THE FUTURE IS BRIGHT

ANNUAL REPORT 2017

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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March 2018

ANNUAL REPORT OF THE PETROL GROUP AND PETROL D.D., LJUBLJANA 2017

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 2017, including the corporate governance statement and the non-financial statement, has been prepared and published in accordance with the Companies Act, the Financial Instruments Market Act and International Financial Reporting Standards.

As 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 2017 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 2017 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, 21 February 2018

Tomaž Berločnik President of the Management Board	Rok Vodnik Member of the Management Board	Igor Stebernak Member of the Management Board	Ika Krevzel Panić Member of the Management Board and Worker Director

TOMAŽ BERLOČNIK

President of the
Management Board

IKA KREVZEL PANIĆ

Member of the Management
Board and Worker Director


IGOR STEBERNAK
Member of the
Management Board
ROK VODNIK
Member of the
Management Board

SEEING MORE

Identifying opportunities even before they appear.

Finding solutions when the problem has only just arisen.

Seeing the potential in the self-evident.

Always being on the lookout, for the future only reveals itself to those who eye it with courage and joyful anticipation.

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PETROL
PLIN
HIP SHOP
PETROL

BUSINESS REPORT 2017

GLOBAL DEVELOPMENT DICTATES OUR DEVELOPMENT. AND VICE VERSA.

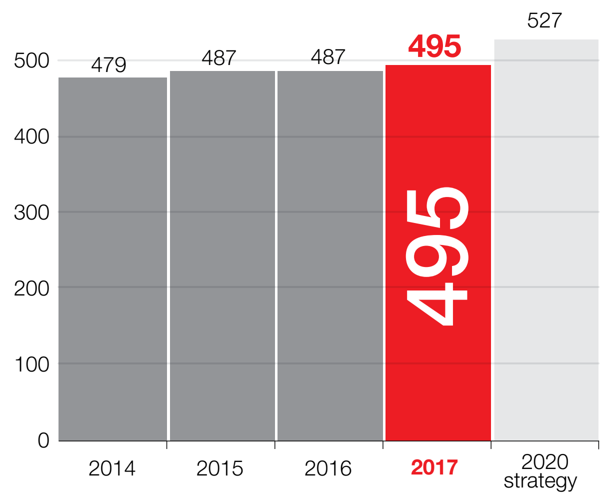
The future will change our perception of travel. THIS IS EVIDENT EVEN TODAY. As are the solutions governing this development. Filling with autogas is already available at 212 service stations across the region.

BUSINESS HIGHLIGHTS OF 2017

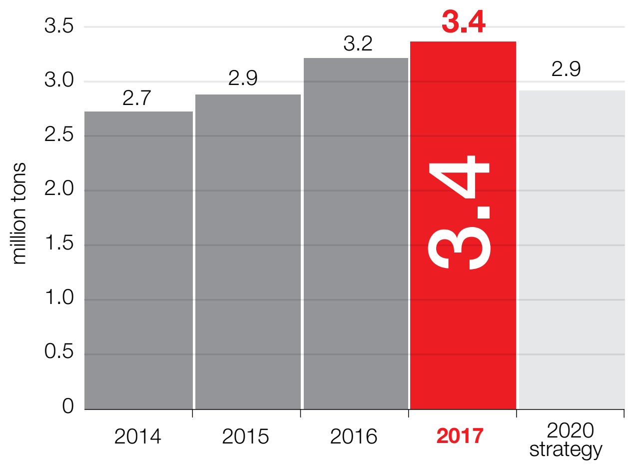
THE PETROL GROUP	UoM	RESULTS 2017	RESULTS 2016	Index 2017/2016
Sales revenue	EUR million	4,496.7	3,856.7	117
Adjusted gross profit[1]	EUR million	432.7	382.0	113
Operating profit	EUR million	112.2	99.6	113
Net profit	EUR million	81.1	72.7	112
Equity	EUR million	701.9	595.7	118
Total assets	EUR million	1,656.3	1,502.8	110
EBITDA[2]	EUR million	159.6	143.8	111
EBITDA/Adjusted gross profit	%	36.9	37.7	98
Operating costs/Adjusted gross profit	%	75.1	75.2	100
Net debt/Equity[3]		0.5	0.6	84
Net debt/EBITDA		2.3	2.6	89
ROE[4]	%	12.4	12.2	102
Added value per employee[5]	EUR thousand	62.5	58.8	106
Earnings per share[6]	EUR	39.5	35.2	112
Share price as at last trading day of the year	EUR	349.5	325.0	108
Volume of petroleum products sold	million tons	3.4	3.2	105
Volume of liquefied petroleum gas sold	thousand tons	151.0	141.6	107
Volume of natural gas sold	TWh	1.26	1.33	95
Electricity sold	TWh	21.0	17.6	119
Revenue from the sale of merchandise	EUR million	538.3	505.2	107
Number of service stations as at last day of the year		495	487	102
Number of employees (including third-party managed service stations) as at last day of the year		4,508	4,166	108

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

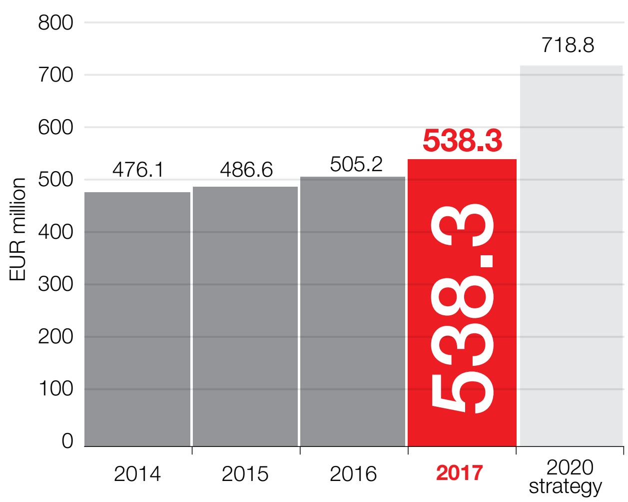
NUMBER OF SERVICE STATIONS



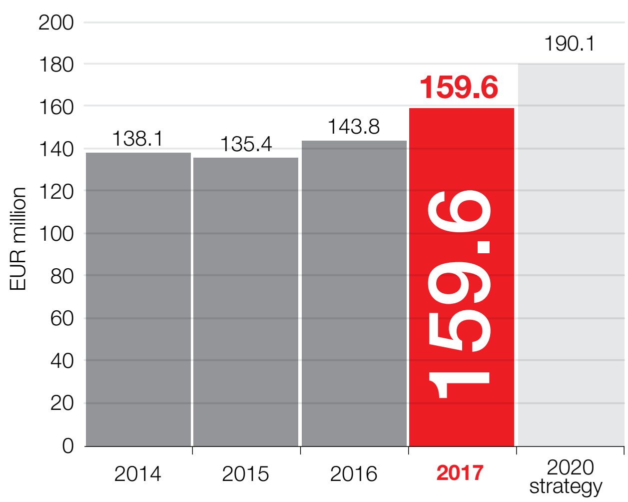
VOLUME OF PETROLEUM PRODUCTS SOLD



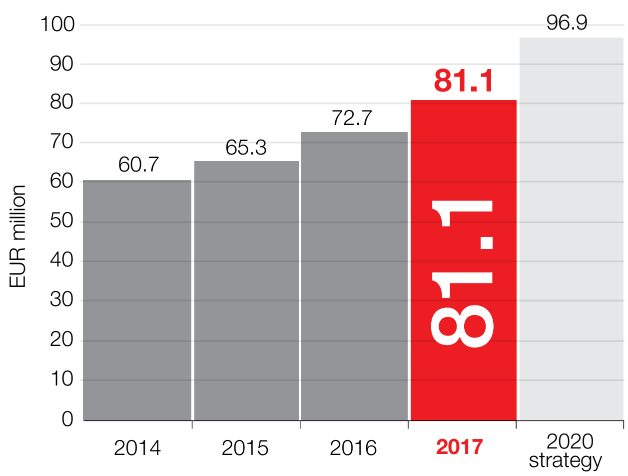
REVENUE FROM MERCHANDISE SALES



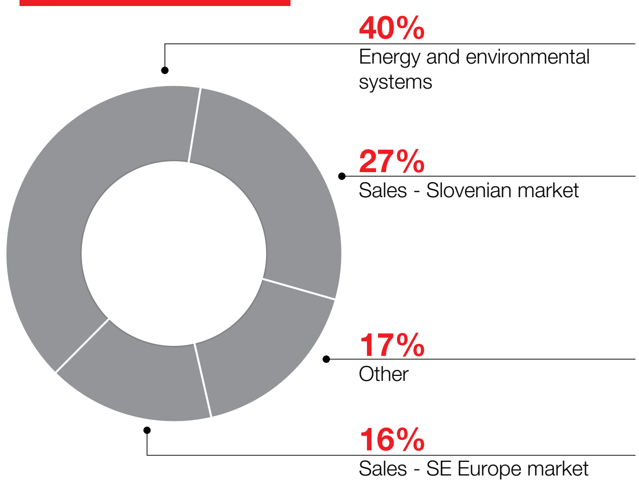
EBITDA



NET PROFIT



BREAKDOWN OF THE PETROL GROUP'S INVESTMENTS IN 2017



LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

In the letter in the 2016 Annual Report I promised, on behalf of the Petrol Group, that we would work towards even better business results. I am proud to be able to tell you that we succeeded. The financial year 2017 was very successful.

The operations of the Petrol Group involve and are intertwined with two very demanding industries – energy and trade. Energy is one of the most challenging branches and is the basis of industry and transport. The performance of energy companies is greatly influenced by both the global economic situation reflected in energy prices and the economic trends on sales markets. Trade has been developing at a fast pace in recent years. Traditional sales in shops have been complemented and, to a certain degree, replaced by online sales. Consumers are extremely well informed and their purchases are increasingly less restricted to their country of residence. The development of the internet and the accessibility of various smart devices will result in a huge increase in the volume of data available to the trade sector. The economic situation on the markets where the Petrol Group operates improved in 2017, however, the effects of economic growth have not yet been fully passed on to the population's purchasing power.

In 2017 the Petrol Group generated EUR 4.5 billion in sales revenue, up 17 percent from 2016. Adjusted gross profit stood at EUR 432.7 million, which was 13 percent more than in the previous year. EBITDA totalled EUR 159.6 million and reached a new milestone as far as the operations of the Petrol Group are concerned. Net profit stood at EUR 81.1 million and was up 12 percent from 2016. At EUR 14.0 per share, the 2016 dividends, paid in 2017, were the highest to date. A stable dividend policy and good business performance are a guarantee to maximise shareholders' return, which is the cornerstone of Petrol's shareholder policy.

The good performance was reflected in the petroleum product sales of 3.4 million tons or 5 percent more than in 2016. Merchandise sales constitute an important part of Petrol's operations and generated EUR 538.3 million in sales revenue in 2017, an increase of 7 percent compared to 2016. In 2017 Petrol was also successful in ensuring a comprehensive supply of all energy products and in providing energy and environmental services. Good results were also achieved in natural gas sales, liquefied petroleum gas sales and in the sales of heat and electricity.

Petrol's sales network consists of 495 retail outlets in Slovenia and in the markets of SE Europe, with online sales becoming increasingly important. You, the customers are at the heart of our business and through the omnichannel sales approach we try to ensure that our products and services are always at your disposal when this suits you best. On this occasion, I would like to thank our customers for allowing us to be a part of their everyday life: in their homes, on their travels, and in their workplaces. We are happy to make sure that

your homes are warm and that electricity powers your appliances. We realise that today time is the asset that we most often lack, which is why our efforts are directed at allowing you to run as many errands as possible at our retail points of sale – besides fuelling up, you can buy food, pay your bills, place a bet on your favourite sports team to win, buy tickets for a concert for your children, collect goods that you have ordered online or other parcels, bring a smile to the faces of your family or colleagues as you treat them with the delicacies from our Fresh range and meet your friends or business partners in any of a number of well-equipped bars at our service stations. We can also provide energy and energy optimisation for your workplace in the framework of business and public buildings energy management.

Good business results are reflected in a set of indicators and figures, but behind them are employees, who each in their own field try their best to contribute. There are already 4,508 of us at the Petrol Group. The growth of business and new activities has led to an increase in the number of employees. We strive to combine experience with new ideas, where the mentoring programme plays an important role. Petrol is a family-friendly enterprise, which in 2017 organised several activities for employees and their families. I was particularly pleased by the visit by the employees' children which took place during the autumn school holidays.

At Petrol, we are aware that our business significantly depends on the environment in which we work – both natural and social. Care for the environment is integrated in all levels of our operations. In the course of our work we strictly follow all environmental regulations. In accordance with the sustainable development strategy, we have taken the lead in a gradual transition to low carbon mobility. Petrol is becoming a partner in smart, energy-efficient management of towns and urbanised settled areas.

The responsibility to the social environment in which we operate and live is one of our core values. At Petrol, we strive for being tightly integrated into the social environment, and thus by investing in it we strengthen good relationships in the long term. We support sports and cultural events and cooperate with athletes. As early as 2011, we started actively supporting blood donation as part of the "Give Energy for Life" project. "Our Energy Connects" is a charity project with which we help where we feel at home. This project receives funds that would otherwise be spent on the purchase of business gifts, and we also like to help as volunteers.

In 2017 we made a number of strategic development moves, which will have a significant impact on the operations of the Petrol Group in the future. By merging Petrol Plin d.o.o. with Petrol d.o.o. in the Croatian market we consolidated operations to achieve even better business results on that market. In 2017 the Petrol Group acquired a majority interest in Geoplin, which primarily deals with the sale of natural gas on the Slovene and foreign markets, and that will significantly strengthen the Group's position in the natural gas market.

By strategically partnering with the company Mbills, we pursue the strategy for the period 2016 – 2020 which envisages the launch of customer-focused digitalisation projects. In Slovenia, a mobile payments standard was thus set which is completely independent, supports paperless and cashless payments, and is open to all users, companies, traders and banks as well. The Petrol mBills mobile app (mBills.si) is an open mobile payment platform based on the mobile wallet. It can be used for paying bills in shops, monthly bills, online shopping and money transfer.

Corporate integrity, reflected in ethical and transparent operations, is our guide. We wish to excel in doing it right. We do business and plan transparently and openly. We have set ambitious business goals for 2018. We respond to the challenges of the business environment with well-though-out business decisions resulting from careful planning and fast response to changes, which is made possible also by an efficient risk management system.

The financial position of the Petrol Group is very stable and enables the growth and development of the Petrol Group as set out in the Strategic Business Plan 2016 – 2020, since our aim is to achieve good results in the long run. This is our commitment.

The future is bright.

Tomaž Berločnik
President of the Management Board

BUSINESS PERFORMANCE IN 2017

WE HAVE DEVOTED ATTENTION TO IMPECCABLE SERVICE.

Lighting in the non-residential sector consumes a lot of energy. Therefore we SEE THE CHANGES where others do not and we focus our efforts on introducing efficient lighting to reduce energy consumption and decrease the environmental burden.

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:

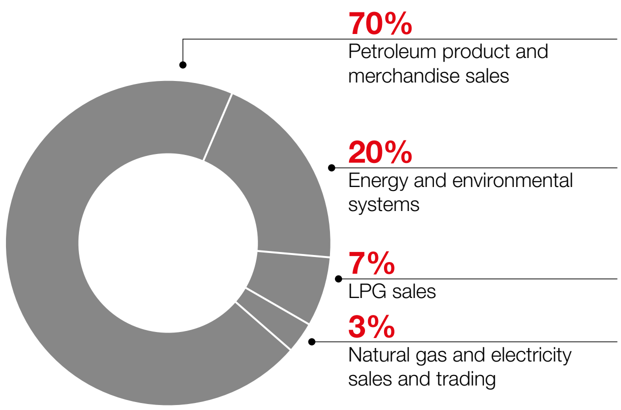
- balance between stable operations and development for addressing new challenges (the setting up of a flexible and agile organisation which provides suitable and risk-adjusted returns and takes into account sustainable development and social responsibility),
- higher sales and transition to new business 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 sold[1]
- 236 thousand tons of liquefied petroleum gas sold
- Revenue from merchandise sales of EUR 719 million
- 413 million m^3 of natural gas sold (supply and trading)
- 15 TWh of electricity sold (supply and trading)
- 139 thousand MWh of heat sold

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

EBITDA broken down by activity in 2020



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

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 2018

The Petrol Group operates in one of the most important industries – the energy sector. This sector is rapidly moving towards energy efficiency, novel use of existing energy products and development of new energy products. Being mindful of climate change, which is linked also to the use of fossil fuels, is an important part of this process. Global efforts are centred on mitigating climate change risks, and solutions are sought to ensure affordable and reliable energy supply. As technology develops, less energy is needed for a bigger output. In the case of transport, this means that 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 also required for heating and cooling.

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. The most relevant factors influencing the Group's operations in the international business environment include price fluctuations in the oil market and the market for other energy products as well as the US dollar exchange rate, which all 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.

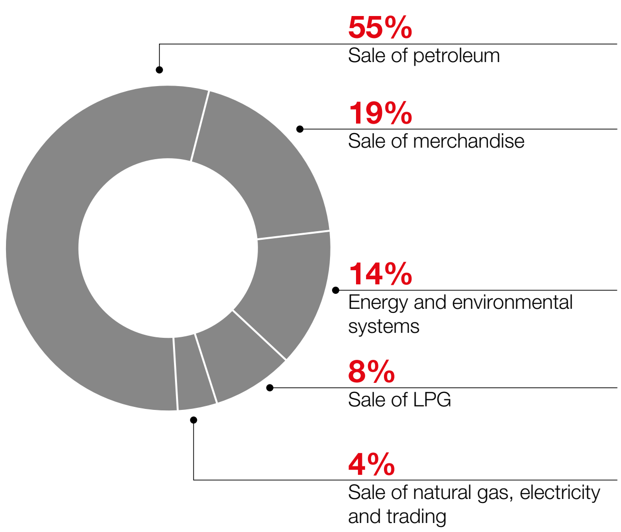
The Petrol Group's operations go beyond energy operations alone, with the sales of merchandise and services making up an important part of its revenue. The Group is actively involved in the rapid development of trade which is changing purchasing habits of consumers and distribution channels through the digitisation of business.

The Petrol Group has set ambitious goals for 2018. To achieve them, it will pay particular attention to the streamlining of operational and supporting business processes in 2018.

The Petrol Group's main business targets for 2018:

- Net sales revenue of EUR 4.5 billion
- Adjusted gross profit of EUR 440.5 million
- EBITDA of EUR 170.1 million
- Net profit of EUR 86.9 million
- Net debt to equity ratio of 0.4
- Net debt to EBITDA ratio of 2.0
- 3.1 million tons of petroleum products sold
- 178.4 thousand tons of liquefied petroleum gas sold
- Revenue from merchandise sales of EUR 550.4 million
- Retail network consisting of 498 service stations
- Investments in fixed assets of EUR 99 million

EBITDA broken down by activity in 2018



THE PETROL GROUP IN ITS REGION

CORPORATE GOVERNANCE STATEMENT AND STATEMENT OF COMPLIANCE WITH THE CODE

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

1. Reference to the applicable Corporate Governance Code

In the period from 1 January 2017 to 31 December 2017, the Company was bound by the Slovene Corporate Governance Code for Listed Companies (hereinafter 'the Code') as jointly drawn up and adopted by the Ljubljana Stock Exchange and the Slovene Directors' Association on 27 October 2016. The Code entered into force on 1 January 2017. It is available both in Slovene and in English from the website of the Ljubljana Stock exchange at http://www.ljse.si. The Company has not adopted a corporate governance code of its own. It is managed in accordance with the Companies Act and within the framework of the above Code. In compliance with the recommendations of the applicable Code, the Supervisory Board and the Management Board drew up and, at the Supervisory Board meeting of 23 November 2010, adopted the Corporate Governance Policy of Petrol d.d., Ljubljana, which was published via the Ljubljana Stock Exchange SEOnet information system on 28 December 2010. The policy was updated at the Supervisory Board meetings of 12 December 2013, 11 December 2014, 15 December 2016 and 14 December 2017, and published via the Ljubljana Stock Exchange SEOnet information system (the version currently in force is available at http://seonet.ljse.si/default_en.aspx?doc=PUBLIC_ANNOUNCEMENTS_BY_PRIME_MARKET_ISSUERS&doc_id=64258) on 23 December 2013, 13 January 2015, 23 December 2016 and 29 December 2017, respectively. It is also available, in Slovene and in English, from the website of Petrol d.d., Ljubljana, (www.petrol.si, www.petrol.eu).

Declaration of compliance with the Code

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

- In 2017 the Management Board and the Supervisory Board did not draw up and adopt the Diversity Policy, although a commitment had been included in the Supervisory Board's rules of procedure already in 2016 to strive for diversity both when proposing candidates for Supervisory Board posts and when appointing the Management Board. Upon the expiry of the terms of office of all Supervisory Board members in 2017, neither the Workers' Council nor the General Meeting ensured expected appropriate diversity of the Supervisory Board in terms of gender, which in a normal course of events cannot be changed before 2021. As the terms of office of all Management Board members who represent the Company independently and are individually responsible for different areas of work also do not expire before 2021, the need to adopt the Diversity Policy already in the past year was not of significant importance, in a normal course of events, in the case of the Management Board either. The Supervisory Board expects that the Management Board will prepare the proposals in 2018 and that the document will be drawn up and adopted by the Management Board and Supervisory Board (the Code: Diversity Policy, paragraph 4).
- In its Rules of Procedure, the Supervisory Board has not set the scope of topics and timeframes to be respected by the Management Board in its periodic reporting. The topics are already laid down in the Company's annual financial calendar rather than in the Rules of Procedure. In addition to the Financial Calendar, which is published on SEOnet, the Supervisory Board adopts an extended version of the calendar comprising additional topics and timeframes applicable to the Supervisory Board and its committees and, as such, representing a coherent and comprehensive working plan of this body (the Code: Supervisory Board's Tasks, first sentence of paragraph 12.3).
- Due to a high degree of data confidentiality and to ensure a higher standard of communication with Supervisory Board members, information technology is seldom used to convene meetings and distribute Supervisory Board documents. It will be introduced as soon as all members of the Supervisory Board and its committees

are equipped with sufficiently secure connections and protocols to prevent unauthorised access to documents and, where necessary or desirable, to securely provide themselves with printed documents (the Code: Supervisory Board's Tasks, paragraph 12.5).

- In 2017 the Supervisory Board defined an education plan for Supervisory Board members and committees with regard to internal functional training that does represent additional education costs. It did not, however, define indicative costs of training although some members received certain forms thereof. On the assumption that there is agreement between the Management Board and the Supervisory Board, there are no restrictions as to the training of Supervisory Board members provided such training is necessary and pertinent (the Code: Education of Supervisory Board Members, first sentence of paragraph 13.1).
- When setting up committees, the Supervisory Board did not define their tasks. For the Audit Committee, these have already been defined in laws and recommendations and, specifically, in each annual work programme of the Audit Committee which is approved by the Supervisory Board. The Human Resources and Management Board Evaluation Committee performs all of its tasks as decided by the Supervisory Board on a case-by-case basis (the Code: Supervisory Board Committees, first sentence of paragraph 18.2).
- The Company's management has not adopted particular rules and a corporate communication strategy that would contain rules on the protection of confidentiality, trade secret and inside information as well as clearly define information flow inside the Company, along with the recording and supervision of access to inside information from origin to public announcement, as well as warnings that the information has not been publicly disclosed yet and therefore constitutes inside information. The Company has in place the Rules on the Safeguarding of Trade Secrets at the Petrol Group, and everybody that is any way whatsoever linked to inside information is required to keep this information confidential as they are included on the insider list and may be penalised on various grounds, depending on whether they are external contractors, employees, Management Board members or Supervisory Board members. Although the Company has not laid down particular rules governing this field, it has in place a well established system of communicating with the public and provides information about all important events as they arise (the Code: The Company's Corporate Communication Strategy (indents 1 and 2 of paragraph 27.2).
- The Company has not yet drawn up an internal act or rules that would lay down additional rules on trading limitations regarding its shares in addition to legal provisions and regulations. Nevertheless, any person having access to inside information signs a special statement

to keep inside information confidential. In accordance with the requirements of the Securities Market Agency, the Company keeps a list of persons with access to inside information, which is always up-to-date. The Company has laid down and enforced the highest ethical standards and values which are communicated to the persons having access to inside information. Trading in accordance with an act could have been too rigid, as each individual must assess on their own when they are in possession of inside information that prevents them from trading. Only an exceedingly good act can be considered a better alternative to not having such an act in the first place. In all other cases, it can be used to cover borderline cases as well (the Code: Trading Restrictions with Shares, paragraph 27.3).

- The Company provides prompt information about its financial and legal situation through public announcements, but it does not report on operational estimates as this inconsequential as long as its operations are in line with the applicable strategy and annual work programme. In the event of deviations, the Company would immediately make a public announcement to inform interested stakeholders of other business events, impacts and deviations (the Code: Public Announcement of Important Information, indent 3 of paragraph 29.1).
- At the Company's General Meeting in 2017, the Management Board was authorised to acquire own shares within 36 months of the adoption of the resolution. One of the shareholders announced and then filed a lawsuit to contest the resolution, but the Court has not yet issued a final decision at the time the financial year ended. The Management Board did not act on the above authorisation in 2017, which is why it did not draw up and publicly announce the programme of acquisition of own shares (the Code: Public Announcement of Important Information, paragraph 29.3).
- The Company has not published the applicable wording of the rules of procedure of its bodies on its website. The Management Board and the Supervisory Board discussed the benefits of this recommendation and view the Supervisory Board's Rules of Procedure and the Management Board's Rules of Procedures as texts which are updated on a regular basis and are intended for the sole use of these bodies. Moreover, any external assessment of these documents by third parties would have been unnecessary due to their not being familiar with the needs of these bodies. The General Meeting Rules of Procedure were adopted at the first general meeting of the joint-stock company Petrol d.d., Ljubljana in 1997, they are always available during the general meeting and do not contradict the Companies Act, which lays down, through peremptory provisions, all elements concerning the running of a general meeting, making it sufficient to have the rules of procedure available only during each general meeting. (the Code: Public Announcement of Important Information, paragraph 29.9).

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

The Company's management is responsible for the keeping of proper books of account, setting up and ensuring the functioning of internal controls and internal accounting control, selecting and applying accounting policies and safeguarding the Company's assets. The establishment of the latter, which is based on the three lines of defence model[2], 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.

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

The largest shareholders of Petrol d.d., Ljubljana as at 31 December 2017

	Shareholder	Address	Shares owned	Holding in %
1	ČEŠKOSLOVENSKA OBCHODNI BANK, A.S. - FID	RADLICKA 333/150, 150 57 PRAGA 5, CZECH REPUBLIC	267,076	12.80%
2	SLOVENSKI DRŽAVNI HOLDING, D.D.	MALA ULICA 5, 1000 LJUBLJANA	264,516	12.68%
3	REPUBLIKA SLOVENIJA	GREGORČIČEVA ULICA 20, 1000 LJUBLJANA	210,685	10.10%
4	KAPITALSKA DRUŽBA, D.D.	DUNAJSKA CESTA 119, 1000 LJUBLJANA	172,639	8.27%
5	SPLITSKA BANKA D.D. - CLIENT ACCOUNT - F	DOMOVINSKOG RATA 61, 21000 SPLIT, CROATIA	101,768	4.88%
6	VIZIJA HOLDING, K.D.D.	DUNAJSKA CESTA 156, 1000 LJUBLJANA	71,676	3.44%
7	VIZIJA HOLDING ENA, K.D.D.	DUNAJSKA CESTA 156, 1000 LJUBLJANA	63,620	3.05%
8	NOVA KBM D.D.	ULICA VITA KRAIGHERJA 4, 2000 MARIBOR	39,985	1.92%
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%

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 2017 the existing internal control system of the company Petrol d.d., Ljubljana and of the Petrol Group allowed for efficient and successful achievement of business objectives, operation in compliance with the law, and fair and transparent reporting in all material respects.

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

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

3.1 Structure of the Company's share capital

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

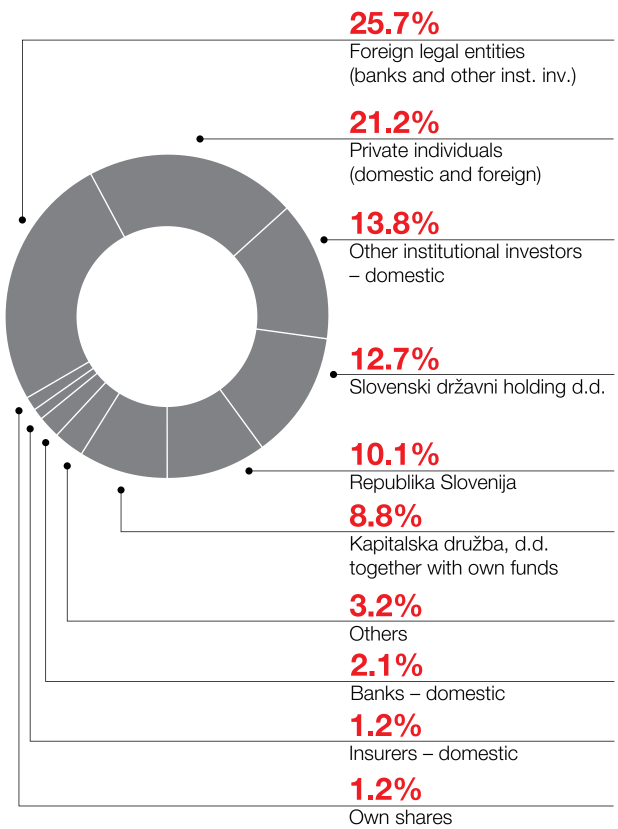
3.2 Restrictions on the transfer of shares

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 2017:

Share capital structure as at 31 December 2017



- Československa Obchodni Bank, a.s. – FID held 267,076 shares of Petrol d.d., Ljubljana, representing 12.80 percent of the issuer's share capital,
- Slovenski državni holding, d.d., held 264,516 shares of Petrol d.d., Ljubljana, representing 12.68 percent of the issuer's share capital,
- Republika Slovenija held 210,685 shares of Petrol d.d., Ljubljana, representing 10.10 percent of the issuer's share capital, and
- Kapitalska družba, d.d. held 172,639 shares of Petrol d.d., Ljubljana, representing 8.27 percent of the issuer's share capital.

