ANNUAL REPORT 2018

PETROL

Energy for life

Petrol, Slovenska energetska družba, d.d., Ljubljana
Dunajska cesta 50, 1000 Ljubljana
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Companies Register entry: District Court of Ljubljana, entry number: 1/05773/00
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March 2019

ANNUAL REPORT OF THE PETROL GROUP AND PETROL D.D., LJUBLJANA 2018

STATEMENT OF THE MANAGEMENT BOARD

Pursuant to Article 60a 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 2018, 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 Tomaž Berločnik, President of the Management Board, Rok Vodnik, Member of the Management Board, Igor Stebernak, Member of the Management Board, and Ika Krevzel-Panić, Member of the Management Board and Worker Director, declare that to the best of their knowledge and belief:

- the financial report of the Petrol Group and Petrol d.d., Ljubljana, for the year 2018 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 2018 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.

Ljubljana, 15. February 2019

Tomaž Berločnik
President of the Management Board

Rok Vodnik
Member of the Management Board

Igor Stebernak
Member of the Management Board

Ika Krevzel Panić
Member of the Management Board and Worker Director

Every day, it is my great pride and pleasure to lead such an excellent team of co-workers who are focused on the challenge of reorganising the company and implementing a demanding and ambitious strategy. Together, we are successful in redefining boundaries between companies, divisions and sales channels to create a customer-centred organisation. Together, we are the best.

Tomaž Berločnik,
President of the Management Board

Petrol is a big, successful, development-oriented, family-friendly and socially responsible company. Although there will be many challenges facing us in the future, I firmly believe in our strategy and all our staff. That is why I like doing my job at Petrol and I am proud of it too.

Rok Vodnik,
Member of the Management Board

For me, working at Petrol offers an abundance of challenges. Together with the entire team, we can pursue the development-oriented strategy, creating a company which grows in a sustainable way, in which employees feel a sense of wellbeing and which is a desirable business partner and a good investment for its owners.

Igor Stebernak,
Member of the Management Board

Why do I enjoy working at Petrol? Because I have the opportunity to work with the best colleagues every day and because we all do our job with commitment and responsibility, trust each other and have a wealth of expertise which we do not mind sharing.

Ika Krevzel Panić,
Member of the Management Board and Worker Director

CREATIVE EXCELLENCE

We are a forward-looking organism made up of individuals. Each of us has our own skills, knowledge, motivation, talents, dreams and aspirations. Each our own morning and our own evening. Our own family, friends and acquaintances. Our own colleagues. Each seeking personal growth, progress and respect. We are all part of a strong group, jointly creating products, services and ideas that lead to a nicer world, one that is better and more advanced. We are committed to creative excellence. We believe in it. This brings us together and helps us perform!

CONTENTS

BUSINESS REPORT 2018

Petrol is essentially a group of excellent people working well together.
Thanks to the challenges linked to the highly dynamic development implemented through projects and with the help of excellent colleagues and teams I work with, coming to work is a pleasure every single day.

Zoran Smrzlić,
Projects Office, Director

BUSINESS HIGHLIGHTS OF 2018

THE PETROL GROUP	UoM	RESULTS 2018	2017	2018/2017 Index
Sales revenue	EUR million	5,416.9	4,496.7	120
Adjusted gross profit[1]	EUR million	449.5	432.7	104
Operating profit	EUR million	119.4	112.2	106
Net profit	EUR million	91.8	81.1	113
Equity	EUR million	747.5	701.9	106
Total assets	EUR million	1,730.8	1,656.3	105
EBITDA[2]	EUR million	171.5	159.6	107
EBITDA/Adjusted gross profit	%	38.2	36.9	103
Operating costs/Adjusted gross profit	%	75.6	75.1	101
Net debt/Equity[3]		0.4	0.5	75
Net debt/EBITDA		1.7	2.3	74
ROE[4]	%	12.3	12.4	99
Added value per employee[5]	EUR thousand	63.8	62.5	102
Earnings per share[6]	EUR	44.7	39.5	113
Share price as at last trading day of the year	EUR	310.0	349.5	89
Volume of petroleum products sold	million tons	3.5	3.4	104
Volume of liquefied petroleum gas sold	thousand tons	157.6	151.0	104
Volume of natural gas sold	TWh	19.9	1.3	-
Electricity sold	TWh	20.3	21.0	96
Revenue from the sale of merchandise and related services[7]	EUR million	477.5	546.1	87
Revenue from the sale of merchandise and related services - recognised under IAS 18 (as if IFRS 15 did not apply)	EUR million	600.4	546.1	110
Number of service stations as at last day of the year		500	495	101
Number of employees (including third-party managed service stations) as at last day of the year		4,857	4,508	108

1 Adjusted gross profit = Sales revenue – Cost of goods sold. This item is not defined in International Financial Reporting Standards.
2 EBITDA = Operating profit or loss net of allowances for operating receivables and goodwill impairment + Depreciation and amortisation net of depreciation of environmental fixed assets.
3 Net debt/Equity = (Non-current and current financial liabilities – Cash and cash equivalents)/Equity.
4 Effect of the acquisition and initial consolidation of Geoplin in 2017 is eliminated.
5 Added value per employee = (EBITDA + integral labour costs) / Average number of employees. The average number of employees for 2018 does not include the employees of Zagorski metalac d.o.o. as the latter has not yet been fully consolidated in the Petrol Group in 2018. The average number of employees for 2017 does not include the employees of the Geoplin Group as the latter has not yet been fully consolidated in the Petrol Group in 2017.
6 Earnings per share = Net profit for the year attributable to owners of the controlling company / Weighted average number of ordinary shares issued, excluding own shares.
7 IFRS 15

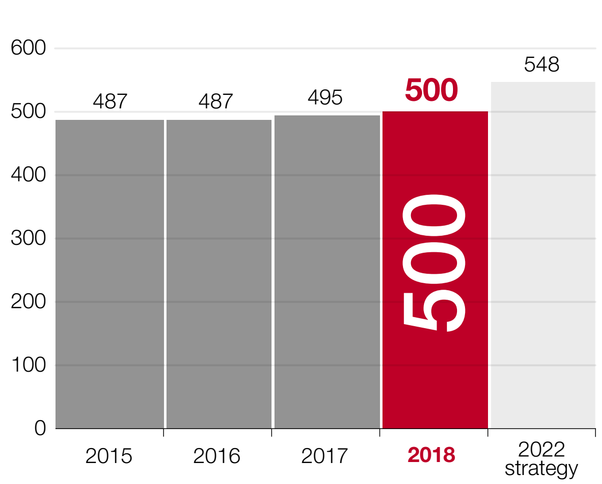
The following sets out changes to IFRS (presented in more detail in Notes to the financial statements) that had a significant impact on the results and certain performance indicators of the Petrol Group in 2018:

IFRS 15: In accordance with the new accounting standard IFRS 15, the Petrol Group changed the method of recognising revenue from the sale of goods sold by the Petrol Group on behalf of third parties. The new standard requires the Petrol Group to include in its sales revenue only the commission it is entitled to receive based on the sale of goods on behalf of third parties. As a result, the Petrol Group's reported revenue from the sale of goods and the cost of goods sold were EUR 122.9 million lower in 2018 than would have been if the above change to the accounting standards had not taken place in 2018. The reported sales revenue for 2017 was not restated to reflect the change.

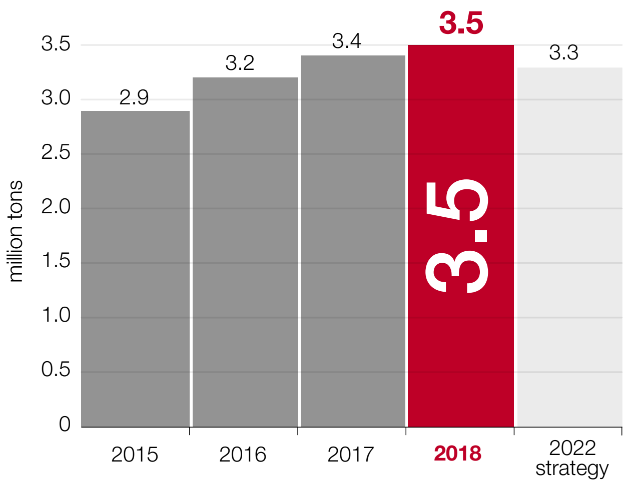
IFRS 9: The adoption of IFRS 9 changed the accounting for previously recognised loss from the impairment of trade receivables. As a result, the Petrol Group's net profit was lower by EUR 4.9 million in 2018.

IFRS 16: The standard requires that lease assets and liabilities be recognised and measured also for most operating leases, as is the case with finance leases. If it had entered into force in 2018, the net debt-to-EBITDA ratio for 2018 would have increased by 0.3, to 2.0.

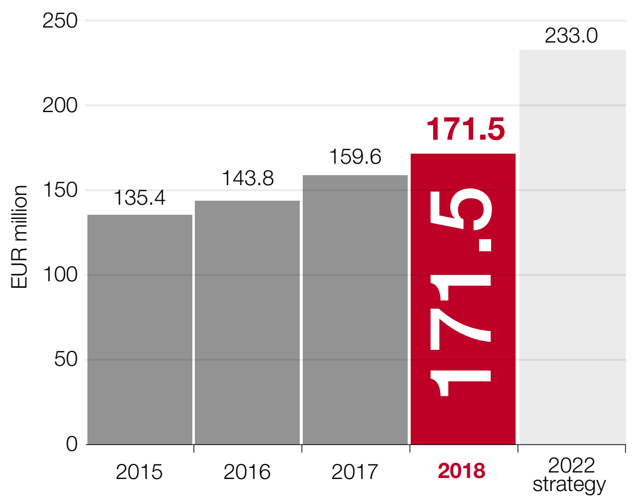
NUMBER OF SERVICE STATIONS



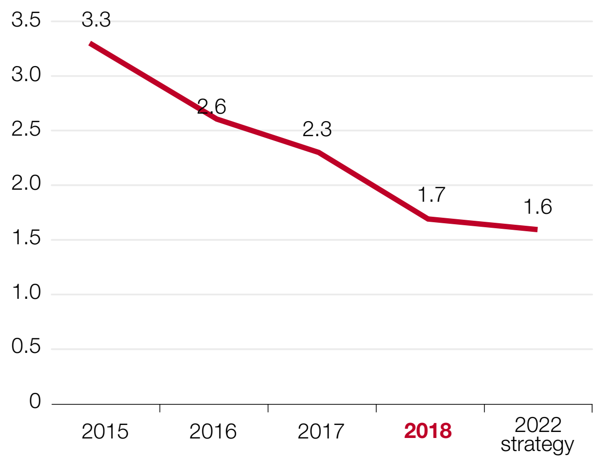
VOLUME OF PETROLEUM PRODUCTS SOLD



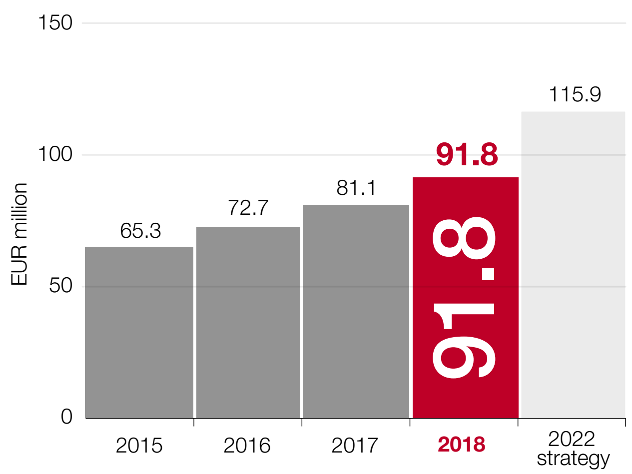
EBITDA



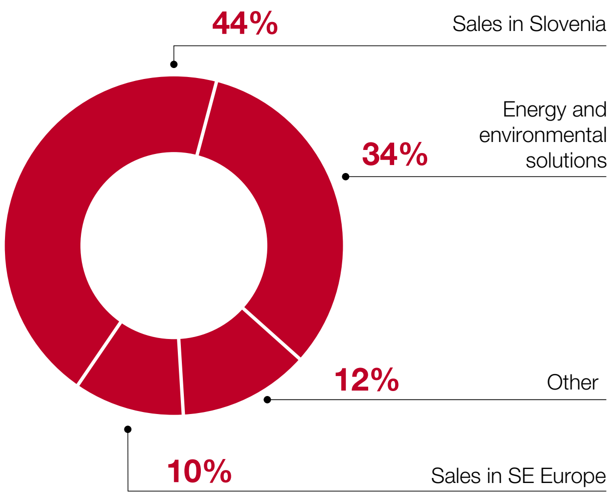
NET DEBT TO EBITDA RATIO



NET PROFIT



BREAKDOWN OF THE PETROL GROUP'S INVESTMENTS IN 2018



LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear shareholders, business partners and co-workers...

Energy and trade. These are two very important but highly competitive and demanding industries in which the operations of the Petrol Group intertwine. We respond to daily business challenges with careful planning and deliberate business decisions.

We improve the quality of life – our deeper meaning and promise. In the letter in the 2017 Annual Report I promised you that we would strive for the growth and development of the Petrol Group in line with the 2016 – 2020 strategy. As we are aware that we are operating in a fast-changing world and witnessing rapid development in our business areas, the Petrol Group decided to re-examine and evaluate strategic goals in 2018 in the light of the review of all business pillars, their implementation and goals, with a new timeline and priorities for specific business pillars.

Ensuring business growth and increasing the profitability of operations are the main principles underpinning the drawing up and implementation of the strategy. The year 2018 was the best in Petrol's business history. In 2018 we generated EUR 5.4 billion in sales revenue, up 20 percent from 2017. Adjusted gross profit stood at EUR 449.5 million, which was 4 percent more than in 2017. EBITDA totalled EUR 171.5 million or 7 percent more than in 2017. Net profit totalled EUR 91.8 million, up 13 percent on the previous year.

In 2018 Petrol was successful in ensuring a comprehensive supply of all energy products and in providing energy and environmental solutions. We sold 3.5 million tons of petroleum products. Good results were also achieved in merchandise sales, natural gas sales, liquefied petroleum gas sales and in the sales of heat and electricity.

A stable dividend policy and good business performance are a guarantee to maximise shareholders' return, which is the cornerstone of Petrol's shareholder policy. In 2018 the dividend payout for 2017 totalled EUR 16.0 per share.

In the first half of 2018, more than 200 employees worked intensively to draft the strategy, bearing in mind the customers. The strategy combines all our knowledge with the aim that in the end our customers will be satisfied. The sales of petroleum products and merchandise remain our core business activity, and sales points at service stations are our key point of contact and sales channel through which we develop other services and activities. "Let's meet at Petrol" – Petrol's points of sale have become junction points of your and our journeys. I am proud that at the end of 2018 our retail network comprised no fewer than 500 service stations.

We wish to provide our customers quality goods and services when they need them. In selecting suppliers, we assign great importance not only to the quality of goods, compliance with all European standards and legislation and good purchasing conditions, but also to reliable supply. Efficient logistics, however, make it possible for the goods to be where they are needed, when they are needed.

Petrol's Strategy for the period 2018 – 2022 is a strategy of development. We will continue to develop and strengthen the sale of petroleum products and merchandise. Comprehensive energy supply, interlinked with energy and environmental solutions, has our close attention. Our mission is to provide first-rate energy at home, on the go and in the course of business in a sustainable manner by means of our comprehensive range of solutions.

Production of electricity from renewable sources was recognised as an important factor in the implementation of our strategy. Demand for electricity is growing, which is why we decided to include in our portfolio our own sustainable production of this important energy product from renewable sources – water, wind and sun. The ultimate goal is to create a sustainable portfolio with the lowest possible price of electricity for our customers. The Glunča wind power plant, the Jeleč small hydro power plant and several photovoltaic power plants are most certainly the right step in this direction.

We are facing the future. Globally, mobility is changing and Petrol not only keeps up, but is one of the first players in Slovenia and the wider region that invests in and co-creates new ways of mobility. At Petrol, we understand mobility very broadly. In the following years, customers will be able to use their own means of transport both with conventional fuel and new energy products, along with public transport, providers of different forms of services, car sharing, and bicycle sharing. Part of the mobility takes place on foot. We want to be present throughout the routes that our customers travel, and offer our services. In cities, the pace of life is extraordinarily fast, making mobility increasingly important. That is why we opened the first trendy HopIN shops in 2018. These are modern urban points of sale based on a fresh and modern product range for fast and mobile urban dwellers.

There is a breakthrough in digitisation and smart solutions in the world, coupled with the development of new business models and changes in value chains. We co-write these stories – all for the benefit of our customers. To simplify their purchases. Part of this development is the On the Go app, which enables us to use the QR code to purchase fuel at the fuel dispenser, Coffee-to-go, car wash services and the most recent service – Fresh food. We are moving towards building hybrid platforms, combining physical and digital sales points and developing omni-channel customer access, which offers our customers the same user experience regardless of how they come into contact with Petrol.

We are strongly involved in the development of alternative financial services. The Petrol Club payment card is available to our customers, and can be used for instalment payments. Trends are moving towards digitised financial services, so we took over company MBills d.o.o. The mBills digital wallet makes purchasing even easier for our customers.

Our goal is to achieve business results sustainably. Only in this way will we contribute to the preservation of our planet for our successors. Care for environmental protection is embedded in all levels of our business. We strictly comply with environmental regulations and we are active in developing and employing alternative, environmentally friendly energy products.

I took over the management of Petrol in 2011. Every day I am aware of the great responsibility towards all Petrol stakeholders: owners, customers, suppliers and employees. And every day the energy, the ability, the will to achieve and exceed the set goals of all 4,857 employees strengthen my awareness that we are and will remain on the right path. Motivated employees are an essential element of success. In 2018 the number of employees increased by more than 300, owing to the expansion of business and acquisitions. New employees in the Petrol Group bring new skills and abilities that intertwine with the experience of the established Petrol staff. We offer our employees numerous opportunities for education, upgrading the knowledge and skills they need in their work.

The new strategy is very ambitious, but feasible. Over 4,850 of us are trying, each in his or her particular field, to contribute to the achievement of the set goals. Business results in 2018 were the right step in this direction. For 2019, our goals are even more ambitious.

Tomaž Berločnik
President of the Management Board

BUSINESS PERFORMANCE IN 2018

It is nice to be part of Petrol because I can work with colleagues as a team and because of the sense of respect and trust within the company.

Lea Pfajfar,
HopIN, Culinary Instructor

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 bringing together 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 simple, 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 simple, 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.


PETROL

The Petrol Group operates in Central Europe, and in South Eastern Europe in particular. 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 providing new opportunities at the same time.

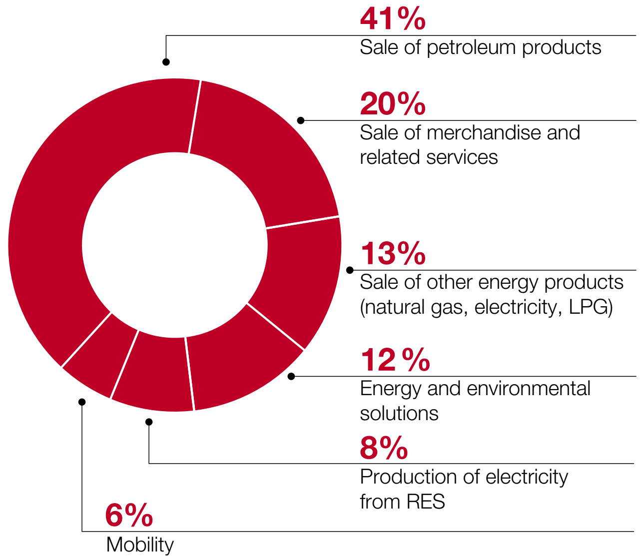
Our key strategic orientations – or strategic themes – for the period up to 2022 are as follows:
1. Balance between stable operations and development in order to address new challenges (the setting up of a flexible and agile organisation providing suitable and risk-adjusted returns while taking into 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 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 2019

The Petrol Group operates in one of the most important industries – the energy sector. This sector is rapidly moving towards energy efficiency, novel use of existing energy products and development of new energy products. Being mindful of climate change, which is linked also to the use of fossil fuels, is an important part of this process. Global efforts are centred on mitigating climate change risks, and solutions are sought to ensure affordable and reliable energy supply.

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. Energy consumption is predicted to decrease in the transport and manufacturing sectors and increase in the housing sector, despite the constant decline in energy consumption per unit of area brought about by efficient energy consumption actions. More people will live in urban settlements, and their choices will be an important factor shaping the energy market. Energy consumption in cities for heating and cooling purposes will thus be increasing. Technological advances will offer numerous solutions to choose from which will be increasingly affordable and more acceptable from the environmental perspective while maintaining the quality of living.

Besides energy trends, the Petrol 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.

Also affecting the Petrol Group's operations is the situation in the trade sector, with the sales of merchandise and services making up an important part of the Group's revenue. The Group is involved in the rapid development of trade which is changing purchasing habits of consumers and distribution channels through the digitisation of business.

The Petrol Group has set ambitious goals for 2019. To achieve them, it will pay particular attention to the optimisation of operational and supporting business processes in 2019.

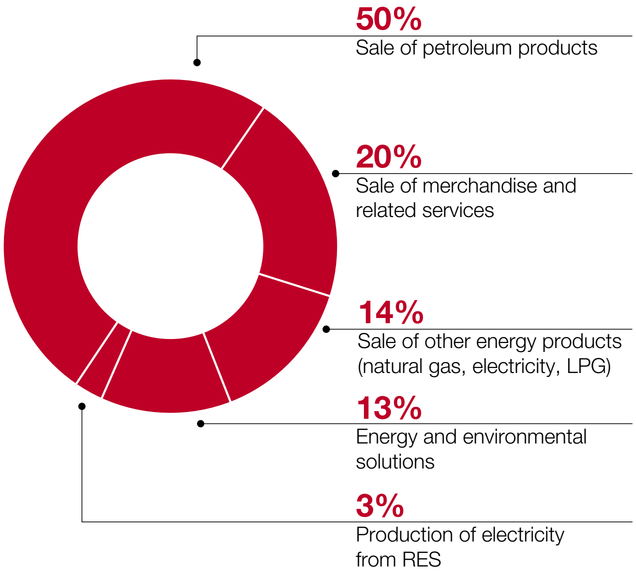
At the Petrol Group, we realise that despite careful preparation, informed business decisions, quick response to changes and an efficient risk management system external factors may arise in the business environment which are beyond our direct control and may pose a risk or a threat when it comes to meeting our targets. In 2019 these factors include:

- sales in the EU market, the extremely volatility of which might keep us from reaching our sales targets,
- the impact of the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line, which foresees two new duties in order to finance the construction: a charge on transshipment in the freight port of Koper to be paid by the transshipment operator and an additional charge to the toll paid by the toll-paying entities, which would mean higher costs for the Petrol Group,
- proposal amending the Minimum Wage Act, which redefines the minimum wage by excluding allowances (including the length of service allowance), the job performance bonus and the business performance bonus, which might bring up labour costs.

The Petrol Group's main business targets for 2019:

- Sales revenue of EUR 5.6 billion
- Adjusted gross profit of EUR 475 million
- EBITDA of EUR 186.4 million
- Net profit of EUR 96.7 million
- Net debt to equity ratio of 0.4
- Net debt to EBITDA ratio of 1.8 (or 2.1 if IFRS 16 is taken into account)
- Financial leverage ratio of 29%
- 3.3 million tons of petroleum products sold
- revenue from merchandise sales and related services of EUR 609.1 million in accordance with IAS 18, which is no longer in effect (or EUR 481.6 million if IFRS 15 is taken into account)
- Retail network consisting of 515 service stations
- Investments in fixed assets of EUR 101 million

EBITDA broken down by activity in 2019



THE PETROL GROUP IN ITS REGION

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.

Reference to the applicable Corporate Governance Code

In the period from 1 January 2018 to 31 December 2018, 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 and 13 December 2018, and published via the Ljubljana Stock Exchange SEOnet information system (the version currently in force is available at http://seonet.ljse.si/default_sl.aspx?doc=SEARCH&doc_id=67156) on 23 December 2013, 13 January 2015, 23 December 2016, 29 December 2017 and 31 December 2018, 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 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 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. One of the shareholders announced and then filed a lawsuit to contest the resolution, but the Court did not issue a final decision by the end of the financial year 2017. In 2018 the plaintiff withdrew the lawsuit, at which point the court issued a decision to halt the proceedings. The Management Board did not act on the above authorisation in 2018, 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 unnecessary 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).

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 latter, which is based on the three lines of defence model[1], 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.

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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 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 2018 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:

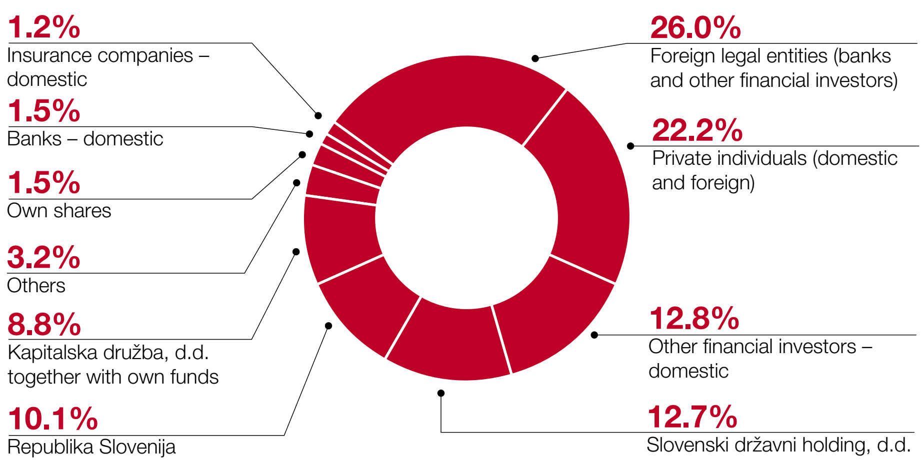
3.1 Structure of the Company's share capital

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.

The largest shareholders of Petrol d.d., Ljubljana, as at 31 December 2018

	Shareholder	Address	Shares owned	Holding in %
1	ČEŠKOSLOVENSKA OBCHODNI BANK, A.S. - FID	RADLICKA 333/150, 150 57 PRAGA 5, CZECH REPUBLIC	266,726	12.78%
2	SLOVENSKI DRŽAVNI HOLDING, D.D.	MALA ULICA 5, 1000 LJUBLJANA	264,516	12.68%
3	REPUBLIKA SLOVENIJA	GREGORČIČEVA ULICA 20, 1000 LJUBLJANA	210,689	10.10%
4	KAPITALSKA DRUŽBA, D.D.	DUNAJSKA CESTA 119, 1000 LJUBLJANA	172,639	8.27%
5	OTP BANKA D.D. - CLIENT ACCOUNT - ESCROW	DOMOVINSKOG RATA 61, 21000 SPLIT, CROATIA	106,018	5.08%
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	SOP LJUBLJANA	VOŠNJAKOVA ULICA 6, 1000 LJUBLJANA	34,496	1.65%
10	CITIBANK N.A. - ESCROW	CITIBANK CENTRE, CANADA SQUARE, CANARY W, E14 5LB, LONDON, GREAT BRITAIN	28,961	1.39%

Share capital structure of Petrol d.d., Ljubljana, as at 31 December 2018



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 2018):

- Československa Obchodni Bank, a.s. – FID held 266,726 shares of Petrol d.d., Ljubljana, representing 12.78 percent of the issuer's share capital,
- Slovenski državni holding, d.d., held 264,516 shares of Petrol d.d., Ljubljana, representing 12.68 percent of the issuer's share capital,
- Republika Slovenija held 210,689 shares of Petrol d.d., Ljubljana, representing 10.10 percent of the issuer's share capital, and
- 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 its members as temporary Management Board members to replace missing or absent members 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.

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 Diversity Policy in its entirety, including its goals and implementation method, is available at https://www.petrol.eu/binaries/content/assets/skupina-petrol-eng/2018/reports/2018/diversity-policy-of-petrol-d.d.-ljubljana---december-2018.pdf). As the policy was only adopted at the end of 2018, it is not yet possible to report on the results achieved in 2018.

- **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.

General Meeting resolutions in English are published on https://www.petrol.eu/binaries/content/assets/skupina-petrol-eng/2018/publications/2017/04/resolutions_of_the_27th_general_meeting_of_shareholders_of_petrol_d.d._ljubljana_10.4.2017.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).

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 AJPES 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 26 April 2018, 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 2017, 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 2017, a resolution on the appointment of an auditor to audit the Company's financial report and review its business report for 2018.

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 2018 the Management Board was composed of four members, who discussed matters falling within the Board's competence at 61 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.

Members of the Management Board of Petrol d.d., Ljubljana, in 2018:

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. 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. 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 environment

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

- Business support

Ika Krevzel Panić, 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.

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 2018: 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 2018:

Nada Drobne Popović, shareholder representative

President of the Supervisory Board

Finance Director at SIJ ACRONI d.o.o. Appointed for a four-year term of office beginning on 11 April 2017 at the 27th General Meeting of 10 April 2017. She has served as President of the Supervisory Board since the inaugural meeting of 22 April 2017.

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
Petrol d.d., Ljubljana, Energy Distribution Systems organisational unit. 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
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
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 2018: the statutory Audit Committee and the Human Resources and Management Board Evaluation Committee.

The Audit Committee was composed of the following members in 2018:
- 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 in 2018:

- Sašo Berger, committee president
- Nada Drobne Popović, committee member
- Sergij Goriup, 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 2018 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. In 2017 the Supervisory Board assessed that the remuneration of the Management Board member who is also the worker director was still appropriate in the light of the above agreement.

As stated above, the remuneration policy for the other three 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 18th General Meeting in 2009, a resolution was adopted, determining the amount of gross attendance fee for the members of the Supervisory Board (for the President EUR 536.25 gross and for a member EUR 412.50 gross, and for correspondence meetings EUR 429.00 and EUR 330.00 gross, respectively).
- At the 21st General Meeting in 2011, a resolution was adopted that the members of the Supervisory Board should receive remuneration for the performance of office, namely the

President should receive a monthly sum of EUR 1,200.00 gross and the members of the Supervisory Board EUR 1,000.00 gross per month.

- The Company's Articles of Association stipulate that for the work done in the committees the members of the Supervisory Board are eligible for 80 percent of the attendance fee to which they are entitled for attending Supervisory Board meetings.
- The Articles of Association also regulate the payment of the daily allowance, transport costs and the costs of overnight accommodation, but none of these were paid to the members of the Supervisory Board in 2018.
- On the basis of a resolution of the Supervisory Board, the attendance fees paid to the external member of the Audit Committee are equal to the attendance fees paid to the other members of the Audit Committee who are also members of the Supervisory Board. The external member also receives a monthly remuneration for the performance of office equalling 25 percent of the respective amount received by the members of the Supervisory Board.

C.2: Composition of the Supervisory Board and committees in the financial year 2018

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	Professional profile
Nada Drobne Popović (female, Slovene, 1975)	President of the Supervisory Board	10 April 2017	10 April 2021	Shareholder representative	at all 12 meetings	master of science, School of Government and European Studies, Brdo pri Kranju	management of equity investments
Sašo Berger (male, Slovene, 1966)	Deputy President of the Supervisory Board	10 April 2017	10 April 2021	Shareholder representative	at all 12 meetings	bachelor of economics	monetary matters, finance, IT
Mladen Kaliterna (male, Slovene, 1967)	Member of the Supervisory Board	04 April 2013	15 July 2021	Shareholder representative	at all 12 meetings	master of business administration	management of investments and group companies
Metod Podkrižnik (male, Slovene, 1971)	Member of the Supervisory Board	10 April 2017	10 April 2021	Shareholder representative	at all 12 meetings	master of economic sciences	energy, logistics, procurement
Sergij Goriup (male, Slovene, 1955)	Member of the Supervisory Board	10 April 2017	10 April 2021	Shareholder representative	at all 12 meetings	bachelor of law	attorneyship
Igo Gruden (male, Slovene, 1972)	Member of the Supervisory Board	04 April 2013	10 April 2021	Shareholder representative	at all 12 meetings	bachelor of mechanical engineering	banking and asset management
Zoran Gračner (male, Slovene, 1970)	Member of the Supervisory Board	04 February 2013	21 February 2021	Employee representative	at all 12 meetings	master of business administration	energy
Alen Mihelčič (male, Slovene, 1975)	Member of the Supervisory Board	27 January 2017	21 February 2021	Employee representative	at all 12 meetings	bachelor of economics	commercial operations
Robert Ravnikar (male, Slovene, 1979)	Member of the Supervisory Board	27 January 2017	21 February 2021	Employee representative	at all 12 meetings	bachelor of economics	sales

APPENDIX C: Composition and remuneration of the Management Board and the Supervisory Board

C.1: Composition of the Management Board in the financial year 2018

Name and Surname (gender, nationality, year of birth)	Function (president, member)	Area of work in the Management Board	First appointment to the office	Termination of office/mandate	Education	Professional profile	Membership of supervisory bodies of non-related companies
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	31 January 2021	bachelor of mechanical engineering and master of business administration	all-round management competences	/
Rok Vodnik (male, Slovene, 1970)	Member of the Management Board	sales, trading, energy and environment	30 August 2009	31 January 2021	bachelor of electrical engineering and master of business administration	all-round management 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	31 January 2021	bachelor of electrical engineering	finance, IT, risks	Zavarovalnica Triglav d.d. – President of the Supervisory Board
Ika Krevzel Panić (female, Slovene, 1974)	Member of the Management Board and Worker 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	/

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
YES	NO	/	Human Resources and Management Board Evaluation Committee	member of the committee in 2018	at all 3 meetings
YES	NO	/	Human Resources and Management Board Evaluation Committee	president of the committee in 2018	at all 3 meetings
YES	NO	VIZIJA HOLDING ENA, k.d.d. – member of the Supervisory Board and VIZIJA HOLDING, k.d.d. – member of the Supervisory Board	Audit Committee	president of the committee in 2018	at all 7 meetings
YES	NO	Centar za kombinirani transport Zagreb d.d. – member of the Supervisory Board	Audit Committee	member of the committee in 2018	at all 7 meetings
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 in 2018	at all 3 meetings
YES	NO	/	Audit Committee	member of the committee in 2018	at all 7 meetings
YES	NO	/	Audit Committee	member of the committee in 2018	at all 7 meetings
YES	NO	/	Human Resources and Management Board Evaluation Committee	member of the committee in 2018	at all 3 meetings
YES	NO	/	Human Resources and Management Board Evaluation Committee	member of the committee in 2018	at all 3 meetings

External Audit Committee member

Name and Surname (gender, nationality, year of birth)	Committee	Attendance at committee meetings according to the total number of committee meetings (audit, HR; remuneration, etc.)	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.

Tomaž Berločnik
President of the
Management Board

Rok Vodnik
Member of the
Management Board

Igor Stebernak
Member of the
Management Board

Ika Krevzel Panić
Member of the Management Board
and Worker Director

Ljubljana, 15 February 2019

NON-FINANCIAL STATEMENT

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). The introduction of new energy activities is a key development concern of Petrol (see Energy and environmental solutions 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 (see Sustainable development for more information). The company Petrol d.d., Ljubljana, is going to publish the 2018 Sustainability Report of the Petrol Group in 2019.

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 (including the environmental policy), the energy policy and the safety, security and quality system. All three policies overlap in the course of operations, as they form an integral part of all processes at Petrol. The environmental policy defines our efforts to protect the environment. Environmental protection is integrated in all levels of operations of Petrol d.d., Ljubljana. Petrol's environmental management system is adapted to 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 its 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 will be given a more prominent role in the future, and we will 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 and it encompasses 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 (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), handling and manipulation of dangerous substances and 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 and the SEVESO plant safety management system.

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, 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, is going to publish 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 will be published by Petrol d.d., Ljubljana, in 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. 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 outsourced staff (students, hauliers, cleaning personnel at the points of sale, etc.) by carrying out various technical programmes designed for them. We plan procedures in case of violence by third parties and we inform employees occupying the relevant workplaces thereof. In the workplaces that are more exposed to any form of violence by a third party we make sure that the work and equipment are arranged in such a way that they reduce the risk of violence and enable access when help arrives to the workplace at risk.

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 annual 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 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, valuesand 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. Petrol is also involved in the international project called FIRST – Network of first points of assistance for victims of domestic violence and gender-based violence, which also includes NGOs, schools, kindergartens, associations, youth organisations and other socially responsible companies. At these points, we have been offering assistance to our staff and other people at risk since 2017.

Key performance indicators

The annual survey of organisational climate and employee satisfaction in 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.

Measurement category	The Petrol Group		Petrol d.d., Ljubljana		SiOK
	2018	2017	2018	2017	
Organisational climate	3.81	3.83	3.87	3.84	3.39
Management and development systems	3.76	3.82	3.80	3.83	3.26
Satisfaction at work	3.77	3.77	3.86	3.81	3.52

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. 60 percent of the Petrol Group employees are male and 40 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 2018. We have been involved in the certification process for over seven 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.

Note 6.6 Labour costs in the financial section of the report contains the disclosure of 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 stated in the chapter Business highlights of 2018 (for more information, see chapters Employees and Risk management in the Petrol Group, and the 2018 Sustainability Report of the Petrol Group which will be 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) and externally through a link on the website (https://www.petrol.eu/binaries/content/assets/skupina-petrol-slo/2018/pages/trajnostni-razvoj/zaposleni/korporativna-integriteta/petrol_kodeks_2012--1.pdf) 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.

Tomaž Berločnik
President of the Management Board

Rok Vodnik
Member of the Management Board

Igor Stebernak
Member of the Management Board

Ika Krevzel Panić
Member of the Management Board and Worker Director

Ljubljana, 15 February 2019

ANALYSIS OF BUSINESS PERFORMANCE IN 2018

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 2018 Petrol witnessed intense activity in the oil markets. Oil prices per barrel ranged from USD 50.2 to USD 86.2 in 2018. The average price of crude oil stood at USD 71.3 per barrel in 2018, up 32 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 2018 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 2018 the Petrol Group generated EUR 5.4 billion in **sales revenue** or 20 percent more than in 2017, owing to the higher prices of oil and increased sales.

Adjusted gross profit

Adjusted gross profit[2] from sales stood at EUR 449.5 million, an increase of 4 percent on the previous year. This was mainly the result of increased sales of petroleum products, liquefied petroleum gas and natural gas as well as of revenue from energy and environmental solutions.

In 2018 the Petrol Group's finance items included the effects of commodity swaps and foreign exchange differences, which were linked, content-wise, to adjusted gross profit. The net effect of commodity swaps relating to commodities sold in the current year and of foreign exchange differences was positive in 2018. The adjusted gross profit, which was further adjusted for the net effect of commodity swaps and foreign exchange differences, was also 4 percent higher than in 2017.

2 Adjusted gross profit = Sales revenue – Cost of goods sold. This is an item that is not specified in the International Financial Reporting Standards.

Costs

The Petrol Group's **operating costs** totalled EUR 340.0 million in 2018, which was EUR 15.2 million or 5 percent more than in 2017.

Costs (in EUR)	2018	2017	2018/2017 Index
Costs of materials	30,106,197	28,380,925	106
Costs of services	148,710,447	135,683,037	110
Labour costs	91,215,283	76,895,012	119
Depreciation and amortisation	52,713,086	48,662,030	108
Other costs	17,227,210	35,176,817	49
Operating costs	**339,972,223**	**324,797,821**	**105**

The costs of materials totalled EUR 30.1 million in 2018, which was EUR 1.7 million or 6 percent more than in 2017. The item that increased the most were the costs of consumables (expansion of the area of energy solutions at Petrol d.o.o., Beograd, which was offset against revenue).

The costs of services totalled EUR 148.7 million and were up EUR 13.0 million or 10 percent from 2017.

- The most significant part of the costs of services were the fees charged by service station managers, which equalled EUR 34.7 million and were up EUR 1.8 million or 6 percent compared to the previous year. This was mainly due to higher sales and salary increases.
- The costs of transport services stood at EUR 31.8 million, which was EUR 2.1 million or 7 percent more than in the previous year. This was due to a higher volume of petroleum products, liquefied petroleum gas and merchandise sold.
- The costs of fixed-asset maintenance services totalled EUR 18.3 million, an increase of EUR 3.2 million or 21 percent from the previous year. This was mainly the result of higher building maintenance costs (Petrol's office building and service stations) and hardware maintenance costs, but also of fully consolidating the Geoplin Group.
- The costs of professional services, which stood at EUR 10.4 million in 2018, up EUR 1.9 million or 23 percent from 2017, rose due to higher costs of different projects (ERP) and M&A projects.
- The costs of payment transactions and bank services amounted to EUR 9.5 million and were up EUR 2.0 million or 27 percent year-on-year, on account mainly of retail activities and higher prices than in 2017.
- Amounting to EUR 7.1 million, the costs of fairs, advertising and entertainment rose by EUR 1.0 million or 17 percent compared to the previous year, due to an increase in advertising activities envisaged in the plan for 2018.
- The costs of insurance premiums totalled EUR 4.1 million and were up EUR 0.4 million or 11 percent from 2017.
- The costs of environmental protection services totalled EUR 1.8 million in 2018, which was EUR 0.5 million or 41 percent more than in 2017.
- Other costs of services totalled EUR 4.9 million and were down EUR 1.5 million or 24 percent from 2017.

