

ANNUAL REPORT 2016

PETROL

Energy for life

Petrol, Slovenska energetska družba, d.d., Ljubljana

Dunajska cesta 50, 1000 Ljubljana

Registration number: 5025796000

Companies Register entry: District Court of Ljubljana, entry number: 1/05773/00

Share capital: EUR 52,240,977.04

VAT ID: SI80267432

Telephone: +386 1 47 14 232

www.petrol.eu, www.petrol.si

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February 2017

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

2016

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 2016, including the corporate governance statement, has been prepared and published in accordance with the Companies Act, the Financial Instruments Market Act and International Financial Reporting Standards.

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 2016 has been drawn up in accordance with International Financial Reporting Standards 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 2016 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.

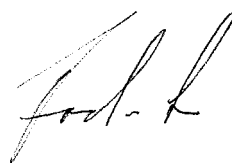
Ljubljana, 10 February 2017



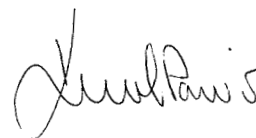
Tomaž Berločnik
President of the
Management Board



Igor Stebernak
Member of the
Management Board



Rok Vodnik
Member of the
Management Board



Ika Krevzel Panić
Member of the Management
Board and Worker Director



Tomaž Berločnik
President of the
Management Board

Igor Stebarnak
Member of the
Management Board



Ika Krevzel Panič
Member of the Management Board
and Worker Director

Rok Vodnik
Member of the
Management Board

HAND IN HAND

Striving for symbiosis.
Extending nature a hand
and making it our teacher.
It has become our
conscience, our guide and
inspiration. It reminds us of
the commitment we made:
to create an environment
friendly to the present and
future generations. The
generations that will live in
genuine harmony like the
left and the right hand.

CONTENTS

· Statement of the Management Board	3
BUSINESS REPORT 2016	9
· Business highlights of 2016	10
· Letter from the president of the management board	12
BUSINESS PERFORMANCE IN 2016	17
· Strategic orientations	18
· The Petrol Group in its region	21
· Corporate Governance Statement	22
· Analysis of business performance in 2016	30
· Events after the end of the accounting period	34
· Petrol's shares	35
· Risk management.	39
BUSINESS ACTIVITIES	49
· SALES	50
· Sales of petroleum products	50
· Sales of merchandise	54
· Sales of liquefied petroleum gas	55
· Sales of natural gas	55
· Sales of electricity to end users	56
· ENERGY AND ENVIRONMENTAL SYSTEMS	57
· Distribution of natural gas	57
· District heating	57
· Environmental solutions	59
· Energy solutions	59
· Electricity generation.	60
· TRADING	61
SUSTAINABLE DEVELOPMENT	63
· Employees	65
· Customer satisfaction	70
· Quality control	72
· Investments	74
· Information technology	76
· Protection of the environment.	78
· Social responsibility	80
THE PETROL GROUP	83
· The parent company	85
· Subsidiaries	86
· Jointly controlled entities	92
· Associates	93
REPORT OF THE SUPERVISORY BOARD	95
FINANCIAL REPORT 2016	101





BUSINESS REPORT 2016

Business success is achieved when the right balance is struck between boldness and risk. Personal success is achieved when professional and private ambitions are combined. EBITDA rose by as much as 6 percent compared to the year before.

BUSINESS HIGHLIGHTS OF 2016

THE PETROL GROUP	UoM	RESULTS		Index 2016 / 2015
		2016	2015	
Sales revenue	EUR million	3,856.7	3,816.9	101
Adjusted gross profit ¹	EUR million	382.0	347.9	110
Operating profit	EUR million	99.6	90.5	110
Net profit	EUR million	72.7	65.3	111
Equity	EUR million	595.7	547.4	109
Total assets	EUR million	1,502.8	1,474.4	102
EBITDA ²	EUR million	143.8	135.4	106
EBITDA / Adjusted gross profit	%	37.7	38.9	97
Operating costs / Adjusted gross profit	%	75.2	75.4	100
Net debt / Equity ³		0.6	0.8	77
Net debt / EBITDA		2.6	3.3	79
ROE		12.2	11.9	102
Added value per employee ⁴	EUR	58.8	58.1	101
Earnings per share ⁵	EUR	35.2	31.7	111
Share price as at last trading day of the year	EUR	325.0	255.8	127
Volume of petroleum products sold	million tons	3.2	2.9	112
Volume of liquefied petroleum gas sold	thousand tons	141.6	77.1	184
Volume of natural gas sold	million m ³	123.0	120.9	102
Electricity sold	TWh	17.6	14.1	125
Revenue from the sale of merchandise	EUR million	505.2	486.6	104
Number of service stations as at period end		487	487	100
Number of employees (including third-party managed service stations) as at period end		4,166	4,068	102

¹ Adjusted gross profit = Sales revenue - Cost of goods sold (this item is not defined in International Financial Reporting Standards)

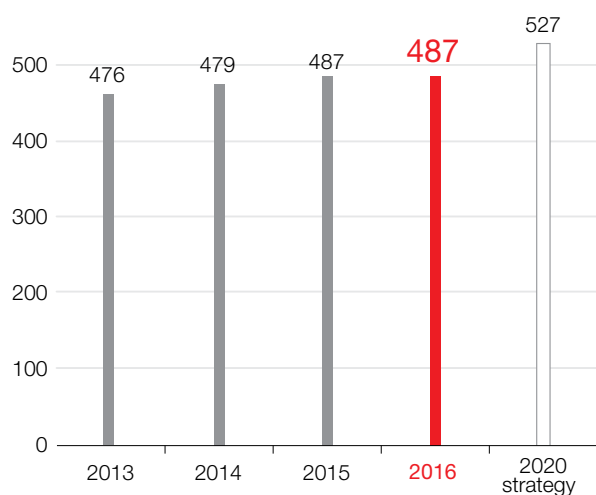
² EBITDA = Operating profit + Depreciation and amortisation net of depreciation of environmental fixed assets

³ Net debt / Equity = (Non-current and current financial liabilities – Cash and cash equivalents) / Equity

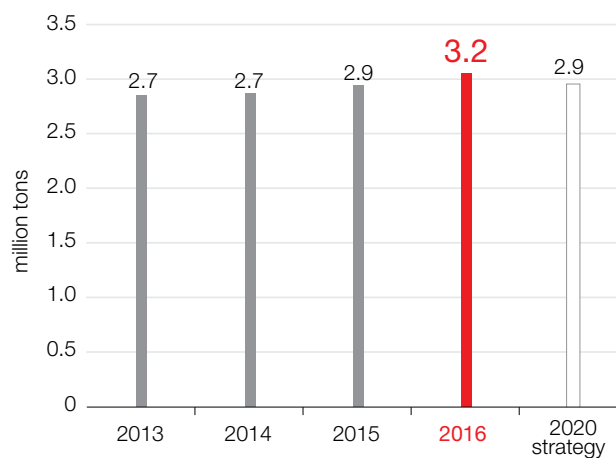
⁴ Added value per employee = EBITDA + integral labour costs

⁵ 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

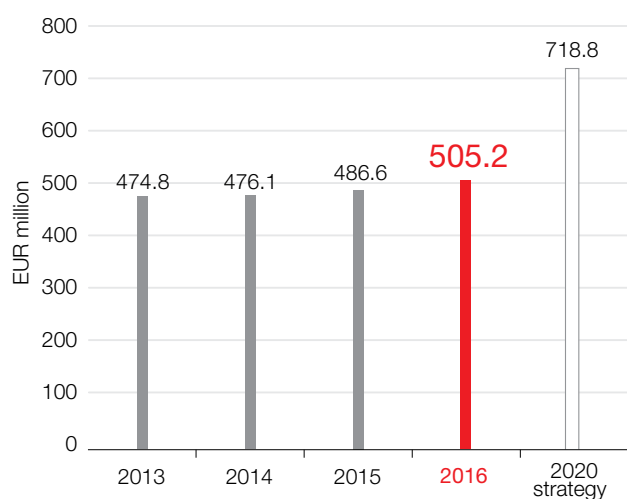
Number of service stations



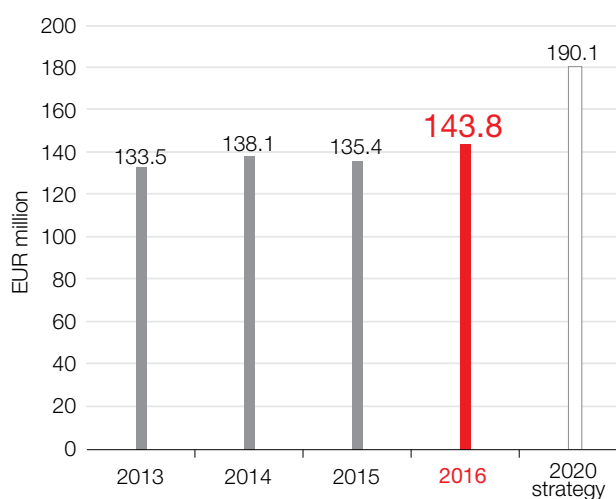
Volume of petroleum products sold



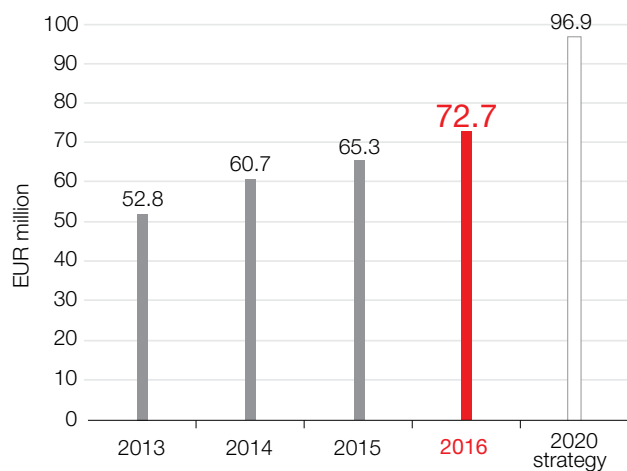
Revenue from merchandise sales



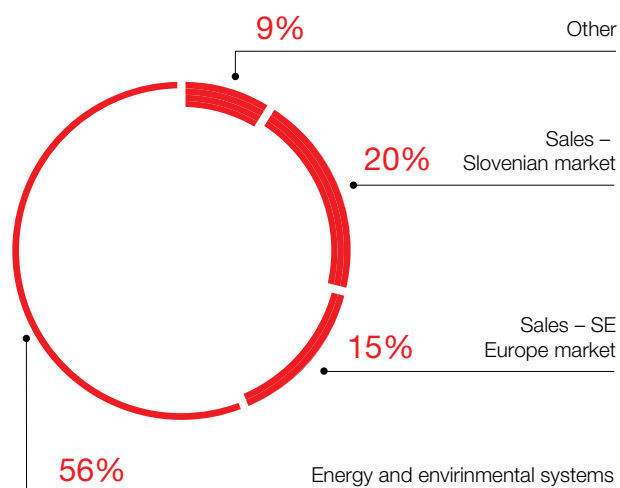
EBITDA



Net profit



Breakdown of the Petrol Group's investments in 2016



A man with short, graying hair and a light beard is sitting at a wooden desk. He is wearing a dark blue suit jacket, a light blue shirt, and a patterned tie. He is looking directly at the camera with a slight smile. His hands are resting on a silver laptop. The background is slightly blurred, showing a window with blinds and some office decor.

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear shareholders, business partners and co-workers,

We have had a very successful business year. The Petrol Group is operating in demanding energy industry. The situation in the energy industry, the events on the global oil market, the economic trends in the world and in particular on retail markets impose on us demanding business restrictions. We respond to requirements and challenges of the business environment by careful planning, well-thought-out business decisions, fast response to changes and an efficient risk management system.

In 2016 the Petrol Group generated sales revenue of EUR 3.9 billion, which was 1 percent more than in 2015. Adjusted gross profit totalled 382.0 million or 10 percent more than in 2015, with EBITDA of EUR 143.8 million being the highest in the history of Petrol. Net profit stood at EUR 72.7 million, up 11 percent from 2015.

Petrol's shareholder policy is based on maximising shareholders' return, which is achieved by sound operations and a stable dividend policy. In 2016 dividend payout for 2015 totalled EUR 12.6 per share.

The Petrol Group is the main supplier of petroleum products in Slovenia and is becoming an increasingly important and visible player in a wider region. In 2016 the Petrol Group sold 3.2 million tons of petroleum products, which was 12 percent more than in 2015. Thanks to merchandise sales, we generated EUR 505.2 million in sales revenue, which was 4 percent more than in 2015. Through 487 retail points of sale in Slovenia and in SE Europe markets we enable customers to not only service their vehicles, but also carry out a number of chores – from buying food to paying bills, collecting parcels, buying tickets or collecting goods ordered via Petrol eShop. Petrol's coffee to go and delicious fresh delicacies from the Fresh section have become an indispensable companion on the go.

As an energy company we provide a comprehensive supply of energy products as well as energy and environmental solutions. In 2016 we sold 141.6 thousand tons of liquefied petroleum gas, 123.0 million m³ of natural gas, 17.6 TWh of electricity and 129.5 thousand MWh of heat.

In 2016 EUR 61.3 million was allocated to investments. Renewable energy generation is an important aspect of energy development. We therefore invested in the construction of a wind power plant in Croatia and a small hydro power plant in Bosnia and Herzegovina. Investment funds were also earmarked for other energy projects and the expansion of the retail network both in Slovenian and the markets of SE Europe.

The Petrol Group is one of the major employers in the region. We are aware that our business success is the result of committed work of 4,166 employees, whose abilities, creativity, experience and knowledge significantly contribute to both business success and sustainable development of the Petrol Group. We value the contribution of every individual, which is why we revised the remuneration system in 2016 to encourage the employees even more to develop their potential and abilities for successful operation of the Petrol Group. The mentoring system, allowing employees to transfer their knowledge and experience, will hugely contribute to the above.

The Petrol Group is pleased to be able to be a donor and sponsor in the social environment where it operates. We support blood donation, our employees volunteer to add variety to the lives of the elderly or paint rooms with the young who particularly need care and attention. We work with athletes and support sports and cultural events.

Petrol is proud not only of its business success but also of achieving results in the proper way. Corporate integrity, manifested in ethical and transparent operations, is our guide. We wish to excel in doing it right.

Business environment changes quickly. We witness fast-paced technological development. The digitisation of business results in changed purchasing habits of consumers and distribution channels. It is important that companies operating in the field of energy are aware of climate change, brought about also by the use of fossil fuels. The energy industry has been developing towards reducing the risk of climate change, while seeking solutions that ensure accessible and reliable energy supply.

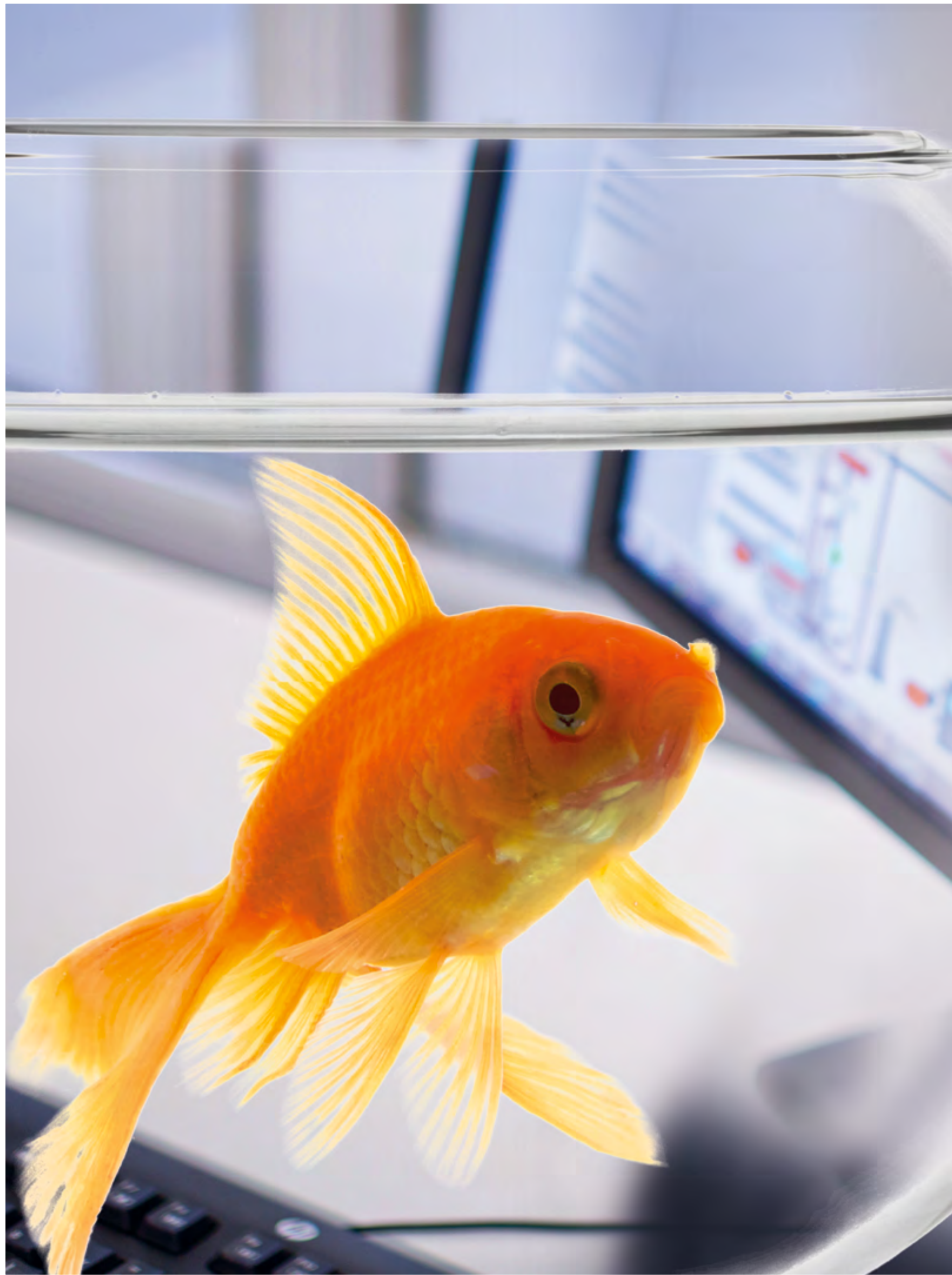
The Petrol Group is already getting ready for the challenges the future brings. In 2016 we prepared the Strategic Business Plan of the Petrol Group for 2016 – 2020. We set the main operational guidelines to achieve long-term growth and development. According to the 2020 strategy, the sales of energy products and merchandise are planned to be the main contributors to our results. Customers remain the focus of our activity and we will approach them even more by means of an omni-channel sales approach. Our aim is to become 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. This will be achieved by active development of decentralised energy production from green energy sources, development of smart towns, plants and networks aimed at designing a range of sustainable and competitive solutions tailored to customers. The highest growth is planned in customer-oriented digitisation projects. The streamlining of business processes and further development of an effective risk management system will enable us to operate within the set framework.

2016 was an excellent year. Our business success was achieved with you and because of you. Let me therefore thank you for making it possible for us to develop. The good results in 2016 are a huge success and represent a commitment for the future. We promise to devote all our effort, knowledge and abilities to achieving even better results.

Because we believe in what we do.

A handwritten signature in black ink, appearing to read 'Tomaž Berločnik', with a stylized, flowing script.

Tomaž Berločnik
President of the Management Board





BUSINESS PERFORMANCE IN 2016

We provide energy that propels our lives, complementing it with the convenience of the trade activity. We wish to develop from a reliable partner on the road into your round-the-clock companion. A companion that you can always rely on.

STRATEGIC ORIENTATIONS



Mission

Through a comprehensive range of modern energy and environmental solutions we ensure reliable, economical and environmentally friendly supply and help build a low-carbon society in co-operation with our partners. Our broad network of traditional and digital points of sale enables us to meet the changing needs of our customers for a safe and comfortable life, journey and business. Our actions serve to demonstrate our social responsibility and commitment to sustainable development on a daily basis.

Vision

We are a leading regional player in energy and energy-related services in terms of revenue. We are recognised as a major provider of smart solutions for homes, mobility and business. Through innovation and digital solutions we have developed successful new business models and partnerships. We provide an excellent user experience and, in an omni-channel environment, increase the number of items sold per customer.

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 of the Slovene society and broader European standards, and we protect the environment.

Strategic business plan 2016 – 2020

The strategic business plan is a fundamental corporate document defining the business future of the Petrol Group in the period 2016 – 2020 based on its mission, vision, values, goals and strategies.

Through a comprehensive range of modern energy and environmental solutions the Petrol Group will continue to ensure reliable, economical and environmentally friendly supply and help build a low-carbon society in co-operation with its partners. Our broad network of traditional and digital points of sale will enable us to meet the changing needs of our customers for a safe and comfortable life, journey and business. 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 our values and core capabilities and also our competitive advantages.

Petrol's vision for the year 2020 commits us to become a leading regional player in energy and energy-related services in terms of revenue. We shall be recognised as a major provider of smart solutions for homes, mobility and business. Through innovation and digital solutions we will develop successful new business models and partnerships. We will provide an excellent user experience and increase the number of items sold per customer.

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.

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 energy and trade 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.

Main strategic orientations underpinning the Petrol Group's development

Key strategic orientations to be pursued by the Petrol Group up to 2020 are as follows:

- balance between stable operations and development for addressing new challenges (the setting up of a flexible and agile organisation which provides suitable and risk-adjusted returns and takes into account sustainable development and social responsibility),
- higher sales and transition to new business models (development of existing and acquisition of new markets and customers through innovative business models; focus on a comprehensive and personal treatment as well as on excellent customer experience throughout the user journey),
- process efficiency and risk management (dynamic organisational structure management, efficiency of operations in line with the principle of good management, advance risk management systems).

The Petrol Group's main targets for 2020 are as follows:

- Sales revenue of EUR 4.3 billion
- EBITDA of EUR 190 million
- Net profit of EUR 97 million
- Net debt to EBITDA ratio of 2.2
- Investments in fixed assets of EUR 350 million in the period 2016 – 2020
- Retail network consisting of 527 service stations
- 2.9 million tons of petroleum products sold¹
- 236 thousand tons of liquefied petroleum gas sold
- Revenue from merchandise sales of EUR 719 million
- 413 million m³ of natural gas sold (supply and trading)
- 15 TWh of electricity sold (supply and trading)
- 139 thousand MWh of heat sold

By achieving these goals, we will strengthen 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.

¹ Petroleum product sales do not include liquefied petroleum gas sales, which are presented separately.

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 2017

The energy sector is considered a key industry, which is characterised by rapid development towards energy efficiency on the one hand and the novel use of existing energy products and development of new energy products on the other. As technologies develop, less energy is needed for a bigger output: although there are more cars on the road they can now travel further on less fuel; thanks to energy-efficient construction and insulated buildings, less energy is required for heating and cooling. Being aware of climate change, which is linked also to using fossil fuels, is an important part of this process. Global efforts are thus centred on mitigating climate change risk while at the same time solutions are sought to ensure affordable and reliable energy supply.

Besides energy trends, the Petrol Group's operations are subject to several other and often interdependent factors, the most important of which are price movements in the oil market, changes in the US dollar exchange rate and overall global economic conditions. In the international business environment, the most pertinent factors influencing the Group's operations include price fluctuations in the oil market and the US dollar exchange rate, which both reflect global economic developments. Petrol's local business environment, however, is shaped by the economic situation (economic growth, the rate of inflation, increase in consumption and production) and measures taken by the Government to regulate prices and the energy market. Moreover, the Petrol Group's operations are influenced by changes in the business environment brought about by digitisation. Development of new business models and digitisation of operations thus feature prominently in the Petrol Group's strategic business plan 2016 – 2020.

In 2017 Petrol's main sales markets (Slovenia and Croatia) are expected to grow although the economic situation will remain difficult.

The Petrol Group has set ambitious goals for 2017. To achieve them, the Group will pay particular attention to the streamlining of operational and supporting business processes in 2017.

The Petrol Group's main business targets for 2017:

- Sales revenue of EUR 3.6 billion
- Adjusted gross profit of EUR 386 million
- EBITDA of EUR 150.9 million
- Net profit of EUR 74.7 million
- Net debt to equity ratio of 0.6
- Net debt to EBITDA ratio of 2.8
- 2.7 million tons of petroleum products sold
- 151.9 thousand tons of liquefied petroleum gas sold
- Revenue from merchandise sales of EUR 524.7 million
- 12.4 TWh of electricity sold
- Retail network consisting of 493 service stations
- Investments in fixed assets of EUR 63.2 million

THE PETROL GROUP IN ITS REGION



CORPORATE GOVERNANCE STATEMENT

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

1. Reference to the applicable Corporate Governance Code

In the period from 1 January 2016 to 31 December 2016, the Company was bound by the Corporate Governance Code (hereinafter 'the Code') as jointly drawn up and adopted by the Ljubljana Stock Exchange, the Slovene Directors' Association and the Managers' Association of Slovenia. The Code in its revised wording was adopted on 8 December 2009 and entered into force on 1 January 2010. 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 Code's recommendations, the Supervisory Board and the Management Board jointly 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 and 15 December 2016, and published via the Ljubljana Stock Exchange SEOnet information system (the version currently in force is available at http://seonet.ljse.si/default.aspx?doc=PUBLIC_ANNOUNCEMENTS_BY_PRIME_MARKET_ISSUERS&doc_id=62075) on 23 December 2013, 13 January 2015 and 23 December 2016, respectively. It is also available, in Slovene and in English, from the website of Petrol d.d., Ljubljana (www.petrol.si).

Declaration of compliance with the Code

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

- The Articles of Association do not include a reference to other objectives other than the maximisation of value, as the Company's fundamental legal act is to state only

the characteristics required by corporate law in order to provide a broader description of the Company as a legal entity rather than obscuring the clear picture of the legal entity by including other definitions. Where necessary, all other objectives are transparently disclosed in documents published on the Company's website or in public announcements via the Ljubljana Stock Exchange SEOnet information system (the Code: Corporate Governance Framework, point 1).

- Independence statements of Supervisory Board members have not been published on the Company's website, in accordance with a Supervisory Board decision. The Company did report the fact that the Supervisory Board members pronounced themselves on the independence criteria, stating that the disclosures of potential conflicts of interest are not such that could affect unbiased and objective performance of their duties or the decision-making process of any Supervisory Board member (the Code: Supervisory Board, second paragraph of point 8).
- 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, point 8.4).
- The Supervisory Board did not specify the term of the committees (apart from an external member of the audit committee they are composed of Supervisory Board members). The terms of office of committee members who are also Supervisory Board members end when their post of Supervisory Board member expires or when they are relieved of their duties (the Code: Supervisory Board, point 13.2).
- The Company has not 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 internal information signs a special statement to keep internal information confidential. In accordance

with the requirements of the Securities Market Agency, the Company keeps a list of persons with access to internal information (the Code: Transparency of Operations, point 20.3).

- The Company does not disclose in its annual report the positions held by Management Board members and Supervisory Board members in the management and supervisory bodies of non-related companies since the members are required to notify the Supervisory Board of any potential breaches of competition prohibition or instances of dependence (the Code: Transparency of Operations, point 22.5).
- The Company discloses only gross remuneration of individual Management Board and Supervisory Board members, as required by law, but not their net remuneration (the Code: Transparency of Operations, point 22.7).

Since its entry into force on 1 January 2017, the Slovene Corporate Governance Code for Public Companies, essentially an updated version of the Code that had been in force in 2016, became the Company's new reference code. The revised Code was drawn up and, on 27 October 2016, adopted by the Ljubljana Stock Exchange and the Slovene Directors' Association. It is available from the website of the Ljubljana Stock exchange. The Supervisory Board and the Management Board will prepare their own activities plan, including a review of the corporate governance policy and of any activities that will ensure compliance, so far as is reasonably practicable, with the Code's recommendations.

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

The Company's management is responsible for the keeping of proper books of account, setting up and ensuring the functioning of internal controls and internal accounting control, selecting and applying accounting policies and safeguarding the Company's assets. In connection with financial reporting, the company Petrol d.d., Ljubljana applies the COSO model² of risk management and an internal

control system, as appropriate. The establishment of the latter, which is based on the three lines of defence model³, pursues the following three objectives:

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

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

Petrol therefore keeps and further improves:

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

The Risk Management chapter of this business report presents risk management and control mechanisms relating to the assessment of specific types of risk in greater detail. It is our opinion that in 2016 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.

² The risk management model for companies, known as the COSO model, was designed by the Committee of Sponsoring Organizations of the Treadway Commission. Its application is recommended by all relevant international institutions and standards. Risk management and the control system are set up to measure risks by considering individual activities and regional organisation of a company in conjunction with its objectives and strategy. The risk management system consists of the following ongoing procedures: environment assessment and risk assessment, determination of control methods – establishment of a control system, information and communication to create a sense of ownership in employees, and system monitoring and implementation of improvements.

³ 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.

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.

3.2. Restrictions on the transfer of shares

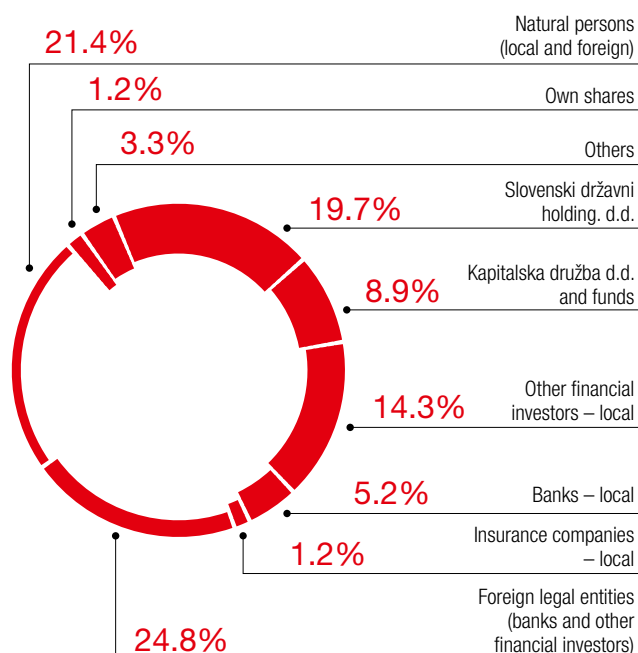
All shares are fully transferable.

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 as at 31 December 2016:

- Slovenski državni holding, d.d. held 412,009 shares of Petrol d.d., Ljubljana, representing 19.75 percent of the issuer's share capital,
- Češkoslovenska Obchodni Bank, a.s. – FID held 267,076 shares of Petrol d.d., Ljubljana, representing 12.80 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.

Share capital structure as at 31 December 2016



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.

The largest shareholders of Petrol d.d., Ljubljana as at 31 December 2016

	Shareholders	Address	Shares owned	Holding in %
1	Slovenski državni holding, d.d.	Mala ulica 5, 1000 Ljubljana	412,009	19.75%
2	Češkoslovenska Obchodni Bank, a.s. – Fid	Radlicka 333/150, 150 57 Praga 5	267,076	12.80%
3	Kapitalska družba, d.d.	Dunajska cesta 119, 1000 Ljubljana	172,639	8.27%
4	Societe Generale – Splitska banka d.d.	Ruđera Boškovića 16, 21000 Split	93,460	4.48%
5	Vizija Holding, k.d.d.	Dunajska cesta 156, 1000 Ljubljana	71,676	3.44%
6	Vizija Holding Ena, k.d.d.	Dunajska cesta 156, 1000 Ljubljana	63,620	3.05%
7	NLB d.d.	Trg republike 2, 1000 Ljubljana	63,183	3.03%
8	Nova KBM d.d.	Ulica Vita Kraigherja 4, 2000 Maribor	42,985	2.06%
9	Perspektiva FT d.o.o.	Dunajska cesta 156, 1000 Ljubljana	36,162	1.73%
10	DUTB, d. d.	Davčna ulica 1, 1000 Ljubljana	36,000	1.73%

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.

To meet the requirements and needs concerning the implementation of the diversity policy with regard to representation in the Company's management and supervisory bodies, the Supervisory Board, in the third quarter of the financial year, laid down the basis for fulfilling the expectations to be in control of this process, by amending

its Rules of Procedure. It resolved to pursue diversity when proposing candidates for Supervisory Board positions as well as when appointing Management Board members. These Rules of Procedure provisions will thus be taken into account already when candidates for new Supervisory Board members are proposed, as the terms of office of all Supervisory Board members end in 2017, with the terms of office of Management Board members not ending until 2020 and 2021. In 2016 the Management Board and the Supervisory Board did not draw up and adopt the diversity policy with regard to representation in the Company's management and supervisory bodies (which is laid down in the Companies Act and the new Slovene Corporate Governance Code for Public Companies, in chapter III, section 4 (Corporate Governance Code recommendations), which entered into force on 1 January 2017 and thus became the Company's reference Code).

• **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 specified later in this chapter. The Management Board, however, does not have particular powers concerning the issue or purchase of own shares.

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 foreseeing 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.

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 and on 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 21 April 2016, 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 2015, as well as with the remuneration of the members of management and supervisory bodies. They voted on and adopted resolutions on the distribution of accumulated profit, the granting of discharge from liability to the Management Board and the Supervisory Board for the year 2015 and on the appointment of an auditor to audit the Company's financial report and review its business report for 2016.

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 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 and does not have the power to represent the Company. In 2016 the Management Board was composed of four members. During this period, it discussed issues falling within its competence at 60 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. Except for the worker director, who does not have the power to represent the Company, the Management Board president and all Management Board members represent the Company in an independent and individual capacity. 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 2016:

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 of petroleum products and logistics
- Process support – Legal department and Human resources, Technical development, quality and safety
- Development and point-of-sale management
- Technical support/Investments and maintenance

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 and management of product segments
- Trading
- Energy and the 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 1966, he holds a bachelor degree in electrical engineering. Fields of responsibility:

- Business support to all areas of business within Petrol d.d., Ljubljana and the Petrol Group falling within the responsibility of the other two members, namely:
- Finance and accounting
- Controlling
- Risk management
- Information technology

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

Appointed by the Supervisory Board as a worker director for a five-year term of office beginning on 11 December 2015. Born in 1974, she holds a bachelor degree in law. She participates in decisions relating to human resources and social policy issues, but cannot act as a legal representative.

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 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 of the Supervisory Board is always a representative of shareholders. 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 following committees were operational in 2016: 1. The Audit Committee, 2. the Human Resources and Management Board Evaluation Committee, which was mandated by the Supervisory Board to implement, as of 25 August 2016 and in the form of 3. the Nomination Committee, the procedure for the selection of candidates for Supervisory Board positions, as it had been laid down beforehand by the Supervisory Board. Due to the importance of this task, the Supervisory Board set up the Nomination Committee in such a way that an additional Supervisory Board member and an external member/expert were appointed to the existing Human Resources and Management Board Evaluation Committee. The terms of office of all Supervisory Board members end in 2017.

Members of the Supervisory Board of Petrol d.d., Ljubljana in 2016:

Tomaž Kuntarič, shareholder representative

President of the Supervisory Board (since 22 April 2013)
Employed in Gorenje Beteiligungsgesellschaft m.b.H. Appointed at the 18th General Meeting of 7 April 2009 for a four-year term of office and reappointed at the 23rd General Meeting of 4 April 2013 for another term of office beginning on 7 April 2013.

Irena Prijović, shareholder representative

Deputy President of the Supervisory Board
Secretary General of the Slovene Directors' Association. Appointed as a replacement Supervisory Board member for the remaining term of office of Tomaž Berločnik at the

20th General Meeting of 6 May 2010 and reappointed for another term of office beginning on 7 April 2013 at the 23rd General Meeting of 4 April 2013. Member of the Supervisory Board until 22 April 2013 and Deputy President of the Supervisory Board thereafter.

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.

Klemen Ferjančič, shareholder representative

Member of the Supervisory Board

Employed by the company Plinovodi d.o.o. Appointed for a four-year term of office beginning on 7 April 2013 at the 23rd General Meeting of 4 April 2013.

Matija Blažič, shareholder representative

Member of the Supervisory Board

Pensioner. Appointed for a four-year term of office beginning on 7 April 2013 at the 23rd General Meeting of 4 April 2013.

Mladen Kaliterna, shareholder representative

Member of the Supervisory Board

Chairman of the Board of the company Perspektiva d.d. Appointed for a four-year term of office beginning on 16 July 2013 at the 23rd General Meeting of 4 April 2013.

Andrej Tomplak, employee representative

Petrol d.d., Ljubljana, Head of Primorska – Novo mesto Retail Regional Unit, and Head of Ljubljana – Kranj Retail Regional Unit. Appointed for a four-year term of office beginning on 22 February 2009 at the 4th Workers' Council meeting of 16 February 2009. Reappointed for another four-year term of office beginning on 22 February 2013 at the 3rd Workers' Council meeting of 4 February 2013.

Damjan Legen, employee representative

Petrol d.d., Ljubljana, Bookkeeping, Accounting Organisational Unit. Appointed as a replacement member for the remaining term of office of Ika Krevzel Panič at the 36th meeting of the Workers' Council meeting of 27 January 2016, with his term of office beginning on 28 January 2016 and ending on 21 February 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.

The Supervisory Board had two standing committees in 2016: the statutory Audit Committee and the Human Resources and Management Board Evaluation Committee. In addition, it formed the Nomination Committee, which operated as an extended Human Resources and Management Board Evaluation Committee and was mandated by the Supervisory Board to implement the procedure, laid down by the latter, for the selection of candidates for new Supervisory Board members.

The Audit Committee was composed of the following members in 2016:

- Mladen Kaliterna – Committee president
- Irena Prijović – 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 2016:

- Klemen Ferjančič – Committee president
- Tomaž Kuntarič – Committee member
- Igo Gruden – Committee member
- Andrej Tomplak – Committee member

The Nomination Committee was composed of the following members in 2016:


- Klemen Ferjančič – Committee president
- Tomaž Kuntarič – Committee member
- Igo Gruden – Committee member
- Andrej Tomplak – Committee member
- Irena Prijović – Committee member
- Žiga Škerjanec – external Committee member



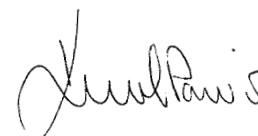
Tomaž Berločnik
President of the
Management Board



Igor Stebernak
Member of the
Management Board



Rok Vodnik
Member of the
Management Board



Ika Krevzel Panić
Member of the Management
Board and Worker Director

Ljubljana, 10 February 2017

ANALYSIS OF BUSINESS PERFORMANCE IN 2016

The Petrol Group operates in one of the most important industries – the energy sector. Its 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 2016 we witnessed intense activity in the oil markets. Oil prices per barrel ranged from USD 26.0 to USD 55.4, beginning to rise again towards the end of the year. In 2016 the average price of crude oil stood at USD 43.7 per barrel, down 17 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.

Slovenia and Croatia, Petrol's main sales markets, have returned to growth recently, giving a boost to the Petrol Group's sales performance. Operations in other SE Europe countries which also make up Petrol's sales market are still affected by tough economic conditions, low purchasing power and high unemployment.

In 2016 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 2016 the Petrol Group generated EUR 3,856.7 million in sales revenue, up 1 percent from 2015.

Adjusted gross profit

Adjusted gross profit from sales stood at EUR 382.0 million, which was 10 percent more than in 2015. Compared to the previous year's figure, the following also influenced the amount of gross profit for 2016:

- an increase of 14 percent in the volume of motor fuels sold (petrol and diesel fuel),
- an increase of 84 percent in the volume of liquefied petroleum gas sold,
- an increase of 5 percent in the volume of extra light heating oil sold,
- an increase of 4 percent in the volume of heat sold,
- an increase of 4 percent in revenue from the sale of merchandise.

In 2016 the Petrol Group's finance items included the effects of commodity swaps and foreign exchange differences, which were essentially linked to adjusted gross profit or loss. A positive net effect of commodity swaps relating to commodities sold in the current year and of foreign exchange differences was observed in 2016. The adjusted gross profit further adjusted for the net effect of commodity swaps and foreign exchange differences was 9 percent higher than in 2015.

Costs

The Petrol Group's operating costs totalled EUR 287.4 million in 2016, which was EUR 25.2 million or 10 percent more than in 2015.

Costs

(EUR)	2016	2015	Index 16/15
Costs of materials	28,404,917	29,161,383	97
Costs of services	122,691,189	116,476,452	105
Labour costs	67,210,220	65,139,674	103
Depreciation and amortisation	45,580,525	46,274,278	99
Other costs	23,515,421	5,151,077	457
Operating costs	287,402,272	262,202,864	110

The costs of materials totalled EUR 28.4 million in 2016, a decrease of 3 percent or EUR 0.8 million year-on-year. The costs were down mainly thanks to lower energy and consumables costs.

The costs of services totalled EUR 122.7 million and were up EUR 6.2 million or 5 percent from 2015.

- The most significant part of the costs of services were the fees charged by service station managers, which equalled EUR 30.9 million and were up EUR 1.5 million or 5 percent compared to the previous year. This was mainly due to higher sales.
- The costs of transport services totalled EUR 27.8 million and increased by a mere 1 percent despite the company Petrol LPG d.o.o. being fully consolidated, petroleum product sales increasing by 12 percent and merchandise sales rising by 4 percent. This was largely the result of optimising the carriage of petroleum products.
- The costs of fixed-asset maintenance services stood at EUR 12.1 million. They rose as a result of higher costs for the maintenance of low-voltage installations, higher costs of municipal and waste collection services, and higher costs of cleaning, which were offset by an increase in revenue.
- Rental costs totalled EUR 9.9 million and were up EUR 0.9 million or 10 percent compared to 2015. This was due to higher handling costs at Ploče storage facility resulting from a higher transshipment of goods necessitated by higher sales, the leasing of new service stations in SE Europe markets and the full consolidation of the company Petrol LPG d.o.o.
- The costs of payment transactions and bank services amounted to EUR 6.9 million and were down EUR 0.8 million or 11 percent year-on-year, thanks to the lower prices of petroleum products.
- The costs of professional services, which stood at EUR 7.2 million in 2016 and were up EUR 0.5 million or 7 percent from 2015, rose due to higher legal and consultancy costs.

- Contributions for operations at motorway service areas totalled EUR 5.2 million and were up EUR 0.1 million or 3 percent compared to 2015.
- Amounting to EUR 4.7 million, the costs of fairs, advertising and entertainment rose by EUR 0.7 million or 17 percent compared to the previous year, due to an increase in advertising activities.
- The costs of insurance premiums were on a par with the year 2015 despite an increase in the base values for calculating insurance premiums.
- The costs of environmental protection services, which stood at EUR 1.3 million in 2016 and were down EUR 0.4 million or 23 percent from the year before, decreased mainly due to lower costs for the maintenance of environmental equipment.
- Fees for the building site use totalled EUR 1.9 million and were EUR 0.2 million or 10 percent higher than in 2015, owing to an increase in contribution rates.
- The costs of fire protection and physical and technical security rose by 17 percent or EUR 0.3 million in 2016, amounting to EUR 2.0 million. The increase was largely due to the tightening of sectoral legislation.
- Outsourcing costs stood at EUR 1.8 million in 2016 and were up EUR 0.6 million or 45 percent due to a different structuring of energy solution projects.
- Property management costs and concession fee costs were on a par with the previous year.
- Reimbursement of work-related costs to employees stood at EUR 1.0 million in 2016, which was 16 percent or EUR 0.1 million more than in 2015, mainly on account of the company Petrol LPG d.o.o. being fully consolidated into the Petrol Group.
- Other costs of services totalled EUR 4.0 million and were EUR 0.9 million or 29 percent higher than in 2016. This was chiefly the result of the company Petrol LPG d.o.o. being fully consolidated into the Petrol Group and of expanding the energy solutions segment of the Company's operations.