3.4 Holders of securities carrying special control rights

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

3.5 Employee share scheme

The Company has no employee share schemes.

3.6 Restrictions on voting rights

There are no restrictions on voting rights.

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

The Company is not aware of such agreements.

3.8 The Company's rules regarding:

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

  The president and other members of the Management Board are appointed and discharged by the Supervisory Board. Apart from the worker director, the Supervisory Board appoints Management Board members on the proposal of the president of the Management Board. Management Board members are appointed for a five-year term of office and may be re-appointed. On the proposal of the Human Resources and Management Board Evaluation Committee and according to its Rules of Procedure, the Supervisory Board determines general and specific criteria for selecting candidates for the president and members of the Management Board, at the same time laying down a framework for contracts concluded with Management Board members. The Supervisory Board also determines the weight of individual criteria that comprise the competence model of the president and members of the Management Board. The Human Resources and Management Board Evaluation Committee proposes to the Supervisory Board which method or a combination of methods to apply in order to find candidates for the president of the Management Board (personal invitations, job vacancy postings) and determines whether it is necessary to engage an external headhunting expert. The Human Resources and Management Board Evaluation Committee carefully checks the fulfilment of general and specific conditions required for the post of Management Board president or member and other conditions laid down in the Company's Articles of Association. The Committee also verifies the references stated in candidates' CVs, and conducts interviews. It puts together a selection of candidates for the president of the Management Board, conducts selection interviews and ranks them. Shortlisted 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 2016, 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. Efforts were thus made to take these Rules of Procedure provisions into account already when candidates for new Supervisory Board members were proposed, as the terms of office of all Supervisory Board members ended in 2017, but neither the Workers' Council nor the General Meeting ensured expected appropriate diversity of the Supervisory Board in terms of gender, which in a normal course of events cannot be changed before 2021. The terms of office of Management Board members also do not end before 2021. In 2017 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 Listed 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). Considering the time when the terms of office of Management Board and Supervisory Board members expire, these commitments and guidelines are not yet applicable, but the two bodies will endeavour to draw up and adopt a diversity policy in 2018 in such a way that it is appropriate and feasible for new appointments.

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

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

The powers of Management Board members are laid down in section 5 below. At the 27th General Meeting, the Management Board was authorised to acquire own shares within 36 months of the adoption of the resolution. The authorisation specifies the largest number of own shares that may be acquired and other conditions for the acquisition as well as disposal conditions, including the exclusion of the shareholders' pre-emptive right upon disposing of own shares. The Notary's Minutes of the 27th General Meeting, which contain the full text of the resolution relating to the Management Board's authorisation, is available on the Company's website http://www.petrol.si/sites/www.petrol.si/files/attachment/notarski_zapisnik_27._seja_skupscine_petrol_d.d._ljubljana.pdf.

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

The Company is not aware of such agreements.

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

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

4. Information on the workings of the General Meeting

As provided by the applicable legislation, specifically the Companies Act, the General Meeting is a body through which shareholders exercise their rights in respect of matters concerning the Company. The convening of General Meetings is governed by the Articles of Association, in conformity with applicable legislation. The General Meeting is convened at the request of the Management Board, at the request of the Supervisory Board, or at the request of the Company's shareholders who collectively represent at least five percent of the Company's share capital. The party requesting the convening of a General Meeting must submit to the Management Board an agenda for the General Meeting together with an explanation and justification of the purpose and reasons for convening the General Meeting. The Management Board calls a General Meeting of the Company's shareholders one month before the meeting takes place by publishing a notice via the Ljubljana Stock Exchange SEOnet information system, the AJPES website and the Company's website. In the notice of the General Meeting, the Management Board specifies the time and place of the meeting, the bodies conducting the meeting, the agenda and proposed resolutions. At the General Meeting held on 10 April 2017, 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 2016, as well as with the remuneration of the members of management and supervisory bodies. The shareholders discussed and adopted a resolution on the distribution of accumulated profit and the granting of discharge from liability to the Management Board and the Supervisory Board for the year 2016, a resolution on the appointment of an auditor to audit the Company's financial report and review its business report for 2017, a resolution on the appointment of six Supervisory Board members (shareholder representatives), a resolution authorising the Management Board to acquire own shares and a resolution on amending the provisions of the Articles of Association relating to the Management Board member/Worker Director who may, in accordance with the amendments, also represent the Company together with another member or president of the Management Board. New Supervisory Board members (employee representatives) appointed by the Workers' Council in February 2017 were also introduced at the General Meeting.

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. As of 2017, however, following the amendments to the Articles of Association, the worker director is also authorised to jointly represent of the Company. In 2017 the Management Board was composed of four members. During this period, it discussed issues falling within its competence at 69 meetings. All decisions were adopted unanimously. In addition to holding formal meetings, the Management Board exercised the powers and responsibilities pertaining to its daily activities and to the General Meeting, as stipulated by the Companies Act. The activities concerning the Supervisory Board were carried out in accordance with the provisions of the Supervisory Board Rules of Procedure. The Management Board regularly reported to the Supervisory Board on the Company's operations and consulted it in connection with the Company's strategy, business development and risk management. Some of the Management Board's activities were also focused on collaboration with the Workers' Council and the representative trade union. Management Board members are appointed for a five-year term of office and may be re-appointed. The president of the Management Board and all Management Board members represent the Company in an independent and individual capacity, except for the worker director, who may represent the Company together with another member or president of the Management Board. Legal representatives need an approval of the Supervisory Board to acquire or dispose of their own shares, or acquire, establish or dissolve companies and business units. Approval is also required for raising or granting loans that individually exceed five percent of the Company's total capital or for other individual capital investments exceeding five percent of total capital. They also need approval to grant a power of attorney and mortgages.

Members of the Management Board of Petrol d.d., Ljubljana in 2017:

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

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

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

- Sales
- Trading
- Energy and environment

Igor Stebernak, Member of the Management Board

Appointed for a five-year term of office beginning on 1 May 2015. At its 26th meeting of 26 January 2016, the Supervisory Board aligned his term of office with that of the president of the Management Board/mandatary, with his new five-year term of office now also beginning on 1 February 2016. Born in 1968, he holds a bachelor degree in electrical engineering. Fields of responsibility:

- Business support

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

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

Responsibilities and composition of the Supervisory Board

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

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

The following committees were operational in 2017: 1. the Audit Committee, 2. the Human Resources and Management Board Evaluation Committee, 3. the Nomination Committee, which carried out the procedure for the selection of candidates for Supervisory Board positions, as it had been laid down beforehand by the Supervisory Board. The terms of office of all Supervisory Board members ended in 2017.

Members of the Supervisory Board of Petrol d.d., Ljubljana in 2017 were as follows:

From 1 January 2017 to 21 February 2017:
Tomaž Kuntarič – president
Irena Prijović – deputy president
Igo Gruden – member
Klemen Ferjančič – member
Matija Blažič – member
Mladen Kaliterna – member
Zoran Gračner – member
Andrej Tomplak – member
Damjan Legen – member

From 22 February 2017 to 6 April 2017:
Tomaž Kuntarič – president
Irena Prijović – deputy president
Igo Gruden – member
Klemen Ferjančič – member
Matija Blažič – member
Mladen Kaliterna – member
Zoran Gračner – member
Alen Mihelčič – member
Robert Ravnikar – member

From 7 April 2017 to 10 April 2017:
Mladen Kaliterna – member
Alen Mihelčič – member
Robert Ravnikar – member
Zoran Gračner – member

From 11 April 2017 to 31 December 2017:
Shareholder representatives
Nada Drobne Popović – president from 22 April 2017 (date of the inaugural meeting)
Sašo Berger – deputy president from 22 April 2017 (date of the inaugural meeting)
Igo Gruden – member
Metod Podkrižnik – member
Mladen Kaliterna – member
Sergij Goriup – member
Employee representatives
Alen Mihelčič – member
Robert Ravnikar – member
Zoran Gračner – member

Tomaž Kuntarič, shareholder representative

President of the Supervisory Board from 22 April 2013 to 6 April 2017

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. His term of office ended on 6 April 2017.

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. Her term of office ended on 6 April 2017.

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. His term of office ended on 6 April 2017.

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. His term of office ended on 6 April 2017.

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. His term of office ended on 21 February 2017.

Damjan Legen, employee representative
Petrol d.d., Ljubljana, bookkeeper, Accounting organisational unit. Appointed as a replacement member for the remaining term of office of Ika Krevzel Panić 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.

Latest members of the Supervisory Board from 11 April 2017 to 31 December 2017:

Nada Drobne Popović, shareholder representative
President of the Supervisory Board
Member of the Management Board of Slovene Sovereign Holding. Appointed for a four-year term of office beginning on 11 April 2017 at the 27th General Meeting of 10 April 2017. She has performed the function of Supervisory Board president since the inaugural meeting of 22 April 2017.

Sašo Berger, shareholder representative
Deputy President of the Supervisory Board
President of the Management Board of S&T Slovenija d.d. Appointed for a four-year term of office beginning on 11 April 2017 at the 27th General Meeting of 10 April 2017. He has performed the function of Supervisory Board deputy president since the inaugural meeting of 22 April 2017.

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

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

Sergej Goriup, shareholder representative
Member of the Supervisory Board
Independent solicitor. Appointed for a four-year term of office beginning on 11 April 2017 at the 27th General Meeting of 10 April 2017.

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

Zoran Gračner, employee representative
Petrol d.d., Ljubljana, Energy Distribution Systems organisational unit. Appointed for a four-year term of office beginning on 22 February 2013 at the 3rd Workers' Council meeting of 4 February 2013, and reappointed for another four-year term of office beginning on 22 February 2017 at the 3rd Workers' Council meeting of 27 January 2017.

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

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

The Supervisory Board had two standing committees in 2017: 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.

In 2017 **the Audit Committee** was composed of the following members in the period 1 January 2017 to 6 April 2017:

- Mladen Kaliterna – committee president
- Irena Prijović – committee member
- Zoran Gračner – committee member
- Janez Pušnik – external committee member

Following the Supervisory Board's inaugural meeting, i.e. in the period from 22 April 2017 to the end of the financial year, its composition was as follows:

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

The Human Resources and Management Board Evaluation Committee was composed of the following members in the period 1 January 2017 to 22 February 2017:

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

In the period 22 February 2017 to 6 April 2017, its composition was as follows:

- Klemen Ferjančič – committee president
- Tomaž Kuntarič – committee member
- Igo Gruden – committee member
- Alen Mihelčič – committee member

In the period from 22 April 2017 (following the inaugural meeting) to the end of the financial year, its composition was as follows:

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

In 2017, the composition of **the Nomination Committee** up to its final meeting of 23 February 2017, when new candidates/shareholder representatives were proposed to the Supervisory Board (whereupon the committee was dissolved), was as follows:

- Klemen Ferjančič – committee president
- Tomaž Kuntarič – committee member
- Igo Gruden – committee member
- Andrej Tomplak, committee member (until the expiry of the term of office on 21 February 2017)
- Irena Prijović – committee member
- Žiga Škerjanec – external committee member

APPENDIX C: COMPOSITION AND REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARDS

C.1: Composition of the Management Board in the financial year 2017

Name and Surname (gender, nationality, year of birth)	Function (president, member)	Area of work in the Management Board	First appointment to the office	Termination of office/ mandate	Education	Professional profile	Membership of supervisory bodies of non-related companies
Tomaž Berločnik (male, Slovene, 1968)	President of the Management Board	procurement and logistics, process support, point-of-sale management and development, technical support	1 February 2011	31 January 2021	bachelor of mechanical engineering and master of business administration	all-round management competences	/
Rok Vodnik (male, Slovene,1970)	Member of the Management Board	sales, trading, energy and environment	30 August 2009	31 January 2021	bachelor of electrical engineering and master of business administration	all-round management competences	MDS IT inovativne tehnologije d.d. – member of the Supervisory Board
Igor Stebernak (male, Slovene, 1968)	Member of the Management Board	business support	1 May 2015	31 January 2021	bachelor of electrical engineering	finance, IT, risks	Zavarovalnica Triglav d.d. – president of the Supervisory Board
Ika Krevzel Panić (female, Slovene, 1974)	Member of the Management Board and Worker Director	the worker director does not have a specific field of responsibility	11 December 2015	10 December 2020	bachelor of law	corporate and civil law	/

C.2: Composition of the Supervisory Board and committees in the financial year 2017

Name and Surname (gender, nationality, year of birth)	Function (president, deputy president, member)	First appointment to the office	Termination of office/ mandate	Shareholder/employee representative	Attendance at SB meetings according to the total number of meetings	Education	Professional profile
Tomaž Kuntarič (male, Slovene, 1966)	President of the Supervisory Board	7 April 2009	6 April 2017	Shareholder representative	at all four meetings until the end of the term in 2017	master of economics and bachelor of law	management
Irena Prijović (female, Slovene, 1968)	Deputy President of the Supervisory Board	6 May 2010	6 April 2017	Shareholder representative	at all four meetings until the end of the term in 2017	master of management of non-profit organisations, Faculty of Social Sciences	corporate governance
Igo Gruden (male, slovensko, 1972)	Member of the Supervisory Board	4 April 2013	10 April 2021	Shareholder representative	at all twelve meetings	bachelor of mechanical engineering	banking and asset management
Klemen Ferjančič (male, Slovene, 1971)	Member of the Supervisory Board	4 April 2013	6 April 2017	Shareholder representative	at all four meetings until the end of the term in 2017	master of science (energy and process engineering)	technical advisory
Matija Blažič (male, slovensko, 1946)	Member of the Supervisory Board	4 April 2013	6 April 2017	Shareholder representative	at all four meetings until the end of the term in 2017	bachelor of administration	management of business and entrepreneurial projects/assessor
Andrej Templak (male, Slovene, 1976)	Member of the Supervisory Board	16 February 2009	21 February 2017	Employee representative	at both meetings until the end of the term	bachelor of management	retail management
Damjan Legen (male, slovensko, 1975)	Member of the Supervisory Board	27 January 2016	21 February 2017	Employee representative	at both meetings until the end of the term	bachelor of economics	accounting
Nada Drobne Popović (female, Slovene, 1975)	President of the Supervisory Board	10 April 2017	10 April 2021	Shareholder representative	at all eight meetings following the start of the term	master of science, School of Government and European Studies, Brdo pri Kranju	management of equity investments
Sašo Berger (male, Slovene, 1966)	Deputy President of the Supervisory Board	10 April 2017	10 April 2021	Shareholder representative	at all eight meetings following the start of the term	bachelor of economics	monetary matters, finance, IT
Mladen Kaliterna (male, Slovene,1967)	Member of the Supervisory Board	4 April 2013	15 July 2017	Shareholder representative	at all twelve meetings	master of business administration	management of investments and group companies
Metod Podkrižnik (male, Slovene, 1971)	Member of the Supervisory Board	10 April 2017	10 April 2021	Shareholder representative	at all eight meetings following the start of the term	master of economic sciences	energy, logistics, procurement
Sergij Goriup (male, Slovene, 1955)	Member of the Supervisory Board	10 April 2017	10 April 2021	Shareholder representative	at all eight meetings following the start of the term	bachelor of law	attorneyship
Zoran Gračner (male, Slovene, 1970)	Member of the Supervisory Board	4 February 2013	21 February 2021	Employee representative	at all twelve meetings	master of business administration	energy
Alen Mihelčič (male, Slovene, 1975)	Member of the Supervisory Board	27 January 2017	21 February 2021	Employee representative	at all ten meetings following the start of the term	bachelor of economics	commercial operations
Robert Ravnikar (male, Slovene, 1979)	Member of the Supervisory Board	27 January 2017	21 February 2021	Employee representative	at all ten meetings following the start of the term	bachelor of economics	sales

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

Name and Surname (gender, nationality, year of birth)	Committee	Attendance at committee meetings according to the total number of committee meetings (e.g. 5/7)	Education	Professional profile	Membership of supervisory bodies of non-related companies
Janez Pušnik (male, Slovene, 1970)	Audit Committee	at all six meetings	master of business administration, Ljubljana Faculty of Economics	court expert witness for economics, specifically business valuation and accounting, certified appraiser	/
Žiga Škerjanec (male, Slovene, 1978)	Nomination Committee	at all six meetings	bachelor of law	corporate law and corporate governance	member of the supervisory board of Luka Koper d.d. until 30 June 2017, member of the supervisory board of Zavarovalnica Triglav d.d. since 13 June 2017

Independence according to Article 23 of the Code (YES /NO)	Existence of a conflict of interest in the financial year (YES/NO)	Membership of supervisory bodies of other companies	Membership of committees (audit, HR, remuneration, etc.)	President/member	Attendance at committee meetings according to the total number of committee meetings
YES	NO	/	Nomination Committee Human Resources and Management Board Evaluation Committee	member of the committee until 23 February 2017 member of the committee until 6 April 2017	at four meetings out of six at the sole meeting until the end of the term
YES	NO	Board member of ecoDA, Brussels	Nomination Committee Audit Committee	member of the committee until 23 February 2017 member of the committee until 6 April 2017	at all six meetings at both meetings until the end of the term
YES	NO	/	Nomination Committee Human Resources and Management Board Evaluation Committee and Audit Committee	member of the committee until 23 February 2017 member of the committees until 6 April 2017	at all six meetings at all four meetings in the new term
YES	NO	/	Nomination Committee Human Resources and Management Board Evaluation Committee	president of the committee until 23 February 2017 president of the committee until 6 April 2017	at all six meetings at one meeting until the end of the term
YES	NO	Zavarovalnica Triglav d.d. until June 2017 – member of the supervisory board			
YES	NO	/	Human Resources and Management Board Evaluation Committee Nomination Committee	member of the committee until 21 February 2017 member of the committee until 21 February 2017	at one meeting until the end of the term at five meetings until the end of the term
YES	NO	/			
YES	NO	HIT d.d., Nova Gorica – member of the supervisory board until 10 June 2017	Human Resources and Management Board Evaluation Committee	member of the committee from 22 April to 31 December 2017	at all three meetings following the start of the term
YES	NO	/	Human Resources and Management Board Evaluation Committee	president of the committee from 22 April to 31 December 2017	at all three meetings following the start of the term
YES	NO	VIZIJA HOLDING ENA, k.d.d. and VIZIJA HOLDING, k.d.d.	Audit Committee	president of the committee until 31 December 2017	at all six meetings
YES	NO	Centar za kombinirani transport Zagreb d.d. Zagreb – member of the supervisory board	Audit Committee	member of the committee from 22 April to 31 December 2017	at all four meetings following the start of the term
YES	NO	STH VENTURES, družba tveganega kapitala, d.o.o. and Zatvoreni investicioni Fond sa javnom ponudom "FORTUNA FOND", d.d., Cazin	Human Resources and Management Board Evaluation Committee	member of the committee from 22 April to 31 December 2017	at all three meetings following the start of the term
YES	NO	Komunala Trbovlje d.o.o. – deputy president of the supervisory board, until 20 December 2017	Audit Committee	member of the committee until 31 December 2017	at all six meetings
YES	NO	/	Human Resources and Management Board Evaluation Committee	member of the committee from 23 February to 31 December 2017	at all three meetings following the start of the term
YES	NO	/	Human Resources and Management Board Evaluation Committee	member of the committee from 22 April to 31 December 2017	at all three meetings following the start of the term

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

Tomaž Berločnik President of the Management Board	Rok Vodnik Member of the Management Board	Igor Stebernak Member of the Management Board	Ika Krevzel Panić Member of the Management Board and Worker Director

Ljubljana, 21 February 2018

NON-FINANCIAL STATEMENT

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

1. Description of the Company's business model

The Petrol Group is a business concern consisting of the parent company Petrol d.d., Ljubljana and its subsidiaries, jointly controlled entities and associates located in the countries of Central and South Eastern Europe. Among the activities of the companies within the Group, the most significant is the sale of petroleum products, other energy products and merchandise (see Sales for more information). The introduction of new energy activities is a key development concern of Petrol (see Energy and environmental systems for more information). The operations of the parent company and some of its subsidiaries encompass multiple areas, from sales to energy and environmental systems, with other companies focusing on a narrower range of business operations (see The Petrol Group for more information). Petrol Group companies are located in several European countries (see The Petrol Group in its region for a map). The sustainable development of the Petrol Group is based on the respect for the natural environment and partnership relations with the wider community (for more information, see Sustainable development and the Sustainability Report of the Petrol Group 2016 at www.petrol.eu/sites/www.petrol.eu/files/attachment/tp_2016_eng_web_spread.pdf).

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

Environment

Policy

The policies defining our environmental impact are: the framework safety and security policy (including the environmental policy), the energy policy and the safety, security and quality system. All three policies overlap in the course of operations, as they form an integral part of all processes at Petrol.

The environmental policy defines our efforts to protect the environment. Environmental protection is integrated in all levels of operations of Petrol d.d., Ljubljana. Petrol's environmental management system is adapted to the requirements of the international standard ISO 14001 and is considered to be an integral part of Petrol's development plan (see Quality control for a list of certificates by company). All Petrol's employees are responsible to ensure consistent compliance with the requirements, while the Company's Management Board guarantees that these requirements can actually be met and that our fundamental environmental goals can be achieved.

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

1. All storage facilities, service stations and other buildings will be environmentally upgraded;
2. Emissions of hazardous substances will be reduced to the minimum;
3. We will use natural resources economically;
4. We will prevent accidents and reduce the possibility of accidents as much as possible.

Petrol d.d. has obtained several environmental permits for its activities, depending on the activities being performed at its sites. We have valid environmental permits for all SEVESO plants posing a higher risk, and all provision laid down in the permits are strictly implemented.

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

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

The framework safety and security policy includes the following areas:

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

Due diligence

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

Main risks and their management

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

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

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

security measures in individual areas of safety and security;
- by ensuring the existence of quality management systems in accordance with the ISO 9001 standard, the 14001 environmental standards and the occupational health and safety standards;
- by ensuring the quality of products and services.

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

Key performance indicators

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

Every two years we prepare our own sustainability report stating the indicators according to the GRI-4 Guidelines (see the Sustainability Report of the Petrol Group 2016 for more information). The content of the sustainability report is determined on the basis of three criteria: relevance, the integrity of key indicators of sustainable development management and the sustainability context. The criterion of relevance means that the content of the report shall be narrowed down to the most relevant areas of interest defined based on the matrix of key stakeholders and the sustainable development strategy of Petrol Group. We selected those that influence our sustainability footprint the most. Through sustainability indicators, which are used to measure our performance, we obtained additional leverage for long-term sustainable development management in new areas defined as our strategic goal. Because we conform our sustainability performance to the life cycle philosophy (LCA), the key indicators of our sustainability performance also include those concerning our suppliers and customers. We will continue the orientation of spreading sustainable impact because our sustainability performance gradually influences the sustainable transformation of a wider society. The sustainability report gives an analysis of the present and, where relevant, a comparison with past trends, while at the same time also being forward-looking. We realise that sustainable development is not a goal but merely a path, so our path is carefully recorded and assessed in three time dimensions. Reporting is transparent and accurate as per the data currently available to the Petrol Group.

The environmental aspects of our sustainable development are measured and managed through indicators that reflect the environmental footprint of our own activities (service stations, storage facilities for petroleum products and LPG, treatment plants, the biogas plant, office buildings, etc.), and through indicators that reflect the contribution of our activities towards a smaller environmental footprint of other parts of the wider society. The monitoring of wastewaters, air emissions, noise sources, leak detection in reservoirs and fuel quality is carried out on a regular basis. We also monitor the treatment of biodegradable waste and waste assessment. To monitor the functioning and management of biological processes in treatment plants and the biogas plant, we perform daily measurements of individual parameters, which ensure successful process control and the possibility of reducing environmental burden. Our strategic sustainability indicators are measured and managed annually. The assessment of environmental aspects is carried out by professionals from different fields within the Petrol Group. The assessment takes place at least every three years or when significant legislation or environmental policy changes occur, or when the opinion of the interested public has changed. We work closely with our suppliers and contractual partners in dealing with significant environmental aspects and indicators (see Protection of the environment and the Sustainability Report of the Petrol Group 2016).

Social and human resources matters and the protection of human rights

Policy

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

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

The cornerstone of our work is equal opportunities for all. We respect human rights which are recognised by internationally established principles and guidelines, including the European Convention for the Protection of Human Rights and Fundamental Freedoms and the United Nations Declaration on Human Rights. We comply with legal and human rights standards in all countries where we operate. This is our guide in business relationships with customers, suppliers and employees. We ensure an ethical attitude towards employees and our wider environment. During the selection and recruitment process, all candidates are given equal treatment irrespective of sex, age or other circumstances (ethnicity, race, religious beliefs and other cultural differences). The Petrol Group has employees whose rights are recognised based on their disability. We are a family- and employee-friendly company. The rights and duties of employees of Petrol d.d., Ljubljana are regulated in the Corporate Collective Agreement.

Due diligence

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

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

Preventive and periodical medical examinations are carried out within the scope of ensuring health and safety at work. The project "Healthy in Petrol" comprises programmes designed for preventive and curative measures and health promotion in the workplace. We also ensure the safety of work and appropriate professional qualification of our outsourced staff (students, hauliers, cleaning personnel at the points of sale, etc.) by carrying out various technical programmes designed for them.

We plan procedures in case of violence by third parties and we inform employees occupying the relevant workplaces thereof. In the workplaces that are more exposed to any form of violence by a third party we make sure that the work and equipment are arranged in such a way that they reduce the risk of violence and enable access when help arrives to the workplace at risk.

Main risks and their management

No major risks are identified as regards Petrol's relations with the wider social environment from the point of view of support to different stakeholders. Through perfected processes of cooperation and allocation of funds to different stakeholder groups we ensure that such cooperation with the wider society is congruent with the legislation and the ethical principles of the Petrol Group.

Risks related to human resources may arise in relation to the lack of required knowledge, skills, experience and motivation of employees, and the unwanted turnover of key personnel.

In order to prevent, eliminate and manage cases of violence, mobbing, harassment and other forms of psychosocial risk at work, the Petrol Group adopted the Code of Conduct, which is handed to every employee, who thus becomes acquainted with Petrol's valuesand principles that commit us to respect the moral and professional standards. In the scope of the annual organisational climate measurement and other internal surveys, the employees can express their opinion and draw attention to any irregularities.

Management risks can lead to the risks of managerial competencies, disruptions in communication with employees, inadequate authorisation and limitation, risks of unrealistic, subjective and infeasible benchmarks. Management risks are controlled through the regular measurement of organisational climate and employee satisfaction across the Petrol Group, the system of annual and quarterly interviews, the assessment of skills and leadership, the measurement of the quality of internal services and the adopted human resources strategy. We have introduced a system of mentoring and coaching, the main purpose of which is the transfer of good practices, knowledge, skills, valuesand experience. Petrol's Business Academy is where talents develop. We also have a modular training system for leaders and managers.

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

Risks related to the respect for human rights can emerge both within the Company as well as in its relations with external stakeholders. These risks are managed by adhering to applicable regulations.

Key performance indicators

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

Measurement category	The Petrol Group		SiOK
	2016	2017	
Organisational climate	3.86	3.83	3.39
Management and development systems	3.79	3.82	3.26
Satisfaction at work	3.76	3.77	3.52
Ratio between committed and actively non-committed employees	3.0:1	3.3:1	

The Petrol Group systematically and routinely provides for the development and education of all employees. We provide various ways for employees to acquire expertise, skills and work experience.

62 percent of the Petrol Group employees are male and 38 percent are female. Over the years, the structure has been gradually improving in favour of women, whose share has grown by an average of 1 percentage point per year since 2003. The gender balance differs across companies depending on the activity of each company.

In 2017 we received special thanks for expanding the culture of a family-friendly enterprise. We have been involved in the certification process for over six years and we successfully passed the second final audit by an external audit council. We successfully implemented all the planned measures to facilitate the balance between work and private obligations.

Note 6.6 (Labour costs) in the financial section of the report contains the disclosure of the receipts of the employees of the Petrol Group and Petrol d.d., Ljubljana, whereas the receipts of employees at third-party managed service stations are included in the item Costs of service station managers under note 6.5 Costs of services. Added value per employee in the Petrol Group is stated in the chapter Business highlights of 2017 (for more information see chapters Employees and Risk management in the Petrol Group, and the Sustainability Report of the Petrol Group 2016).

