner of the company Mbills d.o.o. The company operates under the Petrol mBills brand, which stands for paperless and cashless payments. The app is an open mobile payment platform based on the mobile wallet. It can be used for paying bills at the cash desk, monthly bills, online shopping, money transfers and much more. In May 2019, Petrol d.d., Ljubljana increased its ownership interest in Mbills d.o.o. to 91.04%. In 2019 the company generated EUR 355.6 thousand in sales revenue. Its net profit or loss for 2019 totalled EUR -1.8 million. The net profit or loss attributable to Petrol d.d., Ljubljana amounted to EUR -1.6 million.

The company's equity totalled EUR 7.5 million as at 31 December 2019.

THE EKOEN GROUP

General Manager: Janez Grošelj

E-mail: janez.groselj@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

In November 2018, Petrol d.d., Ljubljana acquired a 100-percent interest in the company Ekoen d.o.o., which is the sole owner of the company Ekoen GG d.o.o. The company's principal activity is to produce and distribute heat from renewable sources. In 2019 the company generated EUR 383.2 thousand in sales revenue. The group's net profit or loss for 2019 stood at EUR -1.8 thousand.

The group's equity totalled EUR 774.3 thousand as at 31 December 2019.

EKOEN S D.O.O.

General Manager: Janez Grošelj

E-mail: janez.groselj@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

In December 2018, Petrol d.d., Ljubljana acquired a 100-percent interest in the company Ekoen S d.o.o. The company's principal activity is to produce and distribute heat from renewable sources. In 2019 the company generated EUR 47.7 thousand in sales revenue, its net profit for 2019 totalling EUR 7.1 thousand.

The company's equity totalled EUR 10.0 thousand as at 31 December 2019.

ZAGORSKI METALAC D.O.O.

General Manager: Željko Bjelan

E-mail: zeljko.bjelan@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 75%, **Geoplin d.o.o. Ljubljana:** 25%

The company is engaged in natural gas distribution and supply as well as in distribution pipeline maintenance, design and construction. Zagorski metalac d.o.o. distributes natural gas in the Zagreb County and in the Krapina-Zagorje County. The company has a broad gas distribution network (of approximately 830 km), through which it supplies gas to over 17,000 end customers. In 2019 it sold 176.5 thousand kWh of natural gas. In 2019 the company generated EUR 7.3 million in sales revenue, its net profit for 2019 totalling EUR 965.3 thousand.

The company's equity totalled EUR 8.1 million as at 31 December 2019.

PETROL – ENERGETIKA DOOEL SKOPJE

General Manager: Aleš Koželjnik

E-mail: ales.kozeljnik@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

In October 2010, Petrol d.d., Ljubljana established the company Petrol-Energetika DOOEL Skopje, which is engaged in electricity trading. The company has a valid electricity trading licence. In 2019 the company generated EUR 12.2 million in sales revenue. Its net profit for 2019 totalled EUR 1.2 thousand.

The company's equity totalled EUR 107.6 thousand as at 31 December 2019.

PETROL BUCHAREST ROM S.R.L.

General Manager: Aleš Koželjnik

E-mail: ales.kozeljnik@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

In December 2014, Petrol d.d., Ljubljana established the company Petrol Bucharest ROM S.R.L., which is engaged in electricity trading, production, transport and distribution. In 2019 the company generated EUR 69.0 thousand in sales revenue, its net profit for 2019 totalling EUR 3.0 thousand.

The company's equity totalled EUR -96.3 thousand as at 31 December 2019.

PETROL PRAHA CZ S.R.O.

General Manager: Aleš Koželjnik

E-mail: ales.kozeljnik@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 100%

In January 2015, Petrol d.d., Ljubljana established the company Petrol Praha CZ S.R.O., which is engaged in electricity trading.

The company's equity totalled EUR -68.4 thousand as at 31 December 2019.

PETROL TRADE SLOVENIJA L.L.C.**Management Board:** Anton Figek, Aleš Koželjnik, Uroš Kalan**E-mail:** anton.figek@petrol.si**Ownership interest of Petrol d.d., Ljubljana:** 100%

In January 2016, Petrol d.d., Ljubljana established the company Petrol Trade Slovenija L.L.C., which is engaged in trading, transmission and distribution of electricity as well as in wholesale and retail trading in gas, fuel, other petroleum products and merchandise.

The company's equity totalled EUR -4.2 thousand as at 31 December 2019.

VJETROELEKTRANA LJUBAČ D.O.O.**General Managers:** Suvad Bajrić, Slaven Tudić**E-mail:** suvad.bajric@petrol.si**Ownership interest of Petrol d.d., Ljubljana:** 100%

In January 2018, Petrol d.d., Ljubljana acquired a 50-percent interest in the Šibenik-based company Vjetroelektrana Ljubač d.o.o. In 2019 Petrol d.d., Ljubljana acquired a 100-percent interest in this company, which is engaged in electricity production.

The company's equity totalled EUR -1.7 thousand as at 31 December 2019.

ATET D.O.O.**General Manager:** Miha Valentinčič, Matevž Kustec**E-mail:** miha.valentincic@petrol.si**Ownership interest of Petrol d.d., Ljubljana:** 72.96% (76% of voting rights)

In December 2019, Petrol d.d., Ljubljana acquired a 72.96-percent interest in the company Atet d.o.o. The company's principal activity is rental and leasing of cars and light motor vehicles (short-term rental of vehicles, transport activities with a driver, and ancillary mobility services).

The company's equity totalled EUR 1.9 million as at 31 December 2019.

STH ENERGY D.O.O. KRALJEVO**General Manager:** Aleš Weiss**E-mail:** ales.weiss@petrol.si**Ownership interest of Petrol d.d., Ljubljana:** 80%

In December 2019, Petrol d.d., Ljubljana acquired an 80-percent interest in the company STH Energy d.o.o. Kraljevo. The company's principal activity is to produce electricity.

The company's equity totalled EUR -1.2 thousand as at 31 December 2019.

Jointly Controlled Entities

PETROL OTI SLOVENIJA L.L.C.

Board of directors: Tomaž Berločnik (until 2 January 2020), Danijela Ribarič Selaković (since 3 January 2020), Nazmi Bytyqi, Anton Figeč

Executive Director: Anton Figeč

E-mail: anton.figek@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 51%

The company's principal activity is selling petroleum products, merchandise and services in Kosovo. The company is the sole owner of Petrol-OTI-Terminal L.L.C. In 2019 it sold 5.8 thousand tons of petroleum products and LPG, down 35 percent from 2018. The company generated EUR 7.4 million in sales revenue, its net profit or loss for 2019 totalled EUR -1.0 million. The net profit or loss attributable to the Petrol Group amounted to EUR -502.9 thousand. At the end of 2019, it operated 11 service stations.

The company's equity totalled EUR 13.6 million as at 31 December 2019.

GEOENERGO D.O.O.

General Managers: Borut Bizjak, Miha Valentinčič

E-mail: miha.valentincic@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 50%

The company holds concession rights for the extraction of mineral resources, crude oil, natural gas and gas condensate in the area of the Mura depression. In 2019 it sold 488.5 tons of oil and gas condensate and 81.8 thousand MWh of natural gas. It has a long-term contract with the company Ascent Slovenia Limited on joint operations aimed at developing oil and gas fields Dolina and Petišovci near Lendava. The company's net profit for 2019 stood at EUR 39.0 thousand, with the net profit attributable to the Petrol Group amounting to EUR 19.5 thousand.

The company's equity totalled EUR 319.6 thousand as at 31 December 2019.

VJETROELEKTRANA DAZLINA D.O.O.

General Managers: Suvad Bajrić, Slaven Tudić

E-mail: suvad.bajric@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 50%

In December 2017, Petrol d.d., Ljubljana acquired a 50-percent interest in the Šibenik-based company Vjetroelektrana Dazlina d.o.o., which is engaged in electricity production.

The company's equity totalled EUR 1.7 thousand as at 31 December 2019.

SOENERGETIKA D.O.O.**General Manager:** Aleš Ažman**E-mail:** ales.azman@elektro-gorenjska.si**Ownership interest of Petrol d.d., Ljubljana:** 25%

The company's principal activity is the production of electricity in thermal power plants and nuclear power plants. Its net profit for 2019 totalled EUR 691.7 thousand. Net profit attributable to the Petrol Group amounted to EUR 172.9 thousand.

The company's equity totalled EUR 1.8 million as at 31 December 2019.

Associates

AQUASYSTEMS D.O.O.

Ownership interest of Petrol d.d., Ljubljana: 26%

Activities: Construction and operation of industrial and municipal water treatment plants – the central waste treatment plant in Maribor

PLINHOLD D.O.O.

Ownership interest of Petrol d.d., Ljubljana: 29.6985%

Activity: Management of gas infrastructure

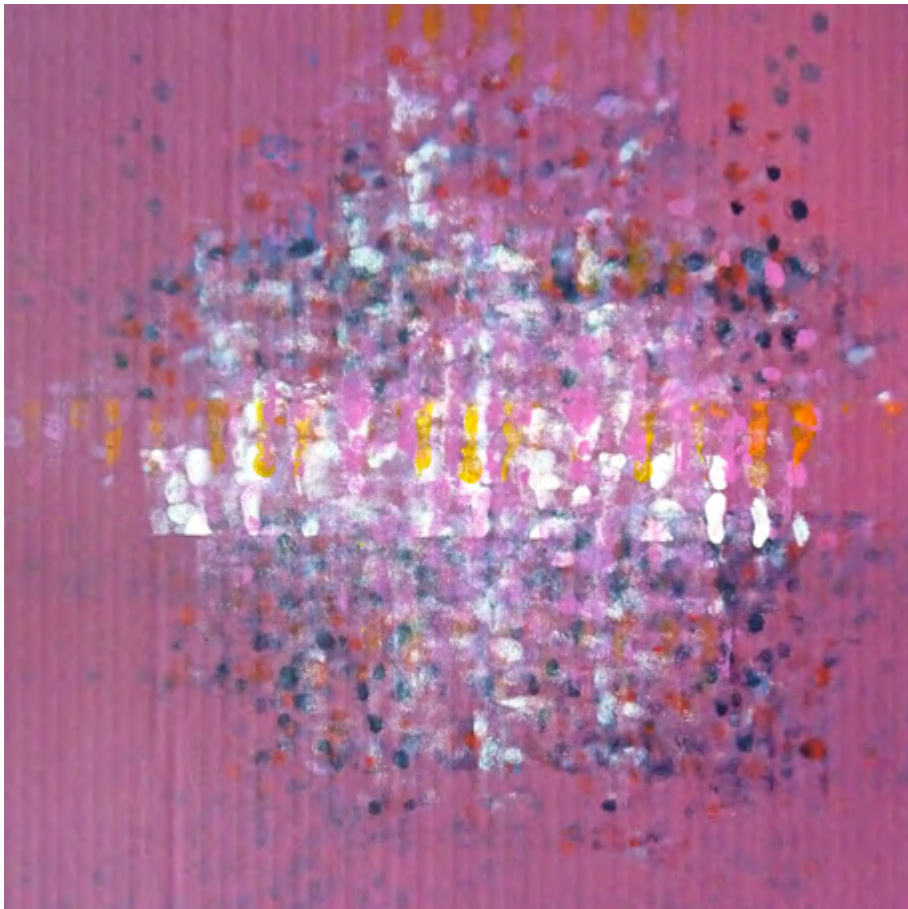
IVICOM ENERGY D.O.O. ŽAGUBICA

Ownership interest of Petrol d.d., Ljubljana: 25%

Activity: Production of electricity



Report of the Supervisory Board



Work

We are successful because we like our work, our profession. Our work shapes our lives and the lives of others. And we are proud of it.

Report of the supervisory board

The Supervisory Board's composition in 2019 was such that its members complemented each other in terms of their expertise and competences. The composition was also diverse as regards education, work experience and personality traits, all of which allowed for an effective exchange of views and opinions. The Supervisory Board's composition did not change until October 2019. In October, when the terms of office of three Management Board members ended through mutual agreement, Supervisory Board President Nada Drobne Popović became Management Board President ad interim, in accordance with provisions of Article 273 of the Companies Act. From 25 October 2019 to the end of the financial year, the Supervisory Board thus had eight members.

In 2019 the Supervisory Board and Management Board of Petrol d.d., Ljubljana focused on substantive matters falling within their remit. The members of the Supervisory Board carried out their work professionally, focusing on the effective performance of their functions, including in the committees. All members of the Supervisory Board regularly attended the meetings and all resolutions were passed unanimously. Supervisory Board members thoroughly prepared themselves for the topics discussed, gave constructive proposals based on verbal and written information obtained from the Management Board, and adopted decisions competently, in line with the Rules of Procedure, internal regulations and legal powers. The work of the Supervisory Board was effectively supported by the proposals of Supervisory Board committees and their substantive input. The Supervisory Board kept stakeholders informed on a regular basis. In compliance with the Slovene Corporate Governance Code for Public Companies, the Supervisory Board states in this report that all the costs incurred in connection with its work are disclosed in this annual report.

The Supervisory Board had 15 meetings in 2019. A number of the meetings was held due to the fact that at the 29th Supervisory Board meeting three Management Board members signed agreements with the Supervisory Board to end their terms of office and that the year 2019 was marked by intensive M&A activities.

Topics discussed at the Supervisory Board's meetings in 2019 were linked to the regular monitoring of the Company's and the Group's operations and of their development. The Supervisory Board and the Management Board focused their efforts on determining strategies and on identifying and managing business risks. This is important for ensuring successful future operations of the Company and the Petrol Group.

The most important topics discussed at the Supervisory Board's meetings in 2019

Already in January 2019, there was a first Supervisory Board meeting outside the financial calendar to hear presentations and take decisions regarding certain investments.

At its 23rd meeting, which took place in March 2019, the Supervisory Board approved the audited Annual Report of the Petrol Group and Petrol d.d., Ljubljana for the year 2018, the proposal for the allocation of accumulated profit and the convocation of the 29th General Meeting, which also included a proposal for the appointment of auditors for the 2019, 2020 and 2021 annual report.

The two meetings that followed were called as foreseen in the 2019 financial calendar. These were May and August meetings, which were dedicated mainly to discussing the three-month and six-month reports on the operations of the Petrol Group and Petrol d.d., Ljubljana. The latter already included discussions regarding foreseen investment and acquisition activities.

In October, the Supervisory Board had four meetings dedicated mostly to the financing of the Petrol Group linked to the foreseen investments. At the last of the four meetings, when the agreement to end the terms of office of three Management Board members was signed, the Supervisory Board and the Management Board confirmed there was divergence of views between the management body and the supervisory body. On 25 October 2019, Supervisory Board President Nada Drobne Popović became Management Board President ad interim. The Supervisory Board decided that her appointment ends as soon as a new Management Board is appointed, whereas the law stipulates that such an appointment may not exceed one year.

The Supervisory Board had four meetings also in November. At the first meeting, which took place on 14 November 2019 and was foreseen in the financial calendar, the main topic was the 9-month report on the operations of the Petrol Group and Petrol d.d., Ljubljana. Investment and acquisition activities were discussed at all meetings.

All the working procedures of the Supervisory Board are geared towards ensuring the basic rules that must be applied in the effective functioning of this body:

- compliance with the rules and guidelines stipulated in its Rules of Procedure;
- ongoing training of all persons involved in the functioning of the body and adoption of new best practices related to corporate governance;
- transparent functioning of the Supervisory Board in relation to the Management Board and vice versa, and in relation to all external stakeholders;
- sufficient number of meetings to provide a thorough insight into the operations and orientations of future development;
- full attendance of all Supervisory Board members and proactive functioning of each individual member of the Supervisory Board;
- training of Supervisory Board members, learning about new trends, cooperating/becoming acquainted with all key personnel, not only the Management Board of the Company, paying particular attention to learning about the structure of the Company, the Petrol Group and processes;
- pursuing a policy where financial indicators are only part of the full success story;
- self-assessment of the Supervisory Board with a view to timely identification of the necessary changes and implementation of the measures.

The central theme of the 34th meeting in 2019, which was held in mid-December, was the approval of the Petrol Group's Business Plan and Key Targets for 2020. The annual business plan had been prepared in congruence with the current strategy, but the latter will be amended in 2020 and adopted for the period 2020 - 2025, owing to changes in the economic environment and within the Petrol Group itself. At this meeting, the Supervisory Board carried out a self-assessment of its work and the work of its committees, also carrying out a number of activities related to good practices in corporate governance, including identification, disclosure, management and elimination of conflicts of interest. Throughout the year, the Supervisory Board pursued activities from its 2018 action plan. As a result, the Supervisory Board's Rules of Procedure were amended and updated two times. At the meeting in question, a new version of the Company's Corporate Governance Policy was reviewed and updated. It was published in December.

In the second half of December, the Supervisory Board held two more meetings to discuss, first and foremost, acquisition activities and activities relating to the appointment of the Management Board.

The Supervisory Board, acting within its powers, took responsible decisions and was briefed on a number of other matters:

- adopting the 2020 Internal Audit work programme;
- approving the Management Board's proposal regarding the remuneration of the head of Internal Audit, and other matters related to internal auditing;
- adopting the 2020 Audit Committee work programme;
- updating the Rules of Procedure of the Supervisory Board;
- discussing and deciding on the Management Board's remuneration;
- resolving conflicts of interest (the statements required under the applicable code were signed by Supervisory Board members upon their appointment and also at the end of the financial year, and published on the Company's website). Throughout the year, Supervisory Board members regularly informed the Supervisory Board about the occurrence of facts that could affect their independence. However, no material conflicts of interest were established;
- granting approval to the Management Board in accordance with the Articles of Association and other forms of approval for Management Board proposals;
- discussing the Workers' Council reports concerning the involvement of workers in management;
- assessing the work of its committees, also by taking into account their reports on the work performed in 2019.

Work of the Supervisory Board's committees

In 2019 the Supervisory Board's Audit Committee met seven times. The first two meetings in the financial year were devoted to preparing a basis for the Supervisory Board's approval of the annual report, which was done following a discussion with external auditors, among other things. The Committee discussed the audited annual report and submitted a proposal for its approval to the Supervisory Board. It also dealt with the topics related to the Supervisory Board and the annual General Meeting of Shareholders (approval of the 2018 Internal Audit report, proposing the auditors for auditing the 2019, 2020 and 2021 annual report).

At the other meetings, the Audit Committee discussed the quarterly reports on the operations of the Petrol Group and Petrol d.d., Ljubljana (in May, August and November) and dealt with standard and other matters, such as:

- progress of the preliminary audit of the 2019 annual report;
- preparation of the 2020 Audit Committee work programme;
- management of credit, foreign exchange and price risks;
- risk management in the Petrol Group by quarter and its annual overview;
- it was briefed on Internal Audit reports and the 2020 Internal Audit work programme;
- it reviewed the contract with external auditors and made a proposal to have it signed by Supervisory Board president;
- it discussed the annual review of the competences and tasks of the Audit Committee and assessed its effectiveness in 2019;
- it was briefed on the report of authorised officers concerning the implementation of corporate integrity guidelines;
- it discussed guidelines governing the performance of non-audit services by the statutory auditor and proposed to the Supervisory Board to adopt them;
- it was briefed on and monitored the expected changes in International Financial Reporting Standards on a regular basis and assessed the effect they may have had on the financial statements;
- it carried out the annual interview with the head of Internal Audit;
- it monitored and was briefed on the results of the external assessment of Internal Audit's work;
- it discussed other topics falling within the competence of the Audit Committee.

The Supervisory Board's Human Resources and Management Board Evaluation Committee met six times in 2019. The first two meetings were dedicated to formulating proposals for the Supervisory Board as regards the remuneration of the Management Board for the year 2018. At the remaining four meetings in November in December, the committee, acting on the Supervisory Board's decisions, prepared a basis on which the Supervisory Board could appoint the Management Board.

The Supervisory Board monitored the work of its committees based on their continuous reporting to the Supervisory Board. Considering the implementation of all committee resolutions, the review of their work and reports on the work of both committees presented at the December meeting, the Supervisory Board – in the context of self-assessing its performance – deemed the work of both committees to have been very good.

Assessment of the Petrol Group's operations in 2019

The Petrol Group's operations are focused on achieving long-term growth and the ensuing stable return for shareholders. The Petrol Group is a leading company in Slovenia and plays a prominent role also in the wider region. The Petrol Group delivered a very good business performance in 2019. Its sales revenue stood at EUR 4.4 billion, up 1 percent on the year before. Adjusted gross profit stood at EUR 472.9 million, which was 7 percent more than in 2018. EBITDA totalled EUR 196.5 million and was 9 percent higher than in 2018. Net profit stood at EUR 105.2 million, an increase of 15 percent relative to 2018.

Approval of the 2019 Annual Report

At its 40th meeting of 12 March 2020, the Supervisory Board discussed the audited Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2019. Having verified the Annual Report, the financial statements and notes thereto, the Management Board's proposal on the allocation of accumulated profit, and the certified auditor's report, the Supervisory Board approved the audited Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2019.

As part of the adoption of the Annual Report, the Supervisory Board also put forward its position as regards the corporate governance statement and the statement of compliance with the applicable code that have been included in the business section of the Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2019, concluding it reflects the actual state of corporate governance in 2019.



Sašo Berger
President of the Supervisory Board
Ljubljana, 12 March 2020



Financial Report 2019



Energy for life

Energy is everything. A rock, too, is a store of energy. Energy flows, is transformed, accumulated, released, it destroys. It drives muscles, thoughts, it propels blood. It powers machines, wheels, creates images, opens doors. Petrol distributes energy, bringing it to our lives. Our moments are infused with energy.

ANNUAL REPORT OF THE PETROL GROUP AND PETROL d.d., LJUBLJANA 2019 – Financial Report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

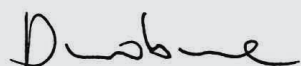
The Company's management is responsible for the preparation of the financial statements, together with accounting policies and notes, of the Petrol Group and the company Petrol d.d., Ljubljana for the year 2019, which give, to the best of its knowledge and belief, a fair view of the development and results of the Company's operations and its financial position, including the description of material risks that the Company and any other companies included in the consolidated financial statements are exposed to as a whole.

The management confirms that appropriate accounting policies have been applied consistently in the preparation of the financial statements, that accounting estimates were prepared based on the principles of fair value, prudence and sound management and that the financial statements give a true and fair view of the Company's financial position and the results of its operations in the year 2019.

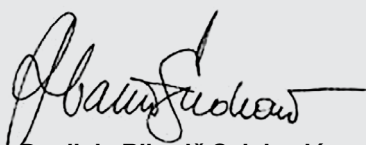
The management is also responsible for appropriate accounting and for taking adequate measures to protect the Company's property and other assets, and confirms that the financial statements, together with the notes thereto, have been prepared on the going concern assumption and in accordance with applicable legislation and International Financial Reporting Standards as adopted by the European Union.

The Company's management accepts and approves the financial statements, together with accounting policies and notes, of the Petrol Group and the company Petrol d.d., Ljubljana for the year 2019.

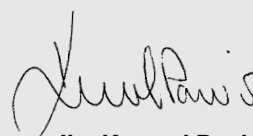
The tax authorities may inspect the Company's operations at any time within the period of five years following the year in which the tax was due. This may result in additional tax liabilities, interest on late payment and penalties arising from the corporate income tax and other taxes and duties. The Company's management is not aware of any circumstances, which may give rise to any material liabilities in this regard.



Nada Drobne Popovič
President of the Management Board



Danijela Ribarič Selaković
Member of the Management Board



Ika Krevzel Panič
Worker Director

Petrol d.d., Ljubljana, Dunajska cesta 50, 1527 Ljubljana, Slovenija

Ljubljana, 9 March 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Petrol d.d.

Opinion

We have audited the separate financial statements of Petrol d.d. (the Company) and the consolidated financial statements of Petrol Group (the Group), which comprise the statement of financial position and the consolidated statement of financial position as at December 31, 2019, the income statement and the consolidated income statement, the statement of other comprehensive income and the consolidated statement of other comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the statement of cash flows and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the Auditor's responsibilities for the audit of the separate and the consolidated financial statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate and the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and the consolidated financial statements.



Information technology (IT) complexity and SAP implementation in relation to financial reporting

In 2019, the Client implemented business information system SAP. We identified information systems, implementation of business information system SAP, and controls over financial reporting as an area of focus as the Company's financial accounting and reporting systems are heavily dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively. Therefore, we consider information systems and controls over the financial reporting as a key audit matter.

We involved information technology experts in assessing and testing the design and operating effectiveness of the controls over the continued integrity of the information systems that are relevant to the financial reporting. We examined the framework of governance over Company's and Group's organization of information technology and the controls over program development and changes, access to programs and data and information systems' operations, including compensating controls where required. Where necessary we also carried out direct tests of certain aspects of the security of the Company's and the Group's information systems, including access management and segregation of duties.

IFRS 16 Leases – first time adoption in the separate and the consolidated financial statements

As disclosed in the Note 2 e.) - *Basis of preparation/ Changes in accounting policies* to the separate and the consolidated financial statements, the Company and the Group adopted IFRS 16 - *Leases* standard as of 1 January 2019, using the modified retrospective method. As at initial recognition, the Company and the Group recognized EUR 37.9 million of right of use of leased assets and EUR 34.5 million of long-term lease liabilities and EUR 3.4 million of short-term lease liabilities in the standalone financial statements, whereas in the consolidated financial statements EUR 79.6 million of right of use of leased assets and EUR 70.2 million of long-term lease liabilities and EUR 9.4 million of short-term lease liabilities, respectively.

Right of use of leased assets amount to EUR 34.3 million, as at 31 December 2019 in the separate financial statements and EUR 71.5 million in the consolidated financial statements, whereas the current lease liabilities amount to EUR 3.5 million in the separate financial statements and EUR 9.7 million in the consolidated financial statements, and non-current lease liabilities amount to EUR 31.3 million, in the separate financial statements and EUR 62.9 million in the consolidated financial statements as disclosed in the Note 6.16 - *Right of use of leased assets* and Note 6.37 - *Lease liabilities* to the separate and the consolidated financial statements.

Management used significant assumptions in respect of determination if the contracts contain the lease, determination of the lease term, cancellation options and use of discount rates. Given the magnitude of the recognized assets and liabilities, and involved management judgement and assumptions used, we determined this to be a key audit matter.

We obtained a list of all lease agreements from the management and tested it for completeness as at 1 January 2019 and 31 December 2019. We tested on a sample basis whether the arrangement qualifies as a lease and whether the criteria for exemption as selected by the Company or the Group have been met. We inspected on a sample basis the contractual provisions to assess management's judgment in relation to determined lease term, including renewal and termination options as well as lease payments.

We involved a specialist to assist us with our assessment of the appropriate determination of lease term, discount rate as well as the accuracy of the calculation of the right of use of leased assets and lease liability as at 1 January 2019 and 31 December 2019.

We evaluated that the effects of the first-time application of IFRS 16 - *Leases* were correctly recorded in the separate and the consolidated financial statements of the Company and the Group as at 1 January 2019 as well as 31 December 2019.

We also evaluated the adequacy of the Company's and the Group's disclosures for leases and first time IFRS 16 adoption in Note 2.e) - *Basis of preparation/ Changes in accounting policies* and Notes 6.16 - *Right of use of leased assets* and 6.37 - *Lease liabilities* of the separate and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.



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Provisions for legal claims in the separate and the consolidated financial statements

Provisions for legal claims amount to EUR 0.6 million, as at 31 December 2019 in the separate financial statements and EUR 1.0 million in the consolidated financial statements, as disclosed in Note 9 - *Contingent liabilities* related to claims and litigations and Note 6.34 - *Other Provisions* to the separate and consolidated financial statements.

Contingent liabilities and provisions for claims are significant to our audit because management judgement is required, the assessment process is complex and is based on future developments, therefore we consider this as a key audit matter.

We evaluated management's assessment of the status of litigations and claims against the Company and the Group and considered whether there is a requirement for any provision or related disclosures under International Financial Reporting Standards as adopted by the European Union. Management performed a legal and financial assessment and obtained the assessment of the lawyers as well as of the independent legal expert.

For the most significant legal claim, as disclosed in Note 6.34 - *Other Provisions*, we obtained and reviewed legal documentation on the case. We reviewed the legal assessment obtained by the management from the independent legal expert and obtained the legal confirmation letters from the Company's and the Group's external lawyers advising on these litigations and claims and assessed these for consistency with management's conclusions.

We evaluated the ranges and assumptions included in the management's calculation of the potential outflow of benefits and discussed the management's assessment of the litigations and claims with the Company's and the Group's legal department, Management board and Audit committee.

We also evaluated the adequacy of the Company's and the Group's disclosures in Note 6.34 - *Other provisions* and Note 9 - *Contingent liabilities* of the separate and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Business combination and net assets recognition at fair value in the consolidated financial statements

The Group acquired a controlling interest in various companies in 2019 in the total amount of EUR 29.6 million as disclosed in the Note 6.1 - *Business combinations*. In addition, the provisional purchase price allocations of acquisitions in 2018 were finalized in 2019.

The acquisition accounting for these transactions comprise significant judgement of the management for purchase price allocation, mainly in relation to the valuation of the fair value of net assets acquired and the remaining goodwill balance. There is a risk that the assumptions used in the purchase price allocation calculation are inappropriate, and hence the valuation of acquired assets and liabilities could be incorrect. We therefore determined Business combinations and accounting for acquisition to be a key audit matter.

We gained an understanding of the transactions and their rationale through discussions with management and reading of the Share Purchase Agreements.

We engaged valuation specialists to assist us in reviewing the methodology and assumptions employed in the valuation of acquired net assets, including determining whether the assumptions used for the purpose of valuing acquired intangible assets were consistent with what a market participant would use. We obtained the underlying cash flow forecasts and evaluated the assumptions used to assess the reasonableness of the forecasts.

We also assessed the appropriateness of the disclosures made in Note 6.1 - *Business combinations* of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.



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Provisions for onerous contracts in the consolidated financial statements

As at 31 December 2019, provisions for onerous contracts in the consolidated financial statements amount to EUR 16.1 million, as disclosed in Note 6.34 – *Other provisions*. Provisions for onerous contracts relate to the long-term contracts for the leasing of transmission and storage capacities. New EU rules governing the single European natural gas market have led to an expansion of short-term trading at gas hubs and made it possible to contract transport capacities on monthly and daily basis. Consequently, a different kind of sales products appeared in the market, concerning both natural gas sales and the leasing of transmission and storage capacities. The Group was compelled to provide similar products to local customers. Because the costs of meeting contractual obligations will exceed the expected economic benefits of the contracts, negative differences will arise. As a result, the Group formed provisions for onerous contracts relating to the leasing of natural gas transmission and storage capacities. The amount was determined based on estimated economic benefits and the costs of services under long-term contracts for the leasing of capacities and by taking into account the utilization of transmission capacities. The provisions for long-term contracts for the leasing of transmission and storage capacities were formed for the duration of these contracts.

Determination of the provisions for onerous contracts involved management's judgement and estimates related to the assessment of economic benefits in comparison with the non-avoidable cost of services under the long-term contracts. In determining economic benefits from probable utilization of transmission and storage capacities, management used estimates like quantities, expected selling prices and discount rates. Given the magnitude of the provisions for onerous contracts and involved estimates, we determined this to be a key audit matter.

We evaluated the identification and completeness of onerous contracts through discussions with management and examination of management board minutes. We obtained from the management the contracts involved, i.e. contracts for gas storage with two parties and contracts for the leasing of transmission with one party and reviewed the duration of these contracts.

We tested the valuation of the onerous contract provisions by evaluating whether appropriate judgements and assumptions had been applied in determining the unavoidable costs of meeting the obligation and the estimate of the expected benefits to be received under the contract. In particular, we evaluated the appropriateness of assumptions used by the management like estimated quantities and estimated selling prices as well as discount rate used.

We assessed the adequacy of the disclosures included in Note 6.34 – *Other provisions* of the separate and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Impairment of goodwill in the separate and the consolidated financial statements

As at 31 December 2019, goodwill amounts to EUR 87.7 million in the separate financial statements and EUR 107.6 million in the consolidated financial statements, which represents 5.7% and 5.8% of the total assets, respectively. Management's impairment tests are significant to our audit because the assessment process is complex and requires significant management judgment and imposes significant estimates. Management used assumptions in respect of future market and economic conditions such as sales, operating expenses and EBITDA as well as discount rates. Given the inherent subjectivity in the valuation, we determined this to be a significant item for our audit.

Our audit procedures included an assessment of the historical accuracy of management's estimates, evaluation and testing of the assumptions, methodologies, cash generating units' determination, discount rates and other inputs used by the Company and the Group. We included in our team a valuation expert to assist us with our assessment of the discount rates and the appropriateness of the models used. For the impairment tests, performed by the external valuer, we considered the independence and capabilities of the external valuer and assessed the valuation reports and executed valuations. Furthermore, we considered sensitivities such as the impact on the results of the impairment test if net operating income would be decreased, or the discount rates would be increased.

We assessed the adequacy of the disclosures on the impairment tests of goodwill performed included in Note 6.15 – *Intangible assets* of the separate and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Impairment of investment in subsidiaries in the separate financial statements

Equity investments in subsidiaries amount to EUR 341.3 million as at 31 December 2019 which represents 22.4% of total assets as at 31 December 2019 in the separate financial statements. Management's impairment tests are prepared based on the discounted future cash flows and are significant to our audit because the assessment process is complex and requires significant management judgment and imposes significant estimates. Given the inherent subjectivity in the valuation, we determined this to be a significant item for our audit.

Our audit procedures included an assessment of the historical accuracy of management's estimates, evaluation and testing of the assumptions, methodologies, discount rates and other inputs used by the Company. We included in our team a valuation expert to assist us with our assessment of the discount rates and the appropriateness of the models used. Furthermore, we considered sensitivities such as the impact on the impairment tests if net operating income would be decreased, or the discount rates would be increased.

We assessed the adequacy of the Company's disclosures on the impairment test performed, included in Note 6.19 – *Investments in subsidiaries* of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Accounting treatment of commodity trading in accordance with IFRS 9 in the separate and the consolidated financial statements

The Company and the Group is entering into commodity contracts on different market and platforms mainly in Europe. The distinction between the contract in scope of IFRS 9 – *Financial Instruments: Recognition and Measurement*, which are treated as derivatives at fair value, and »own use« contracts, which are not measured at fair value, might be subject to a judgement and classification patterns set by the Company and the Group. This classification depends among other factors on the terms of the contract, whether the contract is considered to have been entered into as part of ordinary business activity, whether contract requires physical delivery of the commodity, and depends on various assumptions, such as expected amount of commodity to be delivered and prices of commodities. Furthermore, the Company and the Group changed its accounting policy in relation to the recognition of sales and cost of sales on realized contracts at fair value in accordance with IFRIC Agenda on IFRS 9 from 2019 which had a significant impact on the presented revenue and cost of sales for both presented years. Because the classification of commodity contracts and valuation of outstanding positions involves significant judgment and estimates, we concluded this to be a key audit matter.

We tested the design and operating effectiveness of internal controls over the initial recognition of the contracts, consistency of the commodity contracts designation and the Company's and the Group's ability to deliver the physical commodity over the contractual period. We performed audit procedures focusing on the analysis and comparison of volume of commodities physically delivered during 2019 and the volumes to the »own use« contracts portfolio. We assessed the ability of the Company and the Group to physically deliver the contracted future »own use« sales retrospectively and prospectively and the stability of portfolio to ensure that the contracts are not reclassified during the existence. Considering the change in the accounting policy in relation to the recognition of sales and cost of sales on realized contracts at fair value, our procedures included also the evaluation of the calculation of the assessed impact.

We also assessed whether the Company's and the Group's disclosures in relation to the commodity contracts classification, as disclosed in Note 4.d7) and 3.c7) – *Significant accounting policies/Commodity forward contracts* and the changes in accounting policy as disclosed in Note 2.e). – *Changes in accounting policies* are compliant with International Financial Reporting Standards as adopted by the European Union.



Other information

Other information comprises the information included in the Annual Report other than the separate and the consolidated financial statements and auditor's report thereon. Management is responsible for the other information. Our opinion on the separate and the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the separate and the consolidated financial statements is, in all material respects, consistent with the separate and the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company and the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management, audit committee and the supervisory board for the separate and the consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the separate and the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and the consolidated financial statements, management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and Group or to cease operations, or has no realistic alternative but to do so.

The audit committee and the supervisory board are responsible for overseeing the Company's and the Group's financial reporting process. The supervisory board is responsible to approve the audited annual report.

Auditor's responsibilities for the audit of the separate and the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



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- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate and the consolidated financial statements, including the disclosures, and whether the of the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the separate and the consolidated financial statements of the current period and are therefore the key audit matters.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company and the Group at the general meeting of shareholders on 18 April 2019, the president of the supervisory board has signed the audit agreement on 3 July 2019. The agreement was signed for the period of three years.

Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 6 years. Sanja Košir Nikašinović and Lidija Šinkovec are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o.

Consistence with Additional Report to Audit Committee

Our audit opinion on the separate and the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.



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In addition to statutory audit services and services disclosed in the annual report and in the separate and the consolidated financial statements, no other services which were provided by us to the Company and its controlled undertakings.

Ljubljana, 9 March 2020


Sanja Košir Nikašinič
Director, Certified auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana


Lidija Šinkevec
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

FINANCIAL STATEMENTS OF THE PETROL GROUP AND PETROL D.D., LJUBLJANA

Statement of profit or loss of the Petrol Group and Petrol d.d., Ljubljana



(in EUR)	Note	The Petrol Group		Petrol d.d.	
		2019	2018* Adjusted	2019	2018* Adjusted
Sales revenue	6.3	4,375,884,019	4,318,128,849	3,532,850,898	3,526,131,561
Cost of goods sold		(3,902,994,431)	(3,875,570,727)	(3,184,811,384)	(3,178,873,639)
Costs of materials	6.4	(29,066,046)	(30,106,197)	(24,518,111)	(24,906,834)
Costs of services	6.5	(142,645,358)	(145,787,380)	(120,612,643)	(119,794,405)
Labour costs	6.6	(103,688,725)	(91,215,283)	(75,315,402)	(66,725,142)
Depreciation and amortisation	6.7	(68,886,670)	(52,713,086)	(44,339,635)	(37,626,744)
Other costs	6.8	(1,975,769)	(14,490,611)	(2,284,398)	(8,586,509)
Operating costs		(346,262,568)	(334,312,557)	(267,070,189)	(257,639,634)
Other income	6.3	86,148,573	67,461,939	81,528,453	60,813,823
Other expenses	6.9	(84,681,511)	(47,138,503)	(84,596,594)	(47,108,044)
Operating profit		128,094,082	128,569,001	77,901,184	103,324,068
Share of profit or loss of equity accounted investees	6.10	2,548,605	1,943,777	-	-
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities	6.10	-	-	2,174,736	33,983,899
Other finance income	6.11	38,109,336	25,959,504	31,388,040	20,571,350
Other finance expenses	6.11	(41,618,298)	(44,885,057)	(38,192,420)	(41,172,078)
Net finance expense		(3,508,962)	(18,925,553)	(6,804,380)	(20,600,728)
Profit before tax		127,133,725	111,587,225	73,271,540	116,707,239
Tax expense	6.12	(19,615,008)	(22,068,851)	(12,692,493)	(16,723,150)
Deferred tax	6.12	(2,301,094)	2,318,734	(329,818)	608,146
Corporate income tax		(21,916,102)	(19,750,117)	(13,022,311)	(16,115,004)
Net profit for the year		105,217,623	91,837,108	60,249,229	100,592,235
Net profit for the year attributable to:					
Owners of the controlling company		102,053,555	91,563,780	60,249,229	100,592,235
Non-controlling interest		3,164,068	273,328	-	-
Basic and diluted earnings per share	6.13	51.19	44.68	29.22	48.79

* In 2019 the Group/Company changed its accounting policies and the presentation of certain items in the statement of profit or loss. The changes are explained in Notes 2.e and 2.f.

Accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

Other comprehensive income of the Petrol Group and Petrol d.d., Ljubljana

(in EUR)	Note	The Petrol Group		Petrol d.d.	
		2019	2018	2019	2018
Net profit for the year		105,217,623	91,837,108	60,249,229	100,592,235
Change due to merger by absorption	6.14	-	-	0	32,338,709
Effective portion of changes in the fair value of cash flow variability hedging	6.14	(4,122,726)	(901,261)	(4,045,459)	(587,772)
Change in deferred taxes		782,546	191,903	768,638	135,475
Change in fair value of financial assets through other comprehensive income		742,921	0	742,921	0
Change in deferred taxes		(141,155)	0	(141,155)	0
Foreign exchange differences		(719,465)	812,206	-	-
Other comprehensive income to be recognised in the statement of profit or loss in the future		(3,457,879)	102,848	(2,675,056)	31,886,412
Attribution of changes in the equity of subsidiaries		(428,031)	107,117	-	-
Change in deferred taxes		81,326	(20,381)	-	-
Attribution of changes in the equity of associates		0	0	-	-
Change in deferred taxes		0	0	-	-
Total other comprehensive income to be recognised in the statement of profit or loss in the future		(3,804,584)	189,584	(2,675,056)	31,886,412
Unrealised actuarial gains and losses		(637,371)	229,902	(637,371)	230,404
Other comprehensive income not to be recognised in the statement of profit or loss in the future		(637,371)	229,902	(637,371)	230,404
Attribution of changes in the equity of subsidiaries		0	0	-	-
Attribution of changes in the equity of associates		0	0	-	-
Total other comprehensive income not to be recognised in the statement of profit or loss in the future		(637,371)	229,902	(637,371)	230,404
Total other comprehensive income after tax		(4,441,955)	419,486	(3,312,427)	32,116,816
Total comprehensive income for the year		100,775,668	92,256,594	56,936,802	132,709,051
Total comprehensive income attributable to:					
Owners of the controlling company		97,583,075	91,981,109	56,936,802	132,709,051
Non-controlling interest		3,192,593	275,485	-	-

Accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.