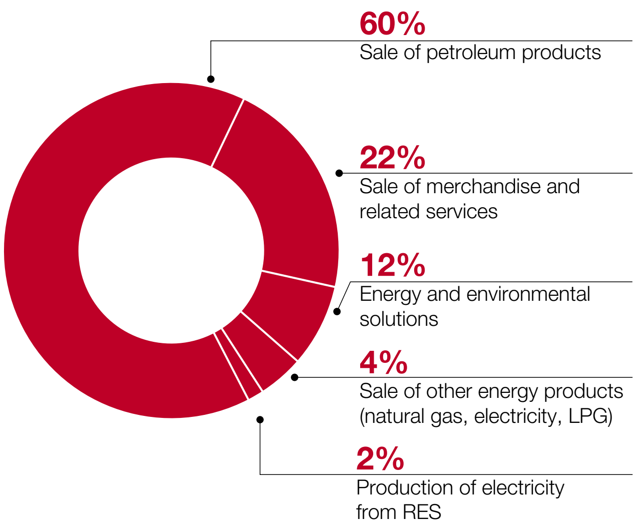
The depreciation and amortisation charge stood at EUR 52.7 million, an increase of 8 percent or EUR 4.1 million relative to 2017. This was the result of an increase in the depreciation of computer equipment and software and also of fully consolidating the Geoplin Group.

Labour costs totalled EUR 91.2 million and were up 19 percent or EUR 14.3 million. This was mainly due to fully consolidating the Geoplin Group and the company Petrol Mbills d.o.o., an increase in the number of service stations, the opening of HopIN shops, higher sales at service stations, salary increases at service stations, organic growth of business especially as regards energy solutions and trading, and staff increases in the areas of IT, innovative business models and the digitisation of operations.

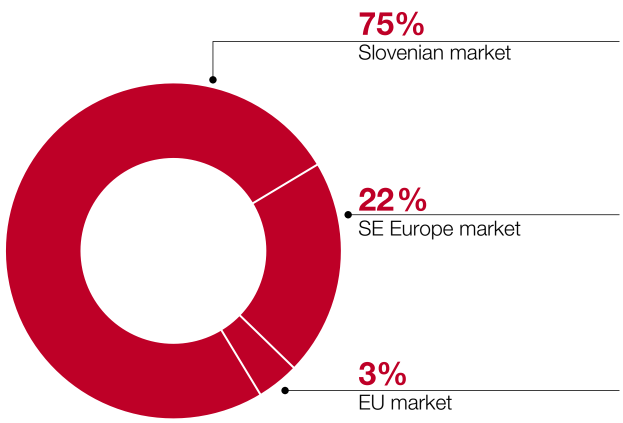
Other costs stood at EUR 17.2 million, which was EUR 18.0 million less than in 2017. This was mainly the result of lower write-downs and other provisions than in 2017.

Net other operating revenue stood at EUR 9.9 million, which was EUR 5.6 million more than in 2017, mainly due to reversal of long-term provisions created by the Petrol Group in connection with the leasing of natural gas transmission and storage capacities. **Operating profit** totalled EUR 119.4 million in 2018, which was 6 percent more than in 2017. **EBITDA**[3] totalled EUR 171.5 million or 7 percent more than in 2017.

EBITDA of the Petrol Group broken down by activity



EBITDA of the Petrol Group broken down by market



In 2018 the share of profit from equity accounted investees decreased by EUR 2.7 million relative to the previous year (full consolidation the Geoplin Group).

Net finance expenses of the Petrol Group stood at EUR 9.8 million, which was 7.5 percent less than the year before. In 2018 net gain on derivatives and foreign exchange differences was up EUR 6.5 million year-on-year. In 2018 the Petrol Group's allowances for operating receivables were down by EUR 0.8 million compared to 2017, with its net interest expense decreasing by EUR 4.4 million. Impairment of investments and goodwill was up EUR 2.3 million year-on-year.

Pre-tax profit totalled EUR 111.6 million and was 12 percent higher than in 2017. **Net profit for the year 2018** stood at EUR 91.8 million, up 13 percent from 2017.

3 EBITDA = Operating profit or loss net of allowances for operating receivables and goodwill impairment + Depreciation and amortisation net of depreciation of environmental fixed assets

Financial position of the Petrol Group

(in EUR)	31 December 2018	31 December 2017	2018/2017 Index
ASSETS			
Intangible assets, property, plant and equipment, investment property	858,761,171	823,394,901	104
Investments in jointly controlled entities and associates	52,692,273	64,199,504	82
Other non-current assets	26,489,986	56,078,077	47
Non-current (long-term) assets	**937,943,430**	**943,672,482**	**99**
Current assets	**792,872,262**	**712,600,777**	**111**
Total assets	**1,730,815,692**	**1,656,273,259**	**105**
EQUITY AND LIABILITIES			
Total equity	**747,478,064**	**701,867,154**	**106**
Financial liabilities	144,529,723	357,485,819	40
Operating liabilities	1,152,162	1,217,562	95
Other non-current liabilities	61,840,516	55,969,419	110
Nekratkoročne obveznosti	**207,522,401**	**414,672,800**	**50**
Financial liabilities	212,350,212	62,860,637	338
Operating liabilities	523,858,709	450,518,749	116
Other current liabilities	39,606,306	26,353,919	150
Current liabilities	**775,815,227**	**539,733,305**	**144**
Total liabilities	**983,337,628**	**954,406,105**	**103**
Total equity and liabilities	**1,730,815,692**	**1,656,273,259**	**105**

The most important items of **non-current assets** consisted of property, plant and equipment, intangible fixed assets and investment property, totalling EUR 858.8 million. Non-current investments in jointly controlled entities and associates stood at EUR 52.7 million or EUR 11.5 million less than in 2017. In 2018 the Petrol Group exercised the put option to sell GEN-EL naložbe d.o.o. at carrying amount plus accrued interest.

The management of **current assets**, which accounted for 46 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 2017, the balance of operating receivables as at the last day of 2018 grew by 20 percent, which is consistent with the increase in sales. The value of inventories decreased by 13 percent year-on-year, mainly on account of lower oil prices at the end of 2018 as compared to the end of 2017.

As at the last day of the period, the Petrol Group had EUR 146 million in **working capital**[4] or EUR 5 million less than at the end of 2017, mainly due to a decrease in the value of inventories at the end of 2018 compared to the end of 2017.

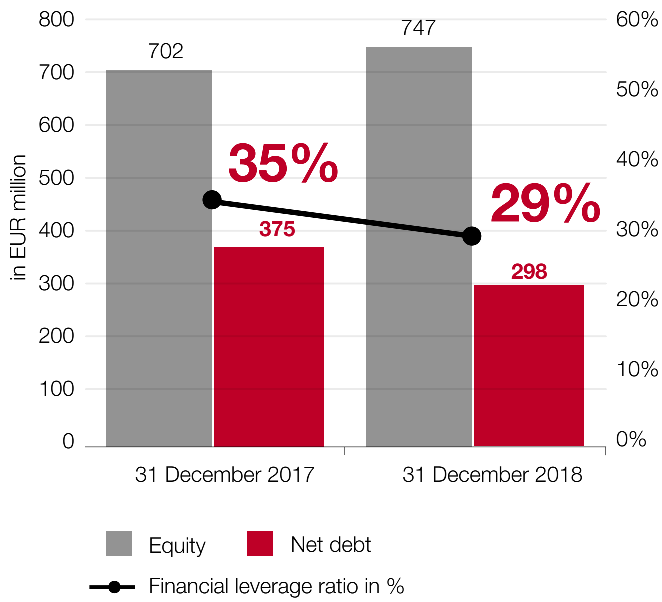
Cash from operating activities totalled EUR 168.8 million in 2018, which was EUR 47.3 million more than in 2017. Own funds generated by the Petrol Group were used for investment activities, payment of dividends and repayment of loans. Other necessary funds were obtained from banks. The net financial liabilities[5] to equity ratio **(D/E ratio)** was 0.4 as at the last day of 2018, while at the end of 2017 it had stood at 0.5. **The net debt to EBITDA ratio** stood at 1.7 at the end of 2018 compared to 2.3 at the end of 2017. **The financial leverage ratio**[6] stood at 29 percent at the end of 2018, down from 35 percent at the end of 2017.

4 Working capital = Operating receivables + Inventories – Current operating liabilities

5 Net financial liabilities = Current and non-current financial liabilities less cash and cash equivalents.

6 Financial leverage = Net debt / (Equity + Net debt)

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.

EVENTS AFTER THE END OF THE ACCOUNTING PERIOD

There were no events after the reporting date that would significantly affect the disclosed operations in the year 2018.

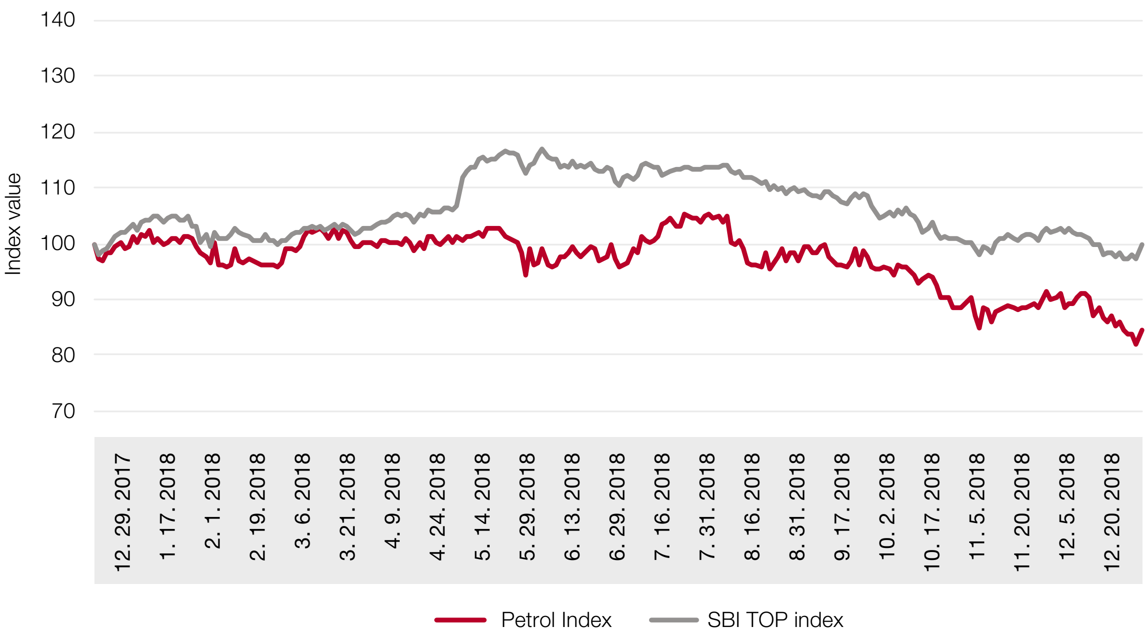
PETROL'S SHARES

The year 2018 was less successful for investors at the Ljubljana Stock Exchange than the previous year. At the end of the year, share prices were on average lower than at the end of 2017, and this was also reflected in the SBI TOP index, which lost 0.2 percent relative to the end of 2017 and was down to 805.06 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 2018 the volume of trading in Petrol's shares at the stock exchange amounted to EUR 40.6 million, an increase of 14.6 percent from 2017. Petrol's shares were again one of the most traded among those listed on the Ljubljana Stock Exchange.

In contrast to the previous year, 2018 was marked by a decline in the prices of most shares traded on the Ljubljana Stock Exchange. Petrol's share price exhibited a negative trend in 2018, being 11.3 percent lower at the end of 2018 as compared to the end of 2017, while the SBI TOP index lost 0.2 percent during this period. The shares accounted for 21.7 percent of the index as of 27 December 2018.

Base index changes for Petrol's closing share price against the SBI TOP index in 2018 compared to the end of 2017

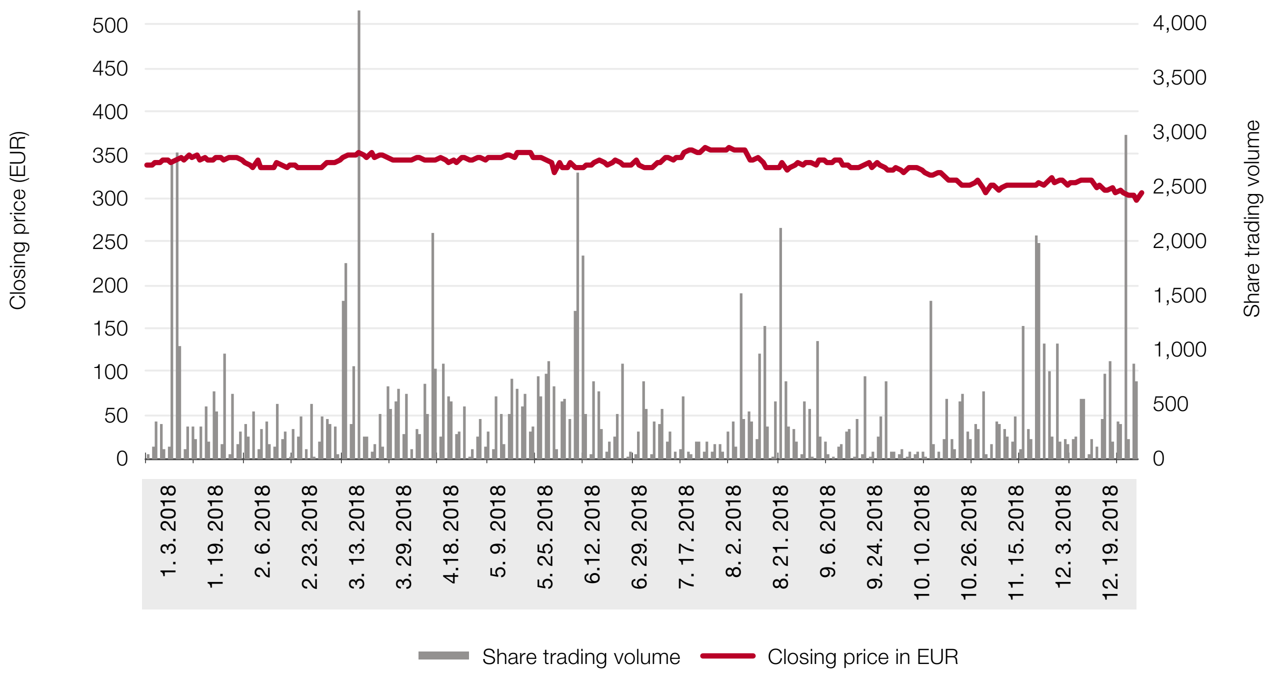


At the end of December 2018, the share price stood at EUR 310.00 and was down 11.3 percent year-on-year. The average price of Petrol's shares, which stood at EUR 341.96 in 2018, was down 3.3 percent year-on-year. The share price ranged between EUR 303.00 and EUR 363.00 in 2018.

Petrol's share prices in 2018 and 2017 in EUR

	2018	2017
Total shares outstanding	2,086,301	2,086,301
High	363.00	392.00
Low	303.00	316.00
Average for the year	341.96	353.61
Price as at last trading day of the year	310.00	349.45
Price increase/decrease (price as at last trading day of the year/price as at last trading day of the previous year)	-11.29%	7.52%

Closing price and the volume of trading in Petrol's shares in 2018



Trading volume and market capitalisation

The volume of trading in Petrol's shares at the Ljubljana Stock Exchange amounted to EUR 40.6 million in 2018 and was up 14.6 percent from 2017. The increase in the trading volume is the result of a rise in the number of Petrol's shares traded in 2018 (119,028 shares) relative to the previous year (101,114 shares). The trading in Petrol's shares accounted for 12.1 percent of the Ljubljana Stock Exchange total trading volume, which stood at EUR 337.3 million, and 12.4 percent of the stock market's share trading volume.

The shares of Petrol d.d., Ljubljana, were ranked third on the Ljubljana Stock Exchange by trading volume. On average, the monthly volume of transactions involving Petrol's shares totalled EUR 3.39 million.

The market capitalisation of Petrol d.d., Ljubljana, as at the last trading day of 2018 totalled EUR 646.8 million, which accounted for 10.2 percent of the stock market's total capitalisation. Petrol d.d., Ljubljana, was ranked fourth in terms of market capitalisation as at the last trading day of 2018.

Key financial indicators for Petrol's shares

The Petrol Group's earnings per share (EPS) for the year stood at EUR 44.68 and its cash earnings per share (CEPS) at EUR 70.02. The return per share calculated by comparing the share price as at the end of 2018 and the share price as at the end of 2017 stood at -11.3 percent. Combined with the dividend yield of 4.6 percent, the total return per share stood at -6.7 percent in 2018.

The ratio between the shares' market price and book value as at the end of 2018 – the latter amounting to EUR 358.28 in the case of the Petrol Group – was 0.87 (P/BV), which was lower than at the end of 2017. The ratio between the shares' market price as at the end of 2018 and the Petrol Group's earnings per share stood at 6.94 (P/E).

Share capital structure

The structure of Petrol d.d., Ljubljana, share capital changed slightly in 2018 compared to the end of the previous year. With 266,726 shares, Československa Obchodni Bank, A.S. – fid. is the largest single shareholder, followed by Slovenski državni holding d.d. with 264,516 shares, Republika Slovenija with 210,689 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., SOP Ljubljana and Citibank N.A. – escrow account.

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

Shares owned by members of the Supervisory Board and the Management Board as at 31 December 2018

	Name and Surname	Position	Shares owned	Equity share
	Supervisory Board		**88**	**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 Ravnikar	Supervisory Board member	0	0.0000%
	External members		**88**	**0.0042%**
1.	Nada Drobne Popović	Supervisory Board president	1	0.0000%
2.	Sašo Berger	Supervisory Board deputy president	0	0.0000%
3.	Igo Gruden	Supervisory Board member	0	0.0000%
4.	Sergij Goriup	Supervisory Board member	5	0.0002%
5.	Metod Podkrižnik	Supervisory Board member	82	0.0039%
6.	Mladen Kaliterna	Supervisory Board member	0	0.0000%
	Management Board		**270**	**0.0129%**
1.	Tomaž Berločnik	Management Board president	0	0.0000%
2.	Igor Stebernak	Management Board member	0	0.0000%
3.	Rok Vodnik	Management Board member	270	0.0129%
4.	Ika Krevzel Panić	Management Board member and worker director	0	0.0000%

At year-end, 549,265 shares or 26.3 percent of all shares were held by foreign legal or natural persons. Compared to the end of 2017, the number of foreign shareholders increased by 0.4 percentage points, while the total number of shareholders decreased from 24,185 as at the end of 2017 to 23,729.

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 2018 regarding the contingent increase in share capital.

Reserves for own shares

Petrol d.d., Ljubljana, did not repurchase its own shares in 2018. On the last day of 2018, the Company held 30,723 own shares, representing 1.5 percent of its registered 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 2018 and was EUR 5.1 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). The shareholder H12 d.d. announced at the 27th General Meeting that it intends to contest this resolution, bringing a lawsuit for its annulment in May 2017. In June 2017, Petrol filed a response to the lawsuit. In April 2018, it received a court decision according to which the procedure is now concluded and final due to the withdrawal of the lawsuit. In 2018 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 28th General Meeting of 26 April 2018, Petrol paid out in 2018 a gross dividend for 2017 of EUR 16.00 per share.

Overview of dividend payments 2013 – 2017

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

Accumulated profit

The accumulated profit of Petrol d.d., Ljubljana, as determined in accordance with the Companies Act, stood at EUR 49.77 million in 2018.

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 March 2018, we participated in a Ljubljana Stock Exchange webcast. In April, we were part of 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, and participated in a Ljubljana Stock Exchange webcast. In September, we took part in another Ljubljana Stock Exchange webcast and in a conference in Bucharest. In October, we were invited by InterCapital to take part in roadshows in the United States. In November, we participated in a Ljubljana Stock Exchange webcast and attended an investors' conference organised by the Ljubljana Stock Exchange in Ljubljana. At the beginning of December, we attended a conference in Prague organised by Wood & Company. 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.


HIP HOP
LACTOSE FREE
LEDENA
KAVA
NA POTI
ICED COFFEE TO GO
light
vsebuje naravno prisotne sladkorje
with naturally occurring sugars

RISK MANAGEMENT

Risk management in the Petrol Group in 2018

Risks are part and parcel of business operations, yet through their thorough knowledge and understanding it is possible to react in a timely and appropriate manner in this increasingly dynamic economic environment. At the Petrol Group we realise this, which is why we are setting up a smart risk management system to ensure that the Company's key risks are identified, assessed, managed, utilised and monitored. In doing that, we aim to develop a risk-awareness culture to ensure better control over the risks and better information for decision-making at all levels of the Group's operation. 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.

In 2018 we continued to update the risk management system. In addition to regularly monitoring exposure to risks and carrying out activities linked to the management and utilisation of the risks, several novelties were introduced to the system, especially as regards the management of credit risk exposure to natural persons.

The Credit Committee continued to actively pursue its mandate in 2018. With regard to natural persons, we continued to update the process of approving limits and the system of limits itself which will be deployed in 2019.

In 2018 the Assets and Liabilities Management Committee of the Petrol Group continued to monitor currency, liquidity, foreign exchange and interest rate risks.

The Energy Product Risk Management Committee, the purpose of which is to ensure uniform market risk management in the trading of energy products at the Petrol Group level, was also fully operational in 2018. Together with the Risk Management Committee, the Assets and Liabilities Management Committee and the Credit Committee, this committee supports the architecture of the Petrol Group's risk management system.

Since financial risks are assessed as the most relevant and probable risks in the Petrol Group, several activities were carried out in this area in 2018. 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.

The Petrol Group plays an increasingly important role in electricity sales, distribution and trading. As in the previous year, it was therefore necessary in 2018 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. Moreover, the extensive project set up to further develop trading and the related risk management processes was continued in 2018 and was focused particularly on the management of operational risks in this field.

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 2018, 86 percent of Petrol's trade receivables individually exceeding EUR 100,000 were secured through insurance policies, bank guarantees and other appropriate insurance instruments.

Liquidity and short-term solvency 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 2018 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.

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. Risks are assessed every two years.

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

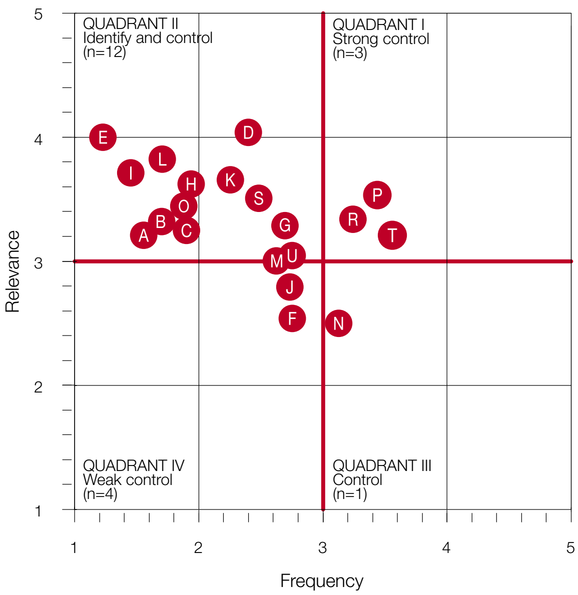
II.3. Risks of fraud and other illegal acts
II.3.1. Risks of criminal offences/fraud
II.3.2. Corporate integrity risks

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

According to the results of the 2017 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, information system risks, business decision-making risks, interest rate risks and information risks.

The chart on the next page shows the distribution of individual risks according to the latest assessment.

Distribution of the Petrol Group's risks according to the latest assessment



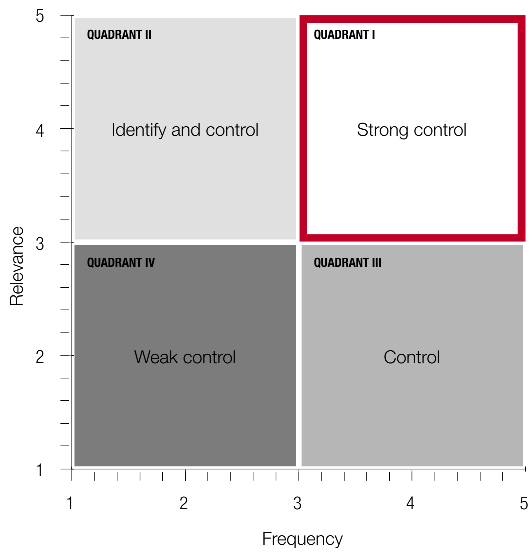
A Political risks
B Financial environment risks
C Economic environment risks
D Legislation and regulation risks
E Disasters
F Human resources management and leadership risks
G Information system risks
H Security and safety risks
I Risks of discontinued operations
J Process risks
K Business and financial decision-making risks
L Strategic decision-making risks
M Information risks
N Risks of criminal offences/fraud
O Corporate integrity risks
P Price and volumetic risks
R Credit risks
S Liquidity risks
T Foreign exchange risks
U Interest rate risks

Frequency levels:
1 - Event can occur less than once every three years
2 - Event can occur at least once every three years, but no more than twice a year
3 - Event can occur more than twice a year, but no more than once a month
4 - Event can occur more than once a month, but no more than once a week
5 - Event can occur more than once a week

Relevance levels:
1 - Potential damage to operations is less than EUR 50,000
2 - Potential damage to operations is between EUR 50,000 and EUR 250,000
3 - Potential damage to operations is between EUR 250,001 and EUR 1,000,000
4 - Potential damage to operations is between EUR 1,000,001 and EUR 5,000,000
5 - Potential damage to operations is more than EUR 5,000,000

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 2018 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 set up to address this risk include the replacement of the Petrol Group's ERP system and the deployment of a new CRM system.

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 business decision-making risks being the most relevant and frequent, according to the latest assessment.

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.

Information risks were classified into a higher category in the latest assessment, i.e. as medium-frequency and medium-relevance risks. 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.

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

At the Petrol Group, financial risk management is centralised and includes all Group companies, but most activities are performed by Petrol d.d., Ljubljana. 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, foreign exchange risks, credit risks and liquidity risks, with interest rate risks having a 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.

Trading in energy products 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.

Transactions with derivatives are entered into only to hedge against price and volumetric risks and foreign exchange risks rather than for reasons of speculative nature.

Credit risks

The credit risk was assessed in 2017 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 is in the pipeline. The system will be deployed 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 differ 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 receivables, 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. Through experience, the application is continuously improved. 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 11 April 2018. 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 higher in 2018 than in 2017, meaning that slightly more working capital may be needed. The acquired long-term and short-term credit lines provide us with a high level of liquidity. In 2018 we secured funds to repay the eurobonds falling due in June 2019.

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 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. 32.0 percent of the Group's non-current financial liabilities contain a variable interest rate that is linked to EURIBOR. The average EURIBOR rate was lower in 2018 than at the end of 2017 and thus remains 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 2018 we entered into two new interest rate hedging contracts totalling EUR 180 million. Their maturity matches two loan agreements with a variable interest rate and deferred drawing until the end of the second quarter of 2019, which had already been signed. All of the Petrol Group's non-current financial liabilities containing a variable interest rate are thus hedged by interest-rate swaps.

Internal Audit

Internal Audit has operated as an independent and autonomous support function within the organisational structure of the controlling company Petrol d.d., Ljubljana, 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 quality and efficiency of the Petrol Group's operations, thus helping 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 2018 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 2014 an external assessment of the quality of internal auditing was performed, resulting in a report, which confirmed its conformity with the International Standards for the Professional Practice of Internal Auditing. Another external assessment is planned to take place in 2019.

In 2018 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 the new risk assessment, Internal Audit's work programme for 2019 was approved in December 2018 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 continued to implement its programme of improving the quality of internal auditing.

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 12 audit and assurance assignments in 2018, of which 3 were extraordinary. All regular audits were carried out using the System Based Auditing approach to verify the integrity of financial 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 is checked on a regular basis. In 2018, in addition to regular and extraordinary 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 two Company projects related to the risk management system of the Petrol Group.


KAVA
BS PODČETRTEK
Najbližje prodajno mesto
Kava na poti
Za plačilo kave na poti morate imeti Petrol klub kartico zvestobe in se prijaviti.
Prijavi se
HUAWEI

BUSINESS ACTIVITIES

Petrol is a company that enables individuals to develop and advance both personally and professionally. It is a company that fosters family and work life balance. In addition, the teams in which I have worked are positive, energetic and target-oriented. I have always found at least one friend among colleagues.

Gregor Žnidaršič,
Petrol BH Oil Company d.o.o. Sarajevo, General Manager

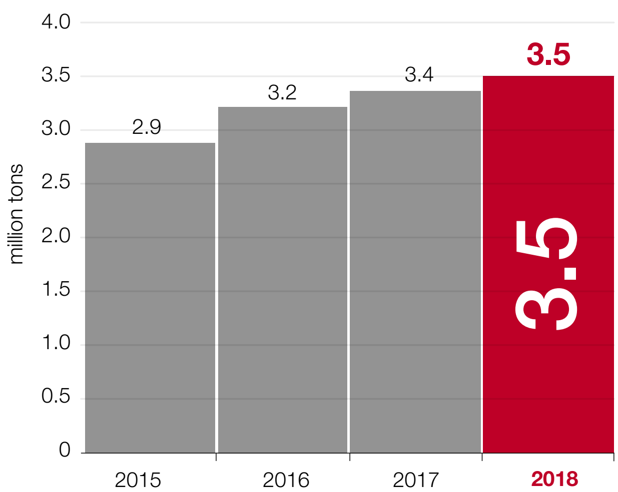
SALES

Sales of petroleum products

The year 2018 was a success in terms of sales. 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. In 2018 our business operations were marked by intense economic developments, energy developments, legitimate customer expectations and fierce competition. 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.

In 2018 we sold 3.5 million tons of petroleum products, an increase of 4 percent over 2017 and 11 percent more than planned. 50 percent of our sales were generated in Slovenia, 28 percent in EU markets, and 22 percent in the markets of SE Europe. Further, 39 percent of the sales were generated in retail and 61 percent in wholesale operations. The sales in Slovenia rose 4 percent relative to 2017, with the sales in the EU increasing by 7 percent and the sales in SE Europe markets by 1 percent year-on-year. The Petrol Group's sales of motor fuels rose 8 percent relative to 2017.

The Petrol Group's sales of petroleum products 2015 – 2018



The sales of petroleum products were up 4 percent year-on-year.

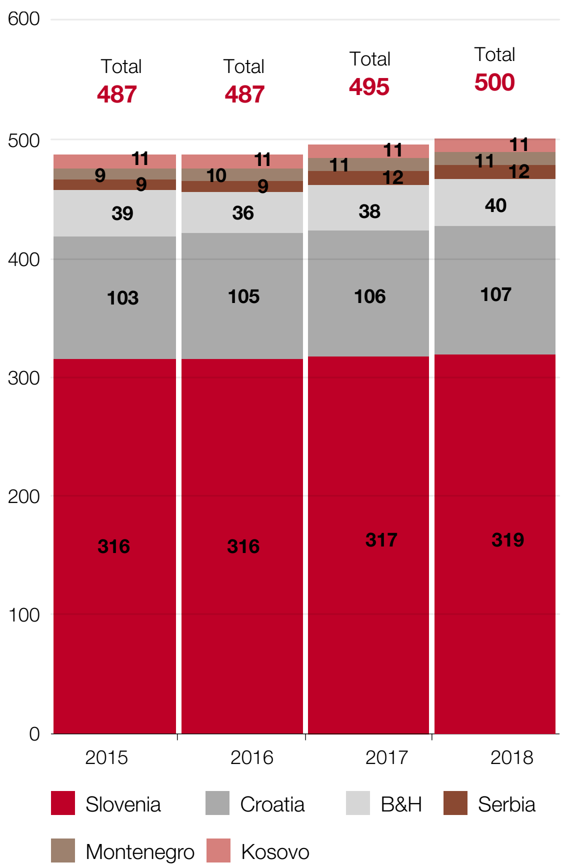
Customer focus

At Petrol, we aspire to offering an excellent user experience and satisfaction of our customers. We have established a modern CRM system through which we updated customer relationship management processes at the Call Centre. The system continues to be upgraded and has already become a central system for customer-oriented processes. The CRM projects and website redesign projects will bring about a uniform and user-friendly experience on digital channels. This will add to the existing good experience on physical channels and will improve added value for the customer.

Retail network of the Petrol Group

At the end of 2018, the Petrol Group's retail network comprised 500 service stations: 319 in Slovenia, 107 in Croatia, 40 in Bosnia and Herzegovina, 12 in Serbia, 11 in Kosovo and 11 in Montenegro. Complementing the services provided at service stations are 138 car washes, 157 bars, 26 restaurants, more than 100 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 2015 – 2018



500 service stations at the end of 2018.

With its 319 service stations, the Petrol Group has a 57-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. In 2018 we opened two new 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 just over 3 percent of the market in terms of the number of service stations. Its major retail competitors include Nestro Petrol, HIFA and Energopetrol. In Montenegro, Petrol has 10 percent of the market in terms of the number of service stations, with its major competitors including Eko and Lukoil. In Serbia, the companies NIS, Lukoil, Knez Petrol, OMV, Eko and Avia 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 Al Petrol, Kosova Petrol and Petrol Company. The opening hours of our points of sale are adjusted to reflect seasonal traffic flows and customer needs.

On the Go app – because we value your time

We continued to develop the On the Go mobile app, which provides a digital sales channel for services and goods at points of sale. The application can be used to order and pay at Coffee-to-go machines, for refuelling and paying for fuel, using the car wash without going to the cashier, and ordering food and drinks from the Fresh range, which can be collected at the point of sale.

Wholesale

The Petrol Group sells more than half of its petroleum products on the wholesale market. Thanks to its market position it 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.

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.

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 28 February 2018, the prices of regulated motor fuels were set in accordance with the Decree Setting Prices for Petroleum Products which was in force for a period of four months beginning on 1 November 2017. From January to September 2018, the Government of the Republic of Slovenia adopted new decrees setting prices for petroleum products: on 27 February 2018, the Decree Setting Prices for Petroleum Products was adopted for the period from 1 March 2018 to 31 March 2018, on 29 March 2018, the Decree on Setting Prices for Certain Petroleum Products was adopted for the period from 1 April 2018 to 30 September 2018, on 27 September 2018, a new Decree on Setting Prices for Certain Petroleum Products was adopted for the period from 1 October 2018 to 31 March 2019. The pricing methods under each of the decrees remained unchanged compared to their preceding decrees.

The model-based margin is still government-regulated 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 74 percent of the average gross margin in the EU countries (65 percent if the compulsory stocks membership fee is not taken into account) and in the case of diesel fuel to 61 percent (53 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 transhipment, 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 2018

Oil prices per barrel ranged from USD 50.2 to USD 86.2 in 2018. The average price of crude oil stood at USD 71.3 per barrel in 2018 and was up 32 percent year-on-year while the average price in euros was up 26 percent. The prices of petrol and middle distillates followed the same trends as crude oil prices.

The average price of crude oil stood at USD 71.3 per barrel in 2018, up 32 percent year-on-year.

Changes in Brent Dated High oil price in 2018 in USD/barrel

Source: Petrol

Changes in Brent Dated High oil price in 2018 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 1.18 US dollars for 1 euro in 2018.

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 Danube river. 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.

The demand for motor fuels at our subsidiaries in Croatia, Bosnia and Herzegovina and Serbia was largely met from local refineries in these countries. 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. At the Instalacija Sermin Terminal, the volume of cargo handled exceeded the plan and the 2017 results.

Sales of merchandise

In 2018 the Petrol Group generated EUR 477.5 million in revenue from merchandise sales and related services[7]. 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 10 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. In 2018 the introduction of the DarsGo freight toll was a very important project. Delivery and collection of parcels at points of sale has greatly increased. We further improved the successful sale of tyres by adding the new Laufenn brand for cars. Cooperation with the organisers of major events, including catering, is a new component of our service range. We also overhauled and expanded the range of gift vouchers. We boosted the sales of advertising space at points of sale. We launched a new line of Refresh beverages within the food range and offered a new "light" flavour of iced coffee with a lower sugar content.

Petrol eShop customers, the number of which increased by 7% year-on-year, can choose from a wide range of products. We put together an attractive offer for five Petrol Club catalogues and carried out four loyalty campaigns. Our great competitive advantage is the widespread network of collection points, as more than 90 percent of eShop parcels are collected at our points of sale.

HopIN: in 2018 we opened 5 trendy shops – modern urban points of sale

The concept of a convenient point of sale is based on a fresh and modern product range for fast and mobile urban dwellers and city goers. We also wish to be present in city centres, where the pace of life is fast, making mobility increasingly important. At HopIN points of sale, our customers can choose from an extensive portfolio of products, buy food from the Fresh range and carry out any of the numerous services, for instance paying bills, receiving and sending postal items, playing the sports lottery, buying tickets for concerts and other events. While doing this, they can enjoy Petrol Coffee-to-go, which is always a treat.

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.

7 IFRS 15.

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 mBills digital wallet

Digitisation brings many benefits and makes life easier. The open mBills platform is available for mobile payments. Money is stored in a mobile wallet instead of a physical one, which means that with mBills customers can buy with electronic money everything that they have so far paid for with cash. Money can be added to (or taken from) an mBills wallet at all Petrol's point of sale. mBills also allows for payment at the cash desk, monthly bills, online shopping, payments at events and vending machines, and free fund transfers between users. Users can order the mBills Mastercard, which is accepted for payment in Slovenia as well as abroad and on the internet. The mobile wallet balance, the money spent and the receipts paid can be checked by users at every step.

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 6 LPG supply concessions in 2018, 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.

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 purchased an extra barge with capacity of 2,000 m^3 (we now have three barges altogether) and a towboat.

In 2018 the Petrol Group sold 157.6 thousand tons of LPG or 4 percent more than in 2017 and 12 percent less than planned. Autogas, which is sold at 224 service stations and also wholesale.

Sales and trading 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 SOx, NOx and PM10 dust particles) and reduces greenhouse gas emissions (CO_2). 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. The storage and use of LPG 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). In Slovenia, this market has been fully liberalised for 10 years already. Competitive offers from suppliers and consumers' own activities were translated into a large number of supplier switches, rendering the natural gas supply market more dynamic. 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 53-percent market share of the Slovene retail natural gas market.

Natural gas consumption has been increasing slightly for the past three years, with the number of users also on the rise. 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.

Due to economic and political developments, wholesale natural gas prices were extremely volatile in 2018, reaching their high in the second half of the year.

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 19.9 TWh of natural gas in 2018, which was significantly more than in 2017, owing to the full consolidation the Geoplin Group at the end of 2017, and 9 percent more than planned.

Electricity sales and trading

Electricity is essential for the modern way of living and, 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.

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 main competitors being Gen-I, Elektro Celje Energija, Elektro energija and E3. The Petrol Group has about a 10-percent market share of the retail electricity market. In 2018 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. We actively prepared for auctions to provide the tertiary reserve, which will be possible at the monthly level in addition to the annual auction in 2019.

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.

In the area of electricity supply to end customers, the Petrol Group supplied electricity to more than 54 thousand household customers in 2018.

Developing sustainable solutions for smart mobility

We are committed to taking action for a better tomorrow, as we are developing new smart solutions in the field of electric mobility and mobility services, which will in the long run constitute an important pillar of Petrol's sustainable and innovative business.

In 2018 we continued working on international projects started in 2017, NEXT-E and URBAN-E. We were successful at a European Commission call for tenders for the co-financing of transport projects within the framework of the European Connecting Europe Facility and launched a new MULTI-E project in 2018. 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.

At Petrol, we manage and provide charging of electric vehicles at over 100 public charging stations. In 2018 we successfully launched the OneCharge mobile application, which enables the use of charging stations via a mobile phone with various means of payment.

We are also introducing new and innovative business models for businesses and cities such as vehicle-as-a-service and corporate car sharing.

Household customers we actively presented with both special and package offers, which in addition to the supply include other energy products, services and payment methods tailored to the customer.

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 2018 we also supplied electricity to customers in the Republic of Serbia and Bosnia and Herzegovina.

Collaborating on projects

We see development as the key to market success, and we are therefore actively involved in Slovene and international projects. We are participating in the Demonstration of Integrated Energy Management project as the leading partner and we are a partner in the project called Optimisation of Energy Conversion to decrease the share of fossil fuels by replacing them with hydrogen in industrial glass melting. This encompasses the development of business models for managing consumption in the steel and glass industry, making it possible for customers to gain more control over consumption and reduce energy costs. As a partner, we also participate in the international Compile project, co-financed by the European Union 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.

Electricity trading is taking place in an increasingly dynamic and unpredictable environment. The year 2018 was marked by considerable price fluctuations, greater demand for electricity as a result of economic growth, and weather conditions, which caused a decrease in production of electricity from wind power plants. Electricity prices rose significantly in most markets in 2018. The growth in the price of emission coupons, which nearly tripled in 2018, had the biggest impact on the rise in electricity prices.

European electricity markets continue to pursue the trend of market integration, which limits the possibilities for optimising short-term trading. Through constant development of analytics, adjustment of business models and careful development in accordance with the markets where it operates, the Petrol Group's is able to successfully respond to that.