Fight against corruption and bribery

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

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

Petrol d.d., Ljubljana has appointed three corporate integrity officers. They are appointed by the Company's Management Board with the approval of the Supervisory Board. Among other responsibilities, they provide expert assistance and explanations to employees. We have set up lines for reporting fraud and other violations both internally (kodeks@petrol.si) and externally through a link on the website (http://www.petrol.si/o-podjetju/o-petrolu/petrolov-kodeks-ravnanja-in-vrednote) and via the telephone number 080 13 95. Before concluding a (sales/purchase) transaction we obtain from business partners the data, wherever possible, using the "Know Your Client" (KYC) questionnaire, on the basis of which we conduct a due diligence of the business partner. Obtaining data that forms an integral part of the questionnaire is a requirement under the provisions of the Prevention of Money Laundering and Terrorist Financing Act.

The Petrol Group has adopted the Rules on conducting operations control and investigations in the Petrol Group. The purpose of the Rules is to determine actions and steps to be taken in operations control and when conducting investigations, and to establish an effective system of ensuring the integrity of the Company. The procedures for controlling operations and conducting investigations are aimed at quickly identifying and detecting violations as well as at establishing mechanisms for appropriate actions (sanctioning), enabling the Petrol Group to operate and conduct business in accordance with moral, legal and ethical principles. In the event of a suspected violation, procedures are initiated under a specific protocol. The implementation of supervision and investigation procedures in Petrol is carried out through the organisational unit Corporate Operations Control and Investigations. Special emphasis is on the protection of bona fide whistleblowers.

An internal audit of the corporate integrity risk management process was carried out, the results of which were also presented in the internal bulletin.

Main risks and their management
The risks in the area ofcorruption and bribery could arise at all levels of Petrol's business; both among employees at the points of sale as well as with executive and other staff in different areas of business.

In view of the above, risk-mitigating control mechanisms have been embedded in processes, for instance the publication of the Code of Conduct, regular communication about the Code and corporate integrity within Petrol, anti-corruption clauses in agreements with business partners, mandatory KYC procedures.

Employees of the Petrol Group are also regularly trained in this field. In 2017 executive, managerial and professional staff attended training on corporate integrity and ethics in management.

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

Tomaž Berločnik President of the Management Board	Rok Vodnik Member of the Management Board	Igor Stebernak Member of the Management Board	Ika Krevzel Panić Member of the Management Board and Worker Director

Ljubljana, 21 February 2018

ANALYSIS OF BUSINESS PERFORMANCE IN 2017

The operations of the Petrol Group involve and are intertwined with two very demanding industries – energy and trade. 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 2017 Petrol witnessed intense activity in the oil markets. Oil prices per barrel ranged from USD 44.3 to USD 66.5 in 2017. In 2017 the average price of crude oil stood at USD 54.2 per barrel, up 24 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. Although the economic situation on the markets where the Petrol Group operates improved in 2017, the effects of economic growth have not yet been fully reflected in the population's purchasing power.

In 2017 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 2017 the Petrol Group generated EUR 4.5 billion in **sales revenue** or 17 percent more than in 2016, owing in particular to the higher prices of oil and increased sales.

Adjusted gross profit[3]

Adjusted gross profit from sales stood at EUR 432.7 million, which was 13 percent more than in 2016. Compared to the previous year's figure, the following also influenced the amount of adjusted gross profit for 2017:

- an increase of 6 percent in the volume of motor fuels sold (petrol and diesel fuel),
- an increase of 7 percent in the volume of liquefied petroleum gas sold,
- an increase of 9 percent in the volume of heat sold,
- an increase of 7 percent in revenue from the sale of merchandise.

In 2017 the Petrol Group's finance items included the effects of commodity swaps and foreign exchange differences, which were linked, content-wise, to adjusted gross profit. The net effect of commodity swaps relating to commodities sold in the current year and of foreign exchange differences was negative in 2017. The adjusted gross profit, which was further adjusted for the net effect of commodity swaps and foreign exchange differences, was 13 percent higher than in 2016.

Costs

The Petrol Group's **operating costs** totalled EUR 324.8 million in 2017, which was EUR 37.4 million or 13 percent more than in 2016.

Costs (v EUR)	2017	2016	Index 2017/2016
Cost of meterials	28,380,925	28,404,917	100
Cost of services	135,683,037	122,691,189	111
Labour cost	76,895,012	67,210,220	114
Depreciation and amortisation	48,662,030	45,580,525	107
Other costs	35,176,817	23,515,421	150
Operating costs	**324,797,821**	**287,402,272**	**113**

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

The costs of materials totalled EUR 28.4 million in 2017 and were on a par with the previous year. This cost category includes energy costs, which were up as more heat and electricity was produced, and the costs of consumables, which decreased in the period concerned.

The costs of services totalled EUR 135.7 million and were up EUR 13.0 million or 11 percent from 2016.

- The most significant part of the costs of services were the fees charged by service station managers, which equalled EUR 32.9 million and were up EUR 1.9 million or 6 percent compared to the previous year. This was mainly due to higher sales and salary increases.
- The costs of transport services stood at EUR 29.7 million, which was EUR 1.9 million or 7 percent more than in the previous year. This was due to a higher volume of petroleum products, liquefied petroleum gas and merchandise sold.
- The costs of fixed-asset maintenance services totalled EUR 15.1 million, an increase of EUR 3.0 million or 25 percent from the previous year. This was mainly the result of maintenance operations in the new company Vjetroelektrane Glunča d.o.o. (launch of operations at the beginning of 2017), higher costs of building and equipment maintenance, the costs of gas bottle certification in Croatia, and an increase in the costs of municipal utility services and environmental governance in Slovenia.
- Rental costs amounted to EUR 11.8 million and were up EUR 1.9 million or 19 percent year-on-year due to lease payments for service stations in Croatia, rental of storage facilities in SE Europe markets, and leasing of IT equipment.
- The costs of professional services, which stood at EUR 8.5 million in 2017, up EUR 1.3 million or 18 percent from 2016, rose due to higher project costs.
- Amounting to EUR 6.1 million, the costs of fairs, advertising and entertainment rose by EUR 1.4 million or 30 percent compared to the previous year, due to an increase in advertising activities envisaged in the plan for 2017.
- Contributions for operations at motorway service areas totalled EUR 5.4 million and were up EUR 0.2 million or 4 percent compared to 2016.
- The costs of insurance premiums totalled EUR 3.7 million and were up EUR 0.1 million or 3 percent from 2016.
- Fees for the building site use stood at EUR 1.9 million, which was 3 percent less than in 2016.
- The costs of fire protection and physical and technical security decreased by 7 percent or EUR 0.1 million in 2017, amounting to EUR 1.8 million.
- Property management costs totalled EUR 1.4 million, an increase of 20 percent or EUR 0.2 million year-on-year.
- The costs of environmental protection services totalled EUR 1.2 million in 2017, which was EUR 0.1 million or 7 percent less than in 2016.
- Reimbursement of work-related costs to employees stood at EUR 1.1 million in 2017, an increase of 8 percent or EUR 0.1 million year-on-year.
- Other costs of services totalled EUR 4.6 million and were EUR 0.6 million or 14 percent higher than in 2016. This was chiefly the result of the payment of electricity trading charges in Hungary and the sales agency costs.

The depreciation and amortisation charge stood at EUR 48.7 million, an increase of 7 percent or EUR 3.1 million relative to 2016. Out of this amount, EUR 2.3 million relates to the depreciation and amortisation charge of the company Vjetroelektrane Glunča d.o.o. (launch of operations at the beginning of 2017), with the rest relating to an increase in the depreciation of computer equipment and software.

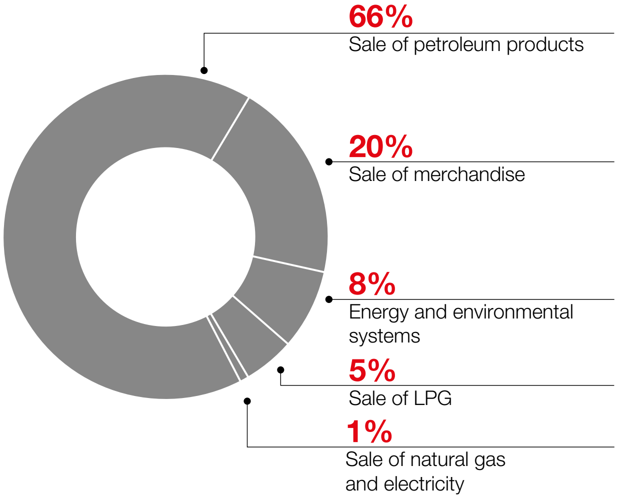
Labour costs totalled EUR 76.9 million and were up 14 percent or EUR 9.7 million. This was mainly due to an increase in the number of service stations (smaller service stations with fewer employees were closed down and larger service stations with more staff were opened), higher sales at the service stations, salary increase at service stations, organic growth of business especially as regards energy solutions and trading, and staff increases in the areas of IT, innovative business models and the digitisation of operations.

Other costs stood at EUR 35.2 million, which was EUR 11.7 million more than in 2016. The increase was the result of accrued litigation expenses, whereas the impairment of fixed assets, which was recognised based on appraisals showing that their carrying amount exceeded the recoverable amount, was lower than in 2016.

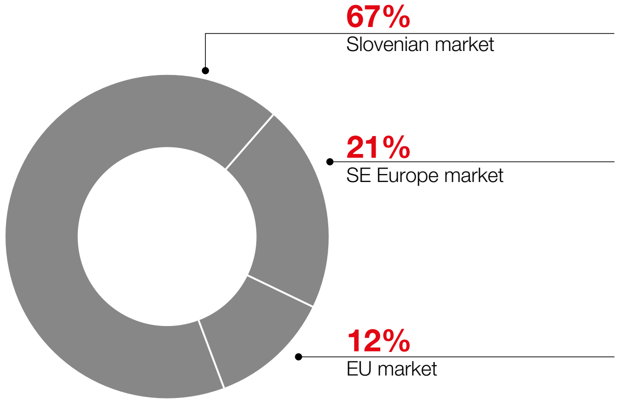
Net other operating revenue decreased by 13 percent year-on-year. This was mainly the result of a decrease in compensation, litigation proceeds and contractual penalties received as well as of a decrease in compensation received from insurance companies in 2017 and of a lower reversal of accrued costs in 2017. **Operating profit** totalled EUR 112.2 million in 2017, which was 13 percent more than in 2016. **EBITDA**[4] stood at EUR 159.6 million and was up 11 percent from 2016.

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

EBITDA of the Petrol Group broken down by activity



EBITDA of the Petrol Group broken down by market



In 2017 the share of profit from equity accounted investees decreased by EUR 0.8 million relative to the previous year, largely as a result of a lower Geoplin profit attributable to Petrol.

Net finance expenses of the Petrol Group stood at EUR 17.3 million, an increase of EUR 2.0 million compared to 2016. In 2017 the Petrol Group's allowances for net operating receivables were up by EUR 4.8 million compared to the year 2016, with its net interest expense decreasing by EUR 4.3 million. In addition, the Petrol Group's allowances for net financial receivables decreased by EUR 3.0 million. Net gain on derivatives and foreign exchange differences was down EUR 2.9 million. Net other finance income decreased by EUR 2.1 million because the investment in the associate Marche Gostinstvo d.o.o. was disposed of in 2016.

Pre-tax profit stood at EUR 99.5 million, up 11 percent from 2016, with **net profit for the year 2017** totalling EUR 81.1 million or 12 percent more than in 2016.

Statement of financial position of the Petrol Group

(in EUR)	31 December 2017	31 December 2016	Index 2017/2016
ASSETS			
Intangible assets, property, plant and equipment, investment property	823,394,901	805,361,956	102
Investments in jointly controlled entities and associates	64,199,504	131,338,923	49
Other non-current assets	56,078,077	16,250,069	345
Non-current (long-term) assets	**943,672,482**	**952,950,948**	**99**
Current assets	**712,600,777**	**549,840,988**	**130**
Total assets	**1,656,273,259**	**1,502,791,936**	**110**
EQUITY AND LIABILITIES			
Total equity	**701,867,154**	**595,669,693**	**118**
Financial liabilities	357,485,819	304,928,488	117
Operating liabilities	1,217,562	1,342,063	91
Other non-current liabilities	55,969,419	20,414,762	274
Nekratkoročne obveznosti	**414,672,800**	**326,685,313**	**127**
Financial liabilities	62,860,637	102,485,363	61
Operating liabilities	450,518,749	456,216,385	99
Other current liabilities	26,353,919	21,735,182	121
Current liabilities	**539,733,305**	**580,436,930**	**93**
Total liabilities	**954,406,105**	**907,122,243**	**105**
Total equity and liabilities	**1,656,273,259**	**1,502,791,936**	**110**

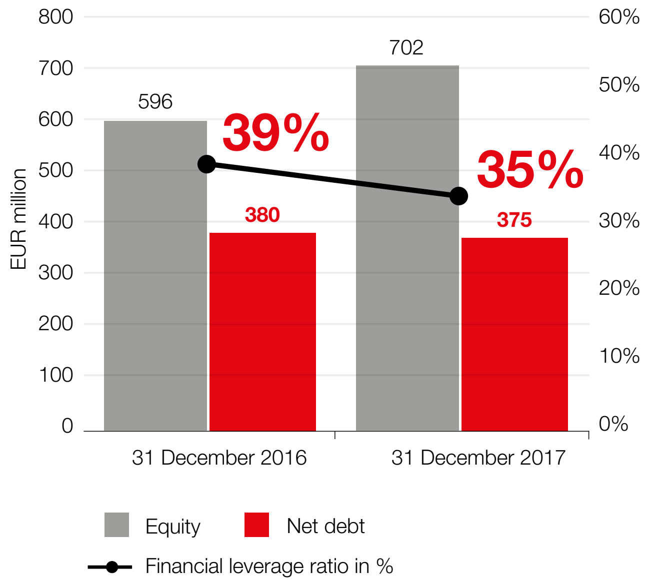
The most important items of **non-current assets** consisted of property, plant and equipment, intangible fixed assets and investment property, totalling EUR 823.4 million. Non-current investments in jointly controlled entities and associates stood at EUR 64.2 million. Compared to their balance as at 31 December 2016, the said investments decreased as a result of the swap of business interests in the company Geoplin, which became a subsidiary of the Petrol Group on 31 December 2017.

The management of **current assets**, which accounted for 43 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 2016, the balance of operating receivables as at the last day of 2017 grew by 15 percent, with the value of inventories increasing by 37 percent year-on-year. The amount of receivables and inventories as at the last day of 2017 was linked to higher petroleum product prices as compared to the end of 2016.

As at the last day of the period concerned, the Petrol Group had EUR 150.9 million in **working capital**[5] or EUR 108.4 million more than at the end of 2016. The amount of receivables and inventories as at the last day of 2017 was linked to higher petroleum product prices as compared to the end of 2016. The amount of working capital was largely influenced by the higher prices of petroleum products as compared to the end of 2016.

Cash from operating activities totalled EUR 121.5 million in 2017, which was EUR 21.7 million less than in 2016. Own funds generated by the Petrol Group were used for investment activities, payment of dividends and repayment of loans. Other necessary funds were obtained from banks. The net financial liabilities to equity ratio[6] (**net D/E ratio**) was 0.5 as at the last day of 2017, while at the end of 2016 it had stood at 0.6. The **net debt to EBITDA ratio** stood at 2.3 at the end of 2017 compared to 2.6 at the end of 2016. **The financial leverage ratio**[7] stood at 35 percent at the end of 2017, down from 39 percent at the end of 2016.

Equity, net debt and financial leverage ratio



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

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

[5] Working capital = Operating receivables + Inventories – Current operating liabilities (net of liabilities arising from the acquisition of an interest in Petrol Energetika d.o.o. as at 31 December 2017)

[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

There were no events after the reporting date that would significantly affect the disclosed operations in the year 2017.

PETROL'S SHARES

Overall, the year 2017 was a successful one for investors at the Ljubljana Stock Exchange. At the end of the year, share prices were on average higher than at the end of 2016. This was also reflected in the SBI TOP index, which gained 12.4 percent relative to the end of 2016, reaching 806.52 points. Stock market developments at the beginning of 2017 were still marked by the closing of registry accounts held with the Central Securities Clearing Corporation (KDD) and the transfer of securities to trading accounts.

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 2017 the volume of trading in Petrol's shares at the stock exchange amounted to EUR 35.5 million, a decrease of 41.8 percent from 2016. Still, Petrol's shares were again one of the most traded among those listed on the Ljubljana Stock Exchange.

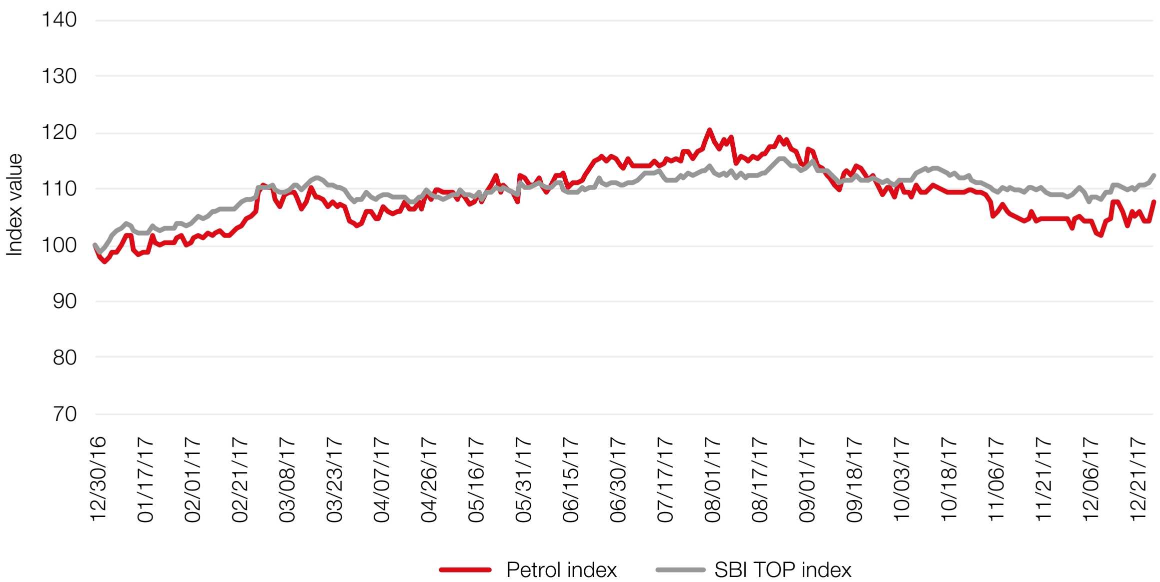
Petrol's share price exhibited a positive trend in 2017, being 7.5 percent higher at the end of 2017 as compared to the end of 2016, while the SBI TOP index grew by 12.4 percent during this period. The shares accounted for 24.69 percent of the index as of 18 December 2017.

At the end of December 2017, the share price stood at EUR 349.45 and was up 7.5 percent year-on-year. The average price of Petrol's shares, which amounted to EUR 353.61 in 2017, rose by 25.2 percent compared to the previous year. The share price ranged between EUR 316.00 and EUR 392.00 in 2017.

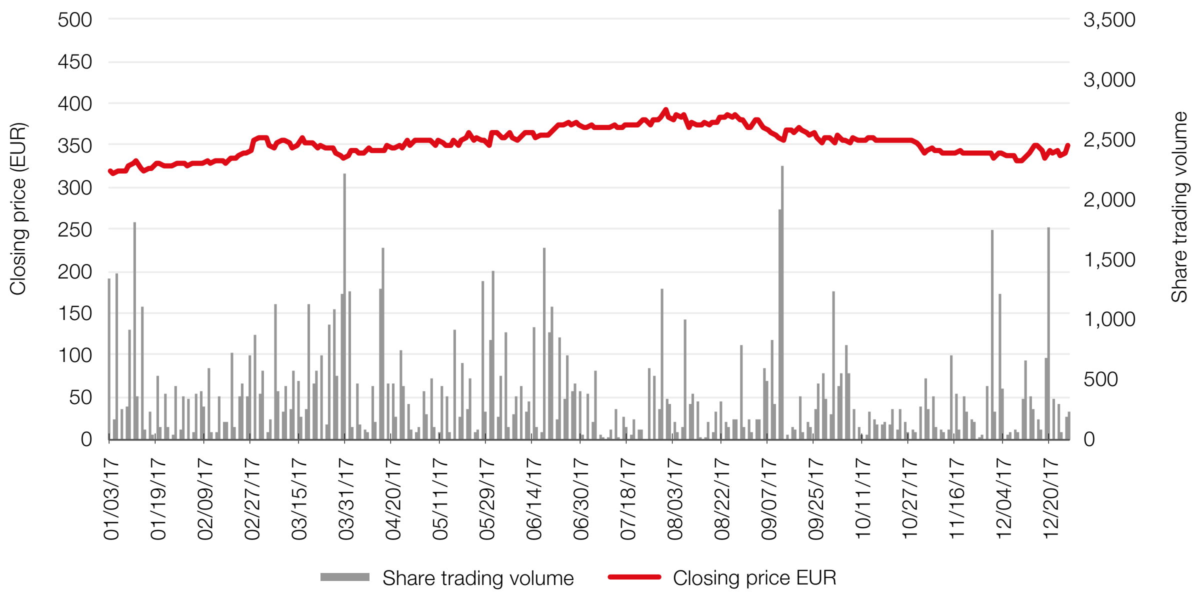
Petrol's share prices in 2017 and 2016 in EUR

	2017	2016
Total shares outstanding	2,086,301	2,086,301
High	392.00	325.00
Low	316.00	246.10
Average for the year	353.61	282.42
Price as at last trading day of the year	349.45	325.00
Price increase/decrease (price as at last trading day of the year/price as at last trading day of the previous year)	7.52%	27.05%

Base index changes for Petrol's closing share price against the SBI TOP index in 2017 compared to the end of 2016



Closing price and the volume of trading in Petrol's shares in 2017



Trading volume and market capitalisation

The volume of trading in Petrol's shares at the Ljubljana Stock Exchange amounted to EUR 35.5 million in 2017 and was down 41.8 percent from 2016. The decrease in the trading volume is the result of a drop in the number of Petrol's shares traded in 2017 (101,114 shares) relative to the previous year (211,610 shares). The trading in Petrol's shares accounted for 10.2 percent of the Ljubljana Stock Exchange total trading volume, which stood at EUR 347.4 million, and 10.6 percent of the stock market's share trading volume.

The shares of Petrol d.d., Ljubljana were ranked third on the Ljubljana Stock Exchange by trading volume. On average, the monthly volume of transactions involving Petrol's shares totalled EUR 2.96 million.

The market capitalisation of Petrol d.d., Ljubljana as at the last trading day of 2017 totalled EUR 729.1 million, which accounted for 13.8 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 2017.

Key financial indicators for Petrol's shares

The Petrol Group's earnings per share (EPS) for the year stood at EUR 39.47 and its cash earnings per share (CEPS) at EUR 62.54. The return per share calculated by comparing the share price as at the end of 2017 and the share price as at the end of 2016 stood at 7.5 percent. Combined with the dividend yield of 4.3 percent, the total return per share stood at 11.8 percent in 2017.

The ratio between the shares' market price and book value as at the end of 2017 – the latter amounting to EUR 336.42 in the case of the Petrol Group – was 1.04 (P/BV), which was lower than at the end of 2016. The ratio between the shares' market price as at the end of 2017 and the Petrol Group's earnings per share stood at 8.85 (P/E).

Share capital structure

The structure of Petrol d.d., Ljubljana share capital changed slightly in 2017 compared to the end of the previous year. With 267,076 shares, Československa Obchodni Bank, A.S. – fid. is the largest single shareholder, followed by Slovenski državni holding, d.d., with 264,516 shares, the Republika Slovenija with 210,685 shares and Kapitalska družba, d.d. with 172,639 shares. Other large single shareholders include Splitska banka d.d. – client account, Vizija Holding k.d.d., Vizija holding ena, k.d.d., Nova KBM d.d., Perspektiva FT d.o.o. and the DUTB, d.d.

In accordance with the decision of the Government of the Republic of Slovenia of 21 December 2017, Slovenski državni holding, d.d., transferred 147,493 PETG shares of Petrol d.d., Ljubljana to the Republic of Slovenia in a transaction which did not involve a payment and was executed on 22 December 2017. Slovenski državni holding, d.d., thus no longer owns 147,493 PETG shares, but it still exercises its voting rights, as stipulated in the Slovenski državni holding, d.d., Act.

At year-end, 540,412 shares or 25.9 percent of all shares were held by foreign legal or natural persons. Compared to the end of 2016, the number of foreign shareholders increased by 1.0 percentage point, while the total number of shareholders decreased from 26,265 as at the end of 2016 to 24,185.

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

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 2017 regarding the contingent increase in share capital.

Reserves for own shares

Petrol d.d., Ljubljana did not repurchase its own shares in 2017. On the last day of 2017, 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 2017 and was EUR 6 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.

In accordance with a resolution of the 27th General Meeting held on 10 April 2017, the Company's Management Board is authorised to acquire own shares within 36 months of the adoption of the resolution. Under this authorisation, a

Shares owned by members of the Supervisory and Management Board as at 31 December 2017

	Name and Surname	Position	Shares owned	Equity share
	Supervisory Board		**88**	**0.004%**
	Internal members		**0**	**0.000%**
1.	Zoran Gračner	Supervisory Board member	0	0.000%
2.	Alen Mihelčič	Supervisory Board member	0	0.000%
3.	Robert Ravnikar	Supervisory Board member	0	0.000%
	External members		**88**	**0.004%**
1.	Nada Drobne Popović	Supervisory Board president	1	0.000%
2.	Sašo Berger	Supervisory Board deputy president	0	0.000%
3.	Igo Gruden	Supervisory Board member	0	0.000%
4.	Sergij Goriup	Supervisory Board member	5	0.000%
5.	Metod Podkrižnik	Supervisory Board member	82	0.004%
6.	Mladen Kaliterna	Supervisory Board member	0	0.000%
	Management Board		**220**	**0.011%**
1.	Tomaž Berločnik	Management Board president	0	0.000%
2.	Igor Stebernak	Management Board member	0	0.000%
3.	Rok Vodnik	Management Board member	220	0.011%
4.	Ika Krevzel Panić	Management Board member and worker director	0	0.000%

maximum of 208,630 own shares may be acquired, but the total percentage of the shares acquired based on this authorisation may not exceed, together with other own shares already held by the Company (24,703 own shares), 10 percent of the Company's share capital (208,630 shares). The shareholder H12 d.d. announced at the General Meeting that it intends to contest this resolution, bringing a lawsuit for its annulment in May 2017. In June 2017, Petrol filed a response to the lawsuit, but the Court has not yet issued a final decision at the time the year ended.

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 27th General Meeting of 10 April 2017, Petrol paid out in 2017 a gross dividend for 2016 of EUR 14.0 per share.

Overview of dividend payments 2012–2016

Period	Total dividends	Gross dividend per share
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
2016	29,208,214.00 EUR	14.00 EUR

Accumulated profit

The accumulated profit of Petrol d.d., Ljubljana, as determined in accordance with the Companies Act, stood at EUR 32.99 million in 2017.

Regular participation in investors' conferences and access to information

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

The Company also regularly attends investors' conferences organised each year by stock exchanges, brokerage companies and banks. In March 2017, we took part in investor roadshows in Vienna, Tallinn and Stockholm organised by the investment firm Wood & Company exclusively for Petrol. This was followed by Fima-organised roadshows in the United States and by a London roadshow organised by InterCapital and Goldman Sachs at the end of March. In May, we attended a joint investors' conference in Zagreb, which was organised by Ljubljana and Zagreb Stock Exchanges. In June and September, we participated in Ljubljana Stock Exchange webcasts. In October, we were invited by InterCapital to the Investors' Day at InterCapital taking place in Zagreb. In November, we were present at conferences organised by the Belgrade Stock Exchange in Belgrade and the Ljubljana Stock Exchange in Ljubljana. At the beginning of December, we attended a conference in Prague organised by Wood & Company. In addition to the above, several individual meetings were held with domestic and foreign investors.

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

RISK MANAGEMENT

Risk management in the Petrol Group in 2017

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

In 2017 we continued to update the risk management system. In addition to regularly monitoring exposure to risks and carrying out activities linked to the management and utilisation of the risks, several novelties were introduced to the system, especially as regards the management of credit and market risks. In 2017 the risks were reassessed at the Petrol Group level, the results of which are presented below.

The Credit Committee continued to actively pursue its mandate in 2017 and we introduced a new system of limits for legal persons across the entire Petrol Group. We also set out to update the process of approving limits, and the system itself, with regard to natural persons.

In 2017 the Assets and Liabilities Management Committee of the Petrol Group continued to control currency, liquidity, foreign exchange and interest rate risks.

At the beginning of 2017, the new Energy Product Risk Management Committee was launched, the purpose of which is to ensure uniform market risk management in the trading of energy products at the Petrol Group level. Together with the Risk Management Committee, the Assets and Liabilities Management Committee and the Credit Committee, this committee supports the architecture of the Petrol Group's risk management system.

Since financial risks are assessed as the most relevant and probable risks in the Petrol Group, a series of activities were carried out in this area in 2017. 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 2017 to devote a lot of attention to credit, price and volumetric risks in this area and to upgrade the system of limits and its monitoring and reporting processes. Moreover, the extensive project set up to further develop trading and the related risk management processes was continued in 2017 and was focused particularly on the management of operational risks in this field.