Statement of financial position of the Petrol Group and Petrol d.d., Ljubljana



		The Petrol Group		Petrol d.d.	
(in EUR)	Note	31 December 2019	31 December 2018	31 December 2019	31 December 2018
ASSETS					
Non-current (long-term) assets					
Intangible assets	6.15	197,730,548	188,070,862	163,983,284	161,073,945
Right-of-use assets	6.16	71,538,949	0	34,346,564	0
Property, plant and equipment	6.17	709,932,163	653,341,473	388,231,331	366,662,451
Investment property	6.18	16,831,304	17,348,836	16,364,192	16,845,651
Investments in subsidiaries	6.19	-	-	341,346,801	326,416,061
Investments in jointly controlled entities	6.20	610,273	1,774,437	233,000	1,347,380
Investments in associates	6.21	54,655,607	50,917,836	29,939,454	27,364,454
Financial assets at fair value through other comprehensive income	6.22	4,528,987	9,168,566	2,117,914	1,374,993
Financial receivables	6.23	5,017,649	1,466,432	31,876,297	13,605,479
Operating receivables	6.24	8,389,853	6,737,751	8,368,720	6,715,315
Deferred tax assets	6.12	9,234,009	9,117,237	6,868,241	6,570,576
		1,078,469,342	937,943,430	1,023,675,797	927,976,305
Current assets					
Inventories	6.25	175,690,478	138,449,703	128,429,794	101,436,745
Assets arising from contracts with customers	6.28	1,819,842	2,278,452	2,095,457	2,056,160
Financial receivables	6.26	7,701,628	8,697,496	6,848,043	10,205,902
Operating receivables	6.27	474,132,118	531,677,349	320,561,369	388,715,450
Corporate income tax assets	6.12	912,629	331,528	2,375,278	0
Financial assets at fair value through profit or loss	6.29	529,911	2,626,490	394,078	2,626,490
Prepayments and other assets	6.30	78,607,712	50,070,501	23,597,572	33,777,606
Cash and cash equivalents	6.31	41,730,269	58,740,743	17,680,102	28,986,973
		781,124,587	792,872,262	501,981,693	567,805,326
Total assets		1,859,593,929	1,730,815,692	1,525,657,491	1,495,781,631



		The Petrol Group		Petrol d.d.	
(in EUR)	Note	31 December 2019	31 December 2018	31 December 2019	31 December 2018
EQUITY AND LIABILITIES					
Equity attributable to owners of the controlling company					
Called-up capital		52,240,977	52,240,977	52,240,977	52,240,977
Capital surplus		80,991,385	80,991,385	80,991,385	80,991,385
Legal reserves		61,987,955	61,987,955	61,749,884	61,749,884
Reserves for own shares		4,708,359	4,708,359	4,708,359	4,708,359
Own shares		(4,708,359)	(4,708,359)	(2,604,670)	(2,604,670)
Other revenue reserves		314,675,779	269,059,392	339,100,447	295,680,118
Fair value reserve		(894,548)	(512,238)	39,489,924	39,525,529
Hedging reserve		(4,089,455)	(749,275)	(3,897,907)	(621,084)
Foreign exchange differences		(5,994,856)	(5,246,866)	-	-
Retained earnings		271,904,940	257,220,109	30,124,614	50,296,118
		770,822,177	714,991,439	601,903,014	581,966,615
Non-controlling interest		40,430,080	32,486,625	-	-
Total equity	6.32	811,252,257	747,478,064	601,903,014	581,966,615
Non-current liabilities					
Provisions for employee post-employment and other long-term benefits	6.33	8,889,711	7,685,139	8,025,061	6,838,798
Other provisions	6.34	25,708,967	33,433,896	9,301,799	14,599,875
Long-term deferred revenue	6.35	25,027,245	19,524,265	20,463,854	15,092,684
Financial liabilities	6.36	287,757,788	144,505,616	282,126,997	121,460,476
Lease liabilities	6.37	62,893,671	24,107	31,307,247	0
Operating liabilities	6.38	942,817	1,152,162	792,582	857,982
Deferred tax liabilities	6.12	2,841,976	1,197,216	0	0
		414,062,175	207,522,401	352,017,540	158,849,815
Current liabilities					
Financial liabilities	6.36	38,983,796	212,350,212	104,221,462	302,739,319
Lease liabilities	6.37	9,718,871	0	3,500,072	0
Operating liabilities	6.39	552,151,273	523,858,709	439,518,379	431,668,916
Corporate income tax liabilities	6.12	1,243,357	8,873,559	0	8,059,847
Contract liabilities	6.40	15,921,631	5,892,691	13,522,977	3,218,350
Other liabilities	6.41	16,260,569	24,840,056	10,974,048	9,278,768
		634,279,497	775,815,227	571,736,937	754,965,201
Total liabilities		1,048,341,672	983,337,628	923,754,477	913,815,016
Total equity and liabilities		1,859,593,929	1,730,815,692	1,525,657,491	1,495,781,631

Accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

Statement of changes in equity of the Petrol Group



(in EUR)	Called-up capital	Capital surplus	Revenue reserves		
			Legal reserves	Reserves for own shares	Own shares
As at 31 December 2017	52,240,977	80,991,385	61,987,955	4,708,359	(4,708,359)
Adjustment on adoption of IFRS 9 and IFRS 15					
As at 1 January 2018	52,240,977	80,991,385	61,987,955	4,708,359	(4,708,359)
Dividend payments for 2017					
Transfer of a portion of 2018 net profit					
Increase/(decrease) in non-controlling interest					
Transactions with owners	0	0	0	0	0
Net profit for the current year					
Other changes in other comprehensive income					
Total changes in total comprehensive income	0	0	0	0	0
As at 31 December 2018	52,240,977	80,991,385	61,987,955	4,708,359	(4,708,359)
Adjustment on adoption of IFRS 16					
As at 1 January 2019	52,240,977	80,991,385	61,987,955	4,708,359	(4,708,359)
Dividend payments for 2018					
Transfer of a portion of 2018 and 2019 net profit					
Increase/(decrease) in non-controlling interest					
Transactions with owners	0	0	0	0	0
Net profit for the current year					
Other changes in other comprehensive income					
Total changes in total comprehensive income	0	0	0	0	0
As at 31 December 2019	52,240,977	80,991,385	61,987,955	4,708,359	(4,708,359)

Accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

	Other revenue reserves	Fair value reserve	Hedging reserve	Foreign exchange differences	Retained earnings	Equity attributable to owners of the controlling company	Non-controlling interest	Total
	214,915,535	(832,522)	(39,917)	(6,053,269)	247,992,625	651,202,769	50,664,385	701,867,154
	(2,084,221)					(2,084,221)		(2,084,221)
	212,831,314	(832,522)	(39,917)	(6,053,269)	247,992,625	649,118,548	50,664,385	699,782,933
	(849,070)				(32,040,178)	(32,889,248)		(32,889,248)
	50,296,118				(50,296,118)	0		0
	6,781,030	86,736				6,867,766	(18,453,245)	(11,585,479)
	56,228,078	0	0	0	(82,336,296)	(26,108,218)	(18,453,245)	(44,561,463)
					91,563,780	91,563,780	273,328	91,837,108
		320,284	(709,358)	806,403		417,329	2,157	419,486
	0	320,284	(709,358)	806,403	91,563,780	91,981,109	275,485	92,256,594
	269,059,392	(512,238)	(749,275)	(5,246,866)	257,220,109	714,991,439	32,486,625	747,478,064
						0		0
	269,059,392	(512,238)	(749,275)	(5,246,866)	257,220,109	714,991,439	32,486,625	747,478,064
					(37,000,404)	(37,000,404)		(37,000,404)
	50,368,320				(50,368,320)	0		0
	(4,751,933)					(4,751,933)	4,750,862	(1,071)
	45,616,387	0	0	0	(87,368,724)	(41,752,337)	4,750,862	(37,001,475)
					102,053,555	102,053,555	3,164,068	105,217,623
		(382,310)	(3,340,180)	(747,990)		(4,470,480)	28,525	(4,441,955)
	0	(382,310)	(3,340,180)	(747,990)	102,053,555	97,583,075	3,192,593	100,775,668
	314,675,779	(894,548)	(4,089,455)	(5,994,856)	271,904,940	770,822,177	40,430,080	811,252,257

Statement of changes in equity of Petrol d.d., Ljubljana



(in EUR)	Called-up capital	Capital surplus	Revenue reserves	
			Legal reserves	Reserves for own shares
As at 31 December 2017	52,240,977	80,991,385	61,749,884	2,604,670
Adjustment on adoption of IFRS 9 and IFRS 15				
As at 1 January 2018	52,240,977	80,991,385	61,749,884	2,604,670
Dividend payments for 2017				
Creation of reserves for own shares				2,103,689
Transfer of a portion of 2018 net profit				
Transactions with owners	0	0	0	2,103,689
Net profit for the current year				
Other changes in other comprehensive income				
Total changes in total comprehensive income	0	0	0	0
As at 31 December 2018	52,240,977	80,991,385	61,749,884	4,708,359
Adjustment on adoption of IFRS 16				
As at 1 January 2019	52,240,977	80,991,385	61,749,884	4,708,359
Dividend payments for 2018				
Transfer of a portion of 2018 and 2019 net profit				
Transactions with owners	0	0	0	0
Net profit for the current year				
Other changes in other comprehensive income				
Total changes in total comprehensive income	0	0	0	0
As at 31 December 2019	52,240,977	80,991,385	61,749,884	4,708,359
Accumulated profit for 2019				

Accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

Revenue reserves		Fair value reserve	Hedging reserve	Retained earnings	Total
Own shares	Other revenue reserves				
(2,604,670)	216,667,051	39,295,125	(168,787)	32,136,498	482,912,133
	(669,001)				(669,001)
(2,604,670)	215,998,050	39,295,125	(168,787)	32,136,498	482,243,132
	(849,070)			(32,136,498)	(32,985,568)
	(2,103,689)				0
	50,296,118			(50,296,118)	0
0	47,343,359	0	0	(82,432,616)	(32,985,568)
				100,592,235	100,592,235
	32,338,709	230,404	(452,297)		32,116,816
0	32,338,709	230,404	(452,297)	100,592,235	132,709,051
(2,604,670)	295,680,118	39,525,529	(621,084)	50,296,118	581,966,615
					0
(2,604,670)	295,680,118	39,525,529	(621,084)	50,296,118	581,966,615
				(37,000,404)	(37,000,404)
	43,420,331			(43,420,331)	0
0	43,420,331	0	0	(80,420,735)	(37,000,404)
				60,249,229	60,249,229
		(35,605)	(3,276,822)		(3,312,427)
0	0	(35,605)	(3,276,822)	60,249,229	56,936,802
(2,604,670)	339,100,447	39,489,924	(3,897,907)	30,124,614	601,903,014
	15,230,542			30,124,614	45,355,156

Statement of cash flows of the Petrol Group and Petrol d.d., Ljubljana



(in EUR)	Note	The Petrol Group		Petrol d.d.	
		2019	2018	2019	2018
Net profit		105,217,623	91,837,108	60,249,229	100,592,235
Adjustment for:					
Corporate income tax	6.12	21,916,102	19,750,117	13,022,311	16,115,004
Depreciation of property, plant and equipment and of investment property	6.7	58,698,157	43,546,245	35,908,187	29,488,887
Amortisation of intangible assets	6.7	10,188,513	9,166,841	8,431,448	8,137,856
(Gain)/loss on disposal of property, plant and equipment	6.3, 6.8	(504,298)	585,978	(485,648)	470,090
Impairment, write-down/(reversed impairment) of assets	6.8	0	2,848,028	0	210,780
Revenue from assets under management	6.36	(65,414)	(65,400)	(65,414)	(65,400)
Net (decrease)/increase in provisions for long-term employee benefits	6.33	756,473	598,590	736,941	480,740
Net (decrease)/increase in other provisions and long-term deferred revenue	6.34, 6.35	(2,392,548)	4,019,372	(114,955)	8,803,472
Net goods surpluses	6.8	(2,590,453)	(4,246,057)	(1,620,075)	(3,156,824)
Net (decrease)/increase in loss allowance for receivables	6.11	(1,440,420)	5,439,572	1,229,989	3,177,028
Net finance (income)/expense	6.11	6,533,441	7,043,791	7,215,006	7,701,782
Impairment of investments and of goodwill	6.11	0	4,383,514	0	7,357,863
Share of profit of jointly controlled entities	6.10	(192,568)	(278,038)	0	0
Share of profit of associates	6.10	(2,356,037)	(1,665,739)	0	0
Finance income from dividends received from subsidiaries	6.10	0	0	(820,542)	(31,958,778)
Finance income from dividends received from jointly controlled entities	6.10	0	0	(150,000)	(387,654)
Finance income from dividends received from associates	6.10	0	0	(1,204,194)	(1,637,467)
Cash flow from operating activities before changes in working capital		193,768,571	182,963,922	122,332,283	145,329,614
Net (decrease)/increase in other liabilities	6.41	(8,542,723)	1,906,043	1,695,280	(3,420,433)
Net decrease/(increase) in other assets	6.30	5,445,811	(3,059,910)	1,055,749	1,185,411
Change in inventories	6.25	(34,668,144)	24,277,321	(25,372,974)	19,522,790
Change in operating and other receivables and contract assets	6.27, 6.28	40,828,667	(109,608,808)	90,636,069	(92,135,133)
Change in operating and other liabilities and contract liabilities	6.39, 6.40	39,603,927	72,274,051	22,521,708	55,261,433
Cash generated from operating activities		236,436,109	168,752,619	212,868,115	125,743,682
Interest paid	6.11	(13,712,691)	(9,470,748)	(11,992,744)	(9,083,820)
Taxes paid	6.12	(27,720,687)	(16,227,756)	(23,094,308)	(12,564,518)
Net cash from (used in) operating activities		195,002,731	143,054,115	177,781,063	104,095,344

(in EUR)	Note	The Petrol Group		Petrol d.d.	
		2019	2018	2019	2018
Cash flows from investing activities					
Payments for investments in subsidiaries	6.19	(2,600,714)	(30,234,190)	(9,893,633)	(28,843,559)
Receipts from investments in subsidiaries	6.19	0	480,000	0	0
Payments for investments in jointly controlled entities	6.20	(64,190)	(282,934)	(64,190)	(282,934)
Payments for investments in associates	6.20	(2,575,000)	0	(2,575,000)	0
Receipts from investments in associates	6.21	0	11,650,598	0	0
Receipts from intangible assets	6.15	189,380	55,784	186,350	23,555
Payments for intangible assets	6.15	(18,336,216)	(7,326,176)	(9,357,017)	(6,128,424)
Receipts from property, plant and equipment	6.17	3,803,034	4,170,471	3,022,547	4,123,123
Payments for property, plant and equipment	6.17	(119,657,967)	(75,801,495)	(76,864,303)	(60,885,945)
Receipts from investment property	6.18	244,628	0	244,628	0
Receipts from financial assets at fair value through other comprehensive income	6.22	5,208,928	428,103	83,928	428,103
Receipts from loans granted	6.23, 6.26	4,289,319	121,340,518	20,549,165	14,956,572
Payments for loans granted	6.23, 6.26	(7,957,622)	(68,203,722)	(36,267,706)	(16,649,710)
Interest received	6.11	4,022,162	4,146,320	2,931,065	3,189,131
Dividends received from subsidiaries	6.10	0	0	820,542	31,958,778
Dividends received from jointly controlled entities	6.10	150,000	387,654	150,000	387,654
Dividends received from associates	6.10	1,204,194	1,914,725	1,204,194	1,637,467
Dividends received from others	6.10	227,924	204,516	117,924	94,516
Net cash from (used in) investing activities		(131,852,140)	(37,069,828)	(105,711,506)	(55,991,673)
Cash flows from financing activities					
Payments for bonds issued	6.36	(203,524,000)	(10,350,000)	(203,524,000)	(10,350,000)
Payments for right-of-use assets	6.37	(9,724,856)	0	(3,580,075)	0
Proceeds from borrowings	6.36	374,789,499	227,359,375	836,636,170	571,392,908
Repayment of borrowings	6.36	(205,785,576)	(282,814,370)	(675,907,229)	(577,782,000)
Dividends paid to shareholders	6.32	(37,001,292)	(32,901,079)	(37,001,292)	(32,997,399)
Net cash from (used in) financing activities		(81,246,225)	(98,706,074)	(83,376,426)	(49,736,490)
Increase/(decrease) in cash and cash equivalents		(18,095,634)	7,278,213	(11,306,869)	(1,632,819)
Changes in cash and cash equivalents					
At the beginning of the year		58,740,743	45,492,821	28,986,973	23,651,242
Foreign exchange differences		(7,394)	24,771	0	0
Cash acquired through mergers by absorption		0	0	0	6,968,549
Cash acquired through acquisition of companies		1,092,554	5,944,938	0	0
Increase/(decrease)		(18,095,634)	7,278,213	(11,306,869)	(1,632,819)
At the end of the year		41,730,269	58,740,743	17,680,102	28,986,973

Accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

Petrol d.d., Ljubljana (hereinafter the "Company") is a company domiciled in Slovenia. Its registered office is at Dunajska cesta 50, 1527 Ljubljana. Below we present consolidated financial statements of the Group for the year ended 31 December 2019 and separate financial statements of the company Petrol d.d., Ljubljana for the year ended 31 December 2019. The consolidated financial statements comprise the Company and its subsidiaries as well as the Group's interests in associates and jointly controlled entities (together referred to as the "Group"). A more detailed overview of the Group's structure is presented in chapter Companies in the Petrol Group of the business report.

2. Basis of preparation

a. Statement of compliance

The Company's management approved the Company's financial statements and the Group's consolidated financial statements on 9 March 2020.

The financial statements of Petrol d.d., Ljubljana and consolidated financial statements of the Petrol Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, the interpretations of the IFRS Interpretations Committee, also adopted by the EU, and the Companies Act.

New standards and interpretations adopted but not yet effective

The standards and interpretations disclosed below have been issued but were not yet effective up to the date of issuance of the consolidated/separate financial statements or endorsed by the European Union. The Group/Company intends to adopt these standards and interpretations, if applicable, in the preparation of its financial statements when they become effective. The Group/Company did not early adopt any of the standards.

b. Basis of measurement

The Group's and the Company's financial statements have been prepared on the historical cost basis except for the financial instruments that are carried at fair value or amortised cost.

c. Functional and presentation currency

These financial statements are presented in euros (EUR) without cents, the euro also being the Company's functional currency. Due to rounding, some immaterial differences may arise as concerns the sums presented in the tables. The financial statements provide comparative information in respect of the previous period.

d. Use of estimates and judgements

The preparation of the financial statements requires management to make estimates and judgements based on the assumptions used and reviewed that affect the reported amounts of assets, liabilities, revenue and expenses. How the estimates are produced and the related assumptions and uncertainties is disclosed in the notes to individual items.

The estimates, judgements and assumptions are reviewed on a regular basis. Because estimates are subject to subjective judgement and a degree of uncertainty, actual results might differ from the estimates. Changes in accounting estimates, judgements and assumptions are recognised in the period in which the estimates are changed if the change affects that period only. If the change affects future periods, they are recognised in the period of the change and in any future periods.

Estimates and assumptions are mainly used in the following judgements:

Leases

The Group/Company applied the following accounting judgements that significantly affect the determination of the amount of right-of-use assets and lease liabilities:

• *Identifying a lease*

A contract is identified as a lease if it gives the Group/Company the right to control a leased asset. The Group/Company controls the asset if it can use the asset and has the right to obtain economic benefits from the use of the asset.

• *Determining the lease term*

The Group/Company determines the lease term as the non-cancellable period of a lease, together with both:

a) the period covered by an option to extend the lease, if it is reasonably certain that this option is going to be exercised;

b) the period covered by an option to terminate the lease, if it is reasonably certain that this option is not going to be exercised.

In most cases, the lease term is stipulated in the contract. When the term is not specified, the Group/Company

estimates the lease term by considering the assessment of the need to use the asset, taking into account its plans and the long-term business direction.

- *Determining the discount rate*

The discount rate equals the interest rate at which the Group/Company is able to obtain comparable funds with comparable maturity in the market.

Revenue from contracts with customers

The Group/Company applied the following accounting judgements that significantly affect the determination of the amount and recognition of revenue from contracts with customers:

- *Treatment of excise duty when selling petroleum products*

The Group/Company accounts for excise duty when purchasing petroleum products, charging it to the end customer when the sale is made. The Group/Company used to carry excise duty as part of revenue. Following a reassessment exercise in 2019, the duty is no longer considered as part of revenue. The effect of the change is disclosed in Point 2.f.

- *Determining the timing of satisfaction of performance obligations*

Revenue from the sale of goods and services is recognised by the Group/Company in full upon sale, except for instalment sales. As of the sale, the Group/Company no longer has control of the goods or services sold.

In instalment sales, the Group/Company recognises separately revenue from the sale of goods and finance income deferred over the entire financing period.

- *Sale in the name and for the account of third parties*

The Group/Company has concluded contracts on the sale of merchandise in the name and on behalf of suppliers. It provides customers goods delivery in the scope of these contracts. The Group/Company determined that it does not control the goods before they are transferred to customers, and it does not have the ability to direct their use or obtain any benefits. In addition, the Group/Company is not exposed to inventory risk before or after the goods have been transferred to the customer as it purchases equipment only upon approval of the customer and can return the unsold goods to the supplier.

The Group/Company has no discretion in establishing the price for the specified goods that it sells in the name and on behalf of third parties. The consideration it receives as an intermediary is agreed in advance as the difference between the final selling price and the cost, where both are negotiated with the supplier in advance.

- *Determining whether the loyalty points provide additional benefits to customers*

The Group/Company operates a loyalty points programme, which includes all customers who are holders of the Petrol Club card. The Group/Company offers Petrol Club card holders certain discounts on their purchases at service stations or on the supply of gas and electricity, based on the points collected from their previous purchases. The Group/Company established that the points represent additional benefits for the customer which would not have existed if the customer had

not had the Petrol Club card. As some of the discounts can be used in the following year, the Group/Company defers them to match its revenue with the expenses incurred to generate the revenue.

Business combinations

The Group/Company applied the following accounting judgements that significantly affect the recognition and measurement of effects of business combinations:

- *Defining a business combination*

The Group/Company defines a business transaction as a business combination by assessing criteria the fulfilment of which proves that assets and liabilities acquired in a business transaction constitute a business, with the Group/Company controlling these assets once the transaction has been completed.

- *Net asset value recognition date*

In its financial statements, the Group/Company recognises the assets and liabilities acquired in a business combination on the date when controlling influence is exercised over the acquired assets/liabilities.

- *Estimating the fair value of net assets*

The fair value of net asset value is measured as the difference between the fair values of assets and liabilities determined by the Group/Company using valuation techniques and market assumptions.

Estimating the useful lives of depreciable assets (Notes 6.15 and 6.16, Policies 3.e and 3.f)

When estimating the lives of assets, the Group/Company takes into account the expected physical wear and tear, the technical and economic obsolescence as well as expected legal restrictions and other restrictions of use. In addition, the Group/Company checks the useful life of significant assets in case circumstances change and the useful life needs to be changed and depreciation charges revalued.

Asset impairment testing

Information on significant uncertainty estimates and critical judgements that were prepared by the management in the process of accounting policy implementation and which affect the amounts in the financial statements the most was used in the estimation of the value of:

- investment property (Note 6.19),
- goodwill (Note 6.15),
- investments in subsidiaries (Note 6.19),
- investments in jointly controlled entities and associates (Notes 6.20 and 6.21),
- financial assets at fair value through other comprehensive income (Note 6.22),
- financial receivables (Note 6.22),
- financial assets and financial liabilities at fair value through profit or loss (Note 6.29).

Estimation of the fair value of assets (Notes 6.22 and 6.29)

Fair value is used for financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and for derivatives. All other items in the financial statements represent the cost or amortised cost.

In measuring the fair value of a non-financial asset, the Group/Company must take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group/Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, especially by applying appropriate market inputs and minimum non-market inputs.

All assets and liabilities measured and disclosed in the financial statements at fair value are classified within the fair value hierarchy based on the lowest level of input data that is significant to the fair value measurement as a whole:

Level 1 – quoted (unadjusted) prices in active markets for similar assets and liabilities

Level 2 – valuation techniques that are based directly or indirectly on market data

Level 3 – valuation techniques that are not based on market data.

For assets and liabilities disclosed in the financial statements in previous periods, the Group/Company determines at the end of each reporting period whether transfers have occurred between levels by re-assessing the classification of assets based on the lowest level input that is significant to the fair value measurement as a whole. The fair value hierarchy of assets and liabilities of the Group/Company is presented in Note 7.7, whereas the guidelines for individual items in the financial statements are given in Point 3.p.

Estimation of the influence in jointly controlled entities

The Group/Company regularly checks if a change of influence has occurred in jointly controlled entities and associates, thus ensuring that the investments are appropriately treated in the financial statements. The existence of significant influence by an investor is evidenced in particular in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the Group/Company investee;
- participation in policy-making processes, including participation in decisions about dividends;
- material transactions between the investor and the Group/Company investee.

Estimate of provisions for lawsuits (Notes 6.34 and 9)

There are several lawsuits that have been filed against Group companies, for which the potential need for provisions is estimated on an ongoing basis. Provisions are recognised if, as a result of a past event, companies have a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are not disclosed in the financial statements because their actual existence will only be confirmed by the occurrence or non-occurrence of events in unforeseeable future, which is beyond the control of Group companies. The management of a company regularly checks if an outflow of economic benefits is probable to settle contingent liabilities. If it becomes probable, the contingent liability is restated and provisions are created for it in the financial statements as soon as the level of probability changes. When assessing the

existence and amount of contingent liabilities, the Group's management relies on expert opinions provided by external lawyers who represent the Company in legal disputes and, where necessary, on opinions provided by international legal experts. Provisions for lawsuits contain a significant degree of uncertainty, and actual settlement can differ considerably from the current estimate.

Estimate of provisions for employee post-employment and other long-term benefits (Note 6.33)

Defined post-employment and other benefit obligations include the present value of post-employment benefits on retirement and jubilee benefits. They are recognised based on an actuarial calculation approved by the management. An actuarial calculation is based on the assumptions and estimates applicable at the time of the calculation, and these may differ from the actual assumptions due to future changes. This mainly refers to determining the discount rate, the estimate of staff turnover, the mortality estimate and the salary increase estimate. Defined benefit obligations are sensitive to changes in the said estimates because of the complexity of the actuarial calculation and the item's long-term nature.

The assumptions are detailed in Note 6.33.

Assessing the possibility of using deferred tax assets

The Group/Company recognises deferred tax assets in connection with provisions for jubilee benefits and post-employment benefits on retirement, impairment of financial assets, impairment of receivables and tax losses.

On the day the financial statements are completed, the Group/Company verifies the amount of disclosed deferred tax assets and liabilities. Deferred tax assets are recognised if it is probable that future taxable net profits will be available against which deferred tax assets can be utilised in the future. Deferred taxes are decreased by the amount for which it is no longer probable that tax breaks associated with the asset can be utilised.

e. Changes in accounting policies

IFRS 16 Leases

In 2019 the Group/Company updated the applicable accounting policies and the treatment of events, together with their presentation in the financial statements, to align them with the requirements of IFRS 16, which entered into force on 1 January 2019.

IFRS 16 supersedes IAS 17 Leases, providing for the same treatment of operating and finance leases by the lessees. In the statement of financial position, the lessee includes leased assets under fixed assets or under right-of-use assets in conjunction with lease liabilities, based on the lease contract. The value of leased assets is transferred to costs via depreciation, whereas financing costs are charged to finance expenses. The standard includes two recognition exemptions for lessees: leases of low-value assets and short-term leases. The approach to lessor accounting is substantially unchanged from accounting under IAS 17.

On transition to IFRS 16, the Group/Company elected to adopt a modified retrospective method with the date of initial application of 1 January 2019. Under this method, an entity may apply the standard retrospectively, recognising the cumulative effect of the transition at the date of initial application of IFRS 16. The Group used the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019.

Instead, the Group applied IFRS 16 requirements only to contracts that were identified as leases in accordance with the requirements of IAS 17 and IFRIC 4 prior to the transition to the new standard IFRS 16.

The Group/Company reviewed and analysed its lease contracts for which the lease terms exceed one year. The

Group/Company used lease expenses and lease terms to assess the value of right-of-use assets and lease liabilities, recognising them in the statement of financial position as at 1 January 2019. The value of right-of-use assets and lease liabilities is assessed by discounting future cash flows over the lease term. Cash flows are discounted at the interest rates achieved by Group companies/the Company in financing long-term leases and range from 3 to 4.2%. The depreciation charge is calculated using depreciation rates estimated by taking into account the remaining term of the lease.

The Group/Company did not have any finance leases in 2019.

The effect of adopting IFRS 16 on the statement of financial position of Petrol d.d., Ljubljana and the Petrol Group as at 1 January 2019

(in EUR)	The Petrol Group			Petrol d.d.		
	1 January 2019	IFRS 16 adjustment	31 December 2018	1 January 2019	IFRS 16 adjustment	31 December 2018
ASSETS						
Non-current (long-term) assets						
Right-of-use assets	79,586,586	79,586,586	0	37,874,736	37,874,736	0
	79,586,586	79,586,586	0	37,874,736	37,874,736	0
Total assets	79,586,586	79,586,586	0	37,874,736	37,874,736	0
EQUITY AND LIABILITIES						
Non-current liabilities						
Lease liabilities	70,202,704	70,202,704	0	34,521,474	34,521,474	0
	70,202,704	70,202,704	0	34,521,474	34,521,474	0
Current liabilities						
Lease liabilities	9,383,882	9,383,882	0	3,353,262	3,353,262	0
	9,383,882	9,383,882	0	3,353,262	3,353,262	0
Total liabilities	79,586,586	79,586,586	0	37,874,736	37,874,736	0
Total equity and liabilities	79,586,586	79,586,586	0	37,874,736	37,874,736	0

In keeping with the new standard, the Group/Company changed the way it presents the effects of lease contracts in 2019. An exception were short-term leases, leases of low-value assets and leases that are exempt from the application of IFRS 16 due to the nature of underlying assets. A single recognition and measurement approach was applied for all leases.

The Group/Company took into account specific transition requirements laid down in IFRS 16 and applied practical expedients it provides.

The Group recognised all right-of-use assets and lease liabilities for leases that were classified as operating leases prior to adopting IFRS 16, except for leases for which the right-of-use assets are not recognised under IFRS 16 (short-term leases, leases of low-value assets, leases with variable lease payments, etc.).

The right-of-use assets for most leases were recognised based on the carrying amount as if IFRS 16 had always been applied, apart from the use of incremental borrowing rate at the date of initial application. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application,
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of applying IFRS 16 on the statement of profit or loss of Petrol d.d., Ljubljana and the Petrol Group in the year 2019

(in EUR)	The Petrol Group			Petrol d.d.		
	2019 (IFRS 16)	2019 (IAS 17)	2018 (IAS 17)	2019 (IFRS 16)	2019 (IAS 17)	2018 (IAS 17)
Depreciation of right-of-use assets	(10,817,184)	0	0	(4,040,829)	0	0
Lease expenses	(6,401,613)	(18,849,236)	(15,383,266)	(5,793,679)	(10,856,204)	(9,025,447)
Operating profit or loss	(17,218,797)	(18,849,236)	(15,383,266)	(9,834,508)	(10,856,204)	(9,025,447)
Finance expenses	(2,722,767)	0	0	(1,482,450)	0	0
Profit or loss before tax	(19,941,564)	(18,849,236)	(15,383,266)	(11,316,958)	(10,856,204)	(9,025,447)

Commodity forward contracts

In 2019 the Group/Company changed the accounting policy for the recognition of executed commodity forward transactions involving the purchase and sale of electricity. In accordance with the IFRIC interpretation effective as of March 2019, these transactions shall be recognised at fair value, but the Group/Company used to recognise them at nominal value before 2019.

The Group/Company recognises revenue from the sale of goods and the cost of goods sold arising from commodity forward transactions at fair value. The effect of the changed accounting policy is presented in the tables in Point f.

f. Change of financial statement presentation

In 2019 the Group/Company changed the presentation of certain items in the statement of profit or loss to ensure better presentation and comparability of the financial statements with those of other companies in the industry. The Group/Company believes that the changes are consistent with the best financial reporting practices in the industry and IFRS requirements. As part of the changes, the items in the statement of profit or loss for the comparative period 2018 were also fully adjusted using the same basis.

Revenue from the sale of petroleum products

Previously, revenue from the sale of goods also comprised excise duties charged when making a sale and these used to be part of the cost of goods sold. After re-examining this method of presentation, the Group/Company determined that it is more appropriate to present revenue from the sale of goods and the cost of goods sold without excise duties. The main reason underlying this change was to ensure better representability and comparability of the financial statements with other companies and the industry, which do not present excise duty as part of revenue. This allows for better analyses and comparisons.

In the above examination, other factors determining the nature of the duty and appropriateness of its presentation were also considered: examination of the basis for calculations, the point when the duty is paid, possible changes in the selling prices if the duty changes, risks related to the value of goods inventories.

Based on all of the above indicators and an analysis of presentation methods in comparable companies, the Group/Company determined that it is more appropriate to present revenue from the sale of goods and the cost of goods sold without excise duties. The effects of those changes are disclosed in a table.

Commodity derivative financial instruments

The Group/Company uses commodity derivatives when purchasing petroleum products and natural gas and trading in electricity. Before 2019, the effects of these derivatives had been presented as part of other finance income or expense. In 2019, however, the Group/Company changed the way it recognises the effects of those transactions; they are now recorded as other income or expenses, as part of operating profit or loss.

The change was made due to the fact that the above derivatives are an inherent part of operations and need to be considered together with the effects of commodity forward contracts, i.e. as part of operating profit or loss, as this constitutes one of the activities of the Group/Company. The change of presentation is expected to improve the presentation of information and the comparability of the Group's/Company's financial statements with those of other companies.

To reflect the change, the Group/Company reduced the value of finance income and finance expenses as disclosed in the statement of profit or loss for the period from 1 January 2018 to 31 December 2018, which was published in the Annual Report of the Petrol Group and Petrol d.d., Ljubljana 2018 on 8 March 2019, by EUR 55,796,211 and EUR 46,631,639, respectively, increasing the value of other income for the same period by the same amounts.

If the Group/Company had not made the said change in 2019, the value of other finance income and other finance expenses in the statement of profit or loss would have been higher by EUR 60,573,389 and EUR 84,386,273, respectively, and the value of other income for the same period would have been lower by the same amounts. The effects of the changes are disclosed in the table.

Change of accounting policies for the treatment of commodity forward contracts, and change of presentation of revenue from the sale of petroleum products and of the cost of goods sold, of gain/loss on commodity derivatives, and of the reversal of other provisions and other liabilities, concerning the Group, in the period 1 January to 31 December 2019

(in EUR)	The Petrol Group					
	2019 Published	Change in accounting policies - treatment of commodity forward contracts	Change of presentation			Before the change
			Commodity derivatives	Revenue from the sale of petroleum products	Reversal of other provisions and other liabilities	
Sales revenue	4,375,884,019	(122,594,258)	-	(1,128,436,223)	-	5,626,914,500
- of which excise duty	0	-	-	(1,128,436,223)	-	1,128,436,223
Cost of goods sold	(3,902,994,431)	103,149,849	-	1,128,436,223	-	(5,134,580,503)
Operating costs	(346,262,568)	0	0	0	8,121,805	(354,384,373)
Other income	86,148,573	19,444,409	60,573,389	-	(8,121,805)	14,252,580
Other expenses	(84,681,511)	-	(84,386,273)	-	-	(295,238)
Operating profit or loss	128,094,082	0	(23,812,883)	0	0	151,906,965
Share of profit or loss of equity accounted investees	2,548,605	-	-	-	-	2,548,605
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities	-	-	-	-	-	-
Other finance income	38,109,336	-	(60,573,389)	-	-	98,682,725
Other finance expenses	(41,618,298)	-	84,386,273	-	-	(126,004,571)
Net finance expense	(3,508,962)	0	23,812,883	0	0	(27,321,845)
Profit before tax	127,133,725	0	0	0	0	127,133,725

Change of accounting policies for the treatment of commodity forward contracts, and change of presentation of revenue from the sale of petroleum products and of the cost of goods sold, of gain/loss on commodity derivatives, and of the reversal of other provisions and other liabilities, concerning the Company, in the period 1 January to 31 December 2019

(in EUR)	Petrol d.d.					
	2019 Published	Change in accounting policies - treatment of commodity forward contracts	Change of presentation			Before the change
			Commodity derivatives	Revenue from the sale of petroleum products	Reversal of other provisions and other liabilities	
Sales revenue	3,532,850,898	(118,452,539)	-	727,918,709	-	4,379,222,146
- of which excise duty	0	-	-	(727,918,709)	-	727,918,709
Cost of goods sold	(3,184,811,384)	102,076,651	-	727,918,709	-	(4,014,806,744)
Operating costs	(267,070,189)	0	0	0	10,883,032	277,953,221
Other income	81,528,453	16,375,888	60,706,759	-	(10,883,032)	15,328,838
Other expenses	(84,596,594)	-	(84,575,384)	-	-	(21,210)
Operating profit or loss	77,901,184	0	(23,868,625)	0	0	101,769,809
Share of profit or loss of equity accounted investees	-	-	-	-	-	-
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities	2,174,736	-	-	-	-	2,174,736
Other finance income	31,388,040	-	(60,706,759)	-	-	92,094,799
Other finance expenses	(38,192,420)	-	84,575,384	-	-	(122,767,804)
Net finance expense	(6,804,380)	0	23,868,625	0	0	(30,673,005)
Profit before tax	73,271,540	0	0	0	0	73,271,540

Change of accounting policies for the treatment of commodity forward contracts, and change of presentation of revenue from the sale of petroleum products and of the cost of goods sold, of gain/loss on commodity derivatives, and of the reversal of other provisions and other liabilities, concerning the Group, in the period 1 January to 31 December 2018

(in EUR)	The Petrol Group					
	2018 Adjusted	Change in accounting policies - treatment of commodity forward contracts	Change of presentation			2018 Published
			Commodity derivatives	Revenue from the sale of petroleum products	Reversal of other provisions and other liabilities	
Sales revenue	4,318,128,849	28,662,888	-	(1,127,478,553)	-	5,416,944,514
- of which excise duty	0	-	-	(1,127,478,553)	-	1,127,478,553
Cost of goods sold	(3,875,570,727)	(35,560,347)	-	1,127,478,553	-	(4,967,488,933)
Operating costs	(334,312,557)	0	0	0	5,659,666	(339,972,223)
Other income	67,461,939	6,897,459	55,796,211	-	(5,659,666)	10,427,935
Other expenses	(47,138,503)	-	(46,631,639)	-	-	(506,864)
Operating profit or loss	128,569,001	0	9,164,572	0	0	119,404,429
Share of profit or loss of equity accounted investees	1,943,777	-	-	-	-	1,943,777
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities	-	-	-	-	-	-
Other finance income	25,959,504	-	(55,796,211)	-	-	81,755,715
Other finance expenses	(44,885,057)	-	46,631,639	-	-	(91,516,696)
Net finance expense	(18,925,553)	0	(9,164,572)	0	0	(9,760,981)
Profit before tax	111,587,225	0	0	0	0	111,587,225

Change of accounting policies for the treatment of commodity forward contracts, and change of presentation of revenue from the sale of petroleum products and of the cost of goods sold, of gain/loss on commodity derivatives, and of the reversal of other provisions and other liabilities, concerning the Company, in the period 1 January to 31 December 2018

(in EUR)	Petrol d.d.					
	2018 Adjusted	Change in accounting policies - treatment of commodity forward contracts	Change of presentation			2018 Published
			Commodity derivatives	Revenue from the sale of petroleum products	Reversal of other provisions and other liabilities	
Sales revenue	3,526,131,561	27,503,098	-	(752,544,178)	-	4,251,172,641
- of which excise duty	0	-	-	(752,544,178)	-	752,544,178
Cost of goods sold	(3,178,873,639)	(28,914,668)	-	752,544,178	-	(3,902,503,149)
Operating costs	(257,639,634)	0	0	0	0	(257,639,634)
Other income	60,813,823	1,411,570	56,376,947	-	-	3,025,306
Other expenses	(47,108,043)	-	(47,043,101)	-	-	(64,942)
Operating profit or loss	103,324,068	0	9,333,846	0	0	93,990,222
Share of profit or loss of equity accounted investees	-	-	-	-	-	-
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities	33,983,899	-	-	-	-	33,983,899
Other finance income	20,571,350	-	(56,376,947)	-	-	76,948,297
Other finance expenses	(41,172,078)	-	47,043,101	-	-	(88,215,179)
Net finance expense	(20,600,728)	0	(9,333,846)	0	0	(11,266,882)
Profit before tax	116,707,239	0	0	0	0	116,707,239

Costs of services

In the 2018 annual report, the Group's costs of services included contributions for operations at motorway service areas of EUR 1,884,268 and concession charges of EUR 1,038,799. These costs are presented as other costs in the 2019 financial statements.

In the 2018 annual report, the Company's costs of services included contributions for operations at motorway service areas of EUR 692,397 and concession charges of EUR 720,612. These costs are presented as other costs in the 2019 financial statements.

3. Significant accounting policies of the Group

Other than the accounting policies relating to standards that entered into force on 1 January 2019 (IFRS 16), the Group and Group companies applied the accounting policies set out below consistently to all periods presented in these financial statements. The Group and Group companies have been using the accounting policies linked to the said standard since 1 January 2019.

Except for the newly adopted standards and interpretations specified below, the accounting policies used herein are the same as in the previous annual report.

Newly adopted standards and interpretation effective as of 1 January 2019**Annual improvements 2014 – 2016 Cycle****IFRS 16 Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the lessor. The new standard requires lessees to recognise most leases in their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The effect of the new standard is presented in Point 2.e.

IFRS 9: Prepayment features with negative compensation (amendment)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income.

The amendment did not have a material impact on the financial statements of the Group/Company.

IAS 28: Long-term interests in associates and joint ventures (amendments)

The amendments address the issue of whether measuring long-term interests (especially as regards the

requirements to impair long-term interests in associates and joint ventures which, in substance, form part of the "net investment" in an associate or joint venture) falls under IFRS 9, IAS 28 or a combination of both. The amendments clarify that before applying IAS 28 an entity needs to apply IFRS 9 Financial Instruments to recognise long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The amendments did not have a material impact on the financial statements of the Group/Company.

IFRIC 23: Uncertainty over income tax treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

The amendments did not have a material impact on the financial statements of the Group/Company.

IAS 19: Plan amendment, curtailment or settlement (amendments)

The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

The amendments did not have a material impact on the financial statements of the Group/Company.

Amendments to IAS 12: Income Taxes

The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits has been recognised.

The amendments did not have a material impact on the financial statements of the Group/Company.

Amendments to IAS 23: Borrowing Costs

The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

The amendments did not have a material impact on the financial statements of the Group/Company.

a. Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the controlling company and of its subsidiaries.

Business combinations

Business combinations are accounted for using the acquisition method as at the date of the combination, which is the same as the acquisition date or the date on which control is transferred to the Group. Control is the power to govern financial and operating policies of a company so as to obtain benefits from its activities. In the consolidated financial statements, acquired assets and liabilities are recognised at fair value as at the acquisition date. The excess of the consideration over the net fair value of the acquired assets is presented as goodwill as part of intangible fixed assets.

The Group measures goodwill at the fair value of the consideration transferred plus the recognised amount of any non-controlling interest in the acquiree, plus the fair value of any pre-existing equity interest in the acquiree (if the business combination is achieved in stages), less the net recognised amount of the assets acquired and liabilities assumed, all measured as at the acquisition date. Subsequent measurement of goodwill is specified in Point e. When the excess is negative, the effect is recognised immediately in profit or loss as negative goodwill.

Acquisition costs, other than those associated with the issue of equity or debt securities, incurred in connection with a business combination are expensed as incurred.

Any contingent liabilities arising from business combinations are recognised at fair value as at the acquisition date. If a contingent liability is classified as equity, then it is not remeasured and settlement is accounted for within equity. Subsequent changes in the fair value of the contingent liability are recognised in profit or loss. A contingent liability which constitutes a financial instrument and is classified as an asset or a liability is measured at fair value, and changes in the fair value are reported in profit or loss.

Accounting for acquisitions of non-controlling interests

The Group accounts for acquisitions of non-controlling interests that do not involve the change in control of a company as transactions with owners and therefore no goodwill is recognised. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any surpluses or the difference between the costs of additional investments and the carrying amount of assets are recognised in equity.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when:

- an investor is exposed or has rights to variable returns from its involvements with the investee;

- it has the ability to affect those returns through its power over that investee;
- there is a link between power and returns.

The financial statements of subsidiaries are included in the Group's consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the Group's policies.

The existence of control is determined when an investment is acquired and when financial statements are prepared. On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, such interest is measured at fair value at the date the control is lost. Subsequently, the interest is accounted for as an investment in an associate (using the equity method) or as a financial asset available for sale, depending on the level of influence retained. Changes in the parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions (i.e. transactions with owners) in other revenue reserves. If a Group-controlled company is absorbed, the difference between the investment and the net value of acquired assets is recognised in other revenue reserves, taking into account goodwill, if any.

Investments in associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for financial and operating decisions. Investments in associates and jointly controlled entities are initially recognised at cost, but are subsequently accounted for using the equity method. The Group's consolidated financial statements include the Group's share of the profit and loss of equity accounted jointly controlled entities, after adjustments to align the accounting policies, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses of an associate or a jointly controlled entity exceeds its interest in such an entity, the carrying amount of the Group's interest is reduced to zero and the recognition of further losses is discontinued.

Transactions eliminated from consolidated financial statements

Intra-group balances and any gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates (accounted for using the equity method) are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated using the same method, provided there is no evidence of impairment.

b. Foreign currency translation

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Foreign exchange gains or losses are the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in a foreign currency and measured at historical cost are translated to the functional currency using the exchange rate at the date of the transaction. Foreign exchange differences are recognised in profit or loss.

Financial statements of Group companies

The Group's consolidated financial statements are presented in euros. Line items of each Group company that are included in the financial statements are translated, for the purpose of preparing consolidated financial statements, to the reporting currency as follows:

- assets and liabilities from each statement of financial position presented, including goodwill, are translated at the ECB exchange rate at the reporting date;
- revenue and expenses of foreign operations are converted to euros at exchange rates applicable at the transaction date.