In 2018 the Petrol Group operated in 21 markets in Central, Western and South-Eastern Europe. We are present on 12 exchanges. With the aim of business optimisation, the activities in Romania, Serbia and the Czech Republic were transferred from local companies to the parent company Petrol d.d., Ljubljana. We reaffirmed our presence on local exchanges in Croatia and Austria.

In 2018 the Petrol Group sold a total of 20.3 TWh of electricity (of which 1.2 TWh to end customers) or 4 percent less than in 2017 and 25 percent more than planned.

ENERGY AND ENVIRONMENTAL SOLUTIONS

Energy and environmental solutions for the public and commercial sector

Due to the 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 is most beneficial to equipment manufacturers and dealers as well as to 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 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 plan to expand also to Montenegro and Russia.

Achievements in 2018:

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.

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).

DISNet-DH services contribute to boosting energy and environmental performance in 8 countries in the region (Slovenia, Austria, Italy, Croatia, Bosnia and Herzegovina, Serbia, Bulgaria and Romania). We are involved in 26 major district energy systems (Ljubljana, Velenje, Maribor, Vienna, Bolzano, Zagreb, Osijek, Sisak, Tuzla, Belgrade, Novi Sad, Sofia, Plovdiv, Arad). In real time, we help our customers optimise the production, distribution and consumption of 15 GW of thermal power.

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.

In Slovenia, heat distribution is regulated by the Energy Act and can be carried out either as an optional local public utility service or in the form of market-based distribution. In the former case, concession agreements are concluded with municipalities. District heating concessions are awarded for a period of 15 years and up to a maximum of 35 years. Market-based distribution is a form of heat distribution where no exclusive right is awarded nor does it require the obligatory connection to the system; moreover, the price of heat is not regulated. In this case, heat supply contracts are concluded with end customers. The same method is used for contract-based heat supply from communal boiler rooms.

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.

At the end of 2018, a contract on the sale and purchase of business interests in the companies EKOEN d.o.o., EKOEN GG d.o.o. and EKOEN S d.o.o. was concluded. The core and sole activity of these companies is the distribution and production of heat from 6 wood biomass powered district heating systems in 5 municipalities (Luče, Solčava, Mozirje, Gornji Grad and Sodražica) in which a public utility service or a concession is performed. The installed power of the new systems totals 8.5 MW which corresponds to annual heat sales of 6,400 MWh.

At the end of 2018, the Petrol Group operated 29 district heating systems, of which 18 were organised as an optional public utility service (a concession) or concession agreements for their management were signed with municipalities. The remaining 11 district heating systems were organised as a market activity (5) or a proprietary distribution system (6), meaning that contracts were signed with users.

In 2018 the Petrol Group sold 140.5 thousand MWh of heat, which was on a par with 2017 and in line with the plan for 2018.

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 static and dynamic performance indicators (KPIs), which form the connection between the processes of managing water supply systems and the aspects considered in assessing the performance of services (safety, quality, user support, sustainability, efficiency). The IWA (International Water Association) guidelines are followed in establishing performance indicators.

The management of the water supply system, supported by the modern system and the established performance indicators, helps to improve operational energy and environmental performance, the effectiveness of managing non-revenue water (NRW) and current annual real losses (CARL). 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 2018 we joined the European project called Interreg CE EE4WATER (Energy Efficiency for Water) together with our partners: the municipality of Ilirska Bistrica, the municipality of Buzet and HERA Gruppa.

The DISNet-WS services help to increase energy and environmental performance, reduce water losses and increase the consistency and the wholesomeness of drinking water in 3 countries in the region (Slovenia, Italy and Romania). We are involved in 12 major drinking water supply systems (Ljubljana, Maribor, Kranj, Velenje, Murska Sobota, Novo mesto, Trbovlje, Postojna, Idrija, Ptuj, Novara, Arad). Together with our customers, we help optimise production and distribution of over 70 million m^3 of drinking water in real time.

Wastewate treatment

In 2018 the Petrol Group operated 4 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 2018 we treated 7.4 million m^3 of wastewater. At the four municipal waste treatment plants we treated 5.6 million m^3 of municipal wastewater, whereas at the two industrial waste treatment plants 1.8 million m^3 of industrial wastewater was treated. Wastewater treatment efficiency was at the expected level at all waste treatment plants in 2018.

In 2018 we also operated 48 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 Valuesdue to Light Pollution, designed to protect nature and living conditions, and, last but not least, save electricity. 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). To conserve energy, the lighting of public surfaces, facades, cultural monuments and advertising facilities (excluding LCDs and similar electronic displays) is prohibited during daytime.

Special attention is paid to the so-called protected areas in residential buildings and buildings used for providing educational, health, hotel accommodation or similar activities, which are mainly intended for rest or recovery.

These guidelines are followed by other countries in the region.

Petrol is implementing public-private partnership projects in cities with the following objectives:

- for the account and on behalf of the customer Petrol performs a public utility service of highly energy-efficient lighting of public areas to ensure traffic and general safety and visual comfort for users of public areas by reducing light pollution;
- we provide customers with the public utility service of lighting in public areas in an energy efficient way with the aim of reducing light pollution;
- owing to the digitisation of lighting infrastructure, we enable customers to develop and use new services for public infrastructure users.

In addition, we also provide digitisation services of street lighting to larger systems in the region. The purpose of the service is to employ modern information and communications technologies (ICT) to digitise the lighting infrastructure and to allow the customer to develop and use new services intended for the users of public infrastructure and 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 18 Slovene towns (Koper, Bled, Črnomelj, Hrastnik, Ankaran, Postojna, Radlje ob Dravi, Poljčane, etc.), two Croatian towns (Kraljevica, Pušča) and one town in Serbia (Sečanj).

In total, we operate 15 concessions and over 26,000 luminaries.

Systems of energy and environmental management of buildings

The Energy Efficiency Directive (2012/27/EU) establishes a number of measures, including assigning the leading role in the energy renovation of buildings to the public sector. 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, but it is more than just a financing method, it is a contract model that, in addition to designing and installing new devices, 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, taking into account contractual penalty, if any, in case the agreed results or savings are not achieved. 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 2018 alone, we carried out energy renovation and assumed management of 63 buildings with a total area of 158,092 m^2. Energy saving measures at 63 buildings resulted in reduced consumption of energy equal to 2,995 tons of CO_2 emissions, which is no less than what 143,757 trees would absorb annually.

In 2018 we implemented energy performance contracting services at 272 buildings with a total area of 837,694 m^2, which is equivalent to approximately 200 office buildings such as the one of Petrol at Dunajska 50 in Ljubljana.

We signed energy performance contracting agreements for another 55 buildings with a total area of 144,798 m^2 in 2018, which will be renovated and taken over for management in 2019. In these buildings, we will reduce energy use by the amount equivalent to 2,719 tons of CO_2 emissions, which is as much as 130,511 trees would absorb at the annual level. As of October 2019, we will jointly implement energy management services for 390 buildings with a total area of 1,140,584 m^2.

In addition to energy management, we also provided the following management services:
- 33 photovoltaic power plants with a total power of 2.5 MW, generating 2,150 MWh of electricity annually;
- 61 CHP (small combined heat and power units) with a total rated power of 4.3 MW, generating 26,780 MWh of electricity annually;
- 116 charging stations for electric vehicles, where we sold 248 MWh of electricity.

TANGO

At the European Utility Week in Vienna in November 2018, we showcased TANGO – the first software product in Petrol d.d., Ljubljana.

TANGO is an open aggregation platform, functioning as a tool for business analytics (BI) and artificial intelligence (AI). It has been developed with the end user in mind and it encompasses the best practices in district heating systems, water supply systems, street lighting, industry, energy management of buildings, etc. It has been designed as an open platform for all devices, systems and development needs, and enables:
- **exploring/experimenting with many aspects of the company's activities;**
- **timely reaction and overcoming business obstacles by using predictive analytics;**
- **adapting to the needs of each user.**

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

Energy solutions in industry and apartment buildings

In the field of industry, we have been developing various business models tailored to the needs of the customer and the customer's technological processes. Our experts prepare solutions for steam and heat, natural gas, industrial gases and compressed air, water, cooling systems and industrial waste treatment plants. We are setting up projects in the field of efficient lighting in industrial buildings. Industrial customers are included in our virtual power plant. For the purpose of efficient and reliable distribution of electricity, we acquired the status of the Closed Distribution System at two commercial locations. For the needs of management (in the field of industry and also in the apartment building segment), we established a comprehensive Management Centre at Ravne na Koroškem, where we provide for reliable and efficient functioning of our customers' processes every day of 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 the installation of heat cost allocators in apartment buildings.

Key projects and activities in 2018:

- The largest project in 2018 was the siting of CHP Ravne 1. It was put into regular operation at the end of November 2018.
- We are successfully developing projects in the field of excess heat utilisation (4 projects implemented), the largest being the UHP furnace at Ravne. Due to a smaller number of cogeneration operating hours, the utilisation of excess heat of the UHP furnace has been gradually increasing.
- In 2018 we produced 11.9 GWh of electricity (cogeneration and small PV plants) with own units.
- In 2018 we generated 38,247 GWh of heat in the heating plant at Ravne, of which 36,380 GWh for district heating and 1,895 GWh for the preparation of domestic hot water.
- We produce 53,500 m^3 of domestic hot water annually.
- Every year we extract 800 thousand m^3 of drinking water, distributing 750 thousand m^3 of drinking water and 22.7 million m^3 of cooling water.
- Annually, we produce and distribute 85 million m^3 of compressed air (Ravne and Štore).
- We provided services for the transmission grid system operator (ELES) in the field of tertiary frequency control.
- Through our production units we participated in the electricity market (intra-day trading).
- In the field of industry, we carried out a series of investment and development projects.
- We successfully completed the first efficient lighting projects in the industrial sector.
- In 2018 several boiler rooms were refurbished both in industry and in multi-apartment neighbourhoods.
- The refurbished boiler rooms in the Koroška region and Maribor provide heat to 113 apartment buildings (over 90 thousand m^2 of heated surface).
- We have installed over 14,000 heat cost allocators in apartment buildings.

Distribution of natural gas

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

In Slovenia, we operated 26 natural gas supply concessions in 2018 In addition, we acquired three new concessions, i.e. in Šmarje pri Jelšah, Škocjan and Šentjernej, operating concessions in 29 municipalities at the end of 2018.

In Serbia, we distribute natural gas in the municipalities of Bačka Topola and Pećinci as well as in three Belgrade municipalities. In the second half of 2018, we merged the company Rodgas into the company Beogas, thus consolidating our natural gas operations in Serbia.

In Croatia, the companies Petrol d.d., Ljubljana, and Geoplin d.o.o. acquired an interest in the company Zagorski metalac d.o.o. in 2018.

In 2018 the Petrol Group distributed 1,0 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).

In Bosnia and Herzegovina, we produce hydroelectric power at four small hydroelectric plants on rivers Jezernica and Kozica. In 2018 we launched electricity production at the small hydroelectric power plant Jeleč (4.9 MW of output, 15 thousand MWh of annual production).

In Croatia, we started producing wind electricity at Glunča power plant in the Šibenik area in 2017 (20.7 MW of rated output, 50 thousand MWh of annual production). In 2018 Glunča power plant delivered good business results.

SUSTAINABLE DEVELOPMENT

I like being part of Petrol's team because it is a creative, dynamic working environment full of new challenges, which allows me to improve my knowledge and skills all the time. For me, it is hugely important that we are such a close-knit team here at Petrol, that we often breathe as one, as this brings additional value to our success. This way, we all aspire for excellence and help create a business success story.

Neja Repše,
Sales and Contact Centre, Outgoing Calls Manager

SUSTAINABLE DEVELOPMENT

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 develop successful business models. We incorporate sustainability principles into our development strategy and have a positive impact on our economic, environmental and social setting through the way we do business.

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, even when it comes to sustainable mobility.

The transition to the circular economy is seen as an opportunity to introduce new business models, boost resource efficiency and create new green jobs, naturally whilst reducing the environmental footprint. In keeping with our sustainability strategy, we are committed to reducing the use of primary raw materials, 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.

Cities are a driver of future development considering they will be accommodating as much as 75 percent of global population in 2050 and using more than 70 percent of all energy. They are at the centre of the Petrol Group's sustainability focus, not only in terms of energy, but also when it comes to managing all natural resources. The Group's long-term strategy, which is reflected also in its investment policy, is to develop integrated infrastructural services in several aspects of the cities' lives so that they can make a transition to sustainable, smart cities.

Responsibility to the people and the space in which we operate and live is one of our core values. Petrol's goal is to be tightly integrated into the social environment because we realise that helping our social environment has a significant impact on the success of our operations and development. We work with Slovene athletes, support various cultural events and donate funds for humanitarian projects. We carry out corporate volunteering activities, through which employees give back to the society through their work, knowledge and material assistance.

We respond to sustainability challenges by developing a range of ambitious and development-oriented programmes which we communicate every two years in an expanded sustainability report (the latest will be published in 2019). The sustainability report reveals our sustainable thinking, our goals, our actions as well as indicators that we use to manage our path to sustainability. We strive to pursue our mission with a minimal environmental footprint. This is our commitment, which is reaffirmed each year through concrete goals and results.

EMPLOYEES

In a time of fast changes, it is crucial for a company to quickly adapt to market conditions. However, this would not be possible without an efficient staff management strategy. Petrol's HR management strategy has been designed for a four-year period and is updated and upgraded every year. It is based on the mission, vision and valuesof the Petrol Group and underpins the Group's framework strategy.

Petrol's strategy provides employees with many development opportunities. 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. A flexible organisational structure, the ability to become integrated in the project work and putting forth innovative proposals enable participation in many areas of operation. The organisational culture is based on teamwork and common values. 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 volunteer campaigns, team workshops and field trips. We also promote the health and quality of living with various activities within the framework of the "Healthy at Petrol" project, which has been running for several years.

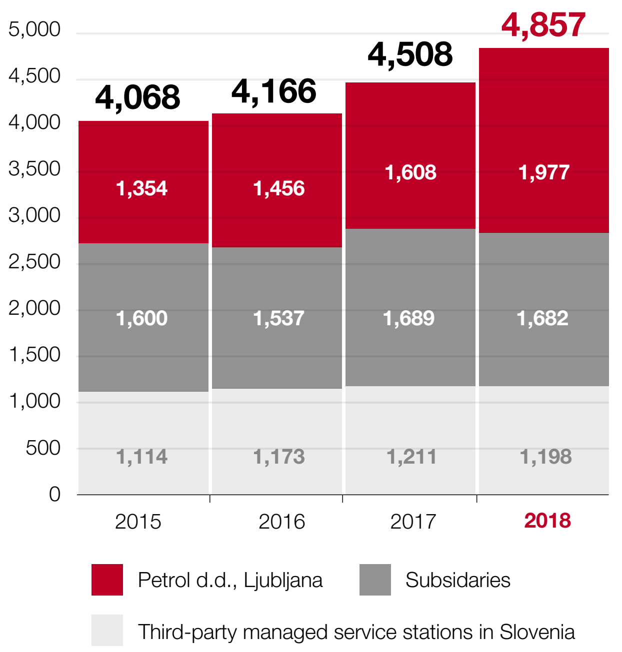
The effectiveness of our strategy is also reflected in various awards that Petrol has received in recent years, both in Slovenia and abroad, where our subsidiaries operate. The Respected Employer award is a recognition of business excellence and human resources management, while the Family Friendly Enterprise 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.

Key employee data for 2018

At the end of 2018, there were 4,857 people employed within the Petrol Group and at third-party managed service stations, of whom 33 percent abroad. Compared to the end of 2017, the number increased by 349 or 8 percent. In Slovenia, the number of employees rose in the parent company (especially at service stations and as a result of opening the new so-called HopIN shops in cities) and owing to the acquisition of Mbills d.o.o. and Megaenergija d.o.o. Abroad, staff numbers were up especially due to the acquisition of Zagorski metalac d.o.o. and a slight increase in recruitment at Petrol d.o.o., Petrol BH Oil Company d.o.o. and Petrol LPG d.o.o.

Owing to mergers, with Rodgas AD being merged into Beogas d.o.o. Beograd and Petrol Energetika d.o.o. being merged into the parent company Petrol d.d., Ljubljana, there were also some transfers of employees between companies in 2018.

Number of employees in the Petrol Group 2015 – 2018

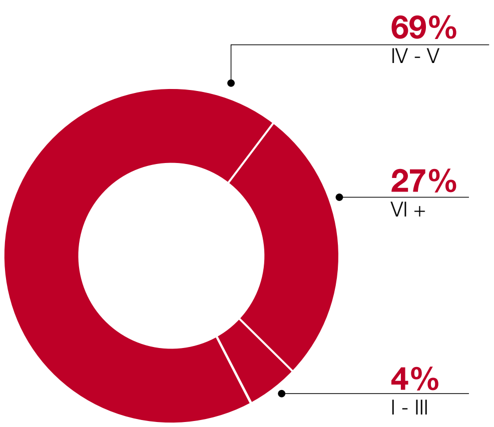


In 2018 the Petrol Group recruited 964 workers, the employment contracts of 615 employees ended and 351 people were transferred to new positions within the Group.

At the end of 2018, the average age of employees was 39 years. 60 percent of employees were male and 40 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 2018



Putting the right experts at the right place

Recruiting the right experts to the right posts is the key for achieving our business goals, which is why this is given considerable attention. During the selection and recruitment process, all candidates are given equal treatment irrespective of sex or other circumstances. But as it is increasingly challenging to find the right staff, our search was expanded to multiple channels. In addition to working with the Employment Service of Slovenia, we collaborate with faculties and take part in job and recruitment fairs in Slovenia and abroad. In 2018 recruiting via social networks such as LinkedIn Recruiter and Facebook as well as the Business Class project became increasingly important and we managed to find some promising young experts through that. We have also set up our own recruitment database to find new staff quickly and efficiently. In retail, the video which presents the interesting yet demanding job of the service station employee at Petrol's points of sale was of additional help. Recruitment and selection were enhanced with different psychological tests and in-depth interviews.

Through continuous training and education, we provide for employees' development, and by extension for an internal pool of staff. The high level of qualification enables our staff to take advantage of internal vacancies and find opportunities and challenges in new areas of work within the Group.

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.

Point-of-sale employees receive the variable part of their salary in the form of a monthly performance bonus based on the productivity of the service station. 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.

Quarterly and annual targeted staff management based on goals and feedback

Petrol's annual and quarterly interview are among the best practices of targeted management and providing feedback on the achievement of goals. In 2018 the setting of goals was separate from the development interview, which enabled a greater focus on the achievement of results in one interview and deepening of relationships and ensuring personal growth in the other interview. Achieving or exceeding the quarterly or annual goals is the basis for rewarding individual performance. A total of 836 employees were included in the quarterly interview and 433 in the annual interview.

We are developing human resources in an integral and systematic way

ENERGIJA NAŠE RASTI

A new set of competencies

As part of the Butterfly project, Petrol's staff development system, we prepared a segmentation of jobs that are crucial and important for achieving strategic goals. We created a new set of competencies that support strategic goals and prepared a questionnaire for the assessment of competency development of our staff. In 2018 we carried out an assessment of general competencies (covering 790 employees) and an assessment of managerial competencies (covering 213 employees). In this way, our colleagues gained a true picture and feedback from various sources and had the opportunity to learn about their advantages and development possibilities. The development interview also builds the relationship between an employee and the person conducting the interview – we encourage trust, respect and feedback both ways.

New development plans

We designed and launched new development plans, which are the basis for planning development activities and goals for 2019. They include key information for drafting development programmes and additional training programmes for employees. We also provide for accelerated development of the identified potential.

In 2018 we formulated 44 development plans for managers and 927 development plans for employees.

We upgraded the HRM system to support our employees in development activities

In order to provide efficient and quality support to our activities, we carried out a major HRM application redesign project in 2018. It now encompasses even more functionalities and offers a significantly improved user experience.

Major training sessions for staff in 2018

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.

2010 : 2018 = additional 8 hours of training per Petrol Group employee

In 2018 more than 22 thousand Petrol Group employees took part in various forms of education and training. In all, more than 119 thousand teaching hours of training were carried out, meaning that on average each employee received 26 teaching hours of training. As part of our in-house training, we also train our external staff (students, hauliers, cleaning personnel at service stations, etc.) and customers. In 2018 various technical programmes were organised for them, which were attended by more than 1,500 participants.

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), while retail employees undergo regular training on novelties in the business. By means of gamification, we learned about the new Na Poti (On the Go) application. In the autumn months, we paid most attention to training within the ERP redesign project. We trained an internal network of coaches for a new computer system, who then trained end users. This project continues in 2019.

In addition to already established methods of education, professional training and upskilling, various forms of information transfer for quality work performance and the achievement of strategic goals (e.g. Sales Day, Energy and Environment Day, Business Support Conference, Personnel and Law, Planning and Business Conference, etc.), team workshops and field trips were organised as a reward for successful work, greater motivation and commitment of employees. That way we strengthen team relations, become acquainted in less formal settings and deal with various challenges that we are able to overcome in a fun and experiential way.

In August, we co-organised and implemented a programme in the framework of which we hosted the 6th edition of the International DHC+ Summer School. In the framework of the one-week programme, innovative technology solutions were developed by more than 30 students and employees from the energy sector from all over Europe.

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

In 2018 the Learning Centre in Zalog was joined by a second Learning Centre in Rače, 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 2018 we expanded the network of internal coaches to 7 coaches, who have the appropriate skills and knowledge to conduct training and workshops. 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. In 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 also transfer good practices to foreign markets, as this allows for the systematic development of personnel in all markets where we operate.

Coaching culture leading to constant care for employee development

In 2018 we successfully trained and certified 8 coaches for different sales channels. For each sales channel, we set concrete targets for the effective introduction of coaching. One of the goals was to define the standards for sales skills. This allows us to achieve better sales results and provide a better user experience to our customers. Coaches also set the standards of coaching skills that enable us to further develop the network of internal coaches. Standards provide transparency in developing and certifying performance coaches. In the past year, we also set up a coaching platform that supports Petrol's coaching system and enables the monitoring of results.

Petrol's talents are nurtured at Petrol Business Academy

In the scope of the Petrol Business Academy we started training the fourth generation of young promising employees. The programme is carried out in cooperation with the lecturers from the Faculty of Economics in Ljubljana and Petrol's managers (members of the Management Board, directors of departments and divisions, directors of subsidiaries). Candidates who expressed their desire to work abroad were given priority, as business growth requires flexibility and mobility.

In one academic year, the participants will get to know the business of the Petrol Group inside out, gain new knowledge, learn about project and team work, develop their talents and prepare for the next challenging tasks. Thanks to this Academy, a third of the participants from previous generations already had an opportunity to assume more responsible positions.

Academy participants also prepare project assignments on selected topics of strategic interest.

Energy for Leadership – a programme for leaders and managers

In 2018 the Energy For Leadership training programme was completed by the first group of participants (top management of the Petrol Group).

The programme was developed three years ago. This modular system of training was initially intended for leaders up to the third level of reporting. Thanks to the success of the programme, we expanded the content, adapting its scope, 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.

Mentoring as a way of transferring knowledge, skills and experience

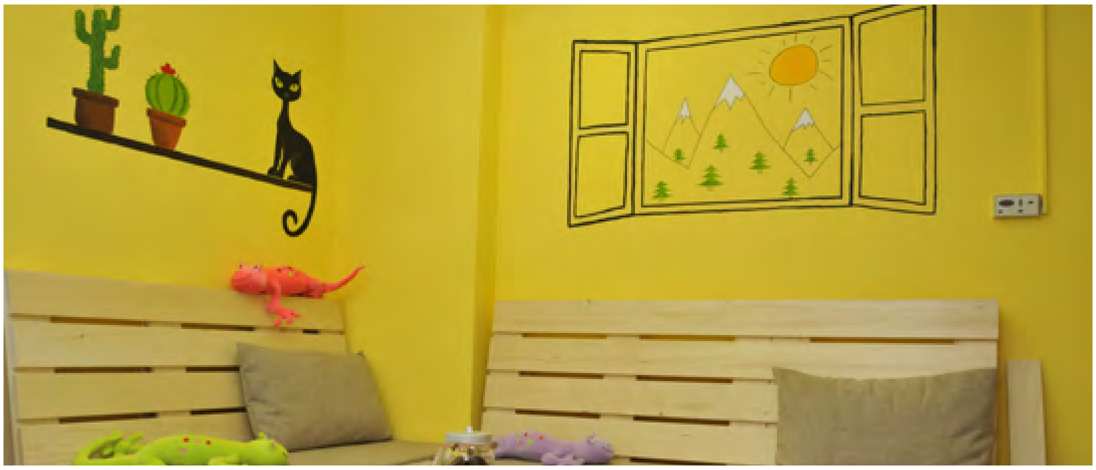
Petrol employees boast experiences, knowledge, talents, skills and abilities. Therefore, we encourage them to join the mentoring programme as mentors or mentees. We are proud to have strengthened the last year's second-generation mentors and mentees this year. In addition to knowledge transfer and intergenerational cooperation, the participants of the mentoring programme conducted in pairs 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 in their personal lives.

Creativity and innovation in Open Space

The Open Space, dedicated to creative work, communication, cooperation, socialising, creating and educating was opened in Petrol's office building in Ljubljana. With it we are building a new culture of free information flow, opening up and expanding our horizons and learning about innovative approaches to work. In addition to creative work, the space can also be used for relaxed active rest and creative rest. The organisation of events in the Open Space is the responsibility of the Programme Committee, which in 2018 updated the strategy and classified events into four segments: knowledge and skills, innovation, health at work and team work. Current events – 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.

In 2018, 45 events were organised in the Open Space and were attended by more than 700 participants.

In 2018 the concept of open space was upgraded with an additional space – the Coaching Room, which is also intended for the personal and professional development of employees. This space is special because it was built and equipped only by employees, who filled the space with their energy, commitment and spirit.



Coaching room

We are taking on the challenges

The “Do You Accept the Challenge?” programme represents a set of activities that encourage employees to participate in sports. Through various sports disciplines, we spend our free time actively, learn about new sports disciplines while having fun, building connections and strengthening informal ties with colleagues. “Do You Accept the Challenge?” comprises a series of ten 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. As part of the events we had organised, we tested our climbing skills on a climbing wall, took part in cycling, cross-country skiing, Trail Along the Wire, boxing, yoga, running the stairs, 10k Night Run, mountain trip, cave adventure and more.

Owing to a very good response, we introduced "mini" sports challenges during the week in 2018. There are ten of these per season as well: 10 months, 10 Thursday afternoons, 10 new sports challenges.

Our organisational climate, satisfaction and commitment

The annual survey on organisational climate, satisfaction and commitment of employees, which was initiated at the national level by Petrol a few years ago, enables us 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 where there is still room for improvement since 2001. As it is performed annually, we are in a position to quickly react to changes in staff satisfaction and commitment levels.

All Petrol Group companies are included in the survey. In 2018, 3,214 employees submitted their scores and comments, meaning that the rate of participation stood at a high 76 percent. As in the previous years, we are pleased to say we achieved good results. The organisational climate has been stable for several years. The comparison of the results with other Slovene companies shows that we are much more satisfied than the average employee of other Slovene companies. Through different measures in the area of management and staff development we were able to significantly improve also these two categories in the past years. Since 2010 we have also been monitoring the commitment of employees, and since 2017 their agility as well. During this period, we significantly reduced the proportion of actively non-committed employees and thus greatly improved the so-called macro indicator of the health of the organisation. The ratio between committed and actively non-committed employees increased from 1 : 1 (in 2010) to 2.8 : 1 at the Petrol Group and to 3.9 : 1 at Petrol d.d., Ljubljana.

Measurement category	The Petrol Group		Petrol d.d., Ljubljana		SiOK
	2018	2017	2018	2017	
Organisational climate	3.81	3.83	3.87	3.84	3.39
Management and development systems	3.76	3.82	3.80	3.83	3.26
Satisfaction at work	3.77	3.77	3.86	3.81	3.52

Age and family-friendly company

By becoming involved in the project of comprehensive support to companies for active ageing of the workforce – ASI, we recognise the potential, and appreciate the experience, knowledge and workload of older employees. 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. In 2018 we received a special Age Friendly Employer award.

Family Friendly Enterprise

Since 2010 Petrol has been a family-friendly company. 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. Petrol's family day was held for the third time in 2018, this time at Ljubljana ZOO. The event was attended by over 250 families.

Active holidays are one of 23 Family Friendly Enterprise actions.

In 2018, 140 employees heard the message of the melanoma awareness campaign.

Quality free time for employees and their family members

Petrol enables its employees to spend their free time in a quality manner and in different ways. 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 get together at a staff party before the New Year, and "Petrol's toddlers" are visited by Santa Claus each 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.

Healthy at Petrol

Zdravo v Petrolu

Health is one of our fundamental valuesand at the same time one of the basic conditions for us to do our job. With this in mind, some years ago Petrol set up the "Healthy at Petrol" project, which encompasses various activities for maintaining our health. The main purpose of the project is to encourage all generations of employees to take more active care of their own health.

In 2018 we continued the programme of promoting health in the workplace. In the framework of the "Do You Accept the Challenge?" activity we encouraged employees to participate in sports activities. In the so-called Open Space we hosted various experts in health and healthy lifestyle once a month, and as part of the "Connected in Awareness Raising" campaign, we presented how important and at the same time dangerous the sun can be and why skin self-examination is necessary. We demonstrated the importance of various national programmes, such as SVIT, DORA, ZORA, and we were also active on World Inflammatory Bowel Disease Day. By putting up posters and publishing articles on a monthly basis we familiarised ourselves with seven recommendations for managing stress. Once a month, we organised a consultation with a doctor or a physiotherapist. Training in this area was focused mainly on the problems of sedentary work. We use videos to promote short but regular, high-quality and effective workout as prevention, which at the same time alleviates the problems of sedentary work. We also conducted other training on the subject of healthy lifestyle.

The corporate volunteering programme Giving Back to Society strengthens the understanding of societal needs.

In 2018 more than 600 employees and family members were entertained at Petrol's family day.

A thorough analysis of health, condition and causes of sick leave is under preparation, and will serve as a basis for employee health management plan in the period 2019 – 2021. This analysis will involve defining measurable performance indicators and more targeted measures and activities to strengthen our health in the coming years.

Giving back to society

For the fifth 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. In this way, we become more attentive to the needs of society during Corporate Volunteer Week.

In the scope of the “Become Petrol’s Santa Claus” campaign we gave presents to 300 children from socially disadvantaged families.

Occupational safety

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 constantly strive 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 was 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

Ensuring customer satisfaction is one of Petrol's top priorities. A satisfied customer is one whose experience exceeds their expectations, and accumulated good experience turns a satisfied customer into an increasingly loyal one. Loyalty is the result of positive experience which is repeated across different points of sale and in contact with different sales channels, products and services. This builds loyalty to the brand and to the company. A loyal customer makes purchases more often and shares their positive experience with others.

At Petrol, we have been regularly measuring the satisfaction of our customers in various areas since 1995. Bearing in mind that we need loyal customers in order to achieve our business results, we started to redesign and further develop the comprehensive concept of satisfaction monitoring so that we can be aware at all times and in all key channels of the potential problems of our customers, thus identifying possibilities for improvement.

For the first time, we have created a snapshot of the customer journey for our key segments of sales (fuel, merchandise, electricity, natural gas) and measured satisfaction with key points of contact on this journey. We have identified 45 key points of contact. Measurements have shown that customers' expectations are met to a very large degree when it comes to purchases and use of services. As for other stages, such as information about our offers, payments, loyalty rewards and giving feedback, customers had good experience, but there is considerable room for further improvement. The results were also compared with competitors and based on the scores obtained we have prepared a detailed action plan, which will serve as a basis for further activities.

The overall satisfaction score (on a scale from 1 to 4) according to different elements has shown a high level of satisfaction 3.4. Customers were most satisfied with sales personnel at our points of sale, at 3.5.

We also introduced ongoing measurement of transactional satisfaction (TNPS) at the points of sale (service stations, HopIN and TipStop). The scores and feedback from customers are reviewed twice a week by a special team of employees who make sure that any irregularities or difficulties encountered by customers are quickly resolved. These measurements also show a high level of promotability: the overall annual NPS score is 60, with the share of promoters at 73 percent and that of detractors at 13 percent.

In 2019 the remaining channels, i.e. the online shop and the contact centre, will also be included in regular measurements.

Such feedback from customers is not only a measure of the efficiency of our staff, but also a good indicator of the efficiency of our processes and the attractiveness of our range.

Customers are also involved in the process of developing new products or putting together a new range. To this end, Petrol's research panel has been set up through which customers communicate their purchasing habits and make suggestions for new items to be included in our range. There are currently 2,800 loyal Petrol customers in this community. Their responsiveness – 10 percent responded to all invitations in 2018 – is a sign that customers want to co-shape our future range of products and services.

Brand loyalty

In 2018 we addressed more than 600 thousand customers via our direct marketing campaigns. In addition to the information itself, the messages often included a discount voucher or a complimentary product. In 2018 our base of addressees was much bigger than the year before also due to transition to GDPR, which required us to obtain new consents for the use of personal data.

At the end of 2018, Petrol Club had more than 530 thousand holders of the Petrol Club loyalty card and more than 81 thousand holders of the Petrol Club charge card.

This year we continued to reward Petrol Club cardholders, offering them additional discounts on items from our sales range as well as quarterly seasonal awards which they could obtain free of charge when redeeming their so-called gold points.

The Petrol Club loyalty scheme has two main tasks: care for the satisfaction of existing loyal customers and winning new customers. With this in mind we published the Petrol Club catalogue five times in 2018. The catalogue includes products and services of recognised brands at extremely favourable prices. Petrol eShop is an important channel for the sale of these products as well.

Petrol's Call Centre 080 22 66

At Petrol, we have developed a modern contact centre that, in addition to telephone communications with customers, also controls other channels of communication. At the centre, we provide support for a wide range of products and services, in particular heating oil, electricity, natural gas, liquefied petroleum gas, environmental solutions, heat, Petrol cards, eShop, energy solutions, e-mobility and Fresh range products. The main novelty of 2018 was the implementation of a new CRM solution that allows us to identify customer needs and optimise processes even better. The contact centre is also becoming the most visible sales channel which allows customers to buy Petrol products quickly and easily at a distance. In 2018 we started merging two separate sales and contact points (for private individuals and businesses) and thus actively transferring good practices and looking for synergies related to managing interactions with 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.

QUALITY CONTROL

The quality management system

The Petrol Group's operations are based on the implementation of strict quality standards. Since 1997, we have been constantly upgrading and expanding the Group's quality management systems. In addition to the certified quality management system, environmental management system and energy management system, the comprehensive quality management system incorporates the requirements of the HACCP food safety management system, of the OHSAS occupational health and safety system and of the ISO 27001 information security system.

Petrol's accredited bodies

Operating within the Petrol Group are Slovenia's leading oil laboratory, which tests and analyses fuel, lubricants and chemical products, and the inspection body for liquid flow and tyre pressure measuring devices and for pressure equipment.

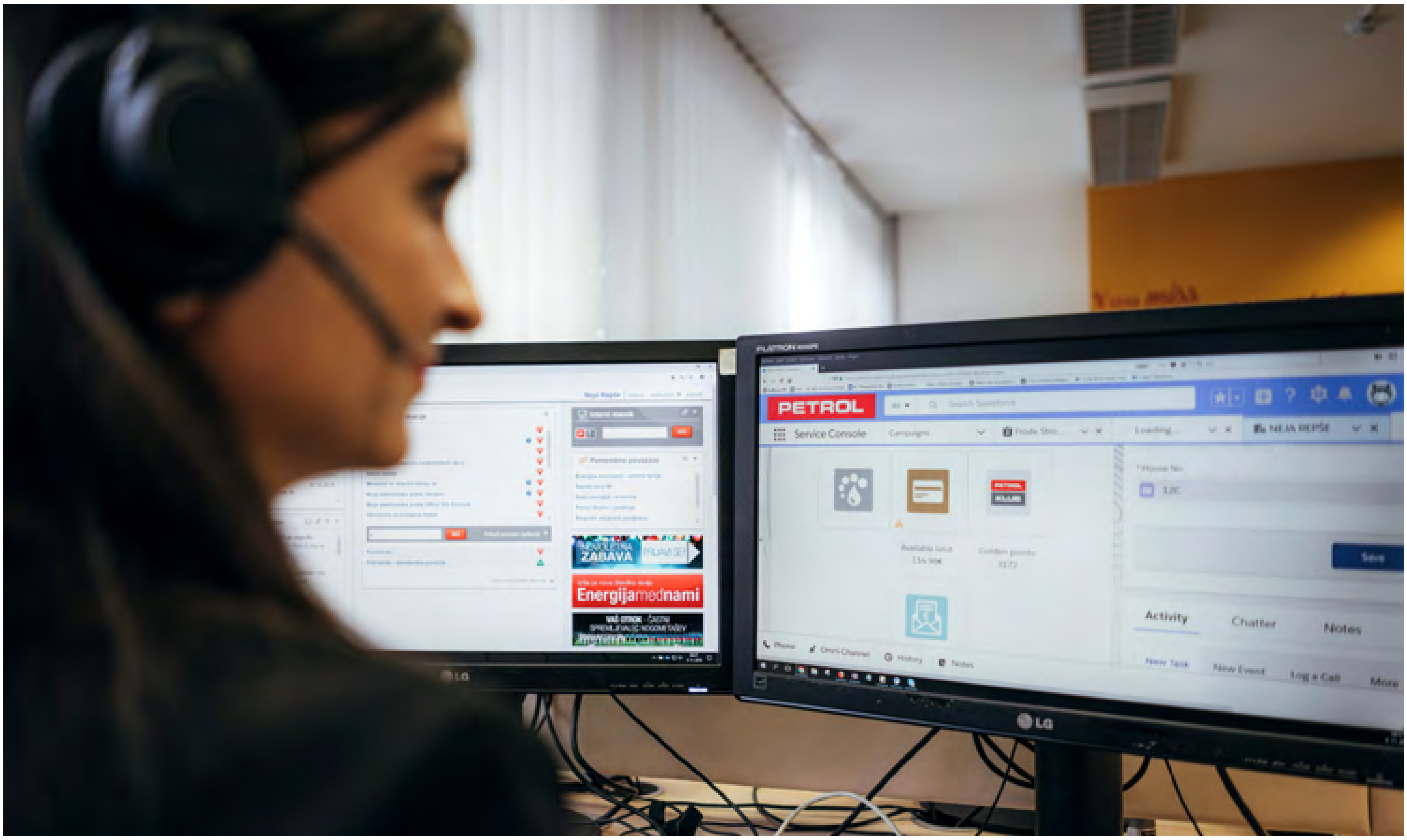
Petrol Laboratory is accredited to and has in place a quality management system that is certified to the SIST EN ISO/IEC 17025:2005 standard (General requirements for the competence of testing and calibration laboratories). Although it is part of the parent company, Petrol Laboratory operates as an independent and neutral institution, also providing services to external clients. It has 57 accredited methods. The inspection body for liquid flow and tyre pressure measuring devices and for pressure equipment operates as part of Petrol's technical support service. Petrol d.d., Ljubljana, 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, all compliant with the SIST EN ISO/IEC 17020:2012 standard (General criteria for the operation of various types of bodies performing inspection).

In 2018 the company Petrol d.o.o. obtained a certificate to carry out the in-house inspection service for the performance of pressure receptacle inspections in accordance with Directive 2010/35/EU. Petrol d.o.o. thus became 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. To maintain the certificate, Petrol d.o.o. adheres to the introduced quality management system.

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	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: 2008	ISO 14001: 2004	/	/	OHSAS 18001

* 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, which is issued by an international NGO called the Forest Stewardship Council to promote environmentally apropriate, socially beneficial and economically viable management of forests.



Major projects in 2018

In 2018 fuel labelling was introduced at all Petrol's points of sale in accordance with the new European guidelines on the labelling of fuels. There were two main reasons for the new approach:

- lack of rules and guidelines on fuel labelling binding on all parties involved (vehicle manufacturers and dealers on the one hand and fuel distributors on the other);
- growing diversity of fuel types in the market (introduction of RES fuels, reduction of CO_2 emissions, etc.).

In accordance with the guidelines and recommendations, compulsory fuel identifiers were added at all points of sales in Slovenia and Croatia, in addition to key fuel information and recommendations for customers. The goal was to standardise labels in all EU markets, thus simplifying and facilitating the choice of appropriate fuel at the point of sale in line with the requirements of the vehicle manufacturer. For the first time, vehicle manufacturers and dealers were also required to introduce the harmonised labels.

Innovation as a driver of development

It has been ten years since we started to systematically collect suggestions for improvements through our Great Idea system. During this time we received 3,729 suggestions for improvement, identifying 305 of them as a great idea. In 2018 the suggested improvements were processed on a new digital platform called Great Idea+. The new tool helps us manage efficiently the ideas received all the way from the call for proposals to their implementation.