In connection with credit risks, we paid attention to our customers' solvency and, by extension, the balance and quality of operating receivables. We have also continued to build on the solid foundations laid in recent years in terms of the collaterals we hold. As at 31 December 2017, 83 percent of Petrol's trade receivables individually exceeding EUR 100,000 were secured through insurance policies, bank guarantees and other credit insurance instruments.

Liquidity and short-term solvency of Petrol Group companies was ensured through the central management and reconciliation of current cash flows and by managing the Petrol Group's debt. In ensuring the structural liquidity of the Petrol Group we follow the guidelines set out in connection with the rating assigned to us by Standard & Poor's Ratings Service. In 2017 our investment grade BBB- long-term credit rating, A-3 short-term credit rating and our stable credit rating outlook were reaffirmed by the agency. This continues to provide us with better access to higher-quality financial sources and, at the same time, a stable financial position.

Petrol's risk model with most relevant and probable risks

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

According to the results of the 2017 risk assessment, the most relevant and probable risks comprise the following financial risks: price and volumetric risk, foreign exchange risk, credit risk and liquidity risk. To control and manage these risks, the most rigorous control system possible is required. The Company uses such a system, which is described in more detail in sections dealing with individual financial risks. In addition to the main financial risks, the most relevant and probable risks include legislation and regulation risks, information system risks, business decision-making risks, interest rate risks and information risks.

Risk categories within the Petrol Group

I. Environment risks

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

II. Performance risks

II.1. Operational risks
II.1.1. Human resources management and leadership risks
II.1.2. Process risks
II.1.3. Information system risks
II.1.4. Security and safety risks
II.1.5. Risks of discontinued operations

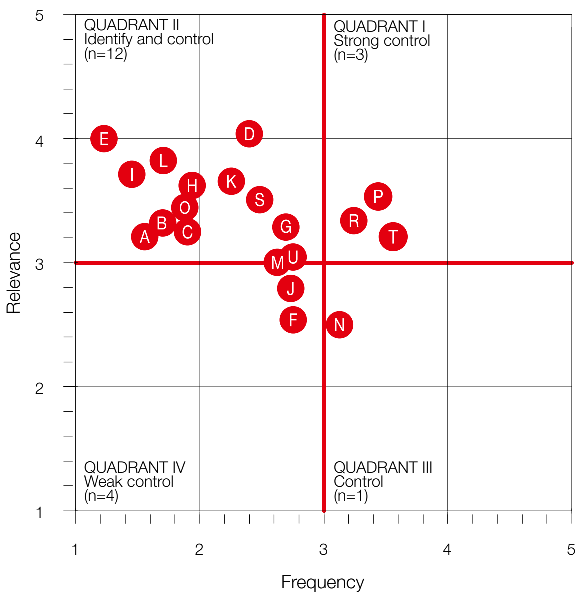
II.2. Strategic risks
II.2.1. Strategic decision-making risks
II.2.2. Business decision-making risks
II.2.3. Information risks

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

II.4. Financial risks
II.4.1. Price and volumetric risks
II.4.2. Credit risks
II.4.3. Liquidity risks
II.4.4. Foreign exchange risks
II.4.5. Interest rate risks

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



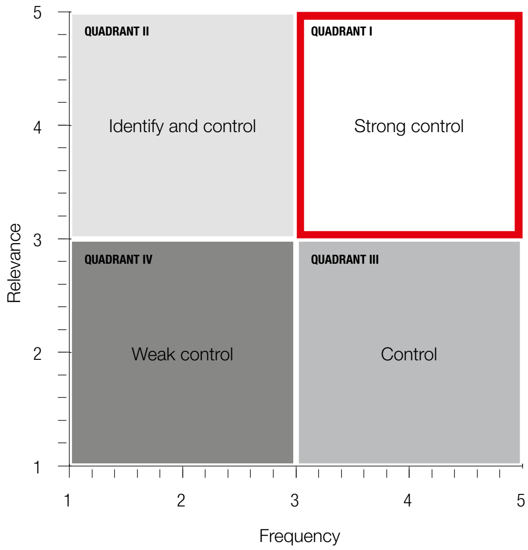
A Political risks
B Financial environment risks
C Economic environment risks
D Legislation and regulation risks
E Disasters
F Human resources management risks
G Information system risks
H Security and safety risks
I Risks of discontinued operations
J Process risks
K Business and financial decision-making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

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

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

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

The Petrol Group's risk management matrix with control methods



In 2017 individual risk categories were managed as follows:

I. ENVIRONMENT RISKS

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

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

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

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

II. PERFORMANCE RISKS

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

II.1. Operational risks

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

Nowadays, information infrastructure is increasingly important. The risk of information systems not being properly set up, not functioning correctly, not being sufficiently secure or being prone to interruptions, or of errors occurring in the collection and processing of data, or of the systems not being responsive to changes in the external and internal environment or to the needs of users, is extremely relevant, which is why we pay considerable attention to this field. The projects set up to address this risk include the replacement of the Petrol Group's ERP system and the deployment of a new CRM system.

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

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

II.2. Strategic risks

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

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

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

II.3. Risks of fraud and other illegal acts

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

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

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

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

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

II.4. Financial risks

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

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

Price and volumetric risks and foreign exchange risks

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

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

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

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

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

Credit risks

The credit risk was assessed in 2017 as the third most relevant financial risk to which the Petrol Group was exposed in connection with the sale of goods and services to natural and legal entities. The risk is managed using the measures outlined below.

The operating receivables management system provides us with an efficient credit risk management. In 2016 we introduced, throughout the Group, certain changes to the process of setting and approving credit limits applicable to legal entities in order to further improve and harmonise the credit risk management system. In the first half of 2017, the new system of limits was also being introduced at the Petrol Group's subsidiaries.

In addition, the upgrading and redesign of the limit system for operations involving natural persons is in the pipeline.

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

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

Liquidity risks

The Petrol Group has been assigned a BBB- long-term international credit rating, an A-3 short-term credit rating and a stable credit rating outlook by Standard & Poor's Ratings Services, which reaffirmed the ratings on 20 March 2017. 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 2017 we issued 10-year PET4 notes worth EUR 11 million and 7-year PET5 notes worth EUR 32.828 million, also raising a new EUR 50 million long-term loan. Average petroleum product prices were higher in 2017 than in 2016, meaning that slightly more 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. The Group's successful operations in particular are a guarantee for the Group's long-term solvency and boost its equity capital.

Interest rate risks

The Petrol Group regularly monitors its exposure to the interest rate risk. 30.9 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 2017 than at the end of 2016 and thus remains historically low (negative). In 2017 the Petrol Group's overall borrowing interest rate was, on average, lower than in 2016. This was the result of low EURIBOR rates and interest rate margins, which had been further reduced.

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. As the new PET4 notes had been issued and the new long-term loan raised, in both cases with a variable interest rate, we entered, in 2017, into a EUR 61 million interest rate hedging contract with a matching maturity. All of the Petrol Group's non-current financial liabilities containing a variable interest rate are thus hedged by interest-rate swaps.

Internal Audit

Internal Audit has operated 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 and annual reports are approved by the Management Board and the Supervisory Board's Audit Committee or the Supervisory Board itself. Internal Audit provides regular reports on its work to the Management Board and reports at least quarterly to the Supervisory Board's Audit Committee. In 2017 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 2017 Internal Audit continued to carry out certain procedures to improve the quality of work:

- due to changes in the Petrol Group's operations, organisation and environment it updated the set of departments/processes within the Petrol Group (the audit universe);
- based on the COSO methodology, it reassessed risks according to processes and organisational units of the Petrol Group, taking into account the significance of the processes and the date of the previous internal audit;
- following the new risk assessment, Internal Audit's work programme for 2018 was approved in December 2017 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 entered into force on 1 January 2017; and
- it continued to implement 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 12 audit and assurance assignments in 2017, 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 4 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 2017, 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. It also carried out three advisory assignments.

BUSINESS ACTIVITIES

TOUCH HOME AUTOMATION. REMOTE CONTROL.

Living in a home that is thinking of you. WE SEE YOU entering through the door into a world that you have designed to suit you perfectly. By developing innovative and cutting-edge solutions for smart homes, we enter the sphere where the only true quality is created for you – the quality of comfortable living.

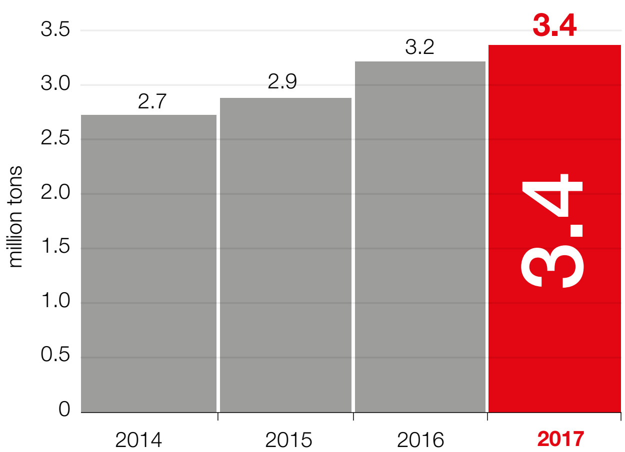
SALES

Sales of petroleum products

In 2017 our business operations were marked by intense energy and economic developments, rapidly changing market characteristics, legitimate customer expectations and fierce competition. The year again saw an increase in oil prices. Thanks to coordinated action we delivered very good sales performance in the period concerned. 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 2017 we sold 3.4 million tons of petroleum products[8], an increase of 5 percent over 2016 and 25 percent more than planned. 50 percent of our sales were generated in Slovenia, 27 percent in EU markets, and 23 percent in the markets of SE Europe. Further, 40 percent of petroleum-product sales were generated in retail and 60 percent in wholesale operations. The sales in Slovenia rose 6 percent relative to 2016, with the sales in the EU increasing by 4 percent and the sales in the SE Europe markets by 2 percent year-on-year. The Petrol Group's sales of motor fuels rose 6 percent relative to 2016.

The Petrol Group's petroleum product sales 2014–2017



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

The sales of petroleum products were up 5 percent year-on-year.

Retail network of the Petrol Group

By the end of 2017, the Petrol Group's retail network grew to 495 service stations: 317 in Slovenia, 106 in Croatia, 38 in Bosnia and Herzegovina, 12 in Serbia, 11 in Kosovo and 11 in Montenegro. Complementing the services provided at service stations are 136 car washes, 161 bars, more than 60 charging points for electric vehicles and 8 TIP STOP quick-service facilities. The latter are dedicated to the maintenance of freight and passenger vehicles.

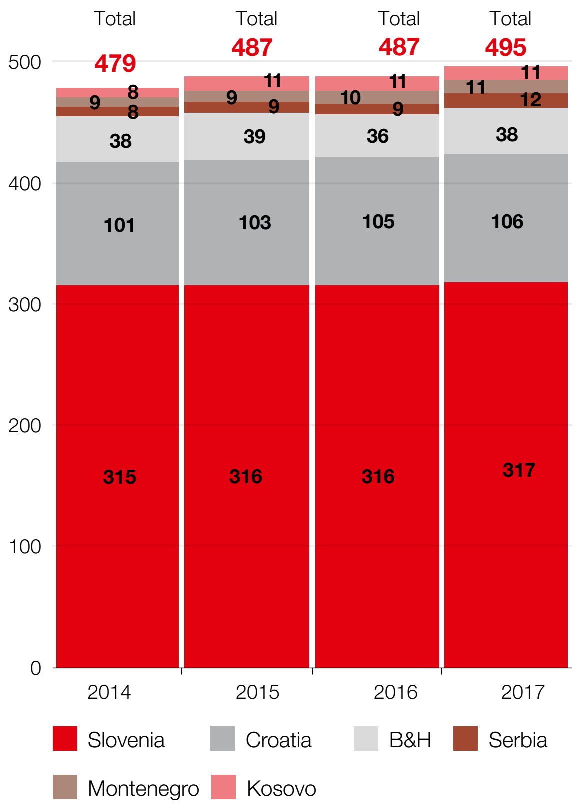
With its 317 service stations, the Petrol Group has a 57-percent share of the Slovene market in terms of the number of service stations. Its competitive advantage consists of having a leading position as regards transit routes, with particular emphasis on motorway locations and key urban and border locations. Petrol's main competitor is the company OMV, which has a 20-percent market share in terms of the number of service stations. In 2017 we opened 2 new service stations and closed down one to streamline our operations.

Customer at the centre

At Petrol, we are very much focused on customer relations, efficiency and on transparent and optimised processes which put the customer centre stage. As part of our strategic Omnichannel approach, we develop a unified and comprehensive user experience of the customer across all selling channels and different product groups. We are building a customer-centric organisation that will enable us to provide an excellent user experience.

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

Expansion of Petrol's service station network 2014–2017



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 10 percent of the market in terms of the number of service stations, with its major competitors including Eko and Lukoil. In Serbia, the companies NIS, Lukoil, Knez Petrol, OMV, Eko and Avia have the largest retail networks. Petrol has a one-percent market share there in terms of the number of service stations. In Kosovo, where Petrol has a market share of one percent, the companies with the largest retail networks include Al Petrol, Kosova Petrol and Petrol Company. The opening hours of our points of sale are adjusted to reflect seasonal traffic flows and customer needs.

Innovative customer approach

We strive for the digitisation of our business and wish to offer our customers a unique user experience through apps on their mobile devices. We have introduced two mobile apps to the market: Moj Petrol (My Petrol) and Na Poti (On the Go). The former provides users with an easy overview of all their transactions with Petrol, whereas the latter makes it possible to purchase fuel directly from the car without having to enter the point of sale.

Wholesale

The Petrol Group sells more than half of its petroleum products on the wholesale market. Thanks to its market position it can ensure an uninterrupted supply of motor fuels and other petroleum products, making it an important supplier to companies in the markets in which it operates.

In 2017 particular attention was given to developing wholesale operations in SE Europe markets.

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

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

Until 30 June 2017, the prices of regulated motor fuels had been set in accordance with the Decree Setting Prices for Petroleum Products, which was in force from 9 November 2016 to 30 June 2017. On 29 June 2017, the Government of the Republic of Slovenia adopted a new Decree Setting Prices for Petroleum Products, which was in effect from 3 July 2017 to 31 October 2017. The Decree redefined the setting of pre-duty selling prices, adding a supplement for bio-components, which are blended with mineral fuels, to the purchase price of fuel, the Agency of the Republic of Slovenia for Commodity Reserves membership fees and the distributors' margin.

On 26 October 2017, the Government of the Republic of Slovenia adopted a new Decree Setting Prices for Petroleum Product, which entered into force on 1 November 2017 and shall remain in force for a period of 4 months. The new decree did not change the pricing method.

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

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

Gross fuel margins for government-regulated motor fuel remain well below European average. In the case of unleaded 95-octane petrol, the margin amounted to 72 percent of the average gross margin in the EU countries (63 percent if the compulsory stocks membership fee is not taken into account) and in the case of diesel fuel to 59 percent (52 percent if the compulsory stocks membership fee is not taken into account) (own calculations based on Platts and Oil Bulletin data).

Fuel pricing in Croatia

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

Fuel pricing in Bosnia and Herzegovina

In Bosnia and Herzegovina, the prices of petroleum products are not government-regulated and are set freely and determined by the market. The prices may change on a daily basis. In the Federation of Bosnia and Herzegovina, retailers notify the Federal Ministry of Commerce of new retail prices 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 transhipment, handling, bank charges, storage, transport and distribution, as well as (excise) duties and an oil companies' gross margin. The latter amounts to EUR 0.063 per litre of petrol, EUR 0.064 per litre of eurodiesel and EUR 0,076 per litre of extra light heating oil. In addition to these gross margins, liquid fuel traders may factor in all of the above costs at EUR 0.05 per litre of petrol, EUR 0.05 per litre of eurodiesel and EUR 0.026 per litre of extra light heating oil.

Fuel pricing in Kosovo

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

Oil price movements in 2017

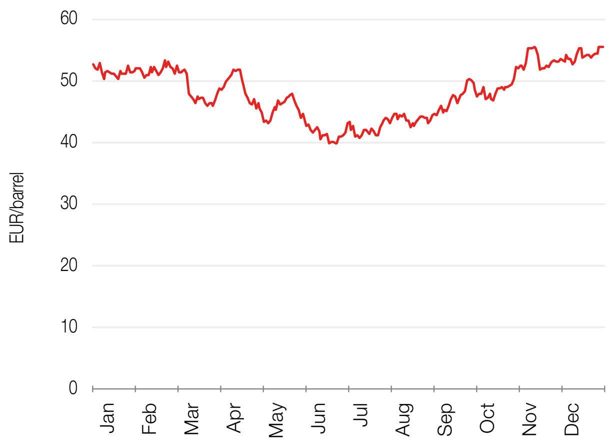
Oil prices per barrel ranged from USD 44.3 to USD 66.5 in 2017. The average price of crude oil stood at USD 54.2 per barrel in 2017 and was up 24 percent year-on-year while the average price in euros was up 22 percent. The prices of petrol and middle distillates followed the same trends as crude oil prices.

The average price of crude oil stood at USD 54.2 per barrel in 2017, up 24 percent year-on-year.

Changes in Brent Dated High oil price in 2017 in USD/barrel

Source: Petrol

Changes in Brent Dated High oil price in 2017 in EUR/barrel



Source: Petrol

US dollar exchange rate

The average exchange rate of the US dollar according to the reference exchange rate of the European Central Bank stood at 1.13 US dollars for 1 euro in 2017.

Procurement and logistics of petroleum products

Efficient supply chains are an important competitive advantage of the Petrol Group. Managing them in an optimal manner is therefore a key factor of the Group's successful operating performance. In 2017 the main goals in this area consisted of stock optimisation to the highest degree possible, matching the procurement terms achieved in 2016 and improvement of logistics processes within subsidiaries.

Procurement of petroleum products

Many years of cooperation with reliable and competitive suppliers – major oil and petroleum product traders – grant 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. It also successfully secured a new procurement route serving SE Europe markets via the Danube river. It thus made sure that the price of petroleum products was as competitive as possible and ensured optimal logistics for servicing service stations and wholesale customers.

The demand for motor fuels at our subsidiaries in Croatia, Bosnia and Herzegovina and Serbia was largely met from local refineries in these countries. In line with Petrol's long-term financial goals, its sustainable orientation and key policies, the selection of suppliers is subject to the following factors:

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

Logistics of petroleum products

Ensuring cost-effective logistics for all supply chains and in all markets is Petrol's permanent goal. The supply of fuel to service stations and customers in all markets was conducted in its entirety from the dispatch centre in Ljubljana, in line with the procurement and logistics model. A lot of attention was devoted to maximising the utilisation of existing physical assets in the logistics chain, i.e. transport fleets and storage facilities. We were thus able to transfer and transport more fuel than in 2016 while maintaining fixed logistics costs practically unchanged.

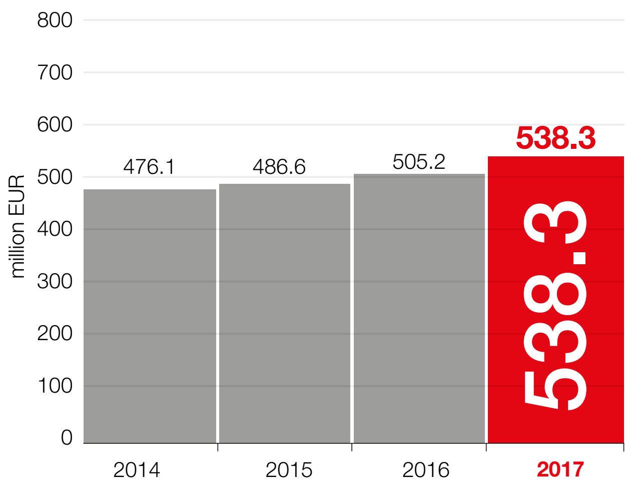
In Croatia, a new contractual fuel terminal was put into use at the beginning of the year. The terminal provides the same level of storage and handling services as our own terminal in Sermin, but is considerably more secure than the previous one (barge).

As far as storage facilities are concerned, the main activities included the upgrading of the maintenance process, implementation of the investment plan and the replacement of fuel kept on behalf of the Agency of the Republic of Slovenia for Commodity Reserves. At the Instalacija Sermin Terminal, the volume of handling carried out for Petrol and our contractual partners in 2017 exceeded 3 million tons for the first time.

Sales of merchandise

In 2017 the Petrol Group generated EUR 538.3 million in revenue from merchandise sales, an increase of 7 percent on 2016 and 6 percent more than planned. Compared to 2016, sales increased in the following segments: tobacco, electronic prepaid cards, event tickets, foodstuffs and hot beverages, and the Fresh range products. Good performance was also achieved in the sale of automotive products. The sales through the Petrol Club catalogue and loyalty schemes were continued and further developed. The Petrol Group still generates the bulk of its revenue from merchandise sales in Slovenia, but has been intensively working on further bettering the sales performance in SE Europe markets, where the sales were up 15 percent year-on-year.

The Petrol Group's merchandise sales 2014–2017



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 send or collect a package. We now stock a wider assortment of consumer electronics, toys, and virtual products and services. Our truck tyre range now also includes the brands Eternity and Ovation. We became distributors for Michelin motorcycle tyres and stepped up activities related

to tractor and construction tyres. We also overhauled and expanded the range of gift vouchers. Our foodstuffs range was expanded with the addition of a new line of L-size Coffee-to-go beverages (even more good coffee) and we added Tea-to-go to our range. We now also offer own-branded coffee pods. In the tobacco segment, we introduced a new category of smokeless tobacco products – IQOS devices and accessories.

Our eShop customers were provided with a diverse and broad range of products. We put together an attractive offer for five Petrol Club catalogues and carried out four loyalty campaigns.

Thanks to our management and optimal execution of procurement and sales processes as well as the management of the selling space for all sales channels, we are in a position to offer customers favourably priced products at the right time and in the right place.

Serving Coffee-to-go for 10 years

Petrol's Coffee-to-go has been your trusted companion since 2007. Our customers most often opted for coffee with milk for refreshment.

Sales of services

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

Petrol mBills

User experience is enhanced through innovative and modern financial services. At the end of the year, we introduced a new mobile payment service which is based on the Petrol mBills mobile wallet. This stands for quick, paperless and cashless payments at all mBills and Petrol points of sale.

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Sales of liquefied petroleum gas

Liquefied petroleum gas (LPG) is considered a top-quality and one of the cleanest fossil fuels. It is characterised by economical consumption and low costs, and it also helps to mitigate negative environmental impacts. In EU Directive 2014/94 it has been declared an energy product of the future for transport purposes. LPG can be used for vehicle propulsion, heating, industrial use, in gas bottles for home use and for electricity generation. LPG sales are becoming increasingly important for the Petrol Group, seeing that regional infrastructure, which is a basis for establishing presence in the wider SE Europe region, is now being set up. LPG operations are divided into several segments, i.e. gas sales through networks and gas storage tanks, autogas sales and bottled gas sales.

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

In Slovenia, the Petrol Group operated 6 LPG supply concessions in 2017, with the company Petrol Plin d.o.o. having LPG supply contracts in the towns of Šibenik and Rijeka, Croatia. Liquefied petroleum gas is supplied to customers also through LPG storage tanks, at service stations (autogas) – either within or outside the Group's network – and in gas bottles that are sold via a broad distribution network. In February 2017, we acquired an interest in the company Dubrovnik plin d.o.o., an LPG distributor in the Dubrovnik-Neretva County. We also constructed an LPG storage and bottle filling facility, completing the logistics process in the territory of Croatia and laying foundations for expanding LPG sales to the islands of Central and Southern Dalmatia.

The company Petrol LPG d.o.o. continued to expand its operations in the region by exporting LPG to Macedonia, Montenegro, Bosnia and Herzegovina, Kosovo, Albania, Bulgaria and, indirectly, to Greece. First LPG sales were made also in Romania.

In 2017 the Petrol Group sold 151.0 thousand tons LPG or 7 percent more than in 2016 and 1 percent less than planned. Sold at 212 service stations and also wholesale, autogas accounted for 99.0 thousand tons, up 9 percent from 2016.

Sales of natural gas

Considering the energy and environmental challenges of the future, natural gas is a particularly suitable energy product for ensuring a reliable energy supply, business competitiveness, a low-carbon energy system and sustainable development.

The use of natural gas in combination with renewable energy sources (RES) improves air quality (less SOx, NOx and PM10 dust particles) and reduces greenhouse gas emissions (CO_2). The condensation technique allows us to boost the efficiency of heating systems, and the use of natural gas in cogeneration results in an above-average system utilisation rate. Moreover, EU Directive 2014/94 defines natural gas as the transport energy product of the future. In urban areas, the use of natural gas as fuel for buses and freight vehicles is especially recommended because it pollutes the environment considerably less than traditional fuels. The possibility of storage and the use of LNG terminals, in combination with biogas use in the network, enables the development of low-carbon technologies and innovative projects for the deployment of hydrogen technologies (power-to-hydrogen, power-to-gas).

The natural gas market in Slovenia is part of the EU's single natural gas market, which is regulated by EU Gas Directive (2009/73/EC). In Slovenia, this market has been fully liberalised for 10 years already. New conditions in the natural gas market and the accessibility of new sources gave rise to an increase in the number of suppliers. Competitive offers from suppliers and consumers' own activities were translated into a large number of supplier switches, rendering the natural gas supply market more dynamic. There is strong competition in the retail natural gas market in Slovenia, the main competitors being Geoplin, Gen-I, Adriaplin, Plinarna Maribor and Energetika Ljubljana. The Petrol Group holds about an 8-percent market share of the Slovene retail natural gas market.

Natural gas consumption was in decline in the past years, but it has begun to increase slightly in the past two years, with the number of users also on the rise.

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

The volume of natural gas sold by the Petrol Group in 2017 amounted to 1.26 TWh, a decrease of 5 percent from 2016 and 22 percent more than planned.

Sales of electricity to end users

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

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

Quick and effective adjustment to change is the key to market success, which is why we tailor and update our sales range and campaigns according to the requirements of partners and the market situation in each sales segment. As the leading partner, we are also involved in the Demonstration of Integrated Energy Management (SPIRIT) project to develop business models for managing consumption, making it possible for customers to gain more control over consumption and reduce energy costs.

There is strong competition in the retail electricity market in Slovenia, the main competitors being Gen-I, Elektro Energija, Elektro Celje Energija, Elektro Maribor Energija plus, E3 and RWE. The Petrol Group has about a 10-percent market share of the retail electricity market.

In 2017 we offered Eles the possibility of purchasing electricity needed for the provision of tertiary frequency regulation, thereby helping to ensure the safe, reliable and efficient operation of the transmission system. We actively prepared for auctions to provide tertiary reserve, which will be possible at the monthly level in addition to the annual auction in 2018.

In the area of electricity supply to end customers, the Petrol Group supplied electricity to more than 52 thousand household customers in 2017. During this period, Petrol sold 1.5 TWh of electricity to end users, up 1 percent relative to 2016. We also began to actively supply electricity in the Republic of Serbia and in Bosnia and Herzegovina.

We are actively developing mobility in Slovenia and the region

In 2017 we were successful at the European Commission's calls for the co-funding of projects in the field of transport (Connecting Europe Facility). We started the implementation of two international projects – NEXT-E and URBAN-E for the setting up of charging stations for electric vehicles. Within the NEXT-E project consortium we cooperate with several stakeholders to install 222 DC fast charging stations and 30 DC ultra-fast charging stations for electric vehicles in 6 countries.

Petrol is heading the URBAN-E project, comprising 144 standard AC charging stations and 23 DC charging stations as well as an online sustainable mobility platform to boost optimal, environmentally acceptable transport services in the cities of Ljubljana, Bratislava and Zagreb.

ENERGY AND ENVIRONMENTAL SYSTEMS

Distribution of natural gas

The Petrol Group distributes natural gas in Slovenia and Serbia.

In Slovenia, it operated 26 natural gas supply concessions in 2017. In October 2017, we switched the natural gas distribution system in the municipality of Rogatec from the Croatian distribution system to the Slovene gas transmission network, making it possible also for natural gas customers in this municipality to have the possibility to choose their supplier freely. In the municipality of Idrija, we constructed a 13-kilometre connecting gas pipeline between Godovič and Idrija. The works are proceeding according to plan and natural gas distribution is set to begin in 2018. In Serbia, the Petrol Group distributes natural gas in the municipalities of Bačka Topola and Pećinci as well as in 3 Belgrade municipalities.

In 2017 the Petrol Group distributed 1.4 TWh of natural gas.

District heating

Supplying heat for heating purposes, which is done through communal boiler rooms, district heating systems and cogeneration 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, and
- lower cost of operation and major repairs.

In Slovenia, heat distribution is regulated by the Energy Act and can be carried out either as an optional local public utility service or in the form of market-based distribution. In the former case, concession agreements are concluded with municipalities. District heating concessions are awarded for a period of 15 years and up to a maximum of 35 years. It is the concession holder's obligation to build an entire district heating system and operate it throughout the concession period (i.e. ensure continuous generation and distribution of heat, maintain heating substations, purchase fuel). The price of heating consists of a fixed and variable portion, which are determined in accordance with the Act on the Methodology for District Heating Pricing. Market-based distribution is a form of heat distribution where no exclusive right is awarded nor does it require the obligatory connection to the system; moreover, the price of heat is not regulated. In this case, heat supply contracts are concluded with end customers. The same method is used for contract-based heat supply from communal boiler rooms. High-efficiency cogeneration boosts the efficiency of district heating systems. Owing to high fuel savings involved, this is one of the most important ways to reduce greenhouse gas emissions in Slovenia. Heat distributors must ensure that at least 50 percent of heat is produced from renewable energy sources (biomass) or that a minimum of 75 percent of heat is produced from cogeneration.