Foreign exchange differences are recognised in other comprehensive income and presented under foreign exchange differences in equity. In the case of non-wholly-owned subsidiaries abroad, the relevant proportion of the foreign exchange difference is allocated to non-controlling interests. When a foreign operation is disposed of in such a way that control, significant influence or joint control is lost, the relevant cumulative amount in the translation reserve is reclassified to profit or loss or as gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or jointly controlled entity that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c. Financial assets

The Group's financial assets include cash and cash equivalents, receivables and loans, and investments. The Group's investments include investments in jointly controlled entities, investments in associates and investments in financial instruments. The accounting policies for investments in jointly controlled entities and associates are presented in Point a.

The Group initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Upon initial recognition, the Group's financial instruments are classified into one of the following categories: financial assets measured at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The classification depends on the selected asset management business model and on whether the Group's contractual cash flows from financial instruments are solely payments of principal and interest on the principal amount outstanding. With the exception of operating receivables that do not have a significant financing component, the Group's financial assets are upon initial recognition measured at fair value plus transaction costs. Operating receivables that do not have a significant financing component are measured at transaction price determined according to the provisions of IFRS 15. See Revenue from contracts with customers, Point m of the accounting policies.

The impairment of financial assets is detailed in Point j1.

c1. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits with maturities of three months or less, and other current and highly liquid investments with original maturities of three months or less.

c2. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss and financial assets to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Financial assets that generate cash flows and are not solely payments of principal and interest are classified and measured at fair value through profit or loss irrespective of the business model.

In the statement of financial position, financial assets at fair value through profit or loss are measured at fair value, including net changes therein which are recognised in profit or loss.

This category also includes derivatives and listed equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are also recognised as other revenue in the statement of profit or loss when the Group's right of payment has been established.

The Group's financial assets measured at fair value through profit or loss mainly consist of unrealised derivative financial instruments assessed on the reporting date.

c3. Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets at fair value through other comprehensive income that have the nature of a debt instrument are the financial assets held by the Group under its business model for collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, and for sale.

The Group's debt instruments at fair value through other comprehensive income comprise listed bond investments that are recognised under other non-current investments.

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange differences and impairment losses or reversals are recognised in the statement of profit or loss and accounted for in the same manner as financial assets at amortised cost. The remaining fair value changes are recognised in the statement of other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

c4. Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income that have the nature of an equity instrument are the financial assets that meet the definition of equity under IAS 32 Financial Instruments for which the Group elected to classify them irrevocably as equity instruments designated at fair value through other comprehensive income and which are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the Group's right of payment has been established.

The Group elected to classify irrevocably its non-listed equity investments under this category.

c5. Financial assets at amortised cost

The Group's financial assets at amortised cost include financial assets held under its business model in order to collect contractual cash flows when the cash flows are solely payments of principal and interest on the principal

amount outstanding. The Group's financial assets at amortised cost include loans, receivables and non-listed debt securities. Depending on their maturity, they are classified as current financial assets (maturity of up to 12 months from the date of the statement of financial position) or non-current financial assets (maturity of more than 12 months from the date of the statement of financial position). Financial assets measured at amortised cost are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in profit or loss when reversed, changed or impaired.

c6. Financial liabilities

The Group's financial liabilities include liabilities arising from debt securities issued and loans received. Upon initial recognition, they are classified as financial liabilities at fair value through profit or loss, loans received or operating liabilities. The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date, or when the Group becomes a party to the contractual provisions of the instrument. Except for the loans received, all financial liabilities are initially recognised at fair value. The loans received are measured at amortised cost using the effective interest rate method. Depending on their maturity, they are classified as current financial liabilities (maturity of up to 12 months from the date of the statement of financial position) or non-current financial liabilities (maturity of more than 12 months from the date of the statement of financial position). Upon the derecognition of a financial liability and amortisation using the effective interest rate method, all gains or losses are recognised in the statement of profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

c7. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value. Attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

- When a derivative is designated as a hedging instrument in the hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in comprehensive income for the period and presented in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised directly in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting or the hedging instrument is sold, terminated or exercised, then the Group is expected to discontinue hedge accounting. The cumulative gain or loss recognised in other comprehensive income remains presented in the hedging reserve as long as the forecast transaction does not affect profit or loss.

If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period in which the hedged item affects profit or loss.

- The effects of other derivatives not designated as a hedging instrument in the hedge of the variability in cash flows or not attributable to a particular risk associated with a recognised asset or liability are recognised in profit or loss.

The Group has the following derivative financial instruments:

Forward contracts

The Group purchases petroleum products in US dollars, but sells them primarily in euros. Because purchases and sales are made in different currencies, mismatches occur between purchase and selling prices that are hedged against using forward contracts.

The fair value of outstanding forward contracts at the date of the statement of financial position is determined by means of publicly available information about the value of forward contracts in a regulated market on the reporting date for all outstanding contracts. Gains and losses are recognised in profit or loss as finance income or expenses.

Commodity derivative financial instruments

When petroleum products, natural gas and electricity are purchased or sold, mismatches occur between purchase and selling prices that are hedged against using commodity derivatives. The Group uses commodity derivatives for trading, as laid down in its strategy and its electricity trading policy.

The fair value of outstanding commodity derivatives as at the date of the statement of financial position is determined using publicly available information about the market value of commodity derivatives as at the date of the statement of financial position as issued by relevant institutions. Gains and losses are recognised in profit or loss as other income or expenses.

Interest rate swaps and collars

Interest rates on loans received are exposed to a risk of interest rate fluctuations which is hedged against using interest rate swaps and collars. The fair value of outstanding interest rate swaps and collars at the date of the statement of financial position is determined by discounting future cash flows arising as a result of a variable interest rate (interest proceeds from a swap) and a fixed interest rate (payment of interest on a swap). When an interest rate swap is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a recognised asset or liability or a forecast transaction, the effective portion of the gain or loss on the instrument is recognised directly in comprehensive income. The ineffective portion of the gain or loss on the instrument is recognised in profit or loss as other finance income or expense.

Commodity forward contracts

Under IFRS 9, commodity forward contracts the purpose of which is not physical purchase or delivery of goods, their fulfilment leading to physical settlement only, are treated as a financial instrument and are recognised and measured in accordance with IFRS 9.

Forward purchase and sale transactions concluded to ensure physical settlement of goods are treated outside the scope of IFRS 9 when the contract comprising those transactions is treated as being part of the ordinary course of business to ensure physical delivery of goods, provided that the following conditions are met:

- physical delivery of goods takes place based on the contract,
- the quantities sold or purchased are consistent with the Group's business needs,
- the contract is binding and cannot be considered as optional.

As commodity forward contracts do not meet the above conditions, the Group treats them as financial instruments. In the financial statements, revenue from the sale of goods and the cost of goods sold arising from commodity forward transactions are recognised at fair value. Outstanding commodity forward contracts are restated to fair value at each balance-sheet date, and the effects of their restatement to fair value are recognised in the statement of profit or loss as other operating revenue or expenses.

d. Equity

Called-up capital

The called-up capital of the controlling company Petrol d.d. takes the form of share capital, the amount of which is defined in the Company's articles of association. It is registered with the Court and paid up by owners. Dividends on ordinary shares are recognised as a liability in the period in which they were approved by the General Meeting.

Legal reserves

Legal reserves comprise shares of profit from previous years that have been retained for a dedicated purpose, mainly for offsetting eventual future losses. When created, they are recognised by the body responsible for the preparation of the annual report or by means of a resolution of this body.

Fair value reserve

The fair value reserve comprises the effects of valuing financial assets at fair value through other comprehensive income and actuarial gains and losses related to the provisions for employee post-employment and other long-term benefits.

Hedging reserve

The hedging reserve comprises the effect of changes in the fair value of derivative financial instruments designated as effective in hedging against the variability in cash flows.

Reserves for own shares

If the parent company or its subsidiaries acquire an ownership interest in the parent company, the amount paid, including transaction costs less tax, is deducted from total equity in the form of own shares until such shares are cancelled, reissued or sold. If own shares are later sold or reissued, the consideration received is included in capital surplus net of transaction costs and related tax effects.

e. Intangible assets

Goodwill

The Group's goodwill is the result of business combinations. For the measurement of goodwill upon initial recognition, see Point a.

Goodwill is measured at cost less any accumulated impairment losses. In the case of equity accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment, but the impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investment.

Subsequent to initial recognition, the Group checks annually for factors which could adversely affect the future cash flows of a cash-generating unit acquired in a business combination. In the financial statements, a decrease in the value of a cash-generating unit is recognised as the impairment of goodwill or of the assets of a cash-generating unit. It is charged to current profit or loss.

Right to use concession infrastructure

The Group recognises an intangible non-current asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible non-current asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible non-current asset is measured at cost less accumulated amortisation and any accumulated impairment losses. The life of the right is linked to the duration of the concession agreement.

Development of software solutions

Development of software solutions involves the design and production of new or substantially improved software applications. The Group capitalises the costs of developing software solutions to the extent that the following conditions are met: the costs can be measured reliably, the development of a software solution is technically and commercially feasible, future economic benefits are probable, the Group has sufficient resources to complete development and intends to use the software solution. The capitalised costs of developing software solutions include direct labour costs and other costs that are directly attributable to preparing the asset for its intended use.

Other intangible assets

Other intangible fixed assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Borrowing costs directly attributable to the acquisition or production of a qualifying asset are recognised as part of the cost of that asset. Intangible fixed assets are subsequently measured using the cost model. In addition to goodwill and rights arising from concessions for the construction of gas networks and distribution of natural gas, which are described below, the Group's intangible fixed assets comprise mostly software. Other than goodwill, the Group does not have intangible assets with unidentifiable useful lives.

Subsequent expenditure

Subsequent expenditure relating to intangible assets is recognised in the carrying amount of that asset if it is probable that the future economic benefits embodied within the part of this asset will flow to the Group and the cost can be measured reliably. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated on a straight-line basis, taking into account the useful life of intangible fixed assets. Amortisation begins when the asset is available for use.

Estimated useful lives for the current and comparative years are as follows:

(in %)	2019	2018
Right to use concession infrastructure	2.00–20.00 %	2.00–20.00 %
Material and other rights	10.00–33.33 %	10.00–33.33 %
Other rights	3.33–20.00 %	3.33–20.00 %

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The impairment of assets is detailed in Point j2.

f. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land, which is measured at cost less accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Parts of an item of property, plant and equipment having different useful lives are accounted for as separate items of property, plant and equipment. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. Items of property, plant and equipment are subsequently measured using the cost model.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of that asset if it is probable that the future economic benefits embodied within the part of this asset will flow to the Group and the cost can be measured reliably. All other expenditure (e.g. day-to-day servicing) is recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated on a straight-line basis, taking into account the useful life of each part (component) of an item of property, plant and equipment. Leased assets are depreciated by taking into account the lease term and their useful lives. Land is not depreciated. Depreciation begins when the asset is available for use. Construction work in progress is not depreciated.

Estimated useful lives for the current and comparative periods are as follows:

(in %)	2019	2018
Buildings:		
Buildings at service stations	2.50–10.00 %	2.50–10.00 %
Above-ground and underground reservoirs	2.85–50.00 %	2.85–50.00 %
Underground service paths at service stations	5.00–14.30 %	5.00–14.30 %
Other buildings	1.43–50.00 %	1.43–50.00 %
Equipment:		
Mechanical and electronic equipment for maintenance of other equipment	10.00–25.00 %	10.00–25.00 %
Gas station equipment	3.33–20.00 %	3.33–20.00 %
Pumping equipment at service stations	5.00–25.00 %	5.00–25.00 %
Motor vehicles	10.00–25.00 %	10.00–25.00 %
Freight cars, rail tankers	25.00 %	25.00 %
Computer hardware	15.00–25.00 %	15.00–25.00 %
Office equipment, furniture	6.70–16.10 %	6.70–16.10 %
Small tools:	33.33 %	33.33 %
Environmental fixed assets:	4.00–25.00 %	4.00–25.00 %

Residual values and useful lives of an asset are reviewed annually and adjusted if necessary.

Gains and losses on disposal or elimination are determined by comparing the proceeds from disposal with the carrying amount. Gains and losses on disposal are recognised in profit or loss. Available-for-sale items of property, plant and equipment are presented separately from other assets and are not depreciated in the year of the disposal.

The impairment of assets is detailed in Point j2.

Environmental fixed assets

Environmental tangible fixed assets acquired under the scheme for the creation and use of revenue deferred for the purpose of environmental rehabilitation are carried and presented separately. More information about deferred

revenue relating to environmental fixed assets is available in Point l.

g. Investment property

Investment property is property held by the Group either to earn rental income or for capital appreciation or for both. It is measured at cost less accumulated depreciation and accumulated impairment losses. Investment property is measured using the cost model. The depreciation method and rates are the same as for other tangible assets. The impairment of assets is detailed in Point j2.

h. Leases

The Group holds various items of business property (land, business premises and buildings), equipment and cars under a lease. Lease conditions are subject to negotiation on a case-by-case basis and vary depending on the term and type of a lease. The Group assesses at contract inception whether a contract is, or contains, a lease. That is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group determines the lease term based on the non-cancellable period of a lease, taking into account the period covered by an option to extend the lease and the period covered by an option to terminate the lease. The Group also assesses the probability of the above options.

The term of a lease depends on the type of the leased asset and range:

- from 5 to 50 years for land,
- from 5 to 20 years for business premises and buildings,
- from 1 to 10 years for equipment,
- from 3 to 6 years for cars.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. With regard to the leases of low-value assets and short-term leases, the Group records lease payments as an expense for the period to which a lease relates.

For all other leases, the Group has recognised lease liabilities and right-of-use assets.

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised initially, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The depreciation rates of right-of-use assets are as follows:

(in %)	2019
Rights of use	
- lands	35.00–80.00 %
- buildings	5.00–50.00 %
- equipment	30.00–60.00 %
- motor vehicles	20.00–33.00 %

If ownership of the leased asset transfers to the Group at the end of the lease term or the Group exercises a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Point k) Impairment of assets.

Lease liabilities are recognised at the present value of lease payments to be made over the lease term, which corresponds to a discounted value of lease payments to be paid by the Group over the lease term under the lease contract while also taking into account the Group's borrowing rate. The lease payments include fixed payments, less any lease incentives receivables, and variable lease payments. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group has recognised its lease liabilities in item lease liabilities, as disclosed in Point e.

At lease inception, lease liabilities correspond to the value of right-of-use assets and begin to decrease as lease payments are made, with the value of right-of-use assets decreasing in line with the depreciation charge over the lease term. Depreciation rates are estimated by taking into account the term of a lease. Interest expense is charged to finance expenses for the period.

Short-term leases and leases of low-value assets

The Group applies the exemption to short-term lease recognition (i.e. to leases that have a lease term of 12 months or less and do not contain a purchase option). It also

applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. The Group recognises lease payments on short-term leases and leases of low-value assets as expense on a straight-line basis over the lease term.

i. Inventories

Inventories of merchandise and materials are measured at the lower of cost and net realisable value.

The cost is made up of the purchase price, import duties and direct costs of purchase. Any discounts are subtracted from the purchase price. Direct costs of purchase include transportation costs, costs of loading, transshipment and unloading, transport insurance costs, goods tracking costs, costs of agency arrangements, other similar costs incurred before initial storage and borne by the purchaser as well as non-refundable duties (excise duty). Discounts on purchase prices include discounts indicated on invoices and subsequently obtained discounts relating to a specific purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Group checks the net realisable value of inventories at the statement of financial position date. When this value is lower than their carrying amount, inventories are impaired. Damaged, expired and unusable inventories are written off regularly during the year on an item by item basis.

The moving average price method is used to assess the use of inventories.

j. Impairment

j1. Financial assets

In accordance with IFRS 9, the Group made a transition from the incurred loss model to the expected loss model based on which the Group recognises not only incurred losses but also expected future losses.

A financial asset is impaired if objective evidence indicates that one or more loss events have occurred that had a negative effect on the estimated future cash flows of that asset and this can be measured reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group for which the Group granted its approval, indications that a debtor will enter bankruptcy, and the disappearance of an active market for an instrument. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment of receivables and of loans granted

The Group considers evidence of impairment for receivables individually or collectively. All significant receivables are assessed individually for specific impairment. If it is assessed that the carrying amount of receivables exceeds

their fair value, i.e. the collectible amount, the receivables are impaired. Receivables for which it is assumed they will not be settled by the original date of payment or up to their full amount are deemed doubtful; should court proceedings be initiated, they are deemed disputed.

Impairment assessment is based on expected credit losses (ECLs) linked to a default on receivables and loans that is possible within the next 12 months, unless there has been a significant increase in credit risk since initial recognition. In such case, the impairment assessment is determined based on the probability of default over the lifetime of the financial asset (LECL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The expected cash flows will include cash flows from the sale of collateral.

Impairments for ECLs are assessed in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, impairments for ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the Group recognises a loss allowance for losses expected over the remaining life of the exposure, irrespective of the timing of the default.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. Receivables are grouped together by age. In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

The Group considers a financial asset to be in default when contractual payments are 60 days past due. However, in certain cases the Group may also consider the credit risk to be higher when information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering contractual cash flows.

According to the categorisation of the statement of profit or loss laid down by the Companies Act, the creation and reversal of loss allowances as well as written-off receivables subsequently collected fall under operating revenue or expenses. The Group deems the categorisation of these items as either finance income or expense to be more appropriate, since operating receivables are carried as non-derivative financial assets.

The Group evaluates evidence about the impairment of loans individually for each significant loan.

Impairment of financial assets at fair value through other comprehensive income

Impairment losses on financial assets at fair value through other comprehensive income are recognised by transferring any cumulative loss that has been previously recognised in other comprehensive income for the period and presented in the fair value reserve to profit or loss. Any subsequent increase in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income for the period or in the fair value reserve.

Debt instruments at fair value through other comprehensive income consist solely of listed sovereign bonds classified as low credit risk investments. Under the policy selected, the Group measures expected credit losses on such instruments on a yearly basis. When there has been a significant increase in credit risk since recognition, the Group recognises a loss allowance based on the lifetime expected credit losses.

j2. Non-financial assets

The Group reviews at each reporting date the carrying amounts of significant non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The impairment of an asset or a cash generating unit is recognised if its carrying amount exceeds its recoverable amount. Impairment is recognised in profit or loss. Impairment losses recognised in respect of a cash generating unit are allocated so as to first reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss on goodwill is not reversed. For other assets, impairment losses recognised in prior periods are assessed at the end of the reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised in previous years.

Goodwill that forms part of the carrying amount of an equity accounted investment in an associate or jointly controlled entity is not recognised separately and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

k. Provisions

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provisions is determined as the present value of payments that the Group will be expected to make based on the contracts it has concluded and applicable legislation. To determine the amount, the Group relies on actuarial methods and on opinions provided by legal experts.

Significant provisions include:

Provisions for employee post-employment and other long-term benefits

Pursuant to the law, the collective agreement and the internal rules, the Group is obligated to pay its employees jubilee benefits and post-employment benefits on retirement, for which it has established long-term provisions. Other obligations related to employee post-employment benefits do not exist.

The provisions amount to estimated future payments for post-employment benefits on retirement and jubilee benefits discounted to the end of the reporting period. The calculation is made separately for each employee by taking into account the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement. The calculation using the projected unit credit method is performed by a certified actuary. Post-employment benefits on retirement and jubilee benefits are charged against the provisions created.

Labour costs and costs of interest are recognised in the statement of profit or loss, whereas the adjustment of post-employment benefits or unrealised actuarial gains or losses arising from post-employment benefits are recognised in other comprehensive income.

Provisions for employee post-employment and other long-term benefits at third-party managed service stations

The business cooperation agreements entered into by Group companies with service station managers stipulate that the rights of employees at third-party managed service stations to jubilee benefits and post-employment benefits on retirement are equal to the rights of Group company employees. The contractual obligation of Group companies to reimburse the costs arising from such rights to service station managers represents a basis for the recognition of long-term provisions. The provisions amount to estimated future payments for post-employment benefits

on retirement and jubilee benefits discounted to the end of the reporting period. The obligation is calculated separately for each employee at a third-party managed service station by estimating the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement. The calculation using the projected unit credit method is performed by a certified actuary. Reimbursed costs arising from post-employment benefits on retirement and jubilee benefits are charged against the provisions created.

Labour costs and costs of interest are recognised in the statement of profit or loss, whereas the adjustment of post-employment benefits or unrealised actuarial gains or losses arising from post-employment benefits are recognised in other comprehensive income.

Provisions for lawsuits

There are several lawsuits that have been filed against Group companies, for which the potential need for provisions is estimated on an ongoing basis. Provisions are recognised if, as a result of a past event, companies have a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are not disclosed in the financial statements because their actual existence will only be confirmed by the occurrence or non-occurrence of events in unforeseeable future, which is beyond the control of Group companies. The management of a company regularly checks if an outflow of economic benefits is probable to settle contingent liabilities. If it becomes probable, the contingent liability is restated and provisions are created for it in the financial statements as soon as the level of probability changes.

Provisions for onerous contracts

The Group creates provisions for onerous contracts when the market situation causes the costs of meeting contractual obligations to exceed the expected economic benefit of long-term contracts.

The provisions are determined based on estimated purchasing and selling price levels and quantities, taking into account the costs to sell and general and administrative costs.

The Group determines the amount of the provisions based on estimated economic benefits and the costs of services under long-term contracts for the leasing of capacities, taking into account the utilisation rate of transmission capacities. The provisions created by the Group for long-term contracts for the leasing of transmission and storage capacities cover the entire contract period.

l. Long-term deferred revenue

Government and other subsidies received to cover costs are recognised strictly as revenue over the periods in which the costs that they are intended to compensate are incurred. Other income is recognised when it can be reasonably expected it will result in receipts.

Long-term deferred revenue

Long-term deferred revenue comprises deferred revenue from funds granted for the environmental rehabilitation of service stations, road tankers and storage facilities. Environmental assets, presented as part of the Group's property, plant and equipment items, were approved by means of a decision of the Ministry of the Environment and Spatial Planning as part of the ownership transformation of the company Petrol d.d., Ljubljana and were recognised as such in the opening financial statements of Petrol d.d., Ljubljana as at 1 January 1993 that were prepared in accordance with the regulations governing the ownership transformation of companies. Deferred revenue is restated under revenue in proportion to the depreciation of environmental fixed assets. A portion of deferred revenue attributable to the period under 12 months is moved to current deferred revenue.

m. Revenue from contracts with customers

Revenue from contracts with customers is recognised once control of goods or services is transferred to a customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for such goods or services. Revenue from contracts with customers is recognised at the fair value of the consideration received or receivable, net of returns and discounts, trade discounts and volume rebates. Revenue is recorded when the customer obtains control of the goods or benefits from the services rendered.

Revenue is recognised as follows:

Sale of goods

A sale of goods is recognised when the Group delivers goods to a customer, the customer accepts the goods, and the collectability of the related receivables is reasonably assured. As of the sale, the Group no longer has control of the goods or services sold. Revenue from the sale of goods does not include duties paid upon the purchase and duties paid upon the sale of the goods.

Gains on commodity forward contracts are also recognised as revenue from the sale of goods.

Sale of services

A sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of the transaction assessed on the basis of the actual service provided as a proportion of total services to be provided.

For long-term projects, the revenue from services rendered is recognised based on the stage of completion as at the balance sheet date. Under this method, the revenue is recognised in the accounting period in which the services are rendered.

Loyalty scheme

The Group offers Petrol Club card holders certain discounts on their purchases at service stations or on the supply of

gas and electricity, based on the points collected from their previous purchases. As some of the discounts can be used in the following year, the Group defers them to match its revenue with the expenses incurred to generate the revenue.

Instalment sales

In instalment sales, the Group recognises separately revenue from the sale of goods and finance income deferred over the entire contract term. Finance income to total purchase price ratio is assessed based on discounted future cash flows flowing to the Group based on the sale.

Sale in the name and for the account of third parties

The Group has entered into contracts with customers for the sale of merchandise in the name and on behalf of suppliers. Based on these contracts, the Group delivers goods to customers, receiving in exchange the difference between the final selling price and the cost negotiated in advance. The difference is recognised as sales revenue.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. The Group's contract assets include accrued revenue from goods and services delivered to customers.

Trade receivables

A receivable is the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). See accounting policies on the recognition of financial assets in the section Financial assets.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration. The Group's liabilities arising from contracts with customers include the liabilities from collaterals received, the loyalty scheme and granted discounts. Contract liabilities are recognised as revenue when the Group satisfies its performance obligation.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration estimated by the Group at contract inception as constrained remains constrained until it is highly probable that a significant revenue reversal in the amount of revenue recognised will not occur. Variable consideration refers to volume rebates granted to customers.

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount

method for contracts with the expected value method. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

n. Finance income and expenses

Finance income comprises interest income on financial assets, gains on the disposal of financial assets at fair value through other comprehensive income, written-off or impaired receivables subsequently collected, changes in the fair value of financial assets at fair value through profit or loss, foreign exchange gains and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues using the effective interest method.

Finance expenses comprise borrowing costs (unless capitalised), foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, loss allowances for receivables and losses on hedging instruments that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

o. Taxes

Taxes comprise current tax and deferred tax liabilities. Taxes are recognised in profit or loss except to the extent that they relate to business combinations or items recognised directly in other comprehensive income.

Current tax liabilities are based on the taxable profit for the year. Taxable profit differs from the net profit reported in the statement of profit or loss as it excludes revenue and expense items taxable or deductible in other years and other items that are never subject to taxation or deduction. The Group's current tax liabilities are calculated using the tax rates effective on the reporting date.

Deferred tax is reported in its entirety using the statement of financial position liability method for temporary differences between the tax base of assets and liabilities and their carrying amounts in the separate financial statements of Group companies. Deferred tax is determined using the tax rates (and laws) that are expected to apply when a deferred tax asset is realised or a deferred tax liability is settled.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised in the future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p. Determination of fair value

A number of the Group's accounting policies require the determination of fair value of both financial and non-financial assets and liabilities, either for measurement of individual assets (measurement method or business combination) or for additional fair value disclosure.

Fair value is the amount for which an asset could be sold or a liability exchanged between knowledgeable, willing parties in an arm's length transaction. The Group determines the fair value of financial instruments by taking into account the following fair value hierarchy:

- Level 1 comprises quoted prices in active markets for identical assets or liabilities;
- Level 2 comprises values other than quoted prices included within Level 1 that are observable either directly (prices for identical or similar assets or liabilities in markets that are less active or inactive) or indirectly (e.g. values derived from quoted prices in an active market, based on interest rates and yield curves, implied volatilities and credit spreads);
- Level 3 comprises inputs for the asset or liability that are not based on observable market data. Unobservable inputs need to reflect the assumptions that market participants would use when determining a price for the asset or liability, including risk assumptions.

The Group uses quoted prices as the basis for the fair value of financial instruments. If a financial instrument is not quoted on a regulated market or the market is considered as inactive, the Group uses Level 2 and Level 3 inputs to determine the fair value of a financial instrument. Where applicable, further information about the assumptions made when determining fair values is disclosed in the notes specific to that asset or liability of the Group.

The methods of determining the fair values of individual groups of assets for measurement or reporting purposes are described below.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

Property, plant and equipment

The fair value of property, plant and equipment is the same as their market value. The market value of property is the estimated amount for which a property could be sold on the date of valuation and after proper marketing. The market value of equipment is based on market prices for similar items.

Investment property

The value of investment property is assessed by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks is included in the property valuation based on discounted net annual cash flows.

Inventories

The fair value of inventories acquired in business combinations is determined based on their expected selling price in the ordinary course of business less the estimated costs of sale.

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined by reference to the above fair value hierarchy for financial instruments.

Receivables and loans granted

The fair value of receivables and loans is calculated as the present value of future cash flows, discounted at the market rate of interest at the end of the reporting period. The estimate takes into account the credit risk associated with these financial assets.

Derivative financial instruments

- The fair value of forward contracts equals their market price at the reporting date.
- The fair value of interest rate swaps at the reporting date is assessed by discounting future cash flows arising from the variable interest rate (interest received from a swap) and the fixed interest rate (interest paid under a swap).
- The fair value of commodity derivatives equals their market price as at the reporting date, which is determined using publicly available information about the market value of commodity derivatives as at the date of the statement of financial position as issued by relevant institutions.

Non-derivative financial liabilities

For reporting purposes, fair value is calculated using the present value of future payments of the principal and interest, discounted at the market rate of interest at the end of the reporting period.

q. Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares during the period. Diluted earnings per share are calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares during the period for the effects of all potential ordinary shares, which comprise convertible bonds and share options granted to employees. Because the Group has no convertible bonds or share options granted to employees, its basic earnings per share are the same as its diluted earnings per share.

r. Operating segments

An operating segment is a component of the Group that engages in business activities from which it earns revenue

and incurs expenses that relate to transactions with any of the Group's other components. Segments differ from one another in terms of risks and returns. Their results are reviewed regularly by the management to make decisions about resources to be allocated to a segment and assess the Group's performance.

The Group uses the following segments in the preparation and presentation of its financial statements:

- sales,
- energy and environmental solutions, and production.

s. Statement of cash flows

The section of the statement of cash flows referring to operating activities has been prepared using the indirect method based on data derived from the statement of financial position as at 31 December 2018 and 31 December 2019 and data derived from the statement of profit or loss for the period January to December 2019. Default interest paid and received in connection with operating receivables is allocated to cash flows from operating activities. Interest on loans, and dividends paid and received are allocated to cash flows from financing activities.

4. Significant accounting policies of the Company

Other than the accounting policies relating to standards that entered into force on 1 January 2019 (IFRS 16), the Company applied the accounting policies set out below consistently to all periods presented in these financial statements. The Company has been using the accounting policies linked to the said standard since 1 January 2019.

a. Foreign currency translation

Transactions in foreign currencies are translated to the functional currency at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Foreign exchange gains or losses are the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in a foreign currency and measured at historical cost are translated to the functional currency using the exchange rate at the date of the transaction. Foreign exchange differences are recognised in profit or loss.

b. Investments in subsidiaries

In the Company's financial statements, investments in subsidiaries are accounted for at cost. The Company recognises income from an investment only to the extent that it

originates from a distribution of accumulated profits of the investee arising after the date of acquisition.

The impairment of financial assets is detailed in Point k1.

c. Investments in associates and jointly controlled entities

The Company measures investments in associates and jointly controlled entities at cost.

The impairment of financial assets is detailed in Point k1.

d. Financial assets

The Company's financial assets include cash and cash equivalents, receivables and loans, and investments. The Company's investments include investments in jointly controlled entities, investments in associates and investments in financial instruments. The accounting policies for investments in subsidiaries, jointly controlled entities and associates are presented in Points b and c.

The Company initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Upon initial recognition, the Company's financial instruments are classified into one of the following categories: financial assets measured at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The classification depends on the selected asset management business model and on whether the Company's contractual cash flows from financial instruments are solely payments of principal and interest on the principal amount outstanding. With the exception of operating receivables that do not have a significant financing component, the Company's financial assets are upon initial recognition measured at fair value plus transaction costs. Operating receivables that do not have a significant financing component are measured at transaction price determined according to the provisions of IFRS 15. See Revenue from contracts with customers, Point n of the accounting policies.

The impairment of financial assets is detailed in Point k1.

d1. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits with maturities of three months or less, and other current and highly liquid investments with original maturities of three months or less.

d2. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss and financial assets to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Financial assets that generate cash flows and are not solely payments of principal and interest are classified and measured at fair value through profit or loss irrespective of the business model.

In the statement of financial position, financial assets at fair value through profit or loss are measured at fair value, including net changes therein which are recognised in profit or loss.

This category also includes derivatives and listed equity investments which the Company had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the Company's right of payment has been established.

d3. Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets at fair value through other comprehensive income that have the nature of a debt instrument are the financial assets held by the Company under its business model for collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, and for sale.

The Company's debt instruments at fair value through other comprehensive income comprise listed bond investments that are recognised under other non-current investments.

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange differences and impairment losses or reversals are recognised in the statement of profit or loss and accounted for in the same manner as financial assets at amortised cost. The remaining fair value changes are recognised in the statement of other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

d4. Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income that have the nature of an equity instrument are the financial assets that meet the definition of equity under IAS 32 Financial Instruments for which the Company elected to classify them irrevocably as equity instruments designated at fair value through other comprehensive income and

which are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the Company's right of payment has been established.

The Company elected to classify irrevocably its non-listed equity investments under this category.

d5. Financial assets at amortised cost

The Company's financial assets at amortised cost include financial assets held under its business model in order to collect contractual cash flows when the cash flows are solely payments of principal and interest on the principal amount outstanding. The Company's financial assets at amortised cost include loans, receivables and non-listed debt securities. Depending on their maturity, they are classified as current financial assets (maturity of up to 12 months from the date of the statement of financial position) or non-current financial assets (maturity of more than 12 months from the date of the statement of financial position).

Financial assets measured at amortised cost are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in profit or loss when reversed, changed or impaired.

d6. Financial liabilities

The Company's financial liabilities include liabilities arising from debt securities issued and loans received. Upon initial recognition, they are classified as financial liabilities at fair value through profit or loss, loans received or operating liabilities. The Company initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date, or when the Company becomes a party to the contractual provisions of the instrument. Except for the loans received, all financial liabilities are initially recognised at fair value. The loans received are measured at amortised cost using the effective interest rate method. Depending on their maturity, they are classified as current financial liabilities (maturity of up to 12 months from the date of the statement of financial position) or non-current financial liabilities (maturity of more than 12 months from the date of the statement of financial position). Upon the derecognition of a financial liability and amortisation using the effective interest rate method, all gains or losses are recognised in the statement of profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

d7. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value. Attributable transaction costs are recognised in

profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

- When a derivative is designated as a hedging instrument in the hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income for the period and presented in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised directly in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting or the hedging instrument is sold, terminated or exercised, then the Company is expected to discontinue hedge accounting. The cumulative gain or loss recognised in other comprehensive income remains presented in the hedging reserve as long as the forecast transaction does not affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period in which the hedged item affects profit or loss.
- The effects of other derivatives not designated as a hedging instrument in the hedge of the variability in cash flows or not attributable to a particular risk associated with a recognised asset or liability are recognised in profit or loss.

The Company uses the following derivative financial instruments:

Forward contracts

The Company purchases petroleum products in US dollars, but sells them primarily in euros. Because purchases and sales are made in different currencies, mismatches occur between purchase and selling prices that are hedged against using forward contracts.

The fair value of forward contracts at the date of the statement of financial position is determined by means of publicly available information about the value of forward contracts in a regulated market on the reporting date for all outstanding contracts. Gains and losses are recognised in profit or loss as other income or expenses.

Commodity derivative financial instruments

When petroleum products and electricity are purchased or sold, mismatches occur between purchase and selling prices that are hedged against using commodity derivatives.

The fair value of outstanding commodity derivatives as at the date of the statement of financial position is determined using publicly available information about the market value of commodity derivatives as at the date of the statement of financial position as issued by relevant institutions. Gains and losses are recognised in profit or loss as other income or expenses.

Interest rate swaps and collars

Interest rates on loans received are exposed to a risk of interest rate fluctuations which is hedged against using interest rate swaps and collars. The fair value of outstanding interest rate swaps and collars at the date of the statement of financial position is determined by discounting future cash flows arising as a result of a variable interest rate (interest proceeds from a swap) and a fixed interest rate (payment of interest on a swap). When an interest rate swap is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a recognised asset or liability or a forecast transaction, the effective portion of the gain or loss on the instrument is recognised directly in comprehensive income. The ineffective portion of the gain or loss on the instrument is recognised in profit or loss as other finance income or expense.

Commodity forward contracts

Under IFRS 9, commodity forward contracts the purpose of which is not physical purchase or delivery of goods, their fulfilment leading to physical settlement only, are treated as a financial instrument and are recognised and measured in accordance with IFRS 9.

Forward purchase and sale transactions concluded to ensure physical settlement of goods are treated outside the scope of IFRS 9 when the contract comprising those transactions is treated as being part of the ordinary course of business to ensure physical delivery of goods, provided that the following conditions are met:

- physical delivery of goods takes place based on the contract,
- the quantities sold or purchased are consistent with the Company's business needs,
- the contract is binding and cannot be considered as optional.

As commodity forward contracts do not meet the above conditions, the Company treats them as financial instruments. In the financial statements, revenue from the sale of goods and the cost of goods sold arising from commodity forward transactions are recognised at fair value. Outstanding commodity forward contracts are restated to fair value at each balance-sheet date, and the effects of their restatement to fair value are recognised in the statement of profit or loss as other operating revenue or expenses.

e. Equity

Called-up capital

The called-up capital of the company Petrol d.d., Ljubljana takes the form of share capital, the amount of which is defined in the Company's articles of association. It is registered with the Court and paid up by owners. Dividends on ordinary shares are recognised as a liability in the period in which they were approved by the General Meeting.

Legal reserves

Legal reserves comprise shares of profit from previous years that have been retained for a dedicated purpose, mainly for offsetting eventual future losses.

Fair value reserve

The fair value reserve comprises the effect of the absorption of Instalacija d.o.o. in 2013, the effects of valuing financial assets at fair value through other comprehensive income and actuarial gains and losses related to the provisions for employee post-employment and other long-term benefits.

Hedging reserve

The hedging reserve comprises the effect of changes in the fair value of derivative financial instruments designated as effective in hedging against the variability in cash flows.

Reserves for own shares

If the Company acquires an ownership interest, the amount paid, including transaction costs less tax, is deducted from total equity in the form of own shares until such shares are cancelled, reissued or sold. If own shares are later sold or reissued, the consideration received is included in capital surplus net of transaction costs and related tax effects.

f. Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary by the Company is determined by adopting the value of goodwill that had been recognised at the Group level as a result of this business combination. As the acquisition takes place, the difference between the net assets of the acquired company plus goodwill recognised at the Group level and the investment in the acquiree is determined. The difference is recognised in equity in such a way that equity components which are not eliminated by the Group when consolidating the subsidiary but exist in its records before the business combination takes place are recognised in other revenue reserves, with the remaining difference being recognised in the fair value reserve.

Subsequent to initial recognition, the Company checks annually for factors which could adversely affect the future cash flows of a cash-generating unit acquired in a business combination. In the financial statements, a decrease in the value of a cash-generating unit is recognised as the impairment of goodwill or of the assets of a cash-generating unit. It is charged to current profit or loss.

Goodwill is measured at cost less any accumulated impairment losses.

Right to use concession infrastructure

The Company recognises an intangible non-current asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible non-current asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible non-current asset is measured at cost less accumulated amortisation and any accumulated impairment losses. The life of the right is linked to the duration of the concession agreement.

Development of software solutions

Development of software solutions involves the design and production of new or substantially improved software applications. The Company capitalises the costs of developing software solutions to the extent that the following conditions are met: the costs can be measured reliably, the development of a software solution is technically and commercially feasible, future economic benefits are probable, the Company has sufficient resources to complete development and intends to use the software solution. The capitalised costs of developing software solutions include direct labour costs and other costs that are directly attributable to preparing the asset for its intended use.

Other intangible assets

Other intangible fixed assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Borrowing costs directly attributable to the acquisition or production of a qualifying asset are recognised as part of the cost of that asset. Intangible fixed assets are subsequently measured using the cost model. In addition to goodwill and rights arising from concessions for the construction of gas networks and distribution of natural gas, which are described below, intangible fixed assets comprise mostly software.

Subsequent expenditure

Subsequent expenditure relating to intangible assets is recognised in the carrying amount of that asset if it is probable that the future economic benefits embodied within the part of this asset will flow to the Company and the cost can be measured reliably. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated on a straight-line basis, taking into account the useful life of intangible fixed assets. Amortisation begins when the asset is available for use.

The amortisation rates based on the estimated useful lives for the current and comparative years are as follows:

(in %)	2019	2018
Right to use concession infrastructure	2.00–20.00 %	2.00–20.00 %
Material and other rights	10.00–33.33 %	10.00–33.33 %
Other rights	3.33–20.00 %	3.33–20.00 %

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The impairment of assets is detailed in Point k2.

g. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land, which is

measured at cost less accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Parts of an item of property, plant and equipment having different useful lives are accounted for as separate items of property, plant and equipment. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. Items of property, plant and equipment are subsequently measured using the cost model.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of that asset if it is probable that the future economic benefits embodied within the part of this asset will flow to the Company and the cost can be measured reliably. All other expenditure (e.g. day-to-day servicing) is recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated on a straight-line basis, taking into account the useful life of each part (component) of an item of property, plant and equipment. Leased assets are depreciated by taking into account the lease term and their useful lives. Land is not depreciated. Depreciation begins when the asset is available for use. Construction work in progress is not depreciated.

The depreciation rates based on the estimated useful lives for the current and comparative periods are as follows:

(in %)	2019	2018
Buildings:		
Buildings at service stations	2.50–10.00 %	2.50–10.00 %
Above-ground and underground reservoirs	2.85–50.00 %	2.85–50.00 %
Underground service paths at service stations	5.00–14.30 %	5.00–14.30 %
Other buildings	1.43–50.00 %	1.43–50.00 %
Equipment:		
Mechanical and electronic equipment for maintenance of other equipment	10.00–25.00 %	10.00–25.00 %
Gas station equipment	3.33–20.00 %	3.33–20.00 %
Pumping equipment at service stations	5.00–25.00 %	5.00–25.00 %
Motor vehicles	10.00–25.00 %	10.00–25.00 %
Freight cars, rail tankers	25.00 %	25.00 %
Computer hardware	15.00–25.00 %	15.00–25.00 %
Office equipment, furniture	6.70–16.10 %	6.70–16.10 %
Small tools:	33.33 %	33.33 %
Environmental fixed assets:	4.00–25.00 %	4.00–25.00 %

Residual values and useful lives of an asset are reviewed annually and adjusted if necessary.

Gains and losses on disposal or elimination are determined by comparing the proceeds from disposal with the carrying amount. Gains and losses on disposal are recognised in

profit or loss. Available-for-sale items of property, plant and equipment are presented separately from other assets and are not depreciated in the year of the disposal.

The impairment of assets is detailed in Point k2.

Environmental fixed assets

Environmental tangible fixed assets acquired under the scheme for the creation and use of revenue deferred for the purpose of environmental rehabilitation are carried and presented separately. More information about deferred revenue relating to environmental fixed assets is available in Point m.

h. Investment property

Investment property is property held by the Company either to earn rental income or for capital appreciation or for both. It is measured at cost less accumulated depreciation and accumulated impairment losses. Investment property is measured using the cost model. The depreciation method and rates are the same as for other tangible assets. The impairment of assets is detailed in Point k2.

i. Leases

The Company holds various items of business property (land, business premises and buildings), equipment and cars under a lease. Lease conditions are subject to negotiation on a case-by-case basis and vary depending on the term and type of a lease. The Company assesses at contract inception whether a contract is, or contains, a lease. That is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company determines the lease term based on the non-cancellable period of a lease, taking into account the period covered by an option to extend the lease and the period covered by an option to terminate the lease. The Company also assesses the probability of the above options.

The term of a lease depends on the type of the leased asset and range:

- from 5 to 50 years for land,
- from 5 to 20 years for business premises and buildings,
- from 1 to 10 years for equipment,
- from 3 to 6 years for cars.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. With regard to the leases of low-value assets and short-term leases, the Company records lease payments as an expense for the period to which a lease relates.

For all other leases, the Company has recognised lease liabilities and right-of-use assets.

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are

measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised initially, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The depreciation rates of right-of-use assets are as follows:

(in %)	2019
Rights of use	
- lands	35.00–80.00 %
- buildings	5.00–50.00 %
- equipment	30.00–60.00 %
- motor vehicles	20.00–33.00 %

If ownership of the leased asset transfers to the Company at the end of the lease term or the Company exercises a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Point k) Impairment of assets.

Lease liabilities are recognised at the present value of lease payments to be made over the lease term, which corresponds to a discounted value of lease payments to be paid by the Company over the lease term under the lease contract while also taking into account the Group's borrowing rate. The lease payments include fixed payments, less any lease incentives receivables, and variable lease payments. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company has recognised its lease liabilities in item lease liabilities, as disclosed in Point e.

At lease inception, lease liabilities correspond to the value of right-of-use assets and begin to decrease as lease payments are made, with the value of right-of-use assets decreasing in line with the depreciation charge over the lease

term. Depreciation rates are estimated by taking into account the term of a lease. Interest expense is charged to finance expenses for the period.