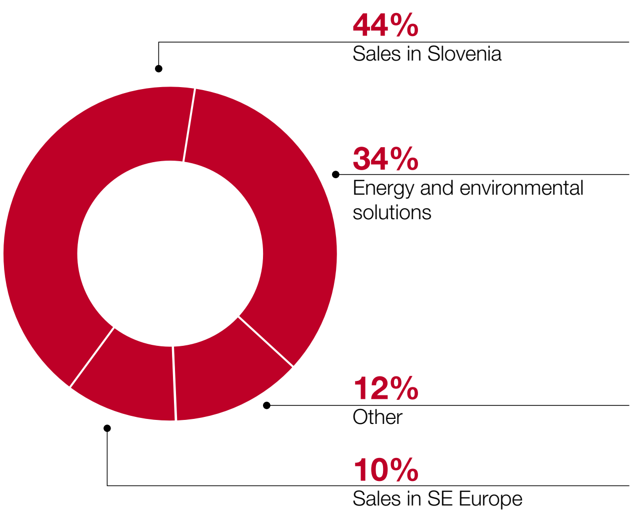
The current innovation system which was based on the 'mass innovation' method will be redesigned and upgraded in the future. The mass innovation will be complemented by new methods of experimental innovation which include developing new business models, opportunities, products and services.

INVESTMENTS

In 2018 the bulk of the investment budget was allocated to the expansion of sales in Slovenia. Investments were made also in the expansion of energy and environmental solutions both in Slovenia and in SE Europe and in the expansion of sales in SE Europe.

In 2018 net investments[8] in property, plant and equipment, intangible assets and long-term investments stood at EUR 86.6 million.

Structure of the Petrol Group's investments



Sales in Slovenia

In 2018 we constructed two service stations in Slovenia. We invested in the construction of five HopIN shops: two in Ljubljana and one each in Maribor, Celje and Kranj. We refurbished shops or bars or introduced the Fresh range at 19 service stations. The process of acquiring land, preparing documentation and obtaining building permits for construction work scheduled to begin in 2019 was also underway. 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. Some funds were used to acquire an interest in the company Geoplin d.o.o.

Sales in SE Europe markets

In SE Europe, we invested in the expansion of the retail network and carried out repairs and renovations, reconstructions and the refurbishment of shops at service stations. The process of preparing documentation and obtaining building permits for construction work scheduled to begin in 2019 was also underway.

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

Energy and environmental solutions

In 2018 the bulk of the investment budget was allocated to the development of energy and environmental solutions. Moreover, we invested in projects involving energy management in buildings, efficient energy consumption and lighting in towns and business facilities. Major projects include the continuation of the energy renovation of public buildings in the City of Ljubljana and energy renovation projects in the municipalities of Postojna, Slovenska Bistrica, Kranj and others. Investments were also made in the expansion of the gas network in Slovenia and Serbia. Some funds were used to acquire interests in the companies Zagorski metalac d.o.o., Megaenergija d.o.o. and Ekoen d.o.o.

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 2018.

INFORMATION TECHNOLOGY

At the Petrol Group, we are aware that modern, well-integrated information technology is a must for the smooth operation and optimisation of business processes. The IT architecture design introduced in 2017 with the aim of directing development has proven its worth as it translates business strategy into modular, flexible and efficient solutions in Petrol's information system. Each major project can be properly planned from the point of view of efficient application architecture, following the concepts of the framework IT architecture. In 2018 we continued the thorough redesign of the information platform, which was started in 2017.

Key projects in 2018:

The biggest project is the introduction of the SAP business information system. The activities that this project entails have been in progress for 18 months and the application will go live in the 2019 financial year.

- A new document management and archiving system, integrated with other systems, has been established.
- We have rolled out a new CRM system (Salesforce) which is used to redesign all customer-oriented processes. As a first step, we introduced a comprehensive 360-degree customer view to support the needs of the growing Call Centre. We continued by focusing on marketing activities (Marketing Cloud development) and optimisation of sales processes.
- We have successfully developed a technical information system, used to introduce a comprehensive IT solution based on the IoT platform supporting and enabling further growth and development of the concept of energy solutions management. The commercial name given to the solution is Tango and we showcased it at the Vienna European Utility Week, where it attracted much interest. Tango will undergo further intensive development in the future, since it is one of Petrol's important competitive advantages.
- With the introduction of SAP we will also re-engineer a number of other IT solutions connected to this system. In the beginning of 2019, new websites and a fully refurbished MojPetrol self-care portal (online solution and mobile application) will be launched to provide customers with a friendly and modern solution that will improve user experience.
- Petrol also assigns great importance to upgrading the Allegro electricity trading system – this will accelerate key processes and support gas trading in the system.
- In 2018 we introduced a set of tools from the Microsoft Office 365 package, thus simplifying and improving collaboration among employees.
- New companies – introduction of standard information solutions to standardise working methods and work processes.
- Digital information solutions – an essential part of these solutions is the construction of the state-of-the-art Petrol service platform to enable faster and uniform development of all solutions for customers. The service platform is already utilised by a number of solutions: the new website, the MojPetrol online portal, the MojPetrol mobile application, the Na Poti

(On the Go) mobile app, the OneCharge online solution for charging electric cars, the Transport aggregator, etc. This platform is used to connect with the partner solution Petrol mBills. In 2019 we will open this platform and offer interested partners the possibility of connecting to Petrol's business solutions through the API interfaces.

- Information/cyber security – the developments in this field were greatly influenced by the introduction of the GDPR in 2018, which was successfully and in a timely manner introduced at Petrol. In connection with the GDPR, we have also introduced a comprehensive control system (SIEM), which is used for other purposes as well. Through this system, we regularly monitor security events and take appropriate action, if necessary. We continuously raise awareness of information/cyber security – this is tested on a regular basis by means of social engineering methods. All employees of the Petrol Group are involved through training on the safe use of information assets. Security checks of new online and mobile solutions have become a standard that we want to pursue further in order to provide secure solutions.

Central data warehouse

For business intelligence purposes, we have set up the Group's central data warehouse which is a basis for data processing and business analytics. We defined a new data architecture to allow for a uniform view of the operations and customers.

The functioning of infrastructure and key business solutions was at the expected level. Due to the ever-greater needs (business growth) and new business solutions, we have increased the capacity of the wireless network with the aim of better servicing our customers. For our points of sale, we set up a location service on the Wi-Fi network, and a voice recognition system at the Call Centre.

PROTECTION OF THE ENVIRONMENT

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 unusual 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 emptied on a regular basis. Where possible, we have been intensively connecting sites which still use cesspits to the sewage network. For small treatment plants to function efficiently, the choice of the wastewater purification technology is vital, as are 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 that 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 is 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.

SOCIAL RESPONSIBILITY

The Petrol Group considers social responsibility as lasting cooperation with the environment in which it operates. Both the support and assistance to the environment that we operate and also live in are interwoven into our long-term growth strategy, which is why the Petrol Group integrates into its performance and wider social engagement care for social and environmental issues and provides help to resolve social problems. Our socially responsible attitude is demonstrated through the support we provide to numerous sports, cultural, humanitarian and environment protection projects as well as by contributing to a more active and healthier lifestyle of wider social and local communities resulting in a higher quality of living.

Petrol's social responsibility is also demonstrated through its employees. In 2018, 72 colleagues were directly involved in the corporate volunteering programme, participating in seven campaigns. In total, they devoted 288 hours of their time to volunteering, of which half on the Company's time. As part of Petrol's Corporate Volunteering Week of giving back to society, staff also raised funds for the Animal Angels society and ZPM Ljubljana Moste-Polje (Slovene Association of Friends of Youth). Corporate volunteering, which has been nurtured for six years already within Petrol, is also part of its Family Friendly Enterprise commitments.

Sponsorship

For a number of years, Petrol has been supporting Slovene sport, thus advancing the development of various disciplines and successes of Slovene athletes. We sponsor individuals, clubs, associations and sports events at the national and local levels. Through sponsorship we build the reputation and strength of the Petrol brand.

Petrol has a traditional presence in winter sports. Through the Ski Association of Slovenia, we have been supporting the alpine skiing and biathlon national teams, as well as our snowboarders, for a number of years. In all three disciplines, we are personal sponsors of the best and most promising athletes (Žan Kranjec, Ana Drev, Miha Hrobat, Jakov Fak, Žan Košir, Tit Štante and others). We also support the men's alpine skiing competition, the Vitranc Cup, and the biathlon world cup competition in Pokljuka.

As temperatures begin to climb, ball games, cycling and triathlon become more relevant for sponsorship purposes. Petrol's presence is most notable in basketball, since we sponsor the Basketball Federation of Slovenia, the largest Slovene basketball club – Petrol Olimpija as well as several smaller local clubs. In other team sports, we have been supporting the Slovene Football Association for a number of years. In addition, we promote the development of tennis in Slovenia as the sponsor of the Slovene Tennis Association and some individual players (Blaž Kavčič, Kaja Juvan). We also sponsor ice sports, specifically HDD Jesenice ice hockey team.

Petrol is particularly focused on automotive sport, through which we approach mainly professionals, and also participates in car racing events. As personal sponsors (of Aleks Humar, Simon Marčič and Klemen Gerčar), we support development and success also in automotive sport.

In winter and summer sports alike, we devote a great deal of attention to personal sponsorship of the best and most promising athletes representing Petrol's values, who together form Team Petrol. Striving to go the extra mile for Team Petrol members, we organise a gathering every year, which involves socialising and fun sports games, as well as lectures by experts from various fields that we believe to be valuable for athletes during and after their active sports career.

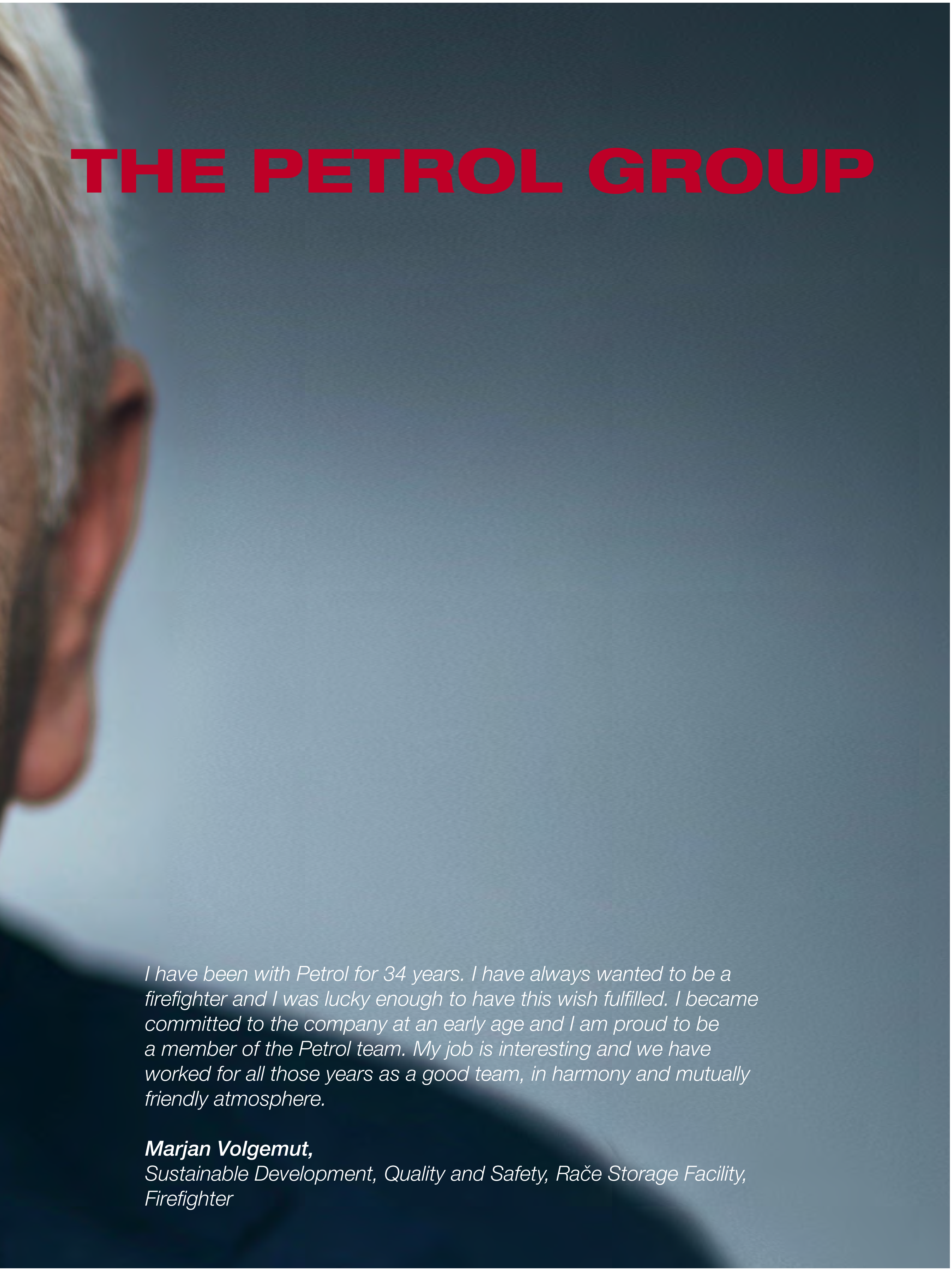
In addition to sports sponsorships, we take part in technical projects linked to various energy and environmental activities. As sponsor, we support conferences, symposiums and events on energy efficiency, sustainable development and e-mobility as well as conferences on management, marketing and public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

In the area of arts, we cooperate with the Ljubljana Festival and Lent Festival, but we also support cultural events taking place in Cankarjev dom, Ljubljana City Theatre and other Slovene cultural institutions throughout the year. Our involvement is particularly visible when it comes to concerts and musicals, which have been gaining ground in the scene of cultural events.

Humanitarian projects

In cooperation with the Red Cross and the Blood Transfusion Centre we carried out yet another humanitarian campaign Give Energy for Life, which was launched in 2011. The aim of the campaign is to encourage existing blood donors on a permanent basis and to contribute to winning new blood donors while helping to raise the awareness of Slovenes of the importance of blood donation. In 2018 the focus was still on the personal stories of blood donors, which tend to get through to people the most, this time those of emergency workers. This year, the campaign was also supported by our sponsored athletes, members of Team Petrol, who promoted it through 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 an eighth Our Energy Connects campaign in which the funds earmarked for business gifts were given to charity. The staff of all service stations across Slovenia were asked to find and propose a humanitarian project in their vicinity, for each of which EUR 200 was allocated. This way, a total of more than EUR 500 thousand was donated over the past eight years. As part of the project, we also helped ZPM Ljubljana Moste-Polje by taking part in its Christmas present campaign for children.



THE PETROL GROUP

I have been with Petrol for 34 years. I have always wanted to be a firefighter and I was lucky enough to have this wish fulfilled. I became committed to the company at an early age and I am proud to be a member of the Petrol team. My job is interesting and we have worked for all those years as a good team, in harmony and mutually friendly atmosphere.

Marjan Volgemut,
Sustainable Development, Quality and Safety, Rače Storage Facility, Firefighter

COMPANIES IN THE PETROL GROUP

The Petrol Group as at 31 December 2018	SALES	ENERGY AND ENVIRONMENTAL SOLUTIONS	PRODUCTION OF RENEWABLE ELECTRICITY
The parent company			
PETROL d.d., LJUBLJANA	•	•	•
Subsidiaries			
PETROL d.o.o. (100%)	•	•	
DUBROVNIK PLIN d.o.o. (100%)	•		
PETROL JAVNA RASVJETA d.o.o. (100%)		•	
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 INVEST d.o.o. Beograd (100%)	•	•	
BEOGAS d.o.o. Beograd (100%)	•	•	
DOMINGAS 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 (51%)			•
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. (56%)		•	
MBILLS d.o.o. (76%)	•		
GEOPLIN d.o.o. Ljubljana (73.6611%)	•		
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%)			•
VJETROELEKTRANA LJUBAČ d.o.o. (50%)			•
SOENERGETIKA d.o.o. (25%)		•	
Associates			
PLINHOLD d.o.o. Ljubljana (29.6985%)		•	
AQUASYSTEMS d.o.o. (26%)		•	

* Petrol Slovenia Tirana Wholesale Sh.A. (55%) – the company is in the process of liquidation

THE PARENT COMPANY

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

Management Board: Tomaž Berločnik – Management Board president, Rok Vodnik – Management Board member, Igor Stebernak – Management Board member, Ika Krevzel Panić – Management Board member, Worker Director
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 319 service stations, it has a 57-percent share of the Slovene retail market in petroleum products.

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

The Company ended the year 2018 with sales revenue of EUR 4.3 billion, up 14 percent from 2017.

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

- 3.2 million tons of petroleum products,
- 35.0 thousand tons of LPG,
- 1.0 TWh of natural gas,
- 20.6 TWh of electricity,
- merchandise[9] and related services totalling EUR 408.7 million,
- energy and environmental solutions.

Adjusted gross profit[10] stood at EUR 348.7 million, which was 10 percent more than in 2017.

Operating costs totalled EUR 257.6 million or 12 percent more than in 2017. The increase is largely due to the incorporation of Petrol Energetika d.o.o. in the parent company Petrol d.d., Ljubljana. The costs of materials totalled EUR 24.9 million and were 56 percent higher than in 2017. The costs were up mainly due to higher energy costs. The costs of services stood at EUR 121.2 million, an increase of 12 percent over the year before. The latter was largely due to an increase in the costs of fixed-asset maintenance, an increase in rental costs, an increase in the costs of payment transactions and an increase in transport costs, which was the result of higher sales. Labour costs totalled EUR 66.7 million, a year-on-year increase of 26 percent. The increase was the result of the incorporation of Petrol Energetika d.o.o. in the parent company and of additional employment at new points of sale, in the area of IT and new business models as well as in the segment of energy solutions, which was

9 IFRS 15.

10 Adjusted gross profit = Sales revenue – Cost of goods sold. This is an item that is not specified in the International Financial Reporting Standards.

expanded. The depreciation and amortisation charge totalled EUR 37.6 million, which was 17 percent more than in 2017. Other costs stood at EUR 7.2 million.

Net other operating revenue stood at EUR 3.0 million, which was 16 percent less than in 2017, mainly due to lower utilisation of environmental provisions.

Operating profit totalled EUR 94.0 million or 4 percent more than in 2017.

Finance income from dividends of subsidiaries, associates and jointly controlled entities stood at EUR 34.0 million, of which the dividends from IG Energetski sistemi d.o.o. totalled EUR 30.2 million. Net cash flow stood at EUR -11.3 million, an improvement of EUR 3.1 million compared to 2017. In 2018 Petrol d.d., Ljubljana's allowances for operating receivables were down by EUR 1.5 million compared to 2017, with its net interest expense decreasing by EUR 3.5 million. Net foreign exchange differences were negative in 2018 and as such down EUR 7.0 million compared to 2017. The Company's finance expenses rose by EUR 2.5 million, which was the result of the impairment of investments and goodwill.

Pre-tax profit totalled EUR 116.7 million or 47 percent more than in 2017. Net profit of Petrol d.d., Ljubljana, for the year 2018 stood at EUR 100.6 million, up 57 percent from 2017.

Total assets of Petrol d.d., Ljubljana, as at 31 December 2018 equalled EUR 1.5 billion, which was 13 percent more than at the end of 2017. Non-current assets accounted for EUR 928.0 million of the above figure, which was 9 percent more than on 31 December 2017, with current assets amounting to EUR 567.8 million, up 20 percent as compared to 31 December 2017.

Following its acquisition in April 2018, Megaenergija d.o.o. was merged into the parent company Petrol d.d., Ljubljana.

Petrol Energetika, d.o.o. was merged into the parent company Petrol d.d., Ljubljana, in May 2018.

Petrol Geoterm d.o.o. was merged into the parent company Petrol d.d., Ljubljana, in December 2018.

The equity of Petrol d.d., Ljubljana, as at 31 December 2018 equalled EUR 582.0 million, which was 21 percent more than at the end of 2017.

SUBSIDIARIES

THE PETROL ZAGREB GROUP

Member of the Management Board: Boris Antolovič
E-mail: boris.antolovic@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 100%

Petrol d.o.o. is the sole owner of the companies Dubrovnik Plin d.o.o. and Petrol javna rasvjeta d.o.o. The Petrol Zagreb Group sells oil, merchandise and services in Croatia. In 2018 the Petrol Zagreb Group sold 611.1 thousand tons of petroleum products and LPG, down 3 percent from 2017. In total, the Petrol Zagreb Group generated EUR 727.4 million in sales revenue in 2018, an increase of 17 percent from 2017. Out of this amount, EUR 606.5 million was generated from the sale of petroleum products and LPG and EUR 54.4 million from the sale of merchandise. The group's operating profit stood at EUR 13.1 million in 2018, up 9 percent year-on-year. Its net profit for 2018 totalled EUR 9.8 million, up 20 percent on the previous year. The Petrol Zagreb Group operated 107 service stations at the end of 2018.

The group's equity totalled EUR 139.7 million as at 31 December 2018.

PETROL BH OIL COMPANY D.O.O. SARAJEVO

General Manager: Uroš Bider (until 31 July 2018), Gregor Žnidaršič (since 1 August 2018)
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 2018 it sold 216.0 thousand tons of petroleum products and LPG, down 7 percent from 2017. In total, it generated EUR 264.1 million in sales revenue in 2018, an increase of 18 percent from 2017. Out of this amount, EUR 220.9 million was generated from the sale of petroleum products and LPG and EUR 9.3 million from the sale of merchandise. The company’s operating profit stood at EUR 2.8 million in 2018, up 32 percent year-on-year. Its net profit for 2018 totalled EUR 3.0 million, up 2 percent on the previous year. Petrol BH Oil Company d.o.o. Sarajevo operated 40 service stations at the end of 2018.

The company’s equity totalled EUR 54.7 million as at 31 December 2018.

PETROL D.O.O. BEOGRAD

General Manager: Željko Bjelan (until 31 July 2018), Uroš Bider (since 1 August 2018)
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 2018 totalled 66.4 thousand tons, an increase of 96 percent on the previous year. In total, the company generated

EUR 89.1 million in sales revenue in 2018, up 15 percent from 2017, of which EUR 81.7 million was generated from the sale of petroleum products and LPG and EUR 2.9 million from the sale of merchandise. The company's operating profit stood at EUR 595.1 thousand in 2018, up 46 percent year-on-year. Its net profit for 2018 totalled EUR 568.4 thousand, up 9 percent on the previous year. Petrol d.o.o. Beograd operated 12 service stations at the end of 2018.

The company's equity totalled EUR 27.5 million as at 31 December 2018.

PETROL CRNA GORA MNE D.O.O.

Executive Director: Dean Krivec
E-mail: dean.krivec@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 2018 it sold 43.5 thousand tons of petroleum products and LPG, up 21 percent from 2017. In total, it generated EUR 54.5 million in sales revenue in 2018, an increase of 26 percent from 2017. Out of this amount, EUR 51.9 million was generated from the sale of petroleum products and LPG and EUR 2.4 million from the sale of merchandise. The company's operating profit stood at EUR 1.4 million in 2018, which was on a par with the previous year. Its net profit for 2018 totalled EUR 1.3 million, up 1 percent on the previous year. Petrol Crna Gora MNE d.o.o. operated 11 service stations at the end of 2018.

The company's equity totalled EUR 22.0 million as at 31 December 2018.

THE GEOPLIN GROUP

Management Board: Boštjan Napast (president of the Management Board), Alojz Stana (member of the Management Board)
E-mail: bostjan.napast@geoplin.si
Ownership interest of Petrol d.d., Ljubljana: 73.66%

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 wholly owned subsidiaries: Geoplin društvo s ograničenom odgovornošću za trgovinu i opskrbu energentima d.o.o., Geoplin d.o.o. Beograd and Geocom d.o.o. In 2018 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 2018 the Geoplin Group sold 19.5 TWh of natural gas, generating EUR 396.0 million in sales revenue. The Geoplin Group's net profit for 2018 totalled EUR 1.6 million, with the net profit attributable to the Petrol Group totalling EUR 1.2 million.

The group's equity totalled EUR 119.9 million as at 31 December 2018.

THE BEOGAS GROUP

General Manager: Željko Bjelan (until 31 July 2018), Uroš Bider (since 1 August 2018)
E-mail: uros.bider@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 100%

The company Beogas Invest d.o.o. is the sole owner of the companies Beogas d.o.o. Beograd and Domingas d.o.o. In June 2018, the company Rodgas AD was merged into Beogas Invest d.o.o. Together with its two subsidiaries, Beogas Invest d.o.o. is engaged in financing, planning 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 425 km of the gas distribution network and 10,858 active gas connections. In 2018 the group sold 262.9 thousand MWh of natural gas, up 27 percent on the previous year. In 2018 it generated EUR 8.8 million in sales revenue, up 33 percent on the previous year. Its operating profit stood at EUR 1.1 million in 2018, an increase of 0.6 million from the previous year. Its net profit for 2018 totalled EUR 1.0 million, an increase of 0.5 million from 2017.

The group's equity totalled EUR 16.9 million as at 31 December 2018.

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 2018 the Petrol LPG Group sold 86.2 thousand tons of liquefied petroleum gas, up 8 percent on the previous year. In 2018 it generated EUR 60.9 million in sales revenue or 19 percent more than in 2017. Its 2018 operating profit totalled EUR 1.6 million, an increase of 43 percent from 2017, and its 2018 net profit EUR 1.3 million or 34 percent more than in 2017. The net profit attributable to the Petrol Group totalled EUR 659.9 thousand.

The group's equity totalled EUR 7.5 million as at 31 December 2018.

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 2018 the company generated EUR 2.3 million in sales revenue, its operating profit amounting to EUR 219.1 thousand and its net profit for the year to EUR 182.7 thousand,

The company's equity totalled EUR 1.6 million as at 31 December 2018.

IG ENERGETSKI SISTEMI D.O.O.

Manager: Tomaž Berločnik
E-mail: tomaz.berlocnik@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-percent 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 2018 the company purchased and sold 81.4 thousand tons of petroleum products and LPG, of which 74.3 thousand tons were sold outside the Petrol Group. The company generated a total of EUR 63.8 million in sales revenue in 2018, which was 7 percent more than in 2017. Its 2018 net profit amounted to EUR 55.9 thousand or 81 percent more than in 2017.

The company's equity totalled EUR 1.6 million as at 31 December 2018.

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. The company's activity is to produce electricity. The company owns a 20.7 MW wind farm in the Šibenik area. In 2018 it generated EUR 5.1 million in sales revenue, its net profit totalling EUR 1.3 million.

The company's equity totalled EUR 8.3 million as at 31 December 2018.

PETROL HIDROENERGIJA D.O.O. TESLIĆ

General Manager: Uroš Bider (until 31 July 2018), Gregor Žnidaršič (since 1 August 2018)
E-mail: gregor.znidarsic@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 80%

The companies Petrol d.d., Ljubljana, and Eling – Inžinjering d.o.o. Teslić established the company Petrol Hidroenergija d.o.o. Teslić, which is engaged in electricity production, in September 2015. In 2018 the company generated EUR 637.7 thousand in sales revenue. Its net profit for 2018 totalled EUR 72.8 thousand. The net profit attributable to Petrol d.d., Ljubljana, amounted to EUR 58.3 thousand.

The company's equity totalled EUR 6.3 million as at 31 December 2018.

INTRADE ENERGIJA D.O.O. SARAJEVO

General Manager: Suvad Bajrić
E-mail: suvad.bajric@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 51%

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 2018 it generated EUR 858.2 thousand in sales revenue, its net profit or loss for 2018 totalling EUR -1.2 million. The net profit or loss attributable to Petrol d.d., Ljubljana, amounted to EUR -617.2 thousand.

The company's equity totalled EUR -9.2 million as at 31 December 2018.

MBILLS D.O.O.

General Manager: Primož Zupan
E-mail: primoz.zupan@mbills.si
Ownership interest of Petrol d.d., Ljubljana: 76%

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 2018 the company generated EUR 93,6 thousand in sales revenue, Its net profit or loss for 2018 totalled EUR -1.2 million. The net profit or loss attributable to Petrol d.d., Ljubljana, amounted to EUR -876.1 thousand.

The company's equity totalled EUR 1.7 million as at 31 December 2018.

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.

The group's equity totalled EUR 769.5 thousand as at 31 December 2018.

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.

The company's equity totalled EUR 3.3 thousand as at 31 December 2018.

ZAGORSKI METALAC D.O.O.

General Manager: Željko Bjelan
E-mail: zeljko.bjelan@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 56%, **Geoplin d.o.o. Ljubljana:** 25%

In December 2018, the Petrol Group acquired an 74.42-percent interest in the Zabok-based company Zagorski metalac d.o.o. 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 who consume 250 thousand MWh of natural gas on a yearly basis.

The company's equity totalled EUR 7.1 million as at 31 December 2018.

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 2018 the company generated EUR 8.8 million in sales revenue. Its net profit for 2018 totalled EUR 740.

The company's equity totalled EUR 106.0 thousand as at 31 December 2018.

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 2018 the company generated EUR 114.2 thousand in sales revenue, its net profit for 2018 totalling EUR 5.7 thousand.

The company's equity totalled EUR -102.2 thousand as at 31 December 2018.

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 -58.0 thousand as at 31 December 2018.

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 2018.

JOINTLY CONTROLLED ENTITIES

PETROL OTI SLOVENIJA L.L.C.

Board of directors: Tomaž Berločnik, Nazmi Bytyqi, Anton Figek
Executive Director: Anton Figek
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 the company Petrol-OTI-Terminal L.L.C. In 2018 it sold 8.9 thousand tons of petroleum products and LPG, down 18 percent from 2017. The company generated EUR 11.0 million in sales revenue, its net profit or loss for 2018 totalling EUR -855.4 thousand. The 2018 net profit or loss attributable to the Petrol Group totalled EUR -436.2 thousand. It operated 11 service stations at the end of 2018.

The company's equity totalled EUR 14.6 million as at 31 December 2018.

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 2018 it sold 813.0 tons of oil and gas condensate and 166.6 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 2018 stood at EUR 224.0 thousand, with the net profit attributable to the Petrol Group amounting to EUR 112.0 thousand.

The company's equity totalled EUR 280.6 thousand as at 31 December 2018.

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., The company's activity is to produce electricity.

The company's equity totalled EUR 2.7 thousand as at 31 December 2018.

VJETROELEKTRANA LJUBAČ D.O.O.

General Managers: Suvad Bajrić, Slaven Tudić
E-mail: suvad.bajric@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 50%

In January 2018, Petrol d.d., Ljubljana, acquired a 50-percent interest in the Šibenik-based company Vjetroelektrana Ljubač d.o.o. The company's activity is to produce electricity.

The company's equity totalled EUR 2.7 thousand as at 31 December 2018.

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 2018 totalled EUR 680.3 thousand, with the net profit attributable to the Petrol Group amounting to EUR 166.0 thousand.

The company's equity totalled EUR 1.8 million as at 31 December 2018.

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.

REPORT OF THE SUPERVISORY BOARD

I have worked for Petrol since 1986. I like it all: teamwork, peoples' relations, respect for one another, trust that leads to fairness — these are all important values. Working at Petrol means to be happy and satisfied. Petrol is a second home to me because I spend almost more time here than at home. I am never bored because I absolutely love coming to work. I listen to all employees and clients — kindness is always rewarded!

Ružica Bratuša,
Podčetrtek Point of Sale, Manager

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board's composition in 2018 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 above was also observed during the Supervisory Board's self-assessment exercise carried out in the second half of 2018. The Supervisory Board's composition did not change in 2018.

The Supervisory Board and the Management Board of Petrol d.d., Ljubljana, focused on substantive matters falling within their remit. Through frank dialogue, they continued to develop interpersonal relationships in the period concerned, thus strengthening their mutual trust. 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 expert and comprehensive 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 12 meetings in 2018, owing to the fact that the Management Board and the Supervisory Board decided to update the Petrol Group 2016 – 2020 Strategy. Following thorough consideration at several meetings, the new Petrol Group strategy for the period 2018 – 2022 was prepared and adopted.

Topics discussed at the Supervisory Board's meetings in 2018 were linked to the monitoring of the Company's operations and its 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 2018

At its 10th meeting, which took place in March 2018, the Supervisory Board approved the audited Annual Report of the Petrol Group and Petrol d.d., Ljubljana, for the year 2017, the proposal for the allocation of accumulated profit and the convocation of the 28th General Meeting which also included a proposal for the appointment of auditors for the 2018 annual report. This year, particular attention was again given to the securing of long-term sources of finance in such a way that would make them optimal for the Petrol Group and accessible under the most favourable conditions in the financial markets. The Management Board did an excellent job, acquiring or securing, already by mid-2018, the long-term financing needed upon the maturity of the remaining eurobond in June 2019. The resolution on the securing of the sources of finance was therefore executed already in 2018.

Several meetings that followed were devoted, among other things, to the drafting and deliberation of the updated strategic business plan for the period 2016 – 2020. The Supervisory Board approved the updated, or rather, new strategic business plan for the period 2018 – 2022 at its 15^{th} meeting of 18 June 2018. The strategic business plan had to be revisited owing to the Petrol Group's successful performance in 2017 and in the first half of 2018 which surpassed the business plan, meaning the latter no longer reflected the actual state of operations of the Company and the Petrol Group.

The 13^{th} meeting in May as well as the 17^{th} and the 20^{th} meeting in August and November, respectively, were dedicated primarily to quarterly and half-year business results. The Audit Committee always discussed the reports on operations at its meeting prior to the Supervisory Board's meeting and reported on its findings concerning the financial section at the meeting of the Supervisory Board, thus providing respective starting points for discussion at Supervisory Board meetings. In June and October, the Supervisory Board conducted interim meetings, which were not scheduled in the financial calendar, in order to address strategic and other important matters.

In September and October, at its 18^{th} and 19^{th} meeting, the Supervisory Board carried out a self-assessment of its efficiency with the help of an external contractor. It was determined that the Supervisory Board performs its duties efficiently and effectively, that its communication and collaboration with the Management Board are at an excellent level, still an action plan with improvement commitments was adopted. Several activities resulting from the action plan were executed and completed already in 2018, especially the drafting and adoption of the Company's Diversity Policy and its publication on the Company's website. The adoption of the Diversity Policy resulted in the alignment of the Corporate Governance Policy with the diversity policy and in the adoption of the updated corporate governance policy and its publication on the Company's website already in December 2018.

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 last, 21^{st} meeting in 2018, which was held in mid-December, was the approval of the Petrol Group's Business Plan and Key Targets for 2019. Although the annual business plan had been prepared in congruence with the current strategy, it was communicated to the stakeholders that its implementation will be incredibly challenging and that full compliance with the strategy is expected to be easier to achieve after 2019, taking into account the investment cycle and other factors.

The Supervisory Board paid particular attention to the reports of the Human Resources and Management Board Evaluation Committee and the Audit Committee. It also received regular reports from the Management Board on the state of implementation of various projects and on the strategy for major equity investments, and gave the necessary approvals to the Management Board in the case of requests envisaged in the Articles of Association.

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

- adopting the 2019 Internal Audit work programme;
- approving the Management Board's proposal regarding the remuneration of the head of Internal Audit, and other topics related to internal auditing;
- adopting the 2019 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 financial year 2018, 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 2018.

Work of the Supervisory Board's committees

In 2018 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 2017 Internal Audit report, proposing the auditors for auditing the 2018 annual report, etc.).

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 the usual and also other matters, such as:

- progress of the preliminary audit of the 2018 annual report;
- preparation of the 2019 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 2019 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 2018;
- 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 was acquainted with key members of staff;
- it discussed other topics falling within the competence of the Audit Committee.

The Supervisory Board's **Human Resources and Management Board Evaluation Committee** met three times in 2018. It discussed topics related to the remuneration of the Management Board for the year 2017, whereas its October and November meetings were devoted mainly to drafting the Diversity Policy and activities concerning the implementation of the action plan following the Supervisory Board's self-assessment exercise.

At its last meeting, which took place in December, the Supervisory Board assessed the work of its committees – taking into account their continuous reporting to the Supervisory Board, the achievement of virtually all of their resolutions and the review of their work – and in the context of the additional self-assessment of its performance deemed it to have been very good.

Assessment of the Petrol Group's operations in 2018

Petrol'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 an increasingly prominent role in the wider region. The Petrol Group delivered a very good business performance in 2018. Its sales revenue stood at EUR 5.4 billion, up 20 percent on the year before. Adjusted gross profit stood at EUR 449.5 million, which was 4 percent more than in 2017. EBITDA totalled EUR 171.5 million and was 7 percent higher than in 2017. Net profit stood at EUR 91.8 million, an increase of 13 percent relative to 2017.

Approval of the 2018 Annual Report

At its 23rd meeting of 7 March 2018, the Supervisory Board discussed the audited Annual Report of the Petrol Group and Petrol d.d., Ljubljana, for 2018. 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 2018.

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 2018, concluding it reflects the actual state of corporate governance in 2018.

Nada Drobne Popović
President of the Supervisory Board
Ljubljana, 7 March 2019

FINANCIAL REPORT 2018

As a young newcomer, I see Petrol as an ideal place for growth and career development. What I like most about working here is the youthful atmosphere in the Innovative Business Models sector.

Žan Batista,
Innovative Business Models, e-Mobility

ANNUAL REPORT OF THE PETROL GROUP AND PETROL D.D., LJUBLJANA 2018 – Financial report

CONTENTS

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 2018, 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 2018.

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 2018.

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.

Tomaž Berločnik
President of the Management Board

Rok Vodnik
Member of the Management Board

Igor Stebernak
Member of the Management Board

Ika Krevzel Panić
Worker Director

Petrol d.d., Ljubljana, Dunajska cesta 50, 1527 Ljubljana, Slovenija

Ljubljana, 15 February 2019

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This is a translation of the original report in Slovene language

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 2018, 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 Petrol d.d. and Petrol Group as at 31 December 2018 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.

Impairment of goodwill in the separate and the consolidated financial statements

As at 31 December 2018, goodwill amounts to EUR 87.7 million in the separate financial statements and EUR 108.0 million in the consolidated financial statements, which represents 6% and 6% of total assets, respectively. Management's impairment tests are significant to our audit because the assessment	*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*

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working world

process is complex and requires significant management judgment and imposes significant assumptions and estimates. Management used assumptions in respect of future market and economic conditions such as growth of sales, development of operating expenses as well as discount rates. Given the inherent subjectivity in the valuation, we determined this to be a key audit matter.

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, 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 of the separate and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Impairment of investments in subsidiaries in the separate financial statements

Equity investments in subsidiaries amount to EUR 326.4 million, which represents 22% of total assets as at 31 December 2018 in the separate financial statements. The Company recognized EUR 5.5 million of impairment in investments in subsidiaries in 2018. 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 significant estimates. Given the inherent subjectivity in the valuation, we determined this to be a key audit matter.

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 6.18 of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Provisions for legal claims in the separate and the consolidated financial statements

Provisions for legal claims amount to EUR 9.9 million, as at 31 December 2018 in the separate financial statements and EUR 10.1 million in the consolidated financial statements, as disclosed in Note 9 Contingent liabilities related to claims and litigations and Note 6.33 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 current 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 6.33, 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

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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/Group's legal department, Management board and Audit committee.

Furthermore, we have evaluated the adequacy of the Company's and the Group's disclosure in Note 6.33 and 9 of the separate and the consolidated financial statements in accordance 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.

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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 and Regulation (EU) No. 537/2014 of the European Parliament and the Council 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;

- 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

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 the statutory auditor by the statutory body of the Company on 28 August 2018 based on our approval by the General Meeting of Shareholders of the Company on 26 April 2018. 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 5 years.

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 and Group, which we issued on 11 February 2019.

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 the Group and we remain independent from the Company and the Group in conducting the audit.