At the end of 2017, the Petrol Group operated 22 district heating systems, of which 14 were organised as an optional public utility service (a concession) or concession agreements for their management were signed with municipalities. The remaining 8 district heating systems were organised as a market activity or a proprietary distribution system, meaning that contracts were signed with users. In addition to district heating systems, the Petrol Group operated 25 boiler rooms based on energy performance contracting, from which heat was sold to end users.

In 2017 the Petrol Group sold 140.8 thousand MWh of heat or 9 percent more than in 2016 and 12 percent more than planned.

Environmental solutions

In 2017 the Petrol Group operated four concessions for the public utility service of municipal wastewater treatment. The capacity of the treatment plant in Murska Sobota is 42,000 population equivalents (PE), in Sežana 6,000 PE, in Ig 5,000 PE and in Mežica 4,200 PE. Petrol also managed 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 2017. 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.

In 2017 Petrol also operated 51 small treatment plants at service stations owned by Petrol. The use of two of the plants was discontinued when the service stations were connected to a newly built sewerage network.

The Petrol Group also produces energy from waste. At Ihan and Črnomelj biogas plants, organic waste is processed to produce 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 treatment plants. The sludge from the treatment plants is dehydrated and transformed into secondary fuel for cement plants.

In 2017 the Petrol Group generated EUR 4.4 million in revenue from environmental solutions sales.

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 (performance contracting) are the most common project implementation models in the public sector, the commercial sector and in industry. These models offer a significant advantage to the customers in that Petrol assumes all technical and economic risks of project implementation and management, provides the necessary funds to carry out the 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 2017 we:

- managed energy in 351 buildings with a total surface area of 1,060,000 m^2, or 116 buildings and 481,617 m^2 more if new projects (in Bohinjska Bistrica, the City of Ljubljana, Novo Mesto, Hrastnik, Črnomelj, at the Ministry of Justice – 3 courts) and existing buildings are taken into account;
- connected 98 customers to a district heating system;
- provided efficient lighting in 13 systems, of which 7 as part of a public lighting concession. We built and completed public lighting systems in the municipalities of Črnomelj, Hrastnik, Poljčane and Radlje ob Dravi, which consist of 3,084 luminaries, and refurbished lighting in Dormitory 7 of Maribor University;
- took over the management of 84 electric charging points;
- generated 2,550 MWh of electricity at 33 photovoltaic plants under our management, the total power of which equals 2.7 MW;
- helped five water supply system operators to reduce water loss by a total of more than 1,900,000 m^3 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 Phase II of the technical and economic optimisation of district heating systems in Bolzano, Italy, and Osijek, Croatia, and upgraded the district heating project in Belgrade, Serbia;
- entered into business and technical cooperation in the planning, construction, distribution and management of a wood biomass district heating project in the town of Banja Luka, Bosnia and Herzegovina;
- carried out Phase I of the 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);
- completed the automation of 350 heating substations to enhance the efficiency of the district heating system in Novi Sad.

We managed more than 19,000 luminaires.

In 2017 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.

In 2017 the Petrol Group generated EUR 23.5 million in sales revenue from energy solutions.

Electricity generation

In 2017 the Petrol Group began to generate wind electricity in Croatia, exceeding production plans. The Group is also present in Bosnia and Herzegovina, where it generates hydro electricity. There, the production was in line with the plan.

TRADING

Electricity trading takes place in a dynamic environment. Developments in the electricity markets in 2017 can be assessed as very diverse, both in terms of price movements (price volatility) and exceptional events that had a major impact on trading in electricity. At the start of 2017, the markets of Western Europe were affected by problems arising from nuclear production in France, which also had an impact on the markets of Germany, Switzerland and Italy as well as Slovenia. In the markets of SE Europe, weather conditions had a major impact on the production of electricity and consequently the prices. In 2017 we witnessed exceptional weather events, from prolonged periods of extreme cold at the beginning of the year to periods of extremely high temperatures in the summer. Hydrological drought also greatly limited the possibility of production at hydroelectric power plants, which are an extremely important source of electricity generation in the region. During the period of extreme temperatures or outages of conventional production sources, we witnessed price surges.

Due to unpredictable events resulting in costlier long-term transactions, short-term trading has been gaining ground, and the Petrol Group follows suit.

In 2017 the Petrol Group operated in the 19 markets of Central, Western and South-Eastern Europe in the area of electricity trading. In most of these markets, Petrol was physically present with its own balancing group, and in the rest through financial trading. Compared to the previous years, we have significantly consolidated financial trading in the Swiss, Italian, French, Czech and Slovak markets. In addition to the trading itself, we also strengthened the presence at cross-border transmission capacities auctions and their day-to-day optimisation. In 2017 we joined the Serbian power exchange SEEPEX, where we also actively trade.

In 2017 the Petrol Group sold a total of 21.0 TWh of electricity or 19 percent more than in 2016 and 70 percent more than planned. 18.3 TWh of the above volume was attributable to trading.

SUSTAINABLE DEVELOPMENT

DEVELOPING OUR POTENTIAL.

Bringing out that sparkle in the eye which only lights up on special occasions and becoming the company that knows how to preserve it. THIS IS WHERE WE SEE OURSELVES. That is why every year Petrol devotes in excess of 100 thousand hours to the training and upskilling of employees.

SUSTAINABLE DEVELOPMENT

The Petrol Group was the first energy company in Slovenia to commit itself to sustainable development. We perceive our role in the realisation of this strategic commitment as twofold. On the one hand, we pursue our core business with a high level of responsibility towards the natural and social environment and on the other hand we are actively promoting a sustainable transformation of the wider society through our business programmes and products. Through sustainable strategy we respond to the numerous sustainability challenges in the wider environment and try to transform them into business opportunities to the highest degree possible. Clean and efficient use of energy is a long-term energy objective of the EU, which is aiming to be one of the key players in the fight against global climate change. As one of the main energy companies in Slovenia and in SE Europe countries, we play an active role in increasing energy independence, energy efficiency and the share of renewable energy sources in the markets where we operate. In the long term, we strive to use environmentally friendly energy products, even when it comes to sustainable mobility. The transition to the circular economy is seen as an opportunity to boost resource efficiency and create new green jobs, naturally whilst reducing the environmental footprint. According to our sustainable strategy we are committed to reducing the use of primary raw materials, separating waste at source and generating fractions that are as pure as possible, and promoting energy recovery from waste. The sustainability focus of the Petrol Group is on cities, not only in terms of energy, but also when it comes to managing all natural resources. Our long-term strategy, on which our investment policy is based, is to develop integrated infrastructural services in several aspects of the cities' lives for their transition to sustainable cities. In the area of energy management of cities and industrial energy, we write, together with our partners, successful stories both in Slovenia and abroad, and this also applies to water cycle management, waste water treatment and the exploitation of renewable energy sources.

Social responsibility is perceived as a sustainable commitment to engaging with the environment in which we operate. We realise that helping our social environment has a significant impact on the successful operations and development of Petrol. We work with Slovene athletes, support various cultural events and donate funds for humanitarian projects. We carry out corporate volunteering activities, through which employees give back to the society through their work, knowledge and material assistance.

We respond to sustainable challenges with a range of ambitious and development-oriented programmes, which we communicate every two years in an expanded sustainability report containing a concise summary of the results of our work in the economic, social and natural environment (the 2016 Sustainability Report is available from: www.petrol.eu/sites/www.petrol.eu/files/attachment/tp_2016_eng_web_spread.pdf.

Reporting is transparent and accurate as per the data currently available to the Petrol Group. We used a matrix of key stakeholders and the sustainable development strategy of the Petrol Group to define the key areas of interest. We selected those that influence our sustainability footprint the most. The sustainability indicators we have established to measure the progress on our sustainability path have provided us with additional leverage in the long-term management of sustainable development. We strive to pursue our mission with the minimum environmental footprint. This is our commitment, which is reaffirmed each year through concrete goals and results.

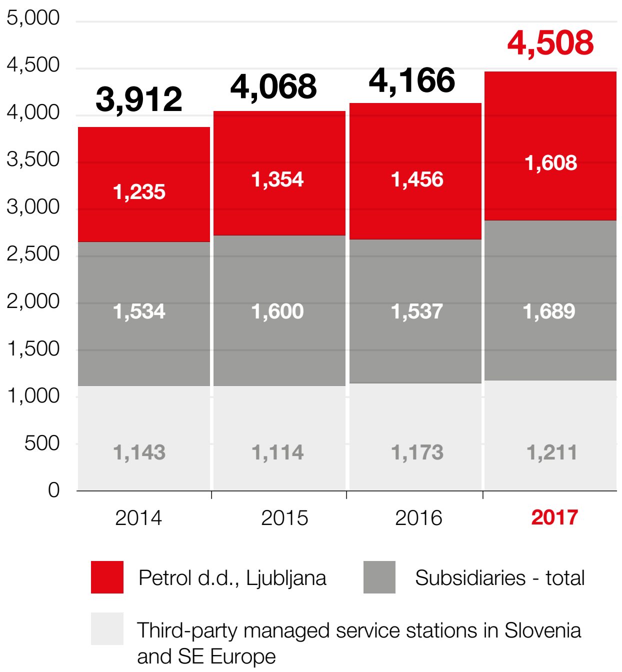
EMPLOYEES

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 elements of human resources management in the Petrol Group. Good staff performance and an efficient HR strategy help Petrol consolidate its position of a modern energy group on a daily basis.

Staff numbers

At the end of 2017, there were 4,508 people employed within the Petrol Group and at third-party managed service stations, of whom 33 percent abroad. Compared to the end of 2016, the number increased by 342 or 8 percent. Staff numbers rose mainly at third-party managed service stations and within the companies Petrol d.o.o. in Croatia, Petrol d.o.o. Beograd, Petrol BH Oil Company d.o.o. and Petrol d.d., Ljubljana. Following acquisitions, the staff of the Petrol Group were joined by employees from the Croatia-based company Dubrovnik plin d.o.o. and from Geoplin Group companies.

Number of employees in the Petrol Group 2014–2017



In 2017 the Petrol Group recruited 825 workers, the employment contracts of 483 employees were terminated and 151 people were transferred to new positions within the Group.

At the end of 2017, the average age of employees was 39 years. 62 percent of the employees were male and 38 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. As we found it increasingly difficult to recruit staff from the market, several novelties were introduced in 2017. We attended the Moje-delo.com Career Fair, the biggest of its kind in Slovenia, and joined forces with the YES association, thus acquiring some exceptionally promising young talent through the Business Class project. In addition, we engaged more actively with the Employment Service of Slovenia and Adecco. This enabled us to attract candidates through interesting assignments in which Slovene athletes were also involved. The search for candidates was also done via our own promotional video at Petrol's points of sale in which the interesting yet demanding job of the service station employee has been presented.

Quarterly and annual staff management based on goals and feedback

Petrol's annual interviews are a proven good management and communication practice. In 2017 we continued to extend the interviews to point-of-sale managers, inviting the general managers of subsidiary companies to designate the staff who work in positions where annual interviews would be useful for both the manager and the employee.

This year's novelty were quarterly interviews for staff not occupying management positions, meaning that every three months employees assessed and commented on the achievement of their goals from the previous quarter and set goals for next quarter. Managers then assessed and approved the goals. If the goals were exceeded, the employee was rewarded with a performance bonus at the end of each six-month period.

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.

Remuneration

The remuneration systems in the Petrol Group are aimed at motivating employees to perform even better. Salaries consist of a fixed and variable part. In order to boost productivity and the quality of work at the points of sale, employees receive the variable part of their salary in the form of a performance bonus and rewards for above-average quality of operations. Employees are also remunerated by taking into account the results of sales promotion campaigns aimed at increasing sales or introducing new products.

Through a competition we select three best salespersons in each country, and we also reward employees at the best performing points of sale.

In 2017 we introduced a new system for remunerating employees in corporate functions. The system includes a system for monitoring and determining performance in which the employee is rewarded for their work depending on whether they achieve or exceed their goals. The purpose of the new system is to further motivate employees to contribute as much as possible to the achievement of the business and strategic goals of the Company through their work.

Jubilee benefits are conferred annually in appreciation of loyalty to the Company.

In addition, we have created a new system for motivating and recognising the best salespersons in terms of their relation to customers and sales results. We call them the stars of mystery shopping and we gave the first prizes to the best.

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.

Staff education and development

Staff education and development are intertwined with numerous business and support activities, the result of which are trained staff committed to achieving the current goals and motivated to pursue the future goals. The Company's valuesare a common bond connecting the employees. We strengthen and communicate them through all internal communication tools. They are integrated into the model of general competences and we apply various systemic measures to further encourage the employees to pursue them. Employees are seen as a whole person, and each needs a different approach and opportunities to realise their potential. Large systems have an advantage, as they can stimulate potential with diverse activities towards further overall growth. We believe that Petrol, due to the systematic implementation of these activities, is among the more visible and preferred companies in the business environment.

Butterfly – the staff development system

In the framework of the new Butterfly project – a staff development system at Petrol – we wish to transparently identify and develop the potential, retain key and important personnel, and adequately motivate them for further development. Based on the Company's vision and strategy, we prepared a segmentation of jobs that are crucial and important for achieving strategic goals. We created a set of competences that support strategic goals and we tested the questionnaire for the assessment of competence development on a few co-workers included in the pilot. On the basis of psychological tests, the 360-degree competence assessment method and potential analysis, we have already prepared an individual development plan for some of our employees to strengthen competences in terms of gaps and development opportunities. Some have been included in development coaching and the Energy for Leadership programme.

Systematic staff education and development provide for the achievement of business goals and help our staff to grow as individuals

In 2017 Petrol was again recognised as a Top 10 employer in Slovenia

Petrol received a number of distinguished awards in 2017, including an award presented by the portal Mojedelo.com based on a survey of several thousand respondents in which the reputation of Slovene companies was assessed according to different criteria. Of all Slovene companies, Petrol was recognised as the most respected employer in the trade sector.

Knowledge ensures a successful integration of individuals in business processes and creates long-term competitive advantages of an organisation. That is why we see investing in the training of employees and caring for their development as the best investment for the future.

In 2017 the number of Petrol Group employees taking part in various forms of education and training stood at 18,562. In all, 108,684 teaching hours of training were carried out, meaning that on average each employee received 25 teaching hours of training.

The systematic care for development and education is also reflected in the continued increase in the number of hours dedicated to the further training of staff.

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

In addition to knowledge and skills training organised in-house, we also keep a record of individual applications for programmes in Slovenia and abroad. Participation at international conferences and trade shows abroad is an established way of acquiring knowledge and information, keeping up with global trends and networking. Participants are obliged to transfer acquired knowledge to their colleagues.

2010 : 2017 = additional 7 hours of training per employee

The introduction of new forms of internal training also entails a greater number of participants. Self-learning in the e-classroom makes it possible to include a considerably larger number of employees, especially in the field of legally required training. This is also possible through JollyDeck learning campaigns, which were carried out in 2017 in subsidiaries in the SE markets and serve to deepen the knowledge of goods over a short period of time and in all markets simultaneously.

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

We wish to be an example to business partners and all stakeholders. As a result, in 2017, executive, managerial and professional staff also attended training on corporate integrity and ethics in management.

We also train external staff and customers

As part of our in-house training, significant attention is also given to the training of external staff (students, hauliers, cleaning personnel at service stations, etc.) and customers. In 2017 various technical programmes were organised for them, which were attended by more than 2,000 participants.

We are constantly redesigning and optimising the educational process.

New Learning Centre in Zalog

In response to the market conditions and the expectations of the owners, employees and customers we set up the new Learning Centre in Zalog, where we installed a simulated point of sale for acquiring knowledge and skills in a safe learning environment. The learning centre makes it possible to train new employees, to refresh or gain knowledge, to practice sales skills and to acquaint all sales personnel with major novelties.

Internal trainers at points of sale

Through an internal call for applications we selected some of the most suitable candidates and trained them as internal trainers at points of sale. Five salespersons successfully completed their education and obtained a licence to perform the work of an internal trainer, namely to conduct workshops to consolidate sales skills and manage introductory seminars for new employees.

We also redesigned the system of skills workshops for staff at points of sale. We combined knowledge and experience in a module called the Energy of our Sales, which is now composed exclusively of situational training sessions.

We are setting up a network of internal coaches

Petrol is also setting up a network of internal coaches. We believe that better sales skills contribute to better sales results. That is why we have chosen employees who will take the role of so-called “channel coaches” for individual sales channels. Internal coaches will monitor the implementation of the agreed sales protocol for business customers, provide feedback on the success of sales talks, and use special methods and techniques to encourage salespersons to eliminate the gap between the set standard and performance, and ensure that the sales results improve.

The third generation of young promising staff

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 completed the training of the third generation of young promising staff who gained, in one academic year, in-depth knowledge of the Petrol Group's operations and prepared project assignments on selected topics of strategic interest. For Petrol, this programme is also a tool for developing talent 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.

The Petrol Business Academy Alumni Club now brings together three generations already. Third-generation assignment topics were adapted to the situation in Petrol's markets: omnichannel (a uniform approach to customers), a redesigned loyalty scheme, energy solutions, etc.

Energy for Leadership – a programme for leaders and managers

Three years ago, we developed a modular system of training leaders up to the third level of reporting. Thanks to the success of the programme, we expanded the content, adapting its scope, to all managers who conduct quarterly interviews or are entrusted with the role of coordinating work among co-workers. The programme enables the upgrading of managerial communication and motivational skills, the skills of strategic and systematic thinking and personal skills. In combination with individual coaching, managers are provided in-depth insight into the management style and opportunities for improvement.

We share our knowledge

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 2017 we launched a second generation of our mentorship programme. Following the success of the first generation, even more employees have signed up for this kind of knowledge and experience transfer: there are 132 employees involved in the programme, of which 73 mentorees, 56 mentors and as much as 8 who participate in both roles.

Creating organisational culture that is geared towards shared values, achievements, changes and mutual support.

Organisational climate and the energy between us

People are an important element of a company's success. Therefore, organisations need to create an environment where employees can develop their potential. Using a survey on Petrol's organisational climate, satisfaction and the commitment of its employees, we have been systematically measuring progress, building relationships and engaging employees since 2001. The survey is a powerful tool to help us identify our own strengths and areas where there is room for improvement. All the companies from the Petrol Group participate in the survey.

In 2017, 3,223 employees took part in the survey, meaning that the rate of participation stood at 80 percent, the highest to date.

Good organisational climate that has been stable for several years = satisfied and committed employees

As in the previous year, we are pleased to say that good results were achieved also in 2017. All elements of measurement (climate, management and development systems, employee satisfaction and commitment) received high scores at the level of the Petrol Group. The organisational climate is good and stable, and employees of the Petrol Group are satisfied. In recent years, the introduction of various management and development systems helped us to greatly improve these results as well.

Measurement category	The Petrol Group 2016	The Petrol Group 2017	SiOK
Organisational climate	3.86	3.83	3.39
Management and development systems	3.79	3.82	3.26
Satisfaction at work	3.76	3.77	3.52
Ratio between committed and actively non-committed employees	3.0:1	3.3:1	


PETROL

A comparison of results with other Slovene companies shows that the climate conditions in the Petrol Group are more favourable and the employees are more satisfied than the Slovene average.

Since 2010 we have also been monitoring the employees' commitment. During this period, we significantly reduced the proportion of actively non-committed employees and thus greatly improved the so-called macro indicator of the health of the organisation. The ratio between committed and actively non-committed employees increased from 1:1 in 2010 to 3.3:1 in 2017.

Space of creativity and innovation

The Open Space, dedicated to work, communication, co-operation, socialising, creating and educating was opened in Petrol's office building. With it we are building a new culture of free information flow, opening up and expanding our horizons and learning about innovative approaches to work. In addition to creative work, the space can be also used for relaxed active rest and creative rest. Following the example of the best companies, we know that interior design greatly influences creativity. By using different architectural solutions we also contribute to new intuitive solutions that arise as a result of networking, socialising and a relaxed atmosphere among employees. The Programme Committee organises events, which are open to all employees.

Events are divided into seven groups:

- Knowledge and skills
- Taking care of myself (healthy life, nutrition, exercise, etc.)
- Sharing stories (employees' stories)
- In the spotlight – What's up? (transferring information from various OUs, ongoing projects, interesting trends, etc.)
- Idea incubator (1 on 1 with the Management Board – direct transfer of ideas to the members of the Management Board, who took the time to listen and discuss the ideas of employees, various current topics in the field of innovation and new business models)
- Children's programme (open house day, workshops for the children of employees)
- Hosting (project partners)

In 2017, 39 events were organised in the Open Space and were attended by 800 participants.

Do You Accept the Challenge?

In 2017 we launched the project "Do You Accept the Challenge?" to encourage employees, and for specific challenges their family members as well, to try various sports disciplines throughout the year. Do You Accept the Challenge is a programme comprising sports and recreational activities designed to get to know different sports, facilitate informal socialising with colleagues and promote mutual encouragement to participate, with the challenge registration app inviting users to take on as many challenges as possible. Every month there is one challenge – in a different sports discipline every time. In this scope, the employees have at their disposal personalised professional advice, training programmes and coordinated training sessions. Employees are additionally motivated to overcome challenges by collecting prizes in the app, such as virtual cups, and real medals and other symbolic prizes that employees receive after having passed a certain number of challenges, for instance a sports shirt or a ticket to a selected match.

We are a family- and employee-friendly company

In 2017 we received special thanks for expanding the culture of a family-friendly enterprise in Slovenia because we have been involved in the certification process for over six years and we successfully passed the second final audit by an external audit council. This means that we successfully implemented the planned measures to facilitate the balance between work and private obligations. Among the more visible measures are a day off for parents of first-graders on the first day of school, five-day active holidays in nature with a diverse programme for primary-school children, a gift pack for newborns, corporate volunteering campaigns, the possibility of occasional teleworking, mentoring, individual development plans, and others. These measures are also linked to other projects, such as Petrol's Family Day (in cooperation with the Museum of Architecture and Design in 2017), we joined the humanitarian campaign Santa for a Day and provided presents for children from socially disadvantaged families as well as crocheted octopuses for the neonatal department of the Paediatric Clinic in Ljubljana.

We also expand good practice abroad. Our Croatian subsidiary Petrol d.o.o. thus also received the basic family-friendly enterprise certificate.

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.

Caring for those at risk

In 2017 Petrol joined the FIRST project – the first point of assistance for victims of domestic violence and gender-based violence. At this assistance point, we listen to employees and other people at risk and refer them to appropriate professional help.

Occupational safety

In the Petrol Group, we realise that occupational safety and health, in addition to their main purpose, also ensure the satisfaction of employees. That is why we constantly strive to reduce the level of risk arising from the performance of working processes by introducing appropriate organisational and security measures. Although the working environment is changing owing to the development and introduction of new technologies and procedures, Petrol successfully keeps up with the changes. We look for solutions that are healthier and safer for our employees. All companies of the Petrol Group have adopted safety declarations with risk assessment. The latest findings in occupational safety and health are integrated into new processes and projects. In addition, we monitor the risks related to the occurrence of accidents and injuries. The risks are assessed periodically and, through safety measures, maintained at an acceptable level. A priority in the advancement of occupational safety and health is the reduction of risks at highly exposed workplaces and seeking links with other areas of safety, in particular fire safety, environmental protection and chemical safety. The programme of preventive medical check-ups includes all staff. Particular attention is devoted to co-workers with reduced working capacity. Considerable attention was paid also to the theoretical and practical training of employees in occupational safety and health, workplace ergonomics, fire safety, environmental protection, safe handling of chemicals and first aid.

In 2017 we continued the programme of promoting health in the workplace. We carried out several awareness campaigns on healthy eating habits and healthy physical exercise on and off the job. One of the most important projects is the "Connected in Awareness Raising" campaign, which was designed in Petrol together with Porsche Slovenija and Europa Donna, a Slovene association for the fight against cancer. The main goal of the Slovene Breast Cancer Association is to provide all women in Slovenia with equal opportunities for an early diagnosis of the illness, immediate treatment and recovery. Thus, we designed a modern mobile consultation room with a professional team (a doctor and a representative of Europa Donna), which was available to individually receive and provide advice to Petrol employees all over Slovenia.

CUSTOMER SATISFACTION

One of Petrol's major goals is to have exceptionally satisfied and loyal customers. More loyal customers can translate into an even better sales performance.

By definition, a satisfied customer's experience exceeds their expectations, and accumulated good experience turns a satisfied customer into an increasingly loyal one. Loyalty is the result of positive experience which is repeated across different points of sale and in contact with different sales channels, products and services. This builds loyalty to the brand, the Company or the people. A loyal 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 being one of the main reasons for the Company's success. Since 2010 we have been measuring transactional satisfaction at our points of sale on a regular basis (several times a year). During this time, we obtained over 218 thousand different opinions in Slovenia alone, including the feedback from our Italian customers at the border locations. The resulting insights, ideas and improvements were successfully integrated into our work processes. In 2017 we also checked the satisfaction of our customers in Bosnia and Herzegovina, where an enormous improvement was observed compared to the year 2013. We were most keen to hear customer feedback about carwash services and environment-friendly fuel, but also about other products and services available at our service stations. 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 service station satisfaction indicators have stabilised at their highest levels to date (overall visit satisfaction index of 91). All three key indicators of loyalty to Petrol's service stations, i.e. the willingness to revisit (94), the willingness to recommend Petrol's service stations (88) and the perception of the advantages of Petrol's service stations over others (82), remained on a par with the previous year.

We designed a new ongoing survey and carried out a first satisfaction measurement for heating oil buyers. The survey revealed that the buyers of heating oil were relatively highly satisfied with Petrol as a supplier of this energy product as compared to other energy products: the overall satisfaction stood at 91, the willingness to purchase again at 90 and the willingness to recommend at 88.

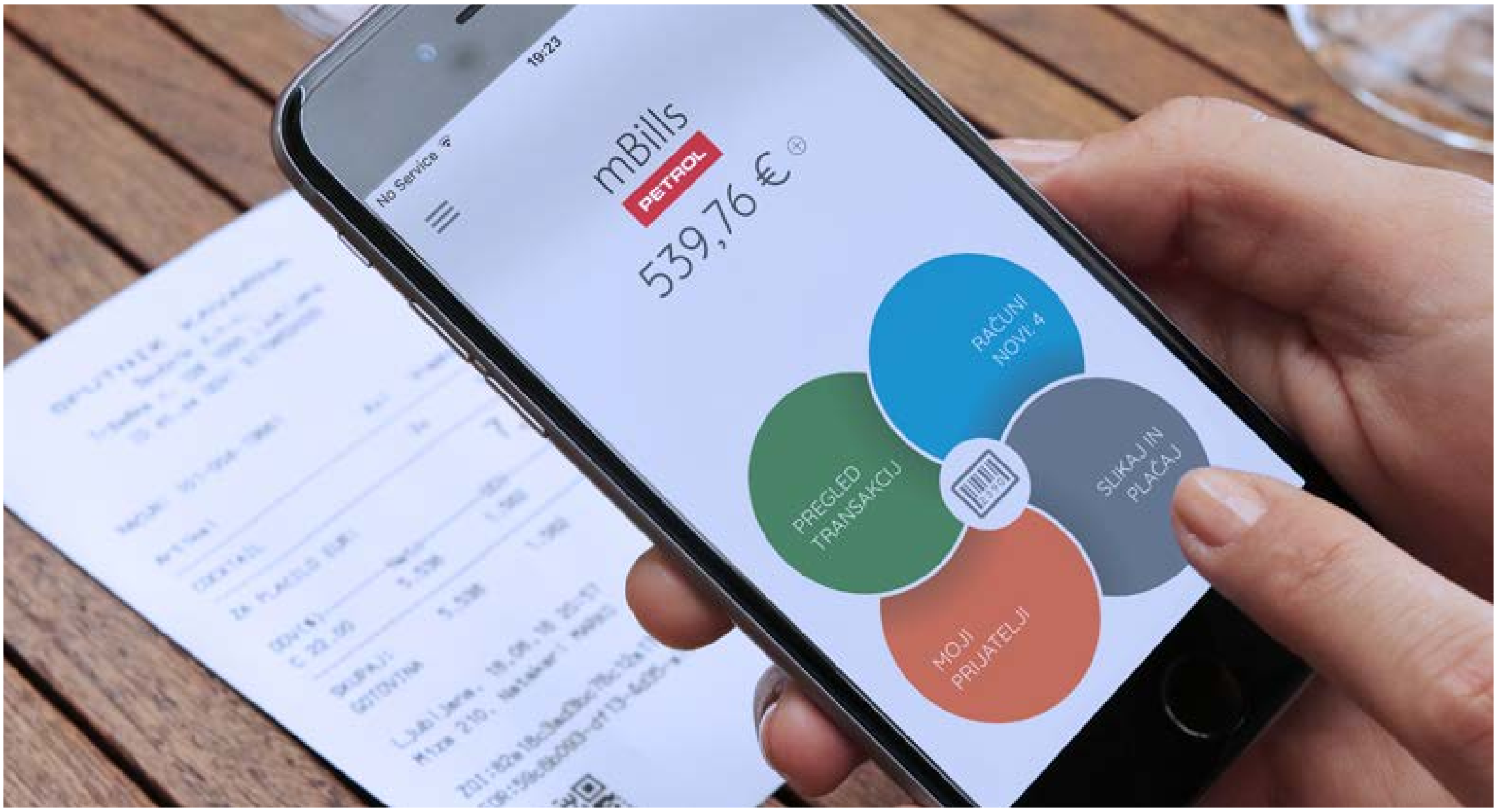
In 2017 we continued the measurement of customer recommendations in Petrol's online eShop as an indicator of satisfaction. This enabled us to track, in real time, the opinions of customers using Petrol's most recent sales channel and adapt the sales process, develop our range and optimise user experience 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 2017 Petrol put a lot of emphasis on customer experience in all sales channels, as customer satisfaction depends on whether the user purchase experience meets their expectations. It is only when this happens and the customer is satisfied with the service that we reach the first step in gaining customer loyalty to the brand or the Company.