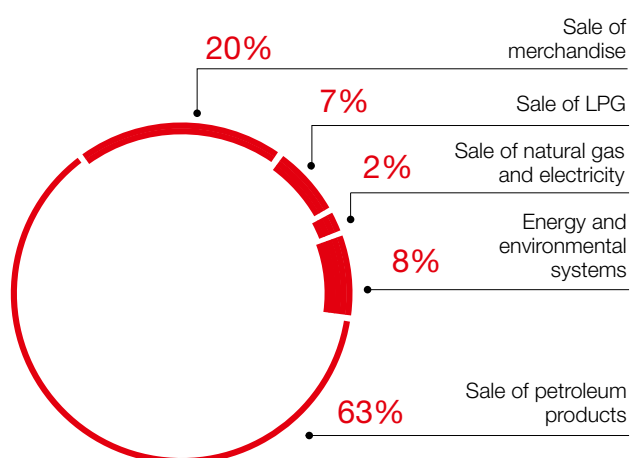
The depreciation and amortisation charge stood at EUR 45.6 million, a decrease of 1 percent or EUR 0.7 million relative to 2015.

Labour costs totalled EUR 67.2 million and were up 3 percent or EUR 2.1 million, mainly due to an increase in the number of service stations (smaller service stations with fewer employees were closed down and larger service stations with more staff opened), the full consolidation of the company Petrol LPG d.o.o. and an organic growth of business.

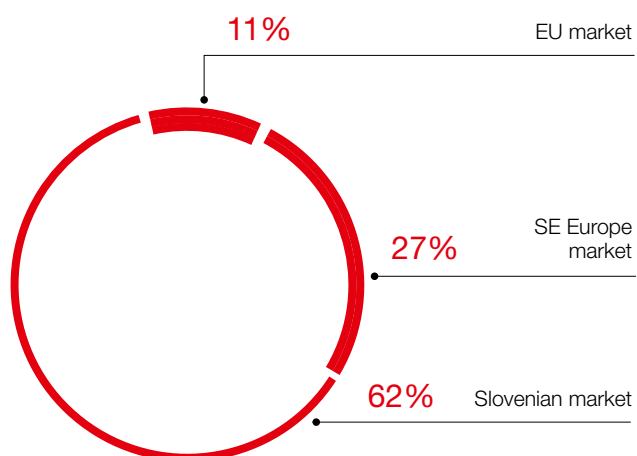
Other costs totalled EUR 23.5 million or EUR 18.4 million more than in 2015. This was largely due to the impairment of fixed assets, which was recognised based on their appraisal showing that their recoverable amount was lower than their carrying amount.

Net other operating revenue grew 3 percent year-on-year, thanks in particular to the sale of surplus property in 2016 and higher revenue from compensation, litigation proceeds and contractual penalties received in 2016. **Operating profit** totalled EUR 99.6 million in 2016, which was 10 percent more than in 2015. **EBITDA**⁴ stood at EUR 143.8 million, up 6 percent from 2015.

EBITDA of the Petrol Group broken down by activity



EBITDA of the Petrol Group broken down by market



⁴ EBITDA = Operating profit + Depreciation and amortisation net of depreciation of environmental fixed assets

In 2016 the share of profit from equity accounted investees decreased by EUR 3.9 million relative to the previous year, largely as a result of the disposal of investments in GEN-I, d.o.o. and Marche Gostinstvo d.o.o.

Net finance expenses of the Petrol Group stood at EUR 15.3 million, which was EUR 9.3 million less than in 2015, whereas net revenue from derivatives and foreign exchange differences was lower compared to the previous year. In 2016 the Petrol Group's allowances for operating receivables were down EUR 3.9 million compared to the year before, with net interest expense decreasing by EUR 2.0 million. Impairment of investments and goodwill amounted to EUR 2.6 million in 2016.

Pre-tax profit stood at EUR 89.6 million, up 19 percent from 2015, with **net profit for the year 2016** totalling EUR 72.7 million or 11 percent more than in 2015.

Statement of financial position of the Petrol Group

The most important items of **non-current assets** consisted of property, plant and equipment, intangible fixed assets and investment property, totalling EUR 805.4 million, and non-current investments in jointly controlled entities and associates of EUR 131.3 million.

The management of **current assets**, which accounted for 37 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 2015, the balance of operating receivables as at the last day of 2016 grew by 18 percent, with the value of inventories increasing by 27 percent year-on-year. The amount of receivables and inventories as at the last day of 2016 was linked to higher petroleum product prices as compared to the end of 2015.

As at the last day of the period concerned, the Group had EUR 42.5 million in **working capital**⁵ or EUR 28.3 million more than at the end of 2015.

⁵ Working capital = Operating receivables + Inventories – Current operating liabilities (net of liabilities arising from the acquisition of an interest in Petrol d.o.o. as at 31 December 2015)

Statement of financial position of the Petrol Group

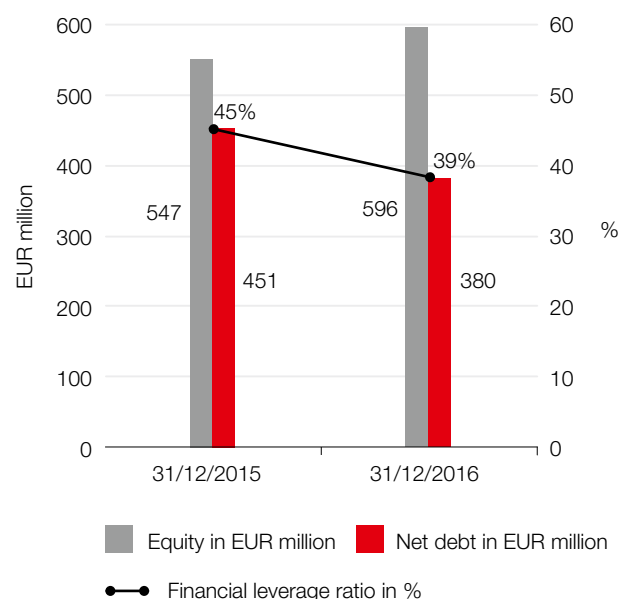
(in EUR)	31 December 2016	31 December 2015	Index 16/15
ASSETS			
Intangible assets, property, plant and equipment, investment property	805,361,956	805,139,397	100
Investments in jointly controlled entities and associates	131,338,923	167,945,399	78
Other non-current assets	16,250,069	24,679,910	66
Non-current (long-term) assets	952,950,948	997,764,706	96
Current assets	549,840,988	476,629,091	115
Total assets	1,502,791,936	1,474,393,797	102
EQUITY AND LIABILITIES			
Total equity	595,669,693	547,390,658	109
Financial liabilities	304,928,488	415,560,980	73
Operating liabilities	1,342,063	1,030,182	130
Other non-current liabilities	19,488,665	20,045,596	97
Non-current liabilities	325,759,216	436,636,758	75
Financial liabilities	102,485,363	69,880,761	147
Operating liabilities	456,216,385	402,884,888	113
Other current liabilities	22,661,279	17,600,732	129
Current liabilities	581,363,027	490,366,381	119
Total liabilities	907,122,243	927,003,139	98
Total equity and liabilities	1,502,791,936	1,474,393,797	102

Cash from operating activities totalled EUR 143.2 million in 2016, which was EUR 3.0 million less than in 2015. 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 liabilities⁶ to equity ratio (**D/E ratio**) was 0.6 as at the last day of 2016, while at the end of 2015 it had stood at 0.8. **The net debt to EBITDA ratio** stood at 2.6 at the end of 2016, down from 3.3 at the end of 2015. **The financial leverage ratio**⁷ stood at 39 percent at the end of 2016, down from 45 percent at the end of 2015.

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 the short-term and long-term solvency of the Petrol Group.

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.

Equity, net debt and financial leverage ratio



⁶ Net financial liabilities = Current and non-current financial liabilities less cash and cash equivalents

⁷ Financial leverage = Net debt / (Equity + Net debt)

EVENTS AFTER THE END OF THE ACCOUNTING PERIOD



The Workers' Council of Petrol d.d., Ljubljana elected Zoran Gračner, Alen Mihelčič and Robert Ravnikar as Supervisory Board members (employee representatives) for a four-year term of office beginning on 22 February 2017.

PETROL'S SHARES

Overall, the year 2016 was a successful one for investors at the Ljubljana Stock Exchange. At the end of 2016, share prices were on average higher than at the end of 2015, and this was also picked up by the SBI TOP index, which gained 3.1 percent relative to the end of 2015. Stock market developments in 2016 were further marked by the closing of registry accounts held with the Central Securities Clearing Corporation (KDD) and the transfer of securities to trading accounts, giving rise to an increase in the number of stock exchange transactions compared with the previous year and, as noted by brokerage companies, a drop in shareholder numbers and the consolidation of ownership.

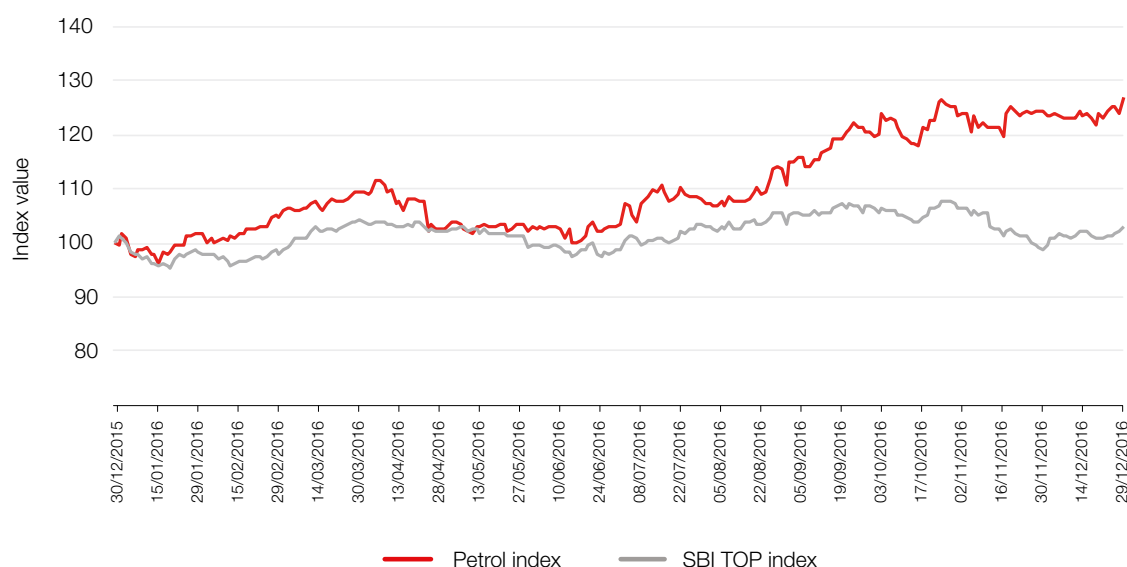
Petrol's shares are traded on the prime market of the Ljubljana Stock Exchange (LJSE), and have been listed there since 5 May 1997. In 2016 the volume of trading in Petrol's shares at the stock exchange amounted to EUR 60.9 million, an increase of 104.8 percent from 2015. Petrol's shares were again one of the most traded among those listed on the Ljubljana Stock Exchange.

In 2016 Petrol's shares showed a positive trend, their price at the end of 2016 being 27.1 percent higher year-on-year while the SBI TOP index grew by 3.1 percent. The shares accounted for 26.13 percent of the index as of 19 December 2016.



In December 2016, the best listed companies and stock exchange members in the period from 1 December 2015 to 30 November 2016 were presented with Ljubljana Stock Exchange awards, with Petrol receiving the Prime Market Share with the Highest Increase in Turnover award and the Prime Market Share of the Year award.

Base index changes for Petrol's closing share price against the SBI TOP index in 2016 compared to the end of 2015

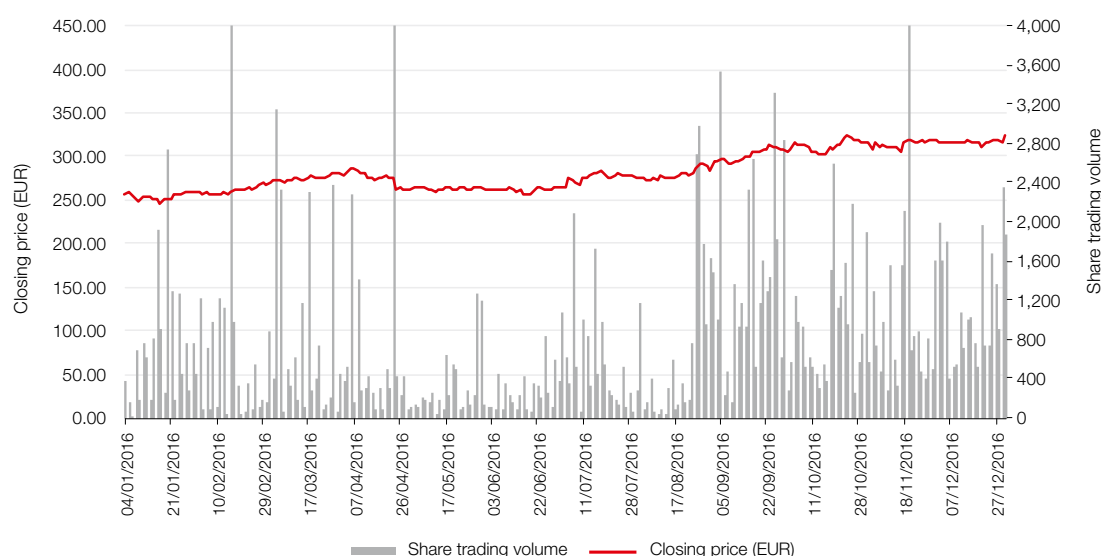


At the end of December 2016, the share price was up 27.1 percent year-on-year. The average price of Petrol's shares, which stood at EUR 282.42 in 2016, rose by 7.2 percent compared to the previous year. The share price ranged between EUR 246.1 and EUR 325.0 in 2016.

Petrol's share prices in the period 2015 – 2016 in EUR

	2016	2015
Total shares outstanding	2,086,301	2,086,301
High	325.00	296.00
Low	246.10	225.00
Average for the year	282.42	263.57
Price as at last trading day of the year	325.00	255.80
Price increase/decrease (price as at last trading day of the year/ price as at last trading day of the previous year)	27.05%	-9.93%

Closing price and the volume of trading in Petrol's shares in 2016



Trading volume and market capitalisation

The volume of trading in Petrol's shares at the Ljubljana Stock Exchange amounted to EUR 60.9 million in 2016 and was up 104.8 percent from 2015. The rise in the trading volume is the result of a higher average share price in 2016 relative to the previous year and an increase in the number of Petrol's shares traded. The trading in Petrol's shares accounted for 18.3 percent of the Ljubljana Stock Exchange total trading volume of EUR 333.7 million and 19.5 percent of the share trading volume.

The shares of Petrol d.d., Ljubljana were ranked second on the Ljubljana Stock Exchange by trading volume. On average, the monthly volume of transactions involving Petrol's shares totalled EUR 5.1 million.

The market capitalisation of Petrol d.d., Ljubljana as at the last trading day of 2016 totalled EUR 678.1 million, which accounted for 13.6 percent of the stock market's total capitalisation. Petrol d.d., Ljubljana was ranked second in terms of market capitalisation as at the last day of 2016.

Key financial indicators for Petrol's shares

The Petrol Group's earnings per share (EPS) for the year stood at EUR 35.24 and its cash earnings per share (CEPS) at EUR 56.72. The return per share calculated using the share price as at the end of 2016 and the share price as at the end of 2015 stood at 27.1 percent. Combined with the dividend yield of 4.9 percent, the total return per share stood at 32 percent in 2016.

The ratio between the shares' market price and book value as at the end of 2016 – the latter amounting to EUR 285.51 in the case of the Petrol Group – was 1.14 (P/BV), which was lower than at the end of 2015. The ratio between the shares' market price as at the end of 2016 and the Petrol Group's earnings per share stood at 9.22 (P/E).

Share capital structure

The share capital structure of Petrol d.d., Ljubljana changed slightly in 2016 compared to the end of the previous year. With 412,009 shares, Slovene Sovereign Holding is still the largest single shareholder, followed by Češkoslovenska Obchodni Bank, A.S. – fid. with 267,076 shares and Kapitalska

družba d.d. with 172,639 shares. Other large single shareholders include Societe Generale - Splitska banka d.d., Vizija Holding k.d.d., Vizija holding ena k.d.d., NLB d.d., Nova KBM d.d., Perspektiva FT d.o.o. and DUTB, d.d..

At year-end, 520,187 shares or 24.9 percent of all shares were held by foreign legal or natural persons. Compared to the end of 2015, the number of foreign shareholders increased by 4.0 percentage points, while the total number of shareholders decreased from 33,451 as at the end of 2015 to 26,265.

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

Shares owned by members of the Supervisory and Management Board as at 31 December 2016

Name and Surname	Position	Shares owned	Equity share
Supervisory Board		0	0.0000%
Internal members		0	0.0000%
1. Zoran Gračner	Supervisory Board member	0	0.0000%
2. Andrej Tomplak	Supervisory Board member	0	0.0000%
3. Damjan Legen	Supervisory Board member	0	0.0000%
External members		0	0.0000%
1. Tomaž Kuntarič	Supervisory Board president	0	0.0000%
2. Irena Prijović	Supervisory Board deputy president	0	0.0000%
3. Igo Gruden	Supervisory Board member	0	0.0000%
4. Matija Blažič	Supervisory Board member	0	0.0000%
5. Klemen Ferjančič	Supervisory Board member	0	0.0000%
6. Mladen Kaliterna	Supervisory Board member	0	0.0000%
Management Board		220	0.0105%
1. Tomaž Berločnik	Management Board president	0	0.0000%
2. Igor Stebernak	Management Board member	0	0.0000%
3. Rok Vodnik	Management Board member	220	0.0105%
4. Ika Krevzel Panič	Management Board member and worker director	0	0.0000%

Other explanations by Petrol d.d., Ljubljana

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

Contingent increase in share capital

The General Meeting of Petrol d.d., Ljubljana did not adopt any resolutions in 2016 regarding the contingent increase in share capital.

Reserves for own shares

Petrol d.d., Ljubljana did not repurchase its own shares in 2016. On the last day of 2016, the Company held 24,703 own shares, representing 1.2 percent of its registered share capital. Their total cost equalled EUR 2.6 million as at 31 December 2016 and was EUR 5.4 million lower than their market value on that date.

Own shares, in total 36,142, were purchased between 1997 and 1999. The Company may acquire 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.

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 26th General Meeting of 21 April 2016, Petrol paid out in 2016 a gross dividend for 2015 of EUR 12.6 per share.

Overview of dividend payments 2011 – 2015

Period	Total dividends	Gross dividend per share
2011	17,211,983.25 EUR	8.25 EUR
2012	20,863,010.00 EUR	10.00 EUR
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

Accumulated profit

The accumulated profit of Petrol d.d., Ljubljana, as determined in accordance with the Companies Act, stood at EUR 28.86 million in 2016.

Regular participation in investors' conferences and access to information

Petrol d.d., Ljubljana continues its programme of regular cooperation with domestic and foreign investors, which consists of public announcements, individual meetings and presentations, and public roadshows.

The Company also regularly attends investors' conferences organised each year by stock exchanges, brokerage companies and banks. In March 2016, Petrol thus participated in an InterCapital and Goldman Sachs investors' conference in London; in May, it took part in a joint investors' conference in Zagreb, which was organised by Ljubljana and Zagreb Stock Exchanges; in October, Petrol participated in a conference in Stegersbach, Austria, organised by the Erste Group; in November, it was present at conferences organised by the Belgrade Stock Exchange in Belgrade, the Ljubljana Stock Exchange in Ljubljana and Fima in London; finally, at the beginning of December, Petrol attended a conference in Prague organised by the investment company 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.

RISK MANAGEMENT

Risk management in The Petrol Group in 2016

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 Group's key risks are identified, assessed, managed, utilised and monitored. In doing that, we aim to develop a risk-awareness culture to ensure better understanding of risks and higher-quality 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.

The year 2016 was an extremely dynamic one as far as the improvement of the risk management system is concerned. In addition to the regular monitoring of exposure to risks and the implementation of activities for their management and utilisation, several novelties were introduced to the system. Among the most important of these was the adoption of a strategic basis concerning the Petrol Group's risk management or risk appetite which was integrated into the Petrol Group Strategy 2016 – 2020. The strategic basis, which is presented in more detail in a subchapter herein, informs our decisions and represents guidelines for determining individual limit systems.

The Risk Management Committee of the Petrol Group completed its restructuring process in 2016. In addition to the Management Board of Petrol d.d., Ljubljana, it now includes functional directors for the various areas of the Petrol Group. In January 2016, responsibility for the general monitoring of credit risks in the Petrol Group was assumed by the newly founded Credit Committee. As well as setting limits in line with its mandate, it also oversees the methodological development of credit risk management in the Petrol Group and the implementation of good practice in Group companies.

At the end of 2016, a proposal was presented and approved regarding the new 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.

In 2016 the Assets and Liabilities Management Committee of the Petrol Group continued to control currency, liquidity, foreign exchange and interest rate risks. Trading in energy products were still monitored by the Trading Risk Board.

Since financial risks are assessed as the most relevant and probable risks in the Petrol Group, a series of activities were carried out in this area in 2016. 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 2016 to devote more attention to credit, price and quantity risks in this area and to upgrade the system of limits and its monitoring and reporting processes. Moreover, an extensive project was carried out in 2016 for the purpose of further developing trading and risk management processes, with a particular focus 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 collateral we hold. As at 31 December 2016, 86 percent of Petrol's trade receivables individually exceeding EUR 100,000 were secured through insurance policies, bank guarantees and other credit insurance instruments. The limit approval process was also thoroughly redesigned in 2016 and now includes a new authorisation hierarchy and limit setting methodology. The new system is standard for the entire Petrol Group and was adopted by companies in Slovenia and Bosnia in 2016. It will be rolled out in the

other Petrol Group companies in 2017. Business partner ranking based on a credit risk assessment has also been introduced within the Group. In co-operation with the Jožef Stefan Institute, a model has been developed to assess the probability of default, which will facilitate our decision-making process when setting limits and demands for secured receivables.

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 2016 our investment grade BBB- long-term credit rating, A-3 short-term credit rating and our stable credit rating outlook were affirmed 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.

Strategic risk management policies of The Petrol Group

The policies and principles regarding risk management (risk appetite) were defined in the new Petrol Group Strategy 2016 – 2020.

The global strategic policy is to ensure a stable growth of the business while taking on moderate levels of risk. The required return is adjusted to the risks expected.

The risks for which we have an appetite are those arising from the Petrol Group's Development Strategy, which provides for stable business growth in the future and a dynamic development of new business models.

We are not willing to take on the following risks: environmental risks, risks to employee health and safety, reputational risk, fraud and corruption risk and the risk of losing our investment grade rating (arising from the operations of the Petrol Group).

In accordance with the global principle, the following strategic risk management policies of the Petrol Group were defined:

- The Petrol Group monitors changes in the industry and markets, and proactively adapts its operations and targets in order to achieve its strategic objectives.

- New investments made by the Petrol Group are in line with its strategic and financial plans. The expected return on investment is consistent with the risk assumed.
- The Petrol Group's human resources policy is aligned with its strategic policies. The human resources department is actively involved in staff development and training while also monitoring the organisational climate.
- The Petrol Group promotes compliance with the law and internal rules and, through its values and Code of Conduct, seeks to build a corporate culture that promotes lawful, transparent and ethical conduct and decision-making.
- The Petrol Group is aware of the operational risks it faces and seeks to establish an appropriate process, systemic and IT environment which allows for its strategic development and reduces operational risk to an acceptable level.
- Margins in energy product trading are secured either through natural adjustments or derivative trading in order to hedge risk and ensure that cash flow remains stable.
- The Petrol Group makes sure that its partner portfolio is of high quality and appropriately dispersed. The Petrol Group strives to have its at-risk receivables sufficiently secured, either by obtaining credit insurance instruments or taking out insurance.
- The Petrol Group provides for long-term financial stability through sustainable financial leverage.
- The Petrol Group manages its short-term liquidity by matching inflows and outflows and maintaining adequate credit lines.
- The Petrol Group makes every effort to hedge its interest rate risk.

Petrol's risk model with most relevant and probable risks

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

According to the results of the 2015 risk assessment, the most relevant and probable risks comprise the following financial risks: price, credit, foreign exchange and liquidity risks. 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 economic environment risks, interest rate risks, legislation and regulation risks, strategic decision-making risks, commercial risks, and business and financial decision-making risks.

Risk categories within the Petrol Group

I. Environment risks

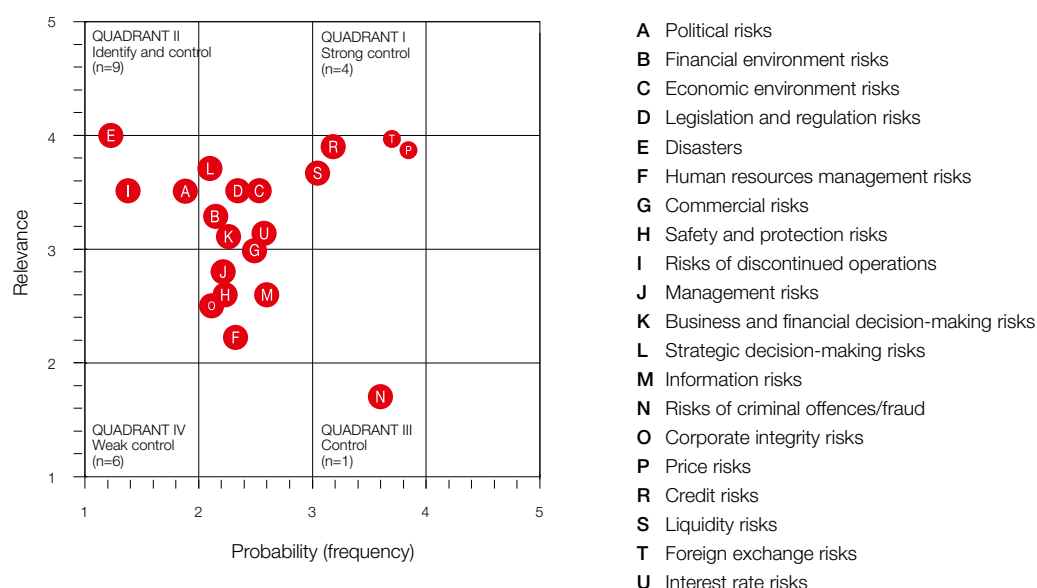
- | | | |
|----------------------------------|---------------------------------------|---------------------|
| I.1. Political risks | I.3. Economic environment risks | I.5. Disaster risks |
| I.2. Financial environment risks | I.4. Legislation and regulation risks | |

II. Performance risks

- | | | |
|--|--|---|
| II.1. Operational risks | II.2. Management and decision-making risks | II.5. Financial risks |
| II.1.1. Human resources management risks | II.2.1. Management risks | II.5.1. Price risks |
| II.1.2. Commercial risks | II.2.2. Business and financial decision-making risks | II.5.2. Credit risks (counterparty risks) |
| II.1.3. Safety and protection risks | II.2.3. Strategic decision-making risks | II.5.3. Liquidity risks |
| II.1.4. Risks of discontinued operations | II.3. Information risks | II.5.4. Foreign exchange risks |
| | II.4. Risks of fraud and other illegal acts | II.5.5. Interest rate risks |
| | II.4.1. Risks of criminal offences/fraud | |
| | II.4.2. Corporate integrity risks | |

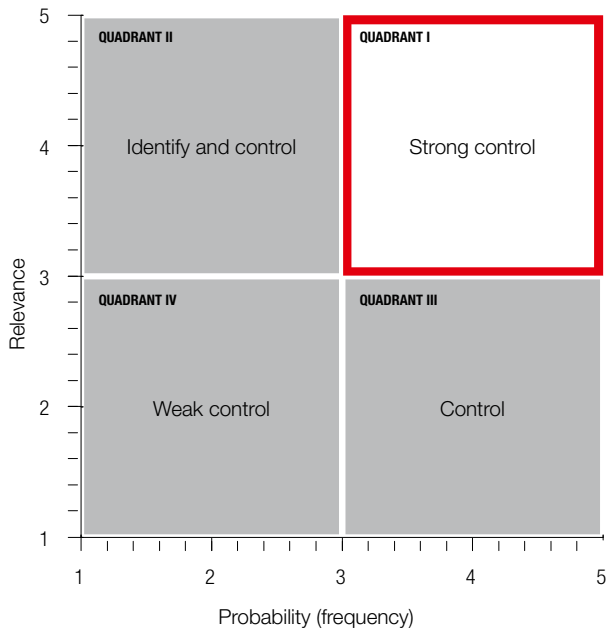
The chart below shows the distribution of individual risks according to the latest assessment.

Distribution of the Petrol Group's risks according to the latest assessment, without hedging



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.

Schematic diagram of risk management within the Petrol Group with control methods



In 2016 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 probable risks included in the group of external environment risks comprise economic environment risks, and legislation and regulation risks. Although relevant, disaster risks, which also belong to this group, have a low probability (frequency). Financial environment risks and political risks were assessed as medium-relevance and lower-probability risks and were classified into the second quadrant just like other environment risks.

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.

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.

II. PERFORMANCE RISKS

Performance risks include operational risks, management and decision-making risks, information 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 risks, commercial risks, safety and protection risks, and risks of discontinued operations. According to the latest assessment, commercial risks are the most relevant and probable of these risks.

Commercial risks include supply chain risks, i.e. poor-quality and inefficient management of the supply chain from the supplier to the customer. These risks consist of inefficient development of new products and services; inefficient operational side; limited supply sources of petroleum products, other products, spare parts and other goods; poorly positioned and/or poorly performing distribution channels; inefficient and ineffective alliances, joint ventures, associates and other external connections; provision of inferior-quality services or sale of poor-quality products; general decline in customers’ satisfaction with the Company’s services and products.

The Petrol Group protects itself against these types of risks by regularly assessing its service stations, measuring customer satisfaction, exercising comprehensive supervision over its suppliers, controlling the quality of products, using an elaborated claims and complaints handling system, and by educating sales personnel and travelling salesmen on a regular basis.

Operational risks are linked to how processes are structured. With this in mind, we devoted considerable attention to strengthening the organisation of processes in the past two years, thus improving and optimising processes as well as comprehensively addressing operational risks.

The effort put into these processes is also reflected in a completely new process organisation chart of Petrol.

II.2. Management and decision-making risks

Management and decision-making risks are closely connected to operational risks. They include management risks, business and financial decision-making risks and strategic decision-making risks, with the latter being the most relevant and probable risks, according to the latest assessment.

Management 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. Business and financial 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.

The Petrol Group Strategy 2016 – 2020, which was adopted this year, sets clear guidelines as to the future development, improving responsiveness to changes in the market and addressing both strategic and operational decision-making risks.

II.3. Information risks

According to the latest assessment, information risks are one of the less probable (frequent) and less relevant risks, but are by no means negligible. 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.

In 2016 the Petrol Group's key pillars and activities as well as their monitoring and reporting were aligned with the new Petrol Group Strategy.

II.4. Risks of fraud and other illegal acts

In 2015 the management of risks of fraud and other illegal acts was split into two subgroups that were assessed independently, 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 probability and low relevance.

The risk of corporate integrity breach stands for the Company's operations that are incompatible 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.

II.5. Financial risks

According to the assessment of probability 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 risks, credit risks, foreign exchange 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 risks chapter.

Price 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, quantity and 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 quantity 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 quantity 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 primarily entered into to hedge against price and foreign exchange risks and not for reasons of speculative nature.

Credit risks

The credit risk was assessed in 2015 as the third most relevant financial risk to which the Petrol Group is exposed in connection with the sale of goods and services to natural and legal entities. In 2016 it was managed using the measures outlined below.

The operating receivables management system provides us with an efficient credit risk management. In 2016 we introduced some changes to the process of setting and

approving credit limits for the entire Petrol Group in order to further improve and harmonise the credit risk management system.

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 being put into the management of receivables from large customers in Slovenia, and significant attention is also devoted to the collection of receivables in SE Europe markets, where the solvency and payment discipline of the business sector differs from that in Slovenia. Receivables are systematically monitored by age, region and organisational unit as well as by quality and individual customer. The exposure of customers in the Petrol Group's portfolio to the credit risk is monitored at a global level. To monitor 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 a centralised control over credit insurance instruments received.

We estimate that credit risks are adequately managed within the Petrol Group. Our estimate 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 24 June 2016. 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.

In 2016 no additional long-term loans were raised. Operations were financed through the already acquired long-term sources and, partly, through short-term loans. Moreover, we restructured our sources of financing by repaying a portion of long-term loans early, as a way of managing short-term liquidity surpluses, while raising long-term revolving credit facilities to accommodate our liquidity needs in accordance with S&P criteria. Average petroleum product prices were lower in 2016 than in 2015, meaning that less working capital was needed. The acquired long-term and short-term credit lines provide us with a high level of liquidity.

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. Its successful operations in particular are a guarantee for its long-term solvency and boost its equity capital.

Interest rate risks

The Petrol Group regularly monitors its exposure to the interest rate risk. 21 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 2016 than at the end of 2015 and thus remains historically low (negative). In 2016 the Petrol Group's overall borrowing interest rate was, on average, lower than in 2015. This is the result of low EURIBOR rates, interest rate margins, which had been further reduced, and a higher amount of short-term debt.

In 2015 we updated the interest rate risk management policy. Limits for interest rate risk exposure now reflect the risk of changes to the EURIBOR rate in the next year and cumulative figures for the next five years.

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 connection with extending the maturity of a EUR 50 million long-term loan, an existing interest rate hedging contract of EUR 37.5 million was sold off early in 2016 and a new interest rate hedging contract of EUR 50 million concluded, which has a longer maturity.

Internal audit

Internal Audit has operated within the controlling company's organisational structure as an independent and autonomous support function 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 are approved by the Management Board and the Supervisory Board's Audit Committee. 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 2016 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.

In 2016 Internal Audit continued to carry out certain procedures to improve the quality of work:

- due to changes in the Petrol Group's operations 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 2017 was approved in December 2016 by the Management Board and the Supervisory Board;
- it carried out procedures to measure the efficiency of internal audits;

- it updated the working methods to reflect changes in standards that enter into force on 1 January 2017; and
- it drew up and implemented its programme of improving the quality of internal auditing for the period 2016 – 2017.

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 and Fraud Control 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 13 audit and assurance assignments in 2016, of which 5 were extraordinary audits. 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 2016, 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.







BUSINESS ACTIVITIES

Finding a balance between our abilities and the wishes of our customers and partners is the key to success. Therefore we aim to create recognisable brands that bring the needed breath of fresh air to the segment of convenient purchases and we are constantly improving our range of energy products and energy management.

SALES



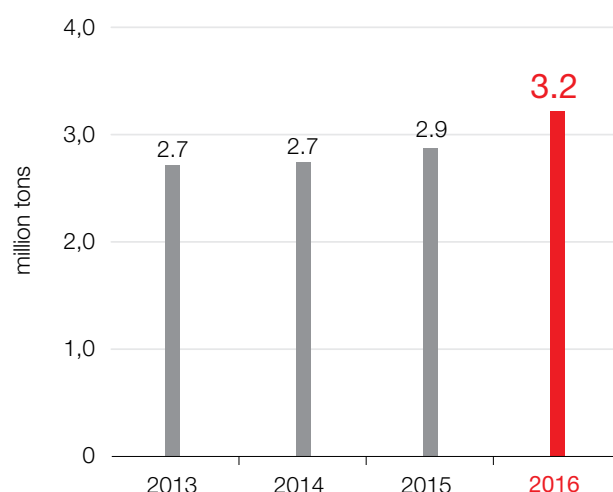
Sales of petroleum products

The year 2016 was marked by rapidly changing market characteristics, legitimate customer expectations, fierce competition and intense energy and economic developments. Through harmonious operation we were able to deliver very good sales performance in the previous year. 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 2016 we sold 3.2 million tons of petroleum products⁸, an increase of 12 percent over 2015 and 22 percent more than planned. 49 percent of our sales were generated in Slovenia, 27 percent in EU markets, and 24 percent in the markets of SE Europe. Further, 40 percent of the sales were generated in retail and 60 percent in wholesale operations. The sales in Slovenia rose by 8 percent relative to 2015, with the sales in the EU increasing by 44 percent and the sales in the SE Europe markets dropping by 6 percent year-on-year.

⁸ Petroleum product sales do not include liquefied petroleum gas sales, which are presented separately.

Sales of petroleum products 2013 – 2016



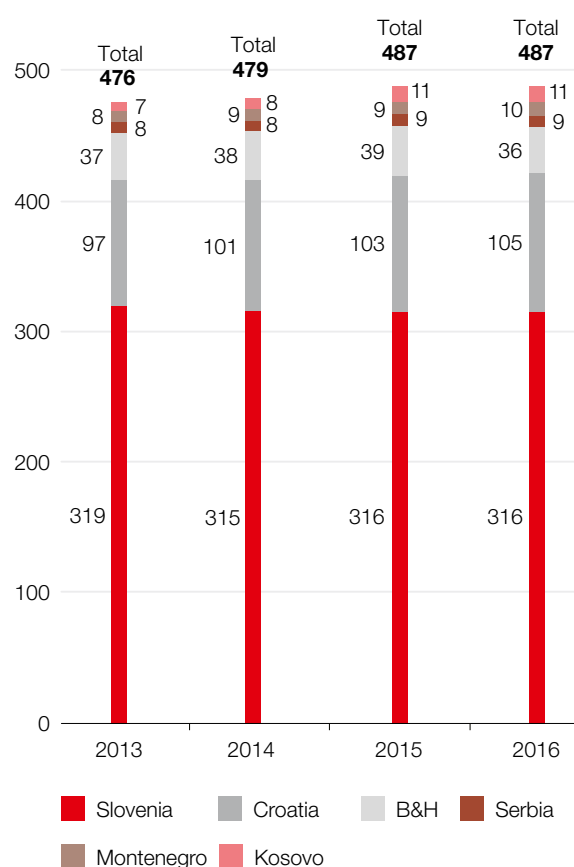
**THE SALES OF PETROLEUM
PRODUCTS WERE UP 12 PERCENT
YEAR-ON-YEAR.**

As far as individual categories of petroleum products are concerned, the Petrol Group's sales of motor fuels rose 14 percent relative to 2015, chiefly in the EU and in Slovenia.

Retail network of the Petrol Group

By the end of 2016, the Petrol Group's retail network grew to 487 service stations: 316 in Slovenia, 105 in Croatia, 36 in Bosnia and Herzegovina, 9 in Serbia, 11 in Kosovo and 10 in Montenegro. Complementing the services provided at service stations are 135 car washes, 158 bars, more than 40 charging points for electric vehicles and 7 TIP STOP quick-service facilities. The latter are dedicated to the maintenance of freight and passenger vehicles.

Expansion of Petrol's service station network 2013 – 2016



With its 316 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 2016 we opened three new service stations, but to streamline our operations, three

service stations were closed at locations which saw a significant drop in turnover.

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 12-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, Energopetrol and Ina. In Montenegro, Petrol has just above 9 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's market share there is less than 1 percent 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. Service station opening hours are adjusted to reflect seasonal traffic flows and customer needs.

Wholesale network of the Petrol Group

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.

Customers and their needs are at the heart of our operations. In 2016 we redesigned our approach to sales: the omni-channel system now makes it possible to easily switch between different sales channels.

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. 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.

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, fuel prices had been set in accordance with the Decrees Setting Prices for Petroleum Products in force from 9 October 2015 to 8 February 2016, from 9 February to 8 April 2016, from 9 April to 8 June 2016, from 9 June to 8 July 2016, from 9 July to 8 September 2016 and from 9 September to 8 November 2016. On 7 November 2016, the Government of the Republic of Slovenia adopted a new Decree Setting Prices for Petroleum Products for the period from 9 November 2016 to 30 June 2017, liberalising the prices of petrol and diesel fuel at motorway and expressway service stations while keeping the prices of petrol and diesel fuel at other service stations regulated.

In all the decrees, the model-based margin applicable to government-regulated petroleum products has been fixed at EUR 0.08701 per litre of 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.

Slovenia's gross margins for petroleum products, which are, under the model, set at a fixed amount and do not reflect changes in retail prices, are still below European average. In the case of petrol, they 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 60 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 normally change

weekly. In the Federation of Bosnia and Herzegovina, retailers notify the Federal Ministry of Commerce of new retail prices four days in advance, whereas in the Republic of Srpska changes in retail prices need not be notified in advance. Due to the free setting of prices, retail fuel prices vary according to the location of a service station.

Fuel pricing in Serbia

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

Fuel pricing in Montenegro

In Montenegro, the prices of petroleum products are set in accordance with the Regulation on the Method of Setting Maximum Retail Prices, which has been in force since 1 January 2011. The prices change fortnightly, provided that prices on the oil market (Platts European Marketscan) and the exchange rates of the euro and the US dollar change by more than 5 percent. In addition to market oil prices and changes in the exchange rates of the euro and the US dollar, the methodology used to calculate selling prices takes into account taxes, the costs of transshipment, handling, bank charges, storage, transport and distribution, as well as (excise) duties and an oil companies' gross margin. The latter amounts to EUR 0.063 per litre of petrol, EUR 0.064 per litre of eurodiesel and EUR 0,076 per litre of extra light heating oil. In addition to these gross margins, liquid fuel traders may factor in all of the above costs at EUR 0.05 per litre of petrol, EUR 0.05 per litre of eurodiesel and EUR 0.026 per litre of extra light heating oil.

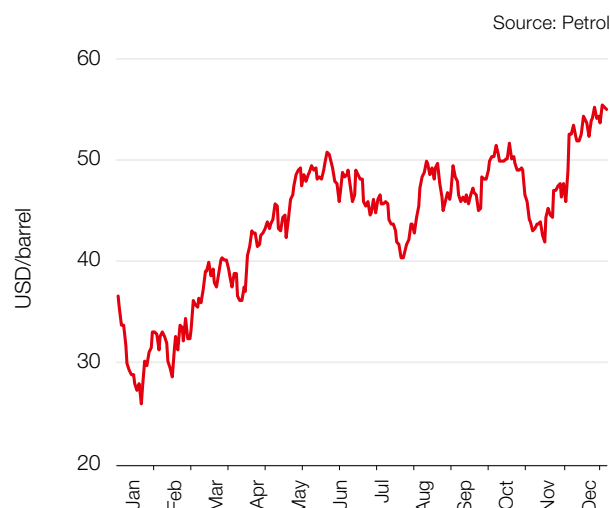
Fuel pricing in Kosovo

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

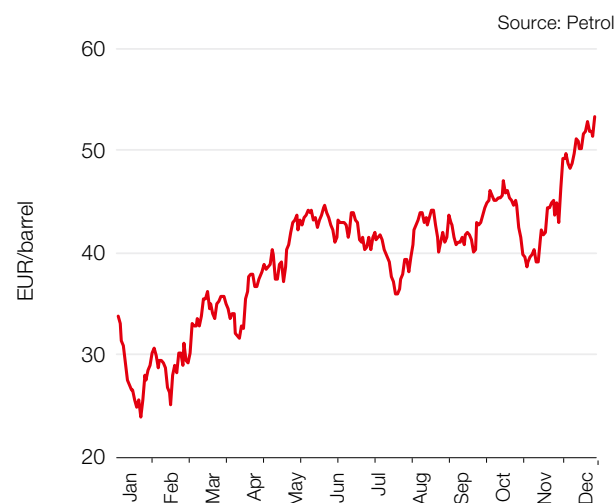
Oil price movements in 2016

Oil prices per barrel ranged from USD 26.0 to USD 55.4 in 2016. The average price of crude oil stood at USD 43.7 per barrel in 2016, down 17 percent year-on-year, while the average price in euros was down 18 percent. The prices of petrol and middle distillates followed the same trends as crude oil prices.