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, 15 February 2019

Sanja Košir Nikašinović
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 3

Lidija Šinkovec
Certified auditor

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

		The Petrol Group		Petrol d.d.	
(in EUR)	Notes	2018	2017	2018	2017
Sales revenue	**6.3**	**5,416,944,514**	**4,496,736,350**	**4,251,172,641**	**3,738,403,594**
- of which excise duty		1,127,478,553	1,109,803,201	752,544,178	771,700,375
Cost of goods sold		**(4,967,488,933)**	**(4,064,081,769)**	**(3,902,503,149)**	**(3,421,067,335)**
Costs of materials	6.4	(30,106,197)	(28,380,925)	(24,906,834)	(15,963,038)
Costs of services	6.5	(148,710,447)	(135,683,037)	(121,207,414)	(108,683,577)
Labour costs	6.6	(91,215,283)	(76,895,012)	(66,725,142)	(53,104,848)
Depreciation and amortisation	6.7	(52,713,086)	(48,662,030)	(37,626,744)	(32,146,920)
Other costs	6.8	(17,227,210)	(35,176,817)	(7,173,500)	(20,594,516)
Operating costs		**(339,972,223)**	**(324,797,821)**	**(257,639,634)**	**(230,492,898)**
Other revenue	6.3	10,427,935	4,855,585	3,025,306	3,539,486
Other expenses	6.9	(506,864)	(536,321)	(64,943)	(19,475)
Operating profit		**119,404,429**	**112,176,024**	**93,990,222**	**90,363,372**
Share of profit or loss of equity accounted investees	**6.10**	**1,943,777**	**4,612,187**	**-**	**-**
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities	**6.10**	**-**	**-**	**33,983,899**	**3,304,096**
Other finance income	6.11	81,755,715	44,049,516	76,948,297	45,470,562
Other finance expenses	6.11	(91,516,696)	(61,314,861)	(88,215,179)	(59,843,966)
Net finance expense		**(9,760,981)**	**(17,265,345)**	**(11,266,882)**	**(14,373,404)**
Profit before tax		**111,587,225**	**99,522,866**	**116,707,239**	**79,294,064**
Tax expense	6.12	(22,068,851)	(13,194,628)	(16,723,150)	(9,043,911)
Deferred tax	6.12	2,318,734	(5,199,352)	608,146	(5,977,156)
Corporate income tax		**(19,750,117)**	**(18,393,980)**	**(16,115,004)**	**(15,021,067)**
Net profit for the year		**91,837,108**	**81,128,886**	**100,592,235**	**64,272,996**
Net profit for the year attributable to:					
Owners of the controlling company		91,563,780	81,572,904	100,592,235	64,272,996
Non-controlling interest		273,328	(444,018)	-	-
Basic and diluted earnings per share	6.13	44.68	39.47	48.79	31.18

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

		The Petrol Group		Petrol d.d.	
(in EUR)	Notes	2018	2017	2018	2017
Net profit for the year		**91,837,108**	**81,128,886**	**100,592,235**	**64,272,996**
Change due to merger by absorption	6.14	-	-	32,338,709	0
Effective portion of changes in the fair value of cash flow variability hedging	6.14	(901,261)	(72,948)	(587,772)	(178,998)
Change in deferred taxes		191,903	(8,878)	135,475	10,211
Foreign exchange differences		812,206	4,350,996	-	-
Other comprehensive income to be recognised in the statement of profit or loss in the future		**102,848**	**4,269,170**	**31,886,412**	**(168,787)**
Attribution of changes in the equity of subsidiaries		107,117	365,030	-	-
Change in deferred taxes		(20,381)	(69,457)	-	-
Attribution of changes in the equity of associates		0	(595,030)	-	-
Change in deferred taxes		0	52,588	-	-
Total other comprehensive income to be recognised in the statement of profit or loss in the future		**189,584**	**4,022,301**	**31,886,412**	**(168,787)**
Unrealised actuarial gains and losses		229,902	0	230,404	0
Other comprehensive income not to be recognised in the statement of profit or loss in the future		**229,902**	**0**	**230,404**	**0**
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		**229,902**	**0**	**230,404**	**0**
Total other comprehensive income after tax		419,486	4,022,301	32,116,816	(168,787)
Total comprehensive income for the year		**92,256,594**	**85,151,187**	**132,709,051**	**64,104,209**
Total comprehensive income attributable to:					
Owners of the controlling company		91,981,109	85,486,521	132,709,051	64,104,209
Non-controlling interest		275,485	(335,334)	-	-

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)	Notes	31 December 2018	31 December 2017	31 December 2018	31 December 2017
ASSETS					
Non-current (long-term) assets					
Intangible assets	6.15	188,070,862	186,185,049	161,073,945	153,693,903
Property, plant and equipment	6.16	653,341,473	620,459,508	366,662,451	312,657,480
Investment property	6.17	17,348,836	16,750,344	16,845,651	16,211,085
Investments in subsidiaries	6.18	-	-	326,416,061	329,225,470
Investments in jointly controlled entities	6.19	1,774,437	1,755,182	1,347,380	1,219,000
Investments in associates	6.20	50,917,836	62,444,322	27,364,454	21,726,406
Financial assets at fair value through other comprehensive income	6.21	9,168,566	11,173,565	1,374,993	1,689,491
Financial receivables	6.22	1,466,432	32,651,760	13,605,479	6,362,867
Operating receivables	6.23	6,737,751	3,275,362	6,715,315	3,239,145
Deferred tax assets	6.12	9,117,237	8,977,390	6,570,576	5,468,333
		937,943,430	**943,672,482**	**927,976,305**	**851,493,180**
Current assets					
Inventories	6.24	138,449,703	159,748,956	101,436,745	117,265,435
Contract assets	6.27	2,278,452	0	2,056,160	0
Financial receivables	6.25	8,697,496	29,754,766	10,205,902	15,018,789
Operating receivables	6.26	531,677,349	441,456,308	388,715,450	293,516,557
Corporate income tax assets	6.12	331,528	108,824	0	0
Financial assets at fair value through profit or loss	6.28	2,626,490	1,661,550	2,626,490	1,661,550
Prepayments and other assets	6.29	50,070,501	34,377,552	33,777,606	21,218,283
Cash and cash equivalents	6.30	58,740,743	45,492,821	28,986,973	23,651,242
		792,872,262	**712,600,777**	**567,805,326**	**472,331,856**
Total assets		**1,730,815,692**	**1,656,273,259**	**1,495,781,631**	**1,323,825,036**

(in EUR)	Notes	The Petrol Group 31 December 2018	The Petrol Group 31 December 2017	Petrol d.d. 31 December 2018	Petrol d.d. 31 December 2017
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	2,604,670
Own shares		(4,708,359)	(4,708,359)	(2,604,670)	(2,604,670)
Other revenue reserves		269,059,392	214,915,535	295,680,118	216,667,051
Fair value reserve		(512,238)	(832,522)	39,525,529	39,295,125
Hedging reserve		(749,275)	(39,917)	(621,084)	(168,787)
Foreign exchange differences		(5,246,866)	(6,053,269)	-	-
Retained earnings		257,220,109	247,992,625	50,296,118	32,136,498
		714,991,439	**651,202,769**	**581,966,615**	**482,912,133**
Non-controlling interest		**32,486,625**	**50,664,385**	**-**	**-**
Total equity	**6.31**	**747,478,064**	**701,867,154**	**581,966,615**	**482,912,133**
Non-current liabilities					
Provisions for employee post-employment and other long-term benefits	6.32	7,685,139	7,104,156	6,838,798	6,100,872
Other provisions	6.33	33,433,896	38,687,918	14,599,875	14,119,496
Long-term deferred revenue	6.34	19,524,265	6,376,773	15,092,684	6,328,758
Financial liabilities	6.35	144,529,723	357,485,819	121,460,476	306,280,056
Operating liabilities	6.36	1,152,162	1,217,562	857,982	923,382
Deferred tax liabilities	6.12	1,197,216	3,800,572	0	0
		207,522,401	**414,672,800**	**158,849,815**	**333,752,564**
Current liabilities					
Financial liabilities	6.35	212,350,212	62,860,637	302,739,319	134,723,206
Operating liabilities	6.37	523,858,709	450,518,749	431,668,916	356,672,760
Corporate income tax liabilities	6.12	8,873,559	3,460,394	8,059,847	3,778,471
Contract liabilities	6.38	5,892,691	0	3,218,350	0
Other liabilities	6.39	24,840,056	22,893,525	9,278,768	11,985,901
		775,815,227	**539,733,305**	**754,965,201**	**507,160,338**
Total liabilities		**983,337,628**	**954,406,105**	**913,815,016**	**840,912,903**
Total equity and liabilities		**1,730,815,692**	**1,656,273,259**	**1,495,781,631**	**1,323,825,036**

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	Revenue reserves: Reserves for own shares	Revenue reserves: Own shares
As at 1 January 2017	**52,240,977**	**80,991,385**	**61,987,955**	**2,604,670**	**(2,604,670)**
Dividend payments for 2016					
Transfer of a portion of 2017 net profit					
Transfer to own shares					(2,103,689)
Increase in reserves for own shares				2,103,689	
Increase/(decrease) in non-controlling interest					
Transactions with owners	**0**	**0**	**0**	**2,103,689**	**(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**	**0**
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)**

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
191,876,506	**(585,653)**	**41,909**	**(10,295,581)**	**220,392,308**	**596,649,806**	**(980,113)**	**595,669,693**
(7,026,283)				(21,836,089)	(28,862,372)		(28,862,372)
32,136,498				(32,136,498)	0		0
					(2,103,689)		(2,103,689)
(2,103,689)					0		0
32,503					32,503	51,979,832	52,012,335
23,039,029	**0**	**0**	**0**	**(53,972,587)**	**(30,933,558)**	**51,979,832**	**21,046,274**
				81,572,904	81,572,904	(444,018)	81,128,886
	(246,869)	(81,826)	4,242,312		3,913,617	108,684	4,022,301
0	**(246,869)**	**(81,826)**	**4,242,312**	**81,572,904**	**85,486,521**	**(335,334)**	**85,151,187**
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**

Statement of changes in equity of Petrol d.d., Ljubljana

(in EUR)	Called-up capital	Capital surplus	Revenue reserves: Legal reserves	Revenue reserves: Reserves for own shares
As at 1 January 2017	**52,240,977**	**80,991,385**	**61,749,884**	**2,604,670**
Dividend payments for 2016				
Transfer of a portion of 2017 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 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				
Increase in 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**
Accumulated profit for 2018				

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)	**191,556,836**	**39,295,125**	**0**	**21,836,089**	**447,670,296**
	(7,026,283)			(21,836,089)	(28,862,372)
	32,136,498			(32,136,498)	0
0	**25,110,215**	**0**	**0**	**(53,972,587)**	**(28,862,372)**
				64,272,996	64,272,996
			(168,787)		(168,787)
0	**0**	**0**	**(168,787)**	**64,272,996**	**64,104,209**
(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**
	(526,995)			**50,296,118**	**49,769,123**

Statement of cash flows of the Petrol Group and Petrol d.d., Ljubljana

		The Petrol Group		Petrol d.d.	
(in EUR)	Notes	2018	2017	2018	2017
Net profit		**91,837,108**	**81,128,886**	**100,592,235**	**64,272,996**
Adjustment for:					
Corporate income tax	6.12	19,750,117	18,393,980	16,115,004	15,021,067
Depreciation of property, plant and equipment and of investment property	6.7	43,546,245	41,183,968	29,488,887	25,729,587
Amortisation of intangible assets	6.7	9,166,841	7,478,062	8,137,856	6,417,333
(Gain)/loss on disposal of property, plant and equipment	6.3. 6.8	585,978	(556,300)	470,090	(320,860)
Impairment, write-down/(reversed impairment) of assets	6.8	2,848,028	14,514,638	210,780	7,507,083
Revenue from assets under management	6.35	(65,400)	(65,400)	(65,400)	(65,400)
Net (decrease in)/creation of provisions for long-term employee benefits	6.31	598,590	597,577	480,740	576,699
Net (decrease in)/creation of other provisions and long-term deferred revenue	6.32. 6.33	4,019,372	11,594,335	8,803,472	11,807,881
Net goods surpluses	6.8	(4,246,057)	(2,691,138)	(3,156,824)	(2,401,095)
Net (decrease in)/Increase in loss allowance for receivables	6.11	5,439,572	5,085,538	3,177,028	7,049,338
Net finance (income)/expense	6.11	7,043,791	10,686,397	7,701,782	3,648,093
Impairment of investments and of goodwill	6.11	4,383,514	2,058,886	7,357,864	4,858,281
Share of profit of jointly controlled entities	6.10	(278,038)	(229,167)	0	0
Share of profit of associates	6.10	(1,665,739)	(4,383,020)	0	0
Finance income from dividends received from subsidiaries	6.10	0	0	(31,958,778)	(247,530)
Finance income from dividends received from jointly controlled entities	6.10	0	0	(387,654)	(150,000)
Finance income from dividends received from associates	6.10	0	0	(1,637,467)	(2,906,566)
Cash flow from operating activities before changes in working capital		**182,963,922**	**184,797,242**	**145,329,614**	**140,796,908**
Net (decrease in)/creation of other liabilities	6.37	1,906,043	7,293,659	(3,420,433)	1,691,843
Net decrease in/(creation of) other assets	6.28	(3,059,910)	(2,275,661)	1,185,411	(1,607,042)
Change in inventories	6.24	24,277,321	(19,694,641)	19,522,790	(19,330,298)
Change in operating and other receivables and contract assets	6.26	(109,608,808)	(6,870,727)	(92,135,133)	11,781,978
Change in operating and other liabilities and contract liabilities	6.36	72,274,051	(41,788,559)	55,261,433	(50,146,001)
Cash generated from operating activities		**168,752,619**	**121,461,313**	**125,743,682**	**83,187,388**
Interest paid	6.11	(9,470,748)	(12,980,773)	(9,083,820)	(13,053,431)
Taxes paid	6.12	(16,227,756)	(15,891,601)	(12,564,518)	(6,322,282)
Net cash from (used in) operating activities		**143,054,115**	**92,588,939**	**104,095,344**	**63,811,675**

(in EUR)	Notes	The Petrol Group 2018	The Petrol Group 2017	Petrol d.d. 2018	Petrol d.d. 2017
Cash flows from investing activities					
Payments for investments in subsidiaries	6.18	(30,234,190)	(411,106)	(28,843,559)	(3,200,000)
Receipts from investments in subsidiaries	6.18	480,000	50,000	0	0
Payments for investments in jointly controlled entities	6.19	(282,934)	(23,000)	(282,934)	(23,000)
Receipts from investments in associates	6.20	11,650,598	0	0	0
Receipts from intangible assets	6.15	55,784	157,352	23,555	123,851
Payments for intangible assets	6.15	(7,326,176)	(13,561,469)	(6,128,424)	(12,949,599)
Receipts from property, plant and equipment	6.16	4,170,471	3,119,595	4,123,123	2,269,228
Payments for property, plant and equipment	6.16	(75,801,495)	(60,428,524)	(60,885,945)	(36,620,364)
Receipts from financial assets at fair value through other comprehensive income	6.21	428,103	3,547	428,103	3,547
Payments for financial assets at fair value through other comprehensive income	6.21	0	(36,464)	0	(36,464)
Receipts from loans granted	6.22, 6.25	121,340,518	11,318,238	14,956,572	50,991,364
Payments for loans granted	6.22, 6.25	(68,203,722)	(8,491,350)	(16,649,710)	(28,749,856)
Interest received	6.11	4,146,320	2,984,633	3,189,131	3,205,270
Dividends received from subsidiaries	6.10	0	0	31,958,778	247,530
Dividends received from jointly controlled entities	6.10	387,654	150,000	387,654	150,000
Dividends received from associates	6.10	1,914,725	3,387,146	1,637,467	2,906,566
Dividends received from others	6.10	204,516	56,683	94,516	56,683
Net cash from (used in) investing activities		**(37,069,828)**	**(61,724,719)**	**(55,991,673)**	**(21,625,243)**
Cash flows from financing activities					
Proceeds from bonds issued	6.34	0	43,828,000	0	43,828,000
Payments for bonds issued	6.34	(10,350,000)	(58,853,000)	(10,350,000)	(58,853,000)
Proceeds from borrowings	6.34	227,359,375	643,939,868	571,392,908	895,317,377
Repayment of borrowings	6.34	(282,814,370)	(621,211,708)	(577,782,000)	(882,580,114)
Dividends paid to shareholders	6.30	(32,901,079)	(28,905,176)	(32,997,399)	(28,905,176)
Net cash from (used in) financing activities		**(98,706,074)**	**(21,202,016)**	**(49,736,490)**	**(31,192,913)**
Increase/(decrease) in cash and cash equivalents		7,278,213	9,662,204	(1,632,819)	10,993,519
Changes in cash and cash equivalents					
At the beginning of the year		**45,492,821**	**26,987,969**	**23,651,242**	**12,657,723**
Foreign exchange differences		24,771	175,501	0	0
Cash acquired through mergers by absorption		0	0	6,968,549	0
Cash acquired through acquisition of companies		5,944,938	8,667,147	0	0
Increase/(decrease)		7,278,213	9,662,204	(1,632,819)	10,993,519
At the end of the year		**58,740,743**	**45,492,821**	**28,986,973**	**23,651,242**

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 2018 and separate financial statements of the company Petrol d.d., Ljubljana, for the year ended 31 December 2018. 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 15 February 2019.

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.

Amendments to IFRS 9: Prepayment features with negative compensation

The amendments allow 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 amendments are effective for annual periods beginning on or after 1 January 2019. 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.

IFRS 16 Leases

The scope of IFRS 16 includes leases of all assets, with certain exceptions. The standard requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. They will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.

The Group will not apply the standard to the leases of low-value assets and short-term lease contracts. When implementing the standard, the Group will use the modified retrospective method.

On 31 December 2018, the Group reviewed and analysed its lease contracts for which the lease terms exceed one year. In accordance with IFRS 16, the Group used the value of the lease and the length of the lease term to assess the value of the right-to-use assets and lease liabilities, which will be presented in the statement of financial position, and the impact on the statement of profit or loss. The value of the right-to-use assets and liabilities to make lease payments are assessed by discounting future cash flows over the lease term. Cash flows are discounted at the interest rates achieved by Group companies in financing long-term leases. The depreciation charge is calculated using depreciation rates estimated by taking into account the remaining term of the lease.

IFRS 16 application estimate and the statement of financial position of Petrol d.d., Ljubljana, and the Petrol Group as at 1 January 2019

	The Petrol Group		Petrol d.d.	
(in EUR)	IFRS 16	IAS 17	IFRS 16	IAS 17
Assets				
Right of use assets	63,869,694	0	49,007,984	0
Liabilities				
Lease liability	63,869,694	0	49,007,984	0

Impact of IFRS 16 application on the statement of profit or loss of Petrol d.d., Ljubljana, and the Petrol Group as at 1 January 2019

	The Petrol Group	Petrol d.d.
(in EUR)	MSRP 16	MSRP 16
Depreciation of right of use assets	7,698,466	4,848,971
Leasee payments	(9,993,555)	(5,930,649)
Operating profit	**2,295,089**	**1,081,678**
Other finance expenses	2,445,290	1,983,962
Profit beofre tax	**(150,201)**	**(902,284)**

Reconciliation of items in the statement of profit or loss estimate for 2019 in accordance with IFRS 16 and previous accounting policies

	The Petrol Group		Petrol d.d.	
(in EUR)	IFRS 16	IAS 17	IFRS 16	IAS 17
Depreciation of right of use assets	7,698,466	0	4,848,971	0
Leasee payments	5,389,711	15,383,266	3,094,798	9,025,447
Operating profit	**(13,088,177)**	**(15,383,266)**	**(7,943,769)**	**(9,025,447)**
Other finance expenses	2,445,290	0	1,983,962	0
Profit beofre tax	**(15,533,467)**	**(15,383,266)**	**(9,927,731)**	**(9,025,447)**

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation addresses uncertainty in accounting for income taxes that affects the application of IAS 12 Income Taxes. 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 interpretation is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The interpretation is not expected to have a material impact on the Group's consolidated financial statements or the Company's separate financial statements.

New standards and interpretations not yet adopted by the European Union

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 IAS 19: Plan Amendment, Curtailment or Settlement

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 are effective for annual periods beginning on or after 1 January 2019. 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 IAS 28: Investments in Associates and Joint Ventures

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 when recognising long-term interests that are not accounted for using the equity method, an entity shall apply IFRS 9 Financial Instruments before it begins to apply IAS 28. When applying IFRS 9, the entity shall not make use of any adjustments to the carrying amount of long-term interests otherwise provided for by IAS 28.

The amendments are effective for annual periods beginning on or after 1 January 2019. 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 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 is on or after the beginning of 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, with earlier application 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 inconsistency between the requirements of IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

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.

Annual improvements 2015 – 2017 Cycle

Amendments to IFRS 3: Business Combinations and IFRS 11 Joint Arrangements

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendments are effective for annual periods beginning on or after 1 January 2019. 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 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 are effective for annual periods beginning on or after 1 January 2019. 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 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 are effective for annual periods beginning on or after 1 January 2019. 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.

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.

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:

<u>Revenue from contracts with customers</u>
The Group applied the following accounting judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determining the timing of satisfaction of performance obligations*
  Revenue from the sale of goods and services is recognised by the Group in full upon sale, except for instalment sales. As of the sale, the Group no longer has control of the goods or services sold.
  In instalment sales, the Group 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 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 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 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 has no discretion in establishing the price for the specified goods that it sells in the name and on behalf of third parties. The Group's consideration received as an intermediary is agreed in advance as the difference between the final selling price and the cost negotiated by the Group with the supplier in advance.
- *Determining whether the loyalty points provide additional benefits to customers*
  The Group operates a loyalty points programme, which includes all customers who are holders of the Petrol Club card. 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. The Group 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 defers them to match its revenue with the expenses incurred to generate the revenue.

<u>Estimating the lives of depreciable assets (Notes 6.15 and 6.16, Policies 3.e and 3.f)</u>
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 6.17)
- goodwill (Note 6.15)
- investments in subsidiaries (Note 6.18)
- investments in jointly controlled entities and associates (Notes 6.19 and 6.20)
- financial assets at fair value through other comprehensive income (Note 6.21).
- financial receivables (Note 6.22)
- financial assets at fair value through profit or loss (Note 6.28).

Estimation of the fair value of assets (Notes 6.21 and 6.28)

Fair value is used for financial assets measured at fair value through other comprehensive income, financial assets 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 6.33 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.

Estimate of provisions for employee post-employment and other long-term benefits (Note 6.32)

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 6.32.

<u>Assessing the possibility of using deferred tax assets</u>
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

In 2018 the Group/Company supplemented 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 9 and IFRS 15 which entered into force on 1 January 2018.

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and the related interpretations which (with limited exceptions) apply to all revenue arising from contracts with customers. IFRS 15 sets out a five-step model to be applied by entities in recognising revenue from contracts with customers. The standard requires that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

In adopting IFRS 15, the Group decided for a modified approach applicable as of 1 January 2018. The provisions of the standard will be applied to account for contracts not yet completed on the date of application.

In accordance with the new accounting standard IFRS 15, the Group changed the method of presenting revenue from the sale of goods sold by the Group in the name and on behalf of third parties. Under the new standard, the Group's revenue from the sale of goods and the cost of goods sold exclude the portion relating to the cost of goods sold, its revenue only including the difference between the final selling price and the cost it is entitled to receive under the contract.

The Group's reported revenue from the sale of goods and the cost of goods sold were EUR 122,896,372 lower in 2018 than would have been if the above change to the accounting standards had not taken place in 2018. The reported sales revenue for 2017 was not restated to reflect the change.

	The Petrol Group		Petrol d.d.	
(in EUR)	IFRS 15	IAS 18	IFRS 15	IAS 18
Sales revenue	**5,416,944,514**	**5,539,840,886**	**4,251,172,641**	**4,374,069,013**
- of which excise duty	1,127,478,553	1,127,478,553	752,544,178	752,544,178
Cost of goods sold	**(4,967,488,933)**	**(5,090,385,305)**	**(3,902,503,149)**	**(4,025,399,521)**
Operating profit	**119,404,429**	**119,404,429**	**93,990,222**	**93,990,222**
Profit before tax	**111,587,225**	**111,587,225**	**116,707,239**	**116,707,239**

In instalment sales of goods, the portion of revenue referring to financing in the statement of profit or loss is recognised throughout the period of the contract. On 1 January 2018, the Group deferred finance income from instalment sales relating to future periods, in total EUR 307,807, posting it under long-term deferred revenue.

In accordance with IFRS 15, the Group's short-term accrued revenue from the sale of goods to customers was reclassified as assets arising from contracts with customers in the statement of financial position, while its current liabilities arising from collaterals received and short-term accrued costs from the loyalty scheme were reclassified as liabilities arising from contracts with customers. The effects of the adoption of IFRS 15 as at 1 January 2018 are presented in the table below.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on 1 January 2018. The Group prepared an assessment of its business model as at 1 January 2018. The classification and measurement requirements of IFRS 15 did not have a material impact on the Group's financial statements, which is why the Group continued to recognise all financial assets previously stated at fair value under IAS 39 at fair value. Equity and debt financial instruments previously classified as financial assets available for sale are now classified as financial assets at fair value through other comprehensive income.

Receivables and loans granted classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and include solely payments of principal and interest. Under IFRS 9, the receivables and loans granted remain classified as loans and receivables measured at amortised cost.

Listed debt instruments classified as financial assets available for sale as at 31 December 2017 were reclassified by the Group as financial assets at fair value through other comprehensive income. The Group expects to hold debt instruments for collecting cash flows and for sale. The debt instruments consist of highly liquid government bonds listed on an regulated securities market.

The adoption of IFRS 9 has changed the Group's accounting for previous impairment losses for trade receivables by replacing the current approach to loss allowance estimation under IAS 39 with a forward-looking expected credit loss (ECL) approach. As a result of the change, the Group on 1 January 2018 recognised additional impairment of trade receivables of the Company and the Group by EUR 445,919 and EUR 1,651,311, respectively. Owing to the additional impairments, the Company's retained earnings decreased by EUR 445,919 on 1 January 2018 (EUR 361,194 taking into account the increase in deferred tax assets) and the Group's by EUR 1,651,311 (EUR 1,337,562 taking into account the increase in deferred tax assets).

The effects of the adoption of IFRS 9 as at 1 January 2018 are presented in the table below.

	The Petrol Group				Petrol d.d.			
(in EUR)	1 January 2018	IFRS 9 change	IFRS 15 change	31 December 2017	1 January 2018	IFRS 9 change	IFRS 15 change	31 December 2017
ASSETS								
Non-current (long-term) assets								
Investments in associates	0	(11,173,565)		11,173,565	0	(1,689,491)		1,689,491
Financial assets at fair value through other comprehensive income	11,173,565	11,173,565		0	1,689,491	1,689,491		0
Deferred tax assets	9,291,139	313,749		8,977,390	84,725	84,725		0
	20,464,704	**313,749**	**0**	**20,150,955**	**1,774,216**	**84,725**	**0**	**1,689,491**
Current assets								
Contract assets	1,226,748		1,226,748	0	982,477		982,477	0
Operating receivables	439,804,997	(1,651,311)		441,456,308	293,070,638	(445,919)		293,516,557
Prepayments and other assets	33,150,804		(1,226,748)	34,377,552	20,235,806		(982,477)	21,218,283
	474,182,549	**(1,651,311)**	**-**	**475,833,860**	**314,288,921**	**(445,919)**	**0**	**314,734,840**
Total assets	**494,647,253**	**(1,337,562)**	**-**	**495,984,815**	**316,063,137**	**(361,194)**	**0**	**316,424,331**
EQUITY AND LIABILITIES								
Equity attributable to owners of the controlling company								
Retained earnings	246,655,063	(1,337,562)	(307,807)	247,992,625	31,775,304	(361,194)	(307,807)	32,136,498
Net profit or loss for the year	0			0				0
	246,655,063	**(1,337,562)**	**(307,807)**	**247,992,625**	**31,775,304**	**(361,194)**	**(307,807)**	**32,136,498**
Non-controlling interest					**-**			**-**
Total equity	**246,655,063**	**(1,337,562)**	**(307,807)**	**247,992,625**	**31,775,304**	**(361,194)**	**(307,807)**	**32,136,498**
Non-current liabilities								
Long-term deferred revenue	6,684,580		307,807	6,376,773	6,636,565	0	307,807	6,328,758
	6,684,580	**0**	**307,807**	**6,376,773**	**6,636,565**	**0**	**307,807**	**6,328,758**
Current liabilities								
Operating liabilities	448,187,559		(2,331,190)	450,518,749	442,823,659		(1,681,815)	356,672,760
Contract liabilities	4,336,106		4,336,106	0	3,244,440		3,244,440	0
Other liabilities	20,888,609		(2,004,916)	22,893,525	9,278,768		(1,562,625)	11,985,901
	473,412,274	**0**	**0**	**473,412,274**	**455,346,867**	**0**	**0**	**368,658,661**
Total liabilities	**480,096,854**	**0**	**307,807**	**479,789,047**	**461,983,432**	**0**	**307,807**	**374,987,420**
Total equity and liabilities	**726,751,917**	**(1,337,562)**	**0**	**727,781,672**	**493,758,736**	**(361,194)**	**0**	**407,123,918**

Comparative information in the statement of financial position as at 31 December 2017 and the 2017 statement of profit or loss were not restated upon the introduction of IFRS 9 and IFRS 15. The impacts are presented in the tables above.

In the previous years, the Company's costs related to motorway site lease payments were recorded as costs of services, specifically contributions for operations at motorway service areas. In the 2018 financial statements, these costs are included under rental costs. Owing to the reclassification, the Group's/Company's rental costs for 2018 increased by EUR 4,237,187 (2017: EUR 4,043,404). The costs of contributions for operations at motorway service areas decreased by the same amount. The effects of the reclassification are detailed in Note 6.5.

3. Significant accounting policies of the Group

In these financial statements, the Group and Group companies have applied the accounting policies set out below consistently to all periods other than those relating to standards that entered into force on 1 January 2018 (IFRS 9 and IFRS 15). The Group and Group companies have been using the accounting policies linked to the two standards since 1 January 2018.

Except for the newly adopted standards and interpretations specified below, the accounting policies used herein are the same as in the previous annual report.

<u>Newly adopted standards and interpretation effective as of 1 January 2018</u>

<u>Annual improvements 2014 – 2016 Cycle</u>

Amendments to IAS 40: Transfers of Investment Property
The amendments clarify the requirements on transfers to, or from, investment property.

Amendments are applied to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments.

The amendments did not have a material impact on the financial statements of the Group/Company.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
The amendments address three main areas:

- *The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.*
  The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.
- *The classification of a share-based payment transaction with net settlement features for withholding tax obligations.*
  This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment.
- *The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from "cash-settled" to "equity-settled".*
  The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification.

The amendments did not have a material impact on the financial statements of the Group/Company.

IFRS 9 Financial Instruments
In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments, which includes the requirements of all phases of the IFRS 9 improvement project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The revised standard introduces new requirements for the classification and measurement of financial assets and liabilities, the recognition of their impairment, and hedge accounting.

IFRS 15 Revenue from contracts with customers
In May 2014, the International Accounting Standards Board issued IFRS 15, which establishes a new five-step model for the recognition of revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The accounting principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new standard is applicable to all entities and supersedes all current revenue recognition requirements under IFRS.

The effects of the new standard are presented in Point 2.e.

Clarifications to IFRS 15 Revenue from Contracts with Customers
In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition.

The amendments:

- Clarify when a promised good or service is distinct within the context of the contract,
- Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators,
- Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time,
- Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract,
- Add two practical expedients to the transition requirements of IFRS 15 for:
  (a) completed contracts under the full retrospective transition approach; and
  (b) contract modifications at transition.

The effects of the new standard are presented in Point 2.e.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The Interpretation states that for the purpose of determining the transaction exchange rate the date of initial recognition of the non-monetary prepayment (asset) or deferred income (liability) needs to be considered. If there are multiple payments or receipts of advance consideration, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.

The interpretation did not have a material impact on the financial statements of the Group/Company.

Annual improvements 2014 – 2016 Cycle

Amendments to IAS 28: Investments in Associates and Joint Ventures
The amendments clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments did not have a material impact on the financial statements of the Group/Company.

Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards
The amendments deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

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.

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. When the excess is negative, the effect is recognised immediately in profit or loss.

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.

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.

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 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 revenue 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 other finance income or expense.

Commodity swaps

When petroleum products and electricity are purchased or sold, mismatches occur between purchase and selling prices that are hedged against using commodity swaps.

The fair value of outstanding commodity swaps at the date of the statement of financial position is determined using publicly available information about the market value of commodity swaps 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 finance income or expense.

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

In accordance with IFRS 9, certain contracts to buy or sell electricity can be treated as financial instruments and should be accounted for and recognised as required by this standard.

The Group enters into and holds long-term contracts to buy or sell electricity in order to receive or deliver a non-financial asset in accordance with the expected purchase, sale or usage requirement, eliminating the need for them to be carried at fair value under IFRS 9 (IFRS 9 exception).

To determine whether an entity operates in such a way, an assessment of relevant facts and circumstances is required. The main indicators to be considered in the assessment are as follows:

- What is the purpose of buying or selling electricity?
- Do these contracts result in physical delivery?
- Who are the main buyers or contract counterparties?
- How does an entity manage electricity operations?

In the light of the above, the Group treats long-term contracts to buy or sell electricity as normal electricity operations, meaning they do not fall within the scope of IFRS 9.

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.

The fair value reserve comprises the effects of valuing financial assets available for sale at fair value and actuarial gains and losses related to the provisions for employee post-employment and other long-term benefits.

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.

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 %)	2018	2017
Right to use concession infrastructure	2.00–20.00%	2.00–20.00%
Computer software	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 explained in more detail 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 %)	2018	2017
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 assets are reviewed annually and adjusted if appropriate.

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. Leased assets
A lease is classified as a finance lease when under the terms of the lease substantially all the risks and rewards of ownership are transferred to the lessee. Other leases are treated as operating leases, in which case the leased assets (the entity acting as a lessee) or non-current financial receivables (the entity acting as a lessor) are not recognised in the Group's statement of financial position.

Finance lease
· The Group as a lessor
Amounts due from lessees in a finance lease are treated as receivables and amount to the value of the investment leased out. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the leased out asset.

· The Group as a lessee
Assets acquired under a finance lease are carried at the lower of fair value or minimum payments up to the end of the lease less accumulated depreciation and impairment losses. Finance lease expenses are recognised using the effective interest rate method.

Operating lease
In the statement of profit or loss, rental income earned under an operating lease is recognised either as cost (leased assets) or income (leased out assets) on a straight-line basis.

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, transhipment 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 method of assessing the use of inventories is based on the first-in first-out principle (FIFO). The FIFO method assumes that the items of inventories that are purchased or produced first are also the first to be sold.

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 the contractual cash flows.

According to the categorisation of the statement of profit or loss laid down by the Companies Act, the recognition and derecognition 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 an 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.

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.

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 revenue 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.

When the duties paid upon the purchase of goods and services are not recoverable, they are recognised as part of the cost of the goods and, as such, charged upon their sale. Sales revenue therefore also comprises excise duties charged when making a sale while at the same time these also form part of the cost of the goods sold.

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 concluded contracts on the sale of merchandise in the name and on behalf of suppliers. Based on these contracts the Group provides goods delivery to customers, receiving in exchange the difference between the final selling price and the cost negotiated in advance.

Assets arising from contracts with customers
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 for recognition of financial assets in Financial assets.

Liabilities arising from contracts with customers
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 satisfied 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.

Non-derivative financial liabilities
Fair value is calculated, for reporting purposes, based on teh present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

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 swaps equals their market price at the reporting date.

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 services 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 31/12/2017 and 31/12/2018 and data derived from the statement of profit or loss for the period January to December 2018. 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

In these financial statements, the Company has applied the accounting policies set out below consistently to all periods other than those relating to standards that entered into force on 1 January 2018 (IFRS 9 and IFRS 15). The Company has been using the accounting policies linked to the two standards since 1 January 2018.

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 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 revenue 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 revenue 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 finance income or expense.

Commodity swaps
When petroleum products and electricity are purchased or sold, mismatches occur between purchase and selling prices that are hedged against using commodity swaps. The fair value of outstanding commodity swaps at the date of the statement of financial position is determined using publicly available information about the market value of commodity swaps 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 finance income or expense.

Interest rate swaps and collars
When petroleum products and electricity are purchased or sold, mismatches occur between purchase and selling prices that are hedged against using commodity swaps.
The fair value of outstanding commodity swaps at the date of the statement of financial position is determined using publicly available information about the market value of commodity swaps 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 finance income or expense.

Commodity forward contracts
In accordance with IFRS 9, certain contracts to buy or sell electricity can be treated as financial instruments and should be accounted for and recognised as required by this standard.

The Company enters into and holds long-term contracts to buy or sell electricity in order to receive or deliver a non-financial asset in accordance with the expected purchase, sale or usage requirement, eliminating the need for them to be carried at fair value under IFRS 9 (IFRS 9 exception).

To determine whether an entity operates in such a way, an assessment of relevant facts and circumstances is required. The main indicators to be considered in the assessment are as follows:
- What is the purpose of buying or selling electricity?
- Do these contracts result in physical delivery?
- Who are the main buyers or contract counterparties?
- How does an entity manage electricity operations?

In the light of the above, the Company treats long-term contracts to buy or sell electricity as normal electricity operations, meaning they do not fall within the scope of IFRS 9.

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.

The fair value reserve comprises the effects of valuing financial assets available for sale at fair value, the effect of the absorption of Instalacija d.o.o. in 2013, and actuarial gains and losses related to the provisions for employee post-employment and other long-term benefits.

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.

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.

Estimated useful lives for the current and comparative years are as follows:

(in %)	2018	2017
Right to use concession infrastructure	2.00–20.00%	2.00–20.00%
Computer software	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.

Estimated useful lives for the current and comparative periods are as follows:

(in %)	2018	2017
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 appropriate.

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. Leased assets

A lease is classified as a finance lease when under the terms of the lease substantially all the risks and rewards of ownership are transferred to the lessee. Other leases are treated as operating leases, in which case the leased assets (the entity acting as a lessee) or non-current financial receivables (the entity acting as a lessor) are not recognised in the Company's statement of financial position.

Finance lease

The Company acts only as a lessor. Amounts due from lessees in a finance lease are treated as receivables and amount to the value of the investment leased out. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the leased out asset.

Operating lease

In the statement of profit or loss, rental income earned under an operating lease is recognised either as cost (leased assets) or income (leased out assets) on a straight-line basis.

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, transhipment 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 method of assessing the use of inventories is based on the first-in first-out principle (FIFO). The FIFO method assumes that the items of inventories that are purchased or produced first are also the first to be sold.

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 the contractual cash flows.

According to the categorisation of the statement of profit or loss laid down by the Companies Act, the recognition and derecognition 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 an 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.

l. 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.

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.

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 revenue 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.

When the duties paid upon the purchase of goods and services are not recoverable, they are recognised as part of the cost of the goods and, as such, charged upon their sale. Sales revenue therefore also comprises excise duties charged when making a sale while at the same time these also form part of the cost of the goods sold.

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 metod, the revenue is recognised in teh 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 Company has concluded contracts on the sale of merchandise in the name and on behalf of suppliers. Based on these contracts the Company provides goods delivery to customers, receiving in exchange the difference between the final selling price and the cost negotiated in advance.

Assets arising from contracts with customers
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 for recognition of financial assets in Financial Instruments – Initial Recognition and Subsequent Measurement.

Liabilities arising from contracts with customers
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.

Non-derivative financial instruments

Fair value is calculated, for reporting purposes, based on teh present value of future principal and interest cash flows, discounted at the market rate of interest at teh end of teh reporting period.

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 swaps equals their market price at the reporting date.

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 31/12/2017 and 31/12/2018 and data derived from the statement of profit or loss for the period January to December 2018. 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.

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 services 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 services 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 electricity from renewable sources.

The Group's operating segments in 2017:

(in EUR)	Sales	Energy and environmental services and production	Total	Statement of profit or loss/Statement of financial position
Sales revenue	4,908,613,429	64,250,525	4,972,863,954	
Revenue from subsidiaries	(474,318,063)	(1,809,541)	(476,127,604)	
Sales revenue	4,434,295,367	62,440,983	4,496,736,350	4,496,736,350
Net profit for the year	80,461,823	667,063	81,128,886	81,128,886
Interest income*	1,818,602	681,307	2,499,909	2,499,909
Interest expense*	(7,660,020)	(2,869,689)	(10,529,709)	(10,529,709)
Depreciation of property, plant and equipment, depreciation of investment property, amortisation of intangible assets	(35,008,608)	(13,653,422)	(48,662,030)	(48,662,030)
Share of profit or loss of equity accounted investees	2,145,353	2,466,834	4,612,187	4,612,187
Total assets	1,404,870,512	251,402,747	1,656,273,259	1,656,273,259
Equity accounted investees	12,355,333	51,844,171	64,199,504	64,199,504
Property, plant and equipment, intangible assets and investment property	633,340,628	190,054,273	823,394,901	823,394,901
Other assets	759,174,551	9,504,303	768,678,854	768,678,854
Current and non-current operating and financial liabilities	739,710,888	132,371,879	872,082,767	872,082,767

* 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 2018:

(in EUR)	Sales	Energy and environmental services and production	Total	Statement of profit or loss/Statement of financial position
Sales revenue	5,874,418,338	68,023,146	5,942,441,484	
Revenue from subsidiaries	(525,423,096)	(73,874)	(525,496,970)	
Sales revenue	5,348,995,242	67,949,272	5,416,944,514	5,416,944,514
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.

Additional information about geographic areas in which the Group operates:

	Sales revenue		Total assets		Net capital expenditure	
(in EUR)	2018	2017	2018	2017	2018	2017
Slovenia	2,739,842,414	2,453,757,251	1,209,353,385	1,159,770,712	68,943,768	52,978,562
Croatia	843,429,737	571,659,858	269,051,694	249,403,969	12,755,774	6,875,124
Bosnia and Herzegovina	247,063,535	215,490,932	82,445,685	78,025,796	812,588	3,509,361
Austria	218,976,148	144,169,999	9,540,835	2,927,796	0	0
Romania	182,062,738	13,480,742	563,628	2,154,176	0	0
Serbia	142,855,609	88,973,045	66,874,977	57,321,234	2,192,108	6,446,825
Montenegro	59,949,038	43,867,926	28,963,227	29,149,588	1,699,604	2,133,767
Macedonia	19,443,439	14,191,793	2,198,566	4,333,216	0	0
Other countries	963,321,856	951,144,804	14,185	9,878	154,554	0
	5,416,944,514	**4,496,736,350**	**1,669,006,182**	**1,583,096,365**	**86,558,396**	**71,943,640**
Jointly controlled entities			1,774,437	1,755,182		
Associates			50,917,836	62,444,322		
Unallocated assets			9,117,237	8,977,390		
Total assets			**1,730,815,692**	**1,656,273,259**		

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

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.d., 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. 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.