The Petrol Club loyalty scheme has two main tasks: care for the satisfaction of existing loyal customers and winning new customers. With this in mind we published the Petrol Club catalogue five times in 2017. The catalogue includes products and services of recognised brands at extremely favourable prices. Petrol eShop online store is also an important channel for the sale of these products.

At the end of 2017, Petrol Club had more than 630 thousand holders of the Petrol Club loyalty card and more than



79 thousand holders of the Petrol Club charge card. The number of cardholders increased by as much as 16 percent from 2016. This year we continued rewarding the Petrol Club cardholders, and with each catalogue issue they received selected free products from our sales range. In 2017, Petrol Club card holders were sent more than 260 segmented marketing messages, which in addition to the message often included a discount voucher or a free product – either as a thank you to customers for their regular purchases of the respective product or as an invitation to try the product. Through our loyalty activities we have been building a long-term relationship between the Company and its customers, centring business around the customer.

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 quality management system

The Petrol Group's operations are based on the implementation of strict quality standards. Since 1997, we have been constantly upgrading and expanding the Group's quality management system. In addition to the certified quality management system, environmental management system and energy management system, the comprehensive quality management system incorporates the requirements of the HACCP food safety management system, of the OHSAS occupational health and safety system and of the SIST ISO 27001 information security system. Petrol is also certified to the OHSHS 18001 occupational health and safety standard for comprehensive solutions processes in the area of district and energy systems, water supply systems, efficient lighting and energy management in buildings.

In 2017 the quality and environmental management systems were aligned with the requirements of the new edition of ISO 9001:2015 and ISO 14001:2015 standards.

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: 2012 standard (General requirements for the competence of testing and calibration laboratories). Although it is part of the parent company, Petrol Laboratory operates as an independent and neutral institution, also providing services to external clients. It has 57 accredited methods.

The inspection body for liquid flow and tyre pressure measuring devices and for pressure equipment operates as part of Petrol's technical support service. Petrol d.d., Ljubljana has 20 accredited test methods for the inspection of flow and tyre pressure measuring devices, of pressure equipment, of tightness of fixed steel reservoirs, of wall thickness of liquid fuel reservoirs, of the measurement of dielectric strength of liquid fuel reservoir insulation and of the measurement of noise in the natural and living environment, all compliant with the SIST EN ISO/IEC 17020: 2012 standard "General criteria for the operation of various types of bodies performing inspection".

Major projects in 2017

- We carried out a development project of custody certification for issuing certificates of sustainability to bio-based fuels, making it possible for Petrol to market fuels in certain parts of the European market.

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: 2015	ISO 14001: 2015	ISO 50001: 2011	SIST EN ISO/IEC 17025: 2012 SIST EN ISO/IEC 17020: 2012	OHSHS 18001 POR*
Petrol Energetika d.o.o.	ISO 9001: 2015	ISO 14001: 2015	/	/	
Petrol d.o.o.	ISO 9001: 2015	ISO 14001: 2004	/	/	
Petrol Geoterm d.o.o.	ISO 9001: 2015	/	/	/	
Beogas d.o.o.	ISO 9001: 2008	/	/	/	
Petrol d.o.o., Beograd	ISO 9001: 2008	ISO 14001: 2004	/	/	OHSHS 18001

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

- As a consortium member, the Sustainable Mobility Section of GIZ CER (Economic Interest Grouping – Energy Solutions Centre) co-authored a study on alternative energy sources in transport and actions necessary to develop the infrastructure allowing the use of low or zero carbon footprint fuels. This was the basis for drawing up a government strategy on alternative energy sources in transport and the necessary infrastructure.
- A new Decree on renewable energy sources in transport (RES Decree) entered into force on 14 October 2016 (Official Gazette of the RS, No. 64/14 October 2016) based on the European Directive 2014/94/EC, which further defines the conditions for accelerated introduction of alternative fuels in the transport segment. It superseded the previously applicable Decree on biofuels and set a new legal framework for the gradual introduction of biofuels into the market as an alternative propulsion source in transport. Accordingly, in 2017 Petrol started the activities to prepare and adjust the sales infrastructure for introducing biofuels at points of sale. In doing so, it relied on past experience gained, especially the best global practices in introducing biofuels into regular use. The key to this was:
  - to provide adequate sources of supply (verification and certification of biodiesel producers);
  - to find and establish solutions that ensure a gradual transition to biofuels with minimum possible interference in the sale process (selection of service stations, cleaning of tanks, supplies logistics);
  - to anticipate impacts and effects on biofuels handling and storage (clean biofuels and biofuel/petroleum mixtures);
  - to ensure completely safe use and handling of such fuels at points of sale.

Measuring the quality of internal services

Good cooperation in the workplace is a prerequisite for successful organisation. Every employee has internal customers and every employee is an internal customer. The level of satisfaction of employees as internal customers is measured in the survey called 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. At

Petrol, the quality of internal services has been measured since 2005 using a SERVQUAL-based methodology. 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 2017 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.

Innovation as a driver of development

Mass innovation underpins the development narrative of our company. It is embedded in its strategic orientations and is genuinely addressed to all employees. For a number of years, we have been running our Great Idea project to systematically encourage staff to embrace creative thinking and be active in the open sphere of innovation. In the previous year, we collected 387 ideas focused on improving the quality of our business and the functioning of processes, reducing operating costs, boosting revenue and enhancing productivity, safety, environmental protection, working conditions and the satisfaction of our staff.

We are well aware that a company is not an independent and isolated system, but instead belongs to an integrated social space. In 2017 we were involved for the third time running in the Slovene Case Challenge, a non-profit project organised by Ljubljana Faculty of Economics, in which students from different faculties compete in solving innovative business challenges put forward by companies. Petrol contributed both content-wise and financially. This time, Petrol's challenge involved collecting energy consumption data in connection with the optimisation of energy consumption in individual or multiple buildings. The winning team prepared a systematic analysis of data protocols, described all options together with their advantages and shortcomings, prepared a cost estimate spanning a 10-year period and carried out a sensitivity analysis.

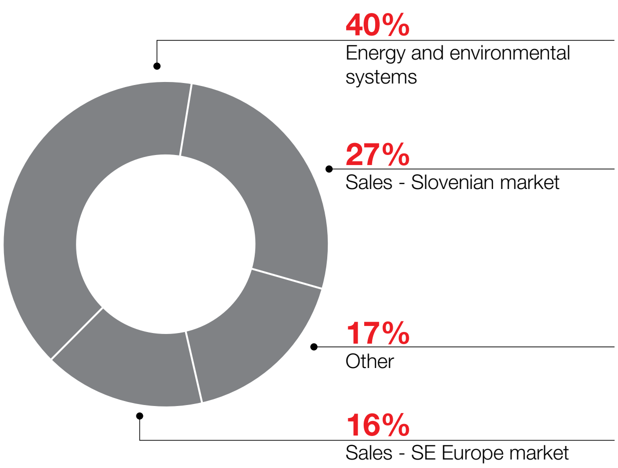
Petrol has placed itself in the context of wider social developments also by taking part in the selection of the most innovative business ideas for limiting the impact of climate change, which took place as part of Climate Launchpad, a European competition involving 35 countries plus Slovenia.

INVESTMENTS

A well thought-out investment policy is a core element of the Petrol Group's development. In 2017 the bulk of the 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.

In 2017 net investments[9] in property, plant and equipment, intangible assets and long-term investments stood at EUR 71.9 million.

Structure of the Petrol Group's investments



Sales in Slovenia

In 2017 we constructed 2 service stations in Slovenia, namely in Maribor and Podlehnik. We refurbished service station shops, introduced the Fresh range at 14 service stations and refurbished 4 service station bars. The process of acquiring land, preparing documentation and obtaining building permits for construction work scheduled to begin in 2018 was also underway. At storage facilities, service stations and Tip Stop Vianor garages we upgraded equipment, carried out repairs and renovations, invested in environmental protection and in the security of buildings.

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. We invested in 3 service stations in Belgrade, Serbia, and in another one in Bar, Montenegro.

Energy and environmental systems

In 2017 the bulk of the investment budget was allocated to the development of energy and environmental systems. Moreover, we invested in projects involving energy management in buildings, efficient energy consumption and lighting in towns and business facilities. Major projects include the energy renovation of public buildings in the City of Ljubljana. Investments were also 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 development of the information system and in the new ERP system in 2017.

[9] Net investments in fixed assets = Investments in fixed assets – Disposal of fixed assets.

INFORMATION TECHNOLOGY

We have had a very diverse and dynamic year, during which a thorough overhaul of Petrol's information platform started. On the one hand we dealt with projects for renovating some fundamental elements of the IT environment (new ERP, CRM), and on the other with innovative, so-called digital information solutions. These are future-oriented, focusing on improved user experience of higher quality. Examples include the MojPetrol (MyPetrol) self-care mobile application, the NaPoti (On the Go) mobile application, enabling fuel payment from the car, and the OneCharge mobile application for electric cars. The mBills solution (after Petrol's acquisition of mBills) is aimed at simplifying all forms of payment and offering users a simple and modern solution for cashless payments. The service platform constitutes a major part of the new IT architecture, where several dedicated substance sets (services) are being established for simplified and standardised access of user applications to certain parts of internal systems.

Key projects in 2017:

- Introduction of a new ERP system – the most demanding project initiated in 2017. The most suitable solution (SAP) was selected in 2017, along with an appropriate partner for implementation, and a major portion of analysis was carried out. Intensive work will continue throughout 2018 and the solution is planned to be put into operation (phase 1) at the start of the 2019 financial year.
- Launch of the new CRM system (Salesforce) – the project continued and we plan to start using the first set of functionalities (call centre, 360-degree customer view, support to some sales processes) in April 2018. The system will be further developed in 2018, since the project comprises several implementation stages that will gradually satisfy all business needs.
- Introduction of the Microsoft Office365 tool to simplify and improve cooperation among employees, while new tools are also aimed at boosting employee performance.
- Continuation of the TIS project – gradual rollout of an IoT platform enabling development and further growth of the business model for managing energy solutions.

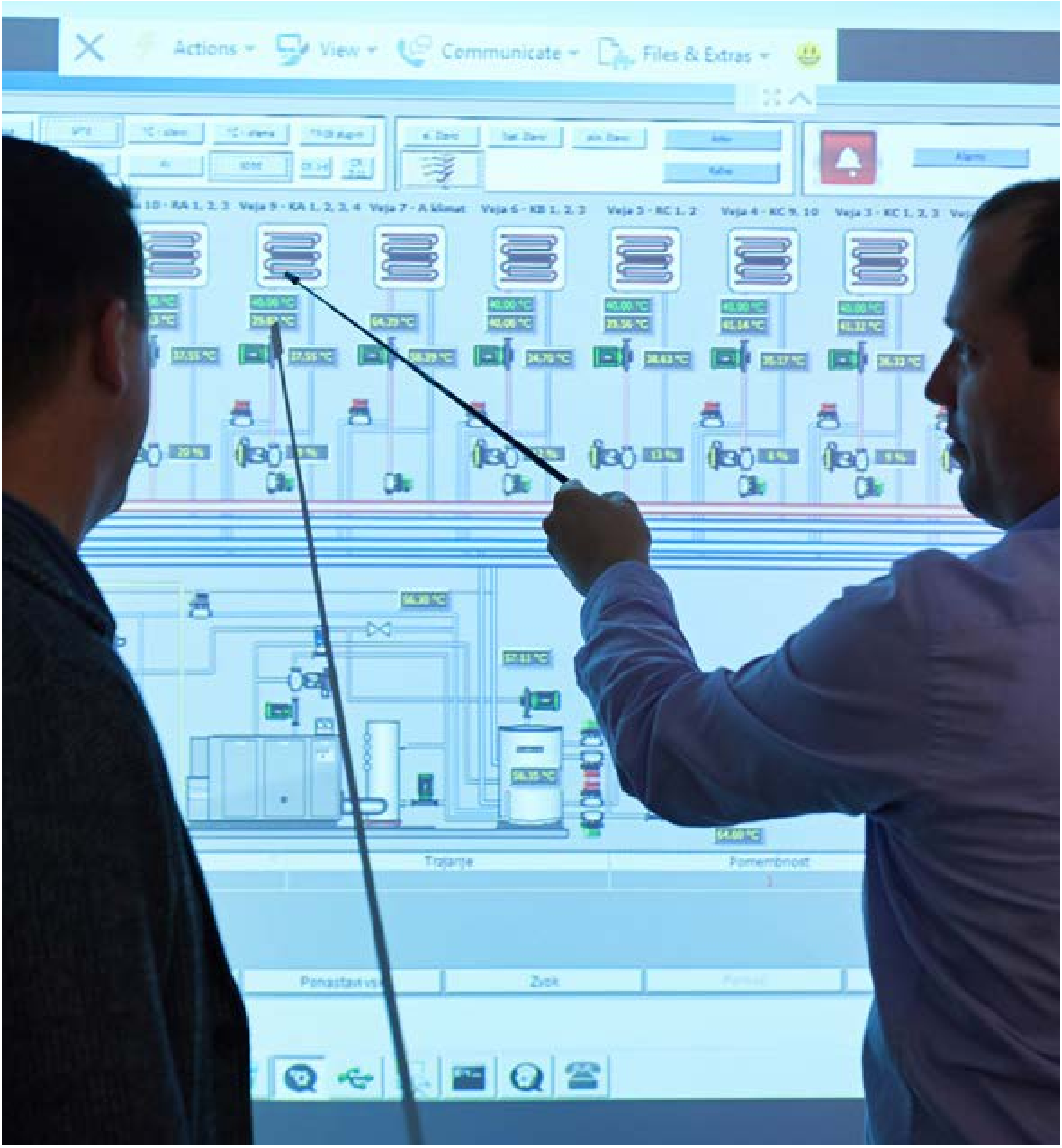
Several functioning systems were upgraded with the goal of supporting new business ideas and introducing new products, complying with legislative changes, connecting with business partners, etc.

We made several important steps forward in data management. A new data architecture was designed and all the tools necessary were implemented (Data Lake, ETL tools, DWH, analytical tools), providing the basis for building new systems for reporting, analysis and predictive models.

In 2017 we witnessed an increase in cyber-attacks (WannaCry, extensive DDoS attacks, etc.), which is why the issue of information security has been gaining importance. Petrol has been developing new security systems and mechanisms. With the aim of offering customers safe and properly functioning solutions we conduct regular in-depth security checks of all new information solutions, in particular those open to the external environment.

Test phishing campaigns were carried out internally last year so as to raise the awareness of the problem of social engineering, whereby we brought attention to the relevance of this issue. A lot of work was dedicated to GDPR-related activities (new CRM solution, customer consent management, recording of appropriate audit trails, data transfer to another provider, implementation of the right to erasure, etc.).

Infrastructure and key business solutions again functioned at a high level – a high level of performance and availability were achieved, serving as the basis for quality services to all customers and business partners. Due to an ever-greater need and new business solutions we increased the wireless network capacity and improved the throughput of a number of connections with points of sale. Many points of sale underwent upgrades (new pay-at-the-pump systems ("petromats"), coffee machine upgrades allowing payment with a mobile application and more). The new Salesforce CRM system and the introduction of Microsoft Office365 marked the start of cloud services introduction.


Actions
View
Communicate
Files & Extras
Trajanje
Pomembnost
Zvok

PROTECTION OF THE ENVIRONMENT

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

Emissions into air

In the Petrol Group, caring for the quality of air stands chiefly for efforts to reduce the emissions of volatile hydrocarbons but also emissions resulting from heating. The emissions of volatile hydrocarbons occur due to evaporation during decanting and storage of fuel. At Petrol, the process of reducing volatile hydrocarbon emissions is part of all three key elements of the petroleum products distribution chain: storage, transport and sales. At service stations and fuel storage facilities, Petrol has installed systems for closed loading of storage tanks. The efficiency of emissions management is checked during 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 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 characteristics of a site: its location, land development, landform characteristics, etc.

Wastewater

Petrol's operations currently involve three categories of wastewater: rainwater, sewage water and industrial wastewater. All rainwater which comes into contact with functional circulation areas is collected separately and purified in oil and water separators. Sewage water is handled in three ways. In built-up areas, it is channelled into a local sewage network. Where connection to a sewage network is not available, small treatment plants are installed. Some sites, however, still use cesspits, which are emptied on a regular basis. Where possible, we have been intensively connecting sites which still use cesspits to the sewage network. For small treatment plants to function efficiently, the choice of the wastewater purification technology is vital, as are professional monitoring of their operation and their management. Industrial water is treated in state-of-the-art industrial treatment plants. We have obtained environmental permits for all emissions to water that are regulated by law and we monitor them as legally required.

Waste management

Petrol's waste management strategy is about preventing the generation of waste and accelerating efficient separation of waste at source. Petrol's operations give rise to municipal waste, 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. We will continue to improve the waste separation system and introduce novel collection methods also in

the coming years. When developing own-brand products, the aspect of final waste disposal is also taken into account.

Prevention of major accidents

In the area of major accident prevention and mitigation of their consequences, which is part of the safety management system, activities specified in environmental risk reduction concepts, safety reports and protection and rescue plans were carried out in 2017 at facilities posing a minor or major risk to the environment. As required by law, activities stipulated in environmental permits were carried out at all facilities of this kind in 2017.

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 through the support we provide to a number of sports, arts, humanitarian and environmental projects. We help wider social and local communities achieve a dynamic and healthier lifestyle and, through this, better quality of life.

Petrol's social responsibility is also demonstrated through its employees. In 2017, 61 colleagues were directly involved in the corporate volunteering programme, participating in seven campaigns. In total, they devoted 244 hours of their time to volunteering, of which half on the Company's time. As part of Petrol's Corporate Volunteering Week of giving back to society, staff also raised funds for the Animal Angels society and the SOS society. Corporate volunteering, which has been nurtured for five years already within Petrol, is also part of its Family Friendly Enterprise commitments.

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 and the biathlon team for a number of years. 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 ice hockey sponsor, both at club and federation level.

As temperatures begin to climb, ball games and cycling become more relevant for sponsorship purposes, and triathlon increasingly so. In ball games, Petrol is most visible in basketball, football and handball. 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.

Basketball was an especially prominent part of Slovene sport in 2017 as the national team, which has been supported by Petrol for years, won the European Championship title. In 2017 Petrol decided to actively enter the club competition as well, becoming the main and title sponsor of Petrol Olimpija basketball club.

In addition to the Team Petrol brand, Petrol develops its own sports brand S kolesom na poti (on the road with a bike) to encourage cycling, and it does so through the website www.skolesomnapoti.si and by designating its 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. In 2017 Petrol participated in all activities of the economic interest grouping for hiking and cycling.

Petrol is especially focused on automotive sport, through which we approach professionals, and also participates in car racing events. The Company's activities were successfully presented at Slovenia Motor Show.

In addition, we take part in technical projects linked to various energy and environmental activities. Sponsorship funding is 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 cooperate with the Ljubljana Festival and Lent Festival, but we also support cultural events taking place in Cankarjev dom, Ljubljana City Theatre and other cultural institutions throughout the year. Particularly visible is our cooperation with the producers of musicals, which have been successfully gaining ground in the scene of cultural events.

Humanitarian projects

In cooperation with the Red Cross and the Blood Transfusion Centre, we carried out yet another humanitarian campaign Give Energy for Life, which was launched in 2011. The aim of the campaign is to encourage existing blood donors on a permanent basis and to contribute to winning new blood donors while helping to raise the awareness of Slovenes of the importance of blood donation. In 2017 the focus was still on the personal stories of blood donors, which tend to get through to people the most.

A number of humanitarian projects operated by non-profit organisations were supported through donations. At the end of the year, we organised a seventh Our Energy Connects campaign in which the funds earmarked for business gifts were given to charity. This way, a total of almost EUR 500,000 was donated over the past seven 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. Related to this, Petrol took part in the Slovenia-wide project Santa for a Day.

THE PETROL GROUP

WE FOLLOW THE SPIRIT OF TIME, WE FEEL THE PULSE OF THE DEMAND.

WE LIKE TO SEE informed individuals taking their share of responsibility for preserving our planet. In order to support their efforts, we have provided for the charging of electric vehicles at more than 60 locations in Slovenia and we are also expanding it to Croatia.

COMPANIES IN THE PETROL GROUP

THE PETROL GROUP as at 31 December 2017	SALES	ENERGY AND ENVIRONMENTAL SYSTEMS	TRADING
The parent company			
PETROL d.d., LJUBLJANA	•	•	•
Subsidiaries			
PETROL d.o.o. (100%)	•	•	•
DUBROVNIK PLIN d.o.o. (100%)	•		
PETROL BH OIL COMPANY d.o.o. Sarajevo (100%)	•	•	•
PETROL d.o.o. BEOGRAD (100%)	•	•	•
PETROL CRNA GORA MNE d.o.o. (100%)	•		•
PETROL TRADE HANDELSGES.m.b.H. (100%)	•		
PETROL ENERGETIKA, d.o.o. (100%)	•	•	
RODGAS AD Bačka Topola (100%)	•	•	
PETROL GEOTERM d.o.o. (100%)	•	•	
BEOGAS INVEST d.o.o. Beograd (100%)	•	•	
BEOGAS AD Beograd (100%)	•	•	
DOMINGAS d.o.o. (100%)	•	•	
PETROL LPG d.o.o. Beograd (51%)	•		
TIGAR PETROL d.o.o. (100%)	•		
PETROL LPG HIB d.o.o. (100%)	•		
INTRADE ENERGIJA d.o.o. Sarajevo (51%)		•	
PETROL-ENERGETIKA DOOEL Skopje (100%)			•
PETROL BUCHAREST ROM S.R.L. (100%)			•
PETROL PRAHA CZ S.R.O. (100%)			•
PETROL TRADE SLOVENIJA L.L.C. (100%)			•
PETROL HIDROENERGIJA d.o.o. Teslić (80%)		•	
VJETROELEKTRANE GLUNČA d.o.o. (100%)		•	
IG ENERGETSKI SISTEMI d.o.o. (100%)			•
GEN-EL d.o.o. (25%) (Associate)			•
GEOPLIN d.o.o. Ljubljana (49.56%)	•		•
EKOPUR d.o.o. (100%)	•	•	•
GEOPLIN d.o.o., Ljubljana (7.39%) (Associate)	•		•
PLINHOLD d.o.o., Ljubljana (7.39%) (Associate)		•	
Jointly controlled entities*			
PETROL OTI SLOVENIJA L.L.C. (51%)	•		
GEOENERGO d.o.o. (50%)		•	
VJETROELEKTRANA DAZLINA d.o.o. (50%)		•	
SOENERGETIKA d.o.o. (25%)		•	
Associates			
PLINHOLD d.o.o. Ljubljana (22.31%)		•	
AQUASYSTEMS d.o.o. (26%)		•	

* PETROL SLOVENIA TIRANA WHOLESALE SH. A. (55%) – the company is in the process of liquidation

THE PARENT COMPANY

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

Management Board: Tomaž Berločnik – Management Board president, Rok Vodnik – Management Board member, Igor Stebernak – Management Board member, Ika Krevzel Panić – Management Board member 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 317 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 2017 with sales revenue of EUR 3.7 billion, up 18 percent from 2016.

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

- 3.1 million tons of petroleum products, up 5 percent relative to 2016,
- 37.5 thousand tons of liquefied petroleum gas, up 13 percent relative to 2016,
- 376.8 thousand GWh of natural gas, up 14 percent relative to 2016,
- merchandise totalling EUR 476.9 million, up 6 percent relative to 2016.

Adjusted gross profit[10] stood at EUR 317.3 million, which was 15 percent more than in 2016.

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

Operating costs totalled EUR 230.5 million, which was 11 percent more than in 2016. The costs of materials amounted to EUR 16.0 million and were up 4 percent year-on-year, mainly due to higher energy costs. The costs of services stood at EUR 108.7 million, an increase of 9 percent relative to 2016. The latter was largely due to an increase in the fees charged by service station managers as a result of higher sales and to an increase in the costs of fixed-asset maintenance and transport costs, which rose as a result of higher sales. Labour costs totalled EUR 53.1 million, a year-on-year increase of 16 percent. They were up because of new hires at service stations (two major service stations were opened and a smaller one was closed down), in the IT field (new activities, increasing digitisation of operations) and in the segment of energy solutions, which was expanded. The depreciation and amortisation charge totalled EUR 32.1 million or 3 percent more than in 2016. Other costs stood at EUR 20.6 million and consisted mainly of accrued litigation costs and the impairment of fixed assets. Impairment was recognised when the carrying amount of the assets exceeded their recoverable amount, according to appraisals.

Net other operating revenue stood at EUR 3.5 million, which was 10 percent less than in 2016, mainly due to less revenue received from compensation, litigation proceeds and contractual penalties.

Operating profit totalled EUR 90.4 million or 25 percent more than in 2016.

Net cash flow stood at EUR –14.4 million, an improvement of EUR 8.5 million compared to 2016. In 2017 Petrol d.d., Ljubljana's allowances for net operating receivables were up by EUR 4.6 million compared to the year before, with its net interest expense decreasing by EUR 3.7 million. In 2017 the Company's net other finance income was EUR 5.5 million higher year-on-year, mostly as a result of the swap of business interests in the companies Geoplin d.o.o., Ljubljana and Plinhold d.o.o., Ljubljana. The Company's finance expenses decreased by EUR 3.5 million, which was related to the impairment of investments and goodwill. Net gain on derivatives and foreign exchange differences was down EUR 0.5 million.

Pre-tax profit stood at EUR 79.3 million and was up 50 percent year-on-year, with the net profit of Petrol d.d., Ljubljana for the year 2017 totalling EUR 64.3 million or 47 percent more than in 2016.

Total assets of Petrol d.d., Ljubljana amounted to EUR 1.3 billion as at 31 December 2017 and were up 1 percent from 2016. Non-current assets accounted for EUR 851.5 million of the above figure, which was 1 percent less than on 31 December 2016, with current assets amounting to EUR 472.3 million, up 3 percent as compared to 31 December 2016. The latter was mainly due to inventories increasing as a result of higher prices of petroleum products at the end of 2017 relative to 2016.

The equity of Petrol d.d., Ljubljana as at 31 December 2017 equalled EUR 482.9 million, which was 8 percent more than at the end of 2016.

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 sells oil derivatives, petroleum products and other merchandise in Croatia. In 2017 Petrol d.o.o. sold 630.8 thousand tons of oil derivatives, up 2 percent from 2016. Revenue from the sale of oil and petroleum products totalled EUR 551.7 million, with revenue from the sale of merchandise amounting to EUR 50.0 million, revenue from energy operations to EUR 19.3 million and revenue from the sale of services to EUR 2.4 million. In total, the company generated EUR 623.4 million in sales revenue in 2017, up 11 percent on the previous year. Its 2017 operating profit totalled EUR 12.0 million or 27 percent less than in 2016, with its net profit for 2017 totalling EUR 8.2 million, down 30 percent on the previous year. Petrol d.o.o. operated 106 service stations at the end of 2017.

The company Petrol Plin d.o.o. was merged into the company Petrol d.o.o. in July 2017.

Its equity totalled EUR 130.0 million as at 31 December 2017.

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 Bosnia and Herzegovina. In 2017 the company sold 232.3 thousand tons of petroleum products or 3 percent less than in 2016. It generated EUR 189.8 million in revenue from the sale of oil and petroleum products, EUR 24.3 million in revenue from energy operations, EUR 8.6 million in revenue from the sale of merchandise and EUR 0.2 million in revenue from the sale of services. The company thus generated EUR 222.9 million in sales revenue, up 5 percent on the previous year. Its 2017 operating profit totalled EUR 2.1 million or 53 percent less than in 2016, with its net profit for 2017 totalling EUR 2.9 million, down 30 percent on the previous year. Petrol BH Oil Company d.o.o. Sarajevo operated 38 service stations at the end of 2017.

The company's equity totalled EUR 51.7 million as at 31 December 2017.

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 2017 totalled 33.9 thousand tons, an increase of 98 percent on the previous year. Revenue from the sale of oil and petroleum products totalled EUR 37.5 million, with revenue from the sale of merchandise amounting to EUR 2.2 million, revenue from the sale of services to EUR 0.1 million and revenue from energy operations to EUR 37.6 million. In 2017 Petrol d.o.o. Beograd generated a total of EUR 77.4 million in sales revenue. The company's operating profit totalled EUR 408.8 thousand in 2017 or EUR 348.0 thousand more than in 2016. Its net profit for 2017 stood at EUR 521.4 thousand, up EUR 504.1 thousand year-on-year. At the end of 2017, Petrol d.o.o. Beograd operated 12 service stations.

The company Eltec Petrol d.o.o. Beograd was merged into the company Petrol d.o.o. Beograd in June 2017.

The company's equity totalled EUR 26.8 million as at 31 December 2017.