Changes in Brent Dated High oil price in 2016 in USD/barrel



Changes in Brent Dated High oil price in 2016 in EUR/barrel



THE AVERAGE PRICE OF CRUDE OIL STOOD AT USD 43.7 PER BARREL IN 2016, DOWN 17 PERCENT YEAR-ON-YEAR.

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 1.107 US dollars for 1 euro in 2016.

Procurement and logistics of petroleum products

Managing the petroleum product and merchandise supply chain optimally is important to ensure the cost-effectiveness of operations and is, as such, a key factor of the Petrol Group's successful operating performance. In 2016 the main goals in this area consisted of stock optimisation, matching the procurement terms achieved in 2015 and the continued optimisation of logistics processes in subsidiaries.

Procurement of petroleum products

Petrol buys most of its petroleum products from the largest multinational oil companies and some from major global oil and petroleum products traders. Many years of continuous cooperation with reliable and competitive suppliers give Petrol the status of a partner. In keeping with its strategy, the purchased motor fuels and middle distillates

were mostly delivered by sea. Petrol increased 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, and established a new procurement route on the Danube river for SE Europe markets. It thus secured a price of petroleum products that 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, sustainable orientation and key policies, the selection of suppliers is subject to the following factors:

- compliance of all procured products with applicable European standards and regulations,
- purchase price and other terms of procurement allow for the lowest procurement and logistics costs,
- reliability of supply, which allows for lower operational stocks and thus reduced the costs of stock financing.

Logistics of petroleum products

Ensuring cost-effective logistics for all supply chains and in all markets is Petrol's ongoing goal. The supply of fuel to service stations and customers in Croatia, Bosnia and Herzegovina, Montenegro and Kosovo was conducted in its entirety from the dispatch centre in Ljubljana, in line with the procurement and logistics model. In all markets, the transport fleet was being renewed to ensure greater control over



the fuel chain. In the last quarter of 2016, our contractor in Croatia finalised the construction of the new fuel terminal which will allow for better safety and more efficient supply to our southern markets.

As far as storage facilities are concerned, activities were undertaken to replace fuel on behalf of the Agency of the Republic of Slovenia for Commodity Reserves and to up-grade technological equipment at our fuel storage facilities.

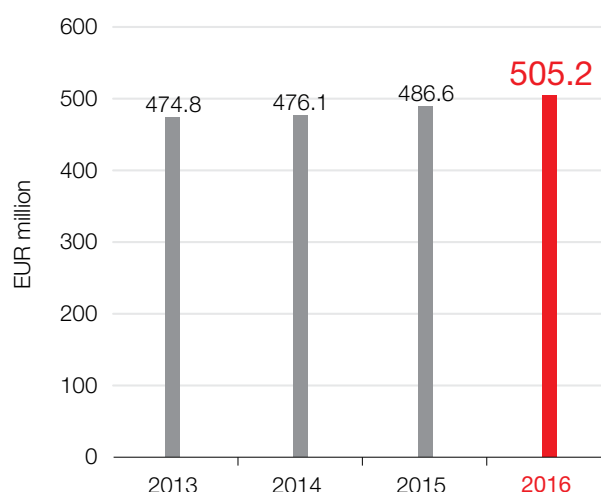
At the Instalacija Sermin Terminal, the volume of petroleum products handled for Petrol and our contractual partners was again at record levels in 2016.

Sales of merchandise

In 2016 the Petrol Group generated EUR 505.2 million in revenue from merchandise sales, which was 4 percent more than in 2015 and in line with the plan. Compared to 2015, sales increased in the tobacco segment, the electronic prepaid card segment, the foodstuffs segment and the hot beverage segment. The sales through the Petrol Club catalogue and loyalty schemes were continued and further developed. Slightly poorer sales were recorded in connection with automotive products only. 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 8 percent year-on-year.

The Petrol Group's merchandise sales 2013 – 2016



We are constantly expanding the product range available at Petrol's points of sale and adjusting it to the needs and wishes of our customers. Petrol's service station has thus 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 and sports events, pay bills, purchase “1 per Day” coupons and bitcoin vouchers, and send or collect a package.

To be as close as possible to our customers, we are also developing and expanding the range available from Petrol eShop, where customers can choose from more than 8,000 items. Moreover, Petrol Travel offers attractive packages for family holidays and for individual or group travels.

In the development of new sales channels in 2016, we again placed particular focus on the so-called distribution programmes, obtaining distributorship for several brands (Atomic, Travel Blue, Kluth, Voss, Amazonas, etc.).

Sales of services

The majority of the Petrol Group's revenue from services is generated by the parent company. The Group's major revenue streams from services 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.

Sales of liquefied petroleum gas

Liquefied petroleum gas (LPG) is considered a top-quality and cleanest fossil fuel, offering vast possibilities for use: heating, industrial use, in gas bottles for home use and as a power source for forklifts, electricity production and vehicle propulsion. It is characterised by economical consumption, low costs and mitigation of negative environmental impacts. In EU Directive 2014/94 it has been declared an energy product of the future for transport purposes. LPG sales have been gaining importance as an activity within the Petrol Group. Operations involving liquefied petroleum gas 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 supply of liquefied petroleum gas as well as in the construction and management of LPG distribution networks. The selling prices of liquefied petroleum gas are determined freely in Slovenia. In Croatia, too, they are determined freely but 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 being currently considered in the pricing.

In 2016 the Petrol Group operated 6 LPG supply concessions in Slovenia. The company Petrol Plin d.o.o. has LPG supply contracts in the towns of Šibenik and Rijeka. 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 sold via a broad distribution network.

In September 2016, the company Petrol LPG d.o.o. established the subsidiary Petrol LPG HIB d.o.o. based in Bosanski Šamac, where it holds an LPG terminal under a long-term lease to manage stocks (and the accompanying price risks) in a more efficient manner, to optimise logistics and develop the LPG market in Bosnia and Herzegovina, as well as to have more favourable procurement sources at its disposal for both Petrol Plin d.o.o. and Petrol BH Oil Company d.o.o. and, as a result, optimised margins and quantities.

In 2016 the Petrol Group's sales of liquefied petroleum gas totalled 141.6 thousand tons or 84 percent more than in 2015 (mainly as a result of consolidating LPG sales of the company Petrol LPG d.o.o. Beograd at the end of 2015) and 17 percent more than planned. Sold at 195 service stations and also at wholesale, autogas accounted for 91.0 thousand tons, up 174 percent from 2015.

Sales of natural gas

Natural gas is a particularly suitable energy product for ensuring a reliable energy supply, business competitiveness, a low-carbon energy system and sustainable development.

The use of natural gas in combination with renewable energy sources (RES) improves air quality (less SO_x, NO_x and PM₁₀ dust particles) and reduces greenhouse gas emissions (CO₂). The condensation technique allows us to boost the effectiveness of the heating system, the use of natural gas in cogeneration results in an above-average system utilisation rate, and 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 due to it having a much smaller environmental impact than traditional fuels.

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, the selling prices of natural gas (supply) are unregulated, whereas the distribution charges (network fees) are approved by the Energy Agency of the Republic of Slovenia. There is strong competition in the

retail natural gas market in Slovenia, the main competitors being Geoplin, Gen-I, Adriaplin, Plinarna Maribor and Energetika Ljubljana. The Petrol Group holds about an 8-per-cent market share of the Slovene retail natural gas market.

Natural gas prices in Serbia are set subject to Serbia's Energy Agency approval. The Petrol Group's share of the retail natural gas market in Serbia, where it sells natural gas to customers in Belgrade (3 municipalities), Pećinci and Bačka Topola, is as yet lower (approximately 1 percent).

The volume of natural gas sold by the Petrol Group in 2016 amounted to 123.0 million m³, an increase of 2 percent from 2015 and 10 percent more than planned.

Sales of electricity to end users

Because of its versatility, electricity is an indispensable commodity. It is invaluable in every household and all areas of the economy, and is a foundation of the modern way of living. Despite all the efforts to use energy more efficiently (new devices and heating systems, energy-efficient building envelope, ventilation, cooling, hot water preparation, technological processes etc.), the demand for electricity has been rising as we develop and use new and ever more complex electrical devices. Moreover, with the development and increasing use of electric vehicles, it is very likely that in the future electricity will play a significant role as a new and environmentally acceptable propellant for various means of transport.

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. We believe that a fast and efficient adjustment to market changes is the key to success. Through our electricity-related range, we pursue Petrol's goal of comprehensive energy product supply. In July 2016, we partnered with Telekom Slovenije and began to actively manage our joint portfolio.

In the area of electricity supply to end customers, the Petrol Group won more than 4 thousand new household customers in 2016, reaching a total of more than 51 thousand household customers, up 8 percent over the year before. We also began to actively supply electricity in the Republic of Serbia and in Bosnia and Herzegovina.

In 2016 Petrol sold 1.5 TWh of electricity to end users.



ENERGY AND ENVIRONMENTAL SYSTEMS

Distribution of natural gas

The Petrol Group distributes natural gas in Slovenia and Serbia.

In Slovenia, it operated 24 natural gas supply concessions in 2016. In November 2016, the concession contract concluded with the municipality of Rogatec was extended by 5 years, making it possible for the municipality to switch from the Croatian distribution system to a Slovenia-based transmission network. Natural gas customers in this municipality will now also have the possibility to choose their supplier freely. In Serbia, the Petrol Group distributes natural gas in the municipalities of Bačka Topola and Pećinci as well as in three Belgrade municipalities.

The volume of natural gas distributed by the Petrol Group in 2016 amounted to 123.9 million m³.

District heating

Supplying heat for heating purposes, which is done through communal boiler rooms, district heating systems and co-generation systems, is an important segment of Petrol's comprehensive energy product supply. 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.

The innovation "Waste heat reuse in district heating and domestic hot water production" earned the consortium consisting of Petrol Energetika, the SIJ Group, Metal Ravne, the local community of the Municipality of Ravne na Koroškem and the "Jožef Stefan" public research institute the environmentally-friendly service award at the Environmental Meeting organised by the Finance newspaper, the Taras 2016 award for successful cooperation between a scientific research institution and the business sector, the golden regional award and the bronze innovation award for 2016 from the Chamber of Commerce and Industry of Slovenia, and the silver European award, EUREM.

The comprehensive energy solution is an innovative energy model of transition to the circular economy. Waste heat generated during the cooling of the electric arc furnace at Metal Ravne is harnessed by means of modern technology and innovative system solutions. When the electric arc furnace cooling system was renovated, it was fitted with a feature allowing the use of high-temperature waste water at Ravne na Koroškem heating plant for district heating and domestic hot water production for the industry and the local community. This is the first project of this kind to connect the steel industry and district heating systems in Slovenia, resulting in energy savings, improving the environment and bringing additional benefits to the society as a whole. This sustainable heat supply method has a relatively large development potential in other industries as well and in the area of district cooling systems.

Environmental solutions

In 2016 the Petrol Group operated four concessions for the public utility service of municipal wastewater treatment. The capacity of the treatment plant in Murska Sobota is 42,000 population equivalents (PE), in Sežana 6,000 PE, in Ig 5,000 PE and in Mežica 4,000 PE. Petrol also managed the industrial waste treatment plant at Vevče Paper Mill and, at the beginning of 2016, began to operate the industrial waste treatment plant at the company Paloma. All waste treatment plants operated well in 2016. No major failures were reported and wastewater treatment efficiency was at the expected level. 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.

WASTEWATER TREATMENT WAS IN LINE WITH THE PLAN.

The Petrol Group has been involved in energy production from waste for 6 years already. At Ihan and Črnomelj biogas plants, organic waste is turned into green electricity. The anaerobic treatment of organic waste yields biogas, which is used by cogeneration engines to produce electricity. In this process, heat is also produced which is then used in the dehydration plant for sludge obtained from municipal wastewater treatment. The sludge from the treatment plants is dehydrated and transformed into secondary fuel for cement plants.

Energy solutions

As a strategic partner, the Petrol Group offers its customers a partnership to help them improve their energy efficiency and the use of renewable resources. Every day more than 200 energy experts from the Petrol Group help create success stories in Slovenia and abroad in urban energy management and industrial energy systems.

Long-term contract-based supply of energy and contractually guaranteed energy and water savings are the most common project implementation models in the public sector, the commercial sector and in industry. A significant advantage of these models for customers is that Petrol assumes all technical and economic risks of project implementation and management, provides the necessary funds to carry out measures, and supplies customers with the required energy of suitable quality, guaranteeing savings in the use of energy products compared to the previous situation.

In 2016 we:

- managed energy in 346 buildings with a total surface area of 810,000 m², or 28 buildings and 60,000 m² more if new projects (the Centre for School and Outdoor Education in Bohinjska Bistrica, the municipality of Desternik, the municipality of Majšperk and the municipality of Piran) and existing buildings are taken into account;
- provided efficient lighting in 13 public lighting systems (managing a total of over 22,500 luminaires);
- helped five water supply system operators to reduce water loss by a total of more than 1,900,000 m³ through technical and economic optimisation of these systems;

- carried out technical and economic optimisation of district heating systems to help increase production and heat distribution efficiency in 20 major district heating systems in the region with a total installed power of facilities of more than 7,500 MW;
- carried out technical and economic optimisation of district heating systems in Bolzano, Italy, and Osijek, Croatia, and upgraded the district heating project in Belgrade, Serbia;
- won a project for technical and economic optimisation of the district heating system in Sofia, Bulgaria (the second largest district heating system in Europe with an installed power of 4,400 MW);
- won a project for technical and economic optimisation of Acqua Novara water supply system in Italy (currently underway);
- won projects involving energy management in buildings in several Slovene municipalities;
- won and mostly completed the automation of 350 heating substations to enhance the efficiency of the district heating system in Novi Sad.

In 2016 new projects of long-term heat supply, energy renovation of buildings and the reduction of electricity consumption and water losses were largely carried out based on the public-private partnership model.

Electricity generation

At the end of 2015, Petrol d.d., Ljubljana co-founded a Bosnia and Herzegovina based company Petrol Hidroenergija d.o.o. Teslić, which is to produce hydroelectricity. In 2016 the company Vjetroelektrane Glunča d.o.o. (Croatia) was established, which will be engaged in the production of wind electricity. Both power plants will start operating in 2017.

TRADING



As the Energy Act was amended in 2004, electricity trading, previously a regulated activity, became a market activity, with electricity becoming a market commodity with some special characteristics owing to it not being freely transferable but is in fact subject to transmission line limitations.

Electricity trading conditions have been changing rapidly over the years, and we need to adapt our trading strategy accordingly. In the past, trading relied on long-term contracts, whereas now it is beginning to shift towards short-term trading. Investments in renewable energy sources changed the structure of electricity generation sources significantly and made predictions for renewable electricity generation rather unpredictable, increasing price volatility.

The core strategic orientation of trading focuses on the centralised optimisation of trading products for different energy commodities and the capacities linked to those commodities (production, transmission, storage, demand). We try to control market conditions and risks by dedicating a lot of resources to developing analytical tools, with the Compliance Group monitoring laws and market rules in markets in which we operate.

In 2016 the Petrol Group operated in 16 markets of Central and SE Europe. This makes it possible for us to always provide buyers with competitively priced electricity. Every year, our operations get expanded to other European markets. Active trading is now underway in Bulgaria and Slovakia. As members we became actively involved in IBEX, the Bulgarian exchange, in OPCOM, the Romanian exchange, and in OKTE, the Slovak exchange. We also established a company in Kosovo. Expanding to foreign markets increases the flexibility of our portfolio and allows for better management of trading risks. The volume of financial trading was also increased: our positions are now financially hedged in the French, Italian and Greek markets.

In 2016 the Petrol Group sold 17.6 TWh of electricity, exceeding the previous year's sales by 25 and the plan by 42. 15.6 TWh of the above volume was attributable to trading.



SUSTAINABLE DEVELOPMENT

Those who know how to listen will hear a joyous child's laughter in the wind, cheers when a victory goal is scored or a confidential talk from which new hope emerges. By supporting sports, cultural, humanitarian and environmental projects we wish to make a contribution to creating a better life. Without grand words. With an open ear for fellow humans.

SUSTAINABLE DEVELOPMENT

The Petrol Group is very much aware of the importance of sustainable development. The business challenges we face are closely intertwined with being part of the social and natural environment. The Sustainability Report, which is published biennially as a stand-alone document, provides an in-depth analysis of the main areas of interest, based on the matrix of key stakeholders and the Petrol Group's sustainable development strategy. The reporting is transparent, focusing on the analysis of results, but also future-oriented and geared towards setting new targets and the ways of achieving them. This is a demanding process, considering that Petrol's complex operations cover a wide spectrum of areas of interest. We select those that most influence our sustainability footprint. Being interested in the Petrol Group's sustainable impact that encompasses economic, social and environmental dimensions, the answers are complex.

The economic indicators are known, as are the social impacts of our operations. But what about our environmental footprint?

The Sustainability Report, which will be prepared in 2017, will present not only the environmental footprint of Petrol's principal activity, but also the energy and environmental footprint of Petrol's partners arising from the comprehensive energy product range supplied by Petrol. As one of the main players in the energy markets of Slovenia and SE Europe, the Petrol Group plays an active role in increasing energy independence, energy efficiency and the share of renewable energy sources. We take a long-term approach on the path towards to sustainable mobility. Transition to the towns and local communities that are as sustainable as possible represents a strategic challenge and an opportunity for the Petrol Group, with the sustainability focus of the Petrol Group being on towns, not only in terms of energy, but also when it comes to managing all natural resources. The Petrol Group has been reducing its environmental footprint on a yearly basis, and takes a partnership role in the sustainable transformation of the wider society.

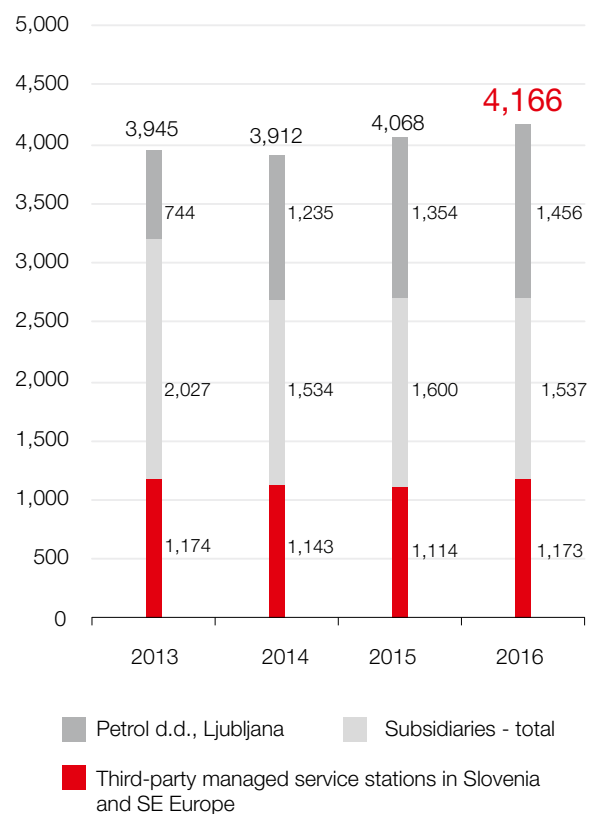
EMPLOYEES

CREATING ORGANISATIONAL CULTURE THAT IS GEARED TOWARDS SHARED VALUES, ACHIEVEMENTS, CHANGES AND MUTUAL SUPPORT.

Good staff performance and an efficient HR strategy help Petrol consolidate its position of a modern energy group on a daily basis.

A well thought-out recruitment policy, care for the development and training of staff, an effective remuneration and promotion system, the monitoring of satisfaction and commitment, and care for the safety and health of employees are just a few key factors of human resources management in the Petrol Group.

Number of employees in the Petrol Group 2013 – 2016



Staff numbers

At the end of 2016, there were 4,166 people employed within the Petrol Group and at third-party managed service stations, of whom 33 percent abroad. Compared to the end of 2015, the number increased by 98 or 2 percent. Staff numbers rose mainly at third-party managed service stations and within the companies Petrol d.o.o. in Croatia, Petrol Crna Gora MNE d.o.o. and Petrol d.d., Ljubljana. As the company Petrol Tehnologija, d.o.o. was merged into Petrol d.d., Ljubljana, its employees were also transferred to the parent company.

In 2016 the Petrol Group recruited 491 workers, the employment contracts of 393 employees were terminated and 209 people were transferred to new positions within the Group.

At the end of 2016, the average age of employees was 40 years. 64 percent of the employees were male and 36 percent were female. The employee structure has been gradually improving over the years in favour of women, although the gender balance across companies depends on their respective activities.

The right experts at the right place

Recruiting the right experts to the right posts is the key for achieving our business goals. During the selection and recruitment process, all candidates are given equal treatment irrespective of sex or other circumstances. We have set up our own recruitment database to find new staff quickly and efficiently. Through continuous training and education, we provide for employees' development, while at the same time create an internal pool of human resources. 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.

Human resources development

Employees are offered various ways to obtain professional knowledge, skills and work experience, all with the purpose of developing personal potential and talents.

Petrol's annual interviews with employees are a proven good management and communication practice. In 2016 we continued to extend annual interviews to point-of-sale managers, inviting the general managers of subsidiary

companies to designate by themselves the staff who work in positions where annual interviews would be useful for both the manager and the employee. PoS managers have the same key responsibilities and goals, only quantities and values of sales vary according to location, allowing for an even more transparent management.

A computerised system of annual interviews has provided us with regular insight into individual phases of annual interview implementation, a fast analysis of educational needs, an overview of individual development plans, desired career changes and competence development plans. The satisfaction survey revealed that the expectations related to the implementation of the annual interview were met completely for a great majority of employees.

TRAINING SUPPORTS THE ACHIEVEMENT OF BUSINESS GOALS AND PERSONAL GROWTH OF STAFF.

Petrol's annual interviews allowed for a targeted implementation of the educational plan: we formulated internal groups for language, computer and skills training and thus fulfilled the development goals of our colleagues. The assessments of management and general competences provided the basis for strengthening these competences through a systematic training of general managers. We established the Energy for Leadership Academy for Management Board members and managers of organisational units to upgrade managerial communication and motivational skills, the skills of strategic and systems thinking and personal skills. In 2016 activity managers and a group of managers from subsidiaries operating in SE Europe markets were also included in the Academy.

INVESTMENTS IN TRAINING = PETROL RANKED AS A TOP 10 EMPLOYER IN SLOVENIA

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 : 2016 = ADDITIONAL 8 HOURS OF TRAINING PER EMPLOYEE

In 2016 the number of Petrol Group employees taking part in various forms of education and training stood at 17,155, of which 24 participated in an educational process to obtain a formal qualification. In all, 107,898 teaching hours of training were carried out, meaning that on average each employee received 26 teaching hours of training.

The care for employees' development and education is also reflected in the continued increase in the number of hours dedicated to further training. New forms of training also mean more participants, as self-learning in the e-classroom, together with JollyDeck learning campaigns, makes it possible to include a considerably larger number of employees.

In 2016 we set up the Project Management Academy for selected future project managers to provide them with the latest knowledge in the field. As part of the Sales Academy, we refreshed the knowledge of sales skills for sales representatives and employees in the call centre, while coaches made sure that these skills were applied in practice.

Keeping up with the trends

E-classroom represents a new method of learning for Petrol; it saves time, travel and other costs, offers a rich library of materials and an interactive approach to learning. The programme of mandatory periodical tests of knowledge of fire safety, safety at work and environmental safety is carried out through the e-classroom. Employees were also trained on personal data protection, information security and card operations at cash registers. An internal training was organised especially for car wash staff. With the help of gamification, a competition to test the knowledge of goods and sales skills was again prepared for employees working at the points of sale.

In 2016 we were ranked as a Top 10 employer in Slovenia, in recognition of our investments in training.

Petrol's talents are nurtured at Petrol Business Academy

At Petrol Business Academy, which hosts lecturers from the Faculty of Economics in Ljubljana and from Petrol (members of the Management Board, managers of organisational units, general managers of subsidiaries), we began to train the third generation of young promising staff who will gain, in this academic year, in-depth knowledge of the Petrol Group's operations and prepare project assignments on selected topics of strategic interest. For Petrol, this programme is also a tool for developing talents so that they acquire new knowledge, learn about project and team work, and prepare for more demanding tasks in the future. Thanks to this Academy, a third of the participants already had an opportunity to assume more responsible positions. We have also established the Petrol Business Academy Alumni Club. At its first meeting, the two generations of participants deepened their understanding of career plans, the importance of a modern working environment, improvements in education and the advantages of the employer's strong brand.

BUTTERFLY – HUMAN RESOURCES DEVELOPMENT

We launched project Butterfly, as we call the project with which we wish to set up an HR development system. It consists of developing a competence model by post, measurement, identification of potential, elaboration of development plans and programmes, and of retention of talents and key staff.

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

We are a company with extensive knowledge which we wish to share with our colleagues. The key success factor for further growth of the Company is the transfer of experience, knowledge and skills. A well-thought-out mentorship plan can help us gain rich experience, the knowledge

needed to be better at our job, or to prepare for new tasks that we will be assigned, significantly faster and more systematically. The aim of mentorship is to further develop our colleagues' potential, encourage them in their career development and offer them support and assistance, especially by organising regular meetings and giving positive feedback, advice and recommendations based on the knowledge gained through a variety of work experience. In 2016 mentoring pairs were identified, training was carried out and an information platform was provided to facilitate work. The mentorship programme comprised 122 employees in 2016: 55 mentors assisted 75 other employees, and there were 8 who had both roles.

Training of external staff and customers

In the Petrol Group, particular attention is also given to the training of external staff (students, hauliers, cleaning personnel at service stations, etc.) and customers. In 2016 various technical programmes were organised for them, which were attended by almost 2 thousand active external participants.

Remuneration

In the Petrol Group, performance orientation is the basis of the remuneration system. Salaries consist of a fixed and variable part. Sales performance is an important component of variable pay, which is calculated, in the case of service stations, on a monthly basis. To boost sales in introduce new products more quickly, employees are also remunerated based on various sales promotion campaigns.

To ensure and improve the quality of operations, the quality of point-of-sale operations within the Petrol Group is assessed and rewarded once a year, with the best retail point of sale receiving an additional cash bonus. In each country, we also select the most successful salesperson.

SWALLOW – THE REDESIGN OF THE REMUNERATION SYSTEM

Swallow – the system for remunerating employees in corporate functions

Swallow, the system for remunerating employees in corporate functions, was redesigned in 2016. As part of this process, we completely overhauled the system used for monitoring and measuring staff performance at Petrol d.d., Ljubljana, with the exception of staff that are subject to other, special performance monitoring and measurement rules, and staff whose performance is monitored and measured differently in accordance with their employment contracts.

The system facilitates the implementation of Petrol's strategy and helps it achieve its business goals through an objectives system that is harmonised for all employees. Staff monitoring and performance assessment is carried out for the following reasons:

- to improve the competitiveness and long-term success of the Company
- to help the Company achieve its business and strategic goals
- to promote employee development
- to ensure employee adaptability according to the needs of all the Company's stakeholders
- to introduce and maintain high quality standards
- to promote a culture of employee success and commitment
- to ensure consistency and transparency in monitoring and measuring employee performance as well as in determining performance-related pay
- to foster and create a culture of cooperation and a culture geared towards shared values
- to determine performance-related pay based on employee's contribution to the Company's performance
- to manage labour costs in accordance with the Company's performance.

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.

GOOD ORGANISATIONAL CLIMATE AND SATISFIED EMPLOYEES.

Organisational climate

Petrol measures organisational climate and employee satisfaction on a regular basis, and has participated in the SiOK project – Slovene Organisational Climate Survey – since its inception in 2001. Beginning with 2010, the survey was expanded to include a few questions on the engagement of employees, putting more emphasis on the personal application of employees and ensuring a stronger correlation between the business performance of organisations and engaged rather than just satisfied employees.

Based on the results of the organisational climate and engagement measurement, measures are prepared and implemented each year at all levels – the Group, individual companies and smaller organisational units. In lower performing units, these measures lead to improvement, whereas in units having an improved score or a consistently high score they help to maintain good climate.

At Petrol, the survey has the usual high response rate, with 70 percent of all staff taking part in it in 2016. The survey covered employees working for the parent company, subsidiaries and at third-party managed service stations.

Each one of the parameters measured received a high score.

The Petrol Group	2014	2015	2016
Organisational climate	3.7	3.9	3.9
Management and development systems	3.6	3.8	3.8
Work satisfaction	3.7	3.8	3.8
Ratio of engaged to actively disengaged workers	2.2:1	3.5:1	3.0:1

We are a family- and employee-friendly company

As the holder of a full Family Friendly Enterprise certificate, we are committed to implementing measures as laid down in the implementation plan. This year, the Active Holidays measure was carried out in Bohinj, where a week-long child care was offered to the primary school children of our staff.

The programme was enhanced by including our employees who in a playful and entertaining manner presented to children the areas of operation of the Petrol Group, including alternative sources of energy, economic consumption of energy and ecology.

Measures for a better work-to-life balance also include teleworking (subject to certain conditions) and the promotion of intergenerational co-operation.

At our Croatian subsidiary, Petrol d.o.o., we began to implement a selection of measures that would facilitate work through small, yet important adjustments for employees, much like in Slovenia.

High-quality free time

Petrol enables its employees to spend their free time in a quality manner. In Slovenia and Croatia, we have several holiday homes where we can spend our holidays together with our families. Each year, the Company organises the Petrol trip, we get together at a staff party before the New Year, and "Petrol's toddlers" are visited by Santa Claus in December. We have been promoting sports, recreation and other forms of socialising for nearly 50 years. Petrol's winter and summer games are also open to our employees' children, who are then given our outmost attention.

The first edition of Petrol's Family Day, the purpose of which was to get to know Petrol's history as presented in the Technical Museum of Slovenia in Bistra, was a huge success. Through a series of lectures for parents, workshops for children and guided tours of the museum, we learned all about the 70-year history of our company, building loyalty and respect of tradition.

Respected employer

In 2016 Petrol received a number of distinguished awards, including the respected employer award in the trade sector in Slovenia presented by the portal Mojedelo.com, while the company Petrol BH Oil Company d.o.o. received a mention for being ranked among top three most wanted employers in Bosnia and Herzegovina in the oil and gas sector.

CUSTOMER SATISFACTION



One of the major goals of Petrol is to have exceptionally satisfied and loyal customers. More loyal customers means that even better sales performance can be achieved.

The definition of a satisfied customer is that their experience exceeds their expectations, and accumulated good experience turns a satisfied customer into an increasingly loyal one. When positive experience is repeated across different points of sale and in contact with different sales channels, products and services, a customer becomes loyal. They become loyal to the brand, the Company or the people with whom they had good experience. Such a customer returns more often and shares their positive experience with others.

Petrol has been regularly measuring the satisfaction of its customers in various areas since 1995. This ratio is one of the main factors of the Company's performance. Since 2010 we have been measuring transactional satisfaction at our points of sale on a regular basis (three times a year), obtaining over 200,668 different opinions during this time. The resulting insights, ideas and improvements have been successfully integrated into our work processes. In 2016 we checked the satisfaction of our customers in Croatia, Bosnia and Herzegovina and Slovenia, in the latter case especially as regards the experience of our Italian customers

at border locations. Particular focus was on what customers think about the Fresh range. The transparency of results was increased even further, and employees were more closely involved in reporting, the defining of action plans and progress monitoring.

According to the results of customer satisfaction measurement at Petrol's service stations, all satisfaction indicators have stabilised at their highest levels to date (overall visit satisfaction index of 91), with Petrol's service station loyalty indicators being either up or at the same level as the year before. The three key indicators, i.e. the willingness to revisit (94), the willingness to recommend Petrol's service stations (87) and the perception of the advantages of Petrol's service stations over others (83), have been on the rise since 2012.

The biennial measurement of the satisfaction of wholesale customers was carried out, revealing that wholesale customers were more satisfied with the participation in selected Petrol's sales programmes than in 2014. In 2016 implementation workshops were organised for all participating stakeholders for the first time to draw up action plans for individual programmes, on a trial basis also at customer size level, and to identify some common critical points or areas where change was urgently required to contribute to the satisfaction of wholesale customers.

We designed a new ongoing survey and carried out a first satisfaction measurement for electricity and natural gas buyers. The survey showed a relatively high degree of satisfaction with Petrol as a supplier: an index of 92 in the case of natural gas buyers and an index of 89 in the case of electricity buyers.

Throughout 2016 we measured customer recommendations in Petrol's online eShop as an indicator of satisfaction. This enabled us to track, in real time, the opinions of customers using Petrol's most recent sales channel and adapt the sales process, develop our range and optimise user experience more easily. By doing that we pursued our commitment that all customers who express their opinion duly expect to be listened to and taken into account.

Brand loyalty

in today's world, consumer satisfaction is more important than ever. We realise that developing effective strategies to ensure consumer satisfaction and loyalty is one of the key competencies for a successful business.

Therefore, we decided to further develop our loyalty programme, Petrol Club, in 2016. In addition to discounts, loyalty card and charge card holders are awarded items free of charge that can be claimed at our points of sale. Moreover, we continue offering products and services of renowned brands at favourable prices, presenting them five times a year in the Petrol Club catalogue and in Petrol eShop.

At the end of 2016, Petrol Club had more than 545 thousand holders of the Petrol Club loyalty card and more than 79 thousand holders of the Petrol Club charge card. As an indication of our understanding of the values and needs of our customers and of a successful approach to rewarding their loyalty, we were able to acquire even more loyal customers and active users of our card in the past year. We want our customers to be at the heart of our business, which is why we designated customer relations management as a key strategic project. To be able to achieve this, we wish to design customer relations management systems at different levels and segments to ensure complete and high-quality information about customers, thus building a high-quality long-term relationship between the Company and its customers.

PETROL'S CALL CENTRE 080 22 66

The Call Centre provides information about the entire product and service range of Petrol, accepts orders for heating oil and liquefied petroleum gas, provides information and support related to loyalty and charge cards, electricity, natural gas, heat and e-mobility, resolves complaints, actively participates in sales campaigns, offers online shop support and takes part in social media communication. In the past two years, we made a huge developmental step forward by transforming the Call Centre into a new distribution channel. We standardised telephone communication and began to design sales campaigns, introduce active telephone sales as well as upgrade and digitise communication channels with consumers. We are developing into a modern, customer-oriented contact centre, aiming to satisfy the wishes and needs of Petrol's customers at a single location and in a quality manner.

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 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 system. In addition to certified quality and environmental management systems, 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 SIST ISO 27001 information security system.

In 2016 the ISO 50001 energy management system was also incorporated into the quality management system as proof of our systematic approach to continuous improvement in the field of energy management and the Company's commitment to sustainable development. The system allows for continuous monitoring of the Company's energy

efficiency indicators and control over implemented energy measures. It also encourages active staff involvement in the area of efficient energy consumption and renewable energy sources.

In March 2016, Petrol was also awarded the OHSAS 18001 occupational health and safety certificate for comprehensive solutions processes in the area of district and energy systems, water supply systems, efficient lighting and energy management in buildings.

In 2016 the Company was adapting its quality management system to meet the requirements of the new edition of the ISO 9001:2015 standard. The subsidiary Petrol d.o.o. was the first Petrol Group company to become certified to the new standard.

Overview of certificates and laboratory accreditations

Company	Quality management system	Environmental management system	Energy management system	Laboratory accreditations	Other certificates
Petrol d.d., Ljubljana	ISO 9001: 2008	ISO 14001: 2004	ISO 50001: 2011	SIST EN ISO/IEC 17025: 2012 SIST EN ISO/IEC 17020: 2012	OHSAS 18001 POR*, FSC **
Petrol Energetika d.o.o.	ISO 9001: 2008	ISO 14001: 2004	/	/	
Petrol d.o.o.	ISO 9001: 2015	ISO 14001: 2004	/	/	
Petrol Geoterm d.o.o.	ISO 9001: 2008	/	/	/	
Beogas d.o.o.	ISO 9001: 2008	/	/	/	

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

** Petrol d.d., Ljubljana is a holder of an FSC certificate for the production of wood chips used for heat generation. The FSC certificate, which is issued by an international NGO called the Forest Stewardship Council, promotes environmentally appropriate, socially beneficial and economically viable management of forests.

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 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 55 accredited methods.

As the company Petrol Tehnologija d.o.o. was merged into the parent company Petrol d.d., Ljubljana, the accredited procedures of the inspection body for liquid flow and tyre pressure measuring devices and for pressure equipment were transferred to the parent company in May 2016. It now 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 standard „General criteria for the operation of various types of bodies performing inspection“.

Major projects concerning energy products used in transport in 2016

For several years, the rapid development of transport and its implications for the environment have been directing the attention and activities of experts towards solutions that were meant to mitigate the negative effects of transport on the environment. Fuel development is therefore increasingly associated with finding and introducing new, alternative propulsion sources. Finding solutions that are based on sustainable development and a minimal carbon footprint are a key part of this process. Global efforts are thus centred on mitigating climate change risk while at the same time solutions are sought to ensure the provision of affordable and reliable energy products.

In 2016 particular attention was devoted to:

- laws and compliance obligations arising from regulations on the promotion of biofuels and fuels from renewable energy sources,
- providing sustainability criteria for biofuels,
- laws and obligations related to ensuring energy savings in liquid fuel use,
- technical acceptability of using alternative fuels in vehicles, handling procedures and storage.

In 2016 we were involved in the drafting of national laws on the use of alternative fuels and in the drawing up of a national strategy for the development of these energy products and the necessary infrastructure. Acting as a framework for our operations, these guidelines are of crucial significance for Petrol.

Innovation society

Values such as trust in people, encouraging change, teamwork and co-operation have been the cornerstone of our company for many years. We recognise the fact that any successful group is comprised of individuals who exercise their creativity through synergy and co-operation. Because knowledge creates confidence, Petrol's personality is reflected in openness to change, new concepts and innovative ideas. At Petrol, the latter are the subject of particular attention. Since 2008, we have run the Great Idea project to systematically encourage our staff to embrace creative

thinking and working in the open sphere of innovation. In 2016 we invited the staff for the eighth year in a row to contribute suggestions for improvement drawing on their own experience, knowledge and intuition. We have collected over 400 ideas which increase the value or improve the quality of our business and the functioning of processes, help reduce operating costs, boost revenue, enhance productivity, safety, environmental protection, working conditions and the satisfaction of our staff. By taking part in the Slovene Case Challenge project organised by the Ljubljana Faculty of Economics, Petrol encourages innovativeness also in students from various fields.

Measuring the quality of internal services

The quality of internal services is extremely important for the Petrol Group because it affects the satisfaction and loyalty of employees and, by extension, of customers, therefore bearing on the success of the Group as a whole. Improving our internal service quality is thus of the utmost importance. At Petrol, the quality of internal services has been measured since 2005, but has been conducted according to a new, SERVQUAL-based methodology since 2011. It is carried out at individual level, enabling employees to express, through an anonymous online questionnaire, the general satisfaction with the quality of the services offered by individual supporting processes and with 14 service aspects (selected and adjusted based on the SERVQUAL model) combined into four dimensions of internal service quality: reliability, trust/knowledge, responsiveness and empathy. Besides concrete results related to improving the quality of internal supporting processes, the contribution of the survey can be observed at multiple levels: promoting the internal quality market and, through this, all-round quality and business excellence; encouraging market-mindedness within the Company itself so that everyone acts in the best interest of the customer; drawing attention to the importance of the human factor and seeing employees as an important source of our success and competitiveness. The survey helps supporting process administrators to find opportunities for improvement, both in terms of process implementation aspects and closer cooperation with other organisational units.

In 2016 the survey was carried out along with the assessment of cooperation between all organisational units and subsidiaries of the Petrol Group. The survey covered over 1,400 employees from Petrol Group companies based in Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro and Kosovo.

INVESTMENTS



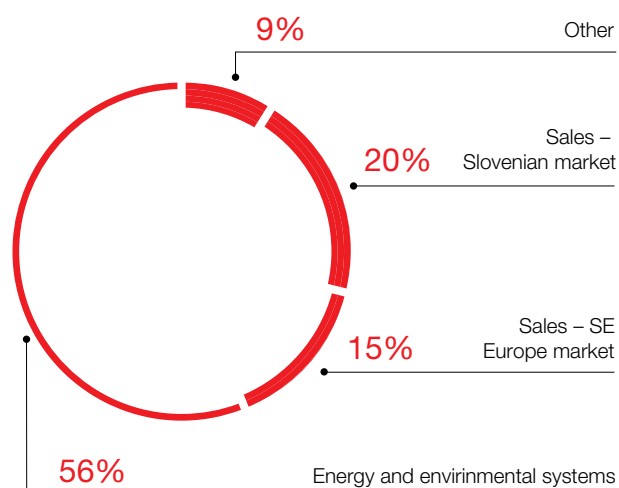
In 2016 the bulk of our investment budget was allocated to the expansion of energy and environmental systems both in Slovenia and in SE Europe (natural gas distribution, district heating, electricity generation, energy solutions and environmental projects). We invested in the expansion of our sales operations in SE Europe as well as in the expansion and consolidation of our sales position in Slovenia.

Net investments⁹ in property, plant and equipment, in intangible assets and non-current investments stood at EUR 61.3 million in 2016.

Sales in Slovenia

In 2016 we constructed 3 service stations in Slovenia, namely in Ljubljana, Izola and Domžale. We refurbished service station shops, introduced the Fresh range at 7 service stations, acquired a car wash in Ljubljana and refurbished another one in Škofja Loka. The process of land acquisition, preparing documentation and obtaining building

Breakdown of the Petrol Group's investments in 2016



permits for construction work scheduled to begin in 2017 was 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.

⁹ Net investments in fixed assets = Investments in fixed assets – Disposal of fixed assets

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 2017 was also underway. In Croatia, a service station was constructed in Zadar, and another one was built in Podgorica, Montenegro.

Energy and environmental systems

In 2016 the greater part of the investment budget was allocated to the construction of the Glunča wind power plant in Croatia and of a small hydroelectric power plant in Bosnia and Herzegovina. Moreover, we invested in projects involving energy management in buildings, efficient energy consumption and lighting in towns and business facilities. Investments were made in the expansion of the gas network in Slovenia and Serbia.

Information and other infrastructure

The use of modern information technologies is a major factor in successful operations. We thus continued to invest in the information system in 2016.



In 2016 a new Petrol strategy was drafted, in which a significant role is played by digitisation and, of course, information technology, the latter being the foundation for any ambitious innovation or redesign process.

Since certain things will be changed and adapted to modern trends so that the challenges ahead can be met, a new IT architecture concept was formulated as part of the strategy drafting process. This new architecture will serve as the basis to consolidate and connect all the new information solutions at Petrol.

The strategy sets out the key strategic projects, some of which had already commenced in 2016.

In the area of digitisation and digital services, a future digital platform architecture was designed, which will serve as a basis for the development of digital services and applications. The first pilot project, izberigume.si, was completed and there are two more in the pipeline.

With regard to infrastructure and operations, we replaced the central computer and thus laid down the basis for the functioning of the entire system in the years to come.

Guidelines were defined for the new Petrol IT system architecture and a new integration platform was selected. We began to set up a new architecture for the development environment, which will be based on modern development technologies. A new technical solution was launched to allow for a quicker and easier connection and exchange of data with business partners. These are but a few steps on our way to reaching out to our customers even more, and we will soon be able to offer them new and friendly solutions.