Short-term leases and leases of low-value assets

The Company applies the exemption to short-term lease recognition (i.e. to leases that have a lease term of 12 months or less and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. The Company recognises lease payments on short-term leases and leases of low-value assets as expense on a straight-line basis over the lease term.

j. Inventories

Inventories of merchandise and materials are measured at the lower of cost and net realisable value.

The cost is made up of the purchase price, import duties and direct costs of purchase. Any discounts are subtracted from the purchase price. Direct costs of purchase include transportation costs, costs of loading, transshipment and unloading, transport insurance costs, goods tracking costs, costs of agency arrangements, other similar costs incurred before initial storage and borne by the purchaser as well as non-refundable duties. Discounts on purchase prices include discounts indicated on invoices and subsequently obtained discounts relating to a specific purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company checks the net realisable value of inventories at the statement of financial position date. When this value is lower than their carrying amount, inventories are impaired. Damaged, expired and unusable inventories are written off regularly during the year on an item by item basis.

The moving average price method is used to assess the use of inventories.

k. Impairment

k1. Financial assets

In accordance with IFRS 9, the Company made a transition from the incurred loss model to the expected loss model based on which the Company recognises not only incurred losses but also expected future losses.

A financial asset is impaired if objective evidence indicates that one or more loss events have occurred that had a negative effect on the estimated future cash flows of that asset and this can be measured reliably.

Objective evidence that financial assets are impaired include default or delinquency by a debtor, restructuring of an amount due to the Company for which the Company granted its approval, indications that a debtor will enter bankruptcy, and the disappearance of an active market for an instrument. For an investment in an equity security, a significant or prolonged decline in its fair value below its

cost is objective evidence of impairment.

Impairment of receivables and of loans granted

The Company considers evidence of impairment for receivables individually or collectively. All significant receivables are assessed individually for specific impairment. If it is assessed that the carrying amount of receivables exceeds their fair value, i.e. the collectible amount, the receivables are impaired. Receivables for which it is assumed they will not be settled by the original date of payment or up to their full amount are deemed doubtful; should court proceedings be initiated, they are deemed disputed.

Impairment assessment is based on expected credit losses (ECLs) linked to a default on receivables and loans that is possible within the next 12 months, unless there has been a significant increase in credit risk since initial recognition. In such case, the impairment assessment is determined based on the probability of default over the lifetime of the financial asset (LECL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The expected cash flows will include cash flows from the sale of collateral.

Impairments for ECLs are assessed in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, impairments for ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the Company recognises a loss allowance for losses expected over the remaining life of the exposure, irrespective of the timing of the default.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. Receivables are grouped together by age. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

The Company considers a financial asset to be in default when contractual payments are 60 days past due. However, in certain cases the Company may also consider the credit risk to be higher when information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering contractual cash flows.

According to the categorisation of the statement of profit or loss laid down by the Companies Act, the creation and reversal of loss allowances as well as written-off receivables subsequently collected fall under operating revenue

or expenses. The Company deems the categorisation of these items as either finance income or expense to be more appropriate, since operating receivables are carried as non-derivative financial assets.

The Company evaluates evidence about the impairment of loans individually for each significant loan.

Impairment of financial assets at fair value through other comprehensive income

Impairment losses on financial assets at fair value through other comprehensive income are recognised by transferring any cumulative loss that has been previously recognised in other comprehensive income for the period and presented in the fair value reserve to profit or loss. Any subsequent increase in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income for the period or in the fair value reserve.

Debt instruments at fair value through other comprehensive income consist solely of listed sovereign bonds classified as low credit risk investments. Under the policy selected, the Company measures expected credit losses on such instruments on a yearly basis. When there has been a significant increase in credit risk since recognition, the Company recognises a loss allowance based on the lifetime expected credit losses.

Impairment of investments in subsidiaries

If a loss made by a subsidiary requires the investment to be impaired, the impairment loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows.

k2. Non-financial assets

The Company reviews at each reporting date the carrying amounts of significant non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The impairment of an asset or a cash generating unit is recognised if its carrying amount exceeds its recoverable amount. Impairment is recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of the reporting period for any indications that the loss has decreased or no longer exists. An

impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised in previous years.

I. Provisions

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provisions is determined as the present value of payments that the Company will be expected to make based on the contracts it has concluded and applicable legislation. To determine the amount, the Company relies on actuarial methods and on opinions provided by legal experts.

Significant provisions include:

Provisions for employee post-employment and other long-term benefits

Pursuant to the law, the collective agreement and internal rules, the Company is obligated to pay its employees jubilee benefits and post-employment benefits on retirement, for which it has established long-term provisions. Other obligations related to employee post-employment benefits do not exist. The provisions amount to estimated future payments for post-employment benefits on retirement and jubilee benefits discounted to the end of the reporting period. The calculation is made separately for each employee by taking into account the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement. The calculation using the projected unit credit method is performed by a certified actuary. Post-employment benefits on retirement and jubilee benefits are charged against the provisions created.

Labour costs and costs of interest are recognised in the statement of profit or loss, whereas the adjustment of post-employment benefits or unrealised actuarial gains or losses arising from post-employment benefits are recognised in other comprehensive income.

Provisions for employee post-employment and other long-term benefits at third-party managed service stations

The business cooperation agreements entered into by the Company with service station managers stipulate that the rights of employees at third-party managed service stations to jubilee benefits and post-employment benefits on retirement are equal to the rights of the Company's employees. The contractual obligation of the Company to reimburse the costs arising from such rights to employees at third-party managed service stations represents the basis for recognition of long-term provisions. The provisions amount to estimated future payments for post-employment benefits on retirement and jubilee benefits discounted to the end of the

reporting period. The obligation is calculated separately for each employee at a third-party managed service station by estimating the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement. The calculation using the projected unit credit method is performed by a certified actuary. Reimbursed costs arising from post-employment benefits on retirement and jubilee benefits are charged against the provisions created.

Labour costs and costs of interest are recognised in the statement of profit or loss, whereas the adjustment of post-employment benefits or unrealised actuarial gains or losses arising from post-employment benefits are recognised in other comprehensive income.

Provisions for lawsuits

There are several lawsuits that have been filed against the Company, for which the potential need for provisions is estimated on an ongoing basis. Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are not disclosed in the financial statements because their actual existence will only be confirmed by the occurrence or non-occurrence of events in unforeseeable future, which is beyond the Company's control. The Company's management regularly checks if an outflow of economic benefits is probable to settle contingent liabilities. If it becomes probable, the contingent liability is restated and provisions are created for it in the financial statements as soon as the level of probability changes.

Provisions for onerous contracts

The Company creates provisions for onerous contracts when the market situation causes the costs of meeting contractual obligations to exceed the expected economic benefit of long-term contracts.

The Company determines the amount of the provisions based on estimated economic benefits and the costs of services under long-term contracts for the leasing of capacities, taking into account the utilisation rate of transmission capacities. The provisions created by the Company for long-term contracts for the leasing of transmission and storage capacities cover the entire contract period.

The provisions are determined based on estimated purchasing and selling price levels and quantities, taking into account the costs to sell and general and administrative costs.

m. Long-term deferred revenue

Government and other subsidies received to cover costs are recognised strictly as revenue over the periods in which the costs that they are intended to compensate are incurred. Other income is recognised when it can be reasonably expected it will result in receipts.

Long-term deferred revenue

Long-term deferred revenue comprises deferred revenue from funds granted for the environmental rehabilitation of service stations, road tankers and storage facilities. Environmental assets, presented as part of the Company's property, plant and equipment items, were approved by means of a decision of the Ministry of the Environment and Spatial Planning as part of the ownership transformation of the company Petrol d.d., Ljubljana and were recognised as such in the opening financial statements of Petrol d.d., Ljubljana as at 1 January 1993 that were prepared in accordance with the regulations governing the ownership transformation of companies. Deferred revenue is restated under revenue in proportion to the depreciation of environmental fixed assets. A portion of deferred revenue attributable to the period under 12 months is moved to current deferred revenue.

n. Revenue from contracts with customers

Revenue from contracts with customers is recognised once control of goods or services is transferred to a customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for such goods or services. Revenue from contracts with customers is recognised at the fair value of the consideration received or receivable, net of returns and discounts, trade discounts and volume rebates. Revenue is recorded when the customer obtains control of the goods or benefits from the services rendered.

Revenue is recognised as follows:

Sale of goods

A sale of goods is recognised when the Company delivers goods to a customer, the customer accepts the goods, and the collectability of the related receivables is reasonably assured. As of the sale, the Company no longer has control of the goods or services sold. Revenue from the sale of goods does not include duties paid upon the purchase and duties paid upon the sale of goods.

Gains on commodity forward contracts are also recognised as revenue from the sale of goods.

Sale of services

A sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of the transaction assessed on the basis of the actual service provided as a proportion of total services to be provided.

For long-term projects, the revenue from services rendered is recognised based on the stage of completion as at the balance sheet date. Under this method, the revenue is recognised in the accounting period in which the services are rendered.

Loyalty scheme

The Company offers Petrol Club card holders certain discounts on their purchases at service stations or on the

supply of gas and electricity, based on the points collected from their previous purchases. As some of the discounts can be used in the following year, the Company defers them to match its revenue with the expenses incurred to generate the revenue.

Instalment sales

In instalment sales, the Company recognises separately revenue from the sale of goods and finance income deferred over the entire contract term. Finance income to total purchase price ratio is assessed based on discounted future cash flows flowing to the Company based on the sale.

Sale in the name and for the account of third parties

The Group has entered into contracts with customers for the sale of merchandise in the name and on behalf of suppliers. Based on these contracts, the Company delivers goods to customers, receiving in exchange the difference between the final selling price and the cost negotiated in advance. The difference is recognised as sales revenue.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. The Company's contract assets include accrued revenue from goods and services delivered to customers.

Trade receivables

A receivable is the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). See accounting policies on the recognition of financial assets in the section Financial assets.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration. The Company's liabilities arising from contracts with customers include the liabilities from collaterals received, the loyalty scheme and granted discounts. Contract liabilities are recognised as revenue when the Company satisfies its performance obligation.

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration estimated by the Company at contract inception as constrained remains constrained until it is highly probable that a significant revenue reversal in the amount of revenue recognised will not occur. Variable consideration refers to volume rebates granted to customers.

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Company applies the

most likely amount method for contracts with the expected value method. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

o. Finance income and expenses

Finance income comprises interest income on financial assets, gains on the disposal of financial assets at fair value through other comprehensive income, written-off or impaired receivables subsequently collected, changes in the fair value of financial assets at fair value through profit or loss, foreign exchange gains and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues using the effective interest method.

Dividend income is recognised in the Company's statement of profit or loss on the date that a shareholder's right to receive payment is established. If the fair value of net assets acquired in a merger by absorption exceeds the carrying amount of the investment in the absorbed company, the difference is carried as finance income for the period in which the absorption took place.

Finance expenses comprise borrowing costs (unless capitalised), foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, loss allowances for receivables and losses on hedging instruments that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

p. Taxes

Taxes comprise current tax and deferred tax liabilities. Taxes are recognised in profit or loss except to the extent that they relate to business combinations or items recognised directly in other comprehensive income.

Current tax liabilities are based on the taxable profit for the year. Taxable profit differs from the net profit reported in the statement of profit or loss as it excludes revenue and expense items taxable or deductible in other years and other items that are never subject to taxation or deduction. The Company's current tax liabilities are calculated using the tax rates effective on the reporting date.

Deferred tax is accounted for in its entirety using the statement of financial position liability method for temporary differences between the tax base of assets and liabilities and their carrying amounts in the Company's separate financial statements. Deferred tax is determined using the tax rates (and laws) that are expected to apply when a deferred tax asset is realised or a deferred tax liability is settled.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised in the future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

q. Determination of fair value

A number of the Company's accounting policies require the determination of fair value of both financial and non-financial assets and liabilities, either for measurement of individual assets (measurement method or business combination) or for additional fair value disclosure.

Fair value is the amount for which an asset could be sold or a liability exchanged between knowledgeable, willing parties in an arm's length transaction. The Company determines the fair value of financial instruments by taking into account the following fair value hierarchy:

- Level 1 comprises quoted prices in active markets for identical assets or liabilities;
- Level 2 comprises values other than quoted prices included within Level 1 that are observable either directly (prices for identical or similar assets or liabilities in markets that are less active or inactive) or indirectly (e.g. values derived from quoted prices in an active market, based on interest rates and yield curves, implied volatilities and credit spreads);
- Level 3 comprises inputs for the asset or liability that are not based on observable market data. Unobservable inputs need to reflect the assumptions that market participants would use when determining a price for the asset or liability, including risk assumptions.

The Company uses quoted prices as the basis for the fair value of financial instruments. If a financial instrument is not quoted on a regulated market or the market is considered as inactive, the Company uses Level 2 and Level 3 inputs to determine the fair value of a financial instrument. Where applicable, further information about the assumptions made when determining fair values is disclosed in the notes specific to that asset or liability of the Company.

The methods of determining the fair values of individual groups of assets for measurement or reporting purposes are described below.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of business combinations is the same as their market value. The market value of property is the estimated amount for which a property could be sold on the date of valuation and after proper marketing. The market value of equipment is based on market prices for similar items.

Investment property

The value of investment property is assessed by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks is included in the property valuation based on discounted net annual cash flows.

Inventories

The fair value of inventories acquired in business combinations is determined based on their expected selling price in the ordinary course of business less the estimated costs of sale.

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined by reference to the above fair value hierarchy for financial instruments.

Investments in associates and jointly controlled entities

The fair value of investments in associates and jointly controlled entities is determined by reference to the above fair value hierarchy for financial instruments. The methods of determining the value of and input assumptions for each investment are specifically presented in disclosures.

Receivables and loans granted

The fair value of receivables and loans is calculated as the present value of future cash flows, discounted at the market rate of interest at the end of the reporting period. The estimate takes into account the credit risk associated with these financial assets.

Derivative financial instruments

- The fair value of forward contracts equals their market price at the reporting date.
- The fair value of interest rate swaps at the reporting date is assessed by discounting future cash flows arising from the variable interest rate (interest received from a swap) and the fixed interest rate (interest paid under a swap).
- The fair value of commodity derivatives equals their market price as at the reporting date, which is determined using publicly available information about the market value of commodity derivatives as at the date of the statement of financial position as issued by relevant institutions.

Non-derivative financial liabilities

For reporting purposes, fair value is calculated using the present value of future payments of the principal and interest, discounted at the market rate of interest at the end of the reporting period.

r. Earnings per share

The Company presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share are

calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares during the period. Diluted earnings per share are calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares during the period for the effects of all potential ordinary shares, which comprise convertible bonds and share options granted to employees. Because the Company has no convertible bonds or share options granted to employees, its basic earnings per share are the same as its diluted earnings per share.

s. Statement of cash flows

The section of the statement of cash flows referring to operating activities has been prepared using the indirect method based on data derived from the statement of financial position as at 31 December 2018 and 31 December 2019 and data derived from the statement of profit or loss for the period January to December 2019. Default interest paid and received in connection with operating receivables is allocated to cash flows from operating activities. Interest on loans, and dividends paid and received are allocated to cash flows from financing activities.

New standards and interpretations adopted but not yet effective

The standards and interpretations disclosed below have been issued but were not yet effective up to the date of issuance of the consolidated/separate financial statements or endorsed by the European Union. The Group/Company intends to adopt these standards and interpretations, if applicable, in the preparation of its financial statements when they become effective. The Group/Company did not early adopt any of the standards.

New standards and interpretations not yet adopted by the European Union

Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current

The amendments aim to help entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current, thus ensuring greater consistency in meeting the requirements. The amendments affect the presentation of liabilities in the statement of financial position, but do not change existing requirements concerning measurement and the period for which assets, liabilities, revenue, expenses and information disclosed by an entity with regard to those items are recognised. The amendments also clarify requirements regarding the classification of debt that an entity might settle by issuing its own equity instruments.

The amendments are effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements or the Company's separate financial statements

Amendments to IFRS 3 Business Combinations

The IASB issued amendments in relation to the definition of a business (amendments to IFRS 3) aimed at resolving the uncertainty that arises when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date falls within the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

The Group/Company is currently assessing the impact of the amendments and plans to adopt them on the required effective date.

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

The amendments address the known inconsistency between the requirements of IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that an entity recognises the gain or loss in full when a transaction includes a business (irrespective of whether the business is housed in a subsidiary or not). For transactions involving assets that do not constitute a business, the gain or loss is recognised only partially, even if the assets are housed in a subsidiary. In December 2015, the IASB deferred the effective date indefinitely until the research project on the equity method has been concluded. The amendments have not yet been endorsed by the European Union.

These amendments are not expected to have any impact on the Group's consolidated financial statements or the Company's separate financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform

As part of the final phase of working on a response to the effects of the IBOR reform on companies' financial reporting, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019. In the second phase of the project, the IASB will focus on issues which might affect financial reporting when an entity replaces an existing interest rate benchmark with a risk-free rate. The amendments address issues which have an impact on financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and the resulting implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require a forward-looking analysis. Entities may use a temporary relief which applies to all hedging relationships that are directly affected by the interest rate benchmark reform

and continue hedge accounting during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. Amendments to IFRS 7 Financial Instruments: Disclosures concern additional disclosures around uncertainty arising from the interest rate benchmark reform.

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted.

These amendments are not expected to have any impact on the Group's consolidated financial statements or the Company's separate financial statements.

Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The Group/Company is currently assessing the impact of the conceptual framework and plans to adopt it on the required effective date.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'

The amendments clarify the definition of 'material' and how it should be applied. The new definition states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of 'material' is consistent across all IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2020. Earlier application is permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements or the Company's separate financial statements

Amendments to IFRS 3: Business Combinations

The IASB issued amendments in relation to the definition of a business (amendments to IFRS 3) aimed at resolving the uncertainty that arises when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date falls within the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The amendments have not yet been endorsed by the European Union.

The amendments are not expected to have a material impact on the Group's consolidated financial statements or the Company's separate financial statements.

5. Segment reporting

In view of the fact that the financial report consists of the financial statements and accompanying notes of both the Group and the Company, only the Group's operating segments are disclosed.

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses that relate to transactions with any of the Group's other components. The results of operating segments are reviewed regularly by the management to make decisions about resources to be allocated to a segment and assess the Group's performance.

The management monitors information on two levels: on the micro level, in which case individual units are monitored, and on the macro level, where only certain key information is monitored that can be used to make comparisons with similar companies in Europe. Given the substantial amount of information and their sensitivity on the micro level, the Group only discloses macro-level information in the annual report.

Since 2016, the Group/Company has been using the following segments in the preparation and presentation of the financial statements:

- sales,
- energy and environmental solutions, and production.

Sales consist of:

- sales of petroleum products,
- sales of merchandise and services,
- sales of liquefied petroleum gas,
- sales of and trading in electricity and natural gas.

Energy and environmental solutions and production consist of:

- energy and environmental solutions for the public and the commercial sector,
- energy solutions in industry and apartment buildings,
- distribution of natural gas,
- production of renewable electricity.

The Group's operating segments in 2018:

(in EUR)	Sales	Energy and environmental solutions and production	Total	Statement of profit or loss/Statement of financial position
Sales revenue	4,773,031,152	68,023,146	4,841,054,298	
Revenue from subsidiaries	(522,851,575)	(73,874)	(522,925,449)	
Sales revenue	4,250,179,577	67,949,272	4,318,128,849	4,318,128,849
Net profit for the year	83,630,414	8,206,694	91,837,108	91,837,108
Interest income*	2,889,802	1,104,137	3,993,939	3,993,939
Interest expense*	(7,242,930)	(2,767,383)	(10,010,313)	(10,010,313)
Depreciation of property, plant and equipment, depreciation of investment property, amortisation of intangible assets	(37,690,737)	(15,022,349)	(52,713,086)	(52,713,086)
Share of profit or loss of equity accounted investees	0	1,943,777	1,943,777	1,943,777
Total assets	1,468,813,418	262,002,274	1,730,815,692	1,730,815,692
Equity accounted investees	1,077,837	51,614,436	52,692,273	52,692,273
Property, plant and equipment, intangible assets and investment property	658,401,388	200,359,783	858,761,171	858,761,171
Other assets	809,334,193	10,028,055	819,362,248	819,362,248
Current and non-current operating and financial liabilities	749,249,406	132,641,400	881,890,806	881,890,806

* Interest income and expense are estimated based on a segment's share of investments and assets in total investments and assets.

The Group's operating segments in 2019:

(in EUR)	Sales	Energy and environmental solutions and production	Total	Statement of profit or loss/Statement of financial position
Sales revenue	4,800,031,731	71,785,484	4,871,817,215	
Revenue from subsidiaries	(495,901,577)	(31,619)	(495,933,196)	
Sales revenue	4,304,130,154	71,753,865	4,375,884,019	4,375,884,019
Net profit for the year	44,098,099	61,119,524	105,217,623	105,217,623
Interest income*	2,657,815	1,017,381	3,675,196	3,675,196
Interest expense*	(7,568,273)	(2,897,048)	(10,465,321)	(10,465,321)
Depreciation of property, plant and equipment, depreciation of investment property, amortisation of intangible assets	(52,222,369)	(16,664,301)	(68,886,670)	(68,886,670)
Share of profit or loss of equity accounted investees	0	2,548,605	2,548,605	2,548,605
Total assets	1,555,758,466	303,835,463	1,859,593,929	1,859,593,929
Equity accounted investees	0	55,265,880	55,265,880	55,265,880
Property, plant and equipment, intangible assets and investment property	760,274,522	235,758,442	996,032,964	996,032,964
Other assets	795,483,944	12,811,141	808,295,085	808,295,085
Current and non-current operating and financial liabilities	796,829,540	155,618,676	952,448,216	952,448,216

* Interest income and expense are estimated based on a segment's share of investments and assets in total investments and assets.

Additional information about geographic areas in which the Group operates:

(in EUR)	Sales revenue		Total assets		Net capital expenditure	
	2019	2018	2019	2018	2019	2018
Slovenia	1,840,658,968	2,015,153,684	1,232,790,538	1,209,353,385	68,950,119	68,943,768
Croatia	605,841,781	641,099,826	343,225,945	269,051,694	35,285,760	12,755,774
Austria	257,543,397	205,119,086	7,692,222	9,540,835	0	0
Romania	198,739,667	182,062,719	549,530	563,628	0	0
Bosnia and Herzegovina	167,073,315	162,243,828	89,616,978	82,445,685	6,949,365	812,588
Serbia	98,253,474	92,034,568	81,087,894	66,874,977	6,462,849	2,192,108
Montenegro	35,961,573	38,666,107	35,372,559	28,963,227	6,741,511	1,699,604
Macedonia	21,002,840	18,427,175	4,747,162	2,198,566	0	0
Other countries	1,150,809,004	963,321,856	11,212	14,185	0	154,554
	4,375,884,019	4,318,128,849	1,795,094,040	1,669,006,182	124,389,604	86,558,396
Jointly controlled entities			610,273	1,774,437		
Associates			54,655,607	50,917,836		
Unallocated assets			9,234,009	9,117,237		
Total assets			1,859,593,929	1,730,815,692		

For the purpose of presenting geographic areas, revenue generated in a particular area is determined based on the geographic location of customers, whereas the assets are determined based on the geographic location of assets.

Unallocated assets refer mainly to deferred tax assets.

6. Notes to individual items in the financial statements

6.1 Business combinations

a. Acquisitions

Crodux Plin d.o.o.

In October 2018, the Petrol Group concluded a contract with the company Crodux Plin, društvo s ograničenom odgovornošću za trgovinu i usluge, to acquire the rights and assets relating to gas sales in Croatia. The acquired rights and assets constitute an integrated set of business activities and are treated as an acquisition of a business, in accordance with IFRS 3. The conditions for recognising the assets in the Group's financial statements and for their control were fulfilled on 31 August 2019.

In the Group's statement of financial position, the assets as at 31 December 2019 are treated as intangible fixed assets, property, plant and equipment, and investments.

Goodwill arises from the retail distribution network and the company's gas sales contracts. On acquiring the controlling influence, the fair value of the acquired assets was assessed, based on which the Group was able to recognise the fair value of the assets in its consolidated financial statements. As set out in the contract, liabilities were not part of the acquisition. The fair value of intangible fixed assets and items of property, plant and equipment was assessed by external valuers based on the cost approach using the replacement cost method. Intangible fixed assets relate to an estimated value of contracts with customers, whereas items of property, plant and equipment relate to equipment and vehicles. The fair value of the Adria-Plin d.o.o. investment was determined based on an assessed value of the cash-generating unit. The value was assessed using

projected cash flows for the next 5-year period, normalised cash flow with a 2-percent growth rate and the discount rate of 9.5 percent after taxes.

In the four months following the acquisition of the assets, the resulting revenue of the Group stood at EUR 4,341,663. It is estimated that if control had been obtained on 1 January 2019, the Group's revenue would have been EUR 8,683,226 higher.

The statement of the acquired assets as at 31 August 2019, when the Group acquired controlling influence, is presented in the table:

(in EUR)	Fair value	Carrying amount
Investment in subsidiaries	307,080	87,824
Intangible assets	7,068,428	0
Property, plant and equipment	15,939,740	6,525,790
Assets	23,315,248	6,613,614
Amount paid	23,581,059	
Goodwill	265,811	

In the statement of cash flows, cash flows for the acquisition of a set of business activities are presented under cash flows from investing activities as payments for investments in subsidiaries, payments for intangible assets and payments for property, plant and equipment.

Adria-Plin d.o.o.

In October 2018, the Petrol Group concluded a contract with the company Crodux Plin, društvo s ograničenom odgovornošću za trgovinu i usluge, to acquire a 75-percent interest in the company Adria-Plin d.o.o., which distributes natural gas in Croatia. The conditions for recognising the assets in the Group's financial statements and for their control were fulfilled on 31 August 2019.

In the Company's statement of financial position and the Group's consolidated statement of financial position, Adria-Plin d.o.o. was treated as a subsidiary as at 31 December 2019. The financial statements of Adria-Plin d.o.o. are included in the Group's consolidated financial statements.

Goodwill arises from the retail distribution network and the company's gas sales contracts. On acquiring the controlling influence, the fair value of the acquired net assets was checked, based on which the Group was able to recognise the fair value of the net assets in its consolidated financial statements.

In the four months following the company's acquisition, the resulting revenue of the Group stood at EUR 620,239, with net profit amounting to EUR 11,641. If control had been obtained on 1 January 2019, the Group's revenue would have been EUR 1,288,582 higher and its net profit EUR 30,850 higher.

The statement of the acquired assets as at the day when the Group acquired controlling influence is presented in the table:

(in EUR)	Fair value	Carrying amount
Cash and cash equivalents	57,804	57,804
Intangible assets	26,351	26,351
Property, plant and equipment	62,594	62,594
Inventories	50,164	50,164
Financial receivables	11,107	11,107
Operating receivables	94,334	94,334
Corporate income tax assets	7,519	7,519
Prepayments and other assets	365	365
Assets	310,238	310,238
Operating liabilities	193,139	193,139
Liabilities	193,139	193,139
Net assets upon acquisition	117,099	117,099
Net assets upon acquisition of majority interest (75%)	87,824	87,824
Amount paid	307,080	-
Goodwill	219,254	-
Amount paid	307,080	-
Cash and cash equivalents	57,804	-
Net payment	249,276	-

Vjetroelektrana Ljubač d.o.o.

In December 2019, the Petrol Group entered into an amendment to the business cooperation agreement in order to acquire the remaining 50-percent interest in the company Vjetroelektrana Ljubač d.o.o., which produces and distributes electricity in Croatia. The conditions for recognising the assets in the Group's financial statements and for their control were fulfilled on 6 December 2019.

In the Company's statement of financial position and the Group's consolidated statement of financial position, Vjetroelektrana Ljubač d.o.o. was treated as a subsidiary as at 31 December 2019. The financial statements of Vjetroelektrana Ljubač d.o.o. are included in the Group's consolidated financial statements.

Goodwill arises mainly from project design documents, permits, measurements and other agreements on the construction of wind power plants.

On acquiring the controlling influence over Vjetroelektrana Ljubač d.o.o., the fair value of the acquired net assets was assessed by external valuers. Upon acquisition, the fair value of the interest in Vjetroelektrana Ljubač d.o.o. exceeded the fair net value of the acquired assets by EUR 2,609,885. The Group recognised the difference up to the fair value of the non-controlling interest as other finance income.

Upon the initial consolidation of Vjetroelektrana Ljubač d.o.o., the Group recognised the excess as goodwill in the statement of financial position.

STH Energy d.o.o.

In December 2019, the Petrol Group entered into a contract to acquire an 80-percent interest in the company STH Energy d.o.o., which produces and distributes electricity in Serbia. The conditions for recognising the assets in the Group's financial statements and for their control were fulfilled on 31 December 2019.

In the Company's statement of financial position and the Group's consolidated statement of financial position, STH Energy d.o.o. was treated as a subsidiary as at 31 December 2019. The financial statements of STH Energy d.o.o. are included in the Group's consolidated financial statements.

Goodwill arises mainly from project design documents, permits, measurements and other agreements on the construction of hydroelectric power plants. On acquiring the controlling influence over STH Energy d.o.o., the fair value of the acquired net assets was assessed. Upon acquisition, the fair value of the interest in STH Energy d.o.o. was the same as the net value of the acquired assets.

The acquisition of the controlling interest in STH Energy d.o.o. did not result in additional revenue for the Group. Because the company was not operating in 2019, control would not have affected the Group's profit or loss if it had been obtained on 1 January 2019.

The acquisition of the controlling interest in Vjetroelektrana Ljubač d.o.o. did not result in additional revenue for the Group. If control had been obtained on 1 January 2019, the Group's net profit would have been EUR 8,261 lower.

The statement of the acquired assets as at the day when the Group acquired controlling influence is presented in the table:

(in EUR)	Fair value	Carrying amount
Cash and cash equivalents	18,866	18,866
Property, plant and equipment	167,749	167,749
Operating receivables	28,531	28,531
Financial receivables	18,436	18,436
Assets	233,583	233,583
Financial liabilities	210,335	210,335
Operating liabilities	33,133	33,133
Liabilities	243,468	243,468
Net assets	(9,885)	(9,885)
- of which carrying amount of non-controlling interest before merger (50%)	(4,943)	
- of which net assets acquired	(4,943)	
Difference up to the fair value of non-controlling interest (50%)	1,107,430	
Payment to acquire non-controlling interest before merger (50%)	192,570	
Payment to acquire the remaining interest (50%)	1,300,000	
Goodwill	2,609,885	

The statement of the acquired assets as at the day when the Group acquired controlling influence is presented in the table:

(in EUR)	Fair value	Carrying amount
Cash and cash equivalents	1,815	1,815
Property, plant and equipment	1,392,369	1,390,662
Prepayments and other assets	2,641	2,641
Assets	1,396,825	1,395,118
Financial liabilities	80,479	80,479
Operating liabilities	1,315,882	1,315,882
Liabilities	1,396,361	1,396,361
Net assets upon acquisition	464	(1,243)
Net assets upon acquisition of majority interest (80%)	371	(994)
Amount paid	371	-
Goodwill	0	-
Amount paid	371	-
Cash and cash equivalents	1,815	-
Net payment	(1,444)	-

ATET d.o.o.

In July 2019, Petrol d.d., Ljubljana entered into a contract to acquire a 76-percent interest in the company ATET, podjetje za izposajo avtomobilov, d.o.o., which is engaged in car rental. The conditions for recognising the new investment in the financial statements of Petrol d.d., Ljubljana and for its control were fulfilled on 16 December 2019.

In the Company's statement of financial position and the Group's consolidated statement of financial position, ATET d.o.o. was treated as a subsidiary as at 31 December 2019. The financial statements of ATET d.o.o. are included in the Group's consolidated financial statements.

Goodwill arises mainly from the sales network and car hire contracts concluded with end customers. As the business combination took place at the end of the year, the fair value of assets cannot be determined with certainty. The acquired assets are recognised at provisional values and will be adjusted retrospectively in 2020 based on appropriate appraisals, which will have an impact on the value of goodwill (IFRS 3.45).

The acquisition of the controlling interest in ATET d.o.o. did not result in revenue for the Group. If control had been obtained on 1 January 2019, the Group's revenue would have been EUR 2,764,852 higher and its net profit EUR 166,424 higher.

The company's statement of financial position as at the day when Petrol d.d., Ljubljana acquired influence is presented in the following table:

(in EUR)	Fair value	Carrying amount
Cash and cash equivalents	1,014,069	1,014,069
Property, plant and equipment	1,144,326	1,144,326
Operating receivables	265,299	265,299
Corporate income tax assets	39,897	39,897
Prepayments and other assets	15,559	15,559
Assets	2,479,150	2,479,150
Financial liabilities	303,080	303,080
Operating liabilities	290,422	290,422
Corporate income tax liabilities	6,651	6,651
Liabilities arising from contracts with customers	2,083	2,083
Other liabilities	400	400
Liabilities	602,636	602,636
Net assets upon acquisition	1,876,514	1,876,514
Net assets upon acquisition of majority interest (76%)	1,426,151	1,426,151
Amount paid	4,044,396	-
Goodwill	2,618,245	-
Amount paid	4,044,396	-
Cash and cash equivalents	1,014,069	-
Net payment	3,030,327	-

b. Definitive allocation of goodwill at the subsidiaries acquired in 2018

The Ekoen Group

Under the agreement on the sale and purchase of interests, which was concluded in November 2018, Petrol d.d., Ljubljana acquired a 100-percent interest in the company Ekoen d.o.o. and its subsidiary Ekoen GG d.o.o. The companies produce and distribute heat. The conditions for exercising control over the companies were fulfilled on 1 December 2018.

In the Company's statement of financial position and the Group's consolidated statement of financial position, the Ekoen Group was treated as a subsidiary as at 31 December 2019. The financial statements of the Ekoen Group are included in the Group's consolidated financial statements.

Because the business combination took place at the end of 2018 and the fair value of the assets as at 31 December 2018 could not be determined with certainty, the acquired assets as at 31 December 2018 were recognised at provisional values.

In 2019 the fair value of the acquired net assets was assessed by an external valuer, based on which the Group was able to recognise the fair value of the net assets in its consolidated financial statements, thus definitively allocating goodwill, which had been recognised only temporarily in 2018. The fair value of property was assessed using the income capitalisation method whereas the fair value of equipment was assessed using the replacement cost method.

The company's statement of financial position as at the day the Company acquired controlling influence is as follows:

(in EUR)	Restated fair value	Fair value	Carrying amount
Cash and cash equivalents	30,560	30,560	30,560
Property, plant and equipment	2,979,479	1,842,773	1,842,773
Operating receivables	60,508	60,508	60,508
Assets	3,070,547	1,933,841	1,933,841
Long-term deferred revenue	873,177	873,177	873,177
Financial liabilities	254,138	254,138	254,138
Operating liabilities	26,739	26,739	26,739
Liabilities	1,154,054	1,154,054	1,154,054
Net assets upon acquisition	1,916,493	779,787	779,787
Amount paid	1,916,493	1,916,493	-
Goodwill	0	1,136,706	-
Amount paid	1,916,493	1,916,493	-
Cash and cash equivalents	30,560	30,560	-
Net payment	1,885,933	1,885,933	-

Goodwill was allocated to property, plant and equipment.

Zagorski metalac d.o.o.

Under the agreement entered into in October 2018, Petrol d.d., Ljubljana and its subsidiary Geoplin d.o.o. acquired a 56 and 25-percent interest, respectively, in the company Zagorski metalac d.o.o. The company distributes and supplies gas in Croatia. The conditions for exercising control over the company were fulfilled on 31 December 2018.

In the Company's statement of financial position and the Group's consolidated statement of financial position, Zagorski metalac d.o.o. was treated as a subsidiary as at 31 December 2019. The financial statements of Zagorski metalac d.o.o. are included in the Group's consolidated financial statements.

Because the business combination took place at the end of 2018 and the fair value of the assets as at 31 December 2018 could not be determined with certainty, the acquired assets as at 31 December 2018 were recognised at provisional values.

In 2019 the fair value of the acquired net assets was assessed by an external valuer, based on which the Group was able to recognise the fair value of the net assets in its consolidated financial statements, thus definitively allocating goodwill, which had been recognised only temporarily in 2018. The fair value of property and equipment was assessed using the market approach and the replacement cost method.

The company's statement of financial position as at the day Petrol d.o.o. acquired controlling influence is as follows:

(in EUR)	Restated fair value	Fair value	Carrying amount
Cash and cash equivalents	4,148,184	4,148,184	4,148,184
Intangible assets	2,577	2,577	2,577
Property, plant and equipment	12,293,076	5,652,757	5,652,757
Inventories	79,107	79,107	79,107
Operating receivables	1,318,802	1,318,802	1,318,802
Assets	17,841,746	11,201,427	11,201,427
Long-term deferred revenue	2,726,116	2,726,116	2,726,116
Deferred tax liabilities	77,266	77,266	77,266
Operating liabilities	1,292,440	1,292,440	1,292,440
Liabilities	4,095,822	4,095,822	4,095,822
Net assets upon acquisition	13,745,924	7,105,605	7,105,605
Net assets upon acquisition of majority interest (74%)	10,229,071	5,287,657	5,287,657
Amount paid	9,419,071	9,419,071	-
Liabilities arising from interests acquired	810,000	810,000	-
Goodwill	0	4,941,414	-
Amount paid	9,419,071	9,419,071	-
Cash and cash equivalents	4,148,184	4,148,184	-
Net payment	5,270,887	5,270,887	-

Goodwill was allocated to property, plant and equipment.

c. Business combinations in 2018

In 2018 Petrol d.d., Ljubljana acquired the following groups/companies: MBills d.o.o., Megaenergija d.o.o., Ekoen, Ekoen S d.o.o. and Zagorski metalac. Disclosures concerning the Ekoen Group and the company Zagorski metalac are presented in Note 6.1.b, with other disclosures presented below.

MBills d.o.o.

Under the agreement on the sale and transfer of an interest in MBills d.o.o., which was concluded in November 2017, Petrol d.o.o. Ljubljana acquired a 76-percent interest in the company. MBills d.o.o. issues electronic money and develops apps for the provision of payment services in Slovenia and abroad. The conditions for recognising the new investment in the financial statements of Petrol d.d., Ljubljana and its control were fulfilled on 28 January 2018.

In the Company's statement of financial position and the Group's consolidated statement of financial position, MBills d.o.o. was treated as a subsidiary as at 31 December 2018. The financial statements of MBills d.o.o. are included in the Group's consolidated financial statements.

On acquiring the controlling influence over MBills d.o.o., the fair value of the acquired net assets was checked, based on which the Group was able to recognise the fair value of the assets in its consolidated financial statements. The fair value of intangible fixed assets was determined based on the assessed value of the cash-generating unit. The value was assessed using projected future cash flows for a 7-year period, normalised cash flow with a 2-percent growth rate and the discount rate of 33 percent applicable to start-ups.

In the 11 months following the company's acquisition, the resulting revenue of the Group stood at EUR 91,295, with net profit or loss amounting to EUR -1,152,749. If control had been obtained on 1 January 2018, the Group's revenue would have been EUR 137,935 higher and its net profit EUR 1,186,412 lower.

Megaenergija d.o.o.

Under the agreement entered into in March 2018, Petrol d.d., Ljubljana acquired a 100-percent interest in the company Megaenergija d.o.o. The company produces and distributes heat produced using electricity, natural gas, liquefied petroleum gas, gas from waste treatment plants, and biogas. The conditions for recognising the new investment in the financial statements of Petrol d.d., Ljubljana and for its control were fulfilled on 31 March 2018.

In the Company's statement of financial position and the Group's consolidated statement of financial position, the company was treated as a subsidiary as at 31 December 2018.

On acquiring the controlling influence over Megaenergija d.o.o., the fair value of the acquired net assets was checked, based on which the Group was able to recognise the fair value of the assets in its consolidated financial statements. The fair value of property, plant and equipment was determined based on the assessed value of cash-generating units. The value was assessed using projected future cash flows for the next six years, which corresponds to the life of the assets, and the discount rate of 8 percent.

In the 9 months following the company's acquisition, the resulting revenue of the Group stood at EUR 507,349, with net profit or loss amounting to EUR -190,194. If control had been obtained on 1 January 2018, the Group's revenue would have been EUR 1,174,769 higher and its net profit EUR 126,577 higher.

The company's statement of financial position as at the day the Company acquired controlling influence is as follows:

(in EUR)	Fair value	Carrying amount
Cash and cash equivalents	691,139	691,139
Intangible assets	2,007,338	308,929
Property, plant and equipment	26,515	26,515
Operating receivables	78,231	78,231
Prepayments and other assets	944	944
Assets	2,804,167	1,105,758
Business obligations	279,167	279,167
Obligations	279,167	279,167
Net assets upon acquisition	2,525,000	826,591
Net assets upon acquisition by the majority owner (76%)	1,919,000	628,209
Amount paid	1,919,000	-
Goodwill	0	-
Amount paid	1,919,000	-
Cash and cash equivalents	691,139	-
Net payment	1,227,861	-

The company's statement of financial position as at the day the Company acquired controlling influence is as follows:

(in EUR)	Fair value	Carrying amount
Cash and cash equivalents	1,074,309	1,074,309
Intangible assets	1,115	1,115
Property, plant and equipment	2,276,905	978,485
Inventories	13,062	13,062
Operating receivables	634,825	634,825
Prepayments and other assets	42,775	42,775
Assets	4,042,991	2,744,571
Financial liabilities	465,869	465,869
Operating liabilities	283,173	283,173
Liabilities	749,042	749,042
Net assets upon acquisition	3,293,949	1,995,529
Amount paid	3,293,949	-
Goodwill	0	-
Amount paid	3,293,949	-
Cash and cash equivalents	1,074,309	-
Net payment	2,219,640	-

Ekoen S d.o.o.

Under the agreement entered into in December 2018, Petrol d.d., Ljubljana acquired a 100-percent interest in the company Ekoen S d.o.o. The company produces and distributes heat. The conditions for exercising control over the company were fulfilled at the end of 2018.

In the Company's statement of financial position, the company was treated as a subsidiary as at 31 December 2018 and was included in the Group's consolidated statement of financial position.

On acquiring the controlling influence over Ekoen S d.o.o., the fair value of the acquired net assets was checked, based on which the Group was able to recognise the fair value of the assets in its consolidated financial statements. The fair value of property, plant and equipment was determined based on the assessed value of the cash-generating unit. The value of the cash-generating unit was assessed using projected future cash flows and the discount rate of 8 percent.

The acquisition of the controlling interest in Ekoen S d.o.o. did not result in revenue for the Group. If control had been obtained on 1 January 2018, the Group's revenue would

have been EUR 15,652 higher and its net profit EUR 4,177 lower.

The company's statement of financial position as at the day the Company acquired controlling influence is as follows:

(in EUR)	Fair value	Carrying amount
Cash and cash equivalents	746	746
Property, plant and equipment	363,541	316,127
Operating receivables	12,592	12,592
Assets	376,879	329,465
Deferred revenues	173,870	173,870
Financial obligations	143,307	143,307
Operating liabilities	8,965	8,965
Obligations	326,142	326,142
Net assets upon acquisition	50,737	3,323
Amount paid	50,737	-
Goodwill	0	-
Amount paid	50,737	-
Cash and cash equivalents	746	-
Net payment	49,991	-

6.2 Changes within the Group

The Company:

- acquired a 72.96-percent interest in the company ATET, podjetje za izposajo avtomobilov, d.o.o., which is engaged in car rental. The impact on the Group's financial statements is presented in Note 6.1;
- acquired an 80-percent interest in the company STH Energy d.o.o., which builds hydroelectric power plants in Serbia. The impact on the Group's financial statements is presented in Note 6.1;
- acquired an additional interest in the company Geoplin d.o.o., becoming a 74.28-percent owner of the company;
- acquired an additional interest in the company Vjetroelektrana Ljubač d.o.o., becoming the sole owner of the company. The impact on the Group's financial statements is presented in Note 6.1;
- increased its holding in the company Mbills d.o.o. following a capital increase, becoming a 91.04-percent owner of the company;
- increased its holding in the company Intrade Energija, d.o.o., Sarajevo following a capital increase, becoming a 99.75-percent owner of the company;
- acquired an additional interest in the company Zagorski metalac d.o.o., becoming a 75-percent owner of the company. The Group controlled a 93.57-percent interest as at 31 December 2019;
- acquired a 25-percent interest in the company Ivicom Energy, d.o.o., Žagubica, which develops wind power plants in Serbia. In the Group's statement of financial position, the company was treated as an associate as at 31 December 2019.