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 2017 the company sold 35.9 thousand tons of oil and petroleum products, up 5 percent from 2016. Revenue from the sale of oil and petroleum products totalled EUR 40.5 million, with revenue from the sale of merchandise amounting to EUR 2.2 million, revenue from the sale of services to EUR 0.1 million and revenue from energy operations to EUR 0.4 million. In total, Petrol Crna Gora MNE d.o.o. generated EUR 43.2 million in sales revenue in 2017, up 17 percent on the previous year. The company's operating profit stood at EUR 1.5 million in 2017, up 1 percent from the previous year, and its net profit for 2017 at EUR 1.3 million, which was 4 percent less than in 2016. Petrol Crna Gora MNE d.o.o. operated 11 service stations at the end of 2017.

The company's equity totalled EUR 20.7 million as at 31 December 2017.

PETROL ENERGETIKA, D.O.O.

General Manager: Mojca Kert (until 1 December 2017), Janez Grošelj (since 2 December 2017)
E-mail: janez.groselj@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 99.3844% until 14 December 2017 and 100% since 15 December 2017

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:

- 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 operator for natural gas, heat, water and electricity (limited to closed distribution systems in the latter case);
- 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;
- 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;
- A go-between for interests in the development of smart towns, factories and grids.

At the end of 2017, the company operated 6 natural gas distribution concessions, 1 chimney sweeping concession, 3 heat distribution concessions and 21 energy systems for the heating of buildings. In 2017 Petrol Energetika, d.o.o. sold 831.6 thousand MWh of electricity, of which 44.3 thousand MWh were generated by the company itself, and distributed 353.5 thousand MWh of electricity. The company sold and distributed 960.2 thousand MWh and 716.7 thousand MWh of natural gas, respectively. As regards heat operations, it sold 61.3 thousand MWh of heat in the period concerned. In 2017 it generated EUR 76.7 million in net sales revenue and a net profit of EUR 3.9 million, with the net profit attributable to the Petrol Group totalling EUR 3.9 million.

The company's equity totalled EUR 44.9 million as at 31 December 2017.

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 AD Beograd 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 AD Beograd is the owner of 279 km of the gas distribution network and 9,207 active gas connections. In 2017 the group sold 207.7 thousand MWh of natural gas, up 10 percent on the previous year. The group's sales revenue for 2017 stood at EUR 6.6 million, up 8 percent on the previous year. Its 2017 operating profit totalled EUR 447.1 thousand, which was 10 percent less than in 2016, whereas its net profit for 2017 totalled EUR 459.7 thousand.

The group's equity totalled EUR 13.3 million as at 31 December 2017.

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: 100%

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 2017 the company sold 93.8 thousand MWh of natural gas to household and industry customers, up 10 percent on the previous year. At the end of the year, 1,178 households and 116 businesses were connected to its network. In 2017 the company generated EUR 2.7 million in sales revenue. Its 2017 operating profit stood at EUR 280.5 thousand, which was 20 percent more than the year before. The company's net profit totalled EUR 292.5 thousand in 2017, an increase of 16 percent year-on-year.

The company's equity totalled EUR 2.4 million as at 31 December 2017.

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 sell liquefied petroleum gas in Serbia. In July 2016, the company Petrol LPG HIB d.o.o. was established, which is also fully owned by Petrol LPG d.o.o. The company sells liquefied petroleum gas in Bosnia and Herzegovina. In 2017 the Petrol LPG Group sold 79.7 thousand tons of LPG, a year-on-year increase of 12 percent, and generated EUR 46.6 million in sales revenue. Its 2017 operating profit totalled EUR 1.1 million and its 2017 net profit EUR 968.9 thousand, with the net profit attributable to the Petrol Group totalling EUR 494.1 thousand.

The company's equity totalled EUR 6.2 million as at 31 December 2017.

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 services consisting of the drilling and maintenance of gas, oil and geothermal boreholes, in the production of natural gas and oil, in the production of heat from geothermal boreholes and in the management and development of geothermal district heating systems. In 2017 the company generated EUR 3.1 million in sales revenue. Its operating profit stood at EUR 472.0 thousand, which was 35 percent more than the year before. The company's net profit for 2017 totalled EUR 377.2 thousand, an increase of 23 percent year-on-year.

Its equity totalled EUR 4.1 million as at 31 December 2017.

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, d.o.o. In accordance with Petrol d.d., Ljubljana strategy, a contract was signed on 22 June 2016 to dispose of the 50-percent interest held by the subsidiary IGES d.o.o. in the company GEN-I, d.o.o. The interest was then acquired by the company GEN-EL d.o.o. for EUR 45,100,000. 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 mid-2018.

PETROL TRADE HANDELSGESELLSCHAFT 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 2017 the company purchased and sold 94.0 thousand tons of petroleum products, of which 87.7 thousand tons were sold outside the Petrol Group. The company generated a total of EUR 59.5 million in sales revenue in 2017, its 2017 net profit amounting to EUR 30.9 thousand.

The company's equity totalled EUR 1.6 million as at 31 December 2017.

INTRADE ENERGIJA D.O.O. SARAJEVO

General Manager: Suvad Bajrić
Supervisory Board: Rok Vodnik (president), Berin Spahalić, Adisa Kustura
E-mail: suvad.bajric@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 51%

Intrade energija d.o.o. Sarajevo became a subsidiary of Petrol d.d., Ljubljana when the company IG Investicijski inženiring, d.o.o. was merged into Petrol d.d., Ljubljana. The company produces and distributes electricity. In 2017 it generated EUR 764.6 thousand in sales revenue, with its net profit or loss for 2017 totalling EUR –455.2 thousand, The net profit or loss attributable to Petrol d.d., Ljubljana amounted to EUR –232.2 thousand.

The company's equity totalled EUR –8.0 million as at 31 December 2017.

PETROL – ENERGETIKA DOOEL SKOPJE

General Manager: Aleš Koželjnik
E-mail: ales.kozeljnik@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 100%

In October 2010, Petrol d.d., Ljubljana established the company Petrol-Energetika DOOEL Skopje, which is engaged in electricity trading. The company has a valid electricity trading licence. In 2017 the company generated EUR 7.9 million in sales revenue. Its net profit for 2017 totalled EUR 302.

The company's equity totalled EUR 105.9 thousand as at 31 December 2017.

PETROL BUCHAREST ROM S.R.L.

General Manager: Aleš Koželjnik
E-mail: ales.kozeljnik@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 100%

In December 2014, Petrol d.d., Ljubljana established the company Petrol Bucharest ROM S.R.L., which is engaged in electricity trading, production, transport and distribution. In 2017 the company generated EUR 34.1 million in sales revenue. with its net profit for 2017 totalling EUR 4.0 thousand,

The company's equity totalled EUR –48.3 thousand as at 31 December 2017.

PETROL PRAHA CZ S.R.O.

General Manager: Aleš Koželjnik
E-mail: ales.kozeljnik@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 100%

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

The company's equity totalled EUR –46.5 thousand as at 31 December 2017.

PETROL TRADE SLOVENIJA L.L.C.

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

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

PETROL HIDROENERGIJA D.O.O. TESLIĆ

General Manager: Uroš Bider
E-mail: uros.bider@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 80%

The companies Petrol d.d., Ljubljana and Eling – Inžinjering d.o.o. Teslić established the company Petrol Hidroenergija d.o.o. Teslić, which is engaged in electricity production. In 2017 Petrol Hidroenergija d.o.o., Teslić was managing an investment in a small hydroelectric power plant in Bosnia and Herzegovina. The power plant entered into operation in December.

The company's equity totalled EUR 6.2 million as at 31 December 2017.

VJETROELEKTRANE GLUNČA D.O.O.

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

In February 2016, Petrol d.d., Ljubljana became the full owner of the Šibenik-based company Vjetroelektrane Glunča d.o.o., which is engaged in electricity production. The company owns a 20.7 MW wind farm in the Šibenik area. In 2017 it generated EUR 4.5 million in sales revenue and EUR 961.4 thousand in net profit.

The company's equity totalled EUR 6.9 million as at 31 December 2017.

THE GEOPLIN GROUP

Management Board: Boštjan Napast (president of the Management Board), Alojz Stana (member of the Management Board)
E-mail: bostjan.napast@geoplin.si
Ownership interest of Petrol d.d., Ljubljana: 49.56%, Ekopur d.o.o.: 7.39%, total: 56.95%

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 Trgovina i opskrba energentima d.o.o. and Geocom d.o.o. The Geoplin Group's net profit for 2017 totalled EUR 6.2 million, with the net profit attributable to the Petrol Group totalling EUR 3.6 million.

The group's equity totalled EUR 121.1 million as at 31 December 2017.

JOINTLY CONTROLLED ENTITIES

PETROL OTI SLOVENIJA L.L.C.

Board of directors: Tomaž Berločnik, Nazmi Bytyqi, Anton Figek
Executive Director: Anton Figek
E-mail: anton.figek@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 51%

The company's principal activity is the sale of petroleum products in the territory of Kosovo. In 2017 it sold 10.9 thousand tons of oil and petroleum products, a year-on-year decrease of 6 percent, and generated EUR 12.1 million in sales revenue. Its net profit or loss for 2017 totalled EUR –192.8 thousand, At the end of 2017, the company operated via 11 service stations.

The company's equity totalled EUR 15.3 million as at 31 December 2017.

GEOENERGO D.O.O.

General Managers: Borut Bizjak, Miha Valentinčič
E-mail: miha.valentincic@petrol.si
Ownership interest of Petrol d.d., Ljubljana: 50%

The company holds concession rights for the extraction of mineral resources, crude oil, natural gas and gas condensate in the area of the Mura depression. In 2017 it produced 482 tons of oil and gas condensate and 90.8 thousand MWh of natural gas. It has a long-term contract with the company Ascent Slovenia Limited on joint operations aimed at developing oil and gas fields Dolina and Petišovci near Lendava. 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 or when a connection will be established to another gas enrichment plant which will be able to accept additional gas that will be made available. The company's net profit for 2017 stood at EUR 149.8 thousand, with the net profit attributable to the Petrol Group amounting to EUR 74.9 thousand.

The company's equity totalled EUR 480.0 thousand as at 31 December 2017.

VJETROELEKTRANA DAZLINA D.O.O.

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

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

The company's equity totalled EUR 2.2 thousand as at 31 December 2017.

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 2017 totalled EUR 562.4 thousand, with the net profit attributable to the Petrol Group amounting to EUR 140.6 thousand.

The company's equity totalled EUR 1.9 million as at 31 December 2017.

ASSOCIATES

AQUASYSTEMS D.O.O.

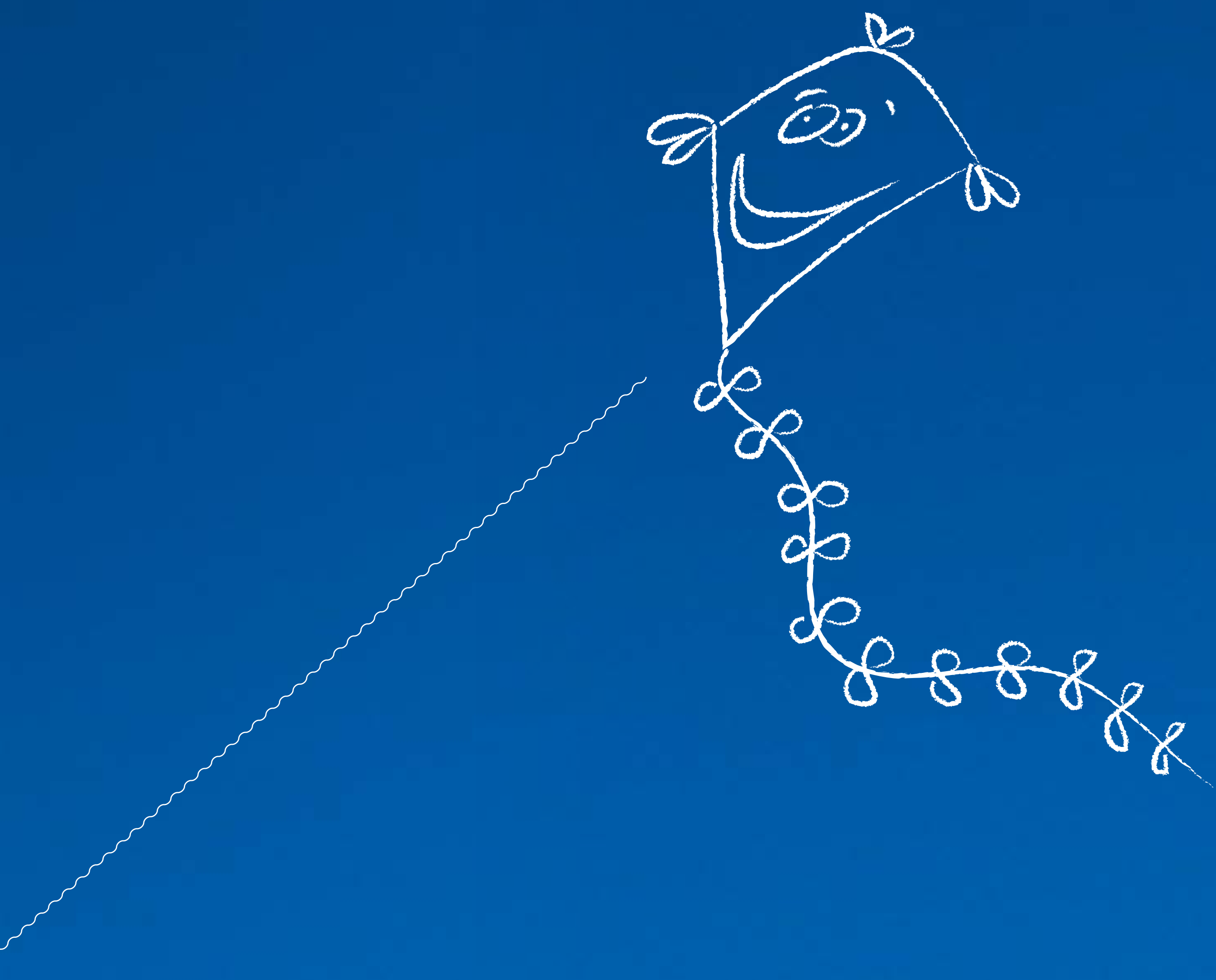
Ownership interest of Petrol d.d., Ljubljana: 26%

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

REPORT OF THE SUPERVISORY BOARD

GREEN ENERGY, WISE DECISION.

SEEING NATURE AS A PARTNER. Observing the laws of nature and striving to give back everything we have borrowed from it. Petrol produces more and more electricity from renewable sources.



REPORT OF THE SUPERVISORY BOARD

In 2017 the Supervisory Board consisted of members who complemented each other in terms of their expertise and competences, and had a diverse composition as regards education, work experience and personality characteristics, which enabled an effective exchange of views and opinions.

The terms of office of all members of the Supervisory Board, i.e. employee representatives as well as shareholder representatives, expired in 2017. The Workers' Council and the Supervisory Board carried out the necessary procedures in due time so that in February 2017 the Workers' Council was able to appoint three representatives for a new term of office, with the Company's General Meeting appointing six representatives of shareholders in April 2017.

The composition of the Supervisory Board after the election of shareholder representatives at the 27th General Meeting in April 2017 remained unchanged until the end of the financial year. I have fulfilled the function of Supervisory Board president as from the inaugural meeting held on 22 April 2017, with Sašo Berger acting as my deputy. In 2017 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 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, was always ready to provide additional information immediately after the meetings. In compliance with the Slovene Corporate Governance Code for Public Companies, the Supervisory Board states in this report that all the costs incurred in connection with its work are disclosed in this annual report.

In 2017 the Supervisory Board held as much as twelve meetings. This was the result of the fact that at the beginning of the year two of these meetings were devoted primarily to drawing up voting proposals for the General Meeting, whereas in April the inaugural meeting of the Supervisory Board was held following the replacement, or rather establishment of new terms of office of all Supervisory Board members.

The most important topics discussed at the Supervisory Board's meetings in 2017 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 2017

After the first four meetings before the inaugural meeting, the Supervisory Board reset the numbering of its meetings, holding meetings one through eight in new composition in 2017.

In February 2017, the Supervisory Board approved the audited Annual Report of the Petrol Group and Petrol d.d., Ljubljana for the year 2016, a proposal for the allocation of accumulated profit and the convocation of the 27th General Meeting which also included a proposal for the appointment of auditors for the 2017 annual report as well as voting proposals for the General Meeting concerning the appointment of new Supervisory Board members. In this period, particular attention was given to the restructuring of long-term funding sources in such a way that would make them optimal for the Petrol Group and accessible under the most favourable conditions in the financial markets. The Management Board then proceeded with the restructuring and completed it by the end of the financial year, securing the necessary long-term funds and reporting to the Supervisory Board as they were acquired. The resolution on the restructuring of liabilities was therefore fulfilled already in 2017.

The inaugural meeting of 22 April 2017 was already foreseen in the Company's financial calendar for 2017 and it was held as scheduled. New members of the Supervisory Board underwent training in a very short period of time between the General Meeting and the inaugural meeting, which was one of the reasons that the Supervisory Board managed to conduct the meeting extremely successfully. The Supervisory Board members elected from among themselves the president and her deputy president and defined the composition of both committees of the Supervisory Board. In this case, the success of the meeting does not refer to the formal execution of activities but to the fact that the Supervisory Board acted homogeneously already at this meeting, which will serve as a good basis for continuing the work throughout its term of office. The Supervisory Board in a way confirmed its organisation at the inaugural meeting by electing the president and her deputy and by assigning the most suitable members, in terms of competences, to each committee. The Supervisory Board held a special discussion on the topic of an external member of the Audit Committee and reappointed the current secretary of the Supervisory Board at one of the following meetings by passing a resolution to that effect.

The second meeting in May as well as the fourth and the sixth were dedicated primarily to quarterly and half-year business results. The Audit Committee reviews the reports on operations at its meeting prior to the Supervisory Board's meeting and reports on its findings as regards the financial section at the meeting of the Supervisory Board, thus providing the respective starting points for the discussion. In June and September, the Supervisory Board conducted interim meetings, which were not scheduled in the financial calendar, in order to address strategic and other important issues as well as to carry out functional training of the members of the Supervisory Board. In 2017 these meetings were especially important, since the Supervisory Board, in dialogue with the Management Board, was able to establish an appropriate professional relationship with the Management Board in the shortest time possible after appointment and constituting, and at the same time become involved in the work and assumed, in full and effectively, the responsibilities imposed by the legislation.

The central theme of the last, eighth meeting in 2017, which was held in mid-December, was the approval of the Business Plan and the key goals of the Petrol Group for 2018. The annual business plan has been prepared in congruence with the current strategy, while both the Supervisory Board and the Management Board acknowledge that due to the extremely good business results in 2017, it will be necessary to update the current strategy in 2018.

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

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

- adopting the 2018 Internal Audit work programme;
- approving the Management Board's proposal regarding the remuneration of the head of Internal Audit, and other topics related to internal auditing;
- adopting the 2018 Audit Committee work programme;
- revising the rules of procedure relating to the work of the Supervisory Board;
- discussing and deciding on the Management Board's remuneration;
- resolving conflicts of interest (the statements required under the applicable code were signed by Supervisory Board members upon their appointment and also at the end of the financial year, and published on the Company's website). During the year 2017, members regularly informed the Supervisory Board about the occurrence of facts that could affect their independence. However, no cases of dependence by any Supervisory Board member were determined during the year as no material conflicts of interest were established;

- granting approval to the Management Board in accordance with the Articles of Association and other forms of approval for Management Board proposals;
- discussing the Workers' Council reports concerning the involvement of workers in management;
- assessing the work of its committees, also by taking into account their reports of the work performed.

Given the extensive changes in the composition of the Supervisory Board, it is difficult to assess for 2017 to what extent self-assessment has contributed to increasing the effectiveness of the Supervisory Board, but the fact is that the Supervisory Board in new composition continued with all the good practices of the previous one precisely because of the suitable continuity of membership. At the end of the financial year 2017, the Supervisory Board at its last meeting carried out the self-assessment and found that it fulfilled its functions successfully considering all circumstances. It assessed communication and cooperation with the Management Board as excellent. The analysis of the Supervisory Board self-assessment matrices, as filled out by the members of the Supervisory Board, revealed that there was room for improvement, so the Supervisory Board undertook to carry out an in-depth self-assessment one year after the changes in its composition, i.e. in the middle of 2018, with the aim of preparing an action plan.

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

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

Work of the Supervisory Board's committees

In 2017 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, which was done following a discussion with external auditors, among other things. The Committee discussed the audited annual report and submitted a proposal for its approval to the Supervisory Board. It also dealt with the topics related to the Supervisory Board and the annual General Meeting of Shareholders (approval of the 2016 Internal Audit report, proposing the auditors for auditing the 2017 annual report, etc.).

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

- progress of the preliminary audit of the 2017 annual report;
- preparation of the 2018 Audit Committee work programme;
- management of credit, foreign exchange and price risks;
- risk management in the Petrol Group by quarter and its annual overview;
- it was briefed on Internal Audit reports and the 2018 Internal Audit work programme;
- it reviewed the contract with external auditors;
- it discussed the annual review of the competences and tasks of the Audit Committee and assessed its effectiveness in 2017;
- tendering and bidding policy with regard to external auditors;
- it was briefed on the report of authorised officers concerning the implementation of corporate integrity guidelines;
- it discussed guidelines governing the performance of non-audit services by the statutory auditor and proposed to the Supervisory Board to adopt them;
- it defined the relationship with the regulator (the Agency for Public Oversight Of Auditing);
- it was briefed on and monitored the expected changes in International Financial Reporting Standards on a regular basis and assessed the effect they may have had on the financial statements;
- it carried out the annual interview with the head of Internal Audit;
- it was acquainted with key members of staff;
- it discussed other topics falling within the competence of the Audit Committee.

The Supervisory Board's **Human Resources and Management Board Evaluation Committee** met four times in 2017. The topics discussed were mainly related to the remuneration of the Management Board. At its meeting in February, the Committee discussed the Performance Report of the Management Board of Petrol d.d., Ljubljana for 2016 which served as a basis for drawing up remuneration proposals for the Supervisory Board. At its final meeting of the year, the Committee submitted a proposal to amend and supplement the Rules on Performance-related Remuneration of the Management Board in force in 2017. Following the adoption of the 2018 Business Plan, the Supervisory Board adopted the amended rules, which will be used as a basis for remunerating the Management Board for business results achieved in 2018.

At its last meeting, which took place in December, the Supervisory Board assessed the work of its two committees – taking into account their continuous reporting to the Supervisory Board, the implementation of virtually all of their resolutions and the review of their work – and in the context of the self-assessment of its performance (the Audit Committee carried out a thorough self-assessment exercise in the year concerned) deemed it to have been very good.

The **Nomination Committee** started its work at its first meeting held on 15 December 2016 at which it reviewed all the documents for the public call for applications for new Supervisory Board members. Its activities continued in January and February 2017 at six more meetings, after which the committee has been dissolved, having fulfilled the Supervisory Board's mandate. At its last meeting of 23 February 2017, the Committee proposed to the Supervisory Board six candidates for the position of new Supervisory Board members, with the Supervisory Board then fully taking up the proposal and recommending the candidates for appointment by the General Meeting.

Assessment of the Petrol Group's operations in 2017

Petrol's operations are focused on achieving long-term growth and the ensuing stable return for shareholders. The Petrol Group is a leading company in Slovenia and plays an increasingly prominent role in the wider region. The Petrol Group delivered a very good sales performance in 2017. The Group's sales revenue totalled EUR 4.5 billion or 17 percent more than in 2016. Adjusted gross profit stood at EUR 432.7 million, up 13 percent from 2016. EBITDA amounted to EUR 159.6 million, a year-on-year increase of 11 percent, with net profit amounting to EUR 81.1 million or 12 percent more than in 2016. In 2017 the Petrol Group sold 3.4 million tons of petroleum products or 5 percent more than in 2016. The Group generated EUR 538.3 million from merchandise sales, an increase of 7 percent on 2016. Natural gas sales stood at 1.3 TWh, down 5 percent year-on-year, with heat sales totalling 140.8 thousand MWh or 9 percent more than in 2016.

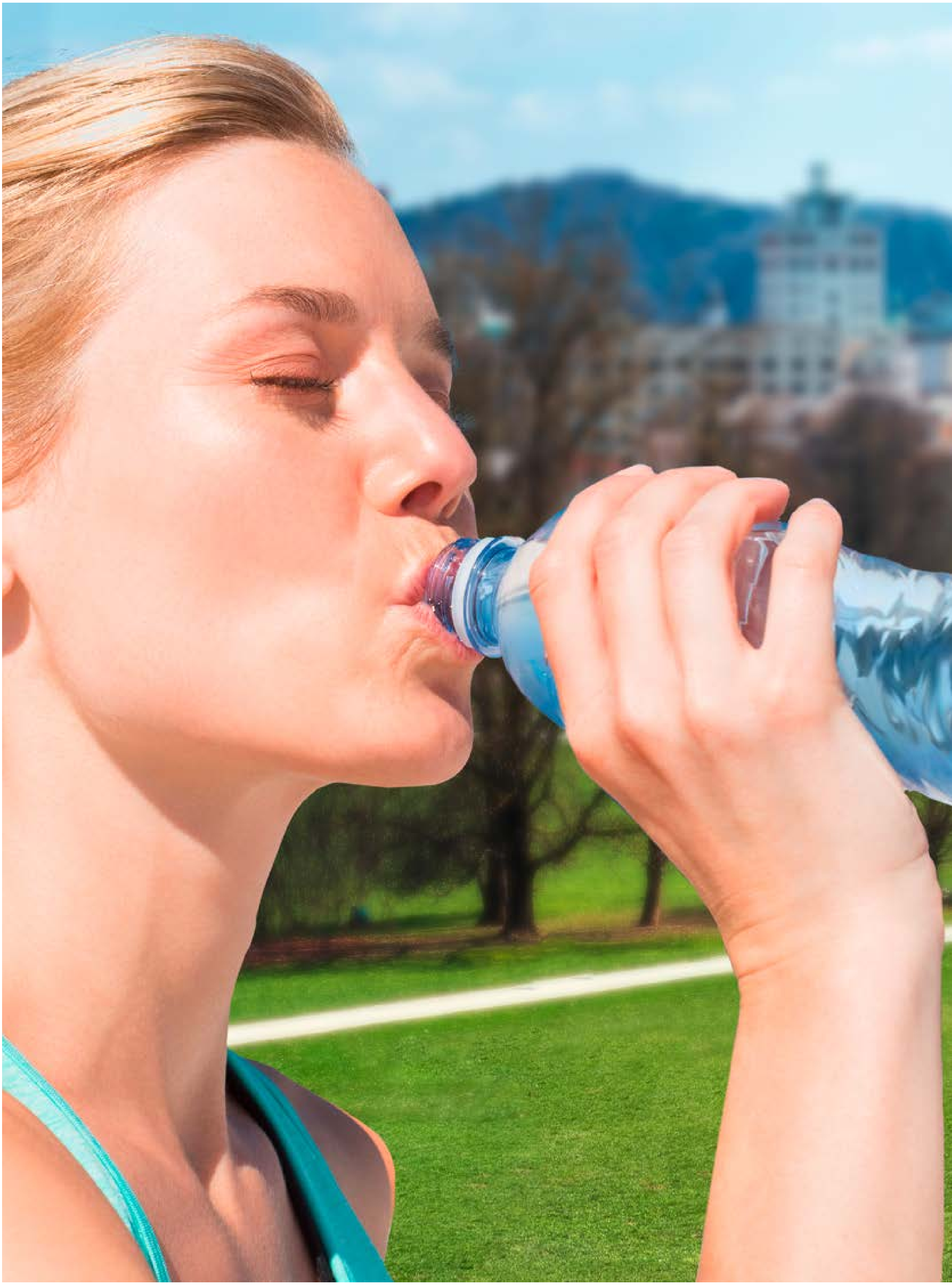
Approval of the 2017 Annual Report

At its 10th meeting held on 6 March 2018, the Supervisory Board discussed the audited Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2017. On the basis of the verification of the Annual Report, 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 2017.

As part of the adoption of the annual report, the Supervisory Board also put forward its position as regards the corporate governance statement and the statement of compliance with the applicable code that have been included in the business section of the Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2017, concluding it reflects the actual state of corporate governance in 2017.

Nada Drobne Popović
President of the Supervisory Board

Ljubljana, 6 March 2018



FINANCIAL REPORT

EVERYTHING IS RUNNING OPTIMALLY.

As cities grow, the demand for drinking water changes. Petrol therefore develops comprehensive solutions for economical planning, construction, renovation, maintenance and management of production sources, distribution and consumption of drinking water. Because we SEE that drinking water will be a measure of general welfare in the future.

ANNUAL REPORT OF THE PETROL GROUP AND PETROL D.D., LJUBLJANA 2017 – financial report

CONTENT

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 2017, 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 2017.

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 2017.

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, 21 February 2018

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Petrol d.d.

Opinion

We have audited the separate financial statements of Petrol d.d. (the Company) and the consolidated financial statements of Petrol Group (the Group), which comprise the statement of financial position and the consolidated statement of financial position as at December 31 2017, 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 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the Auditor's responsibilities for the audit of the separate and the consolidated financial statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate and the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and the consolidated financial statements.