As for marketing and retail sales, information support was provided for parcel pick-up and drop-off at Petrol's points of sale in Slovenia and made available to various providers of package distribution. We enabled the sale of additional services, such as HipMobil telephony and "1 per Day" coupons ("1 na dan"), as well as bitcoin sale and other products that are sure to receive a warm welcome from our customers. Support was developed for a new generation of pay-at-the-pump systems ("petromats"), which will comply with the new security standards and allow for the processing of contactless cards and barcode cards (including the Petrol Club loyalty card). New petromats will thus become even more convenient, and using them will be as simple as possible.

We introduced a technical solution that strengthens significantly the security of card transactions in Petrol's system. The bonus system was upgraded through a solution which supports MMS marketing campaigns (the sending of digital coupons).

The first construction phase of the joint data warehouse at Petrol was finalised. The building of analytical blocks for user self-service continued and the standard of checks made on the efficiency of individual activities and points of sale was further improved. We also upgraded the information platform for predictive analytics.

To optimise the costs of logistics, we were actively engaged in the upgrading of the information system for the management of supply chains. The storage facility information system was upgraded to allow for the increase in additives added to fuel (various additives and bio components). Supervision in fuel logistics was also upgraded (alarm and geolocation detection system).

An IoT platform development project is underway through which a comprehensive energy management solution will be gradually developed. We introduced information support for comprehensive provision of energy solutions, thus improving communication with consumers. We simplified the process of collecting energy product meter readings by making it possible for them to be submitted by an SMS text message.

We began to prepare for the launch of the new ERP system which is to gradually replace the existing solution.

Security being the basis of trust, information security is becoming increasingly important as well. We replaced the central computer and revamped data centre security systems. E-learning on the subject of information security was prepared and carried out, and we made the necessary arrangements so that e-lessons could be conducted in all of the Petrol Group companies to improve knowledge of this subject across Petrol as a whole.

PROTECTION OF THE ENVIRONMENT



In the Petrol Group, caring for the environment is integrated into all aspects of operations. 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. The environmental management system is defined by means of 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 operating requirements and exceptional circumstances, if such exist.

Emissions into air

At the Petrol Group, caring for the quality of air stands chiefly for efforts to reduce the emissions of volatile hydrocarbons which are the result of 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. The efficiency of emissions management is checked as part of regular statutory monitoring of emissions into air.

Noise emissions

Petrol assesses noise pollution in different areas to be able to reduce the burdening of the environment with noise and adopt certain measures in order for it to decrease. These activities are carried out in accordance with the Decree on Limit Values for Environment Noise Indicators, by creating a 3D model which takes into account the area, land development and landform characteristics.

Wastewater

Petrol's operations currently involve three categories of wastewater – rainwater, sewage water and industrial water.

All rainwater which comes into contact with functional circulation areas is collected separately and purified in oil and water separators. In 2016 we upgraded the system which controls the functioning of 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. 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. We have been intensively connecting sites that still use septic tanks. Industrial water is treated in state-of-the-art industrial treatment plants.

Waste management

Petrol's waste management strategy is about preventing the generation of waste and accelerating efficient separation of waste at source. The company's operations give rise to municipal waste, pure fractions of non-municipal waste (paper, cardboard and plastic packaging) 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. In 2016 the point-of-sale separate waste collection system was improved by installing waste separation bins and setting up sites for the sorting of mixed waste. We will continue to improve the waste separation system and introduce novel collection methods also in the coming years.

Prevention of major accidents

In the area of major accident prevention and mitigation of their consequences within the scope of the safety management system, activities specified in environmental risk reduction concepts, safety reports and protection and rescue plans were carried out in 2016 at facilities posing a minor or major risk to the environment. As required by law, environmental permits were obtained for all such facilities in 2016.

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 safety of persons and property. In accordance with the protection and rescue plan, fire and evacuation drills were organised in October, the month of fire safety, in Petrol's office buildings attached to fuel storage facilities.

SOCIAL RESPONSIBILITY



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 by supporting a number of sports, arts, humanitarian and environmental projects. We have been helping wider social and local communities achieve a dynamic and healthier lifestyle and, through this, better quality of life.

Petrol's social responsibility is also demonstrated through its employees. In 2016, 40 volunteers working on 5 campaigns devoted a total of 200 hours of their time to the corporate volunteering programme, of which 80 hours on the Company's time. With these activities, Petrol participated in AmCham's Giving Back to the Community campaign for the fourth year already. Over time, we have become more enterprising in searching for good causes and forging ties with local communities. For years, these ties have been strengthened in a similar fashion thanks also to our own project Our Energy Connects.

Sponsorship

Petrol cooperates with Slovene athletes from various collective and individual sports disciplines. We sponsor clubs, associations and events all over Slovenia, with Petrol being traditionally a major sponsor of certain events and sports disciplines. By supporting sports events that attract wide public attention, we boost our visibility and strengthen our brand.

Petrol has a long-standing strong presence in winter sports. Through the Ski Association of Slovenia, we have supported the Alpine Skiing National Team for a number of years and, since 2012, also the biathlon team. We also sponsor snowboarding and individually support the best and most promising athletes as well as various winter sports competitions. Finally, we are a traditional sponsor of hockey clubs and certain major hockey events.

As temperatures begin to climb, ball games and cycling become the most popular, and triathlon increasingly so. In ball games, Petrol's presence is most visible in handball, basketball and, as of this year, football. We also support the development of tennis in Slovenia. Considerable attention is devoted to sponsoring individual top and promising athletes who pursue Petrol's values and are united in Team Petrol.

The year 2016 was marked by Rio Summer Olympics. Petrol actively shared the cheering spirit through the digital activation campaign called the Wave of Energy and by selling fan merchandise. Moreover, we developed our own brand S kolesom na poti (on the road with a bike) and encouraged cycling by setting up the website www.skolesomnapoti.si and designating our points of sale as cyclist-friendly. At the service stations included in the national bike trail, the cyclists can stop to quickly get something from the shop or carry out basic repairs.

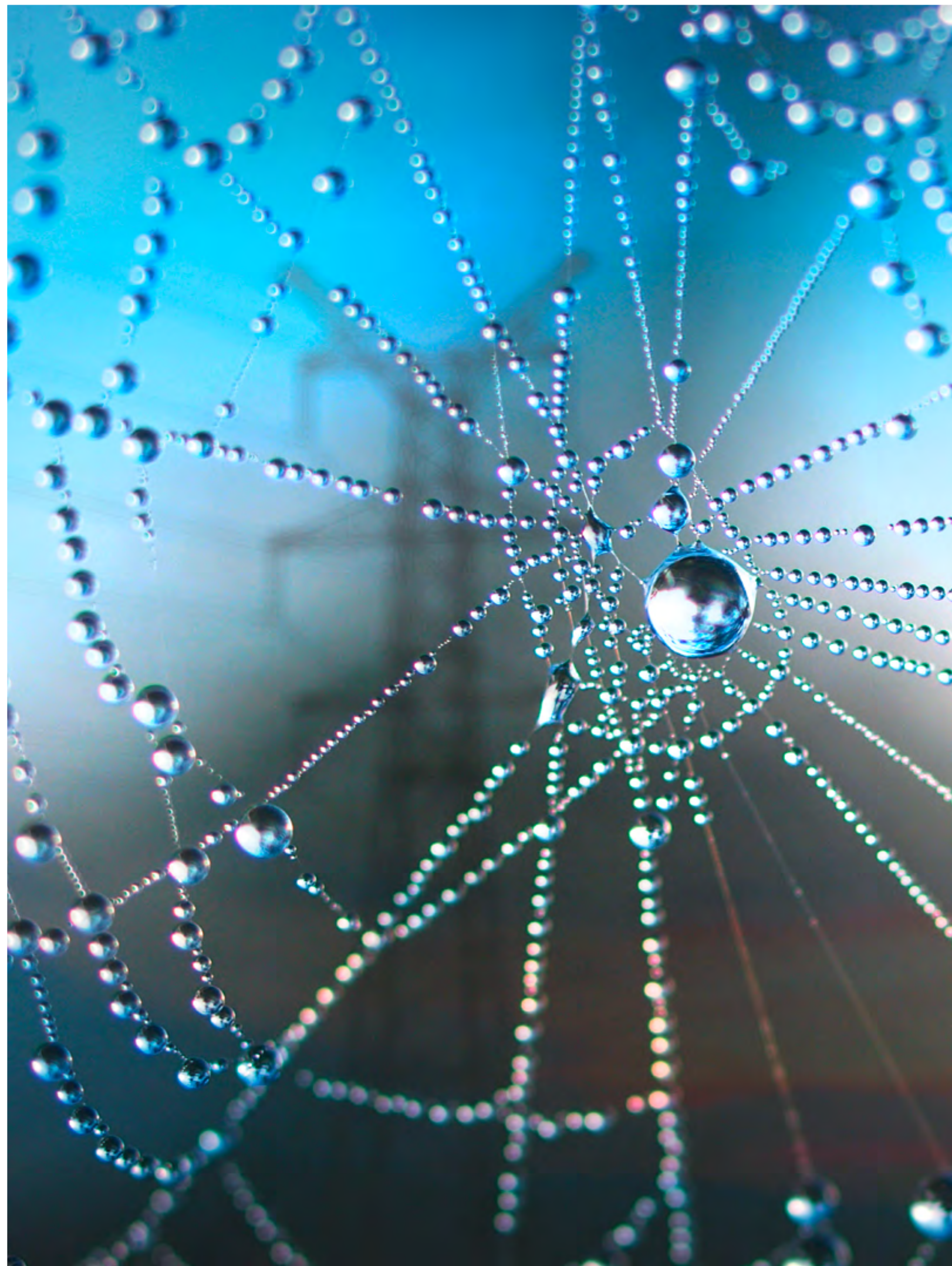
Particular attention is given to automotive sport, through which we approach professionals, while also participating in car racing events. In addition, we take part in technical projects linked to various energy and environmental activities. Sponsorship funding is also used to support technical projects (conferences, symposia, events) organised by institutions from various fields related to Petrol's areas of work. In the area of arts, we have been cooperating with the Ljubljana Festival and Lent Festival, and we also support other cultural events taking place in Cankarjev dom and other cultural institutions throughout the year.

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 achieve a lasting encouragement of existing blood donors and to contribute to winning new blood donors, while helping to raise the awareness of Slovenes of the importance of blood donation. In 2016 the focus was on the personal stories of blood donors and on enhancing the use of digital media.

A number of humanitarian projects operated by non-profit organisations were supported through donations. At the end of the year, we organised a sixth Our Energy Connects campaign in which the funds earmarked for business gifts were given to charity. This way, a total of EUR 400,000 was donated over the past six years. 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.





The background of the entire page is a close-up photograph of numerous water droplets of varying sizes. The droplets are primarily blue and white, reflecting light in a way that creates a shimmering, textured effect. They are scattered across the frame, with some in sharp focus and others blurred, creating a sense of depth. The overall color palette is dominated by cool blues and whites, with a hint of light green at the bottom.

THE PETROL GROUP

The Petrol Group is much more than just its employees. Our family includes everyone with whom we interact on a daily basis. To earn their trust, the ISO 50001 energy management system was also incorporated into the quality management system as proof of our systematic approach to continuous improvement in this field and of the Company's commitment to sustainable development.

COMPANIES IN THE PETROL GROUP

THE PETROL GROUP AS AT 31 DECEMBER 2016

SALES

ENERGY AND
ENVIRONMENTAL
SYSTEMS

TRADING

PARENT COMPANY

PETROL d.d., LJUBLJANA

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SUBSIDIARIES

PETROL d.o.o. (100%)

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PETROL BH OIL COMPANY d.o.o. Sarajevo (100%)

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PETROL d.o.o. BEOGRAD (100%)

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•

PETROL CRNA GORA MNE d.o.o. (100%)

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PETROL TRADE HANDELSGES.m.b.H. (100%)

•

PETROL PLIN d.o.o. (100%)

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PETROL ENERGETIKA, d.o.o. (99.38%)

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•

RODGAS AD Bačka Topola (100%)

•

•

PETROL GEOTERM d.o.o. (100%)

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•

BEOGAS INVEST d.o.o. (100%)

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•

BEOGAS AD (100%)

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DOMINGAS d.o.o. (100%)

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•

PETROL LPG d.o.o. Beograd (51%)

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TIGAR PETROL d.o.o. (100%)

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PETROL LPG HIB d.o.o. (100%)

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ELTEC PETROL d.o.o. Beograd (100%)

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INTRADE ENERGIJA d.o.o. Sarajevo (51%)

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PETROL-ENERGETIKA DOOEL Skopje (100%)

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PETROL BUCHAREST ROM S.R.L. (100%)

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PETROL PRAHA CZ S.R.O. (100%)

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PETROL TRADE SLOVENIJA L.L.C. (100%)

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PETROL HIDROENERGIJA d.o.o. Teslić (80%)

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•

VJETROELEKTRANE GLUNČA d.o.o. (100%)

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IG ENERGETSKI SISTEMI d.o.o. (100%)

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GEN-EL, d.o.o. (25%) (associate)

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EKOPUR d.o.o. (100%)

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GEOPLIN d.o.o., Ljubljana (7.39%) (associate)

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JOINTLY CONTROLLED ENTITIES

PETROL OTI SLOVENIJA L.L.C. (51%)

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GEOENERGO d.o.o. (50%)

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•

SOENERGETIKA d.o.o. (25%)

•

•

ASSOCIATES

GEOPLIN d.o.o. Ljubljana (33.32%)

•

•

AQUASYSTEMS d.o.o. (26%)

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•

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 Panič – Management Board member and 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. The parent company's principal activities consist of trading in petroleum products, selling other merchandise and electricity, supplying and selling gas and heat, and selling services.

With its 316 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 2016 with sales revenue of EUR 3.2 billion, up 3 percent from 2015.

Petrol d.d., Ljubljana's sales revenue consisted of the sale of:

- 2.96 million tons of petroleum products, up 15 percent relative to 2015,
- 33.2 thousand tons of liquefied petroleum gas, up 4 percent relative to 2015,
- 30.6 million m³ of natural gas, up 3 percent relative to 2015,
- 16.3 TWh of electricity (sales to end users and trading), up 32 percent relative to 2015,
- merchandise totalling EUR 451.9 million, up 3 percent relative to 2015.

Adjusted gross profit stood at EUR 276.1 million, which was 8 percent more than in 2015.

Operating costs totalled EUR 208.0 million, which was 8 percent more than in 2015. The costs of materials amounted to EUR 15.3 million and were up 1 percent year-on-year, mainly due to higher costs of materials for maintenance work linked to environmental solutions. The costs of services stood at EUR 99.5 million, an increase of 1 percent relative to 2015. This was largely due to an increase in consultancy costs and higher fees charged by service station

managers as a result of increased sales volumes. The costs of transporting petroleum products and the costs of fixed-asset maintenance services decreased, however, despite higher sales. Labour costs amounted to EUR 45.6 million and were up 7 percent year-on-year, mainly on account of the company Petrol Tehnologija d.o.o. becoming part of the parent company. The depreciation and amortisation charge totalled EUR 31.4 million. Other costs stood at EUR 16.2 million and were largely due to the impairment of fixed assets, which was recognised based on their appraisal showing that their recoverable amount was lower than their carrying amount.

Net other operating revenue stood at EUR 3.9 million, which was 26 percent more than in 2015. Revenue from compensation, litigation proceeds and contractual penalties received as well as from the sale of surplus property rose the most.

Operating profit totalled EUR 72.0 million or 9 percent more than in 2015.

Net cash flow stood at EUR –22.8 million, an improvement of EUR 8.0 million compared to 2015. Net revenue from commodity swaps and foreign exchange differences had a favourable impact on net finance income. In 2016 Petrol d.d., Ljubljana's allowances for operating receivables were down by EUR 2.8 million compared to the year before, with its net interest expense decreasing by EUR 1.6 million.

Pre-tax profit stood at EUR 52.9 million and was up 40 percent year-on-year, with net profit of Petrol d.d., Ljubljana for the year 2016 totalling EUR 43.7 million or 45 percent more than in 2015.

Total assets of Petrol d.d., Ljubljana amounted to EUR 1.3 billion as at 31 December 2016 and were up 6 percent from 2015. Non-current assets accounted for EUR 858.8 million of the above figure, which was 1 percent less than on 31 December 2015, with current assets amounting to EUR 456.7 million, up 22 percent as compared to 31 December 2015. This was mainly due to an increase in operating receivables and inventories resulting from higher prices of petroleum products at the end of 2016 relative to 2015.

The equity of Petrol d.d., Ljubljana as at 31 December 2016 equalled EUR 447.7 million, which was 5 percent more than at the end of 2015.

SUBSIDIARIES

PETROL D.O.O.

Member of the Management Board: Boris Antolovič

Supervisory Board: Miha Kirn (president),

Uroš Mesojedec, Marinko Dizdar

E-mail: boris.antolovic@petrol.si

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

The company is engaged in the sale of oil derivatives, petroleum products and other merchandise in Croatia. In 2016 Petrol d.o.o. sold 616.3 thousand tons of oil derivatives, down 3 percent from 2015. Revenue from the sale of oil and petroleum products totalled EUR 489.0 million, with revenue from the sale of merchandise amounting to EUR 44.1 million, revenue from energy operations to EUR 24.3 million and revenue from the sale of services to EUR 2.6 million. In total, the company generated EUR 560.0 million in net sales revenue, down 11 percent on the previous year. Its 2016 operating profit totalled EUR 16.5 million or 23 percent more than in 2015, with its net profit for 2016 totalling EUR 11.7 million, up 27 percent on the previous year. Petrol d.o.o. operated 105 service stations at the end of 2016.

On 3 July 2016, the company Eltec Petrol Hrvatska d.o.o. was merged into Petrol d.o.o.

The company's equity totalled EUR 109.9 million as at 31 December 2016.

PETROL BH OIL COMPANY D.O.O. SARAJEVO

General Manager: Uroš Bider

E-mail: uros.bider@petrol.si

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

The company's principal activities comprise wholesale and retail trade in liquid and gaseous fuels and similar products. In 2016 the company sold 240.2 thousand tons of petroleum products or 2 percent more than in 2015. It generated EUR 178.6 million in revenue from the sale of oil and petroleum products, EUR 26.0 million in revenue from energy operations, EUR 6.9 million in revenue from the sale of merchandise and EUR 0.7 million in revenue from the sale of services. In total, the company generated EUR 212.3 million in net sales revenue, down 12 percent on the previous year. Its 2016 operating profit totalled EUR 4.6 million or 16 percent more than in 2015, with its net profit for 2016 totalling EUR 4.2 million or EUR 2.9 million more than in 2015.

Petrol BH Oil Company d.o.o. Sarajevo operated 36 service stations at the end of 2016.

The company's equity totalled EUR 48.8 million as at 31 December 2016.

PETROL D.O.O. BEOGRAD

General Manager: Željko Bjelan

E-mail: zeljko.bjelan@petrol.si

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

The company's principal activity is the sale of petroleum products and other merchandise in Serbia. The volume of petroleum products sold in 2016 totalled 17.2 thousand tons, an increase of 17 percent on the previous year. Revenue from the sale of oil and petroleum products totalled EUR 17.0 million, with revenue from the sale of merchandise amounting to EUR 1.6 million, revenue from the sale of services to EUR 0.3 million and revenue from energy operations to EUR 39.8 million. In 2016 Petrol d.o.o. Beograd generated a total of EUR 58.7 million in net sales revenue. The company's operating profit totalled EUR 60.9 thousand in 2016, an increase of 98 percent relative to 2015. Its net profit for 2016 stood at EUR 17.3 thousand. At the end of 2016, Petrol d.o.o. Beograd operated 9 service stations.

The company's equity totalled EUR 22.3 million as at 31 December 2016.

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 the sale of petroleum products and gas in the territory of 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 2016 the company sold 34.2 thousand tons of oil and petroleum products, up 14 percent from 2015. Revenue from the sale of oil and petroleum products totalled EUR 32.5 million, with revenue from the sale of merchandise amounting to EUR 2.0 million, revenue from the sale of services

to EUR 0,4 million and revenue from energy operations to EUR 2.2 million. In total, Petrol Crna Gora MNE d.o.o. generated EUR 37.1 million in net sales revenue in 2016, a decrease of 9 percent on the previous year.

The company's operating profit stood at EUR 1.4 million in 2016, up 51 percent from the previous year, and its net profit for 2016 at EUR 1.4 million, which was 67 percent more than in 2015. Petrol Crna Gora MNE d.o.o. operated via 10 service stations at the end of 2016.

The company's equity totalled EUR 19.4 million as at 31 December 2016.

PETROL ENERGETIKA, D.O.O.

General Manager: Mojca Kert

E-mail: mojca.kert@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 99.3844%

Petrol Energetika, d.o.o. is part of the Petrol Group and as such offers comprehensive energy solutions for industry, commercial zones and geographically integrated local communities. It develops new business models and encourages industrial customers to become providers of new services in order to create new synergies and enable the business to grow. A recognised track record, expertise and reputation in the integration of various roles, ranging from the role of supplier, operator of the electricity and natural gas balance group, operator of integrated distribution systems, producer of energy in decentralised plants relying on local sources to operator of energy infrastructure, are the basis of successful operations.

Being a competence centre for the development, dissemination and implementation of comprehensive energy solutions for industry, commercial zones and geographically integrated local communities, the roles and goals of Petrol Energetika, d.o.o. revolve around maintaining and developing the status of:

1. a partner in the development of the circular economy and links between industry and local communities while carrying out the public utility service of a distribution system operator¹⁰ for natural gas, heat, water and electricity (limited to closed distribution systems in the latter case);
2. an energy integrator in developing the range of sustainable and competitive energy solutions tailored to the needs of individual customers, such as innovative procurement, smart grids, management of energy facilities and customer demand;

3. a producer of energy in decentralised plants, taking into consideration the transition to a low-carbon society and use of local energy sources which is linked to increasing the level of self-sufficiency of a region, commercial zone or industry;
4. a go-between for interests in the development of smart towns, factories and grids.

In 2016 the company received several awards for successfully carrying out the circular economy project. The company successfully integrated the effective utilisation of waste heat from steel-manufacturing processes into the district heating system supplying the town and commercial zone of Ravne. This pilot project in Carinthia is an indication of the company's continued development towards increasing the rate of self-sufficiency of regions and the transition to a low-carbon society in areas where local communities and economies are willing to put their consumers at the heart of their interests and develop competitive models adapted to their needs and local assets.

At the end of 2016, the company operated 5 natural gas distribution concessions, 1 chimney sweeping concession, 3 heat distribution concessions and 13 energy systems for the heating of buildings. In 2016 Petrol Energetika, d.o.o. sold 777.0 thousand MWh of electricity, of which 48.3 thousand MWh were generated by the company itself, and distributed 342.3 thousand MWh of electricity. The company sold and distributed 97.9 million m³ and 65.1 million m³ of natural gas, respectively. As regards heat operations, it sold 55.6 thousand MWh of heat in the period concerned. In 2016 it generated EUR 74.9 million in net sales revenue and a net profit of EUR 3.6 million. The net profit attributable to the Petrol Group totalled EUR 3.6 million.

The company's equity totalled EUR 41.0 million as at 31 December 2016.

¹⁰ Public utility service of a distribution system operator

ELTEC PETROL D.O.O. BEOGRAD

General Manager: Aleksandar Stanković (until 17 March 2016), Ajda Cuderman (since 17 March 2016)

E-mail: ajda.cuderman@petrol.si

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

The company is a subsidiary of Petrol d.d., Ljubljana, but was operating as part of the Eltec Petrol Group until May 2015. It is based in Serbia in order to expand the Petrol Group's energy and environmental operations in SE Europe markets.

Eltec Petrol d.o.o. Beograd generated EUR 1.6 million in net sales revenue in 2016, which translated into a loss of EUR 253.9 thousand.

The company's equity totalled EUR 170.5 thousand as at 31 December 2016.

PETROL PLIN D.O.O.

General Manager: Matjaž Burger

E-mail: matjaz.burger@petrol.si

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

The company is engaged in the storage, distribution and sale of liquefied petroleum gas in Croatia. In 2016 it sold 39.1 thousand tons of liquefied petroleum gas, which was 10 percent more than in 2015, generating EUR 21.5 million in net sales revenue or 3 percent less than in the previous year. The company's 2016 operating profit totalled EUR 2.1 million or 11 percent more than in 2015, with its net profit for 2016 totalling EUR 1.6 million, up 45 percent year-on-year.

The company's equity totalled EUR 9.0 million as at 31 December 2016.

THE BEOGAS GROUP

General Manager: Željko Bjelan

E-mail: zeljko.bjelan@petrol.si

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

In April 2012, Petrol d.d., Ljubljana acquired an 85-percent interest in the company Beogas Invest d.o.o., which is the sole owner of the companies Beogas d.o.o and Domingas 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 three Belgrade municipalities, i.e. Čukarica, Palilula and Voždovac, as well as in Pećinci since August 2015. Beogas

d.o.o. is the owner of 275 km of the gas distribution network and 8,876 active gas connections. In 2016 the group sold 17.5 million m³ of natural gas, up 14 percent on the previous year. The group's net sales revenue for 2016 stood at EUR 6.1 million, down 5 percent on the previous year. Its 2016 operating profit totalled EUR 497.7 thousand, a considerable improvement on the previous year, when it had stood at EUR 151.9 thousand. The group's net profit for 2016 stood at EUR 505.0 thousand.

Its equity totalled EUR 12.4 million as at 31 December 2016.

RODGAS AD BAČKA TOPOLA

Executive Director: Milan Dragosavac

Supervisory Board: Matjaž Burger (president), Primož Kramer, Željko Bjelan

E-mail: matjaz.burger@petrol.si, primoz.kramer@petrol.si, zeljko.bjelan@petrol.si

Ownership interest of Petrol d.d., Ljubljana: 89.64% until 3 November 2016 and 100% after that date

The company's activities consist of gas distribution via a gas network in Serbia. Petrol d.d., Ljubljana entered the natural gas distribution market in the Republic of Serbia by acquiring the local distributor. Thanks to the country's favourable position in the region, its big development potential and economic growth, this market represents an interesting opportunity for the expansion of Petrol's gas operations. The company distributes natural gas in the municipality of Bačka Topola, and did so also in the municipality of Pećinci until August 2015. Rodgas AD Bačka Topola distributes natural gas via a gas network measuring 150.0 km. In 2016 the company sold 7.9 million m³ of natural gas to household and industry customers, up 30 percent on the previous year. At the end of the year, 1,154 households and 114 businesses were connected to its network. The company generated net sales revenue of EUR 2.3 million in 2016. Its 2016 operating profit stood at EUR 233.5 thousand, which was 118 percent more than the year before. The company's net profit for 2016 totalled EUR 251.8 thousand or 29 percent more than in 2015.

The company's equity totalled EUR 2.1 million as at 31 December 2016.

THE PETROL LPG GROUP**General Manager:** Bojan Kocić**Supervisory Board:** Janez Grošelj (president),
Zoran Maksimović, Matjaž Burger**E-mail:** matjaz.burger@petrol.si**Ownership interest of Petrol d.d., Ljubljana:** 51%

Petrol LPG d.o.o. was established on 20 February 2013 and is the sole owner of the company Tigar Petrol d.o.o. The companies are engaged in the sale of 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 is engaged in the sale of liquefied petroleum gas in Bosnia and Herzegovina. In 2016 the company sold 71.0 thousand tons of LPG, a year-on-year increase of 55 percent, generating EUR 38.2 million in net sales revenue. Its operating profit for 2016 totalled EUR 1.2 million. The 2016 net profit totalled EUR 906.9 thousand. Out of this amount, EUR 469.8 thousand was attributable to the Petrol Group.

The company's equity totalled EUR 4.8 million as at 31 December 2016.

PETROL GEOTERM D.O.O.**General Manager:** Miran Jug**E-mail:** miran.jug@petrol.si, petrol-geoterm@petrol.si**Ownership interest of Petrol d.d., Ljubljana:** 100%

On 10 May 2013, Petrol d.d., Ljubljana became the full owner of the Lendava-based company Nafta Geoterm d.o.o. The company changed its name from Nafta Geoterm d.o.o. to Petrol Geoterm d.o.o. on 16 October 2013. It is engaged in mining, processing and transport of natural gas as well as in the management and development of geothermal district heating systems. The company's net sales revenue for 2016 stood at EUR 3.3 million and its net profit at EUR 307.4 thousand, a considerable improvement on the previous year, when the net profit had totalled EUR 44.1 thousand.

The company's equity totalled EUR 3.8 million as at 31 December 2016.

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) is a 25-percent interest in GEN-EL.

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 45,100,000. The transaction will be carried out in two parts: the first part has already been completed, while the second part is expected to be completed by the end of June 2018.

PETROL TRADE HANDELSGES.M.B.H.**General Manager:** Marko Malgaj**E-mail:** malgaj@petrol.si**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 2016 the company purchased and sold 211.0 thousand tons of petroleum products, of which 204.0 thousand tons were sold outside the Petrol Group. This was 72 percent more than in 2015. The company generated EUR 100.0 million in net sales revenue, its 2016 net profit amounting to EUR 67.5 thousand.

The company's equity totalled EUR 1.7 million as at 31 December 2016.

INTRADE ENERGIJA D.O.O. SARAJEVO**General Manager:** Emir Avdić (until 23 November 2016),
Sužad Bajrić (since 23 November 2016)**Supervisory Board:** Rok Vodnik (president), Sužad Bajrić
(until 23 November 2016), Berin Spahalić (since 23 November 2016), Vasilij Jenko**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 is engaged in electricity trading and distribution. In 2016 it generated EUR 1.1 million in net sales revenue, with its net profit or loss for 2016 totalling EUR -980.4

thousand. The net profit or loss attributable to Petrol d.d., Ljubljana amounted to EUR –531.2 thousand.

The company's equity totalled EUR –7.5 million as at 31 December 2016.

PETROL-ENERGETIKA DOOEL SKOPJE

General Manager: Gorazd Skubin (until 8 April 2016), Aleš Koželjnik (since 8 April 2016)

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 2016 it generated EUR 14.2 million in sales revenue, with its net profit for 2016 totalling EUR 3.1 thousand.

The company's equity totalled EUR 93.5 thousand as at 31 December 2016.

PETROL BUCHAREST ROM S.R.L.

General Manager: Gorazd Skubin (until 14 March 2016), Aleš Koželjnik (since 14 March 2016)

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 2016 it generated EUR 13.3 million in sales revenue, with its net profit or loss for 2016 totalling EUR –98.2 thousand.

The company's equity totalled EUR –155.0 thousand as at 31 December 2016.

PETROL PRAHA CZ S.R.O.

General Manager: Gorazd Skubin (until 1 April 2016), Aleš Koželjnik (since 1 April 2016)

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 –29.2 thousand as at 31 December 2016.

PETROL TRADE SLOVENIJA L.L.C.

Management Board: Stanislav Marn, Aleš Koželjnik, Uroš Kalan

E-mail: stanislav.marn@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.

PETROL HIDROENERGIJA D.O.O. TESLIĆ

General Manager: Uroš Bider

E-mail: uros.bider@petrol.si

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

In September 2015, the companies Petrol d.d., Ljubljana and Eling – Inženjering d.o.o. Teslić established the company Petrol Hidroenergija d.o.o. Teslić, which is engaged in electricity production. Petrol Hidroenergija d.o.o. Teslić is currently carrying out an investment in a small hydroelectric power plant in Bosnia and Herzegovina.

The company's equity totalled EUR 6.0 million as at 31 December 2016.

VJETROELEKTRANE GLUNČA D.O.O.

General Managers: Suvad Bajrić, Slaven Trudić

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 Vjetroeletktrane Glunča d.o.o., which is engaged in electricity production. The company owns a wind farm in the Šibenik area, the capacity of which is 20.7 MW.

The company's equity totalled EUR 7.9 million as at 31 December 2016.

PETROL



JOINTLY CONTROLLED ENTITIES

PETROL OTI SLOVENIJA L.L.C.

Board of directors: Tomaž Berločnik, Nazmi Bytyqi, Stanislav Marn (until 11 January 2017), Anton Figeč (since 11 January 2017)

Executive Director: Stanislav Marn (until 11 January 2017), Anton Figeč (since 11 January 2017)

E-mail: anton.figek@petrol.si

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

The company's principal activity is the sale of petroleum products in the territory of Kosovo. In 2016 it sold 11.6 thousand tons of oil and petroleum products, a year-on-year increase of 14 percent, generating EUR 11.7 million in net sales revenue. The company's net profit or loss for 2016 totalled EUR –379.3 thousand, with the net profit or loss attributable to the Petrol Group amounting to EUR –193.5 thousand. At the end of 2016, the company operated via 11 service stations.

Its equity totalled EUR 15.2 million as at 31 December 2016.

GEOENERGO D.O.O.

General Managers: Dušan Stopar (until 1 March 2016), Borut Bizjak (since 1 March 2016), 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 2016 it produced 357 tons of oil and gas condensate and 4.7 million m³ 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. Two new boreholes that were successfully developed in 2011 will begin trial operation as soon as suitable processing and transport infrastructure is in place to carry natural gas to the transmission network or when there is a new customer near the site who will be able to accept the available gas produced. The company's net profit for 2016 stood at EUR 74.8 thousand, with the net profit attributable to the Petrol Group amounting to EUR 37.4 thousand.

The company's equity totalled EUR 330.2 thousand as at 31 December 2016.

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 2016 totalled EUR 580.1 thousand, with the net profit attributable to the Petrol Group amounting to EUR 145.0 thousand.

The company's equity totalled EUR 1.8 million as at 31 December 2016.

ASSOCIATES

THE GEOPLIN GROUP

Management Board: Boštjan Napast (president of the Management Board), Alojz Stana, MSc (member of the Management Board)

E-mail: bostjan.napast@geoplin.si

Ownership interest of Petrol d.d., Ljubljana: 33.32%, Ekopur d.o.o.: 7.39%, total: 40.72%

The company's principal activity consists of energy operations related to supplying, trading and acting as an agent and intermediary in the natural gas market. The Group comprises the parent company Geoplin d.o.o. Ljubljana and its fully owned subsidiaries Plinovodi d.o.o., Trgovina i opskrba energijama d.o.o. and Geocom d.o.o. The Geoplin Group generated net sales revenue of EUR 362.1 million in 2016. The Geoplin Group's net profit for 2016 totalled EUR 12.5 million, with the net profit attributable to the Petrol Group totalling EUR 4.7 million.

The group's equity totalled EUR 315.3 million as at 31 December 2016.

AQUASYSTEMS D.O.O.

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

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



The background of the entire page is a photograph. In the foreground, there are several bare, brown tree branches with small buds, some in focus and some blurred. In the background, there is a blurred industrial structure, possibly a tower or a crane, with yellow and blue sections, set against a clear blue sky.

REPORT OF THE SUPERVISORY BOARD

Hand in hand with the Management Board and other stakeholders of the Petrol Group, we keep true to our vision. Harmony with the increasingly demanding environment can only be achieved by quickly responding to new situations. That is why we have designed a new strategy until 2020, focusing on constant growth, increased profitability and continuous care for sustainable development.

REPORT OF THE SUPERVISORY BOARD

Following the resignation of Supervisory Board member Ika Krevzel Panić, who resigned in December 2015 to take on the position of the worker director, the Supervisory Board operated with eight instead of all its members until 28 January 2016, when Damjan Legen was elected as a replacement Supervisory Board member for the remaining term of office of Ika Krevzel Panić, based on a resolution of Petrol d.d., Ljubljana Workers' Council. Thereafter, the Supervisory Board's composition remained unchanged throughout the end of 2016. I have fulfilled the function of Supervisory Board president as from the inaugural meeting held on 22 April 2013, with Irena Prijović acting as my deputy. In 2016 the Supervisory Board and 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 further 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. If events occurred that were relevant, I, as the President of the Supervisory Board, issued public statements for the investors and the media immediately after the meetings, always ready to provide additional information. In compliance with the Corporate Governance Code, the Supervisory Board states in this report that all the costs incurred in connection with its work are disclosed in the annual report.

In 2016 the Supervisory Board held ten meetings. The most important topics discussed at the Supervisory Board's meetings in 2016 were associated with 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 2016

At its 26th meeting held on 26 January 2016, the Supervisory Board aligned the terms of office of all three legal representatives. Considering that Tomaž Berložnik, mandatary and president of the Management Board, has been appointed for a new five-year term of office beginning on 1 February 2016 already in 2015, at this meeting the Supervisory Board appointed the other two legal representatives and Management Board members, Igor Stebernak and Rok Vodnik, for the same period, thus aligning their terms of office with that of Mr Berložnik. In doing so, the Supervisory Board followed the rationale behind the mandatary system and ensured the stability of the Company's management.

At the 27th meeting held on 10 March 2016, the Supervisory Board approved the audited Annual Report of the Petrol Group and Petrol d.d., Ljubljana for the year 2015, a proposal for the allocation of accumulated profit, and the convocation of the 26th General Meeting of 21 April 2016, which also included a proposal for the appointment of auditors for the 2016 annual report.

In accordance with the Financial Calendar, the 29th, 31st and 34st meeting of 19 May 2016, 25 August 2016 and 17 November 2017, respectively, were dedicated to the discussion on quarterly and semi-annual reports. At these meetings, the Supervisory Board was also informed of the basis for drafting the 2017 plans, the investment activities of the Management Board and the Management Board's plans in connection with strategic investments.

At the 32nd meeting held on 12 October 2016, the Supervisory Board addressed the preparation and adoption of

the Company's Financial Calendar for 2017 and also examined topics related to the functional training of Supervisory Board members.

In this report, the Supervisory Board would like to point out two important topics which were the subject of particular attention at several meetings:

- At the 28th meeting held on 11 April 2016, the Supervisory Board and the Management Board together discussed strategic aspects concerning trends in the Company's environment and adapted the strategy as appropriate. This discussion served as a basis for drawing up and adopting a new strategic business plan. For the next, 29th Supervisory Board meeting held on 19 May 2016, the Management Board had already prepared a draft Strategic Business Plan of the Petrol Group 2016 – 2020. As a follow-up to the discussion, the Management Board prepared the final text of the strategic business plan for the 30th Supervisory Board meeting. After examining the text, the Supervisory Board approved the document entitled The Petrol Group Strategy 2016 – 2020 on 9 June 2016.
- In light of the fact that the terms of office of all Supervisory Board members end in 2017, the other important topic discussed at several meetings from August to December 2016 concerned the implementation of the procedure for selecting candidates for Supervisory Board positions. The Supervisory Board thus expanded the Human Resources and Management Board Evaluation Committee by adding an additional Supervisory Board member and an external expert, mandating the so established Nomination Committee to carry out the procedure and prepare the necessary groundwork for the Supervisory Board's decisions. The Supervisory Board detailed the procedure for nominating new Supervisory Board members, including criteria and standards the candidates need to meet. The nomination procedures will be completed in February 2017 with the creation of voting proposals for the Company's General Meeting.

At the last meeting of the year, i.e. the 35th meeting held on 15 December 2016, the Supervisory Board discussed and adopted the Petrol Group's Business Plan and Key Targets for 2017. The business plan reflects the adopted strategy for the period 2016 – 2020.

The Supervisory Board paid particular attention to the reports of the Human Resources and Management Board Evaluation Committee, the reports of the Audit Committee, especially with regard to financial statements, and to the reports of Internal Audit and the Business Risk Management

Committee as well as to other relevant issues within their sphere of competence. The Supervisory Board 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 on a number of other issues, such as:

- implementation of the 2014 Supervisory Board Action Plan adopted to increase the efficiency and quality of its work, for which it determined, at its 35th meeting, that all of its essential elements had been implemented, thus formally marking it as completed;
- adoption of the 2017 Internal Audit work programme;
- adoption of the 2017 Audit Committee work programme;
- discussing and deciding on the Management Board's remuneration;
- approving the Management Board's proposal regarding the remuneration of the head of Internal Audit, and other topics.

Work of the Supervisory Board's committees

In 2016 the **Supervisory Board's Audit Committee** met six 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 (a discussion with E&Y d.o.o. auditors). 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 (proposing the auditors for auditing the 2016 annual report).

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

- briefing on the progress of the preliminary audit of the 2016 annual report;
- the Audit Committee's work programme for 2017;
- the management of credit, foreign exchange and price risks;
- risk management in the Petrol Group by quarter and its annual overview;
- reports of Internal Audit and the 2017 Internal Audit work programme;

- review of the contract with external auditors;
- other topics falling within the competence of the Audit Committee;
- annual review of the competencies and tasks of the Audit Committee and assessment of its effectiveness in 2016.

The Supervisory Board's **Human Resources and Management Board Evaluation Committee** met five times in 2016. The main topics discussed were the alignment of the terms of office of two Management Board members/legal representatives with the mandatary's term of office, the Management Board's remuneration and, up to the stage of establishing the Nomination Committee for carrying out the call for applications for new Supervisory Board members, the preparation of groundwork for the Supervisory Board's decisions on this topic.

Based on the review of the work accomplished by the two committees, the Supervisory Board assessed at its last meeting, in the context of the self-assessment of its performance (the Audit Committee carried out a thorough self-assessment exercise in the year concerned), the work of its committees and gave it the highest score, considering their continuous reporting to the Supervisory Board and the expedient implementation of nearly all of their resolutions.

The Nomination Committee started its work at its 1st meeting held on 15 December 2016 at which it reviewed all the documents comprised in the public call for applications for new Supervisory Board members. Its activities will continue in January and February 2017, when upon fulfilling the Supervisory Board's mandate the committee will be dissolved.

Assessment of the Petrol Group's operations in 2016

The Petrol Group is a leading company in Slovenia and plays an increasingly prominent role in the wider region. Petrol's operations are focused on achieving long-term growth and the ensuing stable return for shareholders. The Petrol Group delivered good sales performance in 2016. Its sales revenue stood at EUR 3.9 billion, up 1 percent on the year before. Adjusted gross profit totalled EUR 382.0 million or 10 percent more than in 2015. EBITDA stood at EUR 143.8 million, up 6 percent on 2015, with net profit amounting to EUR 72.7 million or 11 percent more than in 2015. In 2016 the Petrol Group sold 3.2 million tons of petroleum products or 12 percent more than in 2015. The Group generated

EUR 505.2 million in revenue from merchandise sales, an increase of 4 percent on 2015. Natural gas sales stood at 123.0 million m³, up 2 percent year-on-year, with heat sales totalling 129.5 thousand MWh or 4 percent more than in 2015. Electricity sales were up 25 percent compared to the previous year's figure and stood at 17.6 TWh.

Approval of the 2016 annual report

At its 37th meeting held on 17 February 2017, the Supervisory Board discussed the audited Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2016. On the basis of the verification of the 2016 Annual Report of the Petrol Group and Petrol d.d., Ljubljana, the financial statements and notes thereto, the verification of 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 2016.

As part of the adoption of the annual report, the Supervisory Board also put forward its position as regards the corporate governance statement that has been included in business section of the Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2016, concluding it reflects the actual state of corporate governance in 2016.



Tomaž Kuntarič
President of the Supervisory Board

Ljubljana, 17 February 2017



FINANCIAL REPORT 2016

The end of a business year is the bridge between the past and the future. In 2016 we generated 3.9 billion in sales revenue. Net profit rose by 11 percent compared to the year before. Encouraged by success, we are proudly spreading our wings and embarking on a year-long journey.