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**
Operating liabilities	279,167	279,167
Liabilities	**279,167**	**279,167**
Net assets upon acquisition	**2,525,000**	**826,591**
Net assets upon acquisition of majority interest (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	-

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. 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	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	-

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 company was treated as a subsidiary as at 31 December 2018.

Goodwill arises mainly from the sales network and heat supply contracts concluded with end consumers. 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 2019 based on appropriate appraisals, which will have an impact on the value of goodwill (IFRS 3.45).

In the two months following the companies' acquisition, the resulting revenue of the Group stood at EUR 103,091, with net profit or loss amounting to EUR –10,325. If control had been obtained on 1 January 2018, the Group's revenue would have been EUR 386,995 higher and its net profit EUR 61,815 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	30,560	30,560
Property, plant and equipment	1,842,773	1,842,773
Operating receivables	60,508	60,508
Assets	**1,933,841**	**1,933,841**
Long-term deferred revenue	873,177	873,177
Financial liabilities	254,138	254,138
Operating liabilities	26,739	26,739
Liabilities	**1,154,054**	**1,154,054**
Net assets upon acquisition	**779,787**	**779,787**
Amount paid	1,916,493	-
Goodwill	1,136,706	-
Amount paid	1,916,493	-
Cash and cash equivalents	30,560	-
Net payment	1,885,933	-

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 Ekoen S d.o.o. 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**
Long-term deferred revenue	173,870	173,870
Financial liabilities	143,307	143,307
Operating liabilities	8,965	8,965
Liabilities	**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	-

Zagorski metalac

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 2018.

Goodwill arises mainly from the sales network and gas sales contracts concluded with end consumers. 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 2019 based on appropriate appraisals, which will have an impact on the value of goodwill (IFRS 3.45).

The acquisition of the controlling interest in Zagorski metalac 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 6,979,216 higher and its net profit EUR 1,078,822 higher.

The company's statement of financial position as at the day Petrol d.d. Ljubljana, d.o.o. acquired controlling influence is as follows:

(in EUR)	Fair value	Carrying amount
Cash and cash equivalents	4,148,184	4,148,184
Intangible assets	2,577	2,577
Property, plant and equipment	5,652,757	5,652,757
Inventories	79,107	79,107
Operating receivables	1,318,802	1,318,802
Assets	**11,201,427**	**11,201,427**
Long-term deferred revenue	2,726,116	2,726,116
Deferred tax liabilities	77,266	77,266
Operating liabilities	1,292,440	1,292,440
Liabilities	**4,095,822**	**4,095,822**
Net assets upon acquisition	**7,105,605**	**7,105,605**
Net assets upon acquisition of majority interest (74 %)	**5,287,657**	**5,287,657**
Amount paid	9,419,071	-
Liabilities arising from interests acquired	810,000	-
Goodwill	4,941,414	-
Amount paid	9,419,071	-
Cash and cash equivalents	4,148,184	-
Net payment	5,270,887	-

6.2 Changes within the Group

In July 2018, Petrol d.d., Ljubljana, established the company Petrol GEO d.o.o. with a nominal capital of EUR 7,500, transferring to it the activities of Petrol Geoterm, d.o.o. related to drilling, design engineering and extraction of hydrocarbons on 30 September 2018. On the day of the transfer, total transferred assets stood at EUR 2,472,571 and total liabilities at EUR 834,574. The value of transferred net assets totalled EUR 1,637,288 on the day of the transfer.

In December 2018, the company Petrol Geoterm d.o.o. was merged into Petrol d.d., Ljubljana, effective 30 September 2018. 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 3,434,349 and the investment of EUR 1,968,928 was recognised in revenue reserves at EUR 1,465,421. Petrol Geoterm d.o.o. was struck off the Companies Register on 17 December 2018.

In May 2018, Petrol Energetika d.o.o. was merged into Petrol d.d., Ljubljana, effective 1 January 2018. 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 June 2018, Megaenergija d.o.o. was merged into Petrol d.d., Ljubljana, effective 1 January 2018. 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 2,977,178 and the investment of EUR 3,292,949 was recognised as a decrease in revenue reserves. Megaenergija d.o.o. was struck off the Companies Register on 1 June 2018.

Rodgas a.d. was merged into the company Beogas a.d. 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.

Ekopur d.o.o. was liquidated in 2018 and struck off the Companies Register on 13 December 2018. Its assets of EUR 11,963,737 were transferred to Petrol d.d., Ljubljana.

Petrol d.o.o., Zagreb established the subsidiary Petrol javna rasvjeta d.o.o. and a jointly controlled entity Vjetroelektrana Ljubač d.o.o.

The Petrol Group disposed of its interest in GEN-EL naložbe d.o.o. in 2018. The effects arising from the disposal of the investment are disclosed in Note 6.20.

6.3 Revenue

Sales revenue by type of goods

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Revenue from the sale of merchandise	5,303,295,375	4,384,888,532	4,154,132,307	3,671,835,944
- of which excise duty	1,127,478,553	1,109,803,201	752,544,178	771,700,375
Revenue from the sale of services	113,312,010	111,546,532	97,040,334	66,567,650
Revenue from the sale of products	337,129	301,286	0	0
Total revenue	**5,416,944,514**	**4,496,736,350**	**4,251,172,641**	**3,738,403,594**

Sales revenue by sales market

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Domestic sales revenue	2,739,842,414	2,453,757,251	2,593,953,383	2,383,118,589
- of which excise duty	752,505,234	771,654,505	752,544,178	771,700,375
EU market sales revenue	2,040,644,988	1,589,806,089	1,408,306,558	1,215,154,078
- of which excise duty	216,218,202	217,308,371	0	0
Non-EU market sales revenue	636,457,112	453,173,010	248,912,699	140,130,927
- of which excise duty	158,755,117	120,840,325	0	0
Total revenue	**5,416,944,514**	**4,496,736,350**	**4,251,172,641**	**3,738,403,594**

Sales revenue by operating segment

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Sales revenue	5,348,995,242	4,434,295,367	4,199,389,125	3,709,350,034
Energy and environmental services and production	67,949,272	62,440,983	51,783,516	29,053,560
Total revenue	**5,416,944,514**	**4,496,736,350**	**4,251,172,641**	**3,738,403,594**

The Group's/Company's sales revenue includes rental income. In 2018 the Group generated EUR 3,807,638 in rental income and the Company EUR 3,067,433.

Other revenue

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Compensation, litigation proceeds and contractual penalties received	1,389,099	410,647	569,193	323,233
Utilisation of environmental provisions	617,435	1,243,669	617,435	1,238,461
Gain on disposal of fixed assets	438,380	1,253,518	392,862	641,986
Compensation received from insurance companies	292,241	93,302	204,262	35,562
Payment of court fees	120,695	105,486	106,147	91,730
Reversal of accrued costs, expenses	21,061	237,691	5,042	149,717
Other revenue	7,549,024	1,511,272	1,130,365	1,058,797
Total other revenue	**10,427,935**	**4,855,585**	**3,025,306**	**3,539,486**

6.4 Costs of materials

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Costs of energy	20,046,059	19,655,788	17,527,828	9,738,462
Costs of consumables	8,817,028	7,831,682	6,659,821	5,782,735
Write-off of small tools	359,842	304,737	120,258	70,916
Other costs of materials	883,268	588,718	598,927	370,925
Total costs of materials	**30,106,197**	**28,380,925**	**24,906,834**	**15,963,038**

6.5 Costs of services

(in EUR)	The Petrol Group 2018	The Petrol Group 2017	Petrol d.d. 2018	Petrol d.d. 2017
Costs of service station managers	34,710,357	32,861,256	34,710,357	32,861,256
Costs of transport services	31,784,893	29,693,607	27,077,840	25,428,447
Costs of fixed-asset maintenance services	18,282,837	15,101,543	14,277,936	10,387,134
Lease payments	15,383,266	15,827,847	9,025,447	8,604,888
Costs of professional services	10,376,630	8,452,404	9,552,858	8,161,537
Costs of payment transactions and bank services	9,502,808	7,498,749	7,172,526	5,493,391
Costs of fairs, advertising and entertainment	7,132,065	6,096,586	4,789,427	4,528,640
Contributions for operations at motorway service areas	1,884,268	1,313,640	692,397	114,110
Costs of insurance premiums	4,134,182	3,713,072	2,668,598	2,416,674
Outsourcing costs	2,660,406	1,884,639	2,380,737	821,785
Costs of fire protection and physical and technical security	1,796,829	1,809,440	1,543,289	1,458,033
Costs of environmental protection services	1,753,332	1,243,788	928,059	683,934
Property management	1,555,563	1,352,237	1,452,836	1,214,559
Reimbursement of work-related costs to employees	1,238,266	1,078,309	796,979	628,225
Concession charges	1,038,799	962,558	720,612	620,335
Membership fees	577,144	362,382	256,438	248,146
Other costs of services	4,898,802	6,430,980	3,161,078	5,012,483
Total costs of services	**148,710,447**	**135,683,037**	**121,207,414**	**108,683,577**

The Petrol Group

The costs of professional services include the cost of services performed by the auditors of the annual report of EUR 146,865 (2017: EUR 159,591). Auditing services comprise the fee for the auditing of the annual report of EUR 143,641 (2017: EUR 144,645). Other, non-auditing services stood at EUR 3,224 in 2018 (2017: EUR 15,346).

Petrol d.d., Ljubljana

The costs of professional services include the cost of services performed by the auditors of the annual report of EUR 56,850 (2017: EUR 51,000). Auditing services comprise the fee for the auditing of the annual report of EUR 56,100 (2017: EUR 50,250). Other, non-auditing services stood at EUR 750 in 2018 (2017: EUR 750).

6.6 Labour costs

(in EUR)	The Petrol Group 2018	The Petrol Group 2017	Petrol d.d. 2018	Petrol d.d. 2017
Salaries	67,985,127	56,749,093	50,210,008	39,425,238
Costs of other social insurance	6,096,083	5,175,251	3,674,784	2,925,498
Costs of pension insurance	5,651,575	4,983,918	4,568,125	3,852,869
Transport allowance	2,976,229	2,596,653	1,904,293	1,559,510
Annual leave allowance	2,531,889	2,062,790	2,034,309	1,520,623
Meal allowance	2,402,106	2,060,445	1,895,235	1,494,913
Supplementary pension insurance	1,265,832	1,064,800	1,204,621	970,779
Other allowances and reimbursements	2,306,442	2,202,062	1,233,767	1,355,418
Total labour costs	**91,215,283**	**76,895,012**	**66,725,142**	**53,104,848**

Number of employees by formal education level as at 31 December 2017

	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	8	1	9	2	1	3
Level II	35	16	51	20	16	36
Level III	122	7	129	6	7	13
Level IV	723	337	1,060	224	337	561
Level V	1,355	703	2,058	639	703	1,342
Level VI	235	68	303	128	68	196
Level VII	664	65	729	449	65	514
Level VII/2	142	14	156	133	14	147
Level VIII	13	0	13	7	0	7
Total	**3,297**	**1,211**	**4,508**	**1,608**	**1,211**	**2,819**

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**

On average, the Group and the Company had 4,693 and 1,831 employees in 2018, respectively (2017: 4,337 and 1,525).

6.7 Depreciation and amortisation

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Amortisation of intangible assests	9,166,841	7,478,062	8,137,856	6,417,333
Depreciation of property, plant and equipment	42,422,557	40,082,024	28,401,274	24,670,082
Depreciation of investment property	1,123,688	1,101,944	1,087,614	1,059,505
Total depreciation and amortisation	**52,713,086**	**48,662,030**	**37,626,744**	**32,146,920**

6.8 Other costs

(in EUR)	The Petrol Group		Petrol d.d.	
	2018	2017	2018	2017
Impairment/write-down of assets	3,544,308	14,514,638	907,060	7,507,083
Environmental charges and charges unrelated to operations	3,026,948	573,549	1,688,729	120,310
Sponsorships and donations	2,472,631	2,066,185	2,364,359	1,930,672
Loss on sale/disposal of property, plant and equipment	1,024,358	697,218	862,952	321,129
Increase in other provisions	629,333	9,886,238	584,593	9,895,075
Other costs	6,529,632	7,438,989	765,807	820,247
Total other costs	**17,227,210**	**35,176,817**	**7,173,500**	**20,594,516**

6.9 Other expenses

Other expenses relate mostly to complaints, duties and other expenses.

6.10 Interests and dividends

Shares of profit or loss of equity accounted investees of the Petrol Group

(in EUR)	The Petrol Group	
	2018	2017
Geoplin d.o.o.	0	3,575,589
Plinhold d.o.o.	920,654	0
Aquasystems d.o.o.	745,085	807,431
Total profit of associates	**1,665,739**	**4,383,020**
Soenergetika d.o.o.	165,995	154,289
Geoenergo d.o.o.	112,043	74,878
Total profit of jointly controlled entities	**278,038**	**229,167**
Total finance income from interests	**1,943,777**	**4,612,187**

Finance income from dividends of subsidiaries, associates and jointly controlled entities of Petrol d.d., Ljubljana

(in EUR)	Petrol d.d.	
	2018	2017
IGES d.o.o.	30,243,516	0
Geoplin d.o.o. Ljubljana	1,683,551	0
Petrol Trade Handelsgesellschaft m.b.H.	31,711	186,935
Cypet Oils Ltd.	0	60,595
Total subsidiaries	**31,958,778**	**247,530**
Plinhold d.o.o.	836,438	1,299,669
Aquasystems d.o.o.	801,029	740,451
Geoplin d.o.o. Ljubljana	0	866,446
Total associates	**1,637,467**	**2,906,566**
Geoenergo d.o.o.	211,753	0
Soenergetika d.o.o.	175,901	150,000
Total jointly controlled entities	**387,654**	**150,000**
Total finance income from interests	**33,983,899**	**3,304,096**

6.11 Other finance income and expenses

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Foreign exchange differences	13,665,660	15,853,617	9,666,578	10,859,491
Gain on derivatives	62,373,049	21,811,693	62,953,784	22,987,079
Interest income	3,993,939	3,372,217	3,216,488	3,314,039
Derecognition of loss allowances for receivables and bad debt recovered	696,289	1,773,881	454,208	17,629
Other finance income	1,026,778	1,238,108	657,239	8,292,324
Total other finance income	**81,755,715**	**44,049,516**	**76,948,297**	**45,470,562**
Foreign exchange differences	(14,774,115)	(10,014,565)	(11,217,456)	(5,406,051)
Loss on derivatives	(54,158,698)	(27,085,269)	(54,433,115)	(27,258,209)
Interest expense	(10,010,313)	(13,766,605)	(10,160,525)	(13,800,454)
Loss allowance for operating receivables	(5,875,865)	(6,704,419)	(3,372,343)	(4,839,262)
Loss allowance for financial receivables	(259,996)	(155,000)	(258,893)	(2,227,706)
Impairment of investments and of goodwill	(4,383,514)	(2,058,886)	(7,357,864)	(4,858,281)
Other finance expenses	(2,054,195)	(1,530,117)	(1,414,984)	(1,454,003)
Total other finance expenses	**(91,516,696)**	**(61,314,861)**	**(88,215,179)**	**(59,843,966)**
Net finance expense	**(9,760,981)**	**(17,265,345)**	**(11,266,882)**	**(14,373,404)**

6.12 Corporate income tax

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Tax expense	(22,068,851)	(13,194,628)	(16,723,150)	(9,043,911)
Deferred tax	2,318,734	(5,199,352)	608,146	(5,977,156)
Taxes	**(19,750,117)**	**(18,393,980)**	**(16,115,004)**	**(15,021,067)**

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Profit before tax	111,587,225	99,522,866	116,707,239	79,294,064
Tax at effective tax rate	21,201,573	18,909,345	22,174,375	15,065,872
Tax effect of untaxed revenue	(7,972,379)	(9,295,549)	(7,815,339)	(9,170,658)
Tax effect of expenses not deducted on tax assessment	7,242,783	9,447,702	1,755,967	9,125,853
Effect of higher/lower tax rates for companies abroad	(721,860)	(667,518)	0	0
Taxes	**19,750,117**	**18,393,980**	**16,115,004**	**15,021,067**
Effective tax rate	17.70%	18.48%	13.81%	18.94%

The Group had EUR 331,528 (2017: EUR 108,824) and EUR 8,873,559 (2017: EUR 3,460,394) in corporate income tax assets and liabilities, respectively, as at 31 December 2018. 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 2018 (2017: 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 1 January 2017	**11,145**	**1,030,568**	**4,805,438**	**83,931**	**6,753,300**	**390,223**	**13,074,605**
(Charged)/credited to the statement of profit or loss	236,064	60,704	471,629	(947)	(6,190,487)	191,562	(5,231,475)
(Charged)/credited to other comprehensive income	(8,878)	0	0	0	0	0	(8,878)
New acquisitions as a result of control obtained	63,495	2,253,674	450,764	0	0	6,077	2,774,010
Foreign exchange differences	(61)	708	5,954	3	3,098	15,375	25,077
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**

Deferred tax liabilities

(in EUR)	Investments	Fixed assets	Other	Total
As at 1 January 2017	**61,412**	**5,257,523**	**2,290**	**5,321,226**
Charged/(credited) to the statement of profit or loss	0	(29,791)	(2,332)	(32,123)
Charged to other comprehensive income	(52,588)	0	0	(52,588)
New acquisitions as a result of control obtained	121,963	19,895	0	141,858
Foreign exchange differences	141	77,966	42	78,149
As at 31 December 2017	**130,928**	**5,325,593**	**0**	**5,456,521**
Netting				(1,655,949)
Total net liabilities as at 31 December 2017				**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**

Changes in deferred taxes of Petrol d.d., Ljubljana

Deferred tax assets

(in EUR)	Investments	Provisions	Loss allowance for receivables	Tax loss	Other	Total
As at 1 January 2017	**0**	**937,504**	**4,174,476**	**6,652,044**	**132,510**	**11,896,534**
New acquisitions as a result of merger by absorption	247,209	56,810	463,603	(6,652,044)	(92,734)	(5,977,156)
(Charged)/credited to the statement of profit or loss	10,211	0	0	0	0	10,211
As at 31 December 2017	**257,420**	**994,314**	**4,638,079**	**0**	**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	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	0	4,993	273,897
(Charged)/credited to the statement of profit or loss	79,433	10,643	407,599	0	110,471	608,146
(Charged)/credited to other comprehensive income	135,475	0	0	0	0	135,475
As at 31 December 2018	**472,328**	**1,039,740**	**5,364,524**	**0**	**155,240**	**7,031,832**
Netting						(461,256)
Total net receivables as at 31 December 2018						**6,570,576**

Deferred tax liabilities

	Fixed assets	Total
As at 1 January 2017	**461,256**	**461,256**
As at 31 December 2017	**461,256**	**461,256**
Netting		(461,256)
Total net liabilities as at 31 December 2017		**0**
As at 31 December 2018	**461,256**	**461,256**
Netting		(461,256)
Total net liabilities as at 31 December 2018		**0**

6.13 Earnings per share

	The Petrol Group		Petrol d.d.	
	2018	2017	2018	2017
Net profit (in EUR)	91,837,108	81,128,886	100,592,235	64,272,996
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	24,703	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)	**44.68**	**39.47**	**48.79**	**31.18**

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 901,261 (in 2017: decrease of EUR 72,948) and also by the deferred tax effect of EUR 191,903 (in 2017: EUR 8,878). The change relates to interest rate swap hedging and decreases the hedging reserve.

Unrealised actuarial gains and losses relate to provisions for post-employment benefits on retirement.

Petrol d.d., Ljubljana

The effective portion of changes in the fair value of the cash flow variability hedging instrument decreased by EUR 587,772 (in 2017: decrease of EUR 178,998) and also by the deferred tax effect of EUR 135,475 (in 2017: EUR 10,211).

The effects arising from mergers by absorption increased by EUR 32,338,709 as a result of the absorption of subsidiaries and are disclosed in Note 6.2.

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)	Software	Right to use concession infrastructure	Goodwill	Ongoing investments	Long-term deferred expenses	Total
Cost						
As at 1 January 2017	**19,571,272**	**104,067,778**	**106,509,484**	**1,269,770**	**0**	**231,418,304**
New acquisitions as a result of control obtained	0	1,127,549	342,881	23,324	0	1,493,754
New acquisitions	0	0	0	13,561,469	0	13,561,469
Disposals	(196,612)	(47,479)	0	(123,851)	0	(367,942)
Impairments	(1,670,629)	0	(1,195,689)	0	0	(2,866,318)
Transfer from ongoing investments	9,037,271	682,255	0	(9,719,526)	0	0
Foreign exchange differences	5,090	108,211	225,405	3,326	0	342,032
As at 31 December 2017	**26,746,392**	**105,938,314**	**105,882,081**	**5,014,512**	**0**	**243,581,299**
Accumulated amortisation						
As at 1 January 2017	**(12,253,666)**	**(37,971,966)**	**0**	**0**	**0**	**(50,225,632)**
New acquisitions as a result of control obtained	0	(822,653)	0	0	0	(822,653)
Amortisation	(3,292,982)	(4,185,080)	0	0	0	(7,478,062)
Disposals	195,907	14,683	0	0	0	210,590
Impairments	960,829	0	0	0	0	960,829
Foreign exchange differences	(3,632)	(37,690)	0	0	0	(41,322)
As at 31 December 2017	**(14,393,544)**	**(43,002,706)**	**0**	**0**	**0**	**(57,396,250)**
Net carrying amount as at 1 January 2017	**7,317,606**	**66,095,812**	**106,509,484**	**1,269,770**	**0**	**181,192,672**
Net carrying amount as at 31 December 2017	**12,352,848**	**62,935,608**	**105,882,081**	**5,014,512**	**0**	**186,185,049**

(in EUR)	Software	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**

All intangible assets presented herein are owned by the Group and are unpledged.

8 percent of all intangible assets in use on 31 December 2018 were fully amortised (as compared to 8 percent as at 31 December 2017).

The Group's intangible fixed assets as at 31 December 2018 were tested for impairment and it was determined that there is a need to impair the value of goodwill by EUR 3,976,364.

Goodwill

Goodwill structure presented by business combination from which it originates is as follows:

(in EUR)	The Petrol Group	
	31 December 2018	31 December 2017
Instalacija d.o.o., Koper[1]	85,266,022	85,266,022
Euro-Petrol d.o.o.[2]	12,843,288	12,790,662
Zagorski metalac d.o.o.	4,941,414	0
EL-TEC Mulej d.o.o.[3]	2,446,496	3,872,135
Ekoen d.o.o.	1,136,706	0
Petrol-Jadranplin d.o.o. [5]	759,847	756,734
Vjetroelektrane Glunča d.o.o.	364,114	362,622
Petrol-Butan d.o.o. [6]	284,346	283,181
Petrol Bonus d.o.o. [4]	0	2,550,725
Total goodwill	**108,042,233**	**105,882,081**

[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 Bonus d.o.o. was renamed Petrol Crna gora MNE d.o.o.
[5] Petrol-Jadranplin d.o.o. was renamed Petrol Plin d.o.o.
[6] Petrol-Butan d.o.o. was merged into Petrol Plin d.o.o. in 2012.

Goodwill as at 31 December 2018 was tested for impairment and it was determined that there is a need to impair the goodwill of EL-TEC Mulej d.o.o. by EUR 1,425,629 and the goodwill of Petrol Crna Gora MNE d.o.o. by EUR 2,550,725.

The goodwill of EL-TEC Mulej d.o.o. was tested for impairment using a free cash flow projection for the period of 15 years and the required rate of return of 9.42 percent. The cash flow projection period corresponds to the life of existing energy facilities under management.

The goodwill of Petrol Crna Gora MNE d.o.o. was tested for impairment using the free cash flow projection for the period of 10 years and normalised cash flow after that period. The required rate of return used in the calculation was 12.45 percent.

The goodwill of EL-TEC Mulej d.o.o. and Petrol Crna Gora MNE d.o.o. was not impaired in 2017. Other changes in goodwill are the result of the adjustment of foreign exchange differences of EUR 58,396 (2017: EUR 225,405).

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., EL-TEC Mulej d.o.o. and Petrol Bonus 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 (for Euro – Petrol d.o.o., 5-year financial plans of the cash-generating unit were used; for Petrol Bonus d.o.o., 10-year financial plans of the cash-generating unit were used; for EL-TEC Mulej, 14-year financial plans of the cash-generating unit were used; for Vjetroelektrana Glunča, 22-year financial plans of the cash-generating unit were used; and for other companies, 5 to 6-year financial plans of the cash-generating unit were used). The assumptions used in the calculation of net cash flows are based on the companies' past operations and reasonably expected operations in the future. Valuation techniques take into account the required rates of return before taxes ranging from 10.95 to 12.45 percent (2017: from 8.16 to 12 percent). The goodwill of Instalacija d.o.o. was tested for impairment using the required rate of return before taxes of 7.45 percent (2017: 8.16 percent), whereas in the case of Euro-Petrol d.o.o. the rate was 9.42 percent (2017: 11 percent). The annual growth rate of remaining free cash flows (the residual value) applicable to all goodwill ranged from 0 to 2 percent (2017: 0 to 2 percent).

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, except for the goodwill of EL-TEC Mulej d.o.o. and Petrol Crna Gora MNE d.o.o.

Overview of acquisitions resulting from a takeover of/control obtained over companies in 2018

(in EUR)	Software	Right to use concession infrastructure	Goodwill	Long-term deferred expenses	Total
MBILLS d.o.o.	1,290,791	308,929	0	0	1,599,720
Megaenergija d.o.o.	0	0	0	1,115	1,115
Zagorski metalac d.o.o.	2,577	0	4,941,414	0	4,943,991
Ekoen d.o.o.	0	0	1,136,706	0	1,136,706
New acquistions as a result of control obtained	**1,293,368**	**308,929**	**6,078,120**	**1,115**	**7,681,532**

Overview of items exceeding 5 percent of net carrying amount as at 31 December 2018 (in EUR)

	The Petrol Group	
	31 December 2018	31 December 2017
Right to use natural gas distribution infrastructure in the municipality of Domžale	7,994,142	8,541,038
Right to use natural gas distribution infrastructure in the municipality of Slovenske Konjice	4,207,202	4,363,036
Right to use natural gas distribution infrastructure in the municipality of Slovenska Bistrica	3,050,740	3,231,446
Right to use wastewater treatment infrastructure in the municipality of Škofja Loka	2,961,100	2,566,659

Intangible assets of Petrol d.d., Ljubljana

(in EUR)	Software	Right to use concession infrastructure	Goodwill	Ongoing investments	Long-term deferred expenses	Total
Cost						
As at 1 January 2017	**18,958,933**	**81,374,985**	**89,138,157**	**1,073,527**	**0**	**190,545,602**
New acquisitions	0	0	0	12,949,599	0	12,949,599
Disposals	(123,643)	(2,021)	0	(123,851)	0	(249,515)
Impairments	(1,670,629)	0	0	0	0	(1,670,629)
Transfer from ongoing investments	8,848,968	371,760	0	(9,220,728)	0	0
As at 31 December 2017	**26,013,629**	**81,744,724**	**89,138,157**	**4,678,547**	**0**	**201,575,057**
Accumulated amortisation						
As at 1 January 2017	**(11,952,027)**	**(30,598,286)**	**0**	**0**	**0**	**(42,550,313)**
Amortisation	(3,190,007)	(3,227,326)	0	0	0	(6,417,333)
Disposals	123,643	2,021	0	0	0	125,664
Impairments	960,828	0	0	0	0	960,828
As at 31 December 2017	**(14,057,563)**	**(33,823,591)**	**0**	**0**	**0**	**(47,881,154)**
Net carrying amount as at 1 January 2017	**7,006,906**	**50,776,699**	**89,138,157**	**1,073,527**	**0**	**147,995,289**
Net carrying amount as at 31 December 2017	**11,956,066**	**47,921,133**	**89,138,157**	**4,678,547**	**0**	**153,693,903**

(in EUR)	Software	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**

All intangible assets presented herein are owned by the Company and are unpledged.

6 percent of all intangible assets in use on 31 December 2018 were fully amortised (as compared to 6 percent as at 31 December 2017).

Intangible fixed assets as at 31 December 2018 were tested for impairment and it was determined that there is a need to impair the value of goodwill by EUR 1,425,639.

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 2018. As explained in the disclosure relating to the Group, it was impaired by EUR 1,425,639.

Overview of items exceeding 5 percent of net carrying amount as at 31 December 2018 (in EUR)

	Petrol d.d.	
	31 December 2018	31 December 2017
Right to use natural gas distribution infrastructure in the municipality of Domžale	7,994,142	8,541,038
Right to use natural gas distribution infrastructure in the municipality of Slovenske Konjice	4,207,202	4,363,036
Right to use natural gas distribution infrastructure in the municipality of Slovenska Bistrica	3,050,740	3,231,446
Right to use wastewater treatment infrastructure in the municipality of Škofja Loka	2,961,100	2,566,659

6.16 Property, plant and equipment

Property, plant and equipment of the Petrol Group

(in EUR)	Land	Buildings	Plant	Equipment	Ongoing investments	Total
Cost						
As at 1 January 2017	**210,223,392**	**630,442,717**	**35,094,760**	**189,822,550**	**42,083,400**	**1,107,666,819**
New acquisitions as a result of control obtained	754,514	2,619,438	0	4,980,777	16,771	8,371,500
New acquisitions	0	0	0	0	61,089,116	61,089,116
Disposals	(1,719,881)	(1,191,369)	(834,102)	(7,549,210)	(47,300)	(11,341,862)
Impairments	(2,837,051)	(13,966,884)	0	(1,089,784)	0	(17,893,719)
Transfer from ongoing investments	3,781,029	18,967,588	2,194,909	43,883,084	(68,826,610)	0
Transfer to investment property	(13,479)	(2,675,719)	0	0	0	(2,689,198)
Transfer from investment property	796,897	2,613,450	0	0	0	3,410,347
Foreign exchange differences	1,394,791	3,065,096	1,571	801,000	427,639	5,690,097
As at 31 December 2017	**212,380,212**	**639,874,317**	**36,457,138**	**230,848,417**	**34,743,016**	**1,154,303,100**
Accumulated depreciation						
As at 1 January 2017	**0**	**(358,316,182)**	**(18,582,112)**	**(124,830,764)**	**0**	**(501,729,058)**
New acquisitions as a result of control obtained	0	(1,354,632)	0	(1,816,745)	0	(3,171,377)
Depreciation	0	(22,393,015)	(1,869,043)	(15,819,966)	0	(40,082,024)
Disposals	0	876,356	834,226	7,067,379	0	8,777,961
Impairments	0	4,057,137	0	95,148	0	4,152,285
Transfer to investment property	0	966,066	0	0	0	966,066
Transfer from investment property	0	(1,307,980)	0	0	0	(1,307,980)
Foreign exchange differences	0	(1,012,240)	(1,460)	(435,765)	0	(1,449,465)
As at 31 December 2017	**0**	**(378,484,490)**	**(19,618,389)**	**(135,740,713)**	**0**	**(533,843,592)**
Net carrying amount as at 1 January 2017	**210,223,392**	**272,126,535**	**16,512,648**	**64,991,786**	**42,083,400**	**605,937,761**
Net carrying amount as at 31 December 2017	**212,380,212**	**261,389,827**	**16,838,749**	**95,107,704**	**34,743,016**	**620,459,508**

(in EUR)	Land	Buildings	Plant	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**

52 percent of all items of property, plant and equipment in use on 31 December 2018 were fully depreciated (as compared to 51 percent as at 31 December 2017).

Items of property, plant and equipment pledged as security

The present value of equipment pledged as security and acquired by the Group when it purchased Geoplin d.o.o. Ljubljana totalled EUR 1,006,028 as at 31 December 2018 (2017: EUR 1,160,637).

Assets held under finance lease

None of the Group's assets are held under finance lease.

When testing asset impairment indicators, the Group determined that the carrying amount of certain plots of land and ongoing investments exceeded the fair value and value in use of these assets. Therefore, the Group impaired the value of land and ongoing investments as at 31 December 2018 by EUR 1,416,918, based on independent appraisals and internal assessments.

To assess the value of property, plant and equipment, the Group applied the model of comparable market prices less costs to sell and the income method, impairing land by EUR 1,377,247 and ongoing investments by EUR 39,671, based on independent appraisals and internal assessments.

Overview of acquisitions resulting from a takeover of/control obtained over companies in 2018

(in EUR)	Land	Buildings	Plant	Equipment	Ongoing investments	Total
MBILLS d.o.o.	0	0	0	26,515	0	26,515
Megaenergija d.o.o.	0	0	968,467	1,308,438	0	2,276,905
The Ekoen Group	37,055	975,884	829,761	73	0	1,842,773
Ekoen S d.o.o.	0	104,782	258,759	0	0	363,541
Zagorski metalac d.o.o.	110,352	5,131,320	4,696	10,556	395,833	5,652,757
New acquistions as a result of control obtained	**147,407**	**6,211,986**	**2,061,683**	**1,345,582**	**395,833**	**10,162,491**

Overview of groups of investments in property, plant and equipment in 2018 including investments in excess of EUR 1,200,000

(in EUR)	2018
Energy management in buildings	15,486,469
Acquisition nad construction of service stations	10,232,103
Purchase of software	3,414,193
Purchase of hardware	1,797,860
Heat and power cogeneration unit (Ravne)	1,478,360
Lendava petroleum product storage facility - laying of pipeline	1,282,787

Property, plant and equipment of Petrol d.d., Ljubljana

(in EUR)	Land	Buildings	Equipment	Ongoing investments	Total
Cost					
As at 1 January 2017	**106,043,536**	**476,160,386**	**171,338,303**	**9,594,422**	**763,136,648**
New acquisitions	0	0	0	39,203,209	39,203,209
Disposals	(1,424,886)	(769,127)	(6,398,655)	(47,300)	(8,639,968)
Impairments	(1,944,399)	(7,799,767)	(1,089,784)	0	(10,833,950)
Transfer from ongoing investments	892,818	12,360,119	12,390,960	(25,643,897)	0
Transfer to investment property	(392)	(2,708,058)	0	0	(2,708,450)
Transfer from investment property	703,842	2,443,162	0	0	3,147,004
As at 31 December 2017	**104,270,519**	**479,686,715**	**176,240,824**	**23,106,434**	**783,304,492**
Accumulated depreciation					
As at 1 January 2017	**0**	**(334,960,876)**	**(121,371,254)**	**0**	**(456,332,130)**
Depreciation	0	(14,727,585)	(9,942,497)	0	(24,670,082)
Disposals	0	607,640	6,083,960	0	6,691,600
Impairments	0	3,902,265	95,148	0	3,997,413
Transfer to investment property	0	974,167	0	0	974,167
Transfer from investment property	0	(1,307,980)	0	0	(1,307,980)
As at 31 December 2017	**0**	**(345,512,369)**	**(125,134,643)**	**0**	**(470,647,012)**
Net carrying amount as at 1 January 2017	**106,043,536**	**141,199,510**	**49,967,049**	**9,594,422**	**306,804,517**
Net carrying amount as at 31 December 2017	**104,270,519**	**134,174,346**	**51,106,181**	**23,106,434**	**312,657,480**

(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**

34 percent of all items of property, plant and equipment in use on 31 December 2018 were fully depreciated (as compared to 35 percent as at 31 December 2017).

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 the carrying amount of certain plots of land exceeded the fair value and value in use of these assets. Therefore, the Company impaired the value of land as at 31 December 2018 by EUR 384,488, based on independent appraisals. To assess the value of land, the Company applied the method of comparable market prices less costs to sell.

Overview of groups of investments in property, plant and equipment in 2018 including investments in excess of EUR 1,200,000

(in EUR)	2018
Energy management in buildings	15,486,469
Acquisition and construction of service stations	5,740,359
Purchase of software	3,414,193
Purchase of hardware	1,797,860
Heat and power cogeneration unit (Ravne)	1,478,360
Lendava petroleum product storage facility - laying of pipeline	1,282,787

6.17 Investment property

Investment property comprises buildings (storage facilities, car washes, bars) being leased out by the Group/Company.

	The Petrol Group	Petrol d.d.
(in EUR)	Investment Property	Investment Property
Cost		
As at 1 January 2017	**35,031,189**	**33,764,980**
Transfer to property, plant and equipment	(3,410,347)	(3,147,004)
Transfer from property, plant and equipment	2,689,198	2,708,450
As at 31 December 2017	**34,310,040**	**33,326,426**
Accumulated depreciation		
As at 1 January 2017	**(16,799,666)**	**(16,389,648)**
Depreciation	(1,101,944)	(1,059,505)
Transfer to property, plant and equipment	1,307,980	1,307,980
Transfer from property, plant and equipment	(966,066)	(974,167)
As at 31 December 2017	**(17,559,696)**	**(17,115,340)**
Net carrying amount as at 1 January 2017	**18,231,523**	**17,375,331**
Net carrying amount as at 31 December 2017	**16,750,344**	**16,211,085**

	The Petrol Group	Petrol d.d.
(in EUR)	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**

The Petrol Group

In 2018 revenue generated by the Group from investment property totalled EUR 3,180,683 (2017: EUR 3,039,719). According to the Group's estimates, the fair value of investment property stood at EUR 27,335,567 as at 31 December 2018 (EUR 26,148,204 as at 31 December 2017). 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 (2017: 0.05 percent) and 9.04 percent (2017: 9.05 percent), respectively.

Petrol d.d., Ljubljana

In 2018 revenue generated by the Company from investment property totalled EUR 3,067,433 (2017: EUR 2,924,714). According to the Company's estimates, the fair value of investment property stood at EUR 26,534,494 as at 31 December 2018 (EUR 25,299,921 as at 31 December 2017). 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 (2017: 0.05 percent) and 8.95 percent (2017: 8.95 percent), respectively.

6.18 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 2018

The directly owned subsidiaries of Petrol d.d., Ljubljana, are as follows:

Name of subsidiary	Address of subsidiary	Ownership interest	Equity as at 31/12/2018 (in EUR)	Net profit or loss for 2018 (in EUR)
Slovenia				
IGES d.o.o.	Dunajska cesta 50, Ljubljana, Slovenia	100%	15,774,400	333,837
Petrol Skladiščenje d.o.o.	Zaloška 259, Ljubljana - Polje, Slovenia	100%	817,002	(293)
Petrol GEO d.o.o.	Mlinska ulica 5D, Lendava, Slovenia	100%	1,646,643	182,684
Ekoen d.o.o.	Luče 117A, Luče, Slovenia	100%	777,551	(3,852)
Ekoen S d.o.o.	Ljubljanska cesta 35, Domžale, Slovenia	100%	3,323	0
MBILLS d.o.o.	Tržaška cesta 118, Ljubljana, Slovenia	76%	1,673,841	(1,152,750)
Geoplin d.o.o. Ljubljana[1]	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	74%	119,713,920	1,642,033
Croatia				
Petrol d.o.o.	Oreškovićeva 6H, Zagreb, Croatia	100%	140,127,605	9,882,627
Vjetroelektrane Glunča d.o.o.	Krapanjska cesta 8, Šibenik, Croatia	100%	8,309,059	1,311,822
Zagorski Metalac d.o.o.[1]	Celine 2, Zabok, Croatia	56%	7,105,606	0
Serbia				
Petrol d.o.o. Beograd	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	100%	27,451,912	568,389
Beogas Invest d.o.o. Beograd	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	100%	7,127,826	(6,153)
Petrol LPG d.o.o.	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	51%	7,284,940	1,531,661
Montenegro				
Petrol Crna Gora MNE d.o.o.	Josipa Broza Tita 19, Podgorica, Montenegro	100%	22,022,666	1,308,123
Other countries				
Petrol BH Oil Company d.o.o. Sarajevo	Tešanjska 24 a, Sarajevo, Bosnia and Herzegovina	100%	54,727,532	2,971,094
Petrol Hidroenergija d.o.o. Teslić	Branka Radičevića 1, Teslić, Bosnia and Herzegovina	80%	6,280,053	72,818
Intrade Energija d.o.o. Sarajevo	Tešanjska 24 a, Sarajevo, Bosnia and Herzegovina	51%	(9,202,222)	(1,210,282)
Petrol Trade, Handelsgesellschaft m.b.H.	Elisabethstrasse 10 Top 4 u.5, Vienna, Austria	100%	1,616,984	55,901
Petrol-Energetika DOOEL Skopje	Ul. Sv. Kiril i Metodij 20, Skopje, Macedonia	100%	105,990	740
Petrol Bucharest ROM S.R.L.	B-dul Tudor Vladimirescu 22, Sector 5, Bucharest, Romania	100%	(102,178)	5,720
Petrol Praha CZ S.R.O.	V celnici 1031/4, Nové Město, 110 00 Praha 1, Czech Republic	100%	(58,036)	(12,065)
Petrol Trade Slovenija L.L.C.	Gornje Dobrevo industrijska zona b.b., Kosovo Polje, Kosovo	100%	(4,152)	(485)

1 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 2018

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 31/12/2018 (in EUR)	Net profit or loss for 2018 (in EUR)
The Petrol LPG Group				
Tigar Petrol d.o.o. Beograd	Maršala Birjuzova 3-5 3, Beograd (Stari Grad), Serbia	100%	147,737	(182,646)
Petrol LPG HIB d.o.o.	Preduzetnička zona bb, Šamac, Bosnia and Herzegovina	100%	84,396	(56,393)
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 Beogas Invest Group				
Beogas d.o.o. Beograd	Patrijarha Dimitrija 12v, Beograd, Serbia	100%	20,502,275	1,012,841
Domingas d.o.o. Beograd	Patrijarha Dimitrija 12v, Beograd, Serbia	100%	(449,979)	(4,360)
The Petrol Zagreb Group				
Dubrovnik Plin d.o.o.	Banići 37, Banići, Croatia	100%	60,969	(61,626)
Petrol javna rasvjeta d.o.o.	Oreškovićeva 6H, Zagreb, Croatia	100%	2,699	0
The Geoplin Group				
Geocom d.o.o.	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	100%	411,120	0
Geoplin d.o.o.	Radnička cesta 39, Zagreb, Croatia	100%	219,885	0
Geoplin d.o.o. Beograd	Zelenogorska ulica broj 1g, 11070 Novi Beograd, Serbia	100%	41,924	0
The Ekoen Group				
Ekoen GG d.o.o.	Luče 117A, Luče, Slovenia	100%	(589)	(6,473)

1 The company is in bankruptcy proceedings.

Balance of investments in subsidiaries

(in EUR)	Petrol d.d.	
	31 December 2018	31 December 2017
Petrol d.o.o.	136,133,985	136,133,985
Geoplin d.o.o. Ljubljana	56,454,459	39,219,211
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	21,299,475
Zagorski Metalac d.o.o.	7,068,440	0
Beogas Invest d.o.o. Beograd	6,671,462	6,671,462
Vjetroelektrane Glunča d.o.o.	6,523,622	6,523,622
Beogas d.o.o. Beograd	6,102,538	3,282,538
Petrol Hidroenergija d.o.o. Teslić	5,000,409	5,000,409
MBILLS d.o.o.	3,439,000	0
Petrol LPG d.o.o.	2,057,948	2,057,948
Ekoen d.o.o.	1,916,493	0
Petrol Skladiščenje d.o.o.	794,951	794,951
Petrol GEO d.o.o.	697,020	0
Petrol Trade Handelsgesellschaft m.b.H.	147,830	147,830
Ekoen S d.o.o.	50,737	0
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
Petrol Energetika, d.o.o.	0	13,758,901
Ekopur d.o.o.	0	11,963,444
Rodgas A.D. Bačka Topola	0	2,820,000
Petrol Geoterm d.o.o.	0	1,968,928
Total investments in subsidiaries	**326,416,061**	**329,225,470**

Changes in investments in subsidiaries

	Petrol d.d.	
(in EUR)	2018	2017
As at 1 January	**329,225,470**	**290,581,344**
New acquisitions	29,183,559	3,420,000
Transfer from investments in associates	0	39,219,211
Transfer within investments in the Group	3,827,808	0
Merger by absorption	(30,295,702)	0
Impairment	(5,525,075)	(3,995,084)
As at 31 December	**326,416,061**	**329,225,470**

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.