The company Dubrovnik plin d.o.o. was merged into Petrol d.o.o., Zagreb in August 2019. The merger by absorption

did not have any impact on the Group's financial statements because Petrol d.o.o., Zagreb, a subsidiary of Petrol d.d., Ljubljana, was the sole owner of the company.

The companies Beogas Invest d.o.o. and Domingas d.o.o. were merged into Beogas AD Beograd in April 2019. The merger by absorption did not have any impact on the Group's financial statements because Beogas AD Beograd, a subsidiary of Petrol d.d., Ljubljana, was the sole owner of the company.

By acquiring the rights and assets from the company Crodux Plin, the Group acquired a 75-percent interest in the company Adria-Plin d.o.o., which distributes gas in Croatia. The impact on the Group's financial statements is presented in Note 6.1.

In August 2019, the Group liquidated the company Petrol Slovenia Tirana Wholesale Sh.A. No assets or liabilities were obtained as a result of the liquidation. The effect of offsetting mutual receivables and liabilities was recognised as finance income of Petrol d.d., Ljubljana.

In 2018 Petrol d.d., Ljubljana absorbed the company Petrol Energetika d.o.o. The merger by absorption did not have any impact on the Group's financial statements because Petrol d.d., Ljubljana was the sole owner of the company. The difference between the net assets of the absorbed company of EUR 50,586,059 and the investment of EUR 19,396,000 was recognised in revenue reserves at EUR 31,190,059. Petrol Energetika d.o.o. was struck off the Companies Register on 3 May 2018.

in 2018 the Company also absorbed the companies Geoterm d.o.o. and Megaenergija d.o.o.

6.3 Revenue

Sales revenue by type of goods

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Revenue from the sale of merchandise	4,290,799,917	4,204,479,710	3,447,630,905	3,429,091,227
Revenue from the sale of services	84,876,484	113,312,010	85,219,993	97,040,334
Revenue from the sale of products	207,618	337,129	0	0
Total revenue	4,375,884,019	4,318,128,849	3,532,850,898	3,526,131,561

Sales revenue by sales market

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Domestic sales revenue	1,840,658,968	2,015,153,684	1,702,230,428	1,868,912,303
EU market sales revenue	2,046,336,228	1,824,458,015	1,612,097,298	1,408,306,558
Non-EU market sales revenue	488,888,823	478,517,150	218,523,172	248,912,699
Total revenue	4,375,884,019	4,318,128,849	3,532,850,898	3,526,131,561

Sales revenue by operating segment

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Sales revenue	4,304,130,154	4,250,179,577	3,476,322,031	3,474,348,045
Energy and environmental solutions and production	71,753,865	67,949,272	56,528,867	51,783,516
Total revenue	4,375,884,019	4,318,128,849	3,532,850,898	3,526,131,561

The Group's/Company's sales revenue includes rental income. In 2019 the Group generated EUR 4,179,579 in rental income and the Company EUR 3,329,896.

Other income

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Gain on derivatives	80,017,798	62,693,670	77,082,647	57,788,517
Gain on disposal of fixed assets	1,074,725	438,380	638,117	392,862
Compensation, litigation proceeds and contractual penalties received	549,488	1,389,099	463,457	569,193
Utilisation of environmental provisions	457,219	617,435	457,219	617,435
Compensation received from insurance companies	84,256	292,241	37,489	204,262
Payment of court fees	18,660	120,695	16,996	106,147
Other income	3,946,427	1,910,419	2,832,528	1,135,407
Total other income	86,148,573	67,461,939	81,528,453	60,813,823

6.4 Costs of materials

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Costs of energy	21,283,817	20,046,059	18,547,084	17,527,828
Costs of consumables	6,630,970	8,817,028	5,419,804	6,659,821
Write-off of small tools	364,167	359,842	77,198	120,258
Other costs of materials	787,092	883,268	474,025	598,927
Total costs of materials	29,066,046	30,106,197	24,518,111	24,906,834

6.5 Costs of services

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Costs of service station managers	35,098,922	34,710,357	35,098,922	34,710,357
Costs of transport services	31,523,057	31,784,893	26,666,422	27,077,840
Costs of fixed-asset maintenance services	19,686,473	18,282,837	15,366,568	14,277,936
Costs of payment transactions and bank services	10,857,241	9,502,808	8,350,179	7,172,526
Costs of professional services	9,213,540	10,376,630	7,813,354	9,552,858
Costs of fairs, advertising and entertainment	8,783,987	7,132,065	5,919,039	4,789,427
Lease payments	6,401,613	15,383,266	5,793,679	9,025,447
Outsourcing costs	5,346,513	2,660,406	5,047,570	2,380,737
Costs of insurance premiums	4,051,212	4,134,182	2,531,705	2,668,598
Costs of environmental protection services	1,838,256	1,753,332	1,173,207	928,059
Costs of fire protection and physical and technical security	1,829,217	1,796,829	1,466,486	1,543,289
Reimbursement of work-related costs to employees	1,671,471	1,238,266	1,000,717	796,979
Property management	1,509,130	1,555,563	1,208,766	1,452,836
Membership fees	446,163	577,144	257,294	256,438
Other costs of services	4,388,563	4,898,802	2,918,735	3,161,078
Total costs of services	142,645,358	145,787,380	120,612,643	119,794,405

The Petrol Group

The costs of professional services include the cost of services performed by the auditors of the annual report of EUR 151,500 (2018: EUR 146,865). Auditing services comprise the fee for the auditing of the annual report of EUR 150,000 (2018: EUR 143,641). Other, non-auditing services stood at EUR 1,500 in 2019 (2018: EUR 3,224).

Petrol d.d., Ljubljana

The costs of professional services include the cost of services performed by the auditors of the annual report of EUR 64,100 (2018: EUR 56,850). Auditing services comprise the fee for the auditing of the annual report of EUR 63,350 (2018: EUR 56,100). Other, non-auditing services stood at EUR 750 in 2019 (2018: EUR 750).

Lease expenses

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Depreciation of right-of-use assets	10,817,184	0	4,040,829	0
Finance expenses	2,722,767	0	1,482,450	0
Lease expenses	6,401,613	15,383,266	5,793,679	9,025,447
Total recognised costs/expenses	19,941,564	15,383,266	11,316,958	9,025,447

The Group's/Company's lease expenses include expenses for short-term leases, leases of low-value assets and leases with variable lease payments.

6.6 Labour costs

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Salaries	76,545,593	67,985,127	55,832,036	50,210,008
Costs of other social insurance	6,824,193	6,096,083	4,118,297	3,674,784
Costs of pension insurance	6,432,603	5,651,575	5,205,484	4,568,125
Transport allowance	3,350,264	2,976,229	2,139,853	1,904,293
Annual leave allowance	2,857,361	2,531,889	2,279,960	2,034,309
Meal allowance	2,654,985	2,402,106	2,082,488	1,895,235
Supplementary pension insurance	1,433,736	1,265,832	1,376,304	1,204,621
Other allowances and reimbursements	3,589,990	2,306,442	2,280,980	1,233,767
Total labour costs	103,688,725	91,215,283	75,315,402	66,725,142

Number of employees by formal education level as at 31 December 2018

	The Petrol Group			Petrol d.d.		
	Group employees	Employees at third-party managed service stations	Total	Company employees	Employees at third-party managed service stations	Total
Level I	6	1	7	4	1	5
Level II	39	23	62	27	23	50
Level III	115	8	123	8	8	16
Level IV	792	323	1,115	306	323	629
Level V	1,520	696	2,216	774	696	1,470
Level VI	268	64	332	156	64	220
Level VII	861	83	944	654	83	737
Level VII/2	43	0	43	39	0	39
Level VIII	15	0	15	9	0	9
Total	3,659	1,198	4,857	1,977	1,198	3,175

Number of employees by formal education level as at 31 December 2019

	The Petrol Group			Petrol d.d.		
	Group employees	Employees at third-party managed service stations	Total	Company employees	Employees at third-party managed service stations	Total
Level I	4	0	4	1	0	1
Level II	54	30	84	40	30	70
Level III	130	9	139	6	9	15
Level IV	913	318	1,231	330	318	648
Level V	1,705	698	2,403	839	698	1,537
Level VI	299	59	358	160	59	219
Level VII	911	83	994	699	83	782
Level VII/2	5	0	5	0	0	0
Level VIII	57	0	57	52	0	52
Total	4,078	1,197	5,275	2,127	1,197	3,324

On average, the Group and the Company had 5,081 and 1,954 employees in 2019, respectively (2018: 4,693 and 1,831).

6.7 Depreciation and amortisation

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Amortisation of intangible assets	10,188,513	9,166,841	8,431,448	8,137,856
Depreciation of property, plant and equipment	46,730,181	42,422,557	30,752,639	28,401,274
Depreciation of right-of-use assets	10,817,184	0	4,040,829	0
Depreciation of investment property	1,150,792	1,123,688	1,114,718	1,087,614
Total depreciation and amortisation	68,886,670	52,713,086	44,339,635	37,626,744

6.8 Other costs

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Environmental charges and charges unrelated to operations	7,018,209	5,950,015	4,985,952	3,101,738
Sponsorships and donations	2,789,946	2,472,631	2,550,314	2,364,359
Loss on sale/disposal of property, plant and equipment	570,427	1,024,358	152,469	862,952
Impairment/write-down of assets	0	3,544,308	0	907,060
Other costs	6,564,751	7,158,965	5,478,695	1,350,400
Reversal of other provisions and other liabilities	(14,967,564)	(5,659,666)	(10,883,032)	0
Total other costs	1,975,769	14,490,611	2,284,398	8,586,509

In 2019 the Group/Company reversed some of its long-term provisions. The amount of the reversed long-term provisions exceeds the amount of the provisions created, meaning that other costs had a negative balance. In 2018 the amount of the reversed long-term provisions exceeded the amount of the created provisions in the case of the

Group, whereas no reversal of long-term provisions took place in the case of the Company.

In the 2018 annual report, the Group/Company presented contributions for operations at motorway service areas and concession charges as part of the costs of services rather than other costs. The effect of the change is presented in Note 6.5.

6.9 Other expenses

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Loss on derivatives	84,386,273	46,631,639	84,575,384	47,043,101
Other expenses	295,238	506,864	21,210	64,943
Total other expenses	84,681,511	47,138,503	84,596,594	47,108,044

6.10 Interests and dividends

Shares of profit or loss of equity accounted investees of the Petrol Group

(in EUR)	The Petrol Group	
	2019	2018
Plinhold d.o.o.	1,603,719	920,654
Aquasystems d.o.o.	752,318	745,085
Total profit of associates	2,356,037	1,665,739
Soenergetika d.o.o.	173,053	165,995
Geoenergo d.o.o.	19,515	112,043
Total profit of jointly controlled entities	192,568	278,038
Total finance income from interests	2,548,605	1,943,777

Finance income from dividends of subsidiaries, associates and jointly controlled entities of Petrol d.d., Ljubljana

(in EUR)	Petrol d.d.	
	2019	2018
Geoplin d.o.o. Ljubljana	756,521	1,683,551
Petrol Trade Handelsgesellschaft m.b.H.	64,021	31,711
Istrabenz Gorenje energetski sistemi d.o.o.	0	30,243,516
Total subsidiaries	820,542	31,958,778
Aquasystems d.o.o.	758,716	801,029
Plinhold d.o.o.	445,478	836,438
Total associates	1,204,194	1,637,467
Soenergetika d.o.o.	150,000	175,901
Geoenergo d.o.o.	0	211,753
Total jointly controlled entities	150,000	387,654
Total finance income from interests	2,174,736	33,983,899

6.11 Other finance income and expenses

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Foreign exchange differences	23,367,455	13,665,660	20,820,888	9,666,578
Gain on derivatives	6,993,164	6,576,838	6,993,164	6,576,838
Interest income	3,675,196	3,993,939	2,840,652	3,216,488
Loss allowance for receivables reversed and bad debt recovered	2,289,494	696,289	132,762	454,208
Other finance income	1,784,027	1,026,778	600,575	657,239
Total other finance income	38,109,336	25,959,504	31,388,040	20,571,350
Foreign exchange differences	(25,604,490)	(14,774,115)	(23,001,366)	(11,217,456)
Loss on derivatives	(3,172,070)	(7,527,059)	(3,172,070)	(7,390,013)
Interest expense	(10,465,321)	(10,010,313)	(9,404,747)	(10,160,525)
Loss allowance for operating receivables	0	(5,875,865)	(513,677)	(3,372,343)
Loss allowance for financial receivables	(849,074)	(259,996)	(849,074)	(258,893)
Impairment of investments and of goodwill	0	(4,383,514)	0	(7,357,864)
Other finance expenses	(1,527,343)	(2,054,195)	(1,251,485)	(1,414,984)
Total other finance expenses	(41,618,298)	(44,885,057)	(38,192,420)	(41,172,078)
Net finance expense	(3,508,962)	(18,925,553)	(6,804,380)	(20,600,728)

6.12 Corporate income tax

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Tax expense	(19,615,008)	(22,068,851)	(12,692,493)	(16,723,150)
Deferred tax	(2,301,094)	2,318,734	(329,818)	608,146
Taxes	(21,916,102)	(19,750,117)	(13,022,311)	(16,115,004)

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Profit before tax	127,133,725	111,587,225	73,271,540	116,707,239
Tax at effective tax rate	24,155,408	21,201,573	13,921,593	22,174,375
Tax effect of untaxed revenue	(3,754,457)	(7,972,379)	(2,030,356)	(7,815,339)
Tax effect of expenses not deducted on tax assessment	1,793,665	7,242,783	1,131,074	1,755,967
Effect of higher/lower tax rates for companies abroad	(278,514)	(721,860)	0	0
Taxes	21,916,102	19,750,117	13,022,311	16,115,004
Effective tax rate	17.24 %	17.70 %	17.77 %	13.81 %

The Group had EUR 912,629 (2018: EUR 331,528) and EUR 1,243,357 (2018: EUR 8,873,559) in corporate income tax assets and liabilities, respectively, as at 31 December 2019. The Group does not offset the assets and liabilities, as they represent a receivable from or a liability to different tax administrations.

In Slovenia, the effective corporate income tax rate stood at 19 percent in 2019 (2018: 19 percent), whereas the Group's tax rates ranged from 9 to 25 percent.

Changes in deferred taxes of the Petrol Group

Deferred tax assets

(in EUR)	Investments	Provisions	Loss allowance for receivables	Inventories	Tax loss	Other	Total
As at 31 December 2017	301,765	3,345,654	5,733,785	82,987	565,911	603,237	10,633,339
Netting							(1,655,949)
Total net receivables as at 31 December 2017							8,977,390
Adjustment on adoption of IFRS 9	0	0	320,806	0	0	0	320,806
Total net receivables as at 1 January 2018							9,298,196
(Charged)/credited to the statement of profit or loss	79,433	1,671,392	561,847	317,583	0	(331,121)	2,299,134
(Charged)/credited to other comprehensive income	191,903	0	0	0	0	0	191,903
Foreign exchange differences	(13)	2,697	2,177	344	2,329	1,296	8,830
As at 31 December 2018	573,088	5,019,743	6,618,615	400,914	568,240	273,412	13,454,012
Netting							(4,336,775)
Total net receivables as at 31 December 2018							9,117,237
(Charged)/credited to the statement of profit or loss	161,324	(1,455,134)	(661,389)	(307,828)	0	111,624	(2,374,651)
(Charged)/credited to other comprehensive income	782,544	0	0	0	0	0	782,544
Foreign exchange differences	(251)	(5,941)	(2,169)	(359)	(2,977)	887	(10,810)
As at 31 December 2019	1,516,705	3,558,668	5,955,057	92,727	565,263	162,675	11,851,095
Netting							(2,617,086)
Total net receivables as at 31 December 2019							9,234,009

Deferred tax liabilities

(in EUR)	Investments	Fixed assets	Other	Total
As at 1 January 2018	130,928	5,325,593	0	5,456,521
Netting				(1,655,949)
Total net receivables as at 1 January 2018				3,800,572
Charged/(credited) to the statement of profit or loss	0	(19,600)	0	(19,600)
New acquisitions as a result of control obtained	0	0	77,266	77,266
Foreign exchange differences	38	19,766	0	19,804
As at 31 December 2018	130,966	5,325,759	77,266	5,533,991
Netting				(4,336,775)
Total net liabilities as at 31 December 2018				1,197,216
Charged/(credited) to the statement of profit or loss	0	(2,017)	(71,540)	(73,557)
Charged/(credited) to other comprehensive income	30,653	0	0	30,653
Foreign exchange differences	(47)	(31,889)	(89)	(32,025)
As at 31 December 2019	161,572	5,291,853	5,637	5,459,062
Netting				(2,617,086)
Total net liabilities as at 31 December 2019				2,841,976

Changes in deferred taxes of Petrol d.d., Ljubljana

Deferred tax assets

(in EUR)	Investments	Provisions	Loss allowance for receivables	Other	Total
As at 31 December 2017	257,420	994,314	4,638,079	39,776	5,929,589
Netting					(461,256)
Total net receivables as at 31 December 2017					5,468,333
Adjustment on adoption of IFRS 9	0	0	84,725	0	84,725
Total net receivables as at 1 January 2018					5,553,058
New acquisitions as a result of merger by absorption	0	34,783	234,121	4,993	273,897
(Charged)/credited to the statement of profit or loss	79,433	10,643	407,599	110,471	608,146
(Charged)/credited to other comprehensive income	135,475	0	0	0	135,475
As at 31 December 2018	472,328	1,039,740	5,364,524	155,240	7,031,832
Netting					(461,256)
Total net receivables as at 31 December 2018					6,570,576
(Charged)/credited to the statement of profit or loss	161,324	135,234	(484,395)	(141,981)	(329,818)
(Charged)/credited to other comprehensive income	768,637	0	0	0	768,638
As at 31 December 2019	1,402,289	1,174,974	4,880,129	13,259	7,470,651
Netting					(602,411)
Total net receivables as at 31 December 2019					6,868,241

Deferred tax liabilities

(in EUR)	Investments	Fixed assets	Total
Total net receivables as at 1 January 2018	0	461,256	461,256
As at 31 December 2018	0	461,256	461,256
Netting			(461,256)
Total net liabilities as at 31 December 2018			0
(Charged)/credited to other comprehensive income	141,155	0	141,155
As at 31 December 2019	141,155	461,256	602,411
Netting			(602,411)
Total net liabilities as at 31 December 2019			0

6.13 Earnings per share

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Net profit (in EUR)	105,217,623	91,837,108	60,249,229	100,592,235
Number of shares issued	2,086,301	2,086,301	2,086,301	2,086,301
Number of own shares at the beginning of the year	30,723	30,723	24,703	24,703
Number of own shares at the end of the year	30,723	30,723	24,703	24,703
Weighted average number of ordinary shares issued	2,055,578	2,055,578	2,061,598	2,061,598
Diluted average number of ordinary shares	2,055,578	2,055,578	2,061,598	2,061,598
Basic and diluted earnings per share (EUR/share)	51,19	44,68	29,22	48,79

Basic earnings per share are calculated by dividing the owners' net profit by the weighted average number of ordinary shares, excluding ordinary shares owned by the Company/Group. The Group and the Company have no potential dilutive ordinary shares, meaning the basic and diluted earnings per share are identical.

6.14 Changes in other comprehensive income

The Petrol Group

The effective portion of changes in the fair value of the cash flow variability hedging instrument decreased by EUR 4,122,726 (in 2018: decrease of EUR 901,261) and also by the deferred tax effect of EUR 782,546 (in 2018: EUR 191,903). The change relates to interest rate swap hedging and decreases the hedging reserve.

The change in the fair value of financial assets through other comprehensive income by EUR 742,921 is the result of an increase in the fair value of investments in equity instruments.

Unrealised actuarial gains and losses relate to provisions for post-employment benefits on retirement.

Petrol d.d., Ljubljana

In 2018 Petrol d.d., Ljubljana absorbed the company Petrol Energetika d.o.o. The merger by absorption did not have any impact on the Group's financial statements because Petrol d.d., Ljubljana was the sole owner of the company. The difference between the net assets of the absorbed company of EUR 50,586,059 and the investment of EUR 19,396,000 was recognised in revenue reserves at EUR 31,190,059. Petrol Energetika d.o.o. was struck off the Companies Register on 3 May 2018.

Other effects of mergers by absorption from 2018 relate to the companies Geoterm d.o.o. and Megaenergija d.o.o.

The effective portion of changes in the fair value of the cash flow variability hedging instrument decreased by EUR 4,046,459 (in 2018: decrease of EUR 587,772) and also by the deferred tax effect of EUR 768,638 (in 2018: EUR 135,475). The change relates to interest rate swap hedging and decreases the hedging reserve.

The change in the fair value of financial assets through other comprehensive income by EUR 742,921 is the result of an increase in the fair value of investments in equity instruments.

Unrealised actuarial gains and losses relate to provisions for post-employment benefits on retirement.

6.15 Intangible assets

Intangible assets of the Petrol Group

(in EUR)	Material and other rights	Right to use concession infrastructure	Goodwill	Ongoing investments	Long-term deferred expenses	Total
Cost						
As at 1 January 2018	26,746,392	105,938,314	105,882,081	5,014,512	0	243,581,299
New acquisitions as a result of control obtained	1,350,121	430,428	6,078,120	0	1,115	7,859,784
New acquisitions	0	137,059	0	7,041,604	147,513	7,326,176
Disposals	(99,260)	(115,477)	0	(8,054)	0	(222,791)
Impairments	0	0	(3,976,364)	0	0	(3,976,364)
Transfer from ongoing investments	4,433,041	4,474,514	0	(8,907,555)	0	0
Foreign exchange differences	415	29,348	58,396	896	0	89,055
As at 31 December 2018	32,430,709	110,894,186	108,042,233	3,141,403	148,628	254,657,159
Accumulated amortisation						
As at 1 January 2018	(14,393,544)	(43,002,706)	0	0	0	(57,396,250)
New acquisitions as a result of control obtained	(56,753)	(121,499)	0	0	0	(178,252)
Amortisation	(4,649,497)	(4,517,344)	0	0	0	(9,166,841)
Disposals	98,175	68,832	0	0	0	167,007
Foreign exchange differences	(265)	(11,696)	0	0	0	(11,961)
As at 31 December 2018	(19,001,884)	(47,584,413)	0	0	0	(66,586,297)
Net carrying amount as at 1 January 2018	12,352,848	62,935,608	105,882,081	5,014,512	0	186,185,049
Net carrying amount as at 31 December 2018	13,428,825	63,309,773	108,042,233	3,141,403	148,628	188,070,862

(in EUR)	Material and other rights	Right to use concession infrastructure	Goodwill	Ongoing investments	Long-term deferred expenses	Total
Cost						
As at 1 January 2019	32,430,709	110,894,186	108,042,233	3,141,403	148,628	254,657,159
New acquisitions as a result of control obtained	216,687	10,703	5,740,937	7,027,077	0	12,995,404
New acquisitions	0	143,803	0	11,047,696	76,289	11,267,788
Disposals	(338,284)	(634,551)	0	0	0	(972,835)
Reallocation of goodwill	0	0	(6,078,120)	0	0	(6,078,120)
Transfers between asset categories	1,271	4,609,138	0	151,235	(1,002)	4,760,642
Transfer from ongoing investments	11,077,191	2,883,051	0	(13,960,242)	0	0
Foreign exchange differences	(1,062)	(74,889)	(75,312)	(462)	0	(151,725)
As at 31 December 2019	43,386,512	117,831,441	107,629,738	7,406,707	223,915	276,478,313
Accumulated amortisation						
As at 1 January 2019	(19,001,884)	(47,584,413)	0	0	0	(66,586,297)
New acquisitions as a result of control obtained	(176,428)	(3,895)	(7,107)	0	0	(187,430)
Amortisation	(5,463,369)	(4,723,367)	(1,777)	0	0	(10,188,513)
Disposals	151,979	631,476	0	0	0	783,455
Transfers between asset categories	(1,271)	(2,589,252)	0	0	0	(2,590,523)
Foreign exchange differences	745	20,761	37	0	0	21,543
As at 31 December 2019	(24,490,228)	(54,248,690)	(8,847)	0	0	(78,747,765)
Net carrying amount as at 1 January 2019	13,428,825	63,309,773	108,042,233	3,141,403	148,628	188,070,862
Net carrying amount as at 31 December 2019	18,896,284	63,582,751	107,620,891	7,406,707	223,915	197,730,548

All intangible assets presented herein are owned by the Group and are unpledged.

Eight percent of all intangible assets in use on 31 December 2019 were fully amortised (as compared to 8 percent as at 31 December 2018).

The Group's intangible fixed assets as at 31 December 2019 were tested for impairment and it was determined that there is no need to impair the assets.

Goodwill

Goodwill structure presented by business combination from which it originates is as follows:

(in EUR)	The Petrol Group	
	31 December 2019	31 December 2018
Instalacija d.o.o., Koper ¹	85,266,022	85,266,022
Euro-Petrol d.o.o. ²	12,776,006	12,843,288
Atet d.o.o.	2,618,245	0
Vjetroelektrana Ljubač d.o.o.	2,609,890	0
EL-TEC Mulej d.o.o. ³	2,446,496	2,446,496
Petrol-Jadranplin d.o.o. ⁴	755,866	759,847
Vjetroelektrane Glunča d.o.o.	362,205	364,114
Crodux Plin d.o.o.	283,505	0
Petrol-Butan d.o.o. ⁵	282,855	284,346
Adria-Plin d.o.o.	219,801	0
Zagorski metalac d.o.o.	0	4,941,414
Ekoen d.o.o.	0	1,136,706
Total goodwill	107,620,891	108,042,233

1 Instalacija d.o.o. was merged into Petrol d.d., Ljubljana in 2013.

2 Euro-Petrol d.o.o. was renamed Petrol d.o.o.

3 EL-TEC Mulej d.o.o. was renamed Eltec Petrol d.o.o. and merged into Petrol d.d., Ljubljana in 2015.

4 Petrol-Jadranplin d.o.o. was renamed Petrol Plin d.o.o. and was merged into Petrol d.o.o. in 2017.

5 Petrol-Butan d.o.o. was merged into Petrol Plin d.o.o. in 2012, which was merged into Petrol d.o.o. in 2017.

In accordance with IAS 36, goodwill was tested for impairment on 31 December 2019, but it was determined that no impairment was required.

The recoverable amount of the acquired assets was assessed at the aggregate level of the acquired companies, except for the companies Instalacija d.o.o. and EL-TEC Mulej d.o.o., where the recoverable amount was assessed at the level of the cash-generating unit directly related to the assets acquired during the acquisition of the companies.

Goodwill was tested for impairment using the method of the present value of expected free cash flows, which are based on the future financial plans of cash-generating units. The assumptions used in the calculation of net cash flows (growth rate, cash flow projection, projection period, discount rate) are based on past operations and reasonably expected operations in the future. Cash flow projection periods reflect the operations and investment activities of individual companies. Growth rates of free cash flows are based on expected price growth rates.

For Petrol d.o.o., 6-year financial plans of the cash-generating unit, the required rate of return of 10.95 percent after taxes (2018: 10.95 percent) and the annual growth rate of remaining free cash flows (the residual value) of 2 percent were used.

For Vjetroelektrana Glunča d.o.o., 21-year financial plans of the cash-generating unit and the required rate of return of 10.95 percent after taxes (2018: 10.95 percent) were used. The value of remaining cash flows was not taken into account in the calculation.

For EL-TEC Mulej, 14-year financial plans of the cash-generating unit and the required rate of return of 8 percent before taxes (2018: 9.42 percent) were used. The value of remaining cash flows was not taken into account in the calculation.

For Instalacija d.o.o., 5-year financial plans of the cash-generating unit, the required rate of return of 6.94 percent before taxes (2018: 7.54 percent) and the annual growth rate of remaining free cash flows (the residual value) of 1.2 percent were used.

A reasonable change in the discount rate before taxes or the growth rate of remaining free cash flows would not result in the impairment of goodwill.

As the estimated value determined using the above assumptions exceeded the carrying amount, there was no need for impairment.

Overview of acquisitions resulting from a takeover of/control obtained over companies in 2019

(in EUR)	Material and other rights	Right to use concession infrastructure	Goodwill	Ongoing investments	Total
Adria-Plin d.o.o.	0	6,808	238,797	0	245,605
Crodux Plin d.o.o.	40,259	0	266,903	7,027,077	7,334,239
Vjetroelektrana Ljubač d.o.o.	0	0	2,609,885	0	2,609,885
Atet d.o.o.	0	0	2,618,245	0	2,618,245
New acquisitions as a result of control obtained	40,259	6,808	5,733,830	7,027,077	12,807,974

Overview of items exceeding 5 percent of net carrying amount as at 31 December 2019 (in EUR)

	The Petrol Group	
	31 December 2019	31 December 2018
Right to use natural gas distribution infrastructure in the municipality of Domžale	7,335,567	7,994,142
Contracts with customers (Crodux Plin d.o.o.)	6,559,778	-
Right to use natural gas distribution infrastructure in the municipality of Slovenske Konjice	3,883,956	4,207,202
Right to use wastewater treatment infrastructure in the municipality of Škofja Loka	3,623,005	2,961,100
Right to use natural gas distribution infrastructure in the municipality of Slovenska Bistrica	2,677,756	3,050,740

Intangible assets of Petrol d.d., Ljubljana

(in EUR)	Material and other rights	Right to use concession infrastructure	Goodwill	Ongoing investments	Long-term deferred expenses	Total
Cost						
As at 1 January 2018	26,013,629	81,744,724	89,138,157	4,678,547	0	201,575,057
New acquisitions as a result of merger by absorption	708,458	16,387,437	0	60,653	1,115	17,157,663
New acquisitions	0	6,660	0	5,974,253	147,511	6,128,424
Disposals	(99,008)	(70,828)	0	(8,054)	0	(177,890)
Impairments		0	(1,425,639)	0	0	(1,425,639)
Transfer from ongoing investments	4,366,837	3,857,479	0	(8,224,316)	0	0
As at 31 December 2018	30,989,916	101,925,472	87,712,518	2,481,083	148,626	223,257,615
Accumulated amortisation						
As at 1 January 2018	(14,057,563)	(33,823,591)	0	0	0	(47,881,154)
New acquisitions as a result of merger by absorption	(346,083)	(5,972,912)	0	0	0	(6,318,995)
Amortisation	(4,307,838)	(3,830,018)	0	0	0	(8,137,856)
Disposals	98,158	56,177	0	0	0	154,335
As at 31 December 2018	(18,613,326)	(43,570,344)	0	0	0	(62,183,670)
Net carrying amount as at 1 January 2018	11,956,066	47,921,133	89,138,157	4,678,547	0	153,693,903
Net carrying amount as at 31 December 2018	12,376,590	58,355,128	87,712,518	2,481,083	148,626	161,073,945

(in EUR)	Material and other rights	Right to use concession infrastructure	Goodwill	Ongoing investments	Long-term deferred expenses	Total
Cost						
As at 1 January 2019	30,989,916	101,925,472	87,712,518	2,481,083	148,626	223,257,615
New acquisitions	0	297	0	9,280,429	76,291	9,357,017
Disposals	(310,619)	(194,752)	0	0	0	(505,372)
Transfer between asset categories	1,271	4,609,138	0	151,235	(1,002)	4,760,642
Transfer from ongoing investments	4,032,355	1,148,908	0	(5,181,263)	0	0
As at 31 December 2019	34,712,923	107,489,063	87,712,518	6,731,484	223,915	236,869,903
Accumulated amortisation						
As at 1 January 2019	(18,613,326)	(43,570,344)	0	0	0	(62,183,670)
Amortisation	(4,516,783)	(3,914,665)	0	0	0	(8,431,448)
Disposals	124,314	194,708	0	0	0	319,022
Transfer between asset categories	(1,271)	(2,589,252)	0	0	0	(2,590,523)
As at 31 December 2019	(23,007,066)	(49,879,553)	0	0	0	(72,886,619)
Net carrying amount as at 1 January 2019	12,376,590	58,355,128	87,712,518	2,481,083	148,626	161,073,945
Net carrying amount as at 31 December 2019	11,705,857	57,609,510	87,712,518	6,731,484	223,915	163,983,284

All intangible assets presented herein are owned by the Company and are unpledged.

Eight percent of all intangible assets in use on 31 December 2019 were fully amortised (as compared to 6 percent as at 31 December 2018).

On 31 December 2019, intangible fixed assets were tested for impairment, but it was determined that no impairment was required.

In 2018 the Company impaired the goodwill of the company EL-TEC Mulej d.o.o. by EUR 1,425,629 and the goodwill of the company Petrol Crna Gora MNE d.o.o. by EUR 2,550,720, based on the testing of impairment indicators.

Goodwill

In 2013 goodwill of EUR 85,266,022 was generated as a result of the absorption of Instalacija d.o.o. The difference of EUR 53,452,160 between the net assets of the absorbed company, including goodwill, and the investment was recognised in the financial statements of Petrol d.d., Ljubljana in 2013, specifically in retained earnings, at EUR 12,938,309, and in the fair value reserve, at EUR 40,513,851.

Goodwill resulting from the absorption of Instalacija d.o.o. and EL-TEC Mulej d.o.o. was tested for impairment as at 31 December 2019, but it was determined that no impairment was required.

Overview of items exceeding 5 percent of net carrying amount as at 31 December 2019 (in EUR)

	Petrol d.d.	
	31 December 2019	31 December 2018
Right to use natural gas distribution infrastructure in the municipality of Domžale	7,335,567	7,994,142
Right to use natural gas distribution infrastructure in the municipality of Slovenske Konjice	3,883,956	4,207,202
Right to use wastewater treatment infrastructure in the municipality of Škofja Loka	3,623,005	2,961,100
Right to use natural gas distribution infrastructure in the municipality of Slovenska Bistrica	2,677,756	3,050,740

6.16 Right-of-use assets

Right-of-use assets of the Petrol Group

(in EUR)	Right to use land	Right to use buildings	Right to use equipment	Total
Cost				
As at 31 December 2018	0	0	0	0
Adjustment on adoption of IFRS 16	44,572,353	30,568,609	4,445,624	79,586,586
As at 1 January 2019	44,572,353	30,568,609	4,445,624	79,586,586
New acquisitions	0	2,236,467	654,637	2,891,104
Foreign exchange differences	(47,761)	(93,670)	(840)	(142,271)
As at 31 December 2019	44,524,592	32,711,406	5,099,421	82,335,419
Accumulated depreciation				
As at 1 January 2019	0	0	0	0
Depreciation	(3,113,751)	(5,921,949)	(1,781,484)	(10,817,184)
Foreign exchange differences	3,897	16,389	428	20,714
As at 31 December 2019	(3,109,854)	(5,905,560)	(1,781,056)	(10,796,470)
Net carrying amount as at 1 January 2019	44,572,353	30,568,609	4,445,624	79,586,586
Net carrying amount as at 31 December 2019	41,414,738	26,805,846	3,318,365	71,538,949

Right-of-use assets of Petrol d.d., Ljubljana

(in EUR)	Right to use land	Right to use buildings	Right to use equipment	Total
Cost				
As at 31 December 2018	0	0	0	0
Adjustment on adoption of IFRS 16	32,908,459	1,015,136	3,951,141	37,874,736
As at 1 January 2019	32,908,459	1,015,136	3,951,141	37,874,736
New acquisitions	0	0	512,657	512,657
As at 31 December 2019	32,908,459	1,015,136	4,463,798	38,387,393
Accumulated depreciation				
As at 1 January 2019	0	0	0	0
Depreciation	(2,162,182)	(303,738)	(1,574,909)	(4,040,829)
As at 31 December 2019	(2,162,182)	(303,738)	(1,574,909)	(4,040,829)
Net carrying amount as at 1 January 2019	32,908,459	1,015,136	3,951,141	37,874,736
Net carrying amount as at 31 December 2019	30,746,277	711,398	2,888,889	34,346,564

The Group holds land, buildings and various equipment under a lease. The term of a lease depends on the type of the leased asset. It can be:

- from 5 to 30 years for land,
- from 5 to 10 years for buildings,
- from 4 to 10 years for equipment.

The lessee's lease payment liabilities are not secured. The Group applies an exemption allowed by the standard to the recognition of liabilities arising from short-term leases and leases of low-value assets. Lease payments are fixed and stipulated in the contract.

Extension and termination options

Lease contracts can be terminated if the parties do not honour contractual obligations or if there is a mutual agreement to terminate the contract. Options to extend the contracts have not been provided for.

6.17 Property, plant and equipment

Property, plant and equipment of the Petrol Group

(in EUR)	Land	Buildings	Machinery	Equipment	Ongoing investments	Total
Cost						
As at 1 January 2018	212,380,212	639,874,317	36,457,138	230,848,417	34,743,016	1,154,303,100
New acquisitions as a result of control obtained	147,407	17,442,982	3,937,561	1,505,358	395,833	23,429,141
New acquisitions	0	0	0	0	72,262,606	72,262,606
Disposals	(349,603)	(1,951,928)	(1,179)	(6,800,782)	(3,559,503)	(12,662,995)
Impairments	(1,377,247)	0	0	0	(39,671)	(1,416,918)
Transfer between asset categories	0	0	(36,264,668)	36,264,668	0	0
Transfer from ongoing investments	1,395,290	29,676,542	75,736	31,120,313	(62,267,881)	0
Transfer to investment property	(756,300)	(1,668,076)	0	0	0	(2,424,376)
Transfer from investment property		1,025,104	0	0	0	1,025,104
Foreign exchange differences	290,453	533,994	0	262,079	8,833	1,095,359
As at 31 December 2018	211,730,212	684,932,935	4,204,588	293,200,053	41,543,233	1,235,611,021
Accumulated depreciation						
As at 1 January 2018	0	(378,484,490)	(19,618,389)	(135,740,713)	0	(533,843,592)
New acquisitions as a result of control obtained	0	(11,230,996)	(1,875,878)	(159,776)	0	(13,266,650)
Depreciation	0	(22,219,057)	(84,357)	(20,119,143)	0	(42,422,557)
Disposals	0	1,490,782	0	6,415,764	0	7,906,546
Transfer between asset categories	0	0	19,669,723	(19,669,723)	0	0
Transfer to investment property	0	420,382	0	0	0	420,382
Transfer from investment property	0	(743,290)	0	0	0	(743,290)
Foreign exchange differences	0	(207,272)	0	(113,115)	0	(320,387)
As at 31 December 2018	0	(410,973,941)	(1,908,901)	(169,386,706)	0	(582,269,548)
Net carrying amount as at 1 January 2018	212,380,212	261,389,827	16,838,749	95,107,704	34,743,016	620,459,508
Net carrying amount as at 31 December 2018	211,730,212	273,958,994	2,295,687	123,813,347	41,543,233	653,341,473

(in EUR)	Land	Buildings	Machinery	Equipment	Ongoing investments	Total
Cost						
As at 1 January 2019	211,730,212	684,932,935	4,204,588	293,200,053	41,543,233	1,235,611,021
New acquisitions as a result of control obtained	1,372,841	4,788,509	0	21,831,847	1,560,119	29,553,316
New acquisitions	0	2,460	0	58,786	83,685,610	83,746,856
Disposals	(1,714,851)	(7,667,394)	(128,273)	(9,866,922)	0	(19,377,440)
Reallocation of goodwill	47,419	7,144,368	585,238	0	0	7,777,025
Transfer between asset categories	0	0	0	(4,611,237)	(151,235)	(4,762,472)
Transfer from ongoing investments	6,567,443	34,870,832	73,121	28,745,864	70,257,260	0
Transfer to investment property	0	(617,089)	0	197	(256,062)	(872,954)
Foreign exchange differences	(263,266)	(432,714)	(2,019)	(310,339)	18,313	(990,025)
As at 31 December 2019	217,739,798	723,021,907	4,732,655	329,048,249	56,142,718	1,330,685,327
Accumulated depreciation						
As at 1 January 2019	0	(410,973,941)	(1,908,901)	(169,386,706)	0	(582,269,548)
New acquisitions as a result of control obtained	0	(1,172,208)	0	(9,674,329)	0	(10,846,537)
Depreciation	0	(23,691,287)	(389,831)	(22,649,063)	0	(46,730,181)
Disposals	0	6,673,349	199,015	9,206,340	0	16,078,704
Transfer between asset categories	0	(5,373)	0	2,592,793	0	2,587,420
Foreign exchange differences	0	240,769	1,831	184,378	0	426,978
As at 31 December 2019	0	(428,928,691)	(2,097,886)	(189,726,587)	0	(620,753,164)
Net carrying amount as at 1 January 2019	211,730,212	273,958,994	2,295,687	123,813,347	41,543,233	653,341,473
Net carrying amount as at 31 December 2019	217,739,798	294,093,216	2,634,769	139,321,662	56,142,718	709,932,163

Fifty-four percent of all items of property, plant and equipment in use on 31 December 2019 were fully depreciated (as compared to 52 percent as at 31 December 2018).

Items of property, plant and equipment pledged as security

The present value of equipment pledged as security totalled EUR 3,551,590 as at 31 December 2019 (2018: EUR 1,006,028).

When testing asset impairment indicators, the Group determined that no signs of impairment were present with regard to items of property, plant and equipment as at 31 December, meaning that no impairment was required.

Assets held under finance lease

None of the Group's assets are held under finance lease.

Overview of acquisitions resulting from a takeover of/control obtained over companies in 2019

(in EUR)	Land	Buildings	Equipment	Ongoing investments	Total
STH Eenergy d.o.o.	0	0	0	1,392,370	1,392,370
Adria-Plin d.o.o.	0	0	62,594	0	62,594
Vjetroelektrana Ljubač d.o.o.	0	0	0	167,749	167,749
Atet d.o.o.	219,405	53,950	870,971	0	1,144,326
Crodux Plin d.o.o.	1,153,436	3,562,351	11,223,953	0	15,939,740
New acquisitions as a result of control obtained	1,372,841	3,616,301	12,157,518	1,560,119	18,706,779

Overview of groups of investments in property, plant and equipment in 2019 including investments in excess of EUR 1,200,000

(in EUR)	2019
Land, buildings and equipment for storage and sale of gas (Crodux Plin d.o.o.)	23,346,774
Energy management of buildings	22,244,063
Acquisition and construction of service stations	21,207,171
Software purchases	2,386,092
Investment in a storage facility	1,565,383
Refurbishment of car washes	1,517,591

Property, plant and equipment of Petrol d.d., Ljubljana

(in EUR)	Land	Buildings	Equipment	Ongoing investments	Total
Cost					
As at 1 January 2018	104,270,519	479,686,715	176,240,824	23,106,434	783,304,492
New acquisitions as a result of merger by absorption	1,431,935	22,871,095	40,858,768	1,447,535	66,609,333
New acquisitions	0	0	0	59,010,830	59,010,830
Disposals	(349,451)	(1,833,785)	(5,560,590)	(3,559,216)	(11,303,042)
Impairments	(384,488)	0	0	0	(384,488)
Transfer from ongoing investments	145,835	19,281,059	26,504,269	(45,931,163)	0
Transfer to investment property	(756,300)	(1,668,076)	0	0	(2,424,376)
Transfer from investment property	0	1,025,104	0	0	1,025,104
As at 31 December 2018	104,358,050	519,362,112	238,043,271	34,074,420	895,837,853
Accumulated depreciation					
As at 1 January 2018	0	(345,512,369)	(125,134,643)	0	(470,647,012)
New acquisitions as a result of merger by absorption	0	(13,844,651)	(22,669,386)	0	(36,514,037)
Depreciation	0	(14,711,387)	(13,689,887)	0	(28,401,274)
Disposals	0	1,472,877	5,236,952	0	6,709,829
Transfer to investment property	0	420,382	0	0	420,382
Transfer from investment property	0	(743,290)	0	0	(743,290)
As at 31 December 2018	0	(372,918,438)	(156,256,964)	0	(529,175,402)
Net carrying amount as at 1 January 2018	104,270,519	134,174,346	51,106,181	23,106,434	312,657,480
Net carrying amount as at 31 December 2018	104,358,050	146,443,674	81,786,307	34,074,420	366,662,451

(in EUR)	Land	Buildings	Equipment	Ongoing investments	Total
Cost					
As at 1 January 2019	104,358,050	519,362,112	238,043,271	34,074,420	895,837,853
New acquisitions	0	0	0	57,906,425	57,906,425
Disposals	(1,640,542)	(7,111,744)	(7,780,734)	0	(16,533,020)
Transfers between asset categories	0	0	(4,611,237)	(151,235)	(4,762,472)
Transfer from ongoing investments	633,128	24,317,808	22,329,651	(47,280,586)	0
Transfer to investment property	0	(617,089)	0	(256,062)	(873,151)
Transfer from investment property	0	0	197	0	197
As at 31 December 2019	103,350,635	535,951,087	247,981,148	44,292,962	931,575,832
Accumulated depreciation					
As at 1 January 2019	0	(372,918,438)	(156,256,964)	0	(529,175,402)
Depreciation	0	(15,331,991)	(15,420,648)	0	(30,752,640)
Disposals	0	6,496,513	7,499,609	0	13,996,121
Transfers between asset categories	0	(5,373)	2,592,793	0	2,587,420
As at 31 December 2019	0	(381,759,290)	(161,585,211)	0	(543,344,501)
Net carrying amount as at 1 January 2019	104,358,050	146,443,674	81,786,307	34,074,420	366,662,451
Net carrying amount as at 31 December 2019	103,350,635	154,191,797	86,395,937	44,292,962	388,231,331

Thirty-five percent of all items of property, plant and equipment in use on 31 December 2019 were fully depreciated (as compared to 34 percent as at 31 December 2018).