ANNUAL REPORT OF THE PETROL GROUP AND PETROL D.D., LJUBLJANA 2016 – Financial Report

CONTENTS

Statement of management's responsibility	105	6.21 Financial assets available for sale	170
Independent Auditor's Report	106	6.22 Non-current financial receivables	170
Financial statements of the Petrol Group and Petrol d.d., Ljubljana	110	6.23 Non-current operating receivables	172
Notes to the financial statements	120	6.24 Inventories	172
1. Reporting entity	120	6.25 Current financial receivables	173
2. Basis of preparation	120	6.26 Current operating receivables	174
3. Significant accounting policies of the Group	125	6.27 Financial assets at fair value through profit or loss	174
4. Significant accounting policies of the Company	136	6.28 Prepayments and other assets	174
5. Segment reporting	145	6.29 Cash and cash equivalents	174
6. Notes to individual items in the financial statements	147	6.30 Equity	175
6.1 Business combinations	147	6.31 Provisions for employee post-employment and other long-term benefits	176
6.2 Changes within the Group	148	6.32 Other provisions	179
6.3 Revenue	148	6.33 Long-term deferred revenue	180
6.4 Costs of materials	149	6.34 Financial liabilities	181
6.5 Costs of services	149	6.35 Non-current operating liabilities	182
6.6 Labour costs	150	6.36 Current operating liabilities	183
6.7 Depreciation and amortisation	151	6.37 Other liabilities	183
6.8 Other costs	151	7. Financial instruments and risk management	184
6.9 Other expenses	151	7.1 Credit risk	184
6.10 Interests and dividends	151	7.2 Liquidity risk	186
6.11 Other finance income and expenses	152	7.3 Foreign exchange risk	188
6.12 Corporate income tax	153	7.4 Price and volumetric risk	192
6.13 Earnings per share	155	7.5 Interest rate risk	192
6.14 Changes in other comprehensive income	155	7.6 Capital adequacy management	194
6.15 Intangible assets	156	7.7 Carrying amount and fair value of financial instruments	195
6.16 Property, plant and equipment	159	8. Related party transactions	198
6.17 Investment property	162	9. Contingent liabilities	201
6.18 Investments in subsidiaries	163	10. Events after the reporting date	202
6.19 Investments in jointly controlled entities	166		
6.20 Investments in associates	168		

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 2016, 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 2016.


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 2016.

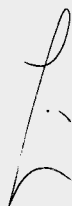
The tax authorities may inspect the Company's operations at any time within the period of five years following the year in which the tax was due. This may result in additional tax liabilities, interest on late payment and penalties arising from the corporate income tax and other taxes and duties. The 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, Slovenia

Ljubljana, 10 February 2016

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 31 December 2016, 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 2016 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). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report. We are independent of the Company 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 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and 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 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 consolidated financial statements.



Impairment of goodwill in the separate and the consolidated financial statements

As at 31 December 2016, goodwill amounts to EUR 89.1 million in the separate financial statements and EUR 106.5 million in the consolidated financial statements, which represents 7% and 7% of total assets, respectively. Management's impairment tests are significant to our audit because the assessment process is complex and requires significant management judgment and imposes significant estimates. Management used assumptions in respect of future market and economic conditions such as near and long term sales, EBITDA as well as discount rates. 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 the assumptions, methodologies, cash generating units' determination, discount rates and data used by the Company and the Group. We included in our team a valuation expert to assist us with our assessment of the discount rates, expected inflation rates and the appropriateness of the models used. We considered the independence and capabilities of the external valuer used by the Company and discussed his valuation reports and work performed with him directly. Furthermore, we have analysed sensitivities such as the impact on the results of the impairment test if the growth rates would be lower, or the discount rates would be higher. We assessed sensitivities on the impairment tests of respective cash generating units and whether a reasonably possible change in assumptions such as forecasted EBITDAs, growth rates in the first year, long term growth rates and discount rates could cause the carrying amount to exceed its recoverable amount. We assessed the adequacy of the disclosures on the impairment tests of goodwill performed included in note 6.15 of the separate and consolidated financial statements.

Impairment of property, plant and equipment in the separate and the consolidated financial statements

As at 31 December 2016 property, plant and equipment amounting to EUR 306,8 million in the separate financial statements and EUR 605,9 million in the consolidated financial statements representing 23% and 40% of total assets, respectively. Management's assessment of the impairment indicators and impairment loss recognised for property, plant and equipment was significant to our audit because this process is complex and requires significant management judgement. Management's assessment resulted in impairment losses recorded of EUR 13,2 million in the separate financial statements and EUR 17,0 million in the consolidated financial statements.

We have evaluated management's assessment of impairment indications for property, plant and equipment. We tested management's assumptions used in the value in use calculations and we assessed the historical accuracy of management's estimates. We evaluated supporting external appraisals reports obtained by management to evaluate the recoverable or fair value less cost of disposal, where applicable. We considered the independence and capabilities of its external appraisals and discussed their valuation report and work performed with them directly. We involved our valuation experts, who were part of the audit team, to assist us in the evaluation of the discount rates used, performance of sensitivity analyses where considered necessary, and assessment of the consistency of valuation methodologies applied. Furthermore, we evaluated the adequacy of the disclosures regarding the impairments of these property, plant and equipment, which are included in note 6.16 of the separate and consolidated financial statements.

Impairment of investments in subsidiaries in the separate financial statements

Investments in subsidiaries amount to EUR 290.6 million which represents 22% of total assets as at 31 December 2016 in the separate financial statements. The Company recognized EUR 6.3 million of impairment in investments in subsidiaries in 2016 and EUR 9.8 million in 2015. Management's impairment tests are prepared based on the discounted future cash flows and are significant to our audit because the assessment process is complex and requires significant management judgment and imposes significant estimates. Given the inherent subjectivity in the valuation, we determined this to be a significant item for our audit.

Our audit procedures included an assessment of the historical accuracy of management's estimates, evaluation and testing the assumptions, methodologies, discount rates and data used by the Company. We included in our team a valuation expert to assist us with our assessment of the discount rate, expected inflation rates and the appropriateness of the models used. We considered the independence and capabilities of the external appraisal used by the Company and discussed his valuation reports and work performed directly. Furthermore, we have analyzed sensitivities such as the impact on the impairment tests if the growth rates would be lower, or the discount rates would be higher. We assessed the impact of a reasonably possible change in assumptions such as forecasted EBITDAs, growth rates on the results of the impairment tests. We assessed the adequacy of the Company's disclosures on the impairment test performed, included in note 6.18 of the separate financial statements.

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 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 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 consolidated financial statements is, in all material respects, consistent with the separate and 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and 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 separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company'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 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.



Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate and 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 the 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 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 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 to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and 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 to 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 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.

Ljubljana, 17 February 2017

Sanja Košir Nikšinić
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



(in EUR)	Note	The Petrol Group		Petrol d.d.	
		2016	2015	2016	2015
Sales revenue	6.3	3,856,702,626	3,816,881,799	3,167,782,578	3,063,509,316
- of which excise duty		1,069,489,389	1,004,533,540	749,680,687	697,922,082
Cost of goods sold		(3,474,731,916)	(3,469,028,310)	(2,891,654,757)	(2,807,793,291)
Costs of materials	6.4	(28,404,917)	(29,161,383)	(15,308,537)	(15,195,119)
Costs of services	6.5	(122,691,189)	(116,476,452)	(99,517,410)	(98,933,449)
Labour costs	6.6	(67,210,220)	(65,139,674)	(45,594,793)	(42,589,316)
Depreciation and amortisation	6.7	(45,580,525)	(46,274,278)	(31,361,414)	(32,774,755)
Other costs	6.8	(23,515,421)	(5,151,077)	(16,237,137)	(3,387,999)
Operating costs		(287,402,272)	(262,202,864)	(208,019,291)	(192,880,638)
Other revenue	6.3	5,925,087	5,142,715	4,035,724	3,234,046
Other expenses	6.9	(934,094)	(281,789)	(111,028)	(120,820)
Operating profit		99,559,431	90,511,551	72,033,226	65,948,613
Share of profit or loss of equity accounted investees	6.10	5,372,417	9,272,835	-	-
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities	6.10	-	-	3,708,336	2,681,557
Other finance income	6.11	43,169,901	54,022,145	38,712,863	45,070,256
Other finance expenses	6.11	(58,483,223)	(78,672,881)	(61,559,655)	(75,919,228)
Net finance expense		(15,313,322)	(24,650,736)	(22,846,792)	(30,848,972)
Profit before tax		89,618,526	75,133,650	52,894,770	37,781,197
Tax expense	6.12	(13,087,058)	(5,851,667)	(4,511,190)	(3,626,794)
Deferred tax	6.12	(3,870,561)	(3,979,152)	(4,711,402)	(4,079,932)
Corporate income tax		(16,957,619)	(9,830,819)	(9,222,592)	(7,706,727)
Net profit for the year		72,660,907	65,302,831	43,672,178	30,074,471
Net profit for the year attributable to:					
Owners of the controlling company		72,661,042	65,532,780	43,672,178	30,074,471
Non-controlling interest		(135)	(229,949)	-	-
Basic and diluted earnings per share	6.13	35.24	31.68	21.18	14.59

Accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

Other comprehensive income of the Petrol Group and Petrol d.d., Ljubljana

(in EUR)	Note	The Petrol Group		Petrol d.d.	
		2016	2015	2016	2015
Net profit for the year		72,660,907	65,302,831	43,672,178	30,074,471
Change due to merger by absorption	6.14	-	-	2,767,174	1,785,294
Effective portion of changes in the fair value of cash flow variability hedging	6.14	980,862	1,729,125	0	1,384,864
Change in deferred taxes		(195,189)	(304,279)	0	(235,427)
Foreign exchange differences		617,054	150,889	-	-
Other comprehensive income to be recognised in the statement of profit or loss in the future		1,402,727	1,575,735	2,767,174	2,934,730
Attribution of changes in the equity of associates		(23,647)	0	-	-
Total other comprehensive income to be recognised in the statement of profit or loss in the future		1,379,080	1,575,735	2,767,174	2,934,730
Unrealised actuarial gains and losses		(768,920)	(552,804)	(892,132)	(552,804)
Other comprehensive income not to be recognised in the statement of profit or loss in the future		(768,920)	(552,804)	(892,132)	(552,804)
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		(768,920)	(552,804)	(892,132)	(552,804)
Total other comprehensive income after tax		610,160	1,022,931	1,875,042	2,381,927
Total comprehensive income for the year		73,271,067	66,325,762	45,547,220	32,456,397
Total comprehensive income attributable to:					
Owners of the controlling company		73,310,502	66,557,278	45,547,220	32,456,397
Non-controlling interest		(39,435)	(231,516)	-	-

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



(in EUR)	Note	The Petrol Group		Petrol d.d.	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
ASSETS					
Non-current (long-term) assets					
Intangible assets	6.15	181,192,672	184,394,946	147,995,289	150,091,485
Property, plant and equipment	6.16	605,937,761	604,065,712	306,804,517	326,949,002
Investment property	6.17	18,231,523	16,678,739	17,375,331	16,429,618
Investments in subsidiaries	6.18	-	-	290,581,344	286,097,454
Investments in jointly controlled entities	6.19	1,652,682	50,451,020	1,196,000	2,512,140
Investments in associates	6.20	129,686,241	117,494,379	52,852,540	53,206,341
Financial assets available for sale	6.21	2,598,071	1,764,945	2,519,028	1,685,902
Financial receivables	6.22	1,079,152	5,509,008	27,421,814	15,794,952
Operating receivables	6.23	650,916	918,241	643,851	918,240
Deferred tax assets	6.12	11,921,930	16,487,716	11,435,278	16,122,095
		952,950,948	997,764,706	858,824,991	869,807,231
Current assets					
Inventories	6.24	116,217,171	91,482,068	95,494,787	72,764,397
Financial receivables	6.25	6,922,594	8,325,710	18,452,346	12,880,885
Operating receivables	6.26	382,532,113	324,155,308	317,169,921	249,882,742
Corporate income tax assets	6.12	30,672	245,045	0	0
Financial assets at fair value through profit or loss	6.27	1,836,062	2,295,710	1,787,039	2,295,710
Prepayments and other assets	6.28	15,314,407	15,774,900	11,170,970	10,990,970
Cash and cash equivalents	6.29	26,987,969	34,350,350	12,657,723	26,994,577
		549,840,988	476,629,091	456,732,786	375,809,280
Total assets		1,502,791,936	1,474,393,797	1,315,557,777	1,245,616,511



(in EUR)	Note	The Petrol Group		Petrol d.d.	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
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		2,604,670	2,604,670	2,604,670	2,604,670
Own shares		(2,604,670)	(2,604,670)	(2,604,670)	(2,604,670)
Other revenue reserves		191,876,506	180,794,332	191,556,836	177,892,472
Fair value reserve		(585,653)	206,914	39,295,125	40,187,257
Hedging reserve		41,909	(743,764)	0	0
Foreign exchange differences		(10,295,581)	(10,812,747)	-	-
Retained earnings		220,392,308	184,604,590	21,836,089	15,037,235
		596,649,806	549,269,642	447,670,296	428,099,211
Non-controlling interest		(980,113)	(1,878,984)	-	-
Total equity	6.30	595,669,693	547,390,658	447,670,296	428,099,211
Non-current liabilities					
Provisions for employee post-employment and other long-term benefits	6.31	6,445,205	5,881,531	5,524,172	4,691,466
Other provisions	6.32	4,318,975	3,493,578	3,488,077	2,706,595
Long-term deferred revenue	6.33	4,555,934	6,051,115	4,507,751	5,997,724
Financial liabilities	6.34	304,928,488	415,560,980	251,865,143	345,975,338
Operating liabilities	6.35	1,342,063	1,030,182	923,382	1,030,182
Deferred tax liabilities	6.12	4,168,551	4,619,372	0	0
		325,759,216	436,636,758	266,308,525	360,401,305
Current liabilities					
Financial liabilities	6.34	102,485,363	69,880,761	188,137,221	107,964,350
Operating liabilities	6.36	456,216,385	402,884,888	401,409,201	337,119,503
Corporate income tax liabilities	6.12	6,595,599	1,711,855	1,093,931	711,685
Other liabilities	6.37	16,065,680	15,888,877	10,938,604	11,320,457
		581,363,027	490,366,381	601,578,956	457,115,995
Total liabilities		907,122,243	927,003,139	867,887,481	817,517,300
Total equity and liabilities		1,502,791,936	1,474,393,797	1,315,557,777	1,245,616,511

Accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

Statement of changes in equity of the Petrol Group



(in EUR)	Called-up capital	Capital surplus	Revenue reserves				
			Legal reserves	Reserves for own shares	Own shares	Other revenue reserves	
As at 1 January 2015	52,240,977	80,991,385	61,987,955	2,604,670	(2,604,670)	169,324,875	
Dividend payments for 2014						(3,567,778)	
Transfer of a portion of 2015 net profit						15,037,235	
Increase in non-controlling interest							
Transactions with owners	0	0	0	0	0	11,469,457	
Net profit for the current year							
Other changes in other comprehensive income							
Total changes in total comprehensive income	0	0	0	0	0	0	
As at 31 December 2015	52,240,977	80,991,385	61,987,955	2,604,670	(2,604,670)	180,794,332	
As at 1 January 2016	52,240,977	80,991,385	61,987,955	2,604,670	(2,604,670)	180,794,332	
Dividend payments for 2015						(10,938,900)	
Transfer of a portion of 2016 net profit						21,836,089	
Increase/(decrease) in non-controlling interest (Note 6.1)						184,985	
Transactions with owners	0	0	0	0	0	11,082,174	
Net profit for the current year							
Other changes in other comprehensive income							
Total changes in total comprehensive income	0	0	0	0	0	0	
As at 31 December 2016	52,240,977	80,991,385	61,987,955	2,604,670	(2,604,670)	191,876,506	

Accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

	Fair value reserve	Hedging reserve	Foreign exchange differences	Retained earnings	Equity attributable to owners of the controlling company	Non-controlling interest	Total
	759,718	(2,168,610)	(10,965,203)	154,661,964	506,833,061	(3,575,684)	503,257,377
				(20,552,919)	(24,120,697)		(24,120,697)
				(15,037,235)	0		0
					0	1,928,217	1,928,217
	0	0	0	(35,590,154)	(24,120,697)	1,928,217	(22,192,480)
				65,532,780	65,532,780	(229,949)	65,302,831
	(552,804)	1,424,846	152,456	0	1,024,498	(1,567)	1,022,931
	(552,804)	1,424,846	152,456	65,532,780	66,557,278	(231,516)	66,325,762
	206,914	(743,764)	(10,812,747)	184,604,590	549,269,642	(1,878,984)	547,390,658
	206,914	(743,764)	(10,812,747)	184,604,590	549,269,642	(1,878,984)	547,390,658
				(15,037,235)	(25,976,135)		(25,976,135)
				(21,836,089)	0		0
			(139,188)		45,797	938,306	984,103
	0	0	(139,188)	(36,873,324)	(25,930,338)	938,306	(24,992,032)
				72,661,042	72,661,042	(135)	72,660,907
	(792,567)	785,673	656,354	0	649,460	(39,300)	610,160
	(792,567)	785,673	656,354	72,661,042	73,310,502	(39,435)	73,271,067
	(585,653)	41,909	(10,295,581)	220,392,308	596,649,806	(980,113)	595,669,693

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



(in EUR)	Called-up capital	Capital surplus	Revenue reserves				
			Legal reserves	Reserves for own shares	Own shares	Other revenue reserves	
As at 1 January 2015	52,240,977	80,991,385	61,749,884	2,604,670	(2,604,670)	164,637,720	
Dividend payments for 2014						(3,567,778)	
Transfer of a portion of 2015 net profit						15,037,235	
Transactions with owners	0	0	0	0	0	11,469,457	
Net profit for the current year							
Other changes in other comprehensive income						1,785,294	
Total changes in total comprehensive income	0	0	0	0	0	1,785,294	
As at 31 December 2015	52,240,977	80,991,385	61,749,884	2,604,670	(2,604,670)	177,892,472	
As at 1 January 2016	52,240,977	80,991,385	61,749,884	2,604,670	(2,604,670)	177,892,472	
Dividend payments for 2015						(10,938,900)	
Transfer of a portion of 2016 net profit						21,836,089	
Transactions with owners	0	0	0	0	0	10,897,189	
Net profit for the current year							
Other changes in other comprehensive income						2,767,174	
Total changes in total comprehensive income	0	0	0	0	0	2,767,174	
As at 31 December 2016	52,240,977	80,991,385	61,749,884	2,604,670	(2,604,670)	191,556,836	
Accumulated profit for 2016						7,026,283	

Accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

	Fair value reserve	Hedging reserve	Retained earnings	Total
	40,740,061	(1,149,437)	20,552,919	419,763,508
			(20,552,919)	(24,120,697)
			(15,037,235)	0
	0	0	(35,590,154)	(24,120,697)
			30,074,471	30,074,471
	(552,804)	1,149,437		2,381,927
	(552,804)	1,149,437	30,074,471	32,456,397
	40,187,257	0	15,037,235	428,099,211
	40,187,257	0	15,037,235	428,099,211
			(15,037,235)	(25,976,135)
			(21,836,089)	0
	0	0	(36,873,324)	(25,976,135)
			43,672,178	43,672,178
	(892,132)			1,875,042
	(892,132)	0	43,672,178	45,547,220
	39,295,125	0	21,836,089	447,670,296
			21,836,089	28,862,372

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



(in EUR)	Note	The Petrol Group		Petrol d.d.	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash flows from operating activities					
Net profit		72,660,907	65,302,831	43,672,178	30,074,471
Adjustment for:					
Corporate income tax	6.12	16,957,619	9,830,819	9,222,592	7,706,727
Depreciation of property, plant and equipment and of investment property	6.7	38,985,547	39,186,435	25,877,036	26,722,664
Amortisation of intangible assets	6.7	6,594,978	7,087,843	5,484,378	6,052,091
(Gain)/loss on disposal of property, plant and equipment	6.3, 6.8	(260,683)	266,313	297,859	300,756
Impairment, write-down/(reversed impairment) of assets	6.8	17,304,984	201,567	13,515,008	122,527
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	227,241	259,086	155,913	231,237
Net (decrease in)/creation of other provisions and long-term deferred revenue	6.32, 6.33	(1,248,576)	(904,714)	(1,284,578)	(875,652)
Net goods surpluses	6.8	(2,071,291)	(2,060,033)	(1,893,412)	(1,813,187)
Net (decrease in)/creation of allowance for receivables	6.11	3,317,627	4,039,142	3,324,570	3,068,865
Net finance (income)/expense	6.11	12,914,397	22,454,651	12,775,902	18,415,402
Impairment of investments	6.11	2,568,067	0	8,404,110	9,845,791
Share of profit of jointly controlled entities	6.10	13,342	(3,842,803)	-	-
Share of profit of associates	6.10	(5,385,759)	(5,430,032)	-	-
Finance income from dividends received from subsidiaries	6.10	-	-	0	(102,571)
Finance income from dividends received from jointly controlled entities	6.10	-	-	(150,000)	(150,000)
Finance income from dividends received from associates	6.10	-	-	(3,558,336)	(2,428,985)
Cash flow from operating activities before changes in working capital		162,513,000	136,325,705	115,777,820	97,104,736
Net (decrease in)/creation of other liabilities	6.37	164,830	2,099,768	(458,148)	1,156,636
Net decrease in/(creation of) other assets	6.28	(356,870)	1,099,432	213,421	1,732,376
Change in inventories	6.24	(22,923,638)	20,587,967	(21,091,323)	22,183,132
Change in operating and other receivables	6.26	(44,523,008)	28,329,403	(61,279,258)	50,707,890
Change in operating and other liabilities	6.36	48,304,662	(42,235,367)	68,610,146	(43,123,194)
Cash generated from operating activities		143,178,976	146,206,908	101,772,658	129,761,576
Interest paid	6.11	(18,407,548)	(23,928,700)	(16,369,834)	(21,440,339)
Taxes paid	6.12	(7,790,670)	(6,349,277)	(4,160,413)	(4,938,680)
Net cash from (used in) operating activities		116,980,758	115,928,931	81,242,411	103,382,557

(in EUR)	Note	The Petrol Group		Petrol d.d.	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash flows from investing activities					
Payments for investments in subsidiaries	6.18	(1,773,167)	0	(13,093,653)	(18,539,777)
Receipts from investments in subsidiaries	6.18	1,200,000	0	0	0
Payments for investments in jointly controlled entities	6.19	0	(488,405)	0	(488,405)
Receipts from investments in jointly controlled entities	6.19	45,100,000	0	0	0
Payments for investments in associates	6.20	(11,277,500)	(11,963,444)	0	0
Receipts from investments in associates	6.20	2,850,000	0	2,850,000	0
Receipts from intangible assets	6.15	1,290,260	709,976	252,174	0
Payments for intangible assets	6.15	(3,234,747)	(8,956,554)	(2,958,575)	(7,901,733)
Receipts from property, plant and equipment	6.16	6,653,390	1,654,880	2,188,977	1,268,980
Payments for property, plant and equipment	6.16	(73,969,272)	(35,748,498)	(30,430,536)	(19,525,499)
Receipts from financial assets available for sale	6.21	77,646	257,231	77,646	257,231
Payments for financial assets available for sale	6.21	(1,348,541)	0	(1,348,541)	0
Receipts from financial assets at fair value through profit or loss	6.27	0	1,648,209	0	1,648,208
Receipts from loans granted	6.22, 6.25	7,763,880	27,277,001	31,615,893	25,470,352
Payments for loans granted	6.22, 6.25	(5,363,463)	(18,605,822)	(52,648,837)	(19,393,721)
Interest received	6.11	4,419,826	3,994,020	4,271,840	4,466,106
Dividends received from subsidiaries	6.10	-	-	0	102,571
Dividends received from jointly controlled entities	6.10	2,150,000	1,900,000	150,000	150,000
Dividends received from associates	6.10	4,047,851	2,828,573	3,558,336	2,428,985
Dividends received from others	6.10	44,434	74,659	44,434	74,659
Net cash from (used in) investing activities		(21,369,403)	(35,418,174)	(55,470,842)	(29,982,044)
Cash flows from financing activities					
Proceeds from bonds issued	6.34	1,230,000	0	1,230,000	0
Payments for bonds issued	6.34	(54,802,000)	(910,425)	(54,802,000)	(910,425)
Proceeds from borrowings	6.34	763,552,148	508,063,089	1,080,460,409	864,622,700
Repayment of borrowings	6.34	(787,019,209)	(588,630,528)	(1,041,902,098)	(938,698,388)
Dividends paid to shareholders	6.30	(25,926,943)	(24,023,616)	(25,926,943)	(24,023,616)
Net cash from (used in) financing activities		(102,966,004)	(105,501,480)	(40,940,632)	(99,009,729)
Increase/(decrease) in cash and cash equivalents		(7,354,649)	(24,990,723)	(15,169,063)	(25,609,216)
Changes in cash and cash equivalents					
At the beginning of the year		34,350,350	58,573,381	26,994,577	52,592,296
Foreign exchange differences		(35,401)	(13,619)	-	-
Cash acquired through mergers by absorption		-	-	832,209	11,497
Cash acquired through acquisition of companies		27,669	781,311	-	-
Increase/(decrease)		(7,354,649)	(24,990,723)	(15,169,063)	(25,609,216)
At the end of the year		26,987,969	34,350,350	12,657,723	26,994,577

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 2016 and separate financial statements of the company Petrol d.d., Ljubljana for the year ended 31 December 2016. 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 10 February 2017.

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.

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. The revised IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 issued in 2009, 2010 and 2013 is permitted if an entity made a transition to IFRS before 1 February 2015.

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

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. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early application is permitted.

The standard 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 IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between 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.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity to continue applying most of its existing generally accepted accounting principles to accounting for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statements of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. The standard has not yet been endorsed by the European Union.

The standard is 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 standard has not yet been endorsed by the European Union.

The Group/Company is currently assessing the impact of the new standard and plans to adopt it on the required effective date.

Clarifications to IFRS 15 Revenue from the 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 amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard. The Group/Company is required to apply these amendments retrospectively. Early application is permitted and must be disclosed.

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

Annual improvements 2014 – 2016 Cycle Amendments to IAS 7: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as foreign exchange gains or losses.

The amendments are effective for annual periods beginning on or after 1 January 2017. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early 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 12: Recognition of Deferred Tax Assets for Unrealised Losses

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments are retrospectively effective for annual periods beginning on or after 1 January 2017 and early application is permitted. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group/Company is currently assessing the impact of the amendments and plans to adopt them on the required effective date.

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 are effective for annual periods beginning on or after 1 January 2018.

The Group/Company is currently assessing the impact of the amendments and plans to adopt them on the required effective date.

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. Retrospective application is also permitted if that is possible without the use of hindsight.

The amendments are effective for periods beginning on or after 1 January 2018. 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 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 are effective for annual periods beginning on or after 1 January 2018.

These amendments are not expected to have any impact on the Group's consolidated financial statements or the Company's separate financial statements.

Amendments to IFRS 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 are retrospectively effective for annual periods beginning on or after 1 January 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early 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.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018.

An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

These amendments are not expected to have any impact on the Group's consolidated financial statements or the Company's separate financial statements.

Amendments to IFRS 12: Disclosure of Interests in Other Entities:

The amendments clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The amendments are effective for annual periods beginning on or after 1 January 2017.

The Group/Company is currently assessing the impact of the amendments and plans to adopt them on the required effective date.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

Interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts

IFRIC 22 is effective for annual periods beginning on or after 1 January 2018, early adoption is permitted. Interpretation can be applied either prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the reporting period an entity first applies the interpretation in or the beginning of a prior reporting period presented as comparative information.

The Group/Company is currently assessing the impact of the interpretation and plans to adopt it on the required effective date.

b. Basis of measurement

The Group's and the Company's financial statements have been prepared on the historical cost basis except for the following assets and liabilities that are carried at fair value:

- derivative financial instruments,
- financial assets at fair value through profit or loss,
- financial assets available for sale.

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:

Estimating the lives of depreciable assets (Notes 6.15 and 6.16, Policies 3.e and 3.f)

When estimating the lives of assets, the Group/Company takes into account the expected physical wear and tear, the technical and economic obsolescence as well as expected legal restrictions and other restrictions of use. In addition, the Group/Company checks the useful life of significant assets in case circumstances change and the useful life needs to be changed and depreciation charges revalued.

Asset impairment testing

Information on significant uncertainty estimates and critical judgements that were prepared by the management in the process of accounting policy implementation and which affect the amounts in the financial statements the most was used in the estimation of the value of:

- investment property (Note 6.17)
- 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 available for sale (Note 6.21)
- financial receivables (Note 6.22)
- financial assets at fair value through profit or loss (Note 6.27).

Estimation of the fair value of assets (Note 6.27)

Fair value is used for financial assets measured at fair value through profit or loss and for derivatives. All other items in the financial statements represent the cost or amortised cost.

In measuring the fair value of a non-financial asset, the Group/Company must take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group/Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, especially by applying appropriate market inputs and minimum non-market inputs.

All assets and liabilities measured and disclosed in the financial statements at fair value are classified within the fair value hierarchy based on the lowest level of input data that is significant to the fair value measurement as a whole:

Level 1 – quoted (unadjusted) prices in active markets for similar assets and liabilities

Level 2 – valuation techniques that are based directly or indirectly on market data

Level 3 – valuation techniques that are not based on market data.

For assets and liabilities disclosed in the financial statements in previous periods, the Group/Company determines at the end of each reporting period whether transfers have occurred between levels by re-assessing the classification of assets based on the lowest level input that is significant to the fair value measurement as a whole.

The fair value hierarchy of assets and liabilities of the Group/Company is presented in Note 7.7, whereas the guidelines for individual items in the financial statements are given in Point 3.p.

Estimation of the influence in jointly controlled entities

The Group/Company regularly checks if a change of influence has occurred in jointly controlled entities and associates, thus ensuring that the investments are appropriately treated in the financial statements. The existence of

significant influence by an investor is evidenced in particular in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the Group/Company investee;
- participation in policy-making processes, including participation in decisions about dividends;
- material transactions between the investor and the Group/Company investee.

Estimate of provisions for litigation (Notes 6.37 and 9)

Individual Group companies have filed several lawsuits, 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.

Estimate of provisions for employee post-employment and other long-term benefits (Note 6.31)

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 6.31.

Assessing the possibility of using deferred tax assets

The Group/Company recognises deferred tax assets in connection with provisions for jubilee benefits and post-employment benefits on retirement, impairment of financial assets, impairment of receivables and tax losses.

On the day the financial statements are completed, the Group/Company verifies the amount of disclosed deferred tax assets and liabilities. Deferred tax assets are recognised if it is probable that future taxable net profits will be available against which deferred tax assets can be utilised in the future. Deferred taxes are decreased by the amount for which it is no longer probable that tax breaks associated with the asset can be utilised.

e. Changes in accounting policies

The Group/Company did not change its accounting policies in 2016.

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.

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

Newly adopted standards and interpretation effective as of 1 January 2016**Annual improvements 2011 – 2013 Cycle****Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exception has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. Early adoption of the amendments was permitted.

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

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Early adoption of the amendments was permitted.

The amendments did not have a material impact on the financial statements of the Group/Company, as the latter does not use the revenue-based method.

Amendments to IAS 16 and IAS 41, Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. Following initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity).

The amendments also require that produce that grows on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. Early adoption of the amendments was permitted.

The amendments did not have an impact on the financial statements of the Group/Company, as the latter does not have bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying International Financial Reporting Standards and electing to change to the equity method will have to apply that change retrospectively. Also, on transition to IFRS and the equity method, entities will be required to apply this method from the date of transition to IFRS. Early adoption of the amendments was permitted. These amendments will not have any impact on the Group's consolidated financial statements.

The amendments did not have an impact on the financial statements of the Company, as the Company retained the previous policy and did not use the new option.

Annual Improvements 2012 – 2014 Cycle**Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative**

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement of profit or loss, the statement of comprehensive income and the statement of financial position may be left aside;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item and classified between those items that will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position, the statement of profit or loss and the statement of comprehensive income. Early adoption of the amendments was permitted.

The Group/Company duly included the amendments when preparing financial statements.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in Methods of Disposal

The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.

The amendments introduce specific guidance for when an entity reclassifies an asset or disposal group from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments state that:

- such a reclassification of assets should not be considered to be a new plan of disposal or a plan of distribution to owners, and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied;
- assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) should be treated in the same way as assets that cease to be classified as held for sale.

The amendments are applied prospectively.

The amendments did not have an impact on the financial statements of the Group/Company, as neither has any assets held for sale and discontinued operations.

Amendments to IFRS 7 Financial Instruments: Disclosures (servicing contracts and applicability of the amendments to IFRS 7 to separate financial statements with consequential amendments to IFRS 1)

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in condensed interim financial statements.

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a financial asset for the purposes of the disclosures required in relation to transferred assets. Paragraph 42C(c) of IFRS 7 states that a pass-through arrangement under a servicing contract does not, in itself, constitute a continuing involvement for the purposes of the transfer disclosure requirements.

Applicability of the amendments to IFRS 7 to interim financial statements

The amendment clarifies the applicability of amendments to IFRS 7 disclosures relating to the offsetting of financial assets and liabilities in condensed interim financial statements.

The International Accounting Standards Board adopted the amendments to IFRS 7 to remove uncertainty as to whether the disclosure requirements on offsetting financial assets and financial liabilities (introduced in December 2011 and effective for periods beginning on or after 1 January 2013) should be included in condensed interim financial statements.

The amendments apply prospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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

Amendments to IAS 19 Employee Benefits: Discount rate – Regional Market Issue

The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. Thus, the depth of the market for high quality corporate bonds should be assessed based on the currency in which the benefit is expressed. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment should be recognised in retained earnings in the opening balance for that period.

The amendments did not have a material impact on the financial statements of the Group/Company, as each Group company observed items in local currencies.

Amendments to IAS 34 Interim Financial Reporting: Disclosure of Information Elsewhere in the Interim Financial Report

The amendments clarify that in addition to interim financial statements, IAS 34 disclosures should also be incorporated in the interim financial report by way of a cross-reference from the interim financial statements to the interim financial report, which is available to users on the same terms and at the same time as the interim financial statements.

The amendments are applied prospectively.

The amendments did not have a material impact on the financial statements of the Group/Company, as they have been duly taken into account whilst preparing interim reports.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments clarify that only a subsidiary of an investment entity that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of the investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. Early adoption of the amendments was permitted.

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.

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 instruments

Financial instruments consist of the following items:

- non-derivative financial assets,
- non-derivative financial liabilities,
- derivative financial instruments.

The impairment of financial assets is detailed in Point j1.

c1. Non-derivative financial assets

The Group has the following non-derivative financial assets: cash and cash equivalents, receivables and loans, and investments. 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, non-derivative financial instruments of the Group are classified into one of the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and financial assets available for sale. Their classification depends on the purpose for which an instrument was acquired.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such subsequent to initial recognition. Financial assets are designated at fair value through profit or loss if the Group is able to manage such financial assets and make purchase and sale decisions based on their fair value. Subsequent to initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

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.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are designated as available for sale or that are not classified as loans and receivables or as financial assets at fair value through profit or loss.

They are measured at fair value, except for impairment losses and foreign exchange differences, provided that the fair value can be determined and that the resulting gains or losses are recognised directly in comprehensive income and presented in the fair value reserve until such assets are derecognised. When a financial asset available for sale is derecognised, the cumulative gain or loss in other comprehensive income for the period is transferred to profit or loss.

If the fair value cannot be measured reliably because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the financial asset at cost. If the financial asset is carried at cost, that fact is disclosed.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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). Loans and receivables 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.

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. Non-derivative financial liabilities

The Group's non-derivative financial liabilities consist of debt securities issued and loans received. 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. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest 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).

c3. 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.

c4. Commodity forward contracts

In accordance with IAS 39, 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 IAS 39 (IAS 39 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 IAS 39.

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 %)	2016	2015
Right to use concession infrastructure	2.00–20.00%	2.00–20.00%
Computer software	10.00–33.33%	10.00–33.33%

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 %)	2016	2015
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 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 I.

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, transshipment and unloading, transport insurance costs, goods tracking costs, costs of agency arrangements, other similar costs incurred before initial storage and borne by the purchaser as well as non-refundable duties (excise duty). Discounts on purchase prices include discounts indicated on invoices

and subsequently obtained discounts relating to a specific purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Group checks the net realisable value of inventories at the statement of financial position date. When this value is lower than their carrying amount, inventories are impaired. Damaged, expired and unusable inventories are written off regularly during the year on an item by item basis.

The 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

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.

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.

According to the categorisation of the statement of profit or loss laid down by the Companies Act, the creation and reversal of 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its net carrying amount and the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of financial assets available for sale

Impairment losses on financial assets available for sale 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.

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.

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 moved to 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. Recognition of revenue

Sales revenue is recognised at the fair value of the consideration received or receivable, net of returns and discounts, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, there is certainty about the recovery of receivables, the associated costs and possible return of goods, and there is no continuing involvement by the Group with the goods sold.

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.

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.

n. Finance income and expenses

Finance income comprises interest income on financial assets, gains on the disposal of financial assets available for sale, 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, 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 available for sale

The fair value of financial assets at fair value through profit or loss and financial assets available for sale is determined by reference to the above fair value hierarchy for financial instruments. If their fair value cannot be measured reliably because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the Group measures the financial asset at cost.

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 the 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 systems.

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 31/12/2015 and 31/12/2016 and data derived from the statement of profit or loss for the period January to December 2016. 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

The Company has applied the accounting policies set out below consistently to all periods presented herein.

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 instruments

Financial instruments consist of the following items:

- non-derivative financial assets,
- non-derivative financial liabilities,
- derivative financial instruments.

The impairment of financial assets is detailed in Point k1.

d1. Non-derivative financial assets

The Company has the following non-derivative financial assets: cash and cash equivalents, receivables and loans, and investments. 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 Group 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, non-derivative financial instruments of the Company are classified into one of the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and financial assets available for sale. Their classification depends on the purpose for which an instrument was acquired.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such subsequent to initial recognition. Financial assets are designated at fair value through profit or loss if the Company is able to manage such assets and make purchase and sale decisions based on their fair value. Subsequent to initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

The Company's financial assets measured at fair value through profit or loss mainly consist of unrealised derivative financial instruments assessed on the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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). Loans and receivables 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.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are designated as available for sale or that are not classified as loans and receivables or as financial assets at fair value through profit or loss.

They are measured at fair value, except for impairment losses and foreign exchange differences, provided that the fair value can be determined and that the resulting gains

or losses are recognised directly in comprehensive income and presented in the fair value reserve until such assets are derecognised. When a financial asset available for sale is derecognised, the cumulative gain or loss in other comprehensive income for the period is transferred to profit or loss.

If the fair value cannot be measured reliably because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the financial asset at cost. If the financial asset is carried at cost, that fact is disclosed.

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. Non-derivative financial liabilities

The Company's non-derivative financial liabilities consist of debt securities issued and loans. 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 at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest 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).

d3. 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 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 has 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

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.

d4. Commodity forward contracts

In accordance with IAS 39, 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 IAS 39 (IAS 39 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 IAS 39.

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 %)	2016	2015
Right to use concession infrastructure	2.00–20.00%	2.00–20.00%
Computer software	10.00–33.33%	10.00–33.33%

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 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 %)	2016	2015
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 explained in more detail 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 explained in more detail 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, transshipment and unloading, transport insurance costs, goods tracking costs, costs of agency arrangements, other similar costs incurred before initial storage and borne by the purchaser as well as non-refundable duties. Discounts on purchase prices include discounts indicated on invoices and subsequently obtained discounts relating to a specific purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company checks the net realisable value of inventories at the statement of financial position date. When this value is lower than their carrying amount, inventories are impaired. Damaged, expired and unusable inventories are written off regularly during the year on an item by item basis.

The 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

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 (more than 20%) or prolonged (longer than 9 months) 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.

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.

According to the categorisation of the statement of profit or loss laid down by the Companies Act, the creation and reversal of 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its net carrying amount and the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of financial assets available for sale

Impairment losses on financial assets available for sale 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.

Impairment of investments in subsidiaries

If a loss made by a subsidiary requires the investment to be impaired, the impairment loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows.

k2. Non-financial assets

The Company reviews at each reporting date the carrying amounts of significant non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The impairment of an asset or a cash generating unit is recognised if its carrying amount exceeds its recoverable amount. Impairment is recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of the reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised in previous years.

I. Provisions

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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.

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. Recognition of revenue

Sales revenue is recognised at the fair value of the consideration received or receivable, net of returns and discounts, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, there is certainty about the recovery of receivables, the associated costs and possible return of goods, and there is no continuing involvement by the Company with the goods sold.

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.

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.

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.

o. Finance income and expenses

Finance income comprises interest income on financial assets, gains on the disposal of financial assets available for sale, 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, 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 available for sale

The fair value of financial assets at fair value through profit or loss and financial assets available for sale is determined by reference to the above fair value hierarchy for financial instruments. If the fair value cannot be measured reliably because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the financial asset at cost.

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 liabilities

Fair value is calculated, for reporting purposes, based on the 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.

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 31/12/2015 and 31/12/2016 and data derived from the statement of profit or loss for the period January to December 2016. 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 revenue 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 information is monitored only in terms of certain key information 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.

In keeping with the Petrol Group strategy, the Group/Company changed the way it treats certain parts of its operations in 2016 and now uses the following segments in the preparation and presentation of the financial statements:

- sales,
- energy and environmental systems.

Sales consist of:

- retail and wholesale of oil and petroleum products,
- retail and wholesale of merchandise,
- sales of liquefied petroleum gas (LPG),
- sales of natural gas,
- sales of electricity,
- trading in electricity and natural gas.

Energy and environmental systems consist of:

- distribution of natural gas,
- other services (energy solutions, environmental solutions, biomass production, district heating, generation of electricity).

The Group's operating segments in 2015:

(in EUR)	Sales	Energy and Environmental Systems	Total	Statement of profit or loss/Statement of financial position
Sales revenue	4,226,581,791	55,693,042	4,282,274,833	
Revenue from subsidiaries	(463,557,542)	(1,835,492)	(465,393,034)	
Sales revenue	3,763,024,249	53,857,550	3,816,881,799	3,816,881,799
Net profit for the year	65,134,185	168,646	65,302,831	65,302,831
Interest income*	3,512,297	862,519	4,374,816	4,374,816
Interest expense*	(16,949,490)	(4,162,309)	(21,111,799)	(21,111,799)
Depreciation of property, plant and equipment, depreciation of investment property, amortisation of intangible assets	(34,367,897)	(11,906,381)	(46,274,278)	(46,274,278)
Share of profit or loss of equity accounted investees	6,513,351	2,759,484	9,272,835	9,272,835
Total assets	1,275,956,201	198,437,596	1,474,393,797	1,474,393,797
Equity accounted investees	119,091,151	48,854,248	167,945,399	167,945,399
Property, plant and equipment, intangible assets and investment property	662,144,538	142,994,859	805,139,397	805,139,397
Other assets	494,720,512	6,588,489	501,309,001	501,309,001
Current and non-current operating and financial liabilities	769,658,920	119,697,891	889,356,811	889,356,811

* 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 2016:

(in EUR)	Sales	Energy and Environmental Systems	Total	Statement of profit or loss/Statement of financial position
Sales revenue	4,259,695,779	57,265,603	4,316,961,382	
Revenue from subsidiaries	(458,387,951)	(1,870,805)	(460,258,756)	
Sales revenue	3,801,307,827	55,394,799	3,856,702,626	3,856,702,626
Net profit for the year	72,346,291	314,616	72,660,907	72,660,907
Interest income*	3,306,551	805,709	4,112,260	4,112,260
Interest expense*	(15,132,067)	(3,687,236)	(18,819,303)	(18,819,303)
Depreciation of property, plant and equipment, depreciation of investment property, amortisation of intangible assets	(34,099,810)	(11,480,715)	(45,580,525)	(45,580,525)
Share of profit or loss of equity accounted investees	2,552,854	2,819,563	5,372,417	5,372,417
Total assets	1,311,484,573	191,307,363	1,502,791,936	1,502,791,936
Equity accounted investees	82,254,881	49,084,042	131,338,923	131,338,923
Property, plant and equipment, intangible assets and investment property	670,919,688	134,442,268	805,361,956	805,361,956
Other assets	558,310,005	7,781,052	566,091,057	566,091,057
Current and non-current operating and financial liabilities	754,860,203	110,112,096	864,972,299	864,972,299

* Interest income and expense are estimated based on a segment's share of investments and assets in total investments and assets.