Petrol d.d., Ljubljana, established the company Petrol GEO d.o.o., transferring to it the activities of Petrol Geoterm d.o.o. related to drilling, design engineering and extraction of hydrocarbons. The remaining activities of Petrol Geoterm, d.o.o. were absorbed by Petrol d.d., Ljubljana.

Petrol Energetika d.o.o. and Megaenergija d.o.o. were also merged into Petrol d.d., Ljubljana, in 2018. Ekopur d.o.o. was liquidated in 2018 and struck off the Companies Register. Its assets were transferred to Petrol d.d., Ljubljana. The effects arising from mergers by absorption are disclosed in Note 6.2.

When testing investment impairment indicators, the Company determined that the carrying amount of the investment in IGES d.o.o. exceeded the investment's fair value and value in use, prompting the Company to impair the investment by a total of EUR 5,525,975, based on an internal appraisal.

To assess the value of the investment, the Company used the net asset fair value method. The valuation is based on an assessed market value of assets as at 31 December 2018. Because the assets of IGES d.o.o. consisted solely of cash and the company had no operating liabilities, no discounts were applied when assessing the value.

In 2017 the Company, after having tested investment impairment indicators, determined there is a need to impair the value of investments in Beogas Invest d.o.o. and Beogas d.o.o. Beograd by EUR 3,995,084.

6.19 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 2018

			Ownership and voting rights	
Name of jointly controlled entity	Address of jointly controlled entity	Business activities	31 December 2018	31 December 2017
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%
Vjetroelektrana Ljubač d.o.o.	Krapanjska cesta 8, Šibenik, Croatia	Electricity production	50%	-
Petrol OTI Slovenija LLC	Gornje Dobrevo 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	Gornje Dobrevo industrijska zona b.b., Kosovo Polje, Kosovo	Retail sale and wholesale of liquid and gaseous fuel and similar products	51%	-
Petrol Slovenia Tirana Wholesale Sh.A.[1]	Deshmoret e 4 Shkurtit Pll.26, Tirana, Albania	Wholesale of liquid, gaseous and similar fuels	55%	55%
Petrol Slovenia Tirana Distribution Sh.p.k[1]	Deshmoret e 4 Shkurtit Pll.26, Tirana, Albania	Retail sale of liquid and gaseous fuel	55%	55%

1 The company is in the process of liquidation.

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 2018	31 December 2017	31 December 2018	31 December 2017
Petrol Slovenia Tirana Wholesale Sh.A.	1,077,833	1,077,833	986,000	986,000
Soenergetika d.o.o.	452,656	462,563	210,000	210,000
Geoenergo d.o.o.	91,744	191,453	0	0
Vjetroelektrana Ljubač d.o.o.	128,775	0	128,380	0
Vjetroelektrana Dazlina d.o.o.	23,429	23,333	23,000	23,000
Total investments in jointly controlled entities	**1,774,437**	**1,755,182**	**1,347,380**	**1,219,000**

The Petrol Group

Changes in investments in jointly controlled entities

(in EUR)	The Petrol Group	
	2018	2017
As at 1 January	**1,755,182**	**1,652,682**
Attributed profit/loss	278,038	229,167
Dividends received	(387,654)	(150,000)
New acquitions	128,380	23,000
Foreign exchange differences	491	333
As at 31 December	**1,774,437**	**1,755,182**

In conformity with the equity method, the Group received attributable profit of EUR 278,038 in 2018. From this amount, dividends on retained earnings, which stood at EUR 387,654, were deducted. These items are explained in more detail in Note 6.10.

In 2018 the Group acquired a 50-percent interest in the jointly controlled entity Vjetroelektrana Ljubač d.o.o. for a total of EUR 128,775.

When testing investment impairment indicators, the Company determined that the carrying amount of the investment in Petrol OTI Slovenija L.LC. exceeded the investment's fair value and value in use, prompting the Company to impair the investment by a total of EUR 154,554, based on an internal appraisal. The testing of investment impairment indicators applicable to investments in jointly controlled entities identified no need for impairment in 2017.

Significant amounts from the financial statements of jointly controlled entities

2017

(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.	2,252,413	17,703	0	(5,604)	(3,082)
Petrol OTI Slovenija LLC	20,317,659	5,001,291	12,072,753	(192,751)	(98,303)
Soenergetika d.o.o.	3,142,346	1,292,207	3,309,777	562,389	154,289
Geoenergo d.o.o.	1,758,644	1,278,613	2,208,733	149,800	74,878
Vjetroelektrana Dazlina d.o.o.	2,229	0	0	(459)	(230)

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)

Petrol d.d., Ljubljana

Changes in investments in jointly controlled entities

	Petrol d.d.	
(in EUR)	2018	2017
As at 1 January	**1,219,000**	**1,196,000**
New acquisitions	282,934	23,000
Impairment	(154,554)	0
As at 31 December	**1,347,380**	**1,219,000**

New acquisitions relate entirely to the acquisition of a 50-percent interest in the companies Vjetroelektrana Ljubač d.o.o. and Petrol OTI Slovenija L.LC.

6.20 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 2018

			Ownership and voting rights	
Name of associate	Address of associate	Business activities	31 December 2018	31 December 2017
Slovenia				
Plinhold d.o.o.	Mala ulica 5, Ljubljana, Slovenia	Gas infrastructure management	30%	22%
Aquasystems d.o.o.	Dupleška cesta 330, Maribor, Slovenia	Construction and operation of industrial and municipal water treatment plants	26%	26%
Bio goriva d.o.o. – in bankruptcy proceedings	Grajski trg 21, Rače, Slovenia	Manufacturing, trading and services	25%	25%

Balance of investments in associates

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Plinhold d.o.o.	48,997,306	49,190,348	26,273,425	20,635,378
Aquasystems d.o.o.	1,920,530	1,976,474	1,091,028	1,091,028
GEN-EL naložbe d.o.o.	0	11,277,500	0	0
Total investments in associates	**50,917,836**	**62,444,322**	**27,364,454**	**21,726,406**

The Petrol Group

Changes in investments in associates

(in EUR)	The Petrol Group 2018	The Petrol Group 2017
As at 1 January	**62,444,322**	**129,686,241**
Attributed profit/loss	1,665,739	4,383,020
Dividends received	(1,914,725)	(3,387,146)
New acquisitions	0	18,287,861
Transfer to investments in subsidiaries	0	(67,578,271)
Disposals	(11,277,500)	(18,352,353)
Attributed changes in the equity of associates	0	(595,030)
As at 31 December	**50,917,836**	**62,444,322**

In 2018 the Group exercised the put option to sell the investment in GEN-EL naložbe d.o.o. at carrying amount plus accrued interest. The Group generated EUR 373,098 in finance income as a result of the sale.

In 2018, in conformity with the equity method, the Group attributed the corresponding share of profits or losses to its investments, in total EUR 1,665,739, deducting from the investments the dividends received of EUR 1,914,725. These items are explained in more detail in Note 6.10.

Significant amounts from the financial statements of associates

2017

(in EUR)	Assets	Liabilities	Revenue	Net profit or loss	Net profit or loss attributable to the Petrol Group
Plinhold d.o.o.	106,984,865	42,815	0	3,993,572	1,588,017
Aquasystems d.o.o.	17,379,150	10,482,622	8,113,180	3,076,459	807,431
GEN-EL naložbe d.o.o.	47,083,857	17,933	2,000,009	1,965,650	-

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

Petrol d.d., Ljubljana

Changes in investments in associates

(in EUR)	Petrol d.d. 2018	Petrol d.d. 2017
As at 1 January	**21,726,406**	**52,852,540**
New acquisitions	0	18,287,861
Transfer to investments in subsidiaries	0	(39,219,211)
Transfer to investments within the group	5,638,047	0
Disposals	0	(10,194,784)
As at 31 December	**27,364,454**	**21,726,406**

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.

6.21 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 financial assets at fair value through other comprehensive income are the 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

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Bonds	5,778,443	7,468,943	0	0
Interests in companies	2,064,136	2,142,794	246,536	325,193
Shares of companies	1,325,987	1,325,987	1,128,457	1,128,457
Shares of banks	0	235,841	0	235,841
Total financial assets at fair value through other comprehensive income	**9,168,566**	**11,173,565**	**1,374,993**	**1,689,491**

Changes in financial assets at fair value through other comprehensive income

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
As at 1 January	**11,173,565**	**2,598,071**	**1,689,491**	**2,519,028**
New acquisitions as a result of control obtained	0	11,508,719	0	0
Transfer to own shares	0	(2,103,689)	0	0
Transfer of debt instruments to short term finance receivables	(1,690,500)	0	0	0
New acquisitions	252,596	36,564	252,596	36,564
Disposals	(314,498)	(2,903)	(314,498)	(2,903)
Impairment	(252,596)	(863,197)	(252,596)	(863,197)
As at 31 December	**9,168,566**	**11,173,565**	**1,374,993**	**1,689,491**

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.

6.22 Non-current financial receivables

Balance of non-current financial receivables

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Loans and other financial receivables	1,466,432	32,651,760	13,605,479	6,362,867
Total non-current financial receivables	**1,466,432**	**32,651,760**	**13,605,479**	**6,362,867**

The Petrol Group

The most significant items of non-current financial receivables consist of loans to an associate of EUR 583,994 and to third parties of EUR 822,437.

Changes in non-current financial receivables

	The Petrol Group	
(in EUR)	2018	2017
Receivables as at 1 January	**32,651,760**	**1,079,152**
New acquisitions as a result of control obtained	0	31,246,509
New loans	1,384,604	3,185,342
Loans repaid	(32,547,840)	(2,581,414)
Impairment	0	(155,000)
Transfer to current financial receivables	(22,206)	(122,804)
Foreign exchange differences	114	(25)
Receivables as at 31 December	**1,466,432**	**32,651,760**

Petrol d.d., Ljubljana

Non-current financial receivables of EUR 13,605,479 (EUR 6,362,867 as at 31 December 2017) comprise non-current financial receivables from Group companies totalling EUR 12,653,994 (EUR 5,389,912 as at 31 December 2017) and non-current financial receivables from others equalling EUR 951,485 (EUR 972,955 as at 31 December 2017). A significant item of non-current financial receivables from others are loans for goods delivered totalling EUR 792,026 (EUR 747,194 as at 31 December 2017). Non-current financial receivables from Group companies are presented in the table below.

	Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017
Non-current financial receivables from Group companies		
Petrol d.o.o. Beograd	10,170,000	2,000,000
Petrol Crna Gora MNE d.o.o.	1,900,000	0
Petrol OTI Slovenija LLC	583,994	583,994
Petrol LPG d.o.o.	0	2,805,918
Total	**12,653,994**	**5,389,912**

Changes in non-current financial receivables

	Petrol d.d.	
(in EUR)	2018	2017
Receivables as at 1 January	**6,362,867**	**27,421,814**
New loans	12,095,471	8,978,186
Loans repaid	(1,281,735)	(24,060,744)
Impairment	1,299,271	(1,424,989)
Transfer to current financial receivables	(4,870,395)	(4,551,400)
Receivables as at 31 December	**13,605,479**	**6,362,867**

6.23 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.

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Receivables from companies	1,224,096	1,462,621	1,214,651	1,426,404
Loss allowance for receivables from companies	(1,214,651)	(1,426,404)	(1,214,651)	(1,426,404)
Receivables from municipalities	120,412	163,719	120,412	163,719
Other receivables	6,607,894	3,075,426	6,594,903	3,075,426
Total non-current operating receivables	**6,737,751**	**3,275,362**	**6,715,315**	**3,239,145**

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. In 2018 the receivable was reduced by EUR 211,754 owing to profit distributed by Geoenergo d.o.o.

Other receivables of EUR 6,594,903 (2017: EUR 3,075,426) refer to the non-current portion of receivables arising from instalment sales of EUR 6,460,778 (2017: EUR 3,055,426) and other receivables.

6.24 Inventories

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Spare parts and materials inventories	2,239,389	2,362,733	1,741,223	1,896,790
Merchandise:	136,210,314	157,386,223	99,695,522	115,368,645
- fuel	85,266,737	100,594,442	66,739,475	86,478,396
- other petroleum products	5,361,863	5,357,876	4,639,806	4,303,093
- other merchandise	45,581,714	51,433,905	28,316,241	24,587,156
Total inventories	**138,449,703**	**159,748,956**	**101,436,745**	**117,265,435**

The Petrol Group and Petrol d.d., Ljubljana

The Group/Company has no inventories pledged as security for liabilities. After checking the value of merchandise inventories as at 31 December 2018, the Group/Company determined that the net realisable value of inventories was higher than the cost of merchandise, which is why it did not impair their value in 2018.

6.25 Current financial receivables

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Loans granted	11,621,027	22,025,288	16,629,949	20,004,800
Adjustment to the value of loans granted	(3,138,789)	(3,095,684)	(6,762,852)	(5,430,283)
Time deposits with banks (3 months to 1 year)	183,995	10,541,500	0	0
Interest receivables	1,317,478	1,157,199	5,056,199	4,397,792
Loss allowance for interest receivables	(1,286,215)	(1,105,221)	(4,717,394)	(4,029,003)
Finance lease receivables	0	75,482	0	75,482
Bank receivables arising from interest rate swaps	0	156,202	0	0
Total current financial receivables	**8,697,496**	**29,754,766**	**10,205,902**	**15,018,789**

The Petrol Group

In addition to the loans of EUR 761,597 granted by Petrol d.d., Ljubljana, to others (for explanation, see the disclosure relating to the Company) and the loan of EUR 686,006 to the jointly controlled entity Petrol OTI Slovenija LLC, the loans granted include short-term loans of EUR 10,173,425 (EUR 18,459,564 as at 31 December 2017) 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 further adjusted the value of the loans and interest by EUR 224,099 in 2018. In 2017 the value of the adjustment decreased by EUR 2,127,593 relative to the previous period.

Petrol d.d., Ljubljana

Short-term loans to companies of EUR 16,629,949 (EUR 20,004,800 as at 31 December 2017) include the short-term portion of loans to Group companies totalling EUR 15,868,352 (EUR 16,935,082 as at 31 December 2017) and short-term loans to others equalling EUR 761,597 (EUR 3,069,718 as at 31 December 2017). Short-term loans to Group companies are presented below.

	Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017
Loans to Group companies		
Intrade Energija d.o.o. Sarajevo	9,281,211	7,981,941
Petrol LPG d.o.o. Beograd	4,625,918	1,460,000
Petrol Bucharest ROM S.R.L.	702,184	3,844,102
Petrol Energetika dooel Skopje	500,000	1,400,000
Petrol OTI Slovenija LLC	686,006	486,006
Petrol Praha CZ s.r.o.	63,033	53,033
Petrol Trade Slovenija LLC	10,000	10,000
Petrol Crna Gora MNE	0	1,700,000
Total	**15,868,352**	**16,935,082**

Short-term loans to others of EUR 761,597 refer to loans to companies for the payment of goods delivered of EUR 159,975 (EUR 289,726 as at 31 December 2017) and other loans of EUR 601,621 (EUR 606,621 as at 31 December 2017). The Company did not have loans arising from the sale of financial instruments as at 31 December 2018, but they had stood at EUR 2,473,050 as at 31 December 2017.

Due to a change in the estimated value of collaterals for loans granted, the value of the loans and interest was further adjusted by a total of EUR 2,030,960 in 2018 (2017: EUR 1,507,617).

6.26 Current operating receivables

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Trade receivables	569,041,841	481,578,064	415,151,223	318,916,206
Loss allowance for trade receivables	(55,253,217)	(50,602,952)	(34,377,869)	(32,059,730)
Operating receivables from state and other institutions	9,983,836	3,962,504	339,968	376,081
Operating interest receivables	5,251,106	5,505,191	6,188,670	6,288,440
Loss allowance for interest receivables	(2,726,493)	(2,849,598)	(2,704,962)	(2,676,168)
Receivables from insurance companies (loss events)	324,323	371,155	92,276	198,302
Other operating receivables	5,440,318	3,876,309	4,026,144	2,473,426
Loss allowance for other receivables	(384,365)	(384,365)	0	0
Total current operating receivables	**531,677,349**	**441,456,308**	**388,715,450**	**293,516,557**

6.27 Assets arising from contracts with customers

The Petrol Group and Petrol d.d., Ljubljana

Assets arising from contracts with customers refer to short-term accrued revenue from merchandise. The value of accrued revenue stood at EUR 2,056,160 as at 31 December 2018 for Petrol d.d., Ljubljana, and at EUR 2,278,452 for the Group. The assets arising from contracts with customers were not impaired.

6.28 Financial assets at fair value through profit or loss

Since all financial assets at fair value through profit or loss belong to Petrol d.d., Ljubljana, a joint disclosure for the Group and the Company is presented.

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Assets arising from commodity swaps	2,382,203	1,661,550	2,382,203	1,661,550
Assets arising from forward contracts	244,287	0	244,287	0
Total financial assets at fair value through profit or loss	**2,626,490**	**1,661,550**	**2,626,490**	**1,661,550**

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 2018. 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 6.34.

6.29 Prepayments and other assets

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Prepayments	39,748,406	27,188,684	30,840,437	17,209,798
Prepaid subscriptions, specialised literature, etc.	1,555,820	1,432,884	1,430,733	1,248,633
Prepaid insurance premiums	555,305	832,266	359,659	565,048
Other deferred costs	8,210,970	3,696,970	1,146,777	1,212,327
Uninvoiced services and goods	0	1,226,748	0	982,477
Total prepayments and other assets	**50,070,501**	**34,377,552**	**33,777,606**	**21,218,283**

6.30 Cash and cash equivalents

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Cash	260,899	227,813	0	0
Cash in banks	53,456,759	32,558,394	26,857,111	17,779,561
Short-term deposits (up to 3 months)	5,023,085	12,706,614	2,129,862	5,871,681
Total cash and cash equivalents	**58,740,743**	**45,492,821**	**28,986,973**	**23,651,242**

6.31 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 2018 was EUR 310.00 per share (EUR 349.45 as at 31 December 2017) and the book value per share as at 31 December 2018 was EUR 358.38 (EUR 336.42 as at 31 December 2017).

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 2018 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 2018 there were no changes in capital surplus.

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 50,296,118, in accordance with Article 230 of the Companies Act, and to pay out dividends totalling EUR 849,070.

· 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.

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 31/12/2018	**24,703**	**2,604,670**

* Amounts converted from SIT into EUR at the parity exchange rate of 239.64.

In 2018 the number of own shares remained unchanged. As at 31 December 2018, the Company held 24,703 own shares. The market value of repurchased own shares totalled EUR 7,657,930 on the above date (EUR 8,632,463 as at 31 December 2017). In accordance with the Companies Act (ZGD-1), the Company created in 2018 reserves of EUR 2,103,689 for own shares owned by the subsidiary Geoplin d.o.o.

The Petrol Group

The company Geoplin d.o.o. Ljubljana owned 6,020 shares of Petrol d.d., Ljubljana, as at 31 December 2018, the value of which was EUR 1,866,200. The Group held 30,723 own shares as at 31 December 2018. The market value of own shares was EUR 9,524,130 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 2018 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 988,322.

Accumulated profit

Allocation of accumulated profit for 2017

At the 28th General Meeting of the joint-stock company Petrol d.d., Ljubljana, held on 26 April 2018, 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 2017 of EUR 32,985,568 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 16.00 per share or the total of EUR 32,985,568 (own shares excluded).

The dividends were paid out of the net profit for 2017 and other revenue reserves.

In 2018 the Company paid out dividends for the year 2017 of EUR 32,985,568 and dividends from the previous years of EUR 11,831.

Accumulated profit for 2018

(in EUR)	Petrol d.d.	
	31 December 2018	31 December 2017
Compulsory allocation of net profit		
Net profit	100,592,235	64,272,996
Net profit after compulsory allocation	**100,592,235**	**64,272,996**
Creation of other revenue reserves	50,296,118	32,136,498
Determination of accumulated profit		
Net profit	50,296,118	32,136,498
Decrease by the amount of long-term deferred development costs on the balance sheet date	(526,995)	(713,806)
Other revenue reserves	0	1,562,876
Accumulated profit	**49,769,123**	**32,985,568**

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 2018 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.

6.32 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.

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Post-employment benefits on retirement	5,033,244	4,644,649	4,604,266	4,040,417
Jubilee benefits	2,651,895	2,459,507	2,234,532	2,060,455
Total provisions	**7,685,139**	**7,104,156**	**6,838,798**	**6,100,872**

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 2017	**4,206,016**	**2,239,189**	**6,445,205**
Current service cost	519,999	394,117	914,116
New acquisitions as a result of control obtained	34,583	21,985	56,568
Post-employment benefits paid	(117,191)	(199,348)	(316,539)
Foreign exchange differences	1,242	3,564	4,806
As at 31 December 2017	**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**

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 1,08-percent annual discount rate for companies in Slovenia (2017: 0.83 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 (2017: 2.75 percent), a 4.99-percent discount rate for companies in the Federation of Bosnia and Herzegovina (2017: 2.5 percent) and a 4.68-percent discount rate for companies in Serbia (2017: 3.75 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 by	Percentage point		Percentage point		Percentage point	
	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)	**(431,598)**	**460,706**	**453,227**	**(420,649)**	**(432,090)**	**470,157**

Petrol d.d., Ljubljana

Changes in provisions for employee post-employment and other long-term benefits

	Petrol d.d.		
(in EUR)	Post-employment benefits	Jubilee benefits	Total
As at 1 January 2017	**3,658,487**	**1,865,685**	**5,524,172**
Current service cost	470,653	353,919	824,572
Post-employment benefits paid	(88,723)	(159,149)	(247,872)
As at 31 December 2017	**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**

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 1.08-percent annual discount rate (2017: 0.83 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 by	Percentage point		Percentage point		Percentage point	
	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)	**(391,133)**	**425,812**	**418,739**	**(388,869)**	**(405,115)**	**438,081**

6.33 Other provisions

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Provisions for legal procedures	10,174,724	9,669,523	9,950,408	9,396,809
Provisions for employee post-employment and other long-term benefits at third-party managed service stations	3,456,881	3,598,101	3,456,881	3,598,101
Other provisions	19,802,291	25,420,294	1,192,586	1,124,586
Total provisions	**33,433,896**	**38,687,918**	**14,599,875**	**14,119,496**

Changes in provisions for lawsuits and changes in other provisions

	The Petrol Group		Petrol d.d.	
(in EUR)	Provisions for lawsuits	Other provisions	Provisions for lawsuits	Other provisions
As at 1 January 2017	**926,097**	**830,898**	**644,546**	**0**
New acquisitions as a result of control obtained	0	23,666,315	0	0
Creation of provisions	8,742,627	1,141,586	8,752,263	1,124,586
Foreign exchange differences	799	3,035	0	0
Reversal	0	(221,540)	0	0
Decrease due to disposal of company	0	0	0	0
As at 31 December 2017	**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
Foreign exchange differences	846	0	0	0
Reversal	(124,978)	(6,142,260)	(110,426)	0
Decrease due to disposal of company	0	(95,799)	0	0
As at 31 December 2018	**10,174,724**	**19,802,291**	**9,950,408**	**1,192,586**

The Petrol Group

Other provisions

As at 31 December 2018, 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. 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 Group has also created provisions for onerous contracts relating to the purchases of natural gas. The amount was determined based on estimated purchasing and selling price levels and quantities and by taking into account the costs to sell and general and administrative costs. The provisions for long-term contracts for the leasing of transmission and storage capacities and long-term contracts to purchase natural gas have been created for the duration of these contracts.

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 an annual 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 7,376,706 as at 31 December 2018 (EUR 7,417,494 as at 31 December 2017) while the provisions for interest on overdue amounts arising from the claims stood at EUR 2,798,448 (EUR 2,252,029 as at 31 December 2017). More than 90 percent of the provisions for lawsuits as at 31 December 2018 relate to a provision for a claim from 2017. The defendant in that case is Petrol d.d., Ljubljana. The Company's management believes that revealing more information about the claim could have a material impact on the Company's future position in the case. The provisions were created based on the lawyers' assessment of the matter.

The Company's long-term provisions for lawsuits totalled EUR 7,151,960 as at 31 December 2018 (EUR 7,144,780 as at 31 December 2017), with the provisions for interest on overdue amounts arising from the claims amounting to EUR 2,798,448 (EUR 2,252,029 as at 31 December 2017). More than 90 percent of the provisions for lawsuits as at 31 December 2018 relate to a provision for a claim from 2017. The defendant in that case is Petrol d.d., Ljubljana. The Company's management believes that revealing more information about the claim could have a material impact on the Company's future position in the case. The provisions were created based on the lawyers' assessment of the matter.

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

	Petrol d.d.		
(in EUR)	Post-employment benefits	Jubilee benefits	Total
As at 1 January 2017	**1,860,991**	**1,627,086**	**3,488,077**
Current service cost	103,588	178,335	281,923
Post-employment benefits paid	(44,887)	(127,012)	(171,899)
As at 31 December 2017	**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**

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 1.08-percent annual discount rate (2017: 0.83 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 by	Percentage point		Percentage point		Percentage point	
	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)	**(205,013)**	**225,832**	**222,095**	**(203,822)**	**(212,464)**	**232,412**

6.34 Long-term deferred revenue

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Long-term deferred revenue from grants	1,074,166	39,303	34,839	39,303
Long-term deferred revenue from environmental assets	467,991	1,081,317	467,991	1,081,317
Other long-term deferred revenue	17,982,108	5,256,153	14,589,854	5,208,138
Total	**19,524,265**	**6,376,773**	**15,092,684**	**6,328,758**

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 1 January 2017	**2,321,052**	**29,745**	**2,205,137**	**4,555,934**
Increase	0	15,373	4,124,510	4,139,883
Decrease	(1,239,735)	(5,814)	(1,073,494)	(2,319,043)
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)
Foreign exchange differences	0	0	252	252
As at 31 December 2018	**467,991**	**1,074,166**	**17,982,108**	**19,524,265**

Long-term deferred revenue from environmental assets decreased by EUR 613,326 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 1 January 2017	**2,321,052**	**29,745**	**2,156,954**	**4,507,751**
Increase	0	15,373	4,101,982	4,117,355
Decrease	(1,239,735)	(5,814)	(1,050,798)	(2,296,347)
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**

Long-term deferred revenue from environmental assets is explained in the note pertaining to the Group.

6.35 Financial liabilities

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Current financial liabilities				
Bank loans	402,394	54,455,711	296,625	54,092,750
Bonds issued	206,857,478	3,878,327	206,857,478	3,878,327
Liabilities arising from commodity swaps	0	1,729,801	0	1,635,792
Liabilities to banks arising from forward contracts	616,807	845,458	616,807	845,458
Liabilities to banks arising from interest rate swaps	2,867,337	178,999	2,710,325	178,999
Other liabilities arising from financial instruments	0	0	2,568,846	2,568,846
Other loans and financial liabilities	1,606,196	1,772,341	89,689,238	71,523,033
	212,350,212	**62,860,637**	**302,739,319**	**134,723,206**
Non-current financial liabilities				
Bonds issued	43,786,793	256,527,730	43,786,793	256,527,730
Bank loans	100,718,823	100,958,089	49,673,683	49,752,326
Finance lease liabilities	24,107	0	0	0
Loans obtained from other companies	0	0	28,000,000	0
	144,529,723	**357,485,819**	**121,460,476**	**306,280,056**
Total financial liabilities	**356,879,935**	**420,346,456**	**424,199,795**	**441,003,262**

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 1,006.028 as at 31 December 2018.

In 2018 the average interest rate on short-term and long-term funding sources (including interest rate hedging) stood at 2.91 percent p.a. (2017: 2.58 percent p.a.).

Derivative financial instruments

Liabilities arising from forward contracts for the purchase of US dollars, which stood at EUR 616,807, represent the fair values of outstanding forward contracts as at 31 December 2018. The above financial liabilities arising from derivative financial instruments should be considered in conjunction with outstanding contracts disclosed under financial receivables in Note 6.25.

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, and to eurobonds issued by Petrol d.d., Ljubljana.

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 falls due in full and in a single amount upon the maturity of the bond on 24 June 2019. The bonds are listed on the Irish Stock Exchange. In 2018 the Company repurchased 10,350 lots of the eurobonds, the nominal amount of which was EUR 10,350,000, and removed them from the Irish Stock Exchange. The Company's eurobond liabilities of EUR 203,524,000 as at 31 December 2018 are part of its current financial liabilities.

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.

Other loans

Other short-term loans consist mainly of a loan from the associate Slovenia Tirana Wholesale Sh.A. of EUR 1,271,910.

Petrol d.d., Ljubljana

In 2018 the average interest rate on short-term and long-term sources of finance (including interest rate hedging) stood at 2.84 percent p.a. (2017: 2.58 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 2018.

Other loans obtained by the Company relate mainly to loans from Group companies amounting to EUR 120,166,817, as shown in the table below.

(in EUR)	Petrol d.d.	
	31 December 2018	31 December 2017
Geoplin d.o.o. Ljubljana	46,022,941	234
Petrol d.o.o.	37,539,718	11,687,943
IGES d.o.o.	15,770,115	33,379,113
Petrol BH Oil Company d.o.o. Sarajevo	9,374,345	11,134,144
Petrol Trade Handelsgesellschaft m.b.H.	6,187,835	4,677,365
Petrol d.o.o. Beograd	2,568,846	0
Petrol Slovenia Tirana Wholesale Sh.A.	1,271,910	1,271,910
MBILLS d.o.o.	900,153	0
Petrol GEO d.o.o.	335,248	0
Geoenergo d.o.o.	125,012	300,030
Petrol Skladiščenje d.o.o.	70,695	62,035
Petrol Energetika d.o.o.	0	6,890,278
Ekopur d.o.o.	0	2,032,125
Total	**120,166,817**	**71,435,176**

Changes in financial liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	2018	2017	2018	2017
As at 1 January	**420,346,456**	**407,413,851**	**441,003,262**	**440,002,364**
New acquisitions as a result of control obtained	863,314	916,063	-	-
New acquisitions as a result of merger by absorption	-	-	(1,807,278)	0
Proceeds from bonds issued	0	43,828,000	0	43,828,000
Payments for bonds issued	(10,350,000)	(58,853,000)	(10,350,000)	(58,853,000)
Proceeds from borrowings	227,359,375	643,939,868	571,392,908	895,317,377
Repayment of borrowings	(282,814,370)	(621,211,708)	(577,782,000)	(882,580,114)
Changes in liabilities from financial instruments	729,886	2,635,088	666,883	2,541,079
Changes in interest liabilities	537,073	790,243	1,076,020	747,556
Foreign exchange differences	208,201	888,051	0	0
As at 31 December	**356,879,935**	**420,346,456**	**424,199,795**	**441,003,262**

6.36 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 2018	31 December 2017	31 December 2018	31 December 2017
Liabilities arising from interests acquired	24,000	24,000	24,000	24,000
Liabilities arising from assets received for administration	833,982	899,382	833,982	899,382
Other non-current operating liabilities	294,180	294,180	0	0
Total non-current operating liabilities	**1,152,162**	**1,217,562**	**857,982**	**923,382**

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.

6.37 Current operating liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Trade liabilities	407,201,206	338,710,484	346,793,608	269,513,648
Excise duty liabilities	57,636,007	60,837,074	51,082,952	53,207,020
Value added tax liabilities	31,793,780	22,062,303	12,741,461	11,792,071
Liabilities to employees	10,108,460	8,834,803	8,688,969	7,179,922
Environment pollution charge liabilities	8,975,111	10,140,301	8,611,245	9,638,883
Other liabilities to the state and other state institutions	2,240,534	1,908,983	383,722	194,538
Import duty liabilities	1,709,763	2,240,607	0	7,701
Liabilities arising from interests acquired	810,000	220,000	560,000	220,000
Social security contribution liabilities	767,499	669,887	677,781	536,744
Liabilities associated with the allocation of profit or loss	625,605	634,630	625,605	634,630
Other liabilities	1,990,744	1,928,487	1,503,573	2,065,788
Liabilities arising from prepayments and collaterals	0	2,331,190	0	1,681,815
Total current operating and other liabilities	**523,858,709**	**450,518,749**	**431,668,916**	**356,672,760**

6.38 Liabilities arising from contracts with customers

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Liabilities arising from prepayments and collaterals	3,909,882	0	1,657,481	0
Deferred prepaid card revenue	1,600,877	0	1,415,002	0
Deferred revenue from rebates granted	381,932	0	145,867	0
Total liabilities arising from contracts with custumers	**5,892,691**	**0**	**3,218,350**	**0**

6.39 Other liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Accrued annual leave expenses	2,687,064	2,003,527	1,870,638	1,211,614
Accrued expenses for tanker demurrage	477,282	194,800	477,282	194,800
Accrued concession fee costs	188,282	194,857	186,738	186,871
Accrued motorway site lease payments	109,149	115,869	109,149	115,869
Other accrued costs	17,982,282	14,939,585	3,385,600	5,513,531
Deferred default interest income	1,928,371	2,114,977	1,928,371	2,114,977
Other deferred revenue	1,467,626	1,324,994	1,320,990	1,085,614
Deferred prepaid card revenue	0	1,406,305	0	1,280,609
Deferred revenue from rebates granted	0	598,611	0	282,016
Total other liabilities	**24,840,056**	**22,893,525**	**9,278,768**	**11,985,901**

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 2018 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 2018:

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets at fair value through other comprehensive income	9,168,566	11,173,565	1,374,993	1,689,491
Non-current financial receivables	1,466,432	32,651,760	13,605,479	6,362,867
Non-current operating receivables	6,737,751	3,275,362	6,715,315	3,239,145
Current financial receivables	8,697,496	29,754,766	10,205,902	15,018,789
Current operating receivables (excluding receivables from the state)	521,693,513	437,493,804	388,375,482	293,140,476
Financial assets at fair value through profit or loss	2,626,490	1,661,550	2,626,490	1,661,550
Cash and cash equivalents	58,740,743	45,492,821	28,986,973	23,651,242
Total assets	**609,130,991**	**561,503,628**	**451,890,634**	**344,763,560**

The item that was most exposed to credit risk on the reporting date were current operating receivables. Compared to the end of 2017, they increased, in nominal terms, by 19.2 percent in the case of the Group and 32.5 percent in the case of the Company. The increase stems primarily from higher sales, or rather invoiced sales in the last quarter, resulting in the increase in outstanding receivables.

Financial assets at fair value through profit or loss consist mainly of derivative financial instruments.

The Group's current operating receivables by maturity

	Breakdown by maturity					
(in EUR)	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	Total
Trade receivables	373,747,330	47,319,698	6,003,575	673,908	3,230,601	430,975,112
Interest receivables	2,433,590	130,230	32,415	4,048	55,310	2,655,593
Other receivables (excluding receivables from the state)	3,827,842	23,467	10,521	767	502	3,863,099
Total as at 31 December 2017	**380,008,762**	**47,473,395**	**6,046,511**	**678,723**	**3,286,413**	**437,493,804**

	Breakdown by maturity					
(in EUR)	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	Total
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**

The Company's current operating receivables by maturity

(in EUR)	Breakdown by maturity					
	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	Total
Trade receivables	249,618,785	25,959,059	3,578,435	829,530	6,870,666	286,856,476
Interest receivables	12,700	85,487	17,302	0	3,496,783	3,612,272
Other receivables (excluding receivables from the state)	2,671,728	0	0	0	0	2,671,728
Total as at 31 December 2017	**252,303,213**	**26,044,546**	**3,595,737**	**829,531**	**10,367,449**	**293,140,476**

(in EUR)	Breakdown by maturity					
	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	Total
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**

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 1 January 2017	**(51,065,149)**	**(2,445,571)**	**(53,510,720)**
New acquisitions as a result of control obtained	(2,775,426)	0	(2,775,426)
Recognition of loss allowances with impact on profit or loss	(4,758,421)	(4,922)	(4,763,343)
Change of loss allowances without impact on profit or loss	354,208	(422,355)	(68,147)
Write-downs	7,426,363	23,710	7,450,073
Foreign exchange differences	(168,892)	(460)	(169,352)
As at 31 December 2017	**(50,987,317)**	**(2,849,598)**	**(53,836,915)**

(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)
Recognition of loss allowances with impact on profit or loss	(4,858,002)	(658,732)	(5,516,734)
Change of loss allowances without impact on 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)**

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 1 January 2017	**(28,464,056)**	**(2,310,446)**	**(30,774,502)**
Recognition of loss allowances with impact on profit or loss	(4,746,771)	26,960	(4,719,811)
Change of loss allowances without impact on profit or loss	0	(416,063)	(416,063)
Write-downs	1,151,097	23,381	1,174,478
As at 31 December 2017	**(32,059,730)**	**(2,676,168)**	**(34,735,898)**

(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)
Recognition of loss allowances with impact on profit or loss	(2,580,575)	(667,475)	(3,248,050)
Change of loss allowances without impact on 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)**

Collateralisation of receivables

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Current trade receivables	569,041,841	481,578,064	415,151,223	318,916,206
Loss allowances	(55,253,217)	(50,602,952)	(34,377,869)	(32,059,730)
Current trade receivables including loss allowances	513,788,624	430,975,112	380,773,354	286,856,476
Overdue current trade receivables (gross amount)	94,248,636	107,830,734	70,783,334	69,297,421
Share of overdue receivables in outstanding receivables	17%	22%	17%	22%
Current operating receivables over EUR 100.000 secured with high-quality collaterals	**289,909,839**	**206,550,620**	**236,180,246**	**150,172,270**

Only high-quality collaterals 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 and the Company's largest single customer stood at EUR 51,195,787 as at 31 December 2018 (the customer is an agency of the Republic of Slovenia), accounting for 9.0 percent of the Group's trade receivables and 12.3 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 24,980 active customers (legal persons) as at 31 December 2018. 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 an steady basis. In 2018 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.

	The Petrol Group		Petrol d.d.	
(in days)	2018	2017	2018	2017
Days sales outstanding				
Contract days	31	30	28	28
Overdue receivables in days	7	9	7	8
Total days sales outstanding	**38**	**39**	**35**	**36**

The Group/Company succeeded in reducing the number of days the receivables were overdue and even in bringing down the total number of days sales outstanding. 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). Receivables from commodity loans are not taken into account in days sales outstanding.