Items of property, plant and equipment pledged as security

All items of property, plant and equipment of the Company are unpledged.

Assets held under finance lease

The Company has no property, plant and equipment under finance lease.

When testing asset impairment indicators, the Company determined that no signs of impairment were present with regard to items of property, plant and equipment as at 31 December, meaning that no impairment was required.

Overview of groups of investments in property, plant and equipment in 2019 including investments in excess of EUR 1,200,000

(in EUR)	2019
Energy management of buildings	24,938,559
Software purchases	2,386,092
Acquisition and construction of service stations	1,713,895
Investment in a storage facility	1,565,383
Refurbishment of car washes	1,517,591

6.18 Investment property

Investment property comprises buildings (storage facilities, car washes, bars) being leased out by the Group/Company.

(in EUR)	The Petrol Group	Petrol d.d.
	Investment property	Investment property
Cost		
As at 1 January 2018	34,310,040	33,326,426
Transfer to property, plant and equipment	(1,025,104)	(1,025,104)
Transfer from property, plant and equipment	2,424,376	2,424,376
As at 31 December 2018	35,709,312	34,725,698
Accumulated depreciation		
As at 1 January 2018	(17,559,696)	(17,115,340)
Depreciation	(1,123,688)	(1,087,614)
Transfer to property, plant and equipment	743,290	743,290
Transfer from property, plant and equipment	(420,382)	(420,382)
As at 31 December 2018	(18,360,476)	(17,880,046)
Net carrying amount as at 1 January 2018	16,750,344	16,211,085
Net carrying amount as at 31 December 2018	17,348,836	16,845,651

(in EUR)	The Petrol Group	Petrol d.d.
	Investment property	Investment property
Cost		
As at 1 January 2019	35,709,312	34,725,698
Disposals	(248,535)	(248,535)
Transfer between asset categories	1,830	1,830
Transfer from property, plant and equipment	872,954	872,954
As at 31 December 2019	36,335,562	35,351,947
Accumulated depreciation		
As at 1 January 2019	(18,360,476)	(17,880,046)
Depreciation	(1,150,792)	(1,114,718)
Disposals	3,907	3,907
Transfer between asset categories	3,103	3,103
As at 31 December 2019	(19,504,258)	(18,987,754)
Net carrying amount as at 1 January 2019	17,348,836	16,845,651
Net carrying amount as at 31 December 2019	16,831,304	16,364,192

The Petrol Group

In 2019 revenue generated by the Group from investment property totalled EUR 2,732,812 (2018: EUR 3,180,683). According to the Group's estimates, the fair value of investment property stood at EUR 23,496,274 as at 31 December 2019 (EUR 27,335,567 as at 31 December 2018). The Group estimates the fair value using the method of capitalising normalised cash flows, with cash flows comprising chiefly lease payments for leased investment property. The growth rate and the required rate of return are expected to equal 0.05 percent (2018: 0.05 percent) and 9.03 percent (2018: 9.04 percent), respectively.

Petrol d.d., Ljubljana

In 2019 revenue generated by the Company from investment property totalled EUR 2,606,176 (2018: EUR 3,067,433). According to the Company's estimates, the fair value of investment property stood at EUR 22,544,440 as at 31 December 2019 (EUR 26,534,494 as at 31 December 2018). The Company estimates the fair value using the method of capitalising normalised cash flows, with cash flows comprising chiefly lease payments for leased investment property. The growth rate and the required rate of return are expected to equal 0.05 percent (2018: 0.05 percent) and 8.95 percent (2018: 8.95 percent), respectively.

6.19 Investments in subsidiaries

The Petrol Group

In the preparation of the Group's financial statements, investments in subsidiaries are eliminated on consolidation. A more detailed overview of the Group's structure is presented in chapter Companies in the Petrol Group of the business report.

Petrol d.d., Ljubljana

Information about direct subsidiaries as at 31 December 2019

The directly owned subsidiaries of Petrol d.d., Ljubljana are as follows:

Name of subsidiary	Address of subsidiary	Ownership interest	Equity as at 31 December 2019 (in EUR)	Net profit or loss for 2019 (in EUR)
Slovenia				
IGES d.o.o.	Dunajska cesta 50, Ljubljana, Slovenia	100 %	15,796,261	17,504
Petrol Skladiščenje d.o.o.	Zaloška 259, Ljubljana - Polje, Slovenia	100 %	816,599	(403)
Petrol GEO d.o.o.	Mlinska ulica 5D, Lendava, Slovenia	100 %	1,490,446	(156,197)
Ekoen d.o.o.	Luče 117A, Luče, Slovenia	100 %	775,366	(744)
Ekoen S d.o.o.	Ljubljanska cesta 35, Domžale, Slovenia	100 %	10,048	7,112
MBills d.o.o.	Tržaška cesta 118, Ljubljana, Slovenia	91 %	7,483,062	(1,790,779)
Geoplin d.o.o. Ljubljana	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	74 %	126,856,966	8,214,114
Atet d.o.o. ¹	Devova ulica 6A, Ljubljana, Slovenia	72.96 %	1,876,514	0
Croatia				
Petrol d.o.o.	Oreškovićevo 6H, Zagreb, Croatia	100 %	165,294,021	24,436,589
Vjetroelektrane Glunča d.o.o.	Krapanjska cesta 8, Šibenik, Croatia	100 %	9,762,958	1,501,777
Vjetroelektrana Ljubač d.o.o.	Krapanjska cesta 8, Šibenik, Croatia	100 %	(1,659)	0
Zagorski metalac d.o.o. ²	Celine 2, Zabok, Croatia	75 %	8,078,384	965,330
Serbia				
Petrol d.o.o. Beograd	Ulica Patrijarha Dimitrija 12v, Beograd, Serbia	100 %	29,101,485	1,399,472
Beogas d.o.o. Beograd	Patrijarha Dimitrija 12v, Beograd, Serbia	100 %	17,879,937	744,405
Petrol LPG d.o.o.	Ulica Patrijarha Dimitrija 12v, Beograd, Serbia	51 %	9,585,511	2,128,929
STH Energy d.o.o. Kraljevo	Miloša Velikog 52-2/14, Kraljevo, Serbia	80 %	(1,243)	0
Montenegro				
Petrol Crna Gora MNE d.o.o.	Josipa Broza Tita 19, Podgorica, Montenegro	100 %	19,964,528	(2,070,794)
Other countries				
Petrol BH Oil Company d.o.o. Sarajevo	Tešanjaska 24 a, Sarajevo, Bosnia and Herzegovina	100 %	60,428,568	5,967,160
Petrol Hidroenergija d.o.o. Teslić	Branka Radičevića 1, Teslić, Bosnia and Herzegovina	80 %	7,021,512	741,459
Intrade Energija d.o.o. Sarajevo	Tešanjaska 24 a, Sarajevo, Bosnia and Herzegovina	99.75 %	(1,567,995)	(398,615)
Petrol Trade Handelsgesellschaft m.b.H.	Elisabethstrasse 10 Top 4 u.5, Vienna, Austria	100 %	2,685,444	1,124,361
Petrol-Energetika DOOEL Skopje	Ul. Sv. Kiril i Metodij 20, Skopje, Macedonia	100 %	107,553	1,233
Petrol Bucharest ROM S.R.L.	B-dul Tudor Vladimirescu 22, Sector 5, Bucharest, Romania	100 %	(96,286)	2,960
Petrol Praha CZ S.R.O.	V celnici 1031/4, Nové Město, 110 00 Praha 1, Czech Republic	100 %	(68,370)	(8,564)
Petrol Trade Slovenija L.L.C.	Gornje Dobrovo industrijska zona b.b., Kosovo Polje, Kosovo	100 %	(4,152)	0

¹ Petrol d.d., Ljubljana has 76% of voting rights in the company ATET d.o.o.

² The subsidiary Geoplin d.o.o. Ljubljana owns a 25-percent interest in the company Zagorski metalac d.o.o. In total, the Group has a 74-percent interest in Zagorski metalac d.o.o.

Information about indirect subsidiaries as at 31 December 2019

The companies Petrol LPG d.o.o. Beograd, IGES, d.o.o., Beogas Invest d.o.o., Petrol d.o.o. Geoplin d.o.o. and Ekoen d.o.o. are the controlling companies of the Petrol LPG Group, the IGES Group, the Beogas Invest Group, the Petrol Zagreb Group, the Geoplin Group and the Ekoen Group, respectively. The subsidiaries from these groups are presented in the table below.

Name of subsidiary	Address of subsidiary	Ownership interest	Equity as at 31 December 2019 (in EUR)	Net profit or loss for 2019 (in EUR)
The Petrol LPG Group				
Tigar Petrol d.o.o. Beograd	Kosovska 17, Beograd (Stari Grad), Serbia	100 %	(76,593)	(195,580)
Petrol LPG HIB d.o.o.	Preduzetnička zona bb, Šamac, Bosnia and Herzegovina	100 %	13,758	(70,638)
The IGES Group				
Vitales d.o.o. ¹	Hrvatskih branitelja B 2, Vitez, Bosnia and Herzegovina	100 %	0	0
Vitales d.o.o. Bihać ¹	Naselje Ripač b.b., Bihać, Bosnia and Herzegovina	100 %	0	0
The Petrol Zagreb Group				
Petrol javna rasvjeta d.o.o.	Oreškovićevo 6H, Zagreb, Croatia	100 %	128,466	16,548
Adria-Plin d.o.o.	Ulica Stinice 15, Kastel Gomilica, Croatia	75 %	993,449	21,569
The Geoplin Group				
Geocom d.o.o.	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	100 %	423,197	0
Geoplin d.o.o.	Radnička cesta 39, Zagreb, Croatia	100 %	560,689	8,300
Geoplin d.o.o. Beograd	Zelenogorska ulica broj 1g, 11070 Novi Beograd, Serbia	100 %	40,909	0
The Ekoen Group				
Ekoen GG d.o.o.	Luče 117A, Luče, Slovenia	100 %	(3,090)	(1,042)

¹ The company has filed for bankruptcy.

Balance of investments in subsidiaries

(in EUR)	Petrol d.d.	
	31 December 2019	31 December 2018
Petrol d.o.o.	136,133,985	136,133,985
Geoplin d.o.o. Ljubljana	56,901,637	56,454,459
Petrol BH Oil Company d.o.o. Sarajevo	34,537,990	34,537,990
Petrol d.o.o. Beograd	23,602,819	23,602,819
Petrol Crna Gora MNE d.o.o.	19,396,000	19,396,000
IGES d.o.o.	15,774,400	15,774,400
Beogas d.o.o. Beograd	12,774,000	6,102,538
MBills d.o.o.	11,039,000	3,439,000
Zagorski metalac d.o.o.	8,414,665	7,068,440
Vjetroelektrane Glunča d.o.o.	6,523,622	6,523,622
Petrol Hidroenergija d.o.o. Teslić	5,000,409	5,000,409
Atet d.o.o.	4,044,396	0
Petrol LPG d.o.o.	2,057,948	2,057,948
Ekoen d.o.o.	1,916,493	1,916,493
Vjetroelektrarna Ljubač d.o.o.	1,492,570	0
Petrol Skladišćenje d.o.o.	794,951	794,951
Petrol GEO d.o.o.	697,020	697,020
Petrol Trade Handelsgesellschaft m.b.H.	147,830	147,830
Ekoen S d.o.o.	50,737	50,737
Petrol-Energetika DOOEL Skopje	25,000	25,000
Petrol Bucharest ROM S.R.L.	10,000	10,000
Petrol Praha CZ S.R.O.	9,958	9,958
Petrol Trade Slovenija L.L.C.	1,000	1,000
STH Energy d.o.o.	371	0
Beogas Invest d.o.o. Beograd	0	6,671,462
Total investments in subsidiaries	341,346,801	326,416,061

Changes in investments in subsidiaries

(in EUR)	Petrol d.d.	
	2019	2018
As at 1 January	326,416,061	329,225,470
New acquisitions	14,802,360	29,183,559
Transfer within investments in the Group	128,380	3,827,808
Merger by absorption	0	(30,295,702)
Impairment	0	(5,525,075)
As at 31 December	341,346,801	326,416,061

Major new acquisitions of investments in subsidiaries were as follows in 2019:

- acquisitions of interests in the companies ATET d.o.o., STH Energy d.o.o. and Adia-Plin d.o.o. totalling EUR 4,351,767;
- the purchase of minority interests in the subsidiary Geoplin d.o.o. totalling EUR 447,178.40, in Zagorski metalac d.o.o. totalling EUR 1,346,225 and in Vjetroelektrana Ljubač d.o.o. totalling EUR 1,492,570;
- the capital increase of Mbills d.o.o. totalling EUR 7,600,000;
- the capital increase of Intrade Energija d.o.o., Sarajevo totalling EUR 8,032,844 by converting debt to equity. Upon conversion to equity, the Company's financial receivables from Intrade Energija d.o.o. were impaired in full. The loss allowance for the value of the financial receivables was transferred to the investment in full when the conversion to equity took place.

By purchasing the assets from the company Crodux d.o.o., the subsidiary Petrol Zagreb d.o.o. acquired the EUR 307,000 investment in the subsidiary Adria-Plin d.o.o., including it in its financial statements.

Major new acquisitions of investments in subsidiaries were as follows in 2018:

- acquisitions of interests in the companies Mbills d.o.o., Megaenergija d.o.o., Ekoen d.o.o., Ekoen GG d.o.o., Ekoen S d.o.o. and Zagorski metalac d.o.o. totalling EUR 14,248,620;
- the purchase of minority interests in the company Geoplin, d.o.o. totalling EUR 13,407,439;
- the capital increase of Mbills d.o.o. totalling EUR 1,520,000.

In 2019 the Group absorbed the companies Beogas Invest d.o.o., Domingas d.o.o. and Dubrovnik Plin d.o.o. The effects of mergers by absorption are presented in Note 6.2.

In accordance with IAS 36, the Company has verified the indicators of impairment of and found out that they did not exist in investments in subsidiaries as per December 31. The need for impairment of investments in subsidiaries has not been identified.

In 2018 the Company impaired the investments in subsidiaries by EUR 5,525,075 based on the testing of investment impairment indicators applicable to those investments.

6.20 Investments in jointly controlled entities

A more detailed overview of the Group's structure is presented in chapter Companies in the Petrol Group of the business report.

Information about jointly controlled entities as at 31 December 2019

Name of jointly controlled entity	Address of jointly controlled entity	Business activities	Ownership and voting rights	
			31 December 2019	31 December 2018
Slovenia				
Geoenergo d.o.o.	Mlinska ulica 5, Lendava, Slovenia	Extraction of natural gas, oil and gas condensate	50 %	50 %
Soenergetika d.o.o.	Stara cesta 3, Kranj, Slovenia	Electricity, gas and steam supply	25 %	25 %
Other countries				
Vjetroelektrana Dazlina d.o.o.	Krapanjska cesta 8, Šibenik, Croatia	Electricity production	50 %	50 %
Petrol OTI Slovenija LLC	Gornje Dobrovo industrijska zona b.b., Kosovo Polje, Kosovo	Retail sale and wholesale of liquid and gaseous fuel and similar products	51 %	51 %
Petrol OTI Terminal LLC	Miradi e Epeme b.b., Kosovo Polje, Kosovo	Retail sale and wholesale of liquid and gaseous fuel and similar products	51 %	51 %

After analysing the contracts of members of jointly controlled entities, the Group/Company established that it does not control those entities, disclosing them as investments in jointly controlled entities as a result.

Balance of investments in jointly controlled entities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Soenergetika d.o.o.	475,707	452,656	210,000	210,000
Geoenergo d.o.o.	111,258	91,744	0	0
Vjetroelektrana Dazlina d.o.o.	23,308	23,429	23,000	23,000
Petrol Slovenia Tirana Wholesale Sh.A.	0	1,077,833	0	986,000
Vjetroelektrana Ljubač d.o.o.	0	128,775	0	128,380
Total investments in jointly controlled entities	610,273	1,774,437	233,000	1,347,380

The Petrol Group

Changes in investments in jointly controlled entities

(in EUR)	The Petrol Group	
	2019	2018
As at 1 January	1,774,437	1,755,182
Attributed profit/loss	192,568	278,038
Dividends received	(150,000)	(387,654)
New acquisitions	0	128,380
Transfer to investments in subsidiaries	(128,775)	0
Disposals	(1,077,833)	0
Foreign exchange differences	(124)	491
As at 31 December	610,273	1,774,437

In conformity with the equity method, the Group received attributable profit of EUR 192,568 in 2019. From this amount, dividends on retained earnings, which stood at EUR 150,000, were deducted. These items are explained in more detail in Note 6.10.

In 2019 the Group acquired another 50-percent interest in the jointly controlled entity Vjetroelektrana Ljubač d.o.o. This investment was carried as a subsidiary as at 31 December.

In 2019 the Group suspended its business operations in the jointly controlled entity Petrol Slovenia Tirana Wholesale

Sh.A. In 2019 the company was struck off the Companies Register. As the investment in this company had been impaired in full in the previous years, the striking off had no impact on the Group's profit or loss in 2019.

The testing of investment impairment indicators applicable to investments in jointly controlled entities identified no need for impairment. In 2018 the Company impaired the investments in jointly controlled entities by EUR 154,554 based on the testing of investment impairment indicators applicable to those investments.

Significant amounts from the financial statements of jointly controlled entities

2018

(in EUR)	Assets	Liabilities (debt)	Revenue	Net profit or loss	Net profit or loss attributable to the Petrol Group
Petrol Slovenia Tirana Wholesale Sh.A.	2,250,174	8,127	0	0	0
Petrol OTI Slovenija LLC	20,374,299	5,815,030	12,864,691	(855,361)	(436,234)
Soenergetika d.o.o.	2,710,944	899,355	3,487,008	680,299	170,075
Geoenergo d.o.o.	1,065,399	784,836	3,807,888	224,038	112,019
Vjetroelektrana Dazlina d.o.o.	60,080	58,047	0	(667)	(334)
Vjetroelektrana Ljubač d.o.o.	90,495	92,126	0	(918)	(459)

2019

(in EUR)	Assets	Liabilities (debt)	Revenue	Net profit or loss	Net profit or loss attributable to the Petrol Group
Petrol OTI Slovenija LLC	19,335,223	5,761,974	7,376,963	(986,020)	(502,870)
Soenergetika d.o.o.	2,748,088	926,028	3,817,484	691,738	172,935
Geoenergo d.o.o.	769,994	450,403	1,285,391	39,029	19,515
Vjetroelektrana Dazlina d.o.o.	121,186	119,496	0	(254)	(127)

Petrol d.d., Ljubljana**Changes in investments in jointly controlled entities**

(in EUR)	Petrol d.d.	
	2019	2018
As at 1 January	1,347,380	1,219,000
New acquisitions	0	282,934
Transfer to investments in subsidiaries	(128,380)	0
Disposals	(986,000)	0
Impairment	0	(154,554)
As at 31 December	233,000	1,347,380

The transfer to investments in subsidiaries refers entirely to the company Vjetroelektrana Ljubač d.o.o. The decrease in investments refers to the company Petrol Slovenia Tirana Wholesale Sh.A., which was liquidated by the Group in 2019.

6.21 Investments in associates

A more detailed overview of the Group's structure is presented in chapter Companies in the Petrol Group of the business report.

Information about associates as at 31 December 2019

Name of associate	Address of associate	Business activities	Ownership and voting rights	
			31 December 2019	31 December 2018
Slovenia				
Plinhold d.o.o.	Mala ulica 5, Ljubljana, Slovenia	Gas infrastructure management	30 %	30 %
Aquasystems d.o.o.	Dupleška cesta 330, Maribor, Slovenia	Construction and operation of industrial and municipal water treatment plants	26 %	26 %
Serbia				
IVICOM Energy d.o.o.	Jug Bogdanova 2, Žagubica, Serbia	Electricity production	25 %	25 %

Balance of investments in associates

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Plinhold d.o.o.	50,155,547	48,997,306	26,273,425	26,273,425
Ivicom Energy d.o.o.	2,585,928	0	2,575,000	0
Aquasystems d.o.o.	1,914,132	1,920,530	1,091,028	1,091,028
Total investments in associates	54,655,607	50,917,836	29,939,454	27,364,454

The Petrol Group

Changes in investments in associates

(in EUR)	The Petrol Group	
	2019	2018
As at 1 January	50,917,836	62,444,322
Attributed profit/loss	2,356,037	1,665,739
Dividends received	(1,204,194)	(1,914,725)
New acquisitions	2,575,000	0
Disposals	0	(11,277,500)
Foreign exchange differences	10,928	0
As at 31 December	54,655,607	50,917,836

In 2019, in conformity with the equity method, the Group attributed the corresponding share of 2019 profits or losses to its investments, in total EUR 2,356,037, deducting from the investments the dividends received of EUR 1,204,194. These items are explained in more detail in Note 6.10.

The decrease in investments in associates for 2018 refers to the disposal of the investment in the company GEN-EL naložbe d.o.o.

Significant amounts from the financial statements of associates

2018

(in EUR)	Assets	Liabilities	Revenue	Net profit or loss	Net profit or loss attributable to the Petrol Group
Plinhold d.o.o.	318,815,208	116,356,135	45,589,848	3,357,675	997,179
Aquasystems d.o.o.	16,227,254	9,348,523	7,803,319	2,906,041	755,571

2019

(in EUR)	Assets	Liabilities	Revenue	Net profit or loss	Net profit or loss attributable to the Petrol Group
Plinhold d.o.o.	318,800,000	112,300,000	4,350,000	5,400,000	1,603,719
Aquasystems d.o.o.	14,231,001	7,363,163	7,919,733	2,897,054	753,234
Ivicom Energy d.o.o.	1,203,404	1,181,696	122,224	0	0

Petrol d.d., Ljubljana

Changes in investments in associates

(in EUR)	Petrol d.d.	
	2019	2018
As at 1 January	27,364,454	21,726,406
New acquisitions	2,575,000	0
Transfer within investments in the Group	0	5,638,047
As at 31 December	29,939,454	27,364,454

The increase in the investments in associates refers entirely to the acquisition of a 25-percent interest in the company Ivicom energy d.o.o.

In 2018 Ekopur d.o.o.'s share of the investment in Geoplin d.o.o. was transferred to Petrol d.d., Ljubljana owing to the closing down of Ekopur d.o.o.

6.22 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income stand for investments in shares and interests of companies and banks as well as investments in mutual funds and bonds. Since the majority of the financial assets

at fair value through other comprehensive income are the financial assets of Petrol d.d., Ljubljana, a joint disclosure for the Group and the Company is presented.

Balance of financial assets at fair value through other comprehensive income

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Shares of companies	2,068,908	1,325,987	1,871,378	1,128,457
Interests in companies	2,064,136	2,064,136	246,536	246,536
Bonds	395,943	5,778,443	0	0
Total financial assets at fair value through other comprehensive income	4,528,987	9,168,566	2,117,914	1,374,993

Changes in financial assets at fair value through other comprehensive income

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
As at 1 January	9,168,566	11,173,565	1,374,993	1,689,491
Transfer of bonds to current financial receivables	0	(1,690,500)	0	0
New acquisitions	0	252,596	0	252,596
Disposals	(5,382,500)	(314,498)	0	(314,498)
Increase (creation of fair value reserve)	742,921	0	742,921	0
Impairment	0	(252,596)	0	(252,596)
As at 31 December	4,528,987	9,168,566	2,117,914	1,374,993

The Petrol Group and Petrol d.d., Ljubljana

The Group's/Company's financial assets at fair value through other comprehensive income are carried at fair value.

6.23 Non-current financial receivables

Balance of non-current financial receivables

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Loans and other financial receivables	5,017,649	1,466,432	31,876,296	13,605,479
Total non-current financial receivables	5,017,649	1,466,432	31,876,296	13,605,479

The Petrol Group

The most significant items of non-current financial receivables consist of loans to jointly controlled entities of EUR 917,000 and to third parties of EUR 4,100,649.

Changes in non-current financial receivables

(in EUR)	The Petrol Group	
	2019	2018
Receivables as at 1 January	1,466,432	32,651,760
New loans	4,346,254	1,384,604
Loans repaid	(188,007)	(32,547,840)
Transfer to current financial receivables	(602,473)	(22,206)
Foreign exchange differences	(4,557)	114
Receivables as at 31 December	5,017,649	1,466,432

Petrol d.d., Ljubljana

Non-current financial receivables of EUR 31,876,296 (31 December 2018: EUR 13,605,479) comprise non-current financial receivables from Group companies totalling EUR 30,838,499 (31 December 2018: EUR 12,653,994) and non-current financial receivables from others equalling

EUR 1,037,798 (31 December 2018: EUR 951,485). A significant item of non-current financial receivables from others are loans for goods delivered totalling EUR 120,798 (31 December 2018: EUR 792,026). Non-current financial receivables from Group companies are presented in the table below.

(in EUR)	Petrol d.d.	
	2019	2018
Non-current financial receivables from Group companies		
Petrol d.o.o. Beograd	17,200,000	10,170,000
Petrol Crna Gora MNE d.o.o.	7,500,000	0
Intrade Energija d.o.o. Sarajevo	3,264,000	0
Vjetroelektrarna Ljubač d.o.o.	2,624,400	0
Ekoen d.o.o.	132,800	0
Ekoen S d.o.o.	117,299	0
Petrol Crna Gora MNE d.o.o.	0	1,900,000
Petrol OTI Slovenija LLC	0	583,994
Total	30,838,499	12,653,994

Changes in non-current financial receivables

(in EUR)	Petrol d.d.	
	2019	2018
Receivables as at 1 January	13,605,479	6,362,867
New loans	21,404,821	12,095,471
Loans repaid	(1,011,007)	(1,281,735)
Impairment	(706,018)	1,299,271
Transfer to/from current financial receivables	(1,416,977)	(4,870,395)
Receivables as at 31 December	31,876,297	13,605,479

Non-current financial receivables decreased by EUR 4,680,977 owing to a transfer of their current portion, but they also increased as a result of current financial receivables from a subsidiary of EUR 3,264,000 being transformed into non-current financial receivables.

6.24 Non-current operating receivables

Since the majority of non-current operating receivables consists of the receivables due to Petrol d.d., Ljubljana, a joint disclosure for the Group and the Company is presented.

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Receivables from companies	1,224,117	1,224,096	1,214,651	1,214,651
Loss allowance for trade receivables	(1,214,651)	(1,214,651)	(1,214,651)	(1,214,651)
Receivables from municipalities	80,615	120,412	80,615	120,412
Other receivables	8,299,772	6,607,894	8,288,105	6,594,903
Total non-current operating receivables	8,389,853	6,737,751	8,368,720	6,715,315

The Petrol Group and Petrol d.d., Ljubljana

Non-current operating receivables from companies include EUR 1,214,651 which refers to receivables arising from assets allocated over the long term for the restructuring of the company Nafta Lendava, d.o.o. that Petrol d.d., Ljubljana was obliged to provide under an agreement concluded with the Government of the Republic of Slovenia. Because the repayment of the non-current operating receivables is contingent on the generation and distribution of profit of the

company Geoenergo d.o.o., a loss allowance was made for the entire receivable.

Other receivables of EUR 8,288,108 (2018: EUR 6,594,903) refer to the non-current portion of receivables arising from instalment sales of EUR 8,288,105 (2018: EUR 6,460,778) and other receivables.

6.25 Inventories

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Spare parts and materials inventories	2,571,263	2,239,389	2,247,058	1,741,223
Merchandise:	173,119,215	136,210,314	126,182,736	99,695,522
- fuel	119,040,323	85,266,737	98,178,227	66,739,475
- other petroleum products	859,126	5,361,863	102,643	4,639,806
- other merchandise	53,219,766	45,581,714	27,901,866	28,316,241
Total inventories	175,690,478	138,449,703	128,429,794	101,436,745

The Petrol Group and Petrol d.d., Ljubljana

The Group/Company has no inventories pledged as security for liabilities. After checking the value of goods inventories as at 31 December 2019, the Group/Company

determined that the net realisable value of the inventories was higher than the cost of goods, which is why it did not impair their value in 2019.

6.26 Current financial receivables

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Loans granted	8,729,075	11,621,027	7,354,443	16,629,949
Adjustment to the value of loans granted	(1,262,321)	(3,138,789)	(860,043)	(6,762,852)
Time deposits with banks (3 months to 1 year)	195,782	183,995	0	0
Interest receivables	1,245,217	1,317,478	5,832,807	5,056,199
Loss allowance for interest receivables	(1,206,125)	(1,286,215)	(5,479,163)	(4,717,394)
Total current financial receivables	7,701,628	8,697,496	6,848,043	10,205,902

The Petrol Group

In addition to the loans of EUR 1,856,589 granted by Petrol d.d., Ljubljana to others (for explanation, see the disclosure relating to the Company) and the loan of EUR 200,000 to the jointly controlled entity Petrol OTI Slovenija LLC, the loans granted include short-term loans of EUR 6,672,486 (EUR 10,173,425 as at 31 December 2018) granted to other companies, mainly in connection with the payment of goods delivered.

Due to a change in the estimated value of collaterals for loans granted, the Group reversed the adjustment to the

value of the loans and interest of EUR 1,956,558 in 2019. In 2018 the value of the adjustment increased by EUR 224,099 relative to the previous period.

Petrol d.d., Ljubljana

Short-term loans to companies of EUR 7,354,443 (EUR 16,629,949 as at 31 December 2018) include the short-term portion of loans to Group companies totalling EUR 5,497,853 (EUR 15,868,352 as at 31 December 2018) and short-term loans to others equalling EUR 1.856.590 (EUR 761,597 as at 31 December 2018). Short-term loans to Group companies are presented below.

(in EUR)	Petrol d.d.	
	2019	2018
Loans to Group companies		
Petrol LPG d.o.o. Beograd	4,265,918	4,625,918
Petrol Bucharest ROM S.R.L.	640,000	702,184
Vjetroelektrarna Ljubač d.o.o.	258,500	0
Petrol OTI Slovenija LLC	200,000	686,006
Petrol Praha CZ s.r.o.	70,033	63,033
Ekoen d.o.o.	33,200	0
Ekoen S d.o.o.	20,201	0
Petrol Trade Slovenija LLC	10,000	10,000
Intrade Energija d.o.o. Sarajevo	0	9,281,211
Petrol Energetika dool Skopje	0	500,000
Total	5,497,853	15,868,352

Short-term loans to others of EUR 1,856,589 refer to loans to companies for the payment of goods delivered of EUR 1,295,902 (EUR 761,597 as at 31 December 2018) and other loans of EUR 560,688 (EUR 601,621 as at 31 December 2018). The Company did not have loans arising from the sale of financial instruments as at 31 December 2019 nor did it have such loans as at 31 December 2018.

The adjustment to the value of current receivables is the result of a repayment of a loan granted to a subsidiary and of a transfer of the adjustment to the investment in the subsidiary. In 2018 the value of the adjustment increased by EUR 2,030,960 relative to the previous period.

6.27 Current operating receivables

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Trade receivables	503,825,514	569,041,841	344,855,450	415,151,223
Loss allowance for trade receivables	(50,474,124)	(55,253,217)	(33,213,942)	(34,377,869)
Operating receivables from state and other institutions	12,670,165	9,983,836	201,981	339,968
Operating interest receivables	1,911,484	5,251,106	3,100,614	6,188,670
Loss allowance for interest receivables	(1,669,414)	(2,726,493)	(1,630,227)	(2,704,962)
Receivables from insurance companies (loss events)	799,148	324,323	659,553	92,276
Other operating receivables	7,300,800	5,440,318	6,587,940	4,026,144
Loss allowance for other receivables	(231,455)	(384,365)	0	0
Total current operating receivables	474,132,118	531,677,349	320,561,369	388,715,450

6.28 Contract assets

The Petrol Group and Petrol d.d., Ljubljana

Contract assets refer to short-term accrued revenue from merchandise. The value of accrued revenue stood at EUR 2,095,457 as at 31 December 2019 for Petrol d.d.,

Ljubljana (2018: EUR 2,056,160) and at EUR 1,819,842 for the Group (2018: EUR 2,278,452). The assets arising from contracts with customers were not impaired.

6.29 Financial assets at fair value through profit or loss

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Assets arising from commodity swaps	495,381	2,382,203	359,549	2,382,203
Assets arising from forward contracts	34,530	244,287	34,530	244,287
Total financial assets at fair value through profit or loss	529,911	2,626,490	394,078	2,626,490

The Petrol Group and Petrol d.d., Ljubljana

Financial assets arising from commodity swaps represent the fair values of outstanding commodity swap contracts for the purchase of petroleum products as at 31 December 2019. All of the above financial assets arising from derivative

financial instruments should be considered in conjunction with outstanding contracts disclosed under financial liabilities in Note 6.36.

6.30 Prepayments and other assets

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Prepayments	73,713,524	39,748,406	21,716,152	30,840,437
Prepaid subscriptions, specialised literature, etc.	914,471	1,555,820	768,126	1,430,733
Prepaid insurance premiums	510,661	555,305	347,423	359,659
Other deferred costs	3,469,056	8,210,970	765,871	1,146,777
Total prepayments and other assets	78,607,712	50,070,501	23,597,572	33,777,606

6.31 Cash and cash equivalents

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cash	7,280,753	7,053,669	5,102,747	4,997,237
Cash in banks	28,103,923	46,663,989	8,445,860	21,859,874
Short-term deposits (up to 3 months)	6,345,593	5,023,085	4,131,495	2,129,862
Total cash and cash equivalents	41,730,269	58,740,743	17,680,102	28,986,973

6.32 Equity

Called-up capital

The Company's share capital totals EUR 52,240,977 and is divided into 2,086,301 ordinary shares with a nominal value of EUR 25.04. All the shares have been paid up in full. All 2,086,301 ordinary shares (designated PETG) are listed on the Ljubljana Stock Exchange. The quoted share price as at 31 December 2019 was EUR 375.00 per share (EUR 310.00 as at 31 December 2018) and the book value per share as at 31 December 2019 was EUR 388.85 (EUR 358.38 as at 31 December 2018).

Capital surplus

Capital surplus may be used under conditions and for the purposes stipulated by law.

It stood at EUR 80,991,385 as at 31 December 2019 and consists of the general equity revaluation adjustment of EUR 80,080,610, which was transferred to capital surplus on transition to IFRS, and the capital surplus of EUR 910,775 representing the excess of the disposal value over the carrying amount of own shares paid to the Company's Supervisory Board members as a bonus.

In 2019 there were no changes in capital surplus.

Petrol d.d., Ljubljana

Purchases and disposals of own shares

	Number of shares	Cost (in EUR)*
Total purchases 1997 – 1999	36,142	3,640,782
Disposal by year		
Payment of bonuses in 1997	(1,144)	(104,848)
Payment of bonuses in 1998	(1,092)	(98,136)
Payment of bonuses in 1999	(715)	(62,189)
Payment of bonuses in 2000	(1,287)	(119,609)
Payment of bonuses in 2001	(1,122)	(95,252)
Payment of bonuses in 2002	(1,830)	(158,256)
Payment of bonuses in 2003	(1,603)	(138,625)
Payment of bonuses in 2004	(1,044)	(90,284)
Payment of bonuses in 2005	(144)	(15,183)
Payment of bonuses in 2006	(403)	(42,492)
Payment of bonuses in 2007	(731)	(77,077)
Payment of bonuses in 2008	(324)	(34,162)
Total disposals 1997 – 2008	(11,439)	(1,036,113)
Own shares as at 31 December 2019	24,703	2,604,670

* Amounts converted from SIT into EUR at the parity exchange rate of 239.64.

In 2019 the number of own shares remained unchanged. As at 31 December 2019, the Company held 24,703 own shares. The market value of repurchased own shares totalled EUR 9,263,625 on the above date (EUR 7,657,930 as at 31 December 2018). The Company did not change its reserves for own shares in 2019.

Revenue reserves

· Legal reserves and other revenue reserves

Legal and other revenue reserves comprise shares of profit from previous years that have been retained for a dedicated purpose, mainly for offsetting eventual future losses. Acting on the proposal from the Company's Management Board made upon the approval of the annual report, the Company's Supervisory Board used the net profit to create other revenue reserves of EUR 40,646,384, in accordance with Article 230 of the Companies Act.

· Own shares and reserves for own shares

If the parent company or its subsidiaries acquire an ownership interest in the parent company, the amount paid, including transaction costs less tax, is deducted from total equity in the form of own shares until such shares are cancelled, reissued or sold. If own shares are later sold or reissued, the consideration received is included in equity net of transaction costs and related tax effects.

The Petrol Group

The company Geoplin d.o.o. Ljubljana owned 6,020 shares of Petrol d.d., Ljubljana as at 31 December 2019, the value of which was EUR 2,257,500. The Group held 30,723 own shares as at 31 December 2019. The market value of own shares was EUR 11,521,125 on the above date.

Other reserves

Other reserves consist of revaluation reserves (the Group), the fair value reserve and the hedging reserve. Changes in these reserves that took place in 2019 are explained in more detail in Note 6.14.

The fair value reserve refers to the reserves of EUR 40,513,851 resulting from the absorption of Instalacija d.o.o. (see Note 6.15 for explanation) and to unrealised actuarial losses from the actuarial calculation of post-employment benefits on retirement totalling EUR 1,625,693.

Accumulated profit

Allocation of accumulated profit for 2018

At the 29th General Meeting of the joint-stock company Petrol d.d., Ljubljana held on 18 April 2019, the shareholders adopted the following resolution on the allocation of accumulated profit:

As proposed by the Management Board and the Supervisory Board, the accumulated profit for the financial year 2018 of EUR 49,769,123 was to be allocated in accordance with the provisions of Articles 230, 282 and 293 of the Companies Act (ZGD-1) as payment of gross dividends of EUR 18.00 per share or the total of EUR 37,553,418 (own shares excluded). The remaining accumulated profit of EUR 12,215,705 and any amounts linked to own shares arising on the date the dividends are paid and amounts resulting from rounding off dividend payments was to be transferred to other revenue reserves.

The dividends were paid out of the net profit for 2018.

In 2019 the Company paid out dividends for the year 2018 of EUR 37,000,404 and dividends from the previous years of EUR 888.

Accumulated profit for 2019

(in EUR)	Petrol d.d.	
	31 December 2019	31 December 2018
Compulsory allocation of net profit		
Net profit	60,249,229	100,592,235
Net profit after compulsory allocation	60,249,229	100,592,235
Creation of other revenue reserves	30,124,614	50,296,118
Determination of accumulated profit		
Net profit	30,124,614	50,296,118
Decrease by the amount of long-term deferred development costs on the balance sheet date	(435,042)	(526,995)
Other revenue reserves	15,665,584	0
Accumulated profit	45,355,156	49,769,123

Acting on the proposal from the Company's Management Board made upon the approval of the annual report, the Company's Supervisory Board used the net profit to create other revenue reserves in accordance with Article 230 of the Companies Act.

Final dividends for the year ended 31 December 2019 have not yet been proposed and confirmed by owners at a General Meeting, which is why they have not been recorded as liabilities in these financial statements.

6.33 Provisions for employee post-employment and other long-term benefits

Provisions for employee post-employment and other long-term benefits comprise provisions for post-employment benefits on retirement and jubilee benefits. The provisions amount to estimated future payments for post-employment benefits on retirement and jubilee benefits discounted to the end of the reporting period. The calculation is made separately for each employee by taking into account the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement.

The management believes that the factors used to assess the provisions for jubilee benefits and post-employment benefits did not change significantly compared to the previous year. It therefore considers the value of provisions for jubilee benefits and post-employment benefits calculated on the basis of the actuarial model as at 31 December 2018 to be a suitable basis for the recognition of provisions as at 31 December 2019. The calculation as at 31 December 2018 was adjusted only to reflect the number of employees.

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Post-employment benefits on retirement	5,853,143	5,033,244	5,402,925	4,604,266
Jubilee benefits	3,036,568	2,651,895	2,622,136	2,234,532
Total provisions	8,889,711	7,685,139	8,025,061	6,838,798

The Petrol Group

Changes in provisions for employee post-employment and other long-term benefits

(in EUR)	The Petrol Group		
	Post-employment benefits	Jubilee benefits	Total
As at 1 January 2018	4,644,649	2,459,507	7,104,156
Current service cost	495,454	402,521	897,975
Costs of interest	51,972	31,023	82,995
Post-employment benefits paid	(140,404)	(243,505)	(383,909)
Actuarial surplus	(18,740)	1,530	(17,210)
Foreign exchange differences	313	819	1,132
As at 31 December 2018	5,033,244	2,651,895	7,685,139
Current service cost	499,557	624,287	1,123,844
Post-employment benefits paid	(128,719)	(238,651)	(367,370)
Actuarial deficit	449,322	0	449,322
Foreign exchange differences	(261)	(963)	(1,224)
As at 31 December 2019	5,853,143	3,036,568	8,889,711

The calculation of the provisions for employee post-employment and other long-term benefits is based on the actuarial calculation, which relied on the following assumptions:

- a 0.3-percent annual discount rate for companies in Slovenia (2018: 1.08 percent), which is based on the yield of 10-year government bonds of the Republic of Slovenia, a 2.06-percent discount rate for companies in Croatia (2018: 2.06 percent), a 4.99-percent discount rate for companies in the Federation of Bosnia and Herzegovina (2018: 4.99 percent) and a 4.68-percent discount rate for companies in Serbia (2018: 4.68 percent);
- the currently applicable amount of post-employment and jubilee benefits specified in internal acts;

- staff turnover, primarily depending on their age;
- mortality based on the most recent mortality tables for the local population.

For companies in Slovenia it is assumed that average salaries in the Republic of Slovenia will increase by 2 percentage points and, in addition, that individual salaries will increase by 0.6 percentage points. For companies abroad it is assumed that average salaries will increase at the following rates: Croatia 1 percentage point, Serbia 1.5 percentage points, Federation of Bosnia and Herzegovina 1 percentage point, accompanied by a growth in individual salaries of 0.6 percentage points.

Sensitivity analysis

	Discount rate		Salary increase		Staff turnover	
Change in	Percentage point		Percentage point		Percentage point	
Change by	0.5	-0.5	0.5	-0.5	0.5	-0.5
Effect on the balance of provisions for employee post-employment and other long-term benefits (in EUR)	(499,247)	(532,917)	(524,266)	(486,582)	(499,816)	(543,850)

Petrol d.d., Ljubljana**Changes in provisions for employee post-employment and other long-term benefits**

(in EUR)	Petrol d.d.		
	Post-employment benefits	Jubilee benefits	Total
As at 1 January 2018	4,040,417	2,060,455	6,100,872
New acquisitions as a result of merger by absorption	243,785	102,584	346,369
Current service cost	392,791	266,526	659,317
Costs of interest	45,803	23,328	69,130
Post-employment benefits paid	(99,288)	(218,361)	(317,648)
Actuarial surplus	(19,242)	0	(19,242)
As at 31 December 2018	4,604,266	2,234,532	6,838,798
Current service cost	461,495	610,696	1,072,191
Post-employment benefits paid	(112,158)	(223,092)	(335,250)
Actuarial deficit	449,322	0	449,322
As at 31 December 2019	5,402,925	2,622,136	8,025,061

The calculation of the provisions for employee post-employment and other long-term benefits is based on the actuarial calculation, which relied on the following assumptions:

- a 0.3-percent annual discount rate (2018: 1.08 percent), which is based on the yield of 10-year government bonds of the Republic of Slovenia;
- the currently applicable amount of post-employment and jubilee benefits specified in internal acts;
- staff turnover, primarily depending on their age;

- mortality based on the most recent mortality tables for the local population.