Additional information about geographic areas in which the Group operates:

(in EUR)	Sales revenue		Total assets		Net capital expenditure	
	2016	2015	2016	2015	2016	2015
Slovenia	2,185,995,714	2,222,597,875	943,395,109	905,650,689	25,550,276	43,347,574
Croatia	509,563,848	569,309,974	249,218,815	222,079,531	28,716,020	6,503,933
Bosnia and Herzegovina	201,613,804	212,594,441	78,325,648	75,480,360	3,194,600	912,828
Serbia	68,166,939	67,064,750	50,502,319	53,115,887	2,465,651	3,782,236
Montenegro	36,086,071	36,170,234	28,387,968	26,928,154	1,341,862	1,250,612
Austria	184,641,614	205,153,909	1,896,839	2,824,617	0	0
Other countries	670,634,636	503,990,614	7,804,385	3,881,444	0	488,404
	3,856,702,626	3,816,881,799	1,359,531,083	1,289,960,682	61,268,408	56,285,587
Jointly controlled entities			1,652,682	50,451,020		
Associates			129,686,241	117,494,379		
Unallocated assets			11,921,930	16,487,716		
Total assets			1,502,791,936	1,474,393,797		

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

Vjetroelektrane Glunča d.o.o.

In February 2016 Petrol d.d., Ljubljana entered into a contract to acquire the 100-percent interest in the company Vjetroelektrane Glunča d.o.o. The company is engaged in the business of generating electricity from wind farms.

The company's statement of financial position as at the day the Group acquired controlling influence is as follows:

(in EUR)	Fair value	Carrying amount
Cash and cash equivalents	637	637
Intangible assets	175,946	2,630,043
Property, plant and equipment	276,100	276,100
Operating receivables	219	219
Assets	452,902	2,906,999
Deferred tax liabilities	0	490,819
Financial liabilities	540,596	540,596
Operating liabilities	263,450	263,450
Liabilities	804,046	1,294,865
Net assets upon acquisition	(351,144)	1,612,134
Amount paid	2,618	
Goodwill	353,762	
Amount paid	2,618	
Cash and cash equivalents	637	
Net payment	1,981	

Goodwill arises mainly from project documentation, permits, measurements and other agreements related to the construction of wind farms.

In the eleven months following the company's acquisition, no revenue was generated and the Group incurred a loss of EUR 230,062. If the acquisition had taken place on 01/01/2016, the Group's revenue and its net profit or loss would have been the same.

Energetika Črnomelj, d.o.o.

In 2015 Petrol d.d., Ljubljana entered into a contract to acquire a 50.7-percent interest in the company Energetika Črnomelj d.o.o. In June 2016, Petrol d.d., Ljubljana acquired an additional 49.3-percent interest to become the sole owner. In October 2016, Petrol d.d., Ljubljana absorbed the company Energetika Črnomelj d.o.o., striking it off the Slovene Companies Register. Until July 2016, the company was treated as a jointly controlled entity and an equity accounted investee. From July to October 2016, the Company was treated as a subsidiary.

The carrying amounts of assets and liabilities of the acquired company are not substantially different from fair values and have been considered as such in the first consolidation.

The company's statement of financial position as at the day the Group acquired controlling influence is as follows:

(in EUR)	Fair value	Carrying amount
Cash and cash equivalents	27,032	27,032
Intangible assets	1,071,460	1,071,460
Operating receivables	24,317	24,317
Assets	1,122,809	1,122,809
Long-term deferred revenue	146,904	146,904
Financial liabilities	461,149	461,149
Operating liabilities	19,009	19,009
Other liabilities	250	250
Liabilities	627,312	627,312
Net assets upon acquisition	495,497	495,497
Amount paid	35,001	
Negative goodwill	(460,496)	
Amount paid	35,001	
Cash and cash equivalents	27,032	
Net payment	7,969	

Upon initial recognition, the Group eliminated the negative goodwill, recognising it as other finance income.

In the three months, from the company's acquisition to the absorption, the resulting revenue and net loss of the Group stood at EUR 51,055 and EUR 12,321 respectively. If the acquisition had taken place on 01/01/2016, the Group's revenue would have been EUR 161,489 higher and its profit EUR 810 lower.

6.2 Changes within the Group

In 2016 Petrol d.d., Ljubljana absorbed the company Petrol Tehnologija d.o.o., striking it off the Slovene Companies Register on 04/05/2016.

The merger by absorption did not have any impact on the Petrol Group as the company had been fully owned by the Group. At Petrol d.d., Ljubljana, the difference between the net assets of the absorbed company and the investment of EUR 755,579 was recognised in revenue reserves at EUR 2,318,999.

In 2016 Petrol d.d., Ljubljana absorbed the company Energetika Črnomelj d.o.o., striking it off the Slovene Companies Register on 27/12/2016.

The merger by absorption did not have any impact on the Petrol Group as the company had been fully owned by the Group. At Petrol d.d., Ljubljana, the difference between the net assets of the absorbed company and the investment of EUR 35,001 was recognised in revenue reserves at EUR 448,175.

The company Petrol d.o.o., Zagreb absorbed the company Eltec Petrol Hrvatska d.o.o. in 2016, striking it off the Croatian Companies Register on 04/07/2016.

The merger by absorption did not have any impact on the Petrol Group as the company had been fully owned by the Group.

In 2016 the Petrol Group established the companies Petrol Trade Slovenija LLC and Petrol LPG HIB d.o.o.

In 2016 IG energetski sistemi, d.o.o. co-founded the associate GEN-EL naložbe d.o.o., in which it holds a 25-percent interest.

In 2016 Petrol d.d., Ljubljana sold a 25-percent interest in the associate Marche Gostinstvo d.o.o.

In 2016 Petrol Group sold a 50-percent interest in the jointly controlled entity GEN-I d.o.o.

In 2016 Petrol d.d., Ljubljana acquired the remaining 10.4-percent interest in the company Rodgas a.d. The Petrol Group decreased its non-controlling interest by EUR 261,797 increased other revenue reserves by EUR 184,985 and decreased currency translation differences by EUR 139,188.

6.3 Revenue

Sales revenue by type of goods

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Revenue from the sale of merchandise	3,769,100,482	3,731,130,511	3,105,789,744	3,005,168,248
- of which excise duty	1,069,489,389	1,004,533,540	749,680,687	697,922,082
Revenue from the sale of services	87,472,105	85,148,939	61,992,834	58,341,068
Revenue from the sale of products	130,039	602,349	0	0
Total revenue	3,856,702,626	3,816,881,799	3,167,782,578	3,063,509,316

Other revenue

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Utilisation of environmental provisions	1,314,183	1,386,185	1,307,393	1,386,185
Gain on disposal of fixed assets	1,201,345	447,504	469,881	378,335
Compensation, litigation proceeds and contractual penalties received	861,077	533,504	792,359	227,324
Reversal of accrued costs, expenses	598,828	464,042	436,442	437,395
Compensation received from insurance companies	325,028	262,799	128,752	77,340
Payment of court fees	151,693	119,153	131,709	89,338
Other revenue	1,472,933	1,929,528	769,188	638,129
Total other revenue	5,925,087	5,142,715	4,035,724	3,234,046

6.4 Costs of materials

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Costs of energy	19,024,163	19,002,439	8,892,363	6,823,901
Costs of consumables	8,475,976	9,348,702	5,959,053	7,926,471
Write-off of small tools	296,834	224,474	60,065	62,010
Other costs of materials	607,944	585,768	397,056	382,737
Total costs of materials	28,404,917	29,161,383	15,308,537	15,195,119

6.5 Costs of services

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Costs of service station managers	30,937,371	29,484,972	30,937,371	30,064,506
Costs of transport services	27,806,705	27,573,515	23,891,709	24,741,445
Costs of fixed-asset maintenance services	12,109,092	10,613,954	8,754,993	9,866,037
Lease payments	9,862,231	8,930,362	3,855,642	3,571,764
Costs of professional services	7,179,435	6,710,908	7,035,994	6,068,752
Costs of payment transactions and bank services	6,873,347	7,679,838	5,124,056	5,663,582
Contributions for operations at motorway service areas	5,167,313	5,024,230	3,967,932	3,899,818
Costs of fairs, advertising and entertainment	4,686,290	4,004,056	3,492,214	2,888,274
Costs of insurance premiums	3,622,497	3,570,094	2,395,320	2,486,465
Costs of fire protection and physical and technical security	1,953,666	1,672,294	1,528,405	1,296,307
Fees for the building site use	1,919,425	1,741,439	1,757,607	1,578,526
Outsourcing costs	1,843,750	1,273,914	714,382	193,822
Costs of environmental protection services	1,342,473	1,743,390	863,228	1,336,292
Property management	1,130,440	1,124,737	1,172,032	1,416,950
Reimbursement of work-related costs to employees	1,001,733	866,608	533,892	502,754
Concession charges	947,838	937,654	608,229	564,336
Membership fees	317,328	427,121	215,189	239,136
Other costs of services	3,990,255	3,097,366	2,669,215	2,554,683
Total costs of services	122,691,189	116,476,452	99,517,410	98,933,449

The Petrol Group

The costs of professional services include the cost of services performed by the auditors of the annual report of EUR 158,752 (2015: EUR 210,786). Auditing services comprise the fee for the auditing of the annual report of EUR 127,790 (2015: EUR 153,286). Other, non-auditing services stood at EUR 30,962 in 2016 (2015: EUR 57,500).

Petrol d.d., Ljubljana

The costs of professional services include the cost of services performed by the auditors of the annual report of EUR 51,245 (2015: EUR 113,705). Auditing services comprise the fee for the auditing of the annual report of EUR 50,495 (2015: EUR 56,205). Other, non-auditing services stood at EUR 750 in 2016 (2015: EUR 57,500).

6.6 Labour costs

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Salaries	48,674,044	46,342,762	32,914,413	30,228,215
Costs of pension insurance	4,061,292	3,907,712	3,179,609	2,937,206
Costs of other social insurance	4,864,998	4,751,795	2,605,453	2,429,968
Transport allowance	2,468,179	2,378,894	1,493,160	1,399,772
Meal allowance	2,047,720	1,946,363	1,419,653	1,326,165
Annual leave allowance	1,731,244	1,683,330	1,298,232	1,180,782
Supplementary pension insurance	969,762	941,381	881,667	829,313
Other allowances and reimbursements	2,392,981	3,187,437	1,802,606	2,257,895
Total labour costs	67,210,220	65,139,674	45,594,793	42,589,316

Number of employees by formal education level as at 31/12/2015:

	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	3	9	2	3	5
Level II	42	19	61	21	19	40
Level III	119	8	127	4	8	12
Level IV	701	341	1,042	215	341	556
Level V	1,236	628	1,864	554	628	1,182
Level VI	216	56	272	115	56	171
Level VII	587	59	646	401	59	460
Level VII/2	42	0	42	38	0	38
Level VIII	5	0	5	4	0	4
Total	2,954	1,114	4,068	1,354	1,114	2,468

Number of employees by formal education level as at 31/12/2016:

	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	5	1	6	1	1	2
Level II	35	15	50	18	15	33
Level III	122	8	130	6	8	14
Level IV	695	332	1,027	229	332	561
Level V	1,234	680	1,914	581	680	1,261
Level VI	220	63	283	123	63	186
Level VII	634	74	708	456	74	530
Level VII/2	43	0	43	38	0	38
Level VIII	5	0	5	4	0	4
Total	2,993	1,173	4,166	1,456	1,173	2,629

In 2016 the average number of employees for the Group stood at 4,125 and for the Company 1,439 (2015: 3,978 and 1,303, respectively).

6.7 Depreciation and amortisation

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Amortisation of intangible assets	6,594,978	7,087,844	5,484,378	6,052,091
Depreciation of property, plant and equipment	37,890,101	38,429,615	24,825,249	25,937,318
Depreciation of investment property	1,095,446	756,819	1,051,787	785,346
Total depreciation and amortisation	45,580,525	46,274,278	31,361,414	32,774,755

6.8 Other costs

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Impairment/write-down of assets	17,304,984	82,899	13,515,008	71,460
Sponsorships and donations	1,694,914	1,586,653	1,535,643	1,475,126
Environmental charges and charges unrelated to operations	1,041,429	1,021,658	18,629	175,988
Loss on sale/disposal of property, plant and equipment	940,662	713,817	767,740	679,090
Other costs	2,533,432	1,746,050	400,117	986,335
Total other costs	23,515,421	5,151,077	16,237,137	3,387,999

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	
	2016	2015
Geoplin d.o.o. Ljubljana	4,741,757	4,582,829
Aquasystems d.o.o.	740,430	732,371
Marche Gostinstvo d.o.o.	(96,428)	114,832
Total profit or loss of associates	5,385,759	5,430,032
Soenergetika d.o.o.	145,013	161,579
Geoenergo d.o.o.	37,417	32,403
Gen-I, d.o.o.	0	3,514,211
Petrol LPG d.o.o. Beograd	0	227,361
Total profit of jointly controlled entities	182,430	3,935,554
Petrol OTI Slovenija LLC	(193,451)	(92,149)
Petrol Slovenia Tirana Wholesale Sh.A.	(2,321)	(602)
Energetika Črnomelj, d.o.o.	0	(1)
Total loss of jointly controlled entities	(195,772)	(92,752)
Total net finance income from interests	5,372,417	9,272,835

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

(in EUR)	Petrol d.d.	
	2016	2015
Petrol Trade Handelsgesellschaft m.b.H.	0	102,571
Cypet Oils Ltd.	0	0
Total subsidiaries	0	102,571
Geoplin d.o.o. Ljubljana	2,206,388	1,801,059
Aquasystems d.o.o.	1,351,948	519,980
Marche Gostinstvo d.o.o.	0	107,947
Total associates	3,558,336	2,428,986
Soenergetika d.o.o.	150,000	150,000
Total jointly controlled entities	150,000	150,000
Total finance income from interests	3,708,336	2,681,557

6.11 Other finance income and expenses

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Foreign exchange differences	13,111,730	16,833,084	9,259,846	12,447,514
Gain on derivatives	21,953,684	29,890,867	23,032,551	28,439,495
Interest income	4,112,260	4,374,816	3,589,104	3,295,546
Allowances for receivables reversed and bad debt recovered	810,949	2,060,731	115,164	25,168
Other finance income	3,181,278	862,647	2,716,198	862,533
Total other finance income	43,169,901	54,022,145	38,712,863	45,070,256
Foreign exchange differences	(13,332,938)	(27,161,068)	(9,507,975)	(22,946,249)
Loss on derivatives	(18,245,706)	(19,526,579)	(21,126,632)	(18,759,913)
Interest expense	(18,819,303)	(21,111,799)	(17,728,519)	(19,080,068)
Allowances for operating receivables	(990,790)	(6,099,873)	(301,947)	(3,094,033)
Allowances for financial receivables	(3,137,787)	0	(3,137,787)	0
Impairment of investments and of goodwill	(2,568,067)	0	(8,404,110)	(9,845,792)
Other finance expenses	(1,388,632)	(4,773,562)	(1,352,685)	(2,193,173)
Total other finance expenses	(58,483,223)	(78,672,881)	(61,559,655)	(75,919,228)
Net finance expense	(15,313,322)	(24,650,736)	(22,846,792)	(30,848,972)

6.12 Corporate income tax

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Tax expense	(13,087,058)	(5,851,667)	(4,511,190)	(3,626,794)
Deferred tax	(3,870,561)	(3,979,152)	(4,711,402)	(4,079,932)
Taxes	(16,957,619)	(9,830,819)	(9,222,592)	(7,706,727)

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Profit before tax	89,618,526	75,133,650	52,894,770	37,781,197
Tax at effective tax rate	15,235,149	12,772,721	8,992,111	6,422,803
Tax effect of untaxed revenue	(9,450,403)	(5,831,473)	(6,871,638)	(5,462,538)
Tax effect of expenses not deducted on tax assessment	12,817,327	1,893,050	8,354,386	6,746,461
Effect of a changed tax rate on deferred taxes	(1,747,475)	0	(1,252,267)	0
Effect of higher/(lower) tax rates for companies abroad	103,021	996,521	0	0
Taxes	16,957,619	9,830,819	9,222,592	7,706,727
Effective tax rate	18,92%	13,08%	17,44%	20,40%

The Group had EUR 30,672 (2015: EUR 245,045) and EUR 6.595.599 (2015: EUR 1,711,855) in corporate income tax assets and liabilities, respectively, as at 31/12/2016. 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 17 percent in 2016 (in 2015: 17 percent), whereas the Group's tax rates ranged from 9 to 25 percent.

The calculation reflects the tax rate change, effective 01/01/2017, from 17 to 19 percent in Slovenia and from 20 to 18 percent in Croatia.

Changes in deferred taxes of the Petrol Group

Deferred tax assets

(in EUR)	Investments	Provisions	Allowance for receivables	Inventories	Tax loss	Other	Total
As at 1 January 2015	517,038	810,155	4,201,645	47,228	16,084,147	406,526	22,066,739
(Charged)/credited to the statement of profit or loss	7,029	(10,567)	902,169	20,296	(4,825,841)	(141,799)	(4,048,713)
(Charged)/credited to other comprehensive income	(304,278)	0	0	0	0	0	(304,278)
Foreign exchange differences	934	126	(1,245)	0	3,744	(751)	2,808
As at 31 December 2015	220,723	799,714	5,102,569	67,524	11,262,050	263,976	17,716,556
Netting							(1,228,840)
Total net receivables as at 31 December 2015							16,487,716
(Charged)/credited to the statement of profit or loss	(25,799)	230,393	(301,161)	16,407	(4,507,683)	128,740	(4,459,103)
(Charged)/credited to other comprehensive income	(186,333)	0	0	0	0	0	(186,333)
Foreign exchange differences	2,554	461	4,030	0	(1,067)	(2,493)	3,485
As at 31 December 2016	11,145	1,030,568	4,805,438	83,931	6,753,300	390,223	13,074,605
Netting							(1,152,675)
Total net receivables as at 31 December 2016							11,921,930

Deferred tax liabilities

(in EUR)	Investments	Fixed assets	Other	Total
As at 1 January 2015	52,588	5,898,835	1,203	5,952,626
Charged/(credited) to the statement of profit or loss	0	(68,358)	(1,203)	(69,561)
New acquisitions as a result of takeovers	0	(49,857)	0	(49,857)
Foreign exchange differences	0	15,004	0	15,004
As at 31 December 2015	52,588	5,795,624	0	5,848,212
Netting				(1,228,840)
Total net liabilities as at 31 December 2015				4,619,372
Charged/(credited) to the statement of profit or loss	0	(590,845)	2,303	(588,542)
Charged/(credited) to other comprehensive income	8,855	0	0	8,855
Foreign exchange differences	(31)	52,744	(13)	52,700
As at 31 December 2016	61,412	5,257,523	2,290	5,321,226
Netting				(1,152,675)
Total net liabilities as at 31 December 2016				4,168,551

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

Deferred tax assets

(in EUR)	Investments	Provisions	Allowance for receivables	Tax loss	Other	Total
As at 1 January 2015	235,427	688,446	3,966,533	15,722,838	251,987	20,865,231
(Charged)/credited to the statement of profit or loss	0	(10,158)	483,067	(4,409,595)	(109,768)	(4,046,454)
Charged to other comprehensive income	(235,427)	0	0	0	0	(235,427)
As at 31 december 2015	0	678,287	4,449,600	11,313,243	142,219	16,583,351
Netting						(461,256)
Total net receivables as at 31 December 2015						16,122,095
New acquisitions as a result of merger by absorption	0	20,716	3,872	0	0	24,588
(Charged)/credited to the statement of profit or loss	0	238,502	(278,996)	(4,661,199)	(9,709)	(4,711,402)
As at 31 December 2016	0	937,504	4,174,476	6,652,044	132,510	11,896,534
Netting						(461,256)
Total net receivables as at 31 December 2016						11,435,278

Deferred tax liabilities

(in EUR)	Fixed assets	Total
As at 1 January 2015	461,256	461,256
As at 31 December 2015	461,256	461,256
Netting		(461,256)
Total net liabilities as at 31 December 2015		0
As at 31 December 2016	461,256	461,256
Netting		(461,256)
Total net liabilities as at 31 December 2016		0

6.13 Earnings per share

	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Net profit (in EUR)	72,660,907	65,302,831	43,672,178	30,074,471
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	24,703	24,703	24,703	24,703
Number of own shares at the end of the year	24,703	24,703	24,703	24,703
Weighted average number of ordinary shares issued	2,061,598	2,061,598	2,061,598	2,061,598
Diluted average number of ordinary shares	2,061,598	2,061,598	2,061,598	2,061,598
Basic and diluted earnings per share (EUR/share)	35.24	31.68	21.18	14.59

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. 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 increased by EUR 980,862 (in 2015: EUR 1,729,125), but was reduced by the deferred tax effect of EUR 195,189 (in 2015: EUR 304,279). The change relates to interest rate swap hedging and boosts the hedging reserve.

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

Petrol d.d., Ljubljana

Changes arising from mergers by absorption increased by EUR 2,767,174 as a result of the absorption of subsidiaries (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	Total
Cost					
As at 1 January 2015	15,181,030	93,066,746	106,326,905	2,133,952	216,708,633
New acquisitions as a result of control obtained	0	1,431	0	0	1,431
New acquisitions	0	0	0	8,956,554	8,956,554
Disposals	(17,717)	(140,496)	0	(600,045)	(758,258)
Impairments	0	0	0	(70,499)	(70,499)
Transfers between asset categories	0	2,592,121	0	0	2,592,121
Transfer from ongoing investments	2,394,973	5,240,053	0	(7,635,026)	0
Foreign exchange differences	(9)	6,542	37,951	47	44,531
As at 31 December 2015	17,558,277	100,766,397	106,364,856	2,784,983	227,474,513
Accumulated amortisation					
As at 1 January 2015	(7,842,119)	(28,195,383)	0	0	(36,037,502)
New acquisitions as a result of control obtained	(34)	(686)	0	0	(720)
Amortisation	(2,192,133)	(4,895,711)	0	0	(7,087,844)
Disposals	20,675	27,607	0	0	48,282
Transfers between asset categories	(36)	1,051			1,015
Foreign exchange differences	(4)	(2,794)	0	0	(2,798)
As at 31 December 2015	(10,013,651)	(33,065,916)	0	0	(43,079,567)
Net carrying amount as at 1 January 2015	7,338,911	64,871,363	106,326,905	2,133,952	180,671,131
Net carrying amount as at 31 December 2015	7,544,626	67,700,481	106,364,856	2,784,983	184,394,946

(in EUR)	Software	Right to use concession infrastructure	Goodwill	Ongoing investments	Total
Cost					
As at 1 January 2016	17,558,277	100,766,397	106,364,856	2,784,983	227,474,513
New acquisitions as a result of control obtained	0	2,014,165	353,762	175,946	2,543,873
New acquisitions	0	0	0	3,234,747	3,234,747
Disposals	(151,906)	(1,516,891)	0	(2,177)	(1,670,974)
Impairments	(43,134)	(1,114)	(348,914)	0	(393,162)
Transfer from ongoing investments	2,208,499	2,716,819	0	(4,925,318)	0
Foreign exchange differences	(464)	88,402	139,780	1,589	229,307
As at 31 December 2016	19,571,272	104,067,778	106,509,484	1,269,770	231,418,304
Accumulated amortisation					
As at 1 January 2016	(10,013,651)	(33,065,916)	0	0	(43,079,567)
New acquisitions as a result of control obtained	0	(942,705)	0	0	(942,705)
Amortisation	(2,421,068)	(4,173,910)	0	0	(6,594,978)
Disposals	151,425	229,289	0	0	380,714
Impairments	29,691	687	0	0	30,378
Foreign exchange differences	(63)	(19,411)	0	0	(19,474)
As at 31 December 2016	(12,253,666)	(37,971,966)	0	0	(50,225,632)
Net carrying amount as at 1 January 2016	7,544,626	67,700,481	106,364,856	2,784,983	184,394,946
Net carrying amount as at 31 December 2016	7,317,606	66,095,812	106,509,484	1,269,770	181,192,672

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

Five percent of all intangible assets in use on 31/12/2016 were fully amortised (as compared to 5 percent as at 31/12/2015).

Goodwill

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

(in EUR)	The Petrol Group	
	31 December 2016	31 December 2015
Instalacija d.o.o., Koper ¹	85,266,022	85,266,022
Euro-Petrol d.o.o. ²	12,588,062	12,459,022
El-TEC Mulej d.o.o. ³	3,872,135	3,872,135
Petrol Bonus d.o.o. ⁴	2,550,725	2,550,725
Petrol-Jadranplin d.o.o. ⁵	744,748	737,114
Petrol Toplarna Hrastnik d.o.o. ⁶	704,068	704,068
Vjetroelektrane Glunča d.o.o.	356,878	0
Petrol-Butan d.o.o. ⁷	278,695	275,838
Sagax d.o.o. Beograd	148,151	151,018
EKOEN ENA d.o.o. ⁸	0	348,914
Total goodwill	106,509,484	106,364,856

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 Toplarna Hrastnik d.o.o. was merged into Petrol Energetika d.o.o. in 2009.

⁷ Petrol-Butan d.o.o. was merged into Petrol Plin d.o.o. in 2012.

⁸ EKOEN ENA d.o.o. was merged into Petrol d.d., Ljubljana in 2014.

The increase in goodwill in 2016 is due to the acquisition of the company Vjetroelektrane Glunča d.o.o. and to the adjustment of foreign exchange differences.

The goodwill of Euro-Petrol d.o.o., Petrol-Jadranplin d.o.o., Vjetroelektrane Glunča d.o.o., Petrol-Butan d.o.o. and Sagax d.o.o. Beograd increased in 2016 due to the adjustment of foreign exchange differences totalling EUR 139,780.

On 31/12/2016, goodwill was tested for impairment. The need for impairment was identified for the goodwill of EKOEN ENA d.o.o., which was impaired in 2016 for the full amount of EUR 348,914 (in 2015 there was no impairment).

The recoverable amount of acquired assets was assessed at the aggregate level of the acquired companies, except for goodwill arising from the acquisition of the 49-percent interest in the company Euro-Petrol d.o.o., the 100-percent interest in the company Petrol Toplarna Hrastnik d.o.o., the 100-percent interest in the company Instalacija d.o.o., the 100-percent interest in the company Petrol-Butan d.o.o. and the 100-percent interest in the company EKOEN ENA d.o.o. Because status changes took place in all companies, goodwill was tested at the level of the cash-generating unit which was 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 five-year financial plans of cash-generating units (in the case of Euro-Petrol d.o.o., nine-year financial plans of cash-generating units were used; in the case of Petrol Bonus d.o.o., eight-year financial plans of cash-generating units were used; and in the case of Eltec Petrol, fourteen-year financial plans of cash-generating units were used). All 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 7.2 to 12.13 percent (in 2015 from 7.55 to 12.13 percent). In the case of the goodwill of Instalacija d.o.o., the required rate of return before taxes stood at 8.03 percent (2015: 7.55 percent), whereas in the case of Euro-Petrol d.o.o. the rate was 9 percent (2015: 10.84 percent). The annual growth rate of remaining free cash flows (the residual value) applicable to all goodwill ranged from 0 to 2 percent (2015: 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 exceeds the carrying amount, there is no need for impairment, except for the goodwill EKOEN ENA d.o.o., which was impaired for the full amount of EUR 348,914 in 2016.

Overview of acquisitions resulting from a takeover of/control obtained over companies in 2016

(in EUR)	Right to use concession infrastructure	Goodwill	Ongoing investments	Total
Energetika Črnomelj, d.o.o.	1,071,460	0	0	1,071,460
Vjetroelektrane Glunča d.o.o.	0	353,762	175,946	529,708
New acquisitions as a result of control obtained	1,071,460	353,762	175,946	1,601,168

Overview of items exceeding 5 percent of net carrying amount as at 31/12/2016 (in EUR)

	The Petrol Group	
	31 December 2016	31 December 2015
Right to use natural gas distribution infrastructure in the municipality of Domžale	9,129,960	9,685,109
Right to use natural gas distribution infrastructure in the municipality of Slovenske Konjice	4,526,685	4,655,665
Right to use natural gas distribution infrastructure in the municipality of Slovenska Bistrica	3,419,590	3,589,091
Right to use wastewater treatment infrastructure in the municipality of Murska Sobota	2,965,997	3,366,294

Intangible assets of Petrol d.d., Ljubljana

(in EUR)	Software	Right to use concession infrastructure	Goodwill	Ongoing investments	Total
Cost					
As at 1 January 2015	14,542,073	72,057,793	85,614,936	2,056,000	174,270,802
New acquisitions as a result of merger by absorption	332,103	0	3,872,135	0	4,204,238
New acquisitions	17,355	0	0	8,485,653	8,503,008
Disposals	(29,788)	(3,066)	0	(600,045)	(632,899)
Transfer from ongoing investments	2,334,028	4,830,097	0	(7,164,125)	0
As at 31 December 2015	17,195,771	76,884,824	89,487,071	2,777,483	186,345,149
Accumulated amortisation					
As at 1 January 2015	(7,529,001)	(22,619,776)	0	0	(30,148,777)
New acquisitions as a result of merger by absorption	(84,385)	0	0	0	(84,385)
Amortisation	(2,155,343)	(3,896,748)	0	0	(6,052,091)
Disposals	29,787	1,802	0	0	31,589
As at 31 December 2015	(9,738,942)	(26,514,722)	0	0	(36,253,664)
Net carrying amount as at 1 January 2015	7,013,072	49,438,017	85,614,936	2,056,000	144,122,025
Net carrying amount as at 31 December 2015	7,456,829	50,370,102	89,487,071	2,777,483	150,091,485

(in EUR)	Software	Right to use concession infrastructure	Goodwill	Ongoing investments	Total
Cost					
As at 1 January 2016	17,195,771	76,884,824	89,487,071	2,777,483	186,345,149
New acquisitions as a result of merger by absorption	4,638	2,014,164	0	0	2,018,802
New acquisitions	0	0	0	2,958,585	2,958,585
Disposals	(350,861)	(32,911)	0	0	(383,772)
Impairments	(43,134)	(1,114)	(348,914)	0	(393,162)
Transfer from ongoing investments	2,152,519	2,510,022	0	(4,662,541)	0
As at 31 December 2016	18,958,933	81,374,985	89,138,157	1,073,527	190,545,602
Accumulated amortisation					
As at 1 January 2016	(9,738,942)	(26,514,722)	0	0	(36,253,664)
New acquisitions as a result of merger by absorption	(4,638)	(969,602)	0	0	(974,240)
Amortisation	(2,354,175)	(3,130,203)	0	0	(5,484,378)
Disposals	116,037	15,554	0	0	131,591
Impairments	29,691	687	0	0	30,378
As at 31 December 2016	(11,952,027)	(30,598,286)	0	0	(42,550,313)
Net carrying amount as at 1 January 2016	7,456,829	50,370,102	89,487,071	2,777,483	150,091,485
Net carrying amount as at 31 December 2016	7,006,906	50,776,699	89,138,157	1,073,527	147,995,289

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

Four percent of all intangible assets in use on 31/12/2016 were fully amortised (as compared to 4 percent as at 31/12/2015).

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.

On 31/12/2016, goodwill was tested for impairment as explained in the note pertaining to the Petrol Group, which resulted in impairment of goodwill of EKOEN ENA d.o.o. which was impaired for the full amount of EUR 348,914 (2015: no impairment).

Overview of items exceeding 5 percent of net carrying amount as at 31/12/2016 (in EUR)

	Petrol d.d.	
	31 December 2016	31 December 2015
Right to use natural gas distribution infrastructure in the municipality of Domžale	9,129,960	9,685,109
Right to use natural gas distribution infrastructure in the municipality of Slovenske Konjice	4,526,685	4,655,665
Right to use natural gas distribution infrastructure in the municipality of Slovenska Bistrica	3,419,590	3,589,091
Right to use wastewater treatment infrastructure in the municipality of Murska Sobota	2,965,997	3,366,294

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 2015	219,902,431	596,237,718	39,339,159	177,117,817	25,026,435	1,057,623,560
New acquisitions as a result of control obtained	740,124	2,401,804	0	2,273,551	6,692	5,422,171
New acquisitions	0	0	0	0	36,571,557	36,571,557
Disposals	(519,035)	(801,991)	(568,999)	(7,837,123)	(597,858)	(10,325,006)
Transfer between asset categories	(2,597,636)	8,406,987	(8,428,204)	26,733	0	(2,592,120)
Transfer from ongoing investments	3,616,325	16,768,331	3,569,298	16,243,702	(40,197,656)	0
Transfer to investment property	(4,436,706)	(1,116,817)	0	0	0	(5,553,523)
Transfer from investment property	44,713	1,565,413	0	0	0	1,610,126
Foreign exchange differences	138,897	128,528	2,873	46,549	312	317,159
As at 31 December 2015	216,889,113	623,589,973	33,914,127	187,871,229	20,809,482	1,083,073,924
Accumulated depreciation						
As at 1 January 2015	0	(316,805,561)	(16,050,331)	(114,860,489)	0	(447,716,380)
New acquisitions as a result of control obtained	0	(103,136)	0	(148,715)	0	(251,851)
Depreciation	0	(22,946,022)	(1,803,355)	(13,680,238)	0	(38,429,615)
Disposals	0	645,559	557,126	7,200,522	0	8,403,207
Transfer between asset categories	0	(497,837)	528,701	(31,879)	0	(1,015)
Transfer to investment property	0	468,510	0	0	0	468,510
Transfer from investment property	0	(1,412,960)	0	0	0	(1,412,960)
Foreign exchange differences	0	(33,900)	(5)	(34,202)	0	(68,107)
As at 31 December 2015	0	(340,685,347)	(16,767,864)	(121,555,001)	0	(479,008,211)
Net carrying amount as at 1 January 2015	219,902,431	279,432,157	23,288,828	62,257,328	25,026,435	609,907,179
Net carrying amount as at 31 December 2015	216,889,113	282,904,626	17,146,263	66,316,228	20,809,482	604,065,712

(in EUR)	Land	Buildings	Plant	Equipment	Ongoing investments	Total
Cost						
As at 1 January 2016	216,889,113	623,589,973	33,914,127	187,871,229	20,809,482	1,083,073,924
New acquisitions as a result of control obtained	0	0	0	0	276,100	276,100
New acquisitions	0	0	0	0	64,725,649	64,725,649
Disposals	(1,220,518)	(5,877,083)	(82,738)	(9,469,919)	(871,133)	(17,521,391)
Impairments	(13,231,898)	(2,328,797)	0	(2,762,287)	0	(18,322,982)
Transfer from ongoing investments	5,634,461	21,881,939	1,265,021	13,980,345	(42,761,766)	0
Transfer to investment property	(82,527)	(11,447,004)	0	0	0	(11,529,531)
Transfer from investment property	1,749,337	4,088,865	0	0	0	5,838,202
Foreign exchange differences	485,424	534,824	(1,650)	203,182	(94,932)	1,126,848
As at 31 December 2016	210,223,392	630,442,717	35,094,760	189,822,550	42,083,400	1,107,666,819
Accumulated depreciation						
As at 1 January 2016	0	(340,685,347)	(16,767,864)	(121,555,001)	0	(479,008,211)
Depreciation	0	(22,849,697)	(1,898,304)	(13,142,100)	0	(37,890,101)
Disposals	0	2,033,581	82,535	9,012,568	0	11,128,684
Impairments	0	344,104	0	1,007,542	0	1,351,646
Transfer to investment property	0	3,523,814	0	0	0	3,523,814
Transfer from investment property	0	(480,715)	0	0	0	(480,715)
Foreign exchange differences	0	(201,922)	1,521	(153,773)	0	(354,174)
As at 31 December 2016	0	(358,316,182)	(18,582,112)	(124,830,764)	0	(501,729,058)
Net carrying amount as at 1 January 2016	216,889,113	282,904,626	17,146,263	66,316,228	20,809,482	604,065,712
Net carrying amount as at 31 December 2016	210,223,392	272,126,535	16,512,648	64,991,786	42,083,400	605,937,761

Forty-six percent of all items of property, plant and equipment in use on 31/12/2016 were fully depreciated (as compared to 41 percent as at 31/12/2015).

Items of property, plant and equipment pledged as security

The Group's items of property, plant and equipment are unpledged.

Assets held under finance lease

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

In the process of testing asset impairment indicators, the Group has determined that the carrying amount of certain undeveloped land and the assets of a specific cash-generating unit exceed the fair value and value in use of these assets. Therefore, the Group has impaired the land and assets of the cash-generating unit as at 31/12/2016 by EUR

16,971,336 based on independent appraisals.

To assess the value of the undeveloped land, the Group applied the model of comparable market prices less costs to sell, impairing the land by EUR 12,382,086 based on independent property appraisals.

To assess the value of the fixed assets of the cash-generating unit, the Group used the discounted cash flow model. The valuation is based on data about the past operations and assumptions regarding the future operations of the cash-generating unit, and takes into account projections for the period from 2017 to 2023. In the model, the required rate of return before taxes of 7.71 percent was applied. The impairment of the cash-generating unit as at 31/12/2016 by EUR 4,589,250 was done based on an independent business appraisal and allocated proportionately to property and equipment.

Overview of acquisitions resulting from a takeover of/control obtained over companies in 2016

(in EUR)	Ongoing investments	Total
Vjetrolektrane Glunča d.o.o.	276,100	276,100
New acquisitions as a result of control obtained	276,100	276,100

Overview of the groups of investments in property, plant and equipment in 2016 including investments in excess of EUR 1,200,000

(in EUR)	2016
Wind power plant Glunča	24,446,139
Acquisition nad construction of service stations	9,428,506
Hydropower plant Teslić	3,977,618
Purchase of Land	1,359,150

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

(in EUR)	Land	Buildings	Equipment	Ongoing investments	Total
Cost					
As at 1 January 2015	115,656,507	462,082,217	151,350,681	18,170,031	747,259,436
New acquisitions as a result of merger by absorption	447,040	1,372,652	12,042,322	0	13,862,014
New acquisitions	0	0	0	19,631,780	19,631,780
Disposals	(367,702)	(622,769)	(6,448,372)	(600,046)	(8,038,889)
Transfer from ongoing investments	891,707	7,720,599	12,689,265	(21,301,571)	0
Transfer to investment property	(4,436,706)	(1,116,817)	0	0	(5,553,523)
Transfer from investment property	44,713	1,565,413	0	0	1,610,126
As at 31 December 2015	112,235,559	471,001,295	169,633,896	15,900,194	768,770,944
Accumulated depreciation					
As at 1 January 2015	0	(306,530,749)	(110,918,237)	0	(417,448,986)
New acquisitions as a result of merger by absorption	0	(464,636)	(3,495,705)	0	(3,960,341)
Depreciation	0	(15,556,467)	(10,380,851)	0	(25,937,318)
Disposals	0	513,438	5,955,716	0	6,469,154
Transfer to investment property	0	468,510	0	0	468,510
Transfer from investment property	0	(1,412,960)	0	0	(1,412,960)
As at 31 December 2015	0	(322,982,864)	(118,839,077)	0	(441,821,941)
Net carrying amount as at 1 January 2015	115,656,507	155,551,468	40,432,444	18,170,031	329,810,450
Net carrying amount as at 31 December 2015	112,235,559	148,018,431	50,794,819	15,900,194	326,949,002

(in EUR)	Land	Buildings	Equipment	Ongoing investments	Total
Cost					
As at 1 January 2016	112,235,559	471,001,295	169,633,896	15,900,194	768,770,944
New acquisitions as a result of merger by absorption	0	4,962	1,620,366	27,437	1,652,765
New acquisitions	0	0	0	22,062,199	22,062,199
Disposals	(742,567)	(1,128,500)	(8,013,195)	(850,916)	(10,735,178)
Impairments	(9,507,355)	(2,328,797)	(2,762,287)	0	(14,598,439)
Transfer from ongoing investments	2,391,089	14,293,880	10,859,523	(27,544,492)	0
Transfer to investment property	(82,527)	(11,447,004)	0	0	(11,529,531)
Transfer from investment property	1,749,337	5,764,551	0	0	7,513,888
As at 31 December 2016	106,043,536	476,160,386	171,338,303	9,594,422	763,136,648
Accumulated depreciation					
As at 1 January 2016	0	(322,982,864)	(118,839,077)	0	(441,821,941)
New acquisitions as a result of merger by absorption	0	(1,459)	(1,301,612)	0	(1,303,071)
Depreciation	0	(15,129,133)	(9,696,116)	0	(24,825,249)
Disposals	0	790,332	7,458,009	0	8,248,341
Impairments	0	344,104	1,007,542	0	1,351,646
Transfer to investment property	0	3,523,814	0	0	3,523,814
Transfer from investment property	0	(1,505,670)	0	0	(1,505,670)
As at 31 December 2016	0	(334,960,876)	(121,371,254)	0	(456,332,130)
Net carrying amount as at 1 January 2016	112,235,559	148,018,431	50,794,819	15,900,194	326,949,002
Net carrying amount as at 31 December 2016	106,043,536	141,199,510	49,967,049	9,594,422	306,804,517

Thirty-three percent of all items of property, plant and equipment in use on 31/12/2016 were fully depreciated (as compared to 30 percent as at 31/12/2015).

Items of property, plant and equipment pledged as security

All items of property, plant and equipment of the Company are unpledged. The Company has no property, plant and equipment under finance lease.

In the process of testing asset impairment indicators, the Company has determined that the carrying amount of certain undeveloped land and the assets of a specific cash-generating unit exceed the fair value and value in use of these assets. Therefore, the Company has impaired the land and the assets of the cash-generating unit as at 31/12/2016 by EUR 13,246,793 based on independent appraisals.

To assess the value of the undeveloped land, the Company applied the model of comparable market prices less costs to sell, impairing the land by EUR 8,657,543 based on independent property appraisals.

To assess the value of the fixed assets of the cash-generating unit, the Company used the discounted cash flow model. The valuation is based on data about the past operations and assumptions regarding the future operations of the cash-generating unit, and takes into account projections for the period from 2017 to 2023. In the model, the required rate of return before taxes of 7.71 percent was applied. The impairment of the cash-generating unit as at 31/12/2016 by EUR 4,589,250 was done based on an independent business appraisal and allocated proportionately to property and equipment.