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, an 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 2018 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

	Carrying amount of liabilities	Contractual cash flows				
(in EUR)		Liability	0 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Non-current financial liabilities	357,485,819	371,470,330	0	0	325,407,925	46,062,405
Non-current operating liabilities (excluding other liabilities)	24,000	24,000	0	0	24,000	0
Current financial liabilities	62,860,637	72,001,674	71,641,369	360,305	0	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	341,493,601	341,493,601	340,514,158	979,443	0	0
As at 31 December 2017	**761,864,057**	**784,989,605**	**412,155,527**	**1,339,748**	**325,431,925**	**46,062,405**

Current financial liabilities include derivative financial instruments totalling EUR 2,754,258.

(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
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**	**778,345,968**	**627,654,247**	**706,399**	**104,235,813**	**45,749,509**

Current financial liabilities include derivative financial instruments totalling EUR 3,484,144.

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	306,280,056	318,331,345	0	0	272,979,607	45,351,738
Non-current operating liabilities (excluding other liabilities)	24,000	24,000	0	0	24,000	0
Current financial liabilities	134,723,206	143,544,979	113,671,723	29,873,256	0	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	272,434,066	272,434,066	271,642,539	791,527	0	0
As at 31 December 2017	**713,461,328**	**734,334,390**	**385,314,262**	**30,664,783**	**273,003,607**	**45,351,738**

Current financial liabilities include derivative financial instruments totalling EUR 5,229,095.

(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
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
As at 31 December 2018	**773,706,581**	**782,912,392**	**602,855,101**	**54,430,620**	**80,867,765**	**44,758,907**

Current financial liabilities include derivative financial instruments totalling EUR 5,895,978.

7.3 Foreign exchange risk

The Group

(in EUR)	The Petrol Group 31 December 2017 EUR	USD	HRK	BAM	RSD	MKD
Cash and cash equivalents	32,079,279	82,105	4,632,679	2,402,965	2,874,868	2,612,895
Current operating receivables (excluding receivables from the state)	353,308,026	1,140,868	43,764,552	26,124,771	11,065,069	1,277,377
Non-current operating receivables	3,263,889	0	2,056	7,073	2,344	0
Current financial receivables	29,377,064	0	156,202	120,665	0	100,835
Non-current financial receivables	32,642,835	0	6,097	0	0	2,828
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)	(221,285,857)	(84,892,967)	(26,319,028)	(3,325,944)	(3,355,204)	(26,231)
Non-current financial liabilities	(357,485,819)	0	0	0	0	0
Current financial liabilities	(62,748,093)	0	(112,544)	0	0	0
Exposure of the statement of financial position	**(190,872,676)**	**(83,669,994)**	**22,130,014**	**25,329,530**	**10,587,077**	**3,967,704**
Nominal value of forward contracts	(74,222,905)	73,186,968	0	0	0	0
Net exposure of the statement of financial position	**(265,095,581)**	**(10,483,026)**	**22,130,014**	**25,329,530**	**10,587,077**	**3,967,704**

(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**

The Petrol Group							
31 December 2017							
RON	CHF	HUF	CZK	BGN	GBP	RUB	Total
755,066	32,460	12,645	7,859	0	0	0	45,492,821
785,543	0	0	0	27,598	0	0	437,493,804
0	0	0	0	0	0	0	3,275,362
0	0	0	0	0	0	0	29,754,766
0	0	0	0	0	0	0	32,651,760
0	0	0	0	0	0	0	(24,000)
(1,203,235)	0	(1,084,386)	(749)	0	0	0	(341,493,601)
0	0	0	0	0	0	0	(357,485,819)
0	0	0	0	0	0	0	(62,860,637)
337,374	**32,460**	**(1,071,741)**	**7,110**	**27,598**	**0**	**0**	**(213,195,544)**
1,009,148	0	26,790	0	0	0	0	0
1,346,522	**32,460**	**(1,044,951)**	**7,110**	**27,598**	**0**	**0**	**(213,195,544)**

The Petrol Group							
31 December 2018							
RON	CHF	HUF	CZK	BGN	GBP	RUB	Total
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 Company

(in EUR)	Petrol d.d. 31 December 2017 EUR	USD	HRK	BAM
Cash and cash equivalents	22,820,924	18,527	7,055	0
Current operating receivables (excluding receivables from the state)	292,711,562	428,914	0	0
Non-current operating receivables	3,237,089	0	2,056	0
Current financial receivables	15,018,789	0	0	0
Non-current financial receivables	6,362,867	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)	(186,036,185)	(84,853,996)	(5,417)	(143,974)
Non-current financial liabilities	(306,280,056)	0	0	0
Current financial liabilities	(134,723,206)	0	0	0
Exposure of the statement of financial position	**(286,912,216)**	**(84,406,555)**	**3,694**	**(143,974)**
Nominal value of forward contracts	(74,222,905)	73,186,968	0	0
Net exposure of the statement of financial position	**(361,135,121)**	**(11,219,587)**	**3,694**	**(143,974)**

(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)**

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 2018 and 2017:

Per 1 EUR	31 December 2018	31 December 2017
USD	1.1454	1.1993
HRK	7.4095	7.4400
BAM	1.9558	1.9558
RSD	118.4300	118.6600
CZK	25.7780	25.5350
RON	4.6630	4.6595
MKD	61.6060	61.2150
HUF	321.6100	310.3300
CHF	1.1269	1.1702
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 price and foreign exchange risk management policies prepared on the basis of the Decree Setting Prices for 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: revenue of EUR 797,180 (2017: expenses of

Petrol d.d.							
31 December 2017							
RON	CHF	HUF	RSD	MKD	BGN	CZK	Total
755,066	32,346	12,640	0	0	0	4,684	23,651,242
0	0	0	0	0	0	0	293,140,476
0	0	0	0	0	0	0	3,239,145
0	0	0	0	0	0	0	15,018,789
0	0	0	0	0	0	0	6,362,867
0	0	0	0	0	0	0	(24,000)
(358,899)	0	(1,035,595)	0	0	0	0	(272,434,066)
0	0	0	0	0	0	0	(306,280,056)
0	0	0	0	0	0	0	(134,723,206)
396,167	**32,346**	**(1,022,955)**	**0**	**0**	**0**	**4,684**	**(372,048,809)**
1,009,148	0	26,790	0	0	0	0	0
1,405,315	**32,346**	**(996,165)**	**0**	**0**	**0**	**4,684**	**(372,048,809)**

Petrol d.d.							
31 December 2018							
RON	CHF	HUF	RSD	MKD	BGN	CZK	Total
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)**

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Unrealised loss	(616,807)	(845,458)	(616,807)	(845,458)
Unrealised gain	244,287	0	244,287	0
Realised loss	(4,054,395)	(8,654,843)	(4,054,395)	(8,654,843)
Realised gain	6,332,550	3,000,510	6,332,550	3,000,510
Total effect of forward contracts	**1,905,635**	**(6,499,791)**	**1,905,635**	**(6,499,791)**

EUR 660,739) for the Group and revenue of EUR 354,757 (2017: expenses of EUR 1,046,351) for the Company.

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 2018 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 1,595,407 (2017: EUR 2,213,001), 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. Eventual residual mismatches are hedged using derivative financial instruments. Depending on the business model for each energy product, limits are in place that restrict exposure to price and volumetric risks.

The Group/Company hedges energy product prices primarily by using commodity swaps (variable to fixed price swap). 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.

The effect of commodity swaps:

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Unrealised loss	0	(1,729,801)	0	(1,635,792)
Unrealised gain	2,382,202	1,661,550	2,382,202	1,661,550
Realised loss	(46,631,639)	(15,485,740)	(47,043,101)	(15,877,823)
Realised gain	53,414,009	17,149,633	53,994,744	18,325,019
Total effect of commodity swaps	**9,164,572**	**1,595,642**	**9,333,845**	**2,472,954**

Because commodity swaps are not designated as an instrument for hedging the variability in cash flows attributable to a recognised asset or liability, gains and losses are recognised directly in other finance income and expenses.

Taking into account the margin resulting from the commodity swaps used, the Group/Company generated a net realised gain on commodity swaps of EUR 1,080,193 in 2018 (2017: a gain of EUR 604,269).

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.

In 2018 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;
- partly through forward markets by entering into interest rate swaps;
- taking out loans with a fixed interest rate.

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 2018 and 2017:

	6-month Euribor	3-month Euribor	1-month Euribor
Value as at 31/12/2017 (in percent)	(0.271)	(0.329)	(0.368)
Value as at 31/12/2018 (in percent)	(0.237)	(0.309)	(0.363)
Change in interest rate (in percentage points)	**0.034**	**0.020**	**0.005**
The lowest value in 2018 (in percent)	(0.279)	(0.329)	(0.372)
The lowest value in 2018 (in percent)	(0.236)	(0.309)	(0.363)
Change between the lowest and the highest interest rate (in percentage points)	**0.043**	**0.020**	**0.009**
Average value in 2017 (in percent)	(0.260)	(0.329)	(0.372)
Average value in 2018 (in percent)	(0.266)	(0.322)	(0.370)
Change in average interest rate (in percentage points)	**(0.006)**	**0.007**	**0.002**

Interest rate swaps by maturity:

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
6 to 12 months	6,000,000	0	6,000,000	0
1 to 5 years	235,000,000	111,000,000	235,000,000	61,000,000
Total interest rate swaps	**241,000,000**	**111,000,000**	**241,000,000**	**61,000,000**

The effect of interest rate swaps:

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Unrealised loss on effective transactions	(901,261)	(72,948)	(587,772)	(178,998)
Unrealised loss on uneffective transactions	(1,943,555)	0	(1,943,555)	0
Realised loss	(912,301)	(369,427)	(775,256)	(244,293)
Total effect of interest rate swaps	**(3,757,117)**	**(442,375)**	**(3,306,584)**	**(423,291)**

The Group's/Company's exposure to the risk of changing interest rates was as follows:

Financial instruments with a fixed interest rate:

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial liabilities	(236,352,000)	(246,702,000)	(236,352,000)	(246,702,000)
Net financial instruments with a fixed interest rate	**(236,352,000)**	**(246,702,000)**	**(236,352,000)**	**(246,702,000)**

Financial instruments with a variable interest rate:

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial receivables	10,163,928	62,406,526	23,811,381	21,381,656
Financial liabilities	(120,527,935)	(173,644,456)	(187,847,795)	(194,301,262)
Net financial instruments with a variable interest rate	**(110,364,007)**	**(111,237,930)**	**(164,036,414)**	**(172,919,606)**

Value of financial liabilities hedged using interest rate swaps:

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Interest rate swaps	231,000,000	111,000,000	181,000,000	61,000,000
Total interest rate swaps	**231,000,000**	**111,000,000**	**181,000,000**	**61,000,000**

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.

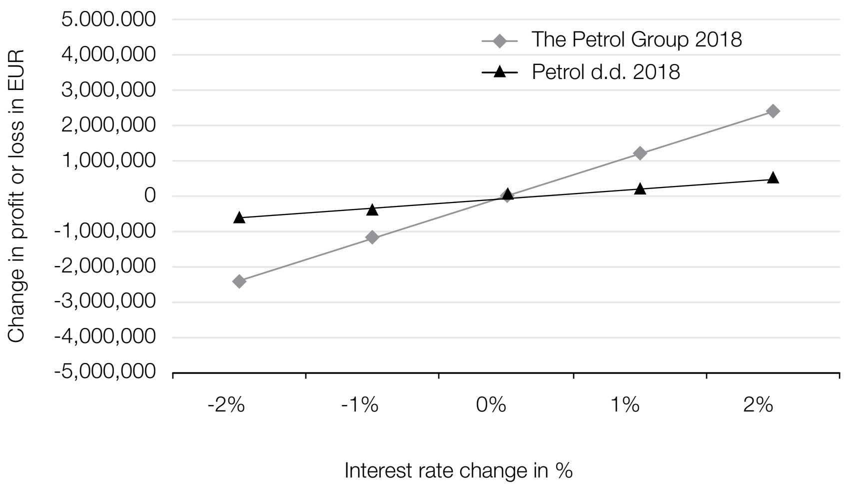
Change in profit or loss in the case of an increase by 100 or 200 bp:

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Cash flow variability (net)–100 bp	1,206,360	(2,379)	169,636	(1,119,196)
Cash flow variability (net)–200 bp	2,412,720	(4,759)	339,272	(2,238,392)

Change in profit or loss in the case of a decrease by 100 or 200 bp:

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Cash flow variability (net)–100 bp	(1,206,360)	2,379	(169,636)	1,119,196
Cash flow variability (net)–200 bp	(2,412,720)	4,759	(339,272)	2,238,392

Effect of changes in interest rates 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. On 11 April 2018, 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 2018 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.

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Non-current financial liabilities	144,529,723	357,485,819	121,460,476	306,280,056
Current financial liabilities	212,350,212	62,860,637	302,739,319	134,723,206
Total financial liabilities	356,879,935	420,346,456	424,199,795	441,003,262
Total equity	747,478,064	701,867,154	581,966,615	482,912,133
Debt/equity	**0.48**	**0.60**	**0.73**	**0.91**
Cash and cash equivalents	58,740,743	45,492,821	28,986,973	23,651,242
Net financial liabilities	298,139,192	374,853,635	395,212,822	417,352,020
Net debt/equity	**0.40**	**0.53**	**0.68**	**0.86**

7.7 Carrying amount and fair value of financial instruments

The Petrol Group

	The Petrol Group			
	31 December 2018		31 December 2017	
(in EUR)	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial assets at fair value				
Financial assets at fair value through other comprehensive income	9,168,566	9,168,566	11,173,565	11,173,565
Non-derivative financial assets at amortised cost				
Financial receivables (excluding derivative financial instruments)	10,163,928	10,163,928	62,250,324	62,250,324
Operating receivables (excluding receivables from the state)	528,431,264	528,431,264	440,769,166	440,769,166
Cash and cash equivalents	58,740,743	58,740,743	45,492,821	45,492,821
Total non-derivative financial assets	**606,504,501**	**606,504,501**	**559,685,876**	**559,685,876**
Non-derivative financial liabilities at amortised cost				
Bank loans and other financial liabilities (excluding derivative fin.instr.)	(353,395,791)	(353,395,791)	(417,592,198)	(417,592,198)
Operating liabilities (excluding other non-current liabilities and current liabilities to the state, employees and arising from advance payments)	(410,651,555)	(410,651,555)	(341,517,601)	(341,517,601)
Total non-derivative financial liabilities	**(764,047,346)**	**(764,047,346)**	**(759,109,799)**	**(759,109,799)**
Derivative financial instruments at fair value				
Derivative financial instruments (assets)	2,626,490	2,626,490	1,817,752	1,817,752
Derivative financial instruments (liabilities)	(3,484,144)	(3,484,144)	(2,754,258)	(2,754,258)
Total derivative financial instruments	**(857,654)**	**(857,654)**	**(936,506)**	**(936,506)**

Petrol d.d., Ljubljana

	Petrol d.d.			
	31 December 2018		31 December 2017	
(in EUR)	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial assets at fair value				
Financial assets at fair value through other comprehensive income	1,374,993	1,374,993	1,689,491	1,689,491
Non-derivative financial assets at amortised cost				
Financial receivables (excluding derivative financial instruments)	23,811,381	23,811,381	21,381,656	21,381,656
Operating receivables (excluding receivables from the state)	395,090,797	395,090,797	296,379,621	296,379,621
Cash and cash equivalents	28,986,973	28,986,973	23,651,242	23,651,242
Total non-derivative financial assets	**449,264,144**	**449,264,144**	**343,102,010**	**343,102,010**
Non-derivative financial liabilities at amortised cost				
Bank loans and other financial liabilities (excluding derivative fin.instr.)	(418,303,817)	(418,303,817)	(435,774,167)	(435,774,167)
Operating liabilities (excluding other non-current liabilities and current liabilities to the state, employees and arising from advance payments)	(349,506,786)	(349,506,786)	(272,458,066)	(272,458,066)
Total non-derivative financial liabilities	**(767,810,603)**	**(767,810,603)**	**(708,232,233)**	**(708,232,233)**
Derivative financial instruments at fair value				
Derivative financial instruments (assets)	2,626,490	2,626,490	1,661,550	1,661,550
Derivative financial instruments (liabilities)	(5,895,978)	(5,895,978)	(5,229,095)	(5,229,095)
Total derivative financial instruments	**(3,269,488)**	**(3,269,488)**	**(3,567,545)**	**(3,567,545)**

Presentation of financial assets and liabilities disclosed at fair value according to the fair value hierarchy

The Petrol Group

Fair value of assets

	31 December 2018				31 December 2017			
(in EUR)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	2,626,490	0	0	2,626,490	1,661,550	0	0	1,661,550
Total assets at fair value	**2,626,490**	**0**	**0**	**2,626,490**	**1,661,550**	**0**	**0**	**1,661,550**
Financial assets at fair value through other comprehensive income	0	0	9,168,566	9,168,566	0	0	11,173,565	11,173,565
Non-current financial receivables	0	0	1,466,432	1,466,432	0	0	32,651,760	32,651,760
Current financial receivables	0	0	8,697,496	8,697,496	0	0	29,754,766	29,754,766
Non-current operating receivables	0	0	6,737,751	6,737,751	0	0	3,275,362	3,275,362
Current operating receivables (excluding receivables from the state)	0	0	521,693,513	521,693,513	0	0	437,493,804	437,493,804
Cash and cash equivalents	0	0	58,740,743	58,740,743	0	0	45,492,821	45,492,821
Total assets with fair value disclosure	**0**	**0**	**606,504,501**	**606,504,501**	**0**	**0**	**559,842,078**	**559,842,078**
Total assets	**2,626,490**	**0**	**606,504,501**	**609,130,991**	**1,661,550**	**0**	**559,842,078**	**561,503,628**

Fair value of liabilities

	31 December 2018				31 December 2017			
(in EUR)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	(3,484,144)	0	0	(3,484,144)	(2,754,258)	0	0	(2,754,258)
Total liabilities at fair value	**(3,484,144)**	**0**	**0**	**(3,484,144)**	**(2,754,258)**	**0**	**0**	**(2,754,258)**
Non-current financial liabilities	0	0	(144,529,723)	(144,529,723)	0	0	(357,485,819)	(357,485,819)
Current financial liabilities (excluding liabilities at fair value)	0	0	(208,866,068)	(208,866,068)	0	0	(60,106,379)	(60,106,379)
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	(410,627,555)	(410,627,555)	0	0	(341,493,601)	(341,493,601)
Total liabilities with fair value disclosure	**0**	**0**	**(764,047,346)**	**(764,047,346)**	**0**	**0**	**(759,109,799)**	**(759,109,799)**
Total liabilities	**(3,484,144)**	**0**	**(764,047,346)**	**(767,531,490)**	**(2,754,258)**	**0**	**(759,109,799)**	**(761,864,057)**

Petrol d.d., Ljubljana

Fair value of assets

(in EUR)	31 December 2018 Level 1	Level 2	Level 3	Total	31 December 2017 Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	2,626,490	0	0	2,626,490	1,661,550	0	0	1,661,550
Total assets at fair value	**2,626,490**	**0**	**0**	**2,626,490**	**1,661,550**	**0**	**0**	**1,661,550**
Financial assets at fair value through other comprehensive income	0	0	1,374,993	1,374,993	0	0	1,689,491	1,689,491
Non-current financial receivables	0	0	13,605,479	13,605,479	0	0	6,362,867	6,362,867
Current financial receivables	0	0	10,205,902	10,205,902	0	0	15,018,789	15,018,789
Non-current operating receivables	0	0	6,715,315	6,715,315	0	0	3,239,145	3,239,145
Current operating receivables (excluding receivables from the state)	0	0	388,375,482	388,375,482	0	0	293,140,476	293,140,476
Cash and cash equivalents	0	0	28,986,973	28,986,973	0	0	23,651,242	23,651,242
Total assets with fair value disclosure	**0**	**0**	**449,264,144**	**449,264,144**	**0**	**0**	**343,102,010**	**343,102,010**
Total assets	**2,626,490**	**0**	**449,264,144**	**451,890,634**	**1,661,550**	**0**	**343,102,010**	**344,763,560**

Fair value of liabilities

(in EUR)	31 December 2018 Level 1	Level 2	Level 3	Total	31 December 2017 Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	(3,327,132)	0	(2,568,846)	(5,895,978)	(2,660,249)	0	(2,568,846)	(5,229,095)
Total liabilities at fair value	**(3,327,132)**	**0**	**(2,568,846)**	**(5,895,978)**	**(2,660,249)**	**0**	**(2,568,846)**	**(5,229,095)**
Non-current financial liabilities	0	0	(121,460,476)	(121,460,476)	0	0	(306,280,056)	(306,280,056)
Current financial liabilities (excluding liabilities at fair value)	0	0	(296,843,341)	(296,843,341)	0	0	(129,494,111)	(129,494,111)
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	(349,482,786)	(349,482,786)	0	0	(272,434,066)	(272,434,066)
Total liabilities with fair value disclosure	**0**	**0**	**(767,810,603)**	**(767,810,603)**	**0**	**0**	**(708,232,233)**	**(708,232,233)**
Total liabilities	**(3,327,132)**	**0**	**(770,379,449)**	**(773,706,581)**	**(2,660,249)**	**0**	**(710,801,079)**	**(713,461,328)**

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 2018 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

	The Petrol Group		Petrol d.d.	
(in EUR)	2018	2017	2018	2017
Sales revenue:				
Subsidiaries	-	-	359,433,813	299,488,794
Jointly controlled entities	1,317,638	1,076,301	90,919	92,095
Associates	307,330	57,337	307,330	57,337
Cost of goods sold:				
Subsidiaries	-	-	75,455,642	44,822,252
Jointly controlled entities	333,186	166,306	0	0
Associates	0	20,938,874	0	44,872
Costs of materials:				
Subsidiaries	-	-	277,441	1,397,069
Jointly controlled entities	4,424	4,815	1,699	1,816
Associates	0	361,956	0	0
Costs of services:				
Subsidiaries	-	-	1,356,941	1,691,942
Associates	0	40	0	40
Other costs:				
Subsidiaries	-	-	10,523	2,540
Jointly controlled entities	0	253	0	0
Finance income from interests in Group companies:				
Subsidiaries	-	-	31,958,778	247,530
Jointly controlled entities	278,038	229,167	387,654	150,000
Associates	1,665,739	4,383,020	1,637,467	2,906,566
Finance income due to elimination of negative goodwill:				
Subsidiaries	0	1,135,949	0	0
Finance income from interest:				
Subsidiaries	-	-	386,917	695,507
Gain on derivatives:				
Subsidiaries	-	-	694,568	1,275,367
Other finance income:				
Subsidiaries	-	-	185,234	128,511
Jointly controlled entities	373,098	0	0	0
Associates	1,780	34,192	1,780	8,095,846
Finance expenses due to impairment of investments and goodwill:				
Subsidiaries	3,976,364	1,195,689	6,950,714	3,995,084
Jointly controlled entities	154,554	0	154,554	0
Finance expenses for interest:				
Subsidiaries	-	-	802,352	657,110
Jointly controlled entities	273	332	273	332

(in EUR)	The Petrol Group 2018	The Petrol Group 2017	Petrol d.d. 2018	Petrol d.d. 2017
Loss on derivatives:				
Subsidiaries	-	-	1,724,211	677,262
Loss allowances for financial receivables:				
Subsidiaries	-	-	0	2,227,706
Jointly controlled entities	203,801	155,000	203,801	0

(in EUR)	The Petrol Group 31 December 2018	The Petrol Group 31 December 2017	Petrol d.d. 31 December 2018	Petrol d.d. 31 December 2017
Investments in Group companies:				
Subsidiaries	-	-	326,416,061	329,225,470
Jointly controlled entities	1,774,437	1,755,182	1,347,380	1,219,000
Associates	50,917,836	62,444,322	27,364,454	21,726,406
Non-current financial receivables:				
Subsidiaries	-	-	12,070,000	4,805,918
Jointly controlled entities	428,994	428,994	583,994	583,994
Current operating receivables:				
Subsidiaries	-	-	28,862,210	21,351,402
Jointly controlled entities	535,081	438,342	373,664	313,222
Associates	29,341	654	29,341	654
Current financial receivables:				
Subsidiaries	-	-	9,472,676	12,037,946
Jointly controlled entities	486,006	486,006	486,006	486,006
Short-term deposits (up to 3 months):				
Subsidiaries	-	-	0	219,533
Long-term financial liabilities:				
Subsidiaries	-	-	28,000,000	0
Current financial liabilities:				
Subsidiaries	-	-	90,769,896	72,432,083
Jointly controlled entities	0	0	1,396,922	0
Current operating liabilities:				
Subsidiaries	-	-	9,607,492	9,305,163
Jointly controlled entities	25,659	46,505	342	1,513

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	14,400	6,963	21,363	15,537	0
Sašo Berger	Deputy President of the Supervisory board	12,000	6,468	18,468	13,432	0
Igo Gruden	Member of the Supervisory board	12,000	7,838	19,838	14,428	0
Mladen Kaliterna	Member of the Supervisory board	12,000	8,135	20,135	14,644	0
Metod Podkrižnik	Member of the Supervisory board	12,000	7,425	19,425	14,128	0
Sergej Goriup	Member of the Supervisory board	12,000	6,270	18,270	13,288	0
Zoran Gračner	Member of the Supervisory board	12,000	7,838	19,838	14,428	0
Alen Mihelčič	Member of the Supervisory board	12,000	5,858	17,858	12,988	0
Robert Ravnikar	Member of the Supervisory board	12,000	6,270	18,270	13,288	0
Janez Pušnik	Audit Commettee, external member	3,000	2,640	5,640	4,102	0
Total:		**113,400**	**65,703**	**179,103**	**130,262**	**0**

Remuneration of Management Board members of Petrol d.d., Ljubljana, in accordance with Appendix C3 of the Code

2017

(in EUR)	Fixed remu-neration - gross**	Variable remuneration - gross***			Deferred remunera-tion	Termi-nation 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	198,805	70,543	62,557	133,100	0	0	19,959	0	351,864	136,588
Rok Vodnik, MSc, Member of the Management Board	168,805	59,890	53,110	113,100	0	0	21,070	0	302,975	121,464
Igor Stebernak, Member of the Management Board	168,805	59,943	53,157	113,100	0	0	17,309	0	299,214	118,758
Ika Krevzel Panić, Member of the Management Board and Worker Director	78,262	9,151	8,115	17,366	0	0	4,695	0	100,323	52,366
Total:	**614,677**	**199,527**	**176,939**	**376,666**	**0**	**0**	**63,033**	**0**	**1,054,376**	**429,176**

2018

(in EUR)	Fixed remu-neration - gross**	Variable remuneration - gross***			Deferred remunera-tion	Termi-nation 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 Stebernak, Member of the Management Board	168,843	67,416	59,784	127,200	0	0	16,718	0	312,761	125,036
Ika Krevzel Panić, 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**

* Travel expenses, costs of accommodation and subsistence 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 2018 by the Company to members of the Workers' Council stood at EUR 8,374.

The Company and the Group had no receivables from or liabilities to Supervisory Board members as at 31 December 2018.

The Company and the Group had no receivables from or liabilities to Management Board members as at 31 December 2018, except for liabilities arising from December salaries payable in January 2019.

Members of the Company's Management Board and Supervisory Board did not receive any remuneration for the performance of duties in management and supervisory bodies of Group subsidiaries in 2018

9. Contingent liabilities

Contingent liabilities for guarantees issued

Maximum contingent liabilities of Petrol d.d., Ljubljana, for guarantees issued stood at EUR 187,786,544 as at 31 December 2018 (2017: EUR 189,438,632) and were as follows:

	Petrol d.d.		Petrol d.d.	
(in EUR)	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Guarantee issued to:	**Value of guarantee issued**		**Guarantee amount used**	
Petrol d.o.o.	120,910,250	116,685,484	71,860,596	68,065,716
Geoplin d.o.o. Ljubljana	28,000,000	28,000,000	6,680,330	0
Petrol d.o.o. Beograd	8,087,219	8,504,298	1,082,199	1,500,000
Petrol BH Oil Company d.o.o. Sarajevo	7,613,560	10,681,312	243,673	36,646
Petrol Crna Gora MNE d.o.o.	3,630,000	790,000	225,171	161,299
Petrol Trade Handelsgesellschaft m.b.H.	3,000,000	3,000,000	1,800,000	2,250,000
Petrol - Energetika Dooel Skopje	1,000,000	1,000,000	0	0
Aquasystems d.o.o.	911,309	911,309	911,309	911,309
Petrol OTI Slovenija LLC	500,000	0	181,895	0
Petrol Bucharest ROM S.R.L.	0	4,500,000	0	0
Petrol Geoterm d.o.o.	0	132,490	0	132,490
Petrol Energetika, d.o.o.	0	50,000	0	0
Total	**173,652,338**	**174,254,893**	**82,985,173**	**73,057,460**
Other guarantees	14,134,206	15,183,739	14,134,206	15,183,739
Bills of exchange issued as security	5,453,593	4,693,627	5,453,593	4,693,627
Total contingent liabilities for guarantees issued	**193,240,137**	**194,132,259**	**102,572,972**	**92,934,826**

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 33,046,042. Interest on overdue amounts arising from the claims stood at EUR 2,876,852 as at 31 December 2018. 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 6.33.

The total value of lawsuits against the Group as defendant and debtor totals EUR 33,503,370. Interest on overdue amounts arising from the claims stood at EUR 2,876,852 as at 31 December 2018. 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 6.33.

Inventories owned by other entities

The Group's and the Company's inventories as at 31 December 2018 included commodity reserve stocks of the Republic of Slovenia totalling EUR 71,113,347 (EUR 72,371,318 as at 31 December 2017). The Company's and the Group's inventories as at 31 December 2018 also included goods delivered on consignment totalling EUR 36,818,888 (EUR 31,295,285 as at 31 December 2017) and EUR 37,762,427 (EUR 32,148,893 as at 31 December 2017), respectively. The goods delivered on consignment are carried at cost, while the commodity reserve stocks are carried at calculated prices.

Commodity forward contracts

Commodity forward contracts outside the scope of IAS 39 are recorded off balance sheet by the Group. The fair value of their net open position stood at EUR 4,481,816 as at 31 December 2018 (EUR 3,689,571 as at 31 December 2017).

10. Events after the reporting date

There were no events after the reporting date that would significantly affect the financial statements for 2018 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 Trading 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 customer support section (call centre and user helpdesk) the back office section. 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).

Both organisational units are the responsibility of the Management Board member in charge of energy. Expenses are distributed by area (and further by individual activity) according to the key used.

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). A proportionate share of overhead revenue is allocated to each activity according to the division key used.
- 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 materials overhead costs 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 services overhead costs is allocated to each activity according to the division key used.
- Labour costs are direct costs of labour attributable to an individual activity. A proportionate share of labour overhead 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 depreciation and amortisation overhead costs 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 other overhead costs and expenses is allocated to each activity according to the division key used.

- Finance income is recognised as the overhead part under other activities.
- Finance expenses are finance expenses attributable to an individual activity (under concessions, interest expense and foreign exchange losses arising from loans are recorded under an individual concession, much like long-term and short-term loans are recognised). A proportionate share of overhead finance expenses is allocated to each activity according to the division key used.
- Other revenue 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 disclosed directly under individual activities and the overhead part is recognised among other activities.
- Property, plant and equipment are disclosed directly under individual activities and the overhead part is recognised among other activities.
- Non-current investments are recognised as the overhead part under other activities.
- Inventories are recognised as the overhead part under other activities.
- Non-current operating receivables are recognised as the overhead part under other activities.
- Current operating receivables are recorded directly under an individual activity and the overhead 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 overhead part under other activities.
- Deferred costs and accrued revenue are recorded directly under an individual activity and the overhead part is recognised among other activities.
- Called-up capital and capital surplus were determined as at 31 December 2015.
- Retained earnings are transferred according to separate financial statements from previous years.
- 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 overhead 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 concession activities and are recorded directly under an individual activity.
- Current financial and operating liabilities are disclosed directly under an individual activity and the overhead part is recognised among other activities.
- Other operating liabilities comprise the difference between assets and liabilities under an individual activity.
- Accrued costs and deferred revenue are recorded directly under an individual activity and the overhead 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	**10,184,430**	**25,689,839**	**5,638,766**	**(35,348)**
Cost of goods sold	**0**	**(26,441,943)**	**0**	**0**
Costs of materials	(1,565,747)	(56,595)	(516,570)	(2,224,816)
Costs of services	(1,411,496)	(101,672)	(337,535)	(417,415)
Labour costs	(1,082,361)	(14,373)	(627,738)	(734,038)
Depreciation and amortisation	(2,492,514)	(2,545)	(659,237)	(499,572)
Other costs	(61,550)	(7)	(37,460)	(27,058)
Operating costs	**(6,613,669)**	**(175,192)**	**(2,178,540)**	**(3,902,899)**
Other revenue	65,400	19,369	21,284	0
Other expenses	0	0	0	0
Operating profit	**3,636,161**	**(907,927)**	**3,481,510**	**(3,938,247)**
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities				
Other finance income	0	2,987,505	0	0
Other finance expenses	(630,508)	(1,751,205)	(225,106)	0
Net finance expense	**(630,508)**	**1,236,300**	**(225,106)**	**0**
Profit before tax	**3,005,653**	**328,373**	**3,256,404**	**(3,938,247)**
Tax expense	(571,074)	(62,391)	(618,717)	748,267
Deferred tax	0	0	0	0
Corporate income tax	**(571,074)**	**(62,391)**	**(618,717)**	**748,267**
Net profit for the year	**2,434,579**	**265,982**	**2,637,688**	**(3,189,980)**

Electricity supply	Closed electricity distribution system	Other energy activities	Municipal watewater and run-off rainwater treatment	Other activities	Total
57,821,227	**4,303,781**	**2,260,725**	**3,278,621**	**4,142,030,602**	**4,251,172,641**
(53,394,237)	**0**	**(385,503)**	**0**	**(3,823,052,471)**	**(3,902,503,149)**
(181)	(1,693,511)	(1,308,900)	(534,287)	(17,006,226)	(24,906,834)
(300,101)	(344,792)	(383,803)	(577,933)	(117,332,668)	(121,207,414)
(22,721)	(1,284,376)	(599,999)	(503,223)	(61,856,313)	(66,725,142)
(4,999)	(603,345)	(322,648)	(741,889)	(32,299,995)	(37,626,744)
(808)	(52,687)	(37,470)	(22,996)	(6,935,080)	(7,173,500)
(327,195)	**(3,978,711)**	**(2,652,819)**	**(2,380,328)**	**(235,430,281)**	**(257,639,634)**
0	0	0	29,604	2,889,649	3,025,306
0	0	0	0	(64,943)	(64,943)
4,099,794	**325,070**	**(6,591)**	**927,897**	**86,372,555**	**93,990,222**
				33,983,899	**33,983,899**
0	0	0	0	73,960,792	76,948,297
0	(135,133)	(43,525)	(75,991)	(85,353,712)	(88,215,179)
0	**(135,133)**	**(43,525)**	**(75,991)**	**(11,392,920)**	**(11,266,882)**
4,099,794	**189,938**	**(50,116)**	**851,907**	**108,963,535**	**116,707,239**
(778,961)	(36,088)	9,522	(161,862)	(15,251,846)	(16,723,150)
0	0	0	0	608,146	608,146
(778,961)	**(36,088)**	**9,522**	**(161,862)**	**(14,643,700)**	**(16,115,004)**
3,320,833	**153,849**	**(40,594)**	**690,044**	**94,319,834**	**100,592,235**

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	43,294,255	0	7,122,881	2,394,412
Property, plant and equipment	452	0	3,300,692	2,741,918
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
	43,294,707	**0**	**10,423,573**	**5,136,331**
Current assets				
Inventories	0	0	0	0
Contract assets	0	0	0	0
Financial receivables	0	0	0	0
Operating receivables	15,342,092	14,617,076	2,398,276	0
Financial assets at fair value through profit or loss	0	0	0	0
Prepayments and other assets	27,812	0	73,086	2,686
Cash and cash equivalents	0	0	0	0
	15,369,903	**14,617,076**	**2,471,362**	**2,686**
Total assets	**58,664,610**	**14,617,076**	**12,894,935**	**5,139,017**

Electricity supply	Closed electricity distribution system	Other energy activities	Municipal watewater and run-off rainwater treatment	Other activities	Total
0	0	0	4,850,840	103,411,556	161,073,945
0	11,216,409	3,730,309	80,995	345,591,676	366,662,451
0	0	0	0	16,845,651	16,845,651
0	0	0	0	326,416,061	326,416,061
0	0	0	0	1,347,380	1,347,380
0	0	0	0	27,364,454	27,364,454
0	0	0	0	1,374,993	1,374,993
0	0	0	0	13,605,479	13,605,479
0	0	0	0	6,715,315	6,715,315
0	0	0	0	6,570,576	6,570,576
0	**11,216,409**	**3,730,309**	**4,931,835**	**849,243,141**	**927,976,305**
0	0	0	0	101,436,745	101,436,745
0	0	0	0	2,056,160	2,056,160
0	0	0	0	10,205,902	10,205,902
17,514,824	6,234,069	596,773	629,463	331,382,878	388,715,450
0	0	0	0	2,626,490	2,626,490
0	0	0	59	33,673,963	33,777,606
0	0	0	0	28,986,973	28,986,973
17,514,824	**6,234,069**	**596,773**	**629,522**	**510,369,111**	**567,805,326**
17,514,824	**17,450,478**	**4,327,081**	**5,561,357**	**1,359,612,252**	**1,495,781,631**

(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	2,434,579	265,982	2,637,688	(3,189,980)	
Total equity	**35,523,214**	**5,404,588**	**4,637,714**	**4,005,268**	
Non-current liabilities					
Provisions for employee post-employment and other long-term benefits	0	0	0	0	
Other provisions	0	0	282,554	0	
Long-term deferred revenue	0	0	0	0	
Financial liabilities	17,333,561	0	6,188,467	0	
Operating liabilities	833,982	0	0	0	
	18,167,543	**0**	**6,471,022**	**0**	
Current liabilities					
Financial liabilities	4,333,390	0	1,547,117	0	
Operating liabilities	439,382	9,212,489	112,167	1,133,749	
Corporate income tax liabilities	0	0	0	0	
Contract liabilities	0	0	0	0	
Other liabilities	201,081	0	126,915	0	
	4,973,853	**9,212,489**	**1,786,199**	**1,133,749**	
Total liabilities	**23,141,396**	**9,212,489**	**8,257,221**	**1,133,749**	
Total equity and liabilities	**58,664,610**	**14,617,076**	**12,894,935**	**5,139,017**	

Electricity supply	Closed electricity distribution system	Other energy activities	Municipal watewater and run-off rainwater treatment	Other activities	Total
5,942,805	4,508,757	(2,663,760)	0	20,741,916	52,240,977
5,942,805	4,508,757	(2,663,760)	0	49,492,324	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	295,680,118	295,680,118
0	0	0	0	39,525,529	39,525,529
0	0	0	0	(621,084)	(621,084)
3,320,833	153,849	(40,594)	690,044	44,023,718	50,296,118
15,206,443	**9,171,363**	**(5,368,113)**	**690,044**	**512,696,094**	**581,966,615**
0	0	0	0	6,838,798	6,838,798
0	0	0	1,124,586	13,192,735	14,599,875
0	0	0	0	15,092,684	15,092,684
0	3,714,989	1,196,565	2,089,093	90,937,801	121,460,476
0	0	0	0	24,000	857,982
0	**3,714,989**	**1,196,565**	**3,213,679**	**126,086,017**	**158,849,815**
0	928,747	299,141	522,273	295,108,650	302,739,319
2,308,381	3,635,379	8,199,488	1,135,361	405,492,522	431,668,916
0	0	0	0	8,059,847	8,059,847
0	0	0	0	3,218,350	3,218,350
0	0	0	0	8,950,772	9,278,768
2,308,381	**4,564,126**	**8,498,629**	**1,657,634**	**720,830,141**	**754,965,201**
2,308,381	**8,279,115**	**9,695,195**	**4,871,313**	**846,916,158**	**913,815,016**
17,514,824	**17,450,478**	**4,327,081**	**5,561,357**	**1,359,612,252**	**1,495,781,631**

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	5,402,857	1,896,125	3,255,598	(2,853,224)
Cash flows from investing activities				
Net cash from (used in) investing activities	(1,511,429)	(2,545)	(352,499)	(431,437)
Cash flows from financing activities				
Net cash from (used in) financing activities	(3,891,428)	(1,893,581)	(2,903,099)	3,284,661
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 watewater and run-off rainwater treatment	Other activities	Total
(95,342)	3,779,398	487,146	1,391,546	90,831,242	104,095,344
(4,999)	(2,234,992)	(2,535,997)	(210,332)	(48,707,444)	(55,991,673)
100,341	(1,544,407)	2,048,852	(1,181,213)	(43,756,616)	(49,736,490)
0	0	0	0	(1,632,819)	(1,632,819)
0	**0**	**0**	**0**	**23,651,242**	**23,651,242**
0	0	0	0	6,968,549	6,968,549
0	0	0	0	(1,632,819)	(1,632,819)
0	**0**	**0**	**0**	**28,986,973**	**28,986,973**

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