It is assumed that average salaries in the Republic of Slovenia will increase by 2 percentage points and, in addition, that individual salaries will increase by 0.6 percentage points.

Sensitivity analysis

	Discount rate		Salary increase		Staff turnover	
Change in	Percentage point		Percentage point		Percentage point	
Change by	0.5	-0.5	0.5	-0.5	0.5	-0.5
Effect on the balance of provisions for employee post-employment and other long-term benefits (in EUR)	(458,979)	(499,674)	(491,374)	(456,323)	(476,560)	(514,071)

6.34 Other provisions

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Provisions for lawsuits	979,447	10,174,724	636,192	9,950,408
Provisions for employee post-employment and other long-term benefits at third-party managed service stations	3,806,294	3,456,881	3,806,294	3,456,881
Other provisions	20,923,226	19,802,291	4,859,313	1,192,586
Total provisions	25,708,967	33,433,896	9,301,799	14,599,875

Changes in provisions for lawsuits and changes in other provisions

(in EUR)	The Petrol Group		Petrol d.d.	
	Provisions for lawsuits	Other provisions	Provisions for lawsuits	Other provisions
As at 1 January 2018	9,669,523	25,420,294	9,396,809	1,124,586
New acquisitions as a result of control obtained	0	0	79,432	51,000
Creation of provisions	629,333	620,056	584,593	17,000
Reversal	(124,978)	(6,142,260)	(110,426)	0
Decrease due to disposal of company	0	(95,799)	0	0
Foreign exchange differences	846	0	0	0
As at 31 December 2018	10,174,724	19,802,291	9,950,408	1,192,586
Creation of provisions	570,188	5,012,516	450,130	4,859,313
Reversal	(6,919,659)	(3,891,581)	(9,764,346)	(1,192,586)
Utilization	(2,844,687)	0	0	0
Foreign exchange differences"	(1,119)	0	0	0
As at 31 December 2019	979,447	20,923,226	636,192	4,859,313

The Petrol Group

Other provisions

As at 31 December 2019, the Group had in place long-term contracts with suppliers to purchase natural gas and long-term contracts for the leasing of transmission and storage capacities. New EU rules governing the single European natural gas market have led to an expansion of short-term trading at gas hubs and make it possible to contract transport capacities on a per month and per day basis. As a result, a different kind of sales products appeared in the market, both as far as natural gas sales and the leasing of transmission and storage capacities are concerned. The Group was also compelled to provide similar products to local customers. Because the costs of meeting contractual obligations will exceed the expected economic benefits of the contracts, negative differences will arise.

As a result, the Group has created provisions for onerous contracts relating to the leasing of natural gas transmission and storage capacities, which totalled EUR 16,063,913 (2018: EUR 18,609,706). The amount was determined based on estimated economic benefits and the costs of services under long-term contracts for the leasing of capacities and by taking into account the utilisation of transmission capacities. The calculations were based on 9-year projections and a discount rate of 0.27%, which reflects the yield on Republic of Slovenia bonds maturing in 2029.

The Group's/Company's other provisions include provisions for partial non-compliance in the area of renewables in transport (Decree on renewable energy sources in transport) amounting to EUR 4,842,313 as at 31 December 2019. Considering its position, technical limitations and the legislative framework, the Company took a number of measures to step up compliance and will continue to strive for the best possible solutions for the environment, customers and its owners.

The provisions were estimated by considering all relevant circumstances regarding conformity with the required

standards and legal aspects, and represent the management's best estimate as to how likely is the outflow of economic benefits from the Group/Company.

Because the legislation is recent, it is not possible to foresee the timeframe for the settlement of liabilities, which is why the provisions have not been discounted.

The Petrol Group and Petrol d.d., Ljubljana

Provisions for lawsuits

The amount of the provisions for lawsuits is determined based on the amount of a claim or estimated based on the expected possible amount if the actual amount is not yet known. The Management Board determines the expected possible amount in consultation with external litigation experts and checks the amount of provisions for each ongoing lawsuit on a yearly basis.

The Group's management estimates that there is a possibility that some of these lawsuits will be lost. That is why the Group set aside long-term provisions for lawsuits and interest on overdue amounts arising from the claims. The provisions for lawsuits totalled EUR 778,436 as at 31 December 2019 (EUR 7,376,706 as at 31 December 2018) while the provisions for interest on overdue amounts arising from the claims stood at EUR 201,011 (EUR 2,798,448 as at 31 December 2018). In 2019 the Group received a higher court ruling concerning a lawsuit for which provisions of EUR 9,295,374 were created by the Group as at 31 December 2018 and for which provisions for overdue amounts of EUR 395,072 were created in 2019. Based on the higher court ruling, the Group settled a portion of the claim of EUR 2,844,687 in 2019. On 2 March 2020, the Group received a Supreme Court ruling which dismissed the plaintiff's claim in its entirety, reversing the higher court ruling in favour of the Group. Following this ruling, the Group reversed the remaining provisions of EUR 6,845,759 on 31 December 2019. The Group's management does not believe that the remaining amount of EUR 2,844,687 is recoverable and that the conditions for recognising receivables or contingent assets

are not met. For this reason, it will use all legal means necessary to recover the said amount.

The Company's long-term provisions for lawsuits totalled EUR 535,372 as at 31 December 2019 (EUR 7,151,960 as at 31 December 2018), with the provisions for interest on overdue amounts arising from the claims amounting to EUR 100,820 (EUR 2,798,448 as at 31 December 2018). In 2019 the Company received a higher court ruling relating to a claim for which the Company had created provisions of EUR 9,295,374 as at 31 December 2018 and for which it created provisions for interest on overdue amounts of EUR 395,072 in 2019. Based on a higher court ruling which dismissed in its entirety the plaintiff's claim against the Company as a second defendant, in addition to its subsidiary,

the Company's provisions for lawsuits and interest on overdue amounts arising from this claim were fully reversed.

Provisions for employee post-employment and other long-term benefits

Other provisions include also provisions for employee post-employment and other long-term benefits relating to employees at third-party managed service stations of the Petrol Group. The provisions amount to estimated future payments for post-employment benefits on retirement and jubilee benefits discounted to the end of the reporting period. The calculation is made separately for each employee by taking into account the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement.

Changes in provisions for employee post-employment and other long-term benefits at third-party managed service stations

(in EUR)	Petrol d.d.		
	Post-employment benefits	Jubilee benefits	Total
As at 1 January 2018	1,919,692	1,678,409	3,598,101
Current service cost	173,419	42,878	216,297
Costs of interest	20,733	18,127	38,859
Post-employment benefits paid	(57,478)	(127,736)	(185,214)
Actuarial surplus	(211,162)	0	(211,162)
As at 31 December 2018	1,845,204	1,611,677	3,456,881
Current service cost	69,271	279,324	348,595
Post-employment benefits paid	(70,811)	(116,420)	(187,231)
Actuarial deficit	188,049	0	188,049
As at 31 December 2019	2,031,713	1,774,581	3,806,294

The calculation of the provisions for employee post-employment and other long-term benefits is based on the actuarial calculation, which relied on the following assumptions:

- a 0.3-percent annual discount rate (2018: 1.08 percent), which is based on the yield of 10-year government bonds of the Republic of Slovenia;
- the currently applicable amount of post-employment and jubilee benefits specified in internal acts;

- staff turnover, primarily depending on their age;
- mortality based on the most recent mortality tables for the local population.

It is assumed that average salaries in the Republic of Slovenia will increase by 2 percentage points and, in addition, that individual salaries will increase by 0.6 percentage points.

Sensitivity analysis

	Discount rate		Salary increase		Staff turnover	
Change in	Percentage point		Percentage point		Percentage point	
Change by	0.5	-0.5	0.5	-0.5	0.5	-0.5
Effect on the balance of provisions for employee post-employment and other long-term benefits (in EUR)	(225,735)	(225,832)	(222,095)	(203,822)	(212,464)	(232,412)

6.35 Long-term deferred revenue

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Long-term deferred revenue from grants	1,011,997	1,074,166	28,600	34,839
Long-term deferred revenue from environmental assets	10,771	467,991	10,771	467,991
Other long-term deferred revenue	24,004,477	17,982,108	20,424,483	14,589,854
Total	25,027,245	19,524,265	20,463,854	15,092,684

Long-term deferred revenue comprises deferred revenue of Petrol d.d., Ljubljana from funds granted for the environmental rehabilitation of service stations, road tankers and storage facilities. Environmental assets were approved by means of a decision of the Ministry of the Environment and Spatial Planning as part of the ownership transformation

of the company Petrol d.d., Ljubljana and were recognised as such in the opening financial statements of Petrol d.d., Ljubljana as at 1 January 1993 that were prepared in accordance with the regulations governing the ownership transformation of companies.

The Petrol Group

Changes in deferred revenue

(in EUR)	Long-term deferred revenue from environmental assets	Long-term deferred revenue from grants	Other long-term deferred revenue	Total
As at 31 December 2017	1,081,317	39,303	5,256,153	6,376,773
Adjustment on adoption of IFRS 15			307,807	307,807
As at 1 January 2018	1,081,317	39,303	5,563,960	6,684,580
New acquisitions as a result of control obtained	0	1,047,047	2,726,116	3,773,163
Increase	0	1,745	14,603,044	14,604,789
Decrease	(613,326)	(13,929)	(4,911,264)	(5,538,519)
As at 31 December 2018	467,991	1,074,166	17,982,108	19,524,265
Increase	51,834	0	20,510,937	20,562,771
Decrease	(509,054)	(62,169)	(14,472,238)	(15,043,461)
Foreign exchange differences	0	0	(16,330)	(16,330)
As at 31 December 2019	10,771	1,011,997	24,004,477	25,027,245

Long-term deferred revenue refers to funds received based on European projects and cohesion funding in the area of energy solutions.

Long-term deferred revenue from environmental assets decreased by EUR 509,054 during the year, in line with the depreciation charge on environmental assets.

Petrol d.d., Ljubljana

Changes in deferred revenue

(in EUR)	Long-term deferred revenue from environmental assets	Long-term deferred revenue from grants	Other long-term deferred revenue	Total
As at 31 December 2017	1,081,317	39,303	5,208,138	6,328,758
Adjustment on adoption of IFRS 15	0	0	307,807	307,807
As at 1 January 2018	1,081,317	39,303	5,515,945	6,636,565
New acquisitions as a result of merger by absorption	0	0	93,717	93,717
Increase	0	1,745	13,875,394	13,877,139
Decrease	(613,326)	(6,208)	(4,895,202)	(5,514,736)
As at 31 December 2018	467,991	34,839	14,589,854	15,092,684
Increase	51,834	0	20,139,720	20,191,554
Decrease	(509,054)	(6,239)	(14,305,091)	(14,820,384)
As at 31 December 2019	10,771	28,600	20,424,483	20,463,854

Long-term deferred revenue from environmental assets is explained in the note pertaining to the Group.

6.36 Financial liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Current financial liabilities				
Bank loans	26,252,606	402,394	24,554,070	296,625
Liabilities arising from commodity swaps	6,183,317	0	6,104,307	0
Liabilities to banks arising from interest rate swaps	5,045,370	2,867,337	4,812,230	2,710,325
Liabilities to banks arising from forward contracts	811,542	616,807	811,542	616,807
Bonds issued	253,723	206,857,478	253,723	206,857,478
Other liabilities arising from financial instruments	0	0	2,568,846	2,568,846
Other loans and financial liabilities	437,238	1,606,196	65,116,744	89,689,238
	38,983,796	212,350,212	104,221,462	302,739,319
Non-current financial liabilities				
Bank loans	243,866,632	100,718,823	193,695,821	49,673,683
Bonds issued	43,794,326	43,786,793	43,794,326	43,786,793
Loans obtained from other companies	96,830	0	44,636,849	28,000,000
	287,757,788	144,505,616	282,126,997	121,460,476
Total financial liabilities	326,741,584	356,855,828	386,348,458	424,199,795

The Petrol Group

The present value of equipment pledged as security and acquired by the Group when it purchased Geoplin d.o.o. Ljubljana totalled EUR 3,551,590 as at 31 December 2019 (2018: EUR 1,006,028).

In 2019 the average interest rate on short-term and long-term sources of finance (including interest rate hedging) stood at 2.33 percent p.a. (2018: 2.91 percent p.a.).

Derivative financial instruments

Liabilities arising from forward contracts for the purchase of US dollars, which stood at EUR 811,542, represent the fair values of outstanding forward contracts as at 31 December 2019. The above financial liabilities arising from derivative financial instruments should be considered in conjunction with outstanding contracts disclosed under financial receivables in Note 6.29.

Bonds issued

Bond liabilities refer to the bonds issued by Petrol d.d., Ljubljana and listed on the Ljubljana Stock Exchange as PET4 and PET5 bonds.

The eurobonds were issued by Petrol d.d., Ljubljana on 16 June 2014 at the total nominal amount of EUR 265,000,000. The bond maturity date is 24 June 2019. The interest rate on the bonds is fixed, i.e. 3.25 percent p.a. Interest is accrued annually in arrears. The nominal value of the principal fell due in full and in a single amount upon the maturity of the bond on 24 June 2019. On maturity, the Company repaid the eurobonds and interest totalling EUR 210,138,530.

On 22 February 2017, Petrol d.d., Ljubljana issued PET4 bonds at the total nominal amount of EUR 11,000,000. The bond maturity date is 22 February 2027. The interest rate on the bonds is 1.5 percent.

On 21 June 2017, Petrol d.d., Ljubljana issued PET5 bonds at the total nominal amount of EUR 32,828,000. The interest rate is 1.2 percent p.a. The bond maturity date is 21 June 2024.

Petrol d.d., Ljubljana

In 2019 the average interest rate on short-term and long-term sources of finance (including interest rate hedging) stood at 2.33 percent p.a. (2018: 2.84 percent p.a.).

The Company's liabilities arising from derivative financial instruments and bonds are explained in more detail in the note pertaining to the Group.

Other financial liabilities from financial instruments relate entirely to the put option granted to a subsidiary and were measured at fair value as at 31 December 2019.

Other loans obtained by the Company relate mainly to loans from Group companies amounting to EUR 107,295,438, as shown in the table below.

(in EUR)	Petrol d.d.	
	31 December 2019	31 December 2018
Geoplin d.o.o. Ljubljana	48,271,801	46,022,941
Petrol d.o.o.	17,900,936	37,539,718
IGES d.o.o.	15,727,101	15,770,115
Petrol BH Oil Company d.o.o. Sarajevo	9,500,000	9,374,345
Petrol Trade Handelsgesellschaft m.b.H.	6,665,139	6,187,835
MBills d.o.o.	6,400,000	900,153
Petrol d.o.o. Beograd	2,568,846	2,568,846
Petrol GEO d.o.o.	180,690	335,248
Petrol Skladiščenje d.o.o.	80,926	70,695
Petrol Slovenia Tirana Wholesale Sh.A.	0	1,271,910
Geoenergo d.o.o.	0	125,012
Total	107,295,438	120,166,817

Changes in financial liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
As at 1 January	356,879,935	420,346,456	424,199,795	441,003,262
New acquisitions as a result of control obtained	593,894	863,314	-	-
Winding-up of a company	(1,271,910)	0	(1,271,910)	0
New acquisitions as a result of merger by absorption	-	-	0	(1,807,278)
Proceeds for bonds issued	0	0	0	0
Payments for bonds issued	(203,524,000)	(10,350,000)	(203,524,000)	(10,350,000)
Proceeds from borrowings	374,789,499	227,359,375	836,636,170	571,392,908
Repayment of borrowings	(205,785,576)	(282,814,370)	(675,907,229)	(577,782,000)
Change in fair value of financial instruments	8,556,085	729,886	8,400,947	666,883
Changes in interest liabilities	(3,256,595)	537,073	(2,185,315)	1,076,020
Foreign exchange differences	(239,748)	208,201	0	0
As at 31 December	326,741,584	356,879,935	386,348,458	424,199,795

6.37 Lease liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Non-current liabilities from leases	62,893,671	24,107	31,307,247	0
Short-term lease liabilities	9,718,871	0	3,500,072	0
Total lease liabilities	72,612,542	24,107	34,807,319	0

The Group's lease liabilities include liabilities arising from contracts for the leased assets, the value of which was determined in accordance with IFRS 16. In 2018 the Group's liabilities included finance lease liabilities.

Changes in lease liabilities

(in EUR)	The Petrol Group	Petrol d.d.
	2019	2019
As at 31 December	0	0
Adjustment on adoption of IFRS 16	79,586,586	37,874,736
As at 1 January	79,586,586	37,874,736
Increase	2,870,762	512,658
Interest	2,722,767	1,482,450
Lease payments	(12,447,623)	(5,062,525)
Foreign exchange differences	(119,950)	0
As at 31 December	72,612,542	34,807,319

6.38 Non-current operating liabilities

Since the majority of non-current operating liabilities consists of the liabilities of Petrol d.d., Ljubljana, a joint disclosure for the Group and the Company is presented.

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Liabilities arising from interests acquired	24,000	24,000	24,000	24,000
Liabilities arising from assets received for administration	768,582	833,982	768,582	833,982
Other non-current operating liabilities	150,235	294,180	0	0
Total non-current operating liabilities	942,817	1,152,162	792,582	857,982

The Petrol Group and Petrol d.d., Ljubljana

The Group's/Company's liabilities arising from assets received for administration relate largely to property, plant

and equipment received for administration from municipalities under concession agreements. Liabilities are reduced in line with the depreciation of the assets received.

6.39 Current operating liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Trade liabilities	422,816,785	407,201,206	344,918,615	346,793,608
Excise duty liabilities	56,222,534	57,636,007	51,375,029	51,082,952
Value added tax liabilities	32,671,428	31,793,780	13,409,885	12,741,461
Liabilities to employees	12,494,387	10,108,460	9,875,788	8,688,969
Environment pollution charge liabilities	8,995,979	8,975,111	8,668,158	8,611,245
Other liabilities to the state and other state institutions	4,357,665	2,240,534	2,503,588	383,722
Import duty liabilities	1,749,912	1,709,763	0	0
Liabilities arising from interests acquired	6,086,864	810,000	5,845,754	560,000
Social security contribution liabilities	1,021,092	767,499	727,961	677,781
Liabilities associated with the allocation of profit or loss	608,792	625,605	608,792	625,605
Other liabilities	5,125,835	1,990,744	1,584,809	1,503,573
Total current operating and other liabilities	552,151,273	523,858,709	439,518,379	431,668,916

6.40 Contract liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Short-term prepayments and collaterals given	13,667,005	3,909,882	11,801,143	1,657,481
Deferred prepaid card revenue	1,613,874	1,600,877	1,467,400	1,415,002
Deferred revenue from rebates granted	638,669	381,932	254,434	145,867
Other	2,083	0	0	0
Total liabilities arising from contracts with customers	15,921,631	5,892,691	13,522,977	3,218,350

6.41 Other liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Accrued annual leave expenses	2,716,757	2,687,064	1,839,744	1,870,638
Accrued expenses for tanker demurrage	552,664	477,282	545,873	477,282
Accrued concession fee costs	274,601	188,282	274,601	186,738
Accrued motorway site lease payments	108,859	109,149	108,859	109,149
Other accrued costs	10,916,587	17,982,282	6,659,610	3,385,600
Deferred default interest income	0	1,928,371	0	1,928,371
Other deferred revenue	1,691,101	1,467,626	1,545,361	1,320,990
Total other liabilities	16,260,569	24,840,056	10,974,048	9,278,768

Other accrued costs refer to accrued licence renewal costs, logistics costs, costs of services performed in connection with energy solutions, liabilities for commissions and other accrued costs.

7. Financial instruments and risk management

This chapter presents disclosures about financial instruments and risks. Risk management is explained in the *Risk management* section of the business report.

7.1 Credit risk

In 2019 the Group/Company continued to actively monitor the balances of trade receivables and to apply strict terms on which sales on open account are approved, requiring an adequate range of high-quality collaterals.

The carrying amount of financial assets has maximum exposure to credit risks and was the following as at 31 December 2019:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets at fair value through other comprehensive income	4,528,987	9,168,566	2,117,914	1,374,993
Non-current financial receivables	5,017,649	1,466,432	31,876,297	13,605,479
Non-current operating receivables	8,389,853	6,737,751	8,368,720	6,715,315
Contract assets	1,819,842	2,278,452	2,095,457	2,056,160
Current financial receivables	7,701,628	8,697,496	6,848,043	10,205,902
Current operating receivables (excluding receivables from the state)	461,461,953	521,693,513	320,359,388	388,375,482
Financial assets at fair value through profit or loss	529,911	2,626,490	394,078	2,626,490
Cash and cash equivalents	41,730,269	58,740,743	17,680,102	28,986,973
Total assets	531,180,092	611,409,443	389,739,998	453,946,794

The item that was most exposed to credit risk on the reporting date were current operating receivables. Compared to the end of 2018, they decreased, in nominal terms, by 13 percent in the case of the Group and 14.1 percent in the

case of the Company.

Financial assets at fair value through profit or loss consist mainly of derivative financial instruments.

The Group's current operating receivables by maturity

(in EUR)	Breakdown by maturity					Total
	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	
Trade receivables	467,697,073	31,379,210	8,446,834	1,198,627	5,066,880	513,788,624
Interest receivables	2,245,808	178,708	25,851	10,926	63,320	2,524,613
Other receivables (excluding receivables from the state)	5,320,690	16,822	16,559	10,825	15,380	5,380,276
Total as at 31 December 2018	475,263,571	31,574,740	8,489,244	1,220,378	5,145,580	521,693,513

(in EUR)	Breakdown by maturity					Total
	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	
Trade receivables	409,376,524	32,130,824	9,269,440	811,911	1,762,691	453,351,390
Interest receivables	56,387	30,105	22,631	5,501	127,446	242,070
Other receivables (excluding receivables from the state)	7,383,483	332,125	152,885	0	0	7,868,493
Total as at 31 December 2019	416,816,394	32,493,054	9,444,956	817,412	1,890,137	461,461,953

The Company's current operating receivables by maturity

(in EUR)	Breakdown by maturity					Total
	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	
Trade receivables	344,367,890	20,474,089	7,127,831	622,434	8,181,110	380,773,354
Interest receivables	1,930,051	160,590	11,378	0	1,381,689	3,483,708
Other receivables (excluding receivables from the state)	4,118,420	0	0	0	0	4,118,420
Total as at 31 December 2018	350,416,361	20,634,679	7,139,209	622,434	9,562,799	388,375,482

(in EUR)	Breakdown by maturity					Total
	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	
Trade receivables	275,982,968	20,451,938	6,769,784	386,633	8,050,185	311,641,508
Interest receivables	0	0	0	0	1,470,387	1,470,387
Other receivables (excluding receivables from the state)	6,762,480	332,125	152,888	0	0	7,247,493
Total as at 31 December 2019	282,745,448	20,784,063	6,922,672	386,633	9,520,572	320,359,388

Changes in loss allowances for current operating receivables of the Group

(in EUR)	Loss allowance for current operating receivables	Loss allowance for current interest receivables	Total
As at 31 December 2017	(50,987,317)	(2,849,598)	(53,836,915)
Adjustment on adoption of IFRS 9	(2,097,217)	0	(2,097,217)
As at 1 January 2018	(53,084,534)	(2,849,598)	(55,934,132)
New acquisitions as a result of control obtained	(434,115)	0	(434,115)
Creation of loss allowances affecting profit or loss	(4,858,002)	(658,732)	(5,516,734)
Changes in loss allowances not affecting profit or loss	230,177	23,770	253,947
Write-downs	2,544,338	758,180	3,302,518
Foreign exchange differences	(35,446)	(113)	(35,559)
As at 31 December 2018	(55,637,582)	(2,726,493)	(58,364,075)

(in EUR)	Loss allowance for current operating receivables	Loss allowance for current interest receivables	Total
As at 1 January 2019	(55,637,582)	(2,726,493)	(58,364,075)
Transfer	(61,052)	61,052	0
Creation of loss allowances affecting profit or loss	2,284,050	(17,560)	2,266,490
Write-downs	2,664,528	1,013,680	3,678,208
Foreign exchange differences	44,477	(93)	44,384
As at 31 December 2019	(50,705,579)	(1,669,414)	(52,374,993)

Changes in loss allowances for current operating receivables of the Company

(in EUR)	Loss allowance for current operating receivables	Loss allowance for current interest receivables	Total
As at 31 December 2017	(32,059,730)	(2,676,168)	(34,735,898)
Adjustment on adoption of IFRS 9	(445,919)	0	(445,919)
As at 1 January 2018	(32,505,649)	(2,676,168)	(35,181,817)
New acquisitions as a result of merger by absorption	(1,385,282)	(143,269)	(1,528,551)
Creation of loss allowances affecting profit or loss	(2,580,575)	(667,475)	(3,248,050)
Changes in loss allowances not affecting profit or loss	0	23,770	23,770
Write-downs	2,093,637	758,180	2,851,817
As at 31 December 2018	(34,377,869)	(2,704,962)	(37,082,831)

(in EUR)	Loss allowance for current operating receivables	Loss allowance for current interest receivables	Total
As at 1 January 2019	(34,377,869)	(2,704,962)	(37,082,831)
Transfer	(61,052)	61,052	0
Creation of loss allowances affecting profit or loss	(313,239)	0	(313,239)
Write-downs	1,538,218	1,013,683	2,551,901
As at 31 December 2019	(33,213,942)	(1,630,227)	(34,844,169)

Collateralisation of receivables

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Current trade receivables	503,825,514	569,041,841	344,855,450	415,151,223
Loss allowances	(50,474,124)	(55,253,217)	(33,213,942)	(34,377,869)
Current trade receivables including loss allowances	453,351,390	513,788,624	311,641,508	380,773,354
Overdue current trade receivables (gross amount)	88,709,197	94,248,636	68,872,482	70,783,334
Share of overdue receivables in outstanding receivables	18%	17%	20%	17%
Current operating receivables over EUR 100,000 secured with high-quality collaterals	225,358,153	289,909,839	168,021,128	236,180,246

Only high-quality collaterals, such as bank or corporate guarantees, offsetting transactions (suppliers) and credit insurance with insurance companies, are included in the overview of collaterals. Bills of exchange, enforcement drafts and promissory notes are excluded because they have a lower level of collectability.

The receivable from the Group's largest single customer stood at EUR 14,630,888 as at 31 December 2019 (the customer is a foreign company), accounting for 2.9 percent of the Group's trade receivables. The receivable from the Company's largest single customer stood at EUR 9,792,403 as at 31 December 2019 (the customer is a representative office of foreign company in Slovenia), accounting for 2.9 percent of the Company's trade receivables.

The receivables mainly relate to receivables from domestic and foreign customers arising from the wholesale of goods and services and the sale of goods to the holders (natural persons) of the Petrol Club card. The structure of wholesale

and retail customers is diversified, meaning there is no significant exposure to a single customer. The Company had 25,359 active customers (legal persons) as at 31 December 2019. The Group/Company has in place an IT-based system of grades, ratings and blocks, enabling it to constantly monitor its customers.

The Group/Company improves the system for the monitoring of credit risks on a steady basis. In 2019 the system of limits adopted at the Petrol Group level was applied consistently. The Group/Company measures the degree of receivables management using days sales outstanding.

(in days)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Days sales outstanding				
Contract days	41	41	36	34
Overdue receivables in days	4	4	4	4
Total days sales outstanding	45	45	40	38

Commodity loans granted to buyers in order to reschedule the settlement of receivables are largely secured (usually through mortgages, but also through receivable assignment agreements, guarantor's undertakings and enforcement drafts).

The loans granted by the Company refer mainly to the loans to subsidiaries, with the Company regularly assessing the

possibility of the loans' repayment, the possibility of realising the collateral or whether the value of the collateral is still adequate as compared to the value of the investment. If the Company considers that a loan is not fully collectable, a loss allowance is made for the uncollectable amount. The Company systematically monitors the operations of Group companies, thus adequately limiting credit risk.

7.2 Liquidity risk

The Group/Company successfully manages liquidity risks according to Standard & Poor's guidelines.

The Group/Company manages liquidity risks through:

- - deleveraging (measured as the net debt to EBITDA ratio) as laid down in the strategy and business plan,
- ensuring adequate structural liquidity in accordance with S&P methodology,
- standardised and centralised treasury management at Group level,
- annual planning of funds required by the Petrol Group as well as monthly and daily planning,
- uniform approach to banks in Slovenia and abroad,
- computer-assisted system for the management of cash flows of the parent company and all its subsidiaries,
- centralised collection of available cash through cash pooling.

Nearly half of the Group's/Company's total cash inflow is generated through its retail network in which cash and payment cards are used as the means of payment. This ensures regular daily inflows and mitigates liquidity risks.

In addition, the Group/Company has credit lines at its disposal both in Slovenia and abroad, the size of which enables the Group to meet all its due liabilities at any given moment.

In 2019 the Group/Company again focused strongly on the planning of cash flows. Successful planning of cash flows enabled it to anticipate any liquidity surpluses or shortages in time and manage them optimally.

The majority of financial liabilities arising from long-term and short-term loans are held by the parent company, which also generates the majority of revenue.

The Group's liabilities by maturity

(in EUR)	Carrying amount of liabilities	Contractual cash flows				
		Liability	0 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Non-current financial liabilities	144,529,723	149,961,322	0	0	104,211,813	45,749,509
Non-current operating liabilities (excluding other liabilities)	24,000	24,000	0	0	24,000	0
Current financial liabilities	212,350,212	217,733,091	217,369,377	363,714	0	0
Liabilities arising from commodity forward contracts*	-	389,110,181	209,315,233	168,045,381	11,749,566	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	410,627,555	410,627,555	410,284,870	342,685	0	0
As at 31 December 2018	767,531,490	1,167,456,149	836,969,480	168,751,780	115,985,379	45,749,509

Current financial liabilities include derivative financial instruments totalling EUR 3,484,144.

(in EUR)	Carrying amount of liabilities	Contractual cash flows				
		Liability	0 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Non-current financial liabilities	287,757,788	294,648,899	0	0	283,154,471	11,494,428
Non-current lease liabilities	62,893,671	62,893,671	0	0	28,507,242	34,386,429
Non-current operating liabilities (excluding other liabilities)	24,000	24,000	0	0	24,000	0
Current financial liabilities	38,983,796	41,259,285	28,041,911	13,217,374	0	0
Current lease liabilities	9,718,871	9,718,871	5,027,421	4,691,450	0	0
Liabilities arising from commodity forward contracts*	-	580,963,118	279,834,608	253,863,492	47,265,018	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	434,638,276	434,638,276	434,304,146	334,130	0	0
As at 31 December 2019	834,016,402	1,424,146,120	747,208,086	272,106,446	358,950,731	45,880,857

Current financial liabilities include derivative financial instruments totalling EUR 12,040,229.

The Company's liabilities by maturity

(in EUR)	Carrying amount of liabilities	Contractual cash flows				
		Liability	0 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Non-current financial liabilities	121,460,476	125,602,672	0	0	80,843,765	44,758,907
Non-current operating liabilities (excluding other liabilities)	24,000	24,000	0	0	24,000	0
Current financial liabilities	302,739,319	307,802,934	253,437,324	54,365,611	0	0
Liabilities arising from commodity forward contracts*	-	388,278,619	208,585,218	167,943,835	11,749,566	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	349,482,786	349,482,786	349,417,777	65,009	0	0
Contingent liabilities for guarantees issued**	-	193,240,137	193,240,137	0	0	0
As at 31 December 2018	773,706,581	1,364,431,148	1,004,680,456	222,374,454	92,617,331	44,758,907

Current financial liabilities include derivative financial instruments totalling EUR 5,895,978.

(in EUR)	Carrying amount of liabilities	Contractual cash flows				
		Liability	0 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Non-current financial liabilities	282,126,997	288,374,289	0	0	276,961,111	11,413,178
Non-current lease liabilities	31,307,247	31,307,247	0	0	8,568,990	22,738,257
Non-current operating liabilities (excluding other liabilities)	24,000	24,000	0	0	24,000	0
Current financial liabilities	104,221,462	105,157,702	37,482,425	67,675,276	0	0
Current lease liabilities	3,500,072	3,500,072	1,816,293	1,683,779	0	0
Liabilities arising from commodity forward contracts*	-	570,844,613	275,175,288	248,404,307	47,265,018	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	352,957,970	352,957,970	352,904,902	53,068	0	0
Contingent liabilities for guarantees issued**	-	187,793,007	187,793,007	0	0	0
As at 31 December 2019	774,137,747	1,539,958,900	855,171,915	317,816,431	332,819,119	34,151,435

* Liabilities arising from commodity forward contracts entered into for purchasing purposes represent contractual cash outflows based on these contracts. At the same time, the Group/Company will receive corresponding payments based on offsetting commodity contracts entered into for selling purposes.

** A maximum amount of contingent liabilities is allocated to the period in which the Company can be requested to make a payment.

Current financial liabilities include derivative financial instruments totalling EUR 14,296,925.

7.3 Foreign exchange risk

The Group

(in EUR)	The Petrol Group						
	31 December 2018						
	EUR	USD	HRK	BAM	RSD	MKD	
Cash and cash equivalents	41,040,518	952,964	9,868,279	985,468	3,131,374	545,627	
Current operating receivables (excluding receivables from the state)	429,720,649	1,283,734	39,957,684	31,269,078	16,889,803	315,642	
Non-current operating receivables	6,728,306	0	0	7,096	2,349	0	
Current financial receivables	8,504,324	0	9,177	83,852	0	100,143	
Non-current financial receivables	1,380,477	0	85,020	0	0	0	
Non-current operating liabilities (excluding other liabilities)	(24,000)	0	0	0	0	0	
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	(285,856,798)	(84,511,011)	(28,706,177)	(5,249,221)	(3,091,828)	(701)	
Non-current financial liabilities	(144,505,616)	0	(24,107)	0	0	0	
Current financial liabilities	(212,080,032)	0	(270,019)	(161)	0	0	
Exposure of the statement of financial position	(155,092,172)	(82,274,313)	20,919,857	27,096,112	16,931,698	960,711	
Nominal value of forward contracts	(54,323,786)	38,712,081	0	0	0	0	
Net exposure of the statement of financial position	(209,415,958)	(43,562,232)	20,919,857	27,096,112	16,931,698	960,711	

(in EUR)	The Petrol Group						
	31 December 2019						
	EUR	USD	HRK	BAM	RSD	MKD	
Cash and cash equivalents	20,542,106	1,130,148	8,526,102	1,890,589	4,792,188	2,083,073	
Current operating receivables (excluding receivables from the state)	352,588,279	877,674	53,724,484	29,096,096	22,861,620	1,736,882	
Non-current operating receivables	8,368,719	0	11,668	7,454	2,012	0	
Current financial receivables	6,802,976	0	86,387	711,813	0	100,452	
Non-current financial receivables	3,926,208	0	1,090,530	0	0	0	
Non-current operating liabilities (excluding other liabilities)	(24,000)	0	0	0	0	0	
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	(266,729,312)	(123,336,005)	(35,673,726)	(2,339,105)	(3,755,971)	(42,276)	
Non-current financial liabilities	(287,728,406)	0	(29,382)	0	0	0	
Non-current lease liabilities	(33,300,543)	0	(26,004,349)	(3,588,779)	0	0	
Current financial liabilities	(35,984,079)	(800,492)	(501,159)	0	(1,698,066)	0	
Current lease liabilities	(4,140,031)	0	(5,263,416)	(315,424)	0	0	
Exposure of the statement of financial position	(235,678,083)	(122,128,675)	(4,032,861)	25,462,644	22,201,783	3,878,131	
Nominal value of forward contracts	(105,676,559)	104,275,797	0	0	0	0	
Net exposure of the statement of financial position	(341,354,642)	(17,852,878)	(4,032,861)	25,462,644	22,201,783	3,878,131	

The Petrol Group							Total
31 December 2018							
RON	CHF	HUF	CZK	BGN	GBP	RUB	
1,932,373	149,182	16,740	89,281	27,690	1,128	119	58,740,743
2,127,379	0	14,305	0	115,239	0	0	521,693,513
0	0	0	0	0	0	0	6,737,751
0	0	0	0	0	0	0	8,697,496
935	0	0	0	0	0	0	1,466,432
0	0	0	0	0	0	0	(24,000)
(2,133,788)	0	(1,064,721)	(12,395)	(915)	0	0	(410,627,555)
0	0	0	0	0	0	0	(144,529,723)
0	0	0	0	0	0	0	(212,350,212)
1,926,899	149,182	(1,033,676)	76,886	142,014	1,128	119	(170,195,555)
15,611,705	0	0	0	0	0	0	0
17,538,604	149,182	(1,033,676)	76,886	142,014	1,128	119	(170,195,555)

The Petrol Group							Total
31 December 2019							
RON	CHF	HUF	CZK	BGN	GBP	RUB	
2,420,856	148,501	121,145	55,836	16,320	3,269	136	41,730,269
573,237	0	2,756	0	925	0	0	461,461,953
0	0	0	0	0	0	0	8,389,853
0	0	0	0	0	0	0	7,701,628
911	0	0	0	0	0	0	5,017,649
0	0	0	0	0	0	0	(24,000)
(1,595,494)	0	(898,111)	(8,929)	(257,234)	(2,113)	0	(434,638,276)
0	0	0	0	0	0	0	(287,757,788)
0	0	0	0	0	0	0	(62,893,671)
0	0	0	0	0	0	0	(38,983,796)
0	0	0	0	0	0	0	(9,718,871)
1,399,510	148,501	(774,210)	46,907	(239,989)	1,156	136	(309,715,050)
1,240,359	0	160,404	0	0	0	0	0
2,639,869	148,501	(613,806)	46,907	(239,989)	1,156	136	(309,715,050)

The Company

(in EUR)	Petrol d.d.				
	31 December 2018				
	EUR	USD	HRK	BAM	
Cash and cash equivalents	26,210,317	523,919	49,345	0	
Current operating receivables (excluding receivables from the state)	386,452,266	0	0	0	
Non-current operating receivables	6,715,315	0	0	0	
Current financial receivables	10,205,902	0	0	0	
Non-current financial receivables	13,605,479	0	0	0	
Non-current operating liabilities (excluding other liabilities)	(24,000)	0	0	0	
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	(261,698,925)	(84,496,240)	0	(126,848)	
Non-current financial liabilities	(121,460,476)	0	0	0	
Current financial liabilities	(302,739,319)	0	0	0	
Exposure of the statement of financial position	(242,733,441)	(83,972,321)	49,345	(126,848)	
Nominal value of forward contracts	(54,323,786)	38,712,081	0	0	
Net exposure of the statement of financial position	(297,057,227)	(45,260,240)	49,345	(126,848)	

(in EUR)	Petrol d.d.				
	31 December 2019				
	EUR	USD	HRK	BAM	
Cash and cash equivalents	14,352,946	523,007	124,532	0	
Current operating receivables (excluding receivables from the state)	319,255,783	578,576	0	0	
Non-current operating receivables	8,368,720	0	0	0	
Current financial receivables	6,848,043	0	0	0	
Non-current financial receivables	31,876,297	0	0	0	
Non-current operating liabilities (excluding other liabilities)	(24,000)	0	0	0	
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	(227,052,989)	(123,267,983)	(824)	0	
Non-current financial liabilities	(282,126,997)	0	0	0	
Non-current lease liabilities	(31,307,247)	0	0	0	
Current financial liabilities	(104,221,462)	0	0	0	
Current lease liabilities	(3,500,072)	0	0	0	
Exposure of the statement of financial position	(267,530,978)	(122,166,400)	123,708	0	
Nominal value of forward contracts	(105,676,559)	104,275,797	0	0	
Net exposure of the statement of financial position	(373,207,537)	(17,890,603)	123,708	0	

The Group/Company is exposed to the EUR/USD foreign exchange risk as it purchases petroleum products in US dollars, while sales in the domestic and foreign markets are made in local currencies.

The following exchange rates prevailed in 2019 and 2018:

Per 1 euro	31 December 2019	31 December 2018
USD	1.1189	1.1454
HRK	7.4485	7.4095
BAM	1.9558	1.9558
RSD	117.3800	118.4300
CZK	25.4630	25.7780
RON	4.7821	4.6630
MKD	61.4190	61.6060
HUF	331.0400	321.6100
CHF	1.0871	1.1269
BGN	1.9558	1.9558

As far as foreign exchange risks are concerned, the Group/Company is most exposed to the risk of changes in the EUR/USD exchange rate, considering that petroleum

products are primarily purchased in US dollars and sold in local currencies. For government-regulated fuels, hedging is performed in accordance with the Group's foreign exchange risk management policies prepared on the basis of the Decree on Setting Prices for Certain Petroleum Products, whereas for fuels with market-determined prices, internal Rules on the Pricing of Mineral Fuels are used.

Foreign exchange hedging is used to hedge against the exposure to changes in the EUR/USD exchange rate. The EUR/USD exchange rate is thus fixed at the rate recognised under the Decree on Setting Prices for Certain Petroleum Products and the internal rules, and the margin is secured. The hedging instruments used in this case are forward contracts entered into with banks.

The effect of forward contracts:

The effect of forward contracts should be considered together with foreign exchange differences arising on the purchase of oil and petroleum products. The total effect of forward contracts and foreign exchange differences was as follows: expenses of EUR -359,496 (2018: revenue of EUR 797,180) for the Group and expenses of EUR -302,939 (2018: revenue of EUR 354,757) for the Company.

Petrol d.d.							Skupaj
31 December 2018							
RON	CHF	HUF	RSD	MKD	BGN	CZK	
1,907,700	149,063	16,740	12,917	487	27,690	88,795	28,986,973
1,908,911	0	14,305	0	0	0	0	388,375,482
0	0	0	0	0	0	0	6,715,315
0	0	0	0	0	0	0	10,205,902
0	0	0	0	0	0	0	13,605,479
0	0	0	0	0	0	0	(24,000)
(2,190,541)	0	(957,838)	0	0	0	(12,394)	(349,482,786)
0	0	0	0	0	0	0	(121,460,476)
0	0	0	0	0	0	0	(302,739,319)
1,626,070	149,063	(926,792)	12,917	487	27,690	76,401	(325,817,430)
15,611,705	0	0	0	0	0	0	0
17,237,775	149,063	(926,792)	12,917	487	27,690	76,401	(325,817,430)

Petrol d.d.							Skupaj
31 December 2019							
RON	CHF	HUF	RSD	MKD	BGN	CZK	
2,400,699	148,378	46,996	13,038	499	16,320	53,687	17,680,102
521,696	0	2,408	0	0	925	0	320,359,388
0	0	0	0	0	0	0	8,368,720
0	0	0	0	0	0	0	6,848,043
0	0	0	0	0	0	0	31,876,297
0	0	0	0	0	0	0	(24,000)
(1,543,334)	0	(827,166)	0	0	(257,234)	(8,440)	(352,957,970)
0	0	0	0	0	0	0	(282,126,997)
0	0	0	0	0	0	0	(31,307,247)
0	0	0	0	0	0	0	(104,221,462)
0	0	0	0	0	0	0	(3,500,072)
1,379,061	148,378	(777,762)	13,038	499	(239,989)	45,247	(389,005,198)
1,240,359	0	160,404	0	0	0	0	0
2,619,420	148,378	(617,358)	13,038	499	(239,989)	45,247	(389,005,198)

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Unrealised loss	(811,542)	(616,807)	(811,542)	(616,807)
Unrealised gain	34,530	244,287	34,530	244,287
Realised loss	(2,360,528)	(4,054,395)	(2,360,528)	(4,054,395)
Realised gain	5,015,080	6,332,550	5,015,080	6,332,550
Total effect of forward contracts	1,877,539	1,905,635	1,877,539	1,905,635

Given that forward contracts for hedging against foreign exchange risks are entered into with first-class Slovene banks, the Group/Company considers the counterparty default risk is minimal.