Overview of the groups of investments in property, plant and equipment in 2016 including investments in excess of EUR 1,200,000

(in EUR)	2016
Acquisition and construction of service stations	1,711,796
Purchase of Land	1,359,150

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.
	Investment Property	Investment Property
Cost		
As at 1 January 2015	25,396,463	25,805,940
Transfer to property, plant and equipment	(1,610,126)	(1,610,126)
Transfer from property, plant and equipment	5,553,523	5,553,523
As at 31 December 2015	29,339,860	29,749,337
Accumulated depreciation		
As at 1 January 2015	(12,848,752)	(13,478,822)
Depreciation	(756,819)	(785,346)
Transfer to property, plant and equipment	1,412,960	1,412,960
Transfer from property, plant and equipment	(468,510)	(468,510)
As at 31 December 2015	(12,661,121)	(13,319,718)
Net carrying amount as at 1 January 2015	12,547,711	12,327,117
Net carrying amount as at 31 December 2015	16,678,739	16,429,618

	The Petrol Group	Petrol d.d.
	Investment Property	Investment Property
Cost		
As at 1 January 2016	29,339,860	29,749,337
Transfer to property, plant and equipment	(5,838,202)	(7,513,888)
Transfer from property, plant and equipment	11,529,531	11,529,531
As at 31 December 2016	35,031,189	33,764,980
Accumulated depreciation		
As at 1 January 2016	(12,661,121)	(13,319,718)
Depreciation	(1,095,446)	(1,051,787)
Transfer to property, plant and equipment	480,715	1,505,671
Transfer from property, plant and equipment	(3,523,814)	(3,523,814)
As at 31 December 2016	(16,799,666)	(16,389,648)
Net carrying amount as at 1 January 2016	16,678,739	16,429,618
Net carrying amount as at 31 December 2016	18,231,523	17,375,331

The Petrol Group

In 2016 revenue generated by the Group from investment property totalled EUR 2,497,696 (2015: EUR 2,502,782). According to the Group's estimates, the fair value of investment property stood at EUR 27,063,077 as at 31/12/2016 (EUR 27,011,918 as at 31/12/2015). 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 projected growth rate and the required rate of return equal 0.05 percent (2015: 0.05 percent) and 7.36 percent (2015: 7.39 percent), respectively.

Petrol d.d., Ljubljana

In 2016 revenue generated by the Company from investment property totalled EUR 2,457,451 (2015: EUR 2,526,044). According to the Company's estimates, the fair value of investment property stood at EUR 27,114,246 as at 31/12/2016 (EUR 27,871,074 as at 31/12/2015). 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 projected growth rate and the required rate of return equal 0.05 percent (2015: 0.05 percent) and 7.2 percent (2015: 7.2 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 31/12/2016

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

Name of subsidiary	Address of subsidiary	Ownership interest	Equity as at 31/12/2016 (in EUR)	Net profit or loss for 2016 (in EUR)
Slovenia				
IGES, d.o.o.	Dunajska cesta 50, Ljubljana, Slovenia	100%	45,707,784	34,443,428
Petrol Energetika, d.o.o.	Koroška cesta 14, Ravne na Koroškem, Slovenia	99.38%	41,017,053	3,581,690
Petrol Skladiščenje d.o.o.	Zaloška 259, Ljubljana - Polje, Slovenia	100%	818,219	193
Petrol Geoterm d.o.o.	Mlinska ulica 5, Lendava, Slovenia	100%	3,760,354	307,432
Ekopur d.o.o.	Dunajska cesta 50, Ljubljana, Slovenia	100%	9,997,900	490,136
Croatia				
Petrol d.o.o.	Oreškovićeve 6H, Zagreb, Croatia	100%	109,940,080	11,742,601
Petrol Plin d.o.o.	Oreškovićeve 6H, Zagreb, Croatia	100%	8,961,381	1,627,803
Vjetroelektrane Glunča d.o.o.	Krapanjska cesta 8, Šibenik, Croatia	100%	7,856,306	(229,986)
Serbia				
Petrol d.o.o. Beograd	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	100%	22,283,701	17,322
Rodgas AD Bačka Topola	Maršala Tita 61, Bačka Topola, Serbia	100%	2,054,309	251,770
Beogas Invest d.o.o. Beograd	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	100%	6,841,354	(5,756)
Eltec Petrol d.o.o. Beograd	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	100%	170,473	(253,894)
Petrol LPG d.o.o. Beograd	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	51%	4,488,710	894,584
Montenegro				
Petrol Crna Gora MNE d.o.o.	Josipa Broza Tita 19, Podgorica, Montenegro	100%	19,414,371	1,355,452
Other countries				
Petrol BH Oil Company d.o.o. Sarajevo	Tešanjaska 24 a, Sarajevo, Bosnia and Herzegovina	100%	48,822,424	4,169,056
Intrade Energija d.o.o. Sarajevo	Ulica Zmaja od Bosne broj 44, Sarajevo, Bosnia and Herzegovina	51%	(7,536,745)	(980,356)
Petrol Trade Handelsgesellschaft m.b.H.	Elisabethstrasse 10 Top 4 u.5, Vienna, Austria	100%	1,749,078	67,510
Petrol-Energetika DOOEL Skopje	Belasica br. 2, Skopje, Macedonia	100%	93,451	3,097



Name of subsidiary	Address of subsidiary	Ownership interest	Equity as at 31/12/2016 (in EUR)	Net profit or loss for 2016 (in EUR)
Petrol Bucharest ROM S.R.L.	15 Piata Charles de Gaulle, 3rd floor, Charles de Gaulle Plaza Building, Office no. 305A, Sector 1, Bucharest, Romania	100%	(154,970)	(98,199)
Petrol Praha CZ S.R.O.	V celnici 1031/4, Nové Město, 110 00 Praha 1, Czech Republic	100%	(29,157)	(19,836)
Petrol Hidroenergija d.o.o. Teslić	Branka Radičevića 1, Teslić, Bosnia and Herzegovina	80%	5,951,029	(49,356)
Cypet Oils Ltd.1	Ariadne House, Office 52, 333 28th October Street, Limassol, Cyprus	100%	44,573	0
Petrol Trade Slovenija L.L.C.	Gornje Dobrevo industrijska zona b.b., Kosovo Polje, Kosovo	100%	1,000	0

1 Cypet Oils Ltd. is in the process of liquidation.

Information about indirect subsidiaries as at 31/12/2016

The companies Petrol LPG d.o.o. Beograd, IGES d.o.o. and Beogas Invest d.o.o. are the controlling companies of the Petrol LPG Group, the IGES Group and the Beogas Invest Group, respectively. The subsidiaries from these groups are presented in the table below.

Name of subsidiary	Address of subsidiary	Ownership interest	Equity as at 31/12/2016 (in EUR)	Net profit or loss for 2016 (in EUR)
The Petrol LPG Group				
Tigar Petrol d.o.o.	Maršala Birjuzova 3-5, Beograd-Strari Grad, Serbia	100%	322,553	8,283
Petrol LPG HIB d.o.o.	Preduzetnička zona bb, Šamac, Bosnia and Herzegovina	100%	4,212	3,701
The IGES Group				
VITALES d.o.o. Nova Bila, Travnik 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 AD Beograd	Patrijarha Dimitrija 12v, Beograd, Serbia	100%	15,604,709	597,458
Domingas d.o.o.	Patrijarha Dimitrija 12v, Beograd, Serbia	100%	(241,282)	(86,722)

1 The company is in bankruptcy proceedings.

Balance of investments in subsidiaries

(in EUR)	Petrol d.d.	
	31 December 2016	31 December 2015
Petrol d.o.o.	130,951,378	130,910,000
Petrol BH Oil Company d.o.o. Sarajevo	34,537,990	34,537,990
IGES, d.o.o.	21,299,475	21,299,475
Petrol d.o.o. Beograd	20,507,846	26,809,000
Petrol Crna Gora MNE d.o.o.	19,396,000	19,396,000
Petrol Energetika, d.o.o.	13,538,901	13,538,900
Ekopur d.o.o.	11,963,444	11,963,444
Beogas Invest d.o.o. Beograd	9,349,084	9,349,084
Vjetroelektrane Glunča d.o.o.	6,523,622	0
Petrol Plin d.o.o.	5,182,607	5,182,607
Petrol Hidroenergija d.o.o. Teslić	4,800,409	409
Beogas d.o.o.	4,600,000	4,600,000
Rodgas A.D. Bačka Topola	2,820,000	2,604,000
Petrol LPG d.o.o. Beograd	2,057,948	2,057,948
Petrol Geoterm d.o.o.	1,968,928	1,968,928
Petrol Skladišćenje d.o.o.	794,951	794,951
Petrol Trade Handelsgesellschaft m.b.H.	147,830	147,830
Eltec Petrol d.o.o. Beograd	94,973	94,973
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	0
Petrol Tehnologija, d.o.o.	0	755,579
Eltec Petrol Hrvatska d.o.o.	0	41,378
Cypet Oils Ltd.	0	0
Intrade Energija d.o.o. Sarajevo	0	0
Total investments in subsidiaries	290,581,344	286,097,454

Changes in investments in subsidiaries

(in EUR)	Petrol d.d.	
	31 December 2016	31 December 2015
As at 1 January	286,097,454	284,269,540
New acquisitions	11,575,623	16,303,811
Transfer from investments in jointly controlled entities	1	2,057,948
Merger by absorption	(790,580)	(6,688,052)
Impairment	(6,301,154)	(9,845,792)
As at 31 December	290,581,344	286,097,454

Major new acquisitions of investments in subsidiaries were as follows in 2016:

- the acquisition of the 100-percent interest in Vjetroelektrane Glunča d.o.o. and a capital increase totalling EUR 6,523,622,
- the capital increase of Hidroenergija d.o.o., Teslič, totalling EUR 4,800,000.

When testing investment impairment indicators, the Company determined that the carrying amount of the investment in Petrol d.o.o. Beograd exceeded the investment's fair value and value in use, prompting the Company to impair the investments by EUR 6,301,154 (in 2015 EUR 9,845,792) based on an independent business appraisal.

To assess the value of the investment, the Company used the method consisting of the fair value less costs to sell and value in use as at 30/09/2016. The assessment relied on data on the company's past operations and the assumptions about its future operations, taking into account projections for the period 2017 – 2027. The required rate of return after taxes used in the model was 11.18 percent and the annual growth rate for remaining free cash flows (the residual value) 2 percent.

The transfer from investments in jointly controlled entities refers entirely to Energetika Črnomelj d.o.o.

The merger by absorption refers entirely to the merger of Petrol Tehnologija d.o.o. and Energetika Črnomelj d.o.o. into the Company. In 2015 the merger by absorption referred entirely to the merger of Eltec Petrol d.o.o. into the Company.

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 31/12/2016

Name of jointly controlled entity	Address of jointly controlled entity	Business activities	Ownership and voting rights	
			31 December 2016	31 December 2015
Slovenia				
GEN-I, d.o.o.	Vrbina 17, Krško, Slovenia	Electricity trading and sale	-	50%
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%
Energetika Črnomelj, d.o.o.	Dunajska cesta 152, Ljubljana, Slovenia	Energy production and distribution	-	50.7%
Other countries				
Petrol OTI Slovenija LLC	Gornje Dobrovo industrijska zona b.b., Kosovo Polje, Kosovo	Retail sale and wholesale of liquid and gaseous fuel and similar products	51%	51%
Petrol 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.

Balance of investments in jointly controlled entities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Petrol Slovenia Tirana Wholesale Sh.A.	1,077,833	1,080,154	986,000	986,000
Soenergetika d.o.o.	458,274	463,261	210,000	210,000
Geoenergo d.o.o.	116,575	79,158	0	0
GEN-I, d.o.o.	0	46,853,746	0	0
Petrol OTI Slovenija LLC	0	1,974,701	0	1,316,139
Energetika Črnomelj, d.o.o.	0	0	0	1
Total investments in jointly controlled entities	1,652,682	50,451,020	1,196,000	2,512,140

The Petrol Group

Changes in investments in jointly controlled entities

(in EUR)	The Petrol Group	
	31 December 2016	31 December 2015
As at 1 January	50,451,020	50,064,833
Attributed profit/loss	(13,342)	3,842,812
Dividends received	(2,150,000)	(1,900,000)
New acquisitions	0	488,405
Transfer to investments in subsidiaries	0	(2,063,890)
Disposals	(44,853,746)	0
Impairment	(1,781,250)	0
Attribution of changes in the equity of jointly controlled entities	0	18,860
As at 31 December	1,652,682	50,451,020

In conformity with the equity method, the Group received attributable profit of EUR 13,342 in 2016. From this amount, dividends on retained earnings, which stood at EUR 2,150,000, were deducted. These items are explained in more detail in Note 6.10.

In 2016 the Group sold a 50-percent stake in the jointly controlled company GEN-I d.o.o. totalling EUR 44,916,769, generating a gain of EUR 183,231.

In the process of testing investment impairment indicators, the Group has determined that the carrying amount of the investment in Petrol OTI Slovenia LLC exceeds the fair value and value in use of the investment. Therefore, the Group

recognised an impairment of EUR 1,781,250 based on an independent business appraisal.

To assess the value of the investment, the Group used the method consisting of the fair value less costs to sell and value in use as at 30/09/2016. The valuation is based on data about past operations and assumptions regarding future operations, and takes into account projections for the period from 2017 to 2030. In the model, the required rate of return after taxes of 12.3 percent and the annual growth rate for remaining free cash flows (the residual value) of 2 percent were applied.

Significant amounts from the financial statements of jointly controlled entities

2015

(in EUR)	Assets	Liabilities (debt)	Revenue	Net profit or loss	Net profit or loss attributable to the Petrol Group
The GEN-I Group	257,671,221	195,041,810	1,797,259,081	7,028,422	3,514,211
Petrol Slovenia Tirana Wholesale Sh.A.	2,265,575	15,730	0	(1,095)	(602)
Petrol OTI Slovenija LLC	20,665,440	5,969,602	11,221,167	(180,685)	(92,149)
Soenergetika d.o.o.	4,563,827	2,710,663	3,793,267	646,317	161,579
Geoenergo d.o.o.	455,337	199,938	1,033,984	64,382	32,403
Energetika Črnomelj, d.o.o.	1,219,946	723,639	300,791	(19,025)	(1)

2016

(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.	2,242,340	16,131	0	(4,810)	(2,321)
Petrol OTI Slovenija LLC	20,517,807	5,304,092	11,708,720	(379,316)	(193,451)
Soenergetika d.o.o.	4,269,037	2,435,851	3,487,013	580,050	145,013
Geoenergo d.o.o.	557,229	226,998	978,374	74,833	37,417

Petrol d.d., Ljubljana

Changes in investments in jointly controlled entities

(in EUR)	Petrol d.d.	
	31 December 2016	31 December 2015
As at 1 January	2,512,140	4,081,683
New acquisitions	0	488,405
Transfer to investments in subsidiaries	(1)	(2,057,948)
Impairment	(1,316,139)	0
As at 31 December	1,196,000	2,512,140

New acquisitions relate entirely to the acquisition of the remaining 49.3-percent stake in Energetika Črnomelj d.o.o.

The transfer to investments in subsidiaries refers entirely to Energetika Črnomelj d.o.o..

In the process of testing assets for impairment, the Company has determined that the carrying amount of the investment in Petrol OTI Slovenia LLC exceeds the fair value and value in use of the investment. Therefore, the Company recognised an impairment of EUR 1,316,139. The valuation technique is described in the note pertaining to the Petrol Group.

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 31/12/2016

Name of associate	Address of associate	Business activities	Ownership and voting rights	
			31 December 2016	31 December 2015
Slovenija				
Geoplin d.o.o. Ljubljana ¹	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	Sale and transport of natural gas	33.32%	31.98%
Aquasystems d.o.o.	Dupleška cesta 330, Maribor, Slovenia	Construction and operation of industrial and municipal water treatment plants	26%	26%
Marche Gostinstvo d.o.o.	Notranjska cesta 71, Logatec, Slovenia	Preparation of food and beverages, sale of merchandise and other services	-	25%
Bio goriva d.o.o. – v stečaju	Grajski trg 21, Rače, Slovenia	Manufacturing, trading and services	25%	25%
GEN-EL naložbe d.o.o. ²	Vrbina 17, Krško, Slovenia	Financial investments	25%	

¹ The subsidiary Ekopur d.o.o. owns a 7.39-percent interest in the company Geoplin d.o.o. In total, the Group has a 40.7-percent interest in Geoplin d.o.o.

² The associate GEN-EL naložbe d.o.o. owns a 50-percent interest in the associate GEN-I, d.o.o. as at 31/12/2016.

Balance of investments in associates

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Geoplin d.o.o. Ljubljana	116,499,246	114,477,039	51,761,512	51,761,512
GEN-EL naložbe d.o.o.	11,277,500	0	0	0
Aquasystems d.o.o.	1,909,495	2,521,013	1,091,028	1,091,028
Marche Gostinstvo d.o.o.	0	496,327	0	353,801
Total investments in associates	129,686,241	117,494,379	52,852,540	53,206,341

The Petrol Group

Changes in investments in associates

(in EUR)	The Petrol Group	
	31 December 2016	31 December 2015
As at 1 January	117,494,379	103,592,923
Attributed profit/loss	5,385,759	5,430,032
Dividends received	(4,047,851)	(2,828,573)
New acquisitions	11,277,500	11,299,997
Disposals	(399,899)	0
Attributed changes in the equity of associates	(23,647)	0
As at 31 December	129,686,241	117,494,379

By co-founding the company GEN-EL naložbe d.o.o., the Group increased its investment in associates by EUR 11,277,500 in 2016.

With regard to the investment in the company GEN-EL naložbe d.o.o., we hereby disclose that the Group has a put option to sell GEN-EL naložbe d.o.o. at carrying amount plus accrued interest, which is exercisable on 29/06/2018. At the same time, the Group has a commitment under the counterparty's call option to sell the investment in GEN-EL naložbe d.o.o. at carrying amount plus accrued interest. The call option is exercisable until 04/07/2018.

In 2016, in accordance with the equity method, the Petrol Group attributed the corresponding share of 2016 profits or losses to its investments, in total EUR 5,385,759, deducting from the investments the dividends received of EUR 4,047,851. These items are explained in more detail in Note 6.10.

In 2016 the Group sold a 25-percent interest in the associated company Marche Gostinstvo d.o.o., generating a gain of EUR 2,452,870.

Significant amounts from the financial statements of associates

2015

(in EUR)	Assets	Liabilities	Revenue	Net profit or loss	Net profit or loss attributable to the Petrol Group
The Geoplin Group	505,679,378	196,582,679	412,131,506	12,322,977	4,582,829
Aquasystems d.o.o.	22,621,954	14,183,293	7,647,157	2,816,812	732,371
Marche Gostinstvo d.o.o.	3,305,180	1,351,990	11,628,130	458,840	114,832

2016

(in EUR)	Assets	Liabilities	Revenue	Net profit or loss	Net profit or loss attributable to the Petrol Group
The Geoplin Group	500,214,376	184,871,332	362,086,321	12,461,569	4,741,757
Aquasystems d.o.o.	19,069,516	12,722,924	7,763,928	2,847,809	740,430
GEN-EL naložbe d.o.o.	45,109,675	894	0	(1,219)	-

Petrol d.d., Ljubljana

Changes in investments in associates

(in EUR)	Petrol d.d.	
	31 December 2016	31 December 2015
As at 1 January	53,206,341	53,206,341
Disposals	(353,801)	0
As at 31 December	52,852,540	53,206,341

The Company did not increase its existing interests or make new investments in associates in 2016.

In 2016 the Company sold a 25-percent interest in the associated company Marche Gostinstvo d.o.o., generating a gain of EUR 2,496,198.

6.21 Financial assets available for sale

Financial assets available for sale stand for investments in the shares and interests of companies and banks as well as investments in mutual funds and bonds. Since the majority of financial assets available for sale are the assets of Petrol d.d., Ljubljana, a joint disclosure for the Group and the Company is presented.

Balance of financial assets available for sale

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Interests in companies	1,188,290	238,291	1,188,290	238,290
Shares of companies	1,171,037	1,287,910	1,091,994	1,208,868
Shares of banks	235,841	235,841	235,841	235,841
Other assets	2,903	2,903	2,903	2,903
Total financial assets available for sale	2,598,071	1,764,945	2,519,028	1,685,902

Changes in financial assets available for sale

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
As at 1 January	1,764,945	1,645,185	1,685,902	1,515,239
New acquisitions	1,348,541	1,493,255	1,348,541	1,493,255
New acquisitions as a result of merger by absorption	0	0	0	50,903
Disposals	(77,512)	(1,373,495)	(77,512)	(1,373,495)
Impairment	(437,903)	0	(437,903)	0
As at 31 December	2,598,071	1,764,945	2,519,028	1,685,902

The Petrol Group and Petrol d.d., Ljubljana

Financial assets available for sale of the Group/Company are carried at cost since their fair values cannot be reliably measured due to significant variability in the range of reasonable fair value estimates.

6.22 Non-current financial receivables

Balance of non-current financial receivables

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Loans and other financial receivables	1,009,220	5,350,432	27,351,882	15,636,376
Finance lease receivables	69,932	158,576	69,932	158,576
Total non-current financial receivables	1,079,152	5,509,008	27,421,814	15,794,952

The Petrol Group

The most significant item of non-current financial receivables are loans for goods delivered totalling EUR 941,827 (EUR 1,168,212 as at 31/12/2015).

Changes in non-current financial receivables

(in EUR)	The Petrol Group	
	31 December 2016	31 December 2015
Receivables as at 1 January	5,509,008	8,102,547
New loans	303,667	5,665,965
Loans repaid	(354,376)	(4,923,377)
Transfer to current financial receivables	(4,379,151)	(3,337,725)
Foreign exchange differences	4	1,598
Receivables as at 31 December	1,079,152	5,509,008

Petrol d.d., Ljubljana

Non-current financial receivables of EUR 27,421,814 comprise non-current financial receivables from Group companies totalling EUR 26,345,830 and non-current financial receivables from others equalling EUR 1,075,984 (EUR 1,408,687 as at 31/12/2015). A significant item of non-current financial receivables from others are also loans for goods delivered totalling EUR 941,827 (EUR 1,168,212 as at 31/12/2015). Non-current financial receivables from Group companies are presented in the table below.

(in EUR)	Petrol d.d.	
	31 December 2016	31 December 2015
Non-current financial receivables from Group companies		
Vjetroelektrane Glunča d.o.o.	19,062,275	0
Petrol Crna Gora MNE d.o.o.	3,200,000	3,200,000
Petrol LPG d.o.o. Beograd	2,665,918	3,025,918
Petrol Energetika d.o.o.	966,899	2,310,781
Petrol Plin d.o.o.	356,000	712,000
Intrade Energija d.o.o. Sarajevo	94,738	1,247,257
Petrol OTI Slovenija LLC	0	3,525,233
Energetika Črnomelj d.o.o.	0	365,076
Total	26,345,830	14,386,265

Changes in non-current financial receivables

(in EUR)	Petrol d.d.	
	31 December 2016	31 December 2015
Receivables as at 1 January	15,794,952	18,231,198
New loans	21,665,942	15,568,246
Loans repaid	(2,980,542)	(7,227,672)
Impairment	0	(141,667)
Transfer to current financial receivables	(7,058,538)	(10,635,153)
Receivables as at 31 December	27,421,814	15,794,952

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.

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Receivables from companies	1,426,404	1,426,404	1,426,404	1,426,404
Allowance for receivables from companies	(1,426,404)	(1,426,404)	(1,426,404)	(1,426,404)
Receivables from municipalities	118,583	117,566	118,583	117,566
Other receivables	532,333	800,675	525,268	800,675
Total non-current operating receivables	650,916	918,241	643,851	918,240

The Petrol Group and Petrol d.d., Ljubljana

Non-current operating receivables from companies of EUR 1,426,404 consist mostly of receivables from the jointly controlled entity Geoenergo d.o.o. They arise 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., an allowance was made for the entire receivable.

6.24 Inventories

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Spare parts and materials inventories	2,377,970	1,910,100	1,690,395	239,617
Merchandise:	113,839,201	89,571,968	93,804,392	72,524,780
- fuel	79,838,753	57,125,464	65,896,850	45,604,615
- other petroleum products	4,787,441	3,947,003	4,106,104	3,259,146
- other merchandise	29,213,007	28,499,501	23,801,438	23,661,019
Total inventories	116,217,171	91,482,068	95,494,787	72,764,397

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 31/12/2016, the Group/Company determined that the net realisable value of inventories was higher than the cost of merchandise, which did not require it to impair their value in 2016.

6.25 Current financial receivables

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Loans granted	11,886,653	10,412,971	22,607,878	14,208,283
Adjustment to the value of loans granted	(5,469,993)	(3,491,509)	(4,480,523)	(2,340,002)
Time deposits with banks (3 months to 1 year)	260,192	704,624	0	0
Interest receivables	1,009,532	760,947	3,702,422	3,173,719
Allowance for interest receivables	(858,505)	(143,957)	(3,472,146)	(2,245,159)
Finance lease receivables	94,715	82,634	94,715	84,043
Total current financial receivables	6,922,594	8,325,710	18,452,346	12,880,885

The Petrol Group

In addition to the loans of EUR 4,753,922 granted by Petrol d.d., Ljubljana to others (for explanation, see the disclosure relating to the Company) and the loan of EUR 3,623,948 to the jointly controlled entity Petrol OTI Slovenija LLC, the loans granted include short-term loans of EUR 3,508,781 (EUR 3,534,595 as at 31/12/2015) 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 value of the loans and interest was further adjusted by a total of EUR 2,693,032 in 2016.

Petrol d.d., Ljubljana

Short-term loans to companies of EUR 22,607,878 include the short-term portion of loans to Group companies totalling EUR 17,853,956 and short-term loans to others equalling EUR 4,753,922 (EUR 6,743,874 as at 31/12/2015). Short-term loans to Group companies are presented below.

(in EUR)	Petrol d.d.	
	31 December 2016	31 December 2015
Loans to Group companies		
Intrade Energija d.o.o. Sarajevo	6,758,244	5,605,724
Petrol Bucharest ROM S.R.L.	3,853,770	196,190
Petrol-OTI-Slovenija L.L.C.	3,623,949	0
Petrol Energetika dool Skopje	1,400,000	0
Petrol LPG d.o.o. Beograd	1,100,000	0
Petrol Plin d.o.o.	356,000	356,000
Petrol LPG d.o.o. Beograd	330,000	360,000
Eltec Petrol d.o.o. Beograd	325,000	225,000
Petrol Energetika d.o.o.	64,460	551,993
Petrol Praha CZ s.r.o.	42,533	0
Energetika Črnomelj d.o.o.	0	134,502
Eltec Petrol Hrvatska d.o.o.	0	35,000
Total	17,853,956	7,464,410

Short-term loans to others of EUR 4,753,922 refer to a loan arising from the sale of financial instruments of EUR 3,477,683, loans to companies for the payment of goods delivered of EUR 580,279 (EUR 964,963 as at 31/12/2015) and other loans of EUR 695,960 (EUR 964,613 as at 31/12/2015).

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 3,367,507 in 2016.

6.26 Current operating receivables

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Trade receivables	426,258,672	371,357,701	341,939,337	276,179,674
Allowance for trade receivables	(50,680,784)	(52,411,243)	(28,464,056)	(29,857,150)
Operating receivables from state and other institutions	4,278,940	1,600,483	353,131	337,816
Operating interest receivables	4,328,195	3,945,709	5,423,304	4,956,878
Allowance for interest receivables	(2,445,571)	(2,220,010)	(2,310,446)	(2,021,105)
Receivables from insurance companies (loss events)	230,802	366,172	171,681	199,672
Other operating receivables	946,224	1,900,861	56,970	86,957
Allowance for other receivables	(384,365)	(384,365)	0	0
Total current operating receivables	382,532,113	324,155,308	317,169,921	249,882,742

6.27 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.

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Assets arising from commodity swaps	1,110,122	2,295,710	1,110,122	2,295,710
Assets arising from forward contracts	676,917	0	676,917	0
Other assets	49,023	0	0	0
Total financial assets at fair value through profit or loss	1,836,062	2,295,710	1,787,039	2,295,710

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 31/12/2016. 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.

6.28 Prepayments and other assets

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Prepayments	10,950,578	11,755,883	8,769,527	8,387,709
Prepaid subscriptions, specialised literature, etc.	1,478,962	1,215,715	918,964	1,002,731
Prepaid insurance premiums	756,607	772,710	527,592	533,854
Uninvoiced services and goods	636,935	617,322	609,507	594,321
Other deferred costs and accrued revenue	1,491,325	1,413,270	345,380	472,355
Total prepayments and other assets	15,314,407	15,774,900	11,170,970	10,990,970

6.29 Cash and cash equivalents

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash	269,167	210,840	0	0
Cash in banks	25,749,443	33,149,291	11,610,079	26,084,581
Short-term deposits (up to 3 months)	969,359	990,219	1,047,644	909,996
Total cash and cash equivalents	26,987,969	34,350,350	12,657,723	26,994,577

6.30 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 31/12/2016 was EUR 325 per share (EUR 256 as at 31/12/2015) and the book value of a share as at 31/12/2016 was EUR 285.51 (EUR 262.37 as at 31/12/2015).

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 31/12/2016 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 2016 there were no changes in capital surplus.

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 – 2014	(11,439)	(1,036,113)
Own shares as at 31/12/2016	24,703	2,604,670

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

In 2016 the number of own shares remained unchanged. As at 31/12/2016, the Company held 24,703 own shares. The market value of repurchased own shares totalled EUR 8,028,475 on the above date (EUR 6,319,027 as at 31/12/2015).

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 2016 are explained in more detail in Note 6.14.

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 21,836,089, in accordance with Article 230 of the Companies Act, and to pay out dividends totalling EUR 10,938,899.

- Own shares and reserves for own shares

If the parent company or its subsidiaries acquire an ownership interest in the parent company, the amount paid, including transaction costs less tax, is deducted from total equity in the form of own shares until such shares are cancelled, reissued or sold. If own shares are later sold or reissued, the consideration received is included in equity net of transaction costs and related tax effects.

The 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 gains and losses from the actuarial calculation of post-employment benefits on retirement totalling EUR 1,218,726.

Accumulated profit

Allocation of accumulated profit for 2015

At the 26th General Meeting of the joint-stock company Petrol d.d., Ljubljana held on 21/04/2016, 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 2015 of EUR 25,976,135.00 is to be allocated in accordance with the provisions of Articles 230, 282 and 293 of the Companies Act (ZGD-1) as follows:

- gross dividends of EUR 12.60 per share or the total of EUR 25,976,134.80 (own shares excluded) shall be paid;

- the remaining accumulated profit of EUR 0,20 shall remain unallocated.

The dividends are to be paid out of the 2015 net profit and other revenue reserves.

In 2016 the Company paid out dividends for the year 2015 of EUR 25,863,100 and dividends from the previous years of EUR 63,842.

Accumulated profit for 2016

(in EUR)	Petrol d.d.	
	31 December 2016	31 December 2015
Compulsory allocation of net profit		
Net profit	43,672,178	30,074,471
Net profit after compulsory allocation	43,672,178	30,074,471
Creation of other revenue reserves	21,836,089	15,037,235
Determination of accumulated profit		
Net profit	21,836,089	15,037,235
Decrease by the amount of long-term deferred development costs on the balance sheet date	(1,936,155)	0
Other revenue reserves	8,962,438	10,938,900
Accumulated profit	28,862,372	25,976,135

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 31/12/2016 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.

6.31 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 2016	31 December 2015	31 December 2016	31 December 2015
Post-employment benefits on retirement	4,206,016	3,570,937	3,658,487	2,790,290
Jubilee benefits	2,239,189	2,310,594	1,865,685	1,901,176
Total provisions	6,445,205	5,881,531	5,524,172	4,691,466

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 2015	2,980,376	2,145,889	5,126,265
Current service cost	346,170	326,696	672,866
New acquisitions as a result of control obtained	155	0	155
Post-employment benefits paid	(118,161)	(162,362)	(280,523)
Actuarial surplus	362,296	0	362,296
Foreign exchange differences	101	372	473
As at 31 December 2015	3,570,937	2,310,594	5,881,531
Current service cost	356,510	98,707	455,217
Costs of interest	61,838	42,970	104,808
Post-employment benefits paid	(118,422)	(158,425)	(276,847)
Actuarial surplus	334,795	0	334,795
Reversal	0	(55,937)	(55,937)
Foreign exchange differences	358	1,280	1,638
As at 31 December 2016	4,206,016	2,239,189	6,445,205

The calculation of the provisions for employee post-employment and other long-term benefits is based on the actuarial calculation, which relied on the following assumptions:

- a 0.83-percent annual discount rate for companies in Slovenia (2015: 1.59 percent), which is based on the yield of 10-year government bonds of the Republic of Slovenia, a 2.75-percent discount rate for companies in Croatia (2015: 3.64 percent), a 2.5-percent discount rate for companies in the Federation of Bosnia and Herzegovina (2015: 6.5 percent) and a 3.75-percent discount rate for companies in Serbia (2015: 7.5 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 by 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 point.

Sensitivity analysis

Change in	Discount rate		Salary increase		Staff turnover	
	Percentage point		Percentage point		Percentage point	
Change by	0.5	-0.5	0.5	-0.5	0.5	-0.5
Effect on the balance of provisions for employee post-employment and other long-term benefits (in EUR)	(568,207)	625,205	617,235	(568,216)	(601,088)	626,337

Petrol d.d., Ljubljana

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

(in EUR)	Petrol d.d.		
	Post-employment benefits	Jubilee benefits	Total
As at 1 January 2015	2,223,569	1,741,107	3,964,676
Current service cost	284,383	290,442	574,825
Post-employment benefits paid	(79,958)	(130,372)	(210,330)
Actuarial surplus	362,296	0	362,296
As at 31 December 2015	2,790,290	1,901,176	4,691,466
New acquisitions as a result of merger by absorption	116,135	102,651	218,786
Current service cost	320,446	0	320,446
Costs of interest	52,316	36,069	88,385
Post-employment benefits paid	(78,706)	(128,828)	(207,533)
Actuarial surplus	458,007	0	458,007
Reversal	0	(45,383)	(45,383)
At 31 December 2016	3,658,487	1,865,685	5,524,172

The calculation of the provisions for employee post-employment and other long-term benefits is based on the actuarial calculation, which relied on the following assumptions:

- a 0.83-percent annual discount rate (2015: 1.59 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.

For salary increases it is assumed that average salaries in the Republic of Slovenia will increase by 2 percentage points and, in addition, that individual salaries will increase by 0.6 percentage points.

Sensitivity analysis

	Discount rate		Salary increase		Staff turnover	
Change in	Percentage point		Percentage point		Percentage point	
Change by	0.5	-0.5	0.5	-0.5	0.5	-0.5
Effect on the balance of provisions for employee post-employment and other long-term benefits (in EUR)	(317,279)	348,347	342,403	(315,279)	(327,829)	357,301

6.32 Other provisions

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Provisions for employee post-employment and other long-term benefits at third-party managed service stations	3,488,077	2,706,595	3,488,077	2,706,595
Other provisions	830,898	786,983	0	0
Total provisions	4,318,975	3,493,578	3,488,077	2,706,595

The Petrol Group and Petrol d.d., Ljubljana

Other provisions mainly comprise provisions for employee post-employment and other long-term benefits relating to employees at third-party managed service stations of the Petrol Group. The provisions amount to estimated future payments for post-employment benefits on retirement and

jubilee benefits discounted to the end of the reporting period. The calculation is made separately for each employee by taking into account the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement.

Changes in provisions for employee post-employment and other long-term benefits at third-party managed service stations

(in EUR)	Petrol d.d.		
	Post-employment benefits	Jubilee benefits	Total
As at 1 January 2015	1,167,760	1,481,584	2,649,344
Current service cost	29,217	26,421	55,638
Post-employment benefits paid	(87,953)	(100,942)	(188,895)
Actuarial surplus	190,508	0	190,508
As at 31 December 2015	1,299,532	1,407,063	2,706,595
Current service cost	193,763	300,417	494,180
Costs of interest	23,392	25,327	48,719
Post-employment benefits paid	(89,820)	(105,721)	(195,541)
Actuarial surplus	434,125	0	434,125
As at 31 December 2016	1,860,991	1,627,086	3,488,077

The calculation of the provisions for employee post-employment and other long-term benefits is based on the actuarial calculation, which relied on the following assumptions:

- a 0.83-percent annual discount rate (2015: 1.59 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.

For salary increases it is assumed that average salaries in the Republic of Slovenia will increase by 2 percentage points and, in addition, that individual salaries will increase by 0.6 percentage points.

Sensitivity analysis

	Discount rate		Salary increase		Staff turnover	
Change in	Percentage point		Percentage point		Percentage point	
Change by	0.5	-0.5	0.5	-0.5	0.5	-0.5
Effect on the balance of provisions for employee post-employment and other long-term benefits (in EUR)	(212,014)	234,156	230,149	(210,681)	(219,307)	240,500

6.33 Long-term deferred revenue

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Long-term deferred revenue from environmental assets	2,321,052	3,628,444	2,321,052	3,628,444
Long-term deferred revenue from grants	29,745	33,948	29,745	33,948
Other long-term deferred revenue	2,205,137	2,388,723	2,156,954	2,335,332
Total	4,555,934	6,051,115	4,507,751	5,997,724

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 2015	5,014,629	38,213	1,301,037	6,353,879
Increase	0	0	1,106,028	1,106,028
Decrease	(1,386,185)	(4,265)	(18,342)	(1,408,792)
As at 31 December 2015	3,628,444	33,948	2,388,723	6,051,115
New acquisitions as a result of control obtained	0	0	146,904	146,904
Increase	0	0	23,019	23,019
Decrease	(1,307,392)	(4,203)	(353,509)	(1,665,104)
As at 31 December 2016	2,321,052	29,745	2,205,137	4,555,934

Long-term deferred revenue from environmental assets decreased by EUR 1,307,392 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 2015	5,014,629	38,213	1,248,067	6,300,910
Increase	0	0	1,386,132	1,386,132
Decrease	(1,386,185)	(4,265)	(298,868)	(1,689,318)
As at 31 December 2015	3,628,444	33,948	2,335,332	5,997,724
New acquisitions as a result of merger by absorption	0	0	141,962	141,962
Increase	0	0	23,019	23,019
Decrease	(1,307,392)	(4,202)	(343,359)	(1,654,953)
As at 31 December 2016	2,321,052	29,745	2,156,954	4,507,751

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

6.34 Financial liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Current financial liabilities				
Bank loans	58,855,967	27,676,799	55,012,640	16,693,347
Bonds issued	33,013,863	37,606,775	33,013,863	37,606,775
Liabilities to banks arising from commodity swaps	94,738	1,136,481	94,738	2,332,383
Liabilities to banks arising from forward contracts	24,432	1,098,581	24,432	1,098,581
Liabilities to banks arising from interest rate swaps	0	918,893	0	0
Other liabilities arising from financial instruments	0	0	2,568,846	0
Other loans and financial liabilities	10,496,363	1,443,232	97,422,702	50,233,264
	102,485,363	69,880,761	188,137,221	107,964,350
Non-current financial liabilities				
Bonds issued	241,915,076	290,156,311	241,915,076	290,156,311
Bank loans	63,013,412	125,367,754	9,950,067	55,819,027
Loans obtained from other companies	0	36,915	0	0
	304,928,488	415,560,980	251,865,143	345,975,338
Total financial liabilities	407,413,851	485,441,741	440,002,364	453,939,688

The Petrol Group

Financial liabilities are not covered by securities in rem.

In 2016 the average interest rate on short-term and long-term funding sources (including interest rate hedging) stood at 3.46 percent p.a. (2015: 3.62 percent p.a.).

Derivative financial instruments

Liabilities arising from forward contracts for the purchase of US dollars, which stood at EUR 24.432, represent the fair values of outstanding forward contracts as at 31/12/2016. Liabilities arising from commodity swaps totalling EUR 94,738 represent the fair values of outstanding commodity swap contracts for the purchase of petroleum products as at 31/12/2016. These financial liabilities arising from derivative financial instruments should be considered in conjunction with the outstanding contracts disclosed under financial receivables in Note 6.27.

Bonds issued

Bond liabilities refer to bonds issued by Petrol d.d., Ljubljana and listed on the Ljubljana Stock Exchange as PET3 bonds, and to eurobonds issued by Petrol d.d., Ljubljana.

Petrol d.d., Ljubljana issued the eurobonds on 16/06/2014 at the total nominal value of EUR 265,000,000. The bond maturity date is 24/06/2019. 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 24/06/2019. The bonds are listed on the Irish Stock Exchange. In 2016 Petrol repurchased the eurobonds at the nominal value of EUR 20,497,000, removing them from the Irish Stock Exchange. The liability associated with the eurobonds amounted to EUR 243,963,000 as at 31/12/2016.

In 2012 Petrol d.d., Ljubljana issued PET3 bonds at the total nominal value of EUR 30,158,000. The entire bond issue contains 30,158 denominations of EUR 1,000. The bond maturity date is 07/12/2017. The interest rate on the bonds is fixed, i.e. 6.00 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 07/12/2017. The PET3 bond liabilities stood at EUR 28,764,000 as at 31/12/2016.

Other loans

Other short-term loans consist mainly of a loan from the associated company Geoplin d.o.o. of EUR 9,000,000 and from the jointly controlled entity Petrol Slovenia Tirana Wholesale Sh.A. of EUR 1,271,910.

Petrol d.d., Ljubljana

In 2016 the average interest rate on short-term and long-term funding sources (including interest rate hedging) stood at 3.46 percent p.a. (2015: 3.62 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, which was measured at fair value as at 31/12/2016.

Other loans obtained by the Company relate mainly to loans from Group companies amounting to EUR 88,310,178, as shown in the table below.

(in EUR)	Petrol d.d.	
	31 December 2016	31 December 2015
IGES, d.o.o.	37,039,870	1,287,396
Petrol d.o.o.	35,073,185	21,226,255
Petrol BH Oil Company d.o.o. Sarajevo	5,586,131	15,323,598
Petrol Trade Handelsgesellschaft m.b.H.	4,855,620	5,288,837
Petrol Energetika d.o.o.	2,875,588	3,783,328
Petrol Slovenia Tirana Wholesale Sh.A.	1,271,910	1,271,910
Ekopur d.o.o.	1,555,942	1,065,835
Petrol Skladiščenje d.o.o.	51,931	41,650
Petrol Tehnologija, d.o.o.	0	798,920
Total	88,310,178	50,087,729

6.35 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 2016	31 December 2015	31 December 2016	31 December 2015
Liabilities arising from interests acquired	24,000	0	24,000	0
Liabilities arising from assets received for administration	899,382	1,030,182	899,382	1,030,182
Other non-current operating liabilities	418,681	0	0	0
Total non-current operating liabilities	1,342,063	1,030,182	923,382	1,030,182

The Petrol Group and Petrol d.d., Ljubljana

Non-current operating liabilities of the Group/Company mostly relate 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.

6.36 Current operating liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Trade liabilities	349,231,923	291,343,537	313,844,825	245,537,011
Excise duty liabilities	64,588,054	58,784,718	57,143,816	51,848,822
Value added tax liabilities	16,569,741	18,203,996	9,877,291	12,731,938
Environment pollution charge liabilities	10,706,855	11,085,799	10,575,247	10,986,981
Liabilities to employees	7,002,140	6,006,327	5,610,535	4,337,163
Liabilities arising from prepayments and collaterals	2,431,640	3,945,158	1,456,672	1,570,822
Import duty liabilities	1,956,618	7,897,791	7,764	5,833,750
Other liabilities to the state and other state institutions	1,041,033	1,083,740	199,060	190,330
Liabilities associated with the allocation of profit or loss	667,711	627,319	667,711	627,319
Social security contribution liabilities	563,350	531,762	470,652	433,285
Liabilities arising from interests acquired	0	1,521,447	0	1,518,029
Other liabilities	1,457,320	1,853,294	1,555,628	1,504,053
Total current operating and other liabilities	456,216,385	402,884,888	401,409,201	337,119,503

6.37 Other liabilities

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Accrued annual leave expenses	1,810,185	1,680,575	1,159,440	1,078,871
Accrued litigation expenses	926,097	1,569,831	644,546	848,169
Accrued concession fee costs	253,617	211,885	181,264	188,047
Accrued goods shortages	187,712	311,892	187,712	311,892
Accrued expenses for tanker demurrage	120,319	122,510	120,319	122,510
Accrued motorway site lease payments	115,987	119,125	115,987	119,125
Accrued costs for uninvoiced goods	114,531	50,095	0	0
Other accrued costs	8,078,921	7,496,881	4,660,247	5,096,610
Deferred prepaid card revenue	1,968,129	1,737,719	1,878,879	1,684,871
Deferred default interest income	1,593,632	1,425,331	1,586,642	1,424,989
Deferred revenue from rebates granted	354,372	541,245	125,018	167,278
Deferred revenue from heating	87,202	147,323	0	0
Other deferred revenue	454,976	474,465	278,549	278,095
Total other liabilities	16,065,680	15,888,877	10,938,604	11,320,457

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 part of this annual report.

7.1 Credit risk

In 2016 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 31/12/2016:

(in EUR)	The Petrol Group		Petrol d.d.	
	31.december 2016	31.december 2015	31.december 2016	31.december 2015
Financial assets available for sale	2,598,071	1,764,945	2,519,028	1,685,902
Non-current financial receivables	1,079,152	5,509,008	27,421,814	15,794,952
Non-current operating receivables	650,916	918,241	643,851	918,240
Current financial receivables	6,922,594	8,325,710	18,452,346	12,880,885
Current operating receivables (excluding receivables from the state)	378,253,173	322,554,825	316,816,790	249,544,926
Financial assets at fair value through profit or loss	1,836,062	2,295,710	1,787,039	2,295,710
Cash and cash equivalents	26,987,969	34,350,350	12,657,723	26,994,577
Total assets	418,327,937	375,718,789	380,298,591	310,115,192

The item that was most exposed to credit risk on the reporting date were current operating receivables. Compared to the end of 2015, they increased, in nominal terms, by 17.3 percent in the case of the Group and by 27 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

(in EUR)	Breakdown by maturity					Total
	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	
Trade receivables	271,012,845	27,949,922	9,115,572	1,317,424	9,550,696	318,946,459
Interest receivables	1,467,278	99,982	65,054	10,958	82,426	1,725,698
Other receivables (excluding receivables from the state)	1,872,119	76	10,473	0	0	1,882,668
Total as at 31 December 2015	274,352,242	28,049,980	9,191,099	1,328,382	9,633,122	322,554,825

(in EUR)	Breakdown by maturity					Total
	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	
Trade receivables	329,814,579	30,703,365	6,810,275	1,228,235	7,021,434	375,577,888
Interest receivables	1,630,156	113,632	52,163	30,430	56,243	1,882,624
Other receivables (excluding receivables from the state)	724,863	39,031	16,316	3,247	9,204	792,661
Total as at 31 December 2016	332,169,598	30,856,028	6,878,754	1,261,912	7,086,881	378,253,173

The Company's current operating receivables by maturity

(in EUR)	Breakdown by maturity					Total
	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	
Trade receivables	214,258,782	16,796,468	5,411,099	1,612,145	8,244,029	246,322,524
Interest receivables	15,665	68,199	54,640	86,145	2,711,124	2,935,773
Other receivables (excluding receivables from the state)	286,629	0	0	0	0	286,629
Total as at 31 December 2015	214,561,077	16,864,668	5,465,740	1,698,291	10,955,155	249,544,926

(in EUR)	Breakdown by maturity					Total
	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	
Trade receivables	277,909,877	21,127,205	5,204,968	1,971,169	7,262,062	313,475,281
Interest receivables	2,214	74,029	46,958	55,285	2,934,371	3,112,858
Other receivables (excluding receivables from the state)	228,651	0	0	0	0	228,651
Total as at 31 December 2016	278,140,742	21,201,234	5,251,926	2,026,454	10,196,434	316,816,790

Changes in allowances for current operating receivables of the Group

(in EUR)	Allowance for current operating receivables	Allowance for current interest receivables	Total
As at 1 January 2015	(51,757,608)	(1,845,585)	(53,603,193)
Creation of allowances affecting profit or loss	(3,578,155)	(82,513)	(3,660,668)
Changes in allowances not affecting profit or loss	194,631	(369,485)	(174,854)
Write-downs	2,366,349	78,498	2,444,847
Foreign exchange differences	(20,825)	(925)	(21,750)
As at 31 December 2015	(52,795,608)	(2,220,010)	(55,015,618)

(in EUR)	Allowance for current operating receivables	Allowance for current interest receivables	Total
As at 1 January 2016	(52,795,608)	(2,220,010)	(55,015,618)
Creation of allowances affecting profit or loss	217,430	(107,350)	110,080
Changes in allowances not affecting profit or loss	194,560	(198,014)	(3,454)
Write-downs	1,390,615	80,710	1,471,325
Foreign exchange differences	(72,146)	(907)	(73,053)
As at 31 December 2016	(51,065,149)	(2,445,571)	(53,510,720)

Changes in allowances for current operating receivables of the Company

(in EUR)	Allowance for current operating receivables	Allowance for current interest receivables	Total
As at 1 January 2015	(28,578,110)	(1,573,442)	(30,151,552)
New acquisitions as a result of merger by absorption	59,767	0	59,767
Creation of allowances affecting profit or loss	(2,793,729)	(107,609)	(2,901,338)
Changes in allowances not affecting profit or loss	0	(369,463)	(369,463)
Write-downs	1,454,922	29,409	1,484,331
As at 31 December 2015	(29,857,150)	(2,021,105)	(31,878,255)

(in EUR)	Allowance for current operating receivables	Allowance for current interest receivables	Total
As at 1 January 2016	(29,857,150)	(2,021,105)	(31,878,255)
New acquisitions as a result of merger by absorption	(22,749)	0	(22,749)
Creation of allowances affecting profit or loss	159,408	(125,932)	33,476
Changes in allowances not affecting profit or loss	0	(197,813)	(197,813)
Write-downs	1,256,435	34,404	1,290,839
As at 31 December 2016	(28,464,056)	(2,310,446)	(30,774,502)

Collateralisation of receivables

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Current trade receivables	426,258,672	371,357,701	341,939,337	276,179,674
Allowances	(50,680,784)	(52,411,243)	(28,464,056)	(29,857,150)
Current trade receivables including allowances	375,577,888	318,946,458	313,475,281	246,322,524
Overdue current trade receivables (gross amount)	96,444,093	100,344,856	64,029,465	61,920,889
Share of overdue receivables in outstanding receivables	23%	27%	19%	22%
Current operating receivables over EUR 100,000 secured with high-quality collaterals	222,496,091	156,666,898	169,342,798	111,765,944

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 21,984,699 as at 31/12/2016 (the entity is a public enterprise), accounting for 5.8 percent of the Group's trade receivables and 7 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

24,370 active customers (legal persons) as at 31/12/2016. The Group/Company has in place a computerised 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 annual basis. In 2016 the Group/Company continued to attach strict conditions to approving the amount of exposure (limits) to individual buyers and required customers to provide an adequate range of credit insurance instruments (insurance with insurance companies, bank guarantees, letters of credit, mortgages, pledges, collaterals, corporate guarantees, surety bonds, enforcement drafts). In 2016 the Petrol Group revamped the system of limits for legal entities, which is based on the credit rating of the partner and the amount of collateral obtained.

The Group/Company measures the degree of receivables management using days sales outstanding.

(in days)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Days sales outstanding				
Contract days	30	31	30	31
Overdue receivables in days	12	13	10	12
Total days sales outstanding	42	44	40	43

The Group/Company succeeded in reducing the number of days the receivables were overdue, with the Group/Company even managing to reduce the 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;
- ensuring adequate structural liquidity in accordance with S&P methodology;
- standardised and centralised treasury management at Group level;
- annual funding for the Petrol Group as well as monthly and daily planning;
- approach to banks in Slovenia and abroad is handled by the headquarters;
- cash flows planning IT application for the parent company and all subsidiaries;
- cash pooling.

Half of the Group's/Company's total revenue 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 available in Slovenia and abroad. Their volume enables the Group to meet all its due liabilities at any given moment.

In 2016 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. This contributed to the early repayment of the Company's long-term loans in 2016, along with the disposal of non-core assets. The Company further reduced the share of financial liabilities with financial covenants.

The majority of financial liabilities arising from long-term and short-term loans are held by the parent company, where the majority of revenue is generated.

The Group's liabilities by maturity

(in EUR)	Carrying amount of liabilities	Contractual cash flows				
		Liability	0 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Non-current financial liabilities	415,560,980	448,070,554	0	0	432,127,211	15,943,343
Current financial liabilities	69,880,761	81,628,872	27,719,576	53,909,297	0	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	295,345,597	295,345,597	294,055,447	1,290,150	0	0
As at 31 December 2015	780,787,338	825,045,023	321,775,023	55,199,447	432,127,211	15,943,343

Current financial liabilities include derivative financial instruments totalling EUR 3,153,955.

(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	304,928,488	323,487,074	0	0	323,487,074	0
Non-current operating liabilities (excluding other liabilities)	24,000	24,000	0	0	24,000	0
Current financial liabilities	102,485,363	111,113,099	75,544,574	35,568,525	0	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	351,356,954	351,356,954	350,514,241	842,713	0	0
As at 31 December 2016	758,794,805	785,981,127	426,058,815	36,411,238	323,511,074	0

Current financial liabilities include derivative financial instruments totalling EUR 119,170.

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	345,975,338	374,805,094	0	0	372,896,724	1,908,370
Current financial liabilities	107,964,350	121,476,905	34,977,149	86,499,756	0	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	249,186,412	249,186,412	247,124,948	2,061,464	0	0
As at 31 December 2015	703,126,100	745,468,412	282,102,097	88,561,220	372,896,724	1,908,370

Current financial liabilities include derivative financial instruments totalling EUR 3,430,964.

(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	251,865,143	267,846,687	0	0	267,846,687	0
Non-current operating liabilities (excluding other liabilities)	24,000	24,000	0	0	24,000	0
Current financial liabilities	188,137,221	196,385,051	120,556,098	75,828,953	0	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	316,068,164	316,068,164	314,614,470	1,453,694	0	0
As at 31 December 2016	756,094,528	780,323,902	435,170,568	77,282,647	267,870,687	0

Current financial liabilities include derivative financial instruments totalling EUR 2,688,016.

7.3 Foreign exchange risk

The Group

(in EUR)	The Petrol Group				
	31 December 2015				
	EUR	USD	HRK	BAM	
Cash and cash equivalents	28,118,323	248,767	3,049,413	529,535	
Current operating receivables (excluding receivables from the state)	247,696,677	277,981	37,151,986	31,163,331	
Non-current operating receivables	916,953	0	1,288	0	
Current financial receivables	7,821,350	0	473,427	30,933	
Non-current financial receivables	5,505,525	0	1,074	0	
Non-current operating liabilities (excluding other liabilities)	0	0	0	0	
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	(170,958,855)	(90,645,693)	(23,569,790)	(5,565,667)	
Non-current financial liabilities	(415,548,065)	0	0	(12,915)	
Current financial liabilities	(66,625,514)	(1,281,629)	(1,597,495)	(375,985)	
Exposure of the statement of financial position	(363,073,606)	(91,400,574)	15,509,903	25,769,232	
Nominal value of forward contracts	(87,319,204)	72,361,113	0	0	
Net exposure of the statement of financial position	(450,392,810)	(19,039,461)	15,509,903	25,769,232	

(in EUR)	The Petrol Group				
	31 December 2016				
	EUR	USD	HRK	BAM	
Cash and cash equivalents	12,682,536	153,699	5,224,068	3,717,756	
Current operating receivables (excluding receivables from the state)	303,623,522	421,638	37,864,800	26,093,725	
Non-current operating receivables	642,204	0	1,646	7,066	
Current financial receivables	6,801,023	0	20,571	91,010	
Non-current financial receivables	1,078,385	0	767	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)	(213,003,242)	(108,657,518)	(20,738,534)	(3,006,563)	
Non-current financial liabilities	(304,928,488)	0	0	0	
Current financial liabilities	(101,653,803)	0	(384,806)	(446,754)	
Exposure of the statement of financial position	(294,781,863)	(108,082,181)	21,988,512	26,456,240	
Nominal value of forward contracts	(110,048,173)	96,392,668	0	0	
Net exposure of the statement of financial position	(404,830,036)	(11,689,513)	21,988,512	26,456,240	

The Petrol Group							Total
31 December 2015							
	RSD	MKD	RON	CHF	HUF	CZK	
	1,644,270	695,234	40,247	0	19,956	4,605	34,350,350
	2,479,418	2,695,808	1,086,943	0	2,681	0	322,554,825
	0	0	0	0	0	0	918,241
	0	0	0	0	0	0	8,325,710
	0	0	2,409	0	0	0	5,509,008
	0	0	0	0	0	0	0
	(1,662,565)	(899,457)	(612,881)	0	(1,430,005)	(684)	(295,345,597)
	0	0	0	0	0	0	(415,560,980)
	0	0	(138)	0	0	0	(69,880,761)
	2,461,123	2,491,585	516,580	0	(1,407,368)	3,921	(409,129,204)
	0	0	12,911,744	0	2,046,347	0	0
	2,461,123	2,491,585	13,428,324	0	638,979	3,921	(409,129,204)
0							
The Petrol Group							Total
31 December 2016							
	RSD	MKD	RON	CHF	HUF	CZK	
	2,241,473	1,366,144	1,286,707	288,337	22,541	4,708	26,987,969
	7,113,861	2,529,250	594,771	0	11,606	0	378,253,173
	0	0	0	0	0	0	650,916
	9,990	0	0	0	0	0	6,922,594
	0	0	0	0	0	0	1,079,152
	0	0	0	0	0	0	(24,000)
	(3,024,833)	(4,514)	(1,491,486)	0	(1,428,897)	(1,367)	(351,356,954)
	0	0	0	0	0	0	(304,928,488)
	0	0	0	0	0	0	(102,485,363)
	6,340,491	3,890,880	389,992	288,337	(1,394,750)	3,341	(344,901,001)
	0	0	13,337,157	0	318,349	0	0
	6,340,491	3,890,880	13,727,149	288,337	(1,076,401)	3,341	(344,901,001)

The Company

(in EUR)	Petrol d.d.			
	31 December 2015			
	EUR	USD	HRK	
Cash and cash equivalents	26,753,691	204,887	16,043	
Current operating receivables (excluding receivables from the state)	248,119,113	214,084	0	
Non-current operating receivables	916,952	0	1,288	
Current financial receivables	12,880,885	0	0	
Non-current financial receivables	15,794,952	0	0	
Non-current operating liabilities (excluding other liabilities)	0	0	0	
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	(156,184,838)	(90,789,031)	(50,290)	
Non-current financial liabilities	(345,975,338)	0	0	
Current financial liabilities	(106,682,802)	(1,281,548)	0	
Exposure of the statement of financial position	(304,377,385)	(91,651,608)	(32,959)	
Nominal value of forward contracts	(87,319,204)	72,361,113	0	
Net exposure of the statement of financial position	(391,696,589)	(19,290,495)	(32,959)	

(in EUR)	Petrol d.d.			
	31 December 2016			
	EUR	USD	HRK	
Cash and cash equivalents	12,126,656	89,857	130,332	
Current operating receivables (excluding receivables from the state)	315,249,732	1,134,863	0	
Non-current operating receivables	642,205	0	1,646	
Current financial receivables	18,452,346	0	0	
Non-current financial receivables	27,421,814	0	0	
Non-current operating liabilities (excluding other liabilities)	(24,000)	0	0	
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	(205,837,030)	(108,589,746)	(39,737)	
Non-current financial liabilities	(251,865,143)	0	0	
Current financial liabilities	(188,137,221)	0	0	
Exposure of the statement of financial position	(271,970,641)	(107,365,026)	92,241	
Nominal value of forward contracts	(110,048,173)	96,392,668	0	
Net exposure of the statement of financial position	(382,018,814)	(10,972,358)	92,241	

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 2016 and 2015:

Per 1 euro	31 December 2016	31 December 2015
USD	1.0541	1.0887
HRK	7.5597	7.6380
BAM	1.95583	1.95583
RSD	123.6000	121.2300
CZK	27.0210	27.0230
RON	4.5390	4.5240
MKD	61.8000	61.5550
HUF	309.8300	315.9800

As far as foreign exchange risks are concerned, the Group/Company is mostly exposed to the risk of changes in the EUR/USD exchange rate. Petroleum products are generally

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 fixed at the rate recognised under the Decree Setting Prices for Petroleum Products and the internal rules, and the margin is thus secured. The Group/Company predominantly uses forward contracts to hedge the EUR/USD risk.

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 4,573,634 (2015: revenue of EUR 419,547) for the Group and revenue of EUR 4,546,713 (2015: revenue of EUR 248,796) for the Company.

Petrol d.d.						Total
31 December 2015						
	BAM	RON	CHF	HUF	CZK	
	0	0	0	19,956	0	26,994,577
	0	1,086,943	0	2,681	122,105	249,544,926
	0	0	0	0	0	918,240
	0	0	0	0	0	12,880,885
	0	0	0	0	0	15,794,952
	0	0	0	0	0	0
	(119,575)	(612,673)	0	(1,430,005)	0	(249,186,412)
	0	0	0	0	0	(345,975,338)
	0	0	0	0	0	(107,964,350)
	(119,575)	474,270	0	(1,407,368)	122,105	(396,992,520)
	0	12,911,744	0	2,046,347	0	0
	(119,575)	13,386,014	0	638,979	122,105	(396,992,520)

Petrol d.d.						Total
31 December 2016						
	BAM	RON	CHF	HUF	CZK	
	0	0	288,337	22,541	0	12,657,723
	0	420,589	0	11,606	0	316,816,790
	0	0	0	0	0	643,851
	0	0	0	0	0	18,452,346
	0	0	0	0	0	27,421,814
	0	0	0	0	0	(24,000)
	(174,156)	0	0	(1,427,495)	0	(316,068,164)
	0	0	0	0	0	(251,865,143)
	0	0	0	0	0	(188,137,221)
	(174,156)	420,589	288,337	(1,393,348)	0	(380,102,004)
	0	13,337,157	0	318,349	0	0
	(174,156)	13,757,746	288,337	(1,074,999)	0	(380,102,004)

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Unrealised loss	(24,432)	(1,098,581)	(24,432)	(1,098,581)
Unrealised gain	676,917	0	676,917	0
Realised loss	(2,506,566)	(5,880,446)	(2,506,566)	(5,880,446)
Realised gain	6,648,923	17,726,558	6,648,923	17,726,558
Total effect of forward contracts	4,794,842	10,747,531	4,794,842	10,747,531

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 as minimal.

The Group is exposed to foreign exchange risks also due to its presence in Southeastern Europe. Considering the low volatility of local currency exchange rates in Southeastern 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 2016 the Group/Company was also exposed to certain other currencies (RON, HUF), which were 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 894,369 (2015: 314,955), with the EUR/BAM currency pair being treated as fixed.

7.4 Price and volumetric risk

The Group/Company is exposed to price and volumetric risks deriving from energy commodities. The Group/Company manages price and volumetric risks primarily by aligning purchases and sales of energy commodities in terms of quantities as well as purchase and sales conditions, thus securing its margin. Potential residual mismatches are hedged with derivative financial instruments. Depending on the business model for each energy commodity,

appropriate limit systems are in place that limit exposure to price and commodity risks.

The Group/Company hedges energy commodity 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. The Group/Company considers the counterparty default risk as minimal.

The effect of commodity swaps:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Unrealised loss	(94,738)	(1,136,481)	(94,739)	(2,332,383)
Unrealised gain	1,110,122	2,295,710	1,110,122	2,295,710
Realised loss	(15,619,970)	(8,381,351)	(15,932,050)	(8,148,264)
Realised gain	13,370,992	8,619,993	14,449,859	8,364,524
Total effect of commodity swaps	(1,233,594)	1,397,871	(466,808)	179,587

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 958,412 in 2016 (2015: a loss of EUR 341,602).

7.5 Interest rate risk

The source of interest rate risks are loans with a floating interest rate that are mostly Euribor based.

In 2016 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;
- interest rate swaps;
- funding with a fixed interest rate.

The Group/Company applies hedge accounting where the effects of the interest rate risk are recognized directly in equity.

An overview of the value of Euribor interest rates in 2016 and 2015:

	6-month Euribor	3-month Euribor	1-month Euribor
Value as at 31/12/2015 (in percentages)	(0.042)	(0.132)	(0.202)
Value as at 31/12/2016 (in percentages)	(0.221)	(0.319)	(0.366)
Change in interest rate (in percentage points)	(0.179)	(0.187)	(0.164)
The lowest value in 2016 (in percentages)	(0.221)	(0.319)	(0.374)
The highest value in 2016 (in percentages)	(0.041)	(0.132)	(0.210)
Difference between the lowest and the highest interest rate (in percentage points)	0.180	0.187	0.164
Average value in 2015 (in percentages)	0.053	(0.020)	(0.072)
Average value in 2016 (in percentages)	(0.165)	(0.265)	(0.338)
Change in average interest rate (in percentage points)	(0.218)	(0.245)	(0.266)

Interest rate swaps by maturity:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
6 months or less	0	2,435,897	0	0
6 to 12 months	0	2,435,897	0	0
1 to 5 years	50,000,000	47,243,592	0	0
Total interest rate swaps	50,000,000	52,115,386	0	0

The effect of interest rate swaps:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Unrealised loss on effective transactions	882,471	1,729,125	0	1,384,864
Realised loss	(369,310)	(1,833,818)	0	(1,300,240)
Total effect of interest rate swaps	513,162	(104,693)	0	84,624

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

Financial instruments with a fixed interest rate:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial liabilities	(331,727,000)	(326,329,000)	(331,727,000)	(326,329,000)
Net financial instruments with a fixed interest rate	(331,727,000)	(326,329,000)	(331,727,000)	(326,329,000)

Financial instruments with a variable interest rate:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial receivables	8,001,746	13,834,718	45,874,160	28,675,837
Financial liabilities	(75,686,851)	(159,112,741)	(108,275,364)	(127,610,688)
Net financial instruments with a variable interest rate	(67,685,105)	(145,278,023)	(62,401,204)	(98,934,851)

Value of financial liabilities hedged using interest rate swaps:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Interest rate swaps	50,000,000	52,115,387	0	0
Total interest rate swaps	50,000,000	52,115,387	0	0

A change in the interest rate by 100 or 200 basis points on the reporting date would have increased/decreased net profit or loss by amounts indicated below. Cash flow sensitivity analysis in the case of instruments with a variable interest rate assumes that all variables, in particular foreign exchange rates, remain unchanged. When performing the calculation, the value of receivables (liabilities) with variable interest rates is further decreased by the total amount of interest rate swaps. The analysis was prepared in the same manner for both years.

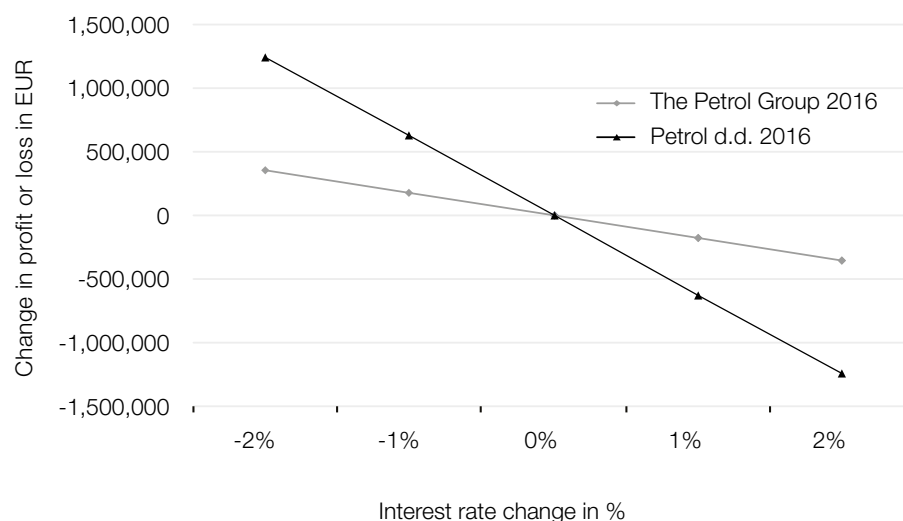
Change in profit or loss in the case of an increase by 100 or 200 bp:

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash flow variability (net)–100 bp	(176,851)	(931,626)	(624,012)	(989,349)
Cash flow variability (net)–200 bp	(353,702)	(1,863,253)	(1,248,024)	(1,978,697)

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

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash flow variability (net)–100 bp	176,851	931,626	624,012	989,349
Cash flow variability (net)–200 bp	353,702	1,863,253	1,248,024	1,978,697

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.

In June 2014 Petrol was rated investment grade (BBB-) by S&P followed by successful inaugural Eurobond issuance in the amount of EUR 265 million. On 24 June 2016, 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, and the "stable" credit rating outlook was also reaffirmed.

In 2016 the Petrol Group continued to pursue its strategic orientation to decrease leverage, improving the net debt to equity ratio through good operating performance and the disposal of non-core assets.

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Non-current financial liabilities	304,928,488	415,560,980	251,865,143	345,975,338
Current financial liabilities	102,485,363	69,880,761	188,137,221	107,964,350
Total financial liabilities	407,413,851	485,441,741	440,002,364	453,939,688
Total equity	595,669,693	547,390,658	447,670,296	428,099,211
Debt/equity	0.68	0.89	0.98	1.06
Cash and cash equivalents	26,987,969	34,350,350	12,657,723	26,994,577
Net financial liabilities	380,425,882	451,091,391	427,344,641	426,945,111
Net debt/equity	0.64	0.82	0.95	1.00

7.7 Carrying amount and fair value of financial instruments

The Petrol Group

(in EUR)	The Petrol Group			
	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial assets at fair value				
Financial assets available for sale	2,598,071	2,598,071	1,764,945	1,764,945
Non-derivative financial assets at amortised cost				
Financial receivables	8,001,746	8,001,746	13,834,718	13,834,718
Operating receivables (excluding receivables from the state)	378,904,089	378,904,089	323,473,066	323,473,066
Cash and cash equivalents	26,987,969	26,987,969	34,350,350	34,350,350
Total non-derivative financial assets	416,491,875	416,491,875	373,423,079	373,423,079
Non-derivative financial liabilities at amortised cost				
Bank loans and other financial liabilities (excluding derivative financial instruments)	(407,294,681)	(407,294,681)	(482,287,786)	(482,287,786)
Operating liabilities (excluding other non-current liabilities and current liabilities to the state, employees and arising from advance payments)	(351,380,954)	(351,380,954)	(295,345,597)	(295,345,597)
Total non-derivative financial liabilities	(758,675,635)	(758,675,635)	(777,633,383)	(777,633,383)
Derivative financial instruments at fair value				
Derivative financial instruments (assets)	1,836,062	1,836,062	2,295,710	2,295,710
Derivative financial instruments (liabilities)	(119,170)	(119,170)	(3,153,955)	(3,153,955)
Total derivative financial instruments	1,716,892	1,716,892	(858,245)	(858,245)

Petrol d.d., Ljubljana

(in EUR)	Petrol d.d.			
	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial assets at fair value				
Financial assets available for sale	2,519,028	2,519,028	1,685,902	1,685,902
Non-derivative financial assets at amortised cost				
Financial receivables	45,874,160	45,874,160	28,675,837	28,675,837
Operating receivables (excluding receivables from the state)	317,460,641	317,460,641	250,463,166	250,463,166
Cash and cash equivalents	12,657,723	12,657,723	26,994,577	26,994,577
Total non-derivative financial assets	378,511,552	378,511,552	307,819,482	307,819,482
Non-derivative financial liabilities at amortised cost				
Bank loans and other financial liabilities (excluding derivative financial instruments)	(437,314,348)	(437,314,348)	(450,508,724)	(450,508,724)
Operating liabilities (excluding other non-current liabilities and current liabilities to the state, employees and arising from advance payments)	(316,092,164)	(316,092,164)	(249,186,412)	(249,186,412)
Total non-derivative financial liabilities	(753,406,512)	(753,406,512)	(699,695,136)	(699,695,136)
Derivative financial instruments at fair value				
Derivative financial instruments (assets)	1,787,039	1,787,039	2,295,710	2,295,710
Derivative financial instruments (liabilities)	(2,688,016)	(2,688,016)	(3,430,964)	(3,430,964)
Total derivative financial instruments	(900,977)	(900,977)	(1,135,254)	(1,135,254)

Presentation of financial assets and liabilities disclosed at fair value according to the fair value hierarchy

The Petrol Group

Fair value of assets

(in EUR)	31 December 2016				31 December 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,836,062	0	0	1,836,062	2,295,710	0	0	2,295,710
Total assets at fair value	1,836,062	0	0	1,836,062	2,295,710	0	0	2,295,710
Financial assets available for sale	0	0	2,598,071	2,598,071	0	0	1,764,945	1,764,945
Non-current financial receivables	0	0	1,079,152	1,079,152	0	0	5,509,008	5,509,008
Current financial receivables	0	0	6,922,594	6,922,594	0	0	8,325,710	8,325,710
Non-current operating receivables	0	0	650,916	650,916	0	0	918,241	918,241
Current operating receivables (excluding receivables from the state)	0	0	378,253,173	378,253,173	0	0	322,554,825	322,554,825
Cash and cash equivalents	0	0	26,987,969	26,987,969	0	0	34,350,350	34,350,350
Total assets with fair value disclosure	0	0	416,491,875	416,491,875	0	0	373,423,079	373,423,079
Total assets	1,836,062	0	416,491,875	418,327,937	2,295,710	0	373,423,079	375,718,789

Fair value of liabilities

(in EUR)	31 December 2016				31 December 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	(119,170)	0	0	(119,170)	(3,153,955)	0	0	(3,153,955)
Total liabilities at fair value	(119,170)	0	0	(119,170)	(3,153,955)	0	0	(3,153,955)
Non-current financial liabilities	0	0	(304,928,488)	(304,928,488)	0	0	(415,560,980)	(415,560,980)
Current financial liabilities (excluding liabilities at fair value)	0	0	(102,366,193)	(102,366,193)	0	0	(66,726,806)	(66,726,806)
Non-current operating liabilities (excluding other liabilities)	0	0	(24,000)	(24,000)	0	0	0	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	0	0	(351,356,954)	(351,356,954)	0	0	(295,345,597)	(295,345,597)
Total liabilities with fair value disclosure	0	0	(758,675,635)	(758,675,635)	0	0	(777,633,383)	(777,633,383)
Total liabilities	(119,170)	0	(758,675,635)	(758,794,805)	(3,153,955)	0	(777,633,383)	(780,787,338)

Petrol d.d.**Fair value of assets**

(in EUR)	31 December 2016				31 December 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,787,039	0	0	1,787,039	2,295,710	0	0	2,295,710
Total assets at fair value	1,787,039	0	0	1,787,039	2,295,710	0	0	2,295,710
Financial assets available for sale	0	0	2,519,028	2,519,028	0	0	1,685,902	1,685,902
Non-current financial receivables	0	0	27,421,814	27,421,814	0	0	15,794,952	15,794,952
Current financial receivables	0	0	18,452,346	18,452,346	0	0	12,880,885	12,880,885
Non-current operating receivables	0	0	643,851	643,851	0	0	918,240	918,240
Current operating receivables (excluding receivables from the state)	0	0	316,816,790	316,816,790	0	0	249,544,926	249,544,926
Cash and cash equivalents	0	0	12,657,723	12,657,723	0	0	26,994,577	26,994,577
Total assets with fair value disclosure	0	0	378,511,552	378,511,552	0	0	307,819,482	307,819,482
Total assets	1,787,039	0	378,511,552	380,298,591	2,295,710	0	307,819,482	310,115,192

Fair value of liabilities

(in EUR)	31 December 2016				31 December 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	(119,170)	0	(2,568,846)	(2,688,016)	(3,430,964)	0	0	(3,430,964)
Total liabilities at fair value	(119,170)	0	(2,568,846)	(2,688,016)	(3,430,964)	0	0	(3,430,964)
Non-current financial liabilities	0	0	(251,865,143)	(251,865,143)	0	0	(345,975,338)	(345,975,338)
Current financial liabilities (excluding liabilities at fair value)	0	0	(185,449,205)	(185,449,205)	0	0	(104,533,386)	(104,533,386)
Non-current operating liabilities (excluding other liabilities)	0	0	(24,000)	(24,000)	0	0	0	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	0	0	(316,068,164)	(316,068,164)	0	0	(249,186,412)	(249,186,412)
Total liabilities with fair value disclosure	0	0	(753,406,512)	(753,406,512)	0	0	(699,695,136)	(699,695,136)
Total liabilities	(119,170)	0	(755,975,358)	(756,094,528)	(3,430,964)	0	(699,695,136)	(703,126,100)

8. Related party transactions

Petrol d.d., Ljubljana is a joint-stock company listed on the Ljubljana Stock Exchange. The ownership structure as at 31/12/2016 is presented in chapter *The Management and Governance System* in the business report.

All of the Group/Company related party transactions were carried out based on the market conditions applicable to transactions with unrelated parties.

Companies in the Petrol Group

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Sales revenue:				
Subsidiaries	-	-	314,093,469	312,971,322
Jointly controlled entities	22,357,468	12,878,309	21,470,880	11,897,940
Associates	40,129	1,672,469	40,129	1,666,011
Cost of goods sold:				
Subsidiaries	-	-	34,156,260	34,043,243
Jointly controlled entities	49,177,363	24,738,766	22,187,563	11,975,149
Associates	21,817,911	31,392,942	132,453	2,204
Costs of materials:				
Subsidiaries	-	-	1,398,480	1,900,971
Jointly controlled entities	162,992	578,766	160,633	3,237
Associates	197,568	360,620	25,397	201,880
Costs of services:				
Subsidiaries	-	-	1,798,929	5,095,126
Jointly controlled entities	0	4,240	0	0
Associates	19,210	28,508	19,210	28,208
Other costs:				
Subsidiaries	-	-	3,103	139,519
Jointly controlled entities	95	446	0	0
Associates	0	0	0	0
Finance income from interests in Group companies:				
Subsidiaries	-	-	0	102,571
Jointly controlled entities	182,430	3,935,555	150,000	150,000
Associates	5,482,187	5,430,032	3,558,336	2,428,985
Finance expenses for interests in Group companies:				
Subsidiaries	-	-	0	0
Jointly controlled entities	195,772	92,752	0	0
Associates	96,428	0	0	0
Finance income due to elimination of negative goodwill:				
Subsidiaries	460,496	0	0	0
Jointly controlled entities	0	0	0	0
Associates	0	0	0	0
Finance income from interest:				
Subsidiaries	-	-	390,998	300,612
Jointly controlled entities	0	310,534	0	310,534
Associates	0	0	0	0
Gain on derivatives:				
Subsidiaries	-	-	1,129,037	0
Jointly controlled entities	0	0	0	0
Associates	0	0	0	0
Other finance income:				
Subsidiaries	-	-	169,409	0

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Jointly controlled entities	183,231	0	0	0
Associates	2,452,870	0	2,498,967	0
Finance expenses due to impairment of investments and goodwill:				
Subsidiaries	348,914	0	6,650,068	9,845,792
Jointly controlled entities	1,781,250	0	1,316,139	0
Associates	0	0	0	0
Finance expenses for interest:				
Subsidiaries	-	-	1,457,462	1,334,852
Jointly controlled entities	0	0	0	0
Associates	23,552	19,653	23,552	19,653
Loss on derivatives:				
Subsidiaries	-	-	3,068,605	0
Jointly controlled entities	0	0	0	0
Associates	0	0	0	0
Allowances for financial receivables:				
Subsidiaries	-	-	0	0
Jointly controlled entities	3,137,787	0	3,137,787	0
Associates	0	0	0	0

(in EUR)	The Petrol Group		Petrol d.d.	
	2016	2015	2016	2015
Investments in Group companies:				
Subsidiaries	-	-	290,581,344	286,097,454
Jointly controlled entities	1,652,682	50,451,020	1,196,000	2,512,140
Associates	129,686,241	117,494,379	52,852,540	53,206,341
Non-current financial receivables:				
Subsidiaries	-	-	26,345,830	10,495,956
Jointly controlled entities	0	3,890,309	0	3,890,309
Associates	0	0	0	0
Current operating receivables:				
Subsidiaries	-	-	33,536,819	24,771,942
Jointly controlled entities	484,760	4,396,983	363,359	4,293,538
Associates	12,555	288,336	12,555	288,336
Current financial receivables:				
Subsidiaries	-	-	13,034,171	6,371,220
Jointly controlled entities	1,070,000	541,000	1,070,000	541,000
Associates	0	0	0	0
Short-term deposits (up to 3 months):				
Subsidiaries	-	-	1,047,644	909,636
Jointly controlled entities	0	0	0	0
Associates	0	0	0	0
Current financial liabilities:				
Subsidiaries	-	-	89,607,113	48,815,819
Jointly controlled entities	1,271,910	1,308,445	1,271,910	1,308,445
Associates	9,000,164	0	9,000,164	0
Current operating liabilities:				
Subsidiaries	-	-	7,980,150	4,914,580
Jointly controlled entities	13,727	5,100,994	1,215	4,238,983
Associates	4,728,836	6,339,325	38,165	61,402

Remuneration of Supervisory Board and committee members of Petrol d.d., Ljubljana

(in EUR)	Remuneration for duties performed	Meeting fees	Total
Tomaž Kuntarič	14,400	6,782	21,182
Irena Prijović	12,000	8,167	20,167
Andrej Tomplak	12,000	6,105	18,105
Igo Gruden	12,000	6,023	18,023
Mladen Kaliterna	12,000	6,930	18,930
Matija Blažič	12,000	3,630	15,630
Klemen Ferjančič	12,000	6,105	18,105
Zoran Gračner	12,000	6,105	18,105
Janez Pušnik	3,000	2,888	5,888
Damjan Legen	11,130	3,630	14,760
Žiga Škerjanec	0	413	413
Total:	112,530	56,776	169,306

Remuneration of Management Board members of Petrol d.d., Ljubljana

2016

(in EUR)	Fixed pay	Variable pay	Costs reimbursed	Benefits – insurance premiums	Other receipts and benefits	Total
Tomaž Berločnik, MSc, President of the Management Board	198,000	107,250	987	16,921	4,978	328,136
Rok Vodnik, MSc, Member of the Management Board	168,000	91,000	954	14,114	3,436	277,504
Igor Stebarnak, Member of the Management Board (since 1 May 2015)	168,000	60,667	959	14,100	4,638	248,364
Ika Krevzel Panič, Member of the Management Board and Worker Director	76,446	4,000	1,361	143	1,661	83,612
Total:	610,446	262,917	4,261	45,278	14,713	937,616

2015

(in EUR)	Fixed pay	Variable pay	Costs reimbursed	Benefits – insurance premiums	Other receipts and benefits	Total
Tomaž Berločnik, MSc, President of the Management Board	198,000	99,000	1,021	16,905	6,150	321,076
Rok Vodnik, MSc, Member of the Management Board	168,000	84,000	1,011	14,096	4,569	271,676
Janez Živko, MBA, Member of the Management Board (until 28 February 2015)	28,000	84,000	143	1,116	1,680	114,940
Igor Stebarnak, Member of the Management Board (since 1 May 2015)	112,000	-	692	7,055	3,377	123,124
Samo Gerdin, Member of the Management Board and Worker Director (until 23 November 2015)	66,757	14,934	1,296	128	1,896	85,011
Ika Krevzel Panič, Member of the Management Board and Worker Director (since 11 December 2015)	4,156	-	73	8	-	4,236
Total:	576,913	281,934	4,235	39,309	17,673	920,064

Other receipts and benefits relate to annual leave allowances, the Christmas bonus and use of company vehicles.

Total remuneration paid in 2016 by the Company to the members of the Workers' Council stood at EUR 11,575.

The Company and the Group had no receivables from or liabilities to Supervisory Board members as at 31/12/2016.

The Company and the Group had no receivables from or liabilities to Management Board members as at 31/12/2016, except for liabilities arising from December salaries payable in January 2017.

9. Contingent liabilities

Contingent liabilities for guarantees issued

Maximum contingent liabilities of Petrol d.d., Ljubljana for guarantees issued stood at EUR 178,941,081 as at 31/12/2016 (2015: EUR 248,260,172) and were as follows:

(in EUR)	Petrol d.d.		Petrol d.d.	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Guarantee issued to:	Value of guarantee issued		Guarantee amount used	
Petrol d.o.o.	126,966,937	130,320,738	67,725,299	75,350,412
Petrol Trade Handelsgesellschaft m.b.H.	3,000,000	25,200,000	2,250,000	2,750,000
Petrol Energetika, d.o.o.	8,250,000	10,874,646	0	7,772,678
Petrol BH Oil Company d.o.o. Sarajevo	7,270,484	37,763,456	2,844,647	21,842,573
Petrol d.o.o. Beograd	14,493,528	10,286,923	1,500,000	1,570,000
Petrol Crna Gora MNE d.o.o.	1,720,000	10,880,000	106,509	2,036,550
Petrol Plin d.o.o.	4,525,207	4,478,817	337,579	701,370
Aquasystems d.o.o.	911,309	911,309	911,309	911,309
Eltec Petrol Hrvatska d.o.o.	0	96,884	0	78,505
Eltec Petrol d.o.o. Beograd	360,000	360,000	3,915	27,229
Petrol Geoterm d.o.o.	132,490	796,954	132,490	224,086
Petrol Bucharest ROM S.R.L.	4,000,000	0	885,936	0
Petrol Tehnologija, d.o.o.	0	100,000	0	0
Total	171,629,955	232,069,727	76,697,684	113,264,712
Other guarantees	7,311,126	16,190,445	7,311,126	16,190,445
Bills of exchange issued as security	2,483,522	2,373,804	2,483,522	2,373,804
Total contingent liabilities for guarantees issued	181,424,603	250,633,976	86,492,332	131,828,961

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 31,518,739. Interest on overdue amounts arising from the claims stood at EUR 3,328,835 as at 31/12/2016. 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 short-term provisions, which stood at EUR 577,355 as at 31/12/2016 compared to EUR 731,149 as at 31/12/2015. In addition, the Company created short-term provisions for interest on overdue amounts arising from the claims, which totalled EUR 67,191 as at 31/12/2016 compared to EUR 117,020 as at 31/12/2015.

The total value of lawsuits against the Group as defendant and debtor totals EUR 36,651,388. Interest on overdue amounts arising from the claims stood at EUR 3,334,094 as at 31/12/2016. 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 short-term provisions,

which stood at EUR 853,647 as at 31/12/2016 compared to EUR 1,452,811 as at 31/12/2015. In addition, the Group created short-term provisions for interest on overdue amounts arising from the claims, which totalled EUR 72,450 as at 31/12/2016 compared to EUR 117,020 as at 31/12/2015.

Inventories owned by other entities

The Group's and the Company's inventories as at 31/12/2016 included commodity reserve stocks of the Republic of Slovenia totalling EUR 60,376,523 (EUR 43,573,071 as at 31/12/2015). The Company's and the Group's inventories as at 31/12/2016 also included goods delivered on consignment totalling EUR 31,130,778 (EUR 32,606,118 as at 31/12/2015) and EUR 31,863,860 (EUR 33,220,994 as at 31/12/2015), 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. The fair value of their net open position stood at EUR 980,042 as at 31/12/2016 (EUR 3,344,795 as at 31/12/2015).

10. Events after the reporting date

There were no events after the reporting date that would significantly affect the financial statements for 2016 presented herein.

PETROL

Energy for life