The Group is exposed to foreign exchange risks also in doing business with its subsidiaries in SE Europe. Considering the low volatility of exchange rates of local currencies in SE Europe markets and the relatively low exposure, the Group/Company believes it is not exposed to significant risks in this area. To control these risks, we rely on natural hedging to the largest possible extent.

In 2019 the Group/Company was also exposed to certain other currencies (RON, HUF), which was hedged using derivative financial instruments.

The Group/Company regularly monitors its open currency position and sensitivity based on the VaR method for all currencies to which it is exposed.

An unfavourable change in any currency pair by 10 percent would decrease net profit by a maximum of EUR 2,189,001 (2018: EUR 1,595,407), with the EUR/BAM currency pair being treated as fixed. The effect is less pronounced than in the previous year because of a lower foreign currency exposure of the Group/Company.

7.4 Price and volumetric risk

The Group/Company is exposed to price and volumetric risks arising from energy operations. The Group/Company manages price and volumetric risks primarily by aiming to align purchases and sales of energy product in terms of quantities as well as purchase and sales conditions, thus securing its margin. Depending on the business model for each energy product, limits are in place that restrict exposure to price and volumetric risks.

To hedge petroleum product and natural gas prices, the Group/Company uses mostly derivative financial instruments. Partners in this area include global financial institutions and banks or suppliers of goods, which is why the Group/Company considers the counterparty default risk as minimal.

In electricity trading, the Group/Company observes market value limits, segment-specific limits and traders' limits. Derivative financial instruments are placed with financial institutions.

The effect of commodity swaps:

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Unrealised loss	(6,183,317)	0	(6,104,307)	0
Unrealised gain	495,381	2,382,202	359,549	2,382,202
Realised loss	(78,202,956)	(46,631,639)	(78,471,077)	(47,043,101)
Realised gain	79,522,417	53,414,009	76,723,098	53,994,744
Total effect of commodity swaps	(4,368,475)	9,164,572	(7,492,737)	9,333,845

In the electricity trading segment, the effect of changes in electricity market prices on the market value of contracts is calculated (mark-to-market approach). A change in electricity market prices of ± 3 percent as at 31 December 2019

would mean that the market value of contracts would be EUR $\pm 124,000$. The calculation includes both physical and financial transactions.

7.5 Interest rate risk

The Group/Company is exposed to interest rate risks because it takes out loans with a floating interest rate, which are mostly Euribor-based.

- partly through forward markets by entering into interest rate swaps;
- taking out loans with a fixed interest rate.

In 2019 the Group/Company continued to monitor the limit corresponding to changes in net interest expense.

The exposure to interest rate risks is hedged using the following instruments:

- partly through ongoing operations, the Group's/Company's interest rate on operating receivables being Euribor-based;

The Group/Company uses hedge accounting on interest rate swaps. Hedged items and hedging instruments represent an effective hedging relationship, which is why interest rate risk hedging outcomes are recognised directly in equity. In the case of interest rate swaps where an effective hedging relationship does not exist, the effect of interest rate swaps is recognised in the statement of profit or loss.

Overview of Euribor interest rates in 2019 and 2018:

	6-month Euribor	3-month Euribor	1-month Euribor
Value as at 31/12/2018 (in percent)	(0.237)	(0.309)	(0.363)
Value as at 31/12/2019 (in percent)	(0.325)	(0.390)	(0.444)
Change in interest rate (in percentage points)	(0,088)	(0,081)	(0,081)
The lowest value in 2019 (in percent)	(0.448)	(0.448)	(0.474)
The highest value in 2019 (in percent)	(0.227)	(0.306)	(0.362)
Change between the lowest and the highest interest rate (in percentage points)	0,221	0,142	0,112
Average value in 2018 (in percent)	(0.266)	(0.322)	(0.370)
Average value in 2019 (in percent)	(0.303)	(0.357)	(0.403)
Change in average interest rate (in percentage points)	(0,037)	(0,035)	(0,033)

Interest rate swaps by maturity:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
6 to 12 months	24,000,000	12,000,000	24,000,000	12,000,000
1 to 5 years	255,000,000	279,000,000	205,000,000	229,000,000
Total interest rate swaps	279,000,000	291,000,000	229,000,000	241,000,000

The effect of interest rate swaps:

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Unrealised loss on effective transactions	(4,122,726)	(901,261)	(4,045,459)	(587,772)
Unrealised loss on ineffective transactions	0	(1,943,555)	0	(1,943,555)
Realised loss	(1,430,385)	(912,301)	(1,291,136)	(775,256)
Total effect of interest rate swaps	(5,553,111)	(3,757,117)	(5,336,595)	(3,306,584)

The Group's/Company's exposure to the risk of changing interest rates was as follows:

Financial instruments with a fixed interest rate:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial receivables	7,729,771	8,050,226	31,224,421	15,951,462
Financial liabilities	(32,828,000)	(236,352,000)	(137,679,592)	(349,712,077)
Net financial instruments with a fixed interest rate	(25,098,229)	(228,301,774)	(106,455,171)	(333,760,614)

Financial instruments with a variable interest rate:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial receivables	4,989,506	2,113,702	7,499,918	7,859,918
Financial liabilities	(293,913,584)	(120,503,828)	(248,668,867)	(74,487,718)
Net financial instruments with a variable interest rate	(288,924,078)	(118,390,126)	(241,168,949)	(66,627,800)

Value of financial liabilities hedged using interest rate swaps:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Interest rate swaps	279,000,000	291,000,000	229,000,000	241,000,000
Total interest rate swaps	279,000,000	291,000,000	229,000,000	241,000,000

A change in the interest rate by 100 or 200 basis points on the reporting date would have increased (decreased) net profit or loss by amounts indicated below. Cash flow sensitivity analysis in the case of instruments with a variable interest rate assumes that all variables, in particular foreign exchange rates, remain unchanged. When performing the calculation, the value of receivables (liabilities) with variable interest rates is further decreased by the total amount of interest rate swaps. The analysis was prepared in the same manner for both years.

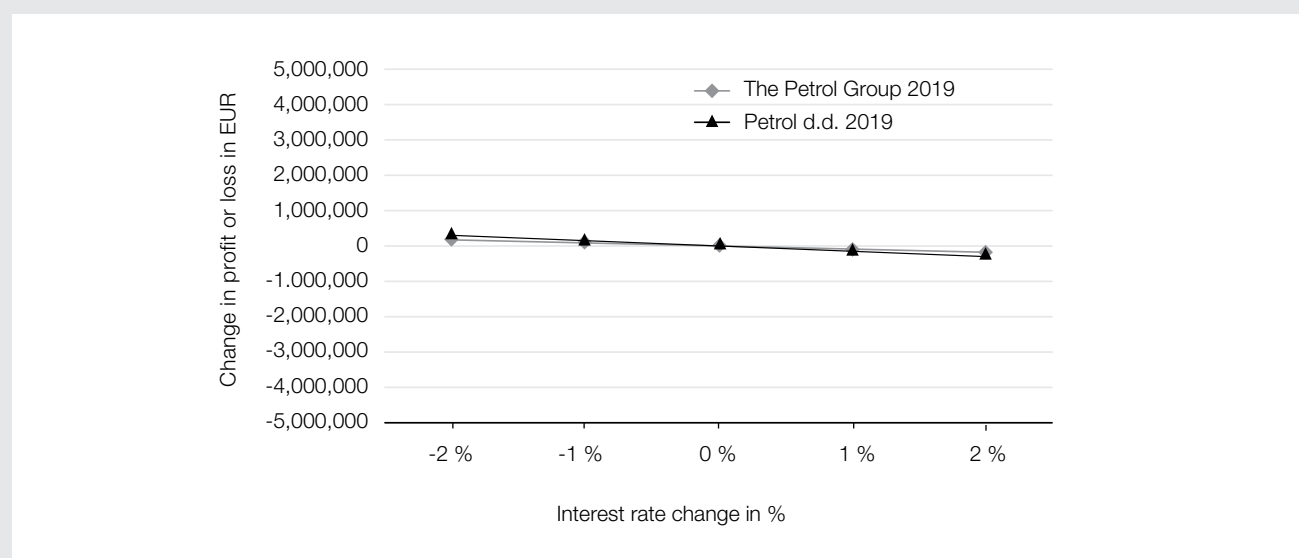
Change in profit or loss in the case of an increase by 100 or 200 bp:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cash flow variability (net)–100 bp	(21,943)	1,806,601	(121,689)	1,743,722
Cash flow variability (net)–200 bp	(43,886)	3,613,202	(243,379)	3,487,444

Change in profit or loss in the case of a decrease by 100 or 200 bp:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cash flow variability (net)–100 bp	21,943	(1,806,601)	121,689	(1,743,722)
Cash flow variability (net)–200 bp	43,886	(3,613,202)	243,379	(3,487,444)

Effect of interest rate changes on profit or loss



7.6 Capital adequacy management

The main purpose of capital adequacy management is to ensure the best possible financial stability, solvency and maximum shareholder value. The Group/Company achieves this also through stable dividend pay-out policy.

Testifying to our financial stability are the „BBB-“ credit rating received from S&P at the end of June 2014 and the successful international issuance of eurobonds worth a total of EUR 265 million, which were fully repaid in 2019. On 10 October 2019, Standard & Poor's Ratings Services reaffirmed

the „BBB-“ long-term credit rating and the „A-3“ short-term credit rating of Petrol d.d., Ljubljana, also reaffirming the „stable“ credit rating outlook.

In 2019 the Petrol Group continued to pursue its strategic orientation to drive down financial debt and to improve the net debt to equity ratio through good operating performance and disposal of non-core assets.

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Non-current financial liabilities	287,757,788	144,505,616	282,126,997	121,460,476
Non-current lease liabilities	62,893,671	24,107	31,307,247	0
Current financial liabilities	38,983,796	212,350,212	104,221,462	302,739,319
Current lease liabilities	9,718,871	0	3,500,072	0
Total financial liabilities	399,354,126	356,879,935	421,155,777	424,199,795
Total equity	811,252,257	747,478,064	601,903,014	581,966,615
Debt/equity	0,49	0,48	0,70	0,73
Cash and cash equivalents	41,730,269	58,740,743	17,680,102	28,986,973
Net financial liabilities	357,623,857	298,139,192	403,475,675	395,212,822
Net debt/equity	0,44	0,40	0,67	0,68

7.7 Carrying amount and fair value of financial instruments

The Petrol Group

(in EUR)	The Petrol Group			
	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial assets at fair value				
Financial assets at fair value through other comprehensive income	4,528,987	4,528,987	9,168,566	9,168,566
Non-derivative financial assets at amortised cost				
Financial receivables (excluding derivative financial instruments)	12,719,277	12,719,277	10,163,928	10,163,928
Operating receivables (excluding receivables from the state)	469,851,806	469,851,806	528,431,264	528,431,264
Cash and cash equivalents	41,730,269	41,730,269	58,740,743	58,740,743
Total non-derivative financial assets	528,830,339	528,830,339	606,504,501	606,504,501
Non-derivative financial liabilities at amortised cost				
Bank loans and other financial liabilities (excluding derivative fin.instr.)	(314,701,355)	(314,701,355)	(353,371,684)	(353,371,684)
Lease liabilities	(72,612,542)	(72,612,542)	(24,107)	(24,107)
Operating liabilities (excluding other non-current liabilities and current liabilities to the state, employees and arising from advance payments)	(434,662,276)	(434,662,276)	(410,651,555)	(410,651,555)
Total non-derivative financial liabilities	(821,976,173)	(821,976,173)	(764,047,346)	(764,047,346)
Derivative financial instruments at fair value				
Derivative financial instruments (assets)	529,911	529,911	2,626,490	2,626,490
Derivative financial instruments (liabilities)	(12,040,229)	(12,040,229)	(3,484,144)	(3,484,144)
Total derivative financial instruments	(11,510,318)	(11,510,318)	(857,654)	(857,654)

Petrol d.d., Ljubljana

(in EUR)	Petrol d.d.			
	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial assets at fair value				
Financial assets at fair value through other comprehensive income	2,117,914	2,117,914	1,374,993	1,374,993
Non-derivative financial assets at amortised cost				
Financial receivables (excluding derivative financial instruments)	38,724,340	38,724,340	23,811,381	23,811,381
Operating receivables (excluding receivables from the state)	328,728,108	328,728,108	395,090,797	395,090,797
Cash and cash equivalents	17,680,102	17,680,102	28,986,973	28,986,973
Total non-derivative financial assets	387,250,463	387,250,463	449,264,144	449,264,144
Non-derivative financial liabilities at amortised cost				
Bank loans and other financial liabilities (excluding derivative fin.instr.)	(372,051,534)	(372,051,534)	(418,303,817)	(418,303,817)
Lease liabilities	(34,807,319)	(34,807,319)	0	0
Operating liabilities (excluding other non-current liabilities and current liabilities to the state, employees and arising from advance payments)	(352,981,970)	(352,981,970)	(349,506,786)	(349,506,786)
Total non-derivative financial liabilities	(759,840,823)	(759,840,823)	(767,810,603)	(767,810,603)
Derivative financial instruments at fair value				
Derivative financial instruments (assets)	394,078	394,078	2,626,490	2,626,490
Derivative financial instruments (liabilities)	(14,296,925)	(14,296,925)	(5,895,978)	(5,895,978)
Total derivative financial instruments	(13,902,847)	(13,902,847)	(3,269,488)	(3,269,488)

Presentation of financial assets and liabilities disclosed at fair value according to the fair value hierarchy

The Petrol Group

Fair value of assets

(in EUR)	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	529,911	0	0	529,911	2,626,490	0	0	2,626,490
Total assets at fair value	529,911	0	0	529,911	2,626,490	0	0	2,626,490
Financial assets at fair value through other comprehensive income	0	0	4,528,987	4,528,987	0	0	9,168,566	9,168,566
Non-current financial receivables	0	0	5,017,649	5,017,649	0	0	1,466,432	1,466,432
Current financial receivables	0	0	7,701,628	7,701,628	0	0	8,697,496	8,697,496
Non-current operating receivables	0	0	8,389,853	8,389,853	0	0	6,737,751	6,737,751
Current operating receivables (excluding receivables from the state)	0	0	461,461,953	461,461,953	0	0	521,693,513	521,693,513
Cash and cash equivalents	0	0	41,730,269	41,730,269	0	0	58,740,743	58,740,743
Total assets with fair value disclosure	0	0	528,830,339	528,830,339	0	0	606,504,501	606,504,501
Total assets	529,911	0	528,830,339	529,360,250	2,626,490	0	606,504,501	609,130,991

Fair value of liabilities

(in EUR)	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	(12,040,229)	0	0	(12,040,229)	(3,484,144)	0	0	(3,484,144)
Total liabilities at fair value	(12,040,229)	0	0	(12,040,229)	(3,484,144)	0	0	(3,484,144)
Non-current financial liabilities	0	0	(287,757,788)	(287,757,788)	0	0	(144,505,616)	(144,505,616)
Non-current lease liabilities	0	0	(62,893,671)	(62,893,671)	0	0	(24,107)	(24,107)
Current financial liabilities (excluding liabilities at fair value)	0	0	(26,943,567)	(26,943,567)	0	0	(208,866,068)	(208,866,068)
Current lease liabilities	0	0	(9,718,871)	(9,718,871)	0	0	0	0
Non-current operating liabilities (excluding other liabilities)	0	0	(24,000)	(24,000)	0	0	(24,000)	(24,000)
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	0	0	(434,638,276)	(434,638,276)	0	0	(410,627,555)	(410,627,555)
Total liabilities with fair value disclosure	0	0	(821,976,173)	(821,976,173)	0	0	(764,047,346)	(764,047,346)
Total liabilities	(12,040,229)	0	(821,976,173)	(834,016,402)	(3,484,144)	0	(764,047,346)	(767,531,490)

Petrol d.d., Ljubljana**Fair value of assets**

(in EUR)	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	394,078	0	0	394,078	2,626,490	0	0	2,626,490
Total assets at fair value	394,078	0	0	394,078	2,626,490	0	0	2,626,490
Financial assets at fair value through other comprehensive income	0	0	2,117,914	2,117,914	0	0	1,374,993	1,374,993
Non-current financial receivables	0	0	31,876,297	31,876,297	0	0	13,605,479	13,605,479
Current financial receivables	0	0	6,848,043	6,848,043	0	0	10,205,902	10,205,902
Non-current operating receivables	0	0	8,368,720	8,368,720	0	0	6,715,315	6,715,315
Current operating receivables (excluding receivables from the state)	0	0	320,359,388	320,359,388	0	0	388,375,482	388,375,482
Cash and cash equivalents	0	0	17,680,102	17,680,102	0	0	28,986,973	28,986,973
Total assets with fair value disclosure	0	0	387,250,463	387,250,463	0	0	449,264,144	449,264,144
Total assets	394,078	0	387,250,463	387,644,541	2,626,490	0	449,264,144	451,890,634

Fair value of liabilities

(in EUR)	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	(11,728,079)	0	(2,568,846)	(14,296,925)	(3,327,132)	0	(2,568,846)	(5,895,978)
Total liabilities at fair value	(11,728,079)	0	(2,568,846)	(14,296,925)	(3,327,132)	0	(2,568,846)	(5,895,978)
Non-current financial liabilities	0	0	(282,126,997)	(282,126,997)	0	0	(121,460,476)	(121,460,476)
Non-current lease liabilities	0	0	(31,307,247)	(31,307,247)	0	0	0	0
Current financial liabilities (excluding liabilities at fair value)	0	0	(89,924,537)	(89,924,537)	0	0	(296,843,341)	(296,843,341)
Current lease liabilities	0	0	(3,500,072)	(3,500,072)	0	0	0	0
Non-current operating liabilities (excluding other liabilities)	0	0	(24,000)	(24,000)	0	0	(24,000)	(24,000)
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	0	0	(352,957,970)	(352,957,970)	0	0	(349,482,786)	(349,482,786)
Total liabilities with fair value disclosure	0	0	(759,840,823)	(759,840,823)	0	0	(767,810,603)	(767,810,603)
Total liabilities	(11,728,079)	0	(762,409,669)	(774,137,748)	(3,327,132)	0	(770,379,449)	(773,706,581)

8. Related party transactions

Petrol d.d., Ljubljana is a joint-stock company listed on the Ljubljana Stock Exchange. The ownership structure as at 31 December 2019 is presented in chapter The Management and Governance System in the business report.

All of the Group/Company related party transactions were carried out based on the market conditions applicable to transactions with unrelated parties.

Companies in the Petrol Group

(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Sales revenue:				
Subsidiaries	-	-	331,397,782	359,433,813
Jointly controlled entities	800,952	1,317,638	41,604	90,919
Associates	25,287	307,330	25,287	307,330
Cost of goods sold:				
Subsidiaries	-	-	47,531,245	75,455,642
Jointly controlled entities	190,475	333,186	0	0
Costs of materials:				
Subsidiaries	-	-	259,023	277,441
Jointly controlled entities	3,365	4,424	1,623	1,699
Costs of services:				
Subsidiaries	-	-	661,372	1,356,941
Other costs:				
Subsidiaries	-	-	0	10,523
Finance income from interests in Group companies:				
Subsidiaries	-	-	820,542	31,958,778
Jointly controlled entities	192,568	278,038	150,000	387,654
Associates	2,356,037	1,665,739	1,204,194	1,637,467
Finance income from interest:				
Subsidiaries	-	-	340,543	386,917
Jointly controlled entities	1,281	0	1,281	0
Associates	12	0	12	0
Gain on derivatives:				
Subsidiaries	-	-	678,681	694,568
Other finance income:				
Subsidiaries	-	-	193,953	185,234
Jointly controlled entities	0	373,098	0	0
Associates	1,780	1,780	1,780	1,780
Finance expenses due to impairment of investments and goodwill:				
Subsidiaries	0	3,976,364	0	6,950,714
Jointly controlled entities	0	154,554	0	154,554
Finance expenses for interest:				
Subsidiaries	-	-	974,531	802,352
Jointly controlled entities	0	273	0	273
Loss on derivatives:				
Subsidiaries	-	-	1,060,557	1,724,211
Loss allowances for financial receivables:				
Jointly controlled entities	0	203,801	0	203,801



(in EUR)	The Petrol Group		Petrol d.d.	
	2019	2018	2019	2018
Loss allowances for operating receivables:				
Jointly controlled entities	404,805	0	404,805	0
Investments in Group companies:				
Subsidiaries	-	-	341,346,801	326,416,061
Jointly controlled entities	610,273	1,774,437	233,000	1,347,380
Associates	54,655,607	50,917,836	29,939,454	27,364,454
Non-current financial receivables:				
Subsidiaries	-	-	30,838,499	12,070,000
Jointly controlled entities	3,386,400	428,994	3,541,400	583,994
Current operating receivables:				
Subsidiaries	-	-	20,455,188	28,862,210
Jointly controlled entities	111,605	535,081	7,387	373,664
Associates	533	29,341	533	29,341
Current financial receivables:				
Subsidiaries	-	-	5,365,733	9,472,676
Jointly controlled entities	201,281	486,006	201,281	486,006
Non-current financial liabilities:				
Subsidiaries	-	-	44,636,849	28,000,000
Current financial liabilities:				
Subsidiaries	-	-	67,467,465	90,769,896
Jointly controlled entities	125,012	0	125,012	1,396,922
Current operating liabilities:				
Subsidiaries	-	-	9,262,126	9,607,492
Jointly controlled entities	28,200	25,659	0	342

Remuneration of Supervisory Board and committee members of Petrol d.d., Ljubljana, in accordance with Appendix C4 of the Code

(in EUR)	Function	Remuneration for duties performed	Attendance fees	Gross total	Net total	Travel expenses
Nada Drobne Popović	President of the Supervisory board until 24 October 2019	16,926	3,383	20,308	14,770	0
Sašo Berger	Deputy President of the Supervisory board*	18,802	6,083	24,885	18,099	0
Igo Gruden	Member of the Supervisory board	15,850	6,985	22,835	16,608	0
Mladen Kaliterna	Member of the Supervisory board	17,075	6,303	23,378	17,003	0
Metod Podkrižnik	Member of the Supervisory board	15,850	5,610	21,460	15,608	0
Sergej Goriup	Member of the Supervisory board	16,142	5,885	22,027	16,020	0
Zoran Gračner	Member of the Supervisory board	15,850	6,105	21,955	15,968	0
Alen Mihelčič	Member of the Supervisory board	15,850	5,885	21,735	15,808	0
Robert Ravnikar	Member of the Supervisory board	15,850	5,885	21,735	15,808	0
Janez Pušnik	Member of the Audit Committee, external member	4,200	1,760	5,960	4,335	0
Total:		152,395	53,884	206,278	150,026	0

* He has served as President of the Supervisory Board since 25 October.

Remuneration of Management Board members of Petrol d.d., Ljubljana, in accordance with Appendix C3 of the Code 2018

(in EUR)	Fixed remuneration - gross**	Variable remuneration - gross***			Deferred remuneration	Termination benefits	Fringe benefits	Claw-back	Gross total	Net total
		Based on quantitative criteria	Based on qualitative criteria	Total						
Tomaž Berločnik, MSc, President of the Management Board	198,843	79,341	70,359	149,700	0	0	18,431	0	366,974	144,438
Rok Vodnik, MSc, Member of the Management Board	168,843	67,416	59,784	127,200	0	0	27,680	0	323,723	123,106
Igor Stebermak, Member of the Management Board	168,843	67,416	59,784	127,200	0	0	16,718	0	312,761	125,036
Ika Krevzel Panič, Member of the Management Board and Worker Director	78,719	10,483	9,297	19,780	0	0	4,992	0	103,491	53,286
Total:	615,248	224,656	199,224	423,880	0	0	67,821	0	1,106,949	445,866

2019

(in EUR)	Fixed remuneration - gross**	Variable remuneration - gross***			Deferred remuneration	Termination benefits	Fringe benefits	Claw-back	Gross total	Net total
		Based on quantitative criteria	Based on qualitative criteria	Total						
Nada Drobne Popović, President of the Management Board since 25 October 2019	36,765	0	0	0	0	0	0	0	36,735	17,607
Danijela Ribarič Selaković, Member of the Management Board since 25 October 2019	31,043	673	597	1,270	0	0	583	0	32,896	15,368
Tomaž Berločnik, President of the Management Board until 24 October 2019	162,300	87,450	77,550	165,000	0	99,000	13,898	0	440,198	175,138
Rok Vodnik, Member of the Management Board until 24 October 2019	137,843	74,200	65,800	140,000	0	84,000	21,040	0	382,883	149,647
Igor Stebermak, Member of the Management Board until 24 October 2019	137,843	74,200	65,800	140,000	0	84,000	13,318	0	375,161	150,361
Ika Krevzel Panič, Worker Director	79,706	11,877	10,533	22,410	0	0	4,269	0	106,385	54,152
Total:	585,500	248,401	220,280	468,680	0	267,000	53,108	0	1,374,258	562,273

* Travel expenses, costs of accommodation and subsistence loss allowance are not disclosed as by their nature they do not represent Management Board remuneration

** Fixed remuneration – gross comprises the basic salary and pay for annual leave (pay for annual leave: EUR 805 to Management Board members, EUR 1,000 to the Worker Director)

*** Variable remuneration – gross comprises the annual bonus and the performance bonus

Total remuneration paid in 2019 by the Company to members of the Workers' Council stood at EUR 8,167.

The Company and the Group had no receivables from or liabilities to Supervisory Board members as at 31 December 2019.

The Company and the Group had no receivables from or liabilities to Management Board members as at 31 December 2019, except for liabilities arising from December salaries payable in January 2020.

In 2019 members of the Company's Management Board and Supervisory Board were not remunerated for the functions performed in the management and supervisory bodies of the Petrol Group's subsidiaries.

9. Contingent liabilities

Contingent liabilities for guarantees issued

Maximum contingent liabilities of Petrol d.d., Ljubljana for guarantees issued stood at EUR 174,450,355 as at 31 December 2019 (31 December 2018: EUR 187,786,544) and were as follows:

(in EUR)	Petrol d.d.		Petrol d.d.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Guarantee issued to:	Value of guarantee issued		Guarantee amount used	
Petrol d.o.o.	102,091,025	120,910,250	76,293,834	71,860,596
Geoplin d.o.o. Ljubljana	28,000,000	28,000,000	2,174,815	6,680,330
Vjetroelektrarna Ljubac d.o.o.	23,792,130	0	0	0
Petrol d.o.o. Beograd	6,580,000	8,087,219	466,736	1,082,199
Petrol BH Oil Company d.o.o. Sarajevo	4,466,135	7,613,560	2,200,742	243,673
Petrol Trade Handelsgesellschaft m.b.H.	3,000,000	3,000,000	1,800,000	1,800,000
Aquasystems d.o.o.	911,309	911,309	911,309	911,309
Petrol Crna Gora MNE d.o.o.	590,000	3,630,000	97,770	225,171
Petrol - Energetika Dooel Skopje	0	1,000,000	0	0
Petrol OTI Slovenija LLC	0	500,000	0	181,895
Total	169,430,599	173,652,338	83,945,205	82,985,173
Other guarantees	5,019,756	14,134,206	4,924,665	14,134,206
Bills of exchange issued as security	13,342,652	5,453,593	13,342,652	5,453,593
Total contingent liabilities for guarantees issued	187,793,007	193,240,137	102,212,523	102,572,972

The value of guarantee issued represents the maximum value of the guarantee issued, whereas the guarantee amount used represents a value corresponding to a company's liability, as reported on 31 December, for which the guarantee has been issued.

Contingent liabilities for lawsuits

The total value of lawsuits against the Company as defendant and debtor totals EUR 22,247,904. Interest on overdue amounts arising from the claims stood at EUR 159,134 as at 31 December 2019. The Company's management estimates that there is a possibility that some of these lawsuits will be lost. As a result, the Company set aside long-term provisions. See explanation in Note 6.34.

The total value of lawsuits against the Group as defendant and debtor totals EUR 29,684,833. Interest on overdue amounts arising from the claims stood at EUR 159,134 as

at 31 December 2019. The Group's management estimates that there is a possibility that some of these lawsuits will be lost. As a result, the Group set aside long-term provisions. See explanation in Note 6.34.

Inventories owned by other entities

The Group's and the Company's inventories as at 31 December 2019 included commodity reserve stocks of the Republic of Slovenia totalling EUR 174,187,252 (EUR 71,113,347 as at 31 December 2018). The Company's and the Group's inventories as at 31 December 2019 also included goods delivered on consignment totalling EUR 34,080,649 (EUR 36,818,888 as at 31 December 2018) and EUR 35,130,864 (EUR 37,762,427 as at 31 December 2018), respectively. The goods delivered on consignment are carried at cost, while the commodity reserve stocks are carried at calculated prices.

10. Events after the reporting date

On 2 March 2020, the Group received a Supreme Court ruling which dismissed in its entirety the plaintiff's claim in a major lawsuit. See Note 6.34 for more details. There were no other events after the reporting date that would significantly affect the financial statements for 2019 presented herein.

11. Financial statements of Petrol d.d., Ljubljana by activity in accordance with the Services of General Economic Interest Act and the Energy Act

11.1 Introduction

The energy part comprises an overview of the financial statements that the Company is obliged to disclose in accordance with the Energy Act (Official Gazette of the RS, No. 17/14), which stipulates that undertakings performing energy activities in the field of electricity or natural gas or heat supply have to prepare, audit and publish annual financial statements in the manner prescribed by law for companies, irrespective of their legal form and ownership.

In accordance with Article 66 of the Services of General Economic Interest Act (Official Gazette of the RS, No. 32/1993 and 30/1998), the Company has to separately monitor all accounting records that enable the calculation of costs, expenses and revenue according to the principles applicable to companies.

According to the provisions of the Energy Act, the annual report shall also include the rules and criteria based on which assets, liabilities, revenue and expenses are allocated to individual energy activities.

11.2 Accounting policies for separating financial statements

In separating financial statements, the principles of prudence and accuracy were taken into account. The Company maintains separate accounting records for each activity, thus enabling close monitoring of all forms of revenue and expenses. At the same time, the Company discloses in its books fixed assets separately for individual activities.

For each of the activities reported in accordance with the Energy Act, the Company has designated a cost centre. All activities represent the Company's production cost centres. Revenue and expenses are accurately separated according to the activity for which they are recognised.

The Company also generates revenue and expenses that are not related to a specific activity, but represent general indirect revenue and expenses. These revenue and expenses are presented entirely under market activities.

Within the Company, there are two organisational units dealing with energy, namely the Energy and Environmental Systems organisational unit and the Management of Energy Products and Energy organisational unit. Within these

organisational units, general indirect expenditure is generated by individual section, which is divided according to the key applied within each section.

The Energy and Environmental Systems organisational unit incurs indirect expenses, which are divided according to the key used within the organisational unit.

Serving both organisational units are the department Customer Support and Sales and Contact Centre and the Back Office department. Expenses are distributed by area (and further by individual activity) according to the key used. The Company also has the IT department, in which case the proportion of expenses related to energy is distributed by area (and further by individual activity).

The Company used the cost key per activity as the basis for the distribution of all indirect expenditure.

The statement of profit or loss was divided in the following steps:

- net sales revenue is separated by individual activity directly according to invoiced sales for each activity (cost centre);
- the cost of goods is the cost of energy products sold and is recognised directly;
- costs of materials are direct costs of materials attributable to an individual activity. A proportionate share of indirect costs of materials is allocated to each activity according to the division key used;
- costs of services are direct costs of services attributable to an individual activity. A proportionate share of indirect costs of services is allocated to each activity according to the division key used;
- labour costs are direct labour costs attributable to an individual activity. A proportionate share of indirect labour costs is allocated to each activity according to the division key used;
- the depreciation and amortisation charge is a direct cost of depreciation and amortisation attributable to an individual activity. A proportionate share of indirect cost of depreciation and amortisation is allocated to each activity according to the division key used;
- other costs and expenses are direct other costs and expenses attributable to an individual activity. A proportionate share of indirect other costs and expenses is allocated to each activity according to the division key used;

- finance income is recognised as the indirect part under other activities;
- finance expenses are finance expenses attributable to an individual activity (for each activity, interest expense arising from loans is allocated to individual activities, much like long-term and short-term loans are calculated by taking into account the average value of non-current assets);
- other income is allocated to an individual activity according to the division key used;
- other expenses are allocated to an individual activity according to the division key used.

The statement of financial position was divided in the following steps:

- intangible assets are carried directly under individual activities and the indirect part is recognised among other activities;
- items of property, plant and equipment are carried directly under individual activities and the indirect part is recognised among other activities;
- non-current investments are recognised as the indirect part under other activities;
- inventories are recognised as the indirect part under other activities;
- non-current operating receivables are recognised as the indirect part under other activities;
- current operating receivables are carried directly under an individual activity and the indirect part is recognised among other activities;
- other operating receivables comprise the difference between assets and liabilities under individual activities;
- current investments are recognised as the indirect part under other activities;
- prepayments and other assets are recorded directly under an individual activity and the indirect part is recognised among other activities;
- called-up capital and capital surplus were determined on 31 December 2015 as the difference between assets and liabilities at that time;
- net profit or loss for the year is calculated in the statement of profit or loss for the year for each activity;
- provisions are recognised as the indirect part under other activities, unless a direct cost centre can be determined;
- non-current financial and operating liabilities arise from long-term loans that are disclosed as a liability under activities and are calculated directly under an individual activity;
- current financial and operating liabilities are calculated directly under an individual activity and the indirect part is recognised among other activities;
- other operating liabilities comprise the difference between assets and liabilities under an individual activity;
- other liabilities are recorded directly under an individual activity and the indirect part is recognised among other activities.

11.3 Presentation of financial statements by activities of Petrol d.d., Ljubljana

11.3.-1 Statement of profit or loss by activity

(in EUR)	Natural gas distribution system operator	Natural gas supply	Heat distribution	Heat generation	
Sales revenue	11,107,871	25,199,538	1,660,861	4,423,600	
Cost of goods sold	(3,454)	(22,013,041)	0	0	
Costs of materials	(1,613,730)	(164)	(478,859)	(2,270,305)	
Costs of services	(686,294)	(29,587)	(236,087)	(403,433)	
Labour costs	(1,195,977)	(2,081)	(797,769)	(802,084)	
Depreciation and amortisation	(2,583,253)	(465)	(637,817)	(549,094)	
Other costs	(881,298)	(2)	(40,723)	(63,337)	
Operating costs	(6,960,552)	(32,299)	(2,191,255)	(4,088,253)	
Other income	66,621	1,740,966	44,905	16,443	
Other expenses	0	(4,296,922)	0	0	
Operating profit or loss	4,210,486	598,242	(485,489)	351,790	
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities					
Other finance income	0	0	0	0	
Other finance expenses	(501,949)	0	(118,550)	(58,090)	
Net finance expense	(501,949)	0	(118,550)	(58,090)	
Profit before tax	3,708,536	598,242	(604,039)	293,701	
Tax expense	(704,622)	(113,666)	114,767	(55,803)	
Deferred tax	0	0	0	0	
Corporate income tax	(704,622)	(113,666)	114,767	(55,803)	
Net profit for the year	3,003,914	484,576	(489,272)	237,898	

Electricity supply	Closed electricity distribution system	Other energy activities	Municipal wastewater and run-off rainwater treatment	Other activities	Total
67,182,485	3,977,381	3,389,682	3,038,882	3,412,870,597	3,532,850,898
(64,710,258)	0	0	(1,190)	(3,098,083,440)	(3,184,811,384)
(158)	(1,579,194)	(1,616,259)	(525,625)	(16,433,816)	(24,518,111)
(143,777)	(223,298)	(238,271)	(519,330)	(118,132,567)	(120,612,643)
(170,364)	(1,092,630)	(630,885)	(504,923)	(70,118,689)	(75,315,402)
(4,811)	(643,082)	(461,034)	(616,478)	(38,843,599)	(44,339,635)
(144)	(265,684)	(31,623)	(47,003)	(954,585)	(2,284,398)
(319,254)	(3,803,888)	(2,978,072)	(2,213,359)	(244,483,256)	(267,070,189)
3,685	0	0	240	79,655,594	81,528,453
0	0	0	0	(80,299,672)	(84,596,594)
2,156,658	173,493	411,610	824,572	69,659,823	77,901,184
				2,174,736	2,174,736
0	0	0	0	31,388,040	31,388,040
0	(131,939)	(42,895)	(54,886)	(37,284,111)	(38,192,420)
0	(131,939)	(42,895)	(54,886)	(5,896,071)	(6,804,380)
2,156,658	41,554	368,714	769,686	65,938,488	73,271,540
(409,765)	(7,895)	(70,056)	(146,240)	(11,299,213)	(12,692,493)
0	0	0	0	(329,818)	(329,818)
(409,765)	(7,895)	(70,056)	(146,240)	(11,629,031)	(13,022,311)
1,746,893	33,659	298,658	623,446	54,309,457	60,249,229

11.3.-2 Statement of financial position by activity

(in EUR)	Natural gas distribution system operator	Natural gas supply	Heat distribution	Heat generation	
ASSETS					
Non-current (long-term) assets					
Intangible assets	42,490,784	0	6,583,386	2,190,937	
Property, plant and equipment	386,092	0	3,345,012	2,645,188	
Investment property	0	0	0	0	
Investments in subsidiaries	0	0	0	0	
Investments in jointly controlled entities	0	0	0	0	
Investments in associates	0	0	0	0	
Financial assets at fair value through other comprehensive income	0	0	0	0	
Financial receivables	0	0	0	0	
Operating receivables	0	0	0	0	
Deferred tax assets	0	0	0	0	
	42,876,876	0	9,928,398	4,836,126	
Current assets					
Inventories	0	0	0	0	
Assets arising from contracts with customers	0	0	0	0	
Financial receivables	0	0	0	0	
Operating receivables	20,289,906	26,000,551	1,073,980	5,483,707	
Corporate income tax assets	0	0	0	0	
Financial assets at fair value through profit or loss	0	0	0	0	
Prepayments and other assets	0	0	0	0	
Cash and cash equivalents	0	0	0	0	
	20,289,906	26,000,551	1,073,980	5,483,707	
Total assets	63,166,782	26,000,551	11,002,378	10,319,833	



Electricity supply	Closed electricity distribution system	Other energy activities	Municipal wastewater and run-off rainwater treatment	Other activities	Total
0	8,600	379	4,440,678	142,615,084	198,329,848
279,743	11,425,446	3,633,337	49,930	366,466,583	388,231,331
0	0	0	0	16,364,192	16,364,192
0	0	0	0	341,346,801	341,346,801
0	0	0	0	233,000	233,000
0	0	0	0	29,939,454	29,939,454
0	0	0	0	2,117,914	2,117,914
0	0	0	0	31,876,297	31,876,297
0	0	0	0	8,368,720	8,368,720
0	0	0	0	6,868,241	6,868,241
279,743	11,434,046	3,633,716	4,490,609	946,196,285	1,023,675,797
0	0	0	0	128,429,794	128,429,794
0	0	0	0	2,095,457	2,095,457
0	0	0	0	6,848,043	6,848,043
16,044,221	6,154,682	482,466	549,550	244,482,304	320,561,369
0	0	0	0	2,375,278	2,375,278
0	0	0	0	394,078	394,078
0	0	0	0	23,597,572	23,597,572
0	0	0	0	17,680,102	17,680,102
16,044,221	6,154,682	482,466	549,550	425,902,629	501,981,693
16,323,964	17,588,728	4,116,181	5,040,159	1,372,098,913	1,525,657,491



(in EUR)	Natural gas distribution system operator	Natural gas supply	Heat distribution	Heat generation	
EQUITY AND LIABILITIES					
Equity attributable to owners of the controlling company					
Called-up capital	16,544,318	2,569,303	1,000,013	3,597,624	
Capital surplus	16,544,318	2,569,303	1,000,013	3,597,624	
Legal reserves	0	0	0	0	
Reserves for own shares	0	0	0	0	
Own shares	0	0	0	0	
Other revenue reserves	0	0	0	0	
Fair value reserve	0	0	0	0	
Hedging reserve	0	0	0	0	
Retained earnings	3,003,914	484,576	(489,272)	237,898	
Total equity	36,092,550	5,623,182	1,510,755	7,433,146	
Non-current liabilities					
Provisions for employee post-employment and other long-term benefits	0	0	0	0	
Other provisions	768,582	0	401,251	0	
Long-term deferred revenue	0	0	0	0	
Financial liabilities	17,234,317	0	4,070,394	1,994,491	
Lease liabilities	0	0	0	0	
Operating liabilities	0	0	0	0	
	18,002,899	0	4,471,646	1,994,491	
Current liabilities					
Financial liabilities	4,308,579	1,897,171	1,017,599	498,623	
Lease liabilities	0	0	0	0	
Operating liabilities	4,762,754	18,480,199	4,002,380	393,573	
Corporate income tax liabilities	0	0	0	0	
Liabilities arising from contracts with customers	0	0	0	0	
Other liabilities	0	0	0	0	
	9,071,333	20,377,370	5,019,978	892,195	
Total liabilities	27,074,232	20,377,370	9,491,624	2,886,687	
Total equity and liabilities	63,166,782	26,000,551	11,002,378	10,319,833	

Electricity supply	Closed electricity distribution system	Other energy activities	Municipal wastewater and run-off rainwater treatment	Other activities	Total
5,794,600	4,508,757	(2,663,760)	0	20,890,122	52,240,977
5,794,600	4,508,757	(2,663,760)	0	49,640,530	80,991,385
0	0	0	0	61,749,884	61,749,884
0	0	0	0	4,708,359	4,708,359
0	0	0	0	(2,604,670)	(2,604,670)
0	0	0	0	339,100,447	339,100,447
0	0	0	0	39,489,924	39,489,924
0	0	0	0	(3,897,907)	(3,897,907)
1,746,893	33,659	298,658	623,446	24,184,842	30,124,614
13,336,093	9,051,172	(5,028,861)	623,446	533,261,530	601,903,014
0	0	0	0	8,025,061	8,025,061
0	0	0	1,124,586	7,007,380	9,301,799
0	0	0	0	20,463,854	20,463,854
0	4,530,091	1,472,805	1,884,489	250,940,410	282,126,997
0	0	0	0	31,307,247	31,307,247
0	0	0	0	792,582	792,582
0	4,530,091	1,472,805	3,009,075	318,536,534	352,017,540
0	1,132,523	72,508	471,122	94,823,337	104,221,462
0	0	0	0	3,500,072	3,500,072
2,987,871	2,874,942	7,569,230	936,516	397,510,915	439,518,379
0	0	0	0	0	0
0	0	0	0	13,522,977	13,522,977
0	0	30,499	0	10,943,549	10,974,048
2,987,871	4,007,465	7,672,237	1,407,638	520,300,849	571,736,937
2,987,871	8,537,556	9,145,042	4,416,713	838,837,383	923,754,477
16,323,964	17,588,728	4,116,181	5,040,159	1,372,098,913	1,525,657,491

11.3.-3 Statement of cash flows by activity

(in EUR)	Natural gas distribution system operator	Natural gas supply	Heat distribution	Heat generation	
Cash flows from operating activities					
Net cash from (used in) operating activities	10,195,665	7,628,062	4,479,988	(1,104,854)	
Cash flows from investing activities					
Net cash from (used in) investing activities	(2,165,422)	(465)	(142,642)	(248,888)	
Cash flows from financing activities					
Net cash from (used in) financing activities	(8,030,244)	(7,627,597)	(4,337,346)	(855,966)	
Increase/(decrease) in cash and cash equivalents	0	0	0	0	
Changes in cash and cash equivalents					
At the beginning of the year	0	0	0	0	
Cash acquired through mergers by absorption	0	0	0	0	
Increase/(decrease)	0	0	0	0	
At the end of the year	0	0	0	0	

Electricity supply	Closed electricity distribution system	Other energy activities	Municipal wastewater and run-off rainwater treatment	Other activities	Total
(6,214,986)	598,294	1,972,540	1,594,621	143,992,052	177,781,063
(284,554)	(860,719)	(364,442)	(175,252)	(101,469,122)	(105,711,506)
(5,930,432)	262,425	(1,608,099)	(1,419,369)	(53,829,798)	(83,376,426)
0	0	0	0	(11,306,869)	(11,306,869)
0	0	0	0	28,986,973	28,986,973
0	0	0	0	0	0
0	0	0	0	(11,306,869)	(11,306,869)
0	0	0	0	17,680,102	17,680,102



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