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Impairment of goodwill in the separate and the consolidated financial statements

As at 31 December 2017, goodwill amounts to EUR 89.1 million in the separate financial statements and EUR 105.9 million in the consolidated financial statements, which represents 7% and 6% 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 assumptions and 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 of the assumptions, methodologies, cash generating units' determination, discount rates and other inputs used by the Company and the Group. We included in our team a valuation expert to assist us with our assessment of the discount rates, 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 the Group and discussed their valuation reports and work performed with them directly. Furthermore, we considered sensitivities such as the impact on the results of the impairment test if net operating income would be decreased, or the discount rates would be increased.

We assessed the adequacy of the disclosures on the impairment tests of goodwill performed included in Note 6.15 of the separate and the consolidated financial statements.

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

As at 31 December 2017 property, plant and equipment amounted to EUR 312.7 million in the separate financial statements and EUR 620.5 million in the consolidated financial statements representing 24% and 37% of total assets, respectively. Management's assessment resulted in impairment losses recorded of EUR 6.8 million in the separate financial statements and EUR 13.7 million in the consolidated financial statements. Management's assessment of the impairment indicators and impairment loss recognized for property, plant and equipment was significant to our audit because this process is complex and requires significant management judgement, therefore we determined this to be a key audit matter.

We evaluated management's assessment of impairment indications for property, plant and equipment. We tested management's assumptions and other input used in the value in use calculations and we assessed the historical accuracy of management's estimates. We evaluated supporting external appraisal reports obtained by management to assess the recoverability or fair value less cost of disposal, where applicable. We considered the independence and capabilities of the external appraisals and discussed their valuation report and work performed with them directly. We involved valuation experts, who were part of the audit team, to assist us in the evaluation of the discount rates used, consider sensitivity analyses where relevant, and assess 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 the consolidated financial statements.

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Impairment of investments in subsidiaries in the separate financial statements

Equity investments in subsidiaries amount to EUR 329.2 million, which represents 25% of total assets as at 31 December 2017 in the separate financial statements. The Company recognized EUR 4.0 million of impairment in investments in subsidiaries in 2017. Management's impairment tests are prepared based on the discounted future cash flows and are significant to our audit because the assessment process is complex and requires significant management judgment and significant estimates. Given the inherent subjectivity in the valuation, we determined this to be a key audit matter.

Our audit procedures included an assessment of the historical accuracy of management's estimates, evaluation and testing of the assumptions, methodologies, discount rates and other inputs used by the Company. We included in our team a valuation expert to assist us with our assessment of the discount rates and the appropriateness of the models used. We considered the independence and capabilities of the external appraisal used by the Company and discussed his valuation report and work performed directly. Furthermore, we considered sensitivities such as the impact on the impairment tests if net operating income would be decreased, or the discount rates would be increased.

We assessed the adequacy of the Company's disclosures on the impairment test performed, included in Note 6.18 of the separate financial statements.

Business combination - acquisition of controlling interest in Geoplin and first time consolidation

The acquisition of the controlling interest in Geoplin was significant to our audit due to the financial significance of the transaction to Petrol's and Petrol Group's financial position and the complexity of the transaction. Petrol d.d. and the Republic of Slovenia, represented by the Slovenian Sovereign Holding d.d. in accordance with the Slovenian Sovereign Holding Act (ZSDH-1) signed on 14th July 2016 the Agreement on the Exchange of Shareholdings in Geoplin d.o.o. and Plinhold d.o.o.. Based on the Agreement on the Exchange of Shareholdings in Geoplin d.o.o. Ljubljana and Plinhold d.o.o. Petrol d.d. ("Agreement") became a 49.56 percent owner of Geoplin d.o.o. Ljubljana, and the Republic of Slovenia became a 52.26 percent owner of Plinhold d.o.o.. With the existing share through the subsidiary Ekopur d.o.o. Petrol gained a controlling share of 56,95%. The transaction was concluded on December 29, 2017, after all suspensive conditions had been met.

Above mentioned Agreement assumes also the second stage of the exchange, which will be executed after the suspensive conditions have been met. At this second stage Petrol d.d. Ljubljana will get additional 25,01% stake in Geoplin d.o.o. Ljubljana for the exchange of 16,98% stake in Plinhold d.o.o.

Our procedures included the review of the Agreement on the Exchange of Shareholdings in Geoplin d.o.o. Ljubljana and Plinhold d.o.o., obtaining audit evidence that suspense conditions have been fulfilled and evidence on when the control has passed to Petrol. Since the exchange of stakes was accounted for at fair value with the gain of EUR 8 million recognized in the separate financial statements in 2017. We have reviewed the valuation done by the independent appraisal on the equity investment in Geoplin based on which the fair value was determined. We assessed the valuation assumptions and critically challenged the input data used in the calculation. We included in our team a valuation expert to assist us with our assessment of the discount rate and the appropriateness of the model used in the valuation. We considered the independence and capabilities of the external appraisal used by the Company. Furthermore, we have considered sensitivities such as the impact on the results of the impairment test if net operating income be decreased, or the discount rates would be increased.

In evaluating the company's purchase price allocation

The transaction is significant to our audit due to significant judgments and assumptions involved in the recognition and measurement of the acquired assets and assumed liabilities for Petrol, therefore we determined this to be a key audit matter.

for Geoplin, we tested the identification and valuation of the tangible and intangible assets and liabilities assumed, in particular for the acquired real estate and assumed onerous contracts. We assessed the valuation assumptions such as discount and growth rates; evaluated in 2017 and challenged assumptions and input data used in such calculations. We also reviewed the work of Geoplin's auditor to obtain comfort on the closing balance of assets and liabilities. In addition we have reviewed whether the suspensive conditions for the second stage of exchange have been met or not.

Finally, we conducted additional audit procedures to assess other aspects of the accounting including the adjustments made to align accounting policies with those of the Group and the disclosures made in Note 6.1 of the consolidated financial statements

Provisions for legal claims

The Company and the Group disclosed in Note 9 Contingent liabilities related to claims and litigations and as at 31 December 2017 recognised provisions for claims amounting to EUR 9.3 million in the separate financial statements and EUR 9.6 million in the consolidated financial statements as disclosed in Note 6.32 Other Provisions.

Contingent liabilities and provisions for claims are significant to our audit because management judgement is required, the assessment process is complex and it is based on future developments, therefore we consider this as Key audit matter.

We evaluated management's assessment of the current status of litigation and claims against the Company and the Group and considered whether there is a requirement for any provision or related disclosures under accounting standards. Management performed a legal and financial assessment and obtained the assessment of the lawyer as well as of the independent legal expert.

We reviewed the legal assessment obtained by the management from the independent legal expert and obtained the legal confirmation letters from the Company's and the Group's external lawyers advising on these litigations and claims, and assessed these for consistency with management's conclusions.

We evaluated the ranges and assumptions included in management's calculation of the potential outflow of benefits and discussed the management's assessment of the litigations and claims with the Company's/Group's legal department, Management board and Audit committee.

Furthermore, we have evaluated the adequacy of the Company's and the Group's disclosure in Note 6.32 and 9 of the separate and the consolidated financial statements.

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Other information

Other information comprises the information included in the Annual Report other than the separate and the consolidated financial statements and auditor's report thereon. Management is responsible for the other information.
Our opinion on the separate and the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the separate and the consolidated financial statements is, in all material respects, consistent with the separate and the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company and the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management, audit committee and the supervisory board for the separate and the consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the separate and the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and the consolidated financial statements, management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and Group or to cease operations, or has no realistic alternative but to do so.

The audit committee and the supervisory board are responsible for overseeing the Company's and the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and Regulation (EU) No. 537/2014 of the European Parliament and the Council will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

▸ identify and assess the risks of material misstatement of the separate and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

▸ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control;

▸ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

▸ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going concern;

▸ evaluate the overall presentation, structure and content of the separate and the consolidated financial statements, including the disclosures, and whether the of the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

▸ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the separate and the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company and the Group by the statutory body of the Company on 27 September 2017 based on our approval by the General Meeting of Shareholders of the Company on *10 April 2017*. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 4 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the separate and the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company and Group, which we issued on the same date as the issue date of this report.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and the Group and we remain independent from the Company and the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the separate and the consolidated financial statements, no other services which were provided by us to the Company and its controlled undertakings.

Ljubljana, 26 February 2018

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

Lidija Šinkovec
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

7/7

FINANCIAL STATEMENTS OF THE PETROL GROUP AND PETROL D.D., LJUBLJANA

Statement of profit or loss of the Petrol Group and Petrol d.d., Ljubljana

		The Petrol Group		Petrol d.d.	
(in EUR)	Note	2017	2016	2017	2016
Sales revenue	**6.3**	**4,496,736,350**	**3,856,702,626**	**3,738,403,594**	**3,167,782,578**
- of which excise duty		1,109,803,201	1,069,489,389	771,700,375	749,680,687
Cost of goods sold		**(4,064,081,769)**	**(3,474,731,916)**	**(3,421,067,335)**	**(2,891,654,757)**
Costs of materials	6.4	(28,380,925)	(28,404,917)	(15,963,038)	(15,308,537)
Costs of services	6.5	(135,683,037)	(122,691,189)	(108,683,577)	(99,517,410)
Labour costs	6.6	(76,895,012)	(67,210,220)	(53,104,848)	(45,594,793)
Depreciation and amortisation	6.7	(48,662,030)	(45,580,525)	(32,146,920)	(31,361,414)
Other costs	6.8	(35,176,817)	(23,515,421)	(20,594,516)	(16,237,137)
Operating costs		**(324,797,821)**	**(287,402,272)**	**(230,492,898)**	**(208,019,291)**
Other revenue	6.3	4,855,585	5,925,087	3,539,486	4,035,724
Other expenses	6.9	(536,321)	(934,094)	(19,475)	(111,028)
Operating profit		**112,176,024**	**99,559,431**	**90,363,372**	**72,033,226**
Share of profit or loss of equity accounted investees	**6.10**	**4,612,187**	**5,372,417**	**-**	**-**
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities	**6.10**	**-**	**-**	**3,304,096**	**3,708,336**
Other finance income	6.11	44,049,516	43,169,901	45,470,562	38,712,863
Other finance expenses	6.11	(61,314,861)	(58,483,223)	(59,843,966)	(61,559,655)
Net finance expense		**(17,265,345)**	**(15,313,322)**	**(14,373,404)**	**(22,846,792)**
Profit before tax		**99,522,866**	**89,618,526**	**79,294,064**	**52,894,770**
Tax expense	6.12	(13,194,628)	(13,087,058)	(9,043,911)	(4,511,190)
Deferred tax	6.12	(5,199,352)	(3,870,561)	(5,977,156)	(4,711,402)
Corporate income tax		**(18,393,980)**	**(16,957,619)**	**(15,021,067)**	**(9,222,592)**
Net profit for the year		**81,128,886**	**72,660,907**	**64,272,996**	**43,672,178**
Net profit for the year attributable to:					
Owners of the controlling company		81,572,904	72,661,042	64,272,996	43,672,178
Non-controlling interest		(444,018)	(135)	-	-
Basic and diluted earnings per share	6.13	39.47	35.24	31.18	21.18

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

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

(in EUR)	Note	The Petrol Group 2017	The Petrol Group 2016	Petrol d.d. 2017	Petrol d.d. 2016
Net profit for the year		**81,128,886**	**72,660,907**	**64,272,996**	**43,672,178**
Change due to merger by absorption	6.14	-	-	0	2,767,174
Effective portion of changes in the fair value of cash flow variability hedging	6.14	(72,948)	980,862	(178,998)	0
Change in deferred taxes		(8,878)	(195,189)	10,211	0
Foreign exchange differences		4,350,996	617,054	-	-
Other comprehensive income to be recognised in the statement of profit or loss in the future		**4,269,170**	**1,402,727**	**(168,787)**	**2,767,174**
Attribution of changes in the equity of subsidiaries		365,030	0	-	-
Change in deferred taxes		(69,457)	0	-	-
Attribution of changes in the equity of associates		(595,030)	(23,647)	-	-
Change in deferred taxes		52,588	0	-	-
Total other comprehensive income to be recognised in the statement of profit or loss in the future		**4,022,301**	**1,379,080**	**(168,787)**	**2,767,174**
Unrealised actuarial gains and losses		0	(768,920)	0	(892,132)
Other comprehensive income not to be recognised in the statement of profit or loss in the future		**0**	**(768,920)**	**0**	**(892,132)**
Attribution of changes in the equity of subsidiaries		0	0	-	-
Attribution of changes in the equity of associates		0	0	-	-
Total other comprehensive income not to be recognised in the statement of profit or loss in the future		**0**	**(768,920)**	**0**	**(892,132)**
Total other comprehensive income after tax		4,022,301	610,160	(168,787)	1,875,042
Total comprehensive income for the year		**85,151,187**	**73,271,067**	**64,104,209**	**45,547,220**
Total comprehensive income attributable to:					
Owners of the controlling company		85,486,521	73,310,502	64,104,209	45,547,220
Non-controlling interest		(335,334)	(39,435)	-	-

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

Statement of financial position of the Petrol Group and Petrol d.d., Ljubljana

		The Petrol Group		Petrol d.d.	
(in EUR)	Note	31 December 2017	31 December 2016	31 December 2017	31 December 2016
ASSETS					
Non-current (long-term) assets					
Intangible assets	6.15	186,185,049	181,192,672	153,693,903	147,995,289
Property, plant and equipment	6.16	620,459,508	605,937,761	312,657,480	306,804,517
Investment property	6.17	16,750,344	18,231,523	16,211,085	17,375,331
Investments in subsidiaries	6.18	-	-	329,225,470	290,581,344
Investments in jointly controlled entities	6.19	1,755,182	1,652,682	1,219,000	1,196,000
Investments in associates	6.20	62,444,322	129,686,241	21,726,406	52,852,540
Financial assets available for sale	6.21	11,173,565	2,598,071	1,689,491	2,519,028
Financial receivables	6.22	32,651,760	1,079,152	6,362,867	27,421,814
Operating receivables	6.23	3,275,362	650,916	3,239,145	643,851
Deferred tax assets	6.12	8,977,390	11,921,930	5,468,333	11,435,278
		943,672,482	**952,950,948**	**851,493,180**	**858,824,991**
Current assets					
Inventories	6.24	159,748,956	116,217,171	117,265,435	95,494,787
Financial receivables	6.25	29,754,766	6,922,594	15,018,789	18,452,346
Operating receivables	6.26	441,456,308	382,532,113	293,516,557	317,169,921
Corporate income tax assets	6.12	108,824	30,672	0	0
Financial assets at fair value through profit or loss	6.27	1,661,550	1,836,062	1,661,550	1,787,039
Prepayments and other assets	6.28	34,377,552	15,314,407	21,218,283	11,170,970
Cash and cash equivalents	6.29	45,492,821	26,987,969	23,651,242	12,657,723
		712,600,777	**549,840,988**	**472,331,856**	**456,732,786**
Total assets		**1,656,273,259**	**1,502,791,936**	**1,323,825,036**	**1,315,557,777**

		The Petrol Group		Petrol d.d.	
(in EUR)	Note	31 December 2017	31 December 2016	31 December 2017	31 December 2016
EQUITY AND LIABILITIES					
Equity attributable to owners of the controlling company					
Called-up capital		52,240,977	52,240,977	52,240,977	52,240,977
Capital surplus		80,991,385	80,991,385	80,991,385	80,991,385
Legal reserves		61,987,955	61,987,955	61,749,884	61,749,884
Reserves for own shares		4,708,359	2,604,670	2,604,670	2,604,670
Own shares		(4,708,359)	(2,604,670)	(2,604,670)	(2,604,670)
Other revenue reserves		214,915,535	191,876,506	216,667,051	191,556,836
Fair value reserve		(832,522)	(585,653)	39,295,125	39,295,125
Hedging reserve		(39,917)	41,909	(168,787)	0
Foreign exchange differences		(6,053,269)	(10,295,581)	-	-
Retained earnings		247,992,625	220,392,308	32,136,498	21,836,089
		651,202,769	**596,649,806**	**482,912,133**	**447,670,296**
Non-controlling interest		**50,664,385**	**(980,113)**	**-**	**-**
Total equity	**6.30**	**701,867,154**	**595,669,693**	**482,912,133**	**447,670,296**
Non-current liabilities					
Provisions for employee post-employment and other long-term benefits	6.31	7,104,156	6,445,205	6,100,872	5,524,172
Other provisions	6.32	38,687,918	5,245,072	14,119,496	4,132,623
Long-term deferred revenue	6.33	6,376,773	4,555,934	6,328,758	4,507,751
Financial liabilities	6.34	357,485,819	304,928,488	306,280,056	251,865,143
Operating liabilities	6.35	1,217,562	1,342,063	923,382	923,382
Deferred tax liabilities	6.12	3,800,572	4,168,551	0	0
		414,672,800	**326,685,313**	**333,752,564**	**266,953,071**
Current liabilities					
Financial liabilities	6.34	62,860,637	102,485,363	134,723,206	188,137,221
Operating liabilities	6.36	450,518,749	456,216,385	356,672,760	401,409,201
Corporate income tax liabilities	6.12	3,460,394	6,595,599	3,778,471	1,093,931
Other liabilities	6.37	22,893,525	15,139,583	11,985,901	10,294,058
		539,733,305	**580,436,930**	**507,160,338**	**600,934,410**
Total liabilities		**954,406,105**	**907,122,243**	**840,912,903**	**867,887,481**
Total equity and liabilities		**1,656,273,259**	**1,502,791,936**	**1,323,825,036**	**1,315,557,777**

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

			Revenue reserves				
(in EUR)	Called-up capital	Capital surplus	Legal reserves	Reserves for own shares	Own shares	Other revenue reserves	Fair value reserve
As at 1 January 2016	**52,240,977**	**80,991,385**	**61,987,955**	**2,604,670**	**(2,604,670)**	**180,794,332**	**206,914**
Dividend payments for 2015						(10,938,900)	
Transfer of a portion of 2016 net profit						21,836,089	
Increase/(decrease) in non-controlling interest						184,985	
Transactions with owners	**0**	**0**	**0**	**0**	**0**	**11,082,174**	**0**
Net profit for the current year							
Other changes in other comprehensive income							(792,567)
Total changes in total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**(792,567)**
As at 31 December 2016	**52,240,977**	**80,991,385**	**61,987,955**	**2,604,670**	**(2,604,670)**	**191,876,506**	**(585,653)**
As at 1 January 2017	**52,240,977**	**80,991,385**	**61,987,955**	**2,604,670**	**(2,604,670)**	**191,876,506**	**(585,653)**
Dividend payments for 2016						(7,026,283)	
Transfer of a portion of 2017 net profit						32,136,498	
Change in amount of own shares					(2,103,689)		
Change in reserves for own shares				2,103,689		(2,103,689)	
Increase/(decrease) in non-controlling interest						32,503	
Transactions with owners	**0**	**0**	**0**	**2,103,689**	**(2,103,689)**	**23,039,029**	**0**
Net profit for the current year							
Other changes in other comprehensive income							(246,869)
Total changes in total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**(246,869)**
As at 31 December 2017	**52,240,977**	**80,991,385**	**61,987,955**	**4,708,359**	**(4,708,359)**	**214,915,535**	**(832,522)**

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

Hedging reserve	Foreign exchange differences	Retained earnings	Equity attributable to owners of the controlling company	Non-controlling interest	Total
(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	**(139,188)**	**(36,873,324)**	**(25,930,338)**	**938,306**	**(24,992,032)**
		72,661,042	72,661,042	(135)	72,660,907
785,673	656,354	0	649,460	(39,300)	610,160
785,673	**656,354**	**72,661,042**	**73,310,502**	**(39,435)**	**73,271,067**
41,909	**(10,295,581)**	**220,392,308**	**596,649,806**	**(980,113)**	**595,669,693**
41,909	**(10,295,581)**	**220,392,308**	**596,649,806**	**(980,113)**	**595,669,693**
		(21,836,089)	(28,862,372)		(28,862,372)
		(32,136,498)	0		0
			(2,103,689)		(2,103,689)
			0		0
			32,503	51,979,832	52,012,335
0	**0**	**(53,972,587)**	**(30,933,558)**	**51,979,832**	**21,046,274**
		81,572,904	81,572,904	(444,018)	81,128,886
(81,826)	4,242,312		3,913,617	108,684	4,022,301
(81,826)	**4,242,312**	**81,572,904**	**85,486,521**	**(335,334)**	**85,151,187**
(39,917)	**(6,053,269)**	**247,992,625**	**651,202,769**	**50,664,385**	**701,867,154**

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 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**
As at 1 January 2017	**52,240,977**	**80,991,385**	**61,749,884**	**2,604,670**	**(2,604,670)**	**191,556,836**
Dividend payments for 2016						(7,026,283)
Transfer of a portion of 2017 net profit						32,136,498
Transactions with owners	**0**	**0**	**0**	**0**	**0**	**25,110,215**
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 2017	**52,240,977**	**80,991,385**	**61,749,884**	**2,604,670**	**(2,604,670)**	**216,667,051**
Accumulated profit for 2017						**849,070**

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
40,187,257	**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**
39,295,125	**0**	**21,836,089**	**447,670,296**
		(21,836,089)	(28,862,372)
		(32,136,498)	0
0	**0**	**(53,972,587)**	**(28,862,372)**
		64,272,996	64,272,996
	(168,787)		(168,787)
0	**(168,787)**	**64,272,996**	**64,104,209**
39,295,125	**(168,787)**	**32,136,498**	**482,912,133**
		32,136,498	**32,985,568**

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

(in EUR)	Note	The Petrol Group		Petrol d.d.	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
Cash flows from operating activities					
Net profit		**81,128,886**	**72,660,907**	**64,272,997**	**43,672,178**
Adjustment for:					
Corporate income tax	6.12	18,393,980	16,957,619	15,021,067	9,222,592
Depreciation of property, plant and equipment and of investment property	6.7	41,183,968	38,985,547	25,729,587	25,877,036
Amortisation of intangible assets	6.7	7,478,062	6,594,978	6,417,333	5,484,378
(Gain)/loss on disposal of property, plant and equipment	6.3, 6.8	(556,300)	(260,683)	(320,860)	297,859
Impairment, write-down/(reversed impairment) of assets	6.8	14,514,638	17,304,984	7,507,083	13,515,008
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	597,577	227,241	576,699	155,913
Net (decrease in)/creation of other provisions and long-term deferred revenue	6.32, 6.33	11,594,335	(1,248,576)	11,807,881	(1,284,578)
Net goods surpluses	6.8	(2,691,138)	(2,071,291)	(2,401,095)	(1,893,412)
Net (decrease in)/creation of allowance for receivables	6.11	5,085,538	3,317,627	7,049,338	3,324,570
Net finance (income)/expense	6.11	10,686,397	12,914,397	3,648,093	12,775,902
Impairment of investments and of goodwill	6.11	2,058,886	2,568,067	4,858,281	8,404,110
Share of profit of jointly controlled entities	6.10	(229,167)	13,342	-	-
Share of profit of associates	6.10	(4,383,020)	(5,385,759)	-	-
Finance income from dividends received from subsidiaries	6.10	-	-	(247,530)	0
Finance income from dividends received from jointly controlled entities	6.10	-	-	(150,000)	(150,000)
Finance income from dividends received from associates	6.10	-	-	(2,906,566)	(3,558,336)
Cash flow from operating activities before changes in working capital		**184,797,242**	**162,513,000**	**140,796,908**	**115,777,820**
Net (decrease in)/creation of other liabilities	6.37	7,293,659	164,830	1,691,843	(458,148)
Net decrease in/(creation of) other assets	6.28	(2,275,661)	(356,870)	(1,607,042)	213,421
Change in inventories	6.24	(19,694,641)	(22,923,638)	(19,330,298)	(21,091,323)
Change in operating and other receivables	6.26	(6,870,727)	(44,523,008)	11,781,978	(61,279,258)
Change in operating and other liabilities	6.36	(41,788,559)	48,304,662	(50,146,001)	68,610,146
Cash generated from operating activities		**121,461,313**	**143,178,976**	**83,187,388**	**101,772,658**
Interest paid	6.11	(12,980,773)	(18,407,548)	(13,053,431)	(16,369,834)
Taxes paid	6.12	(15,891,601)	(7,790,670)	(6,322,282)	(4,160,413)
Net cash from (used in) operating activities		**92,588,939**	**116,980,758**	**63,811,675**	**81,242,411**

(in EUR)	Note	The Petrol Group 31 December 2017	The Petrol Group 31 December 2016	Petrol d.d. 31 December 2017	Petrol d.d. 31 December 2016
Cash flows from investing activities					
Payments for investments in subsidiaries	6.18	(411,106)	(1,773,167)	(3,200,000)	(13,093,653)
Receipts from investments in subsidiaries	6.18	50,000	1,200,000	0	0
Payments for investments in jointly controlled entities	6.19	(23,000)	0	(23,000)	0
Receipts from investments in jointly controlled entities	6.19	0	45,100,000	0	0
Payments for investments in associates	6.20	0	(11,277,500)	0	0
Receipts from investments in associates	6.20	0	2,850,000	0	2,850,000
Receipts from intangible assets	6.15	157,352	1,290,260	123,851	252,174
Payments for intangible assets	6.15	(13,561,469)	(3,234,747)	(12,949,599)	(2,958,575)
Receipts from property, plant and equipment	6.16	3,119,595	6,653,390	2,269,228	2,188,977
Payments for property, plant and equipment	6.16	(60,428,524)	(73,969,272)	(36,620,364)	(30,430,536)
Receipts from financial assets available for sale	6.21	3,547	77,646	3,547	77,646
Payments for financial assets available for sale	6.21	(36,464)	(1,348,541)	(36,464)	(1,348,541)
Receipts from loans granted	6.22, 6.25	11,318,238	7,763,880	50,991,364	31,615,893
Payments for loans granted	6.22, 6.25	(8,491,350)	(5,363,463)	(28,749,856)	(52,648,837)
Interest received	6.11	2,984,633	4,419,826	3,205,270	4,271,840
Dividends received from subsidiaries	6.10	-	-	247,530	0
Dividends received from jointly controlled entities	6.10	150,000	2,150,000	150,000	150,000
Dividends received from associates	6.10	3,387,146	4,047,851	2,906,566	3,558,336
Dividends received from others	6.10	56,683	44,434	56,683	44,434
Net cash from (used in) investing activities		**(61,724,719)**	**(21,369,403)**	**(21,625,243)**	**(55,470,842)**
Cash flows from financing activities					
Proceeds from bonds issued	6.34	43,828,000	1,230,000	43,828,000	1,230,000
Payments for bonds issued	6.34	(58,853,000)	(54,802,000)	(58,853,000)	(54,802,000)
Proceeds from borrowings	6.34	643,939,868	763,552,148	895,317,377	1,080,460,409
Repayment of borrowings	6.34	(621,211,708)	(787,019,209)	(882,580,114)	(1,041,902,098)
Dividends paid to shareholders	6.30	(28,905,176)	(25,926,943)	(28,905,176)	(25,926,943)
Net cash from (used in) financing activities		**(21,202,016)**	**(102,966,004)**	**(31,192,913)**	**(40,940,632)**
Increase/(decrease) in cash and cash equivalents		9,662,204	(7,354,649)	10,993,519	(15,169,063)
Changes in cash and cash equivalents					
At the beginning of the year		**26,987,969**	**34,350,350**	**12,657,723**	**26,994,577**
Foreign exchange differences		175,501	(35,401)	-	-
Cash acquired through mergers by absorption		-	-	0	832,209
Cash acquired through acquisition of companies		8,667,147	27,669	-	-
Increase/(decrease)		9,662,204	(7,354,649)	10,993,519	(15,169,063)
At the end of the year		**45,492,821**	**26,987,969**	**23,651,242**	**12,657,723**

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 2017 and separate financial statements of the company Petrol d.d., Ljubljana for the year ended 31 December 2017. 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 21 February 2018.

The financial statements of Petrol d.d., Ljubljana and consolidated financial statements of the Petrol Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, the interpretations of the IFRS Interpretations Committee, also adopted by the EU, and the Companies Act.

New standards and interpretations adopted but not yet effective

The standards and interpretations disclosed below have been issued but were not yet effective up to the date of issuance of the consolidated/separate financial statements or endorsed by the European Union. The Group/Company intends to adopt these standards and interpretations, if applicable, in the preparation of its financial statements when they become effective. The Group/Company did not early adopt any of the standards.

Amendments to IFRS 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.

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 for the following reasons:

- Financial assets currently classified as financial assets available for sale meet the criteria to be classified at fair value through other comprehensive income, meaning that accounting for these assets will remain unchanged.
- Investments currently measured at fair value through profit or loss will continue to be measured as such under IFRS 9.
- Debt instrument currently measured at amortised cost meet the criteria to be classified at amortised cost under IFRS 9.

The new impairment model requires impairment provisions to be recognised based on expected credit losses rather than just realized credit losses, as required by IAS 39. The

Group/Company does not expect the impairment provisions to increase considering that the existing system of allowances for receivables provides sufficient allowances as required by ammended IFRS 9.

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 Group/Company shall apply this standard using one of the following two methods: prospectively or retrospectively to each prior reporting period. The will adopt IFRS 15 prospectively in its consolidated financial statements for the year ending December 31, 2018, reflecting all transitions effects in change in equity.

The Group/Company does not expect material differences to occur in the recognition of revenue from the sale of goods and services. Contracts with customers were subjected to an analysis which showed that the contracts met the revenue recognition criteria required by the new standard. Moreover, performance obligations are appropriately defined in the contracts, making it possible for them to be classified, measured and to determine the time of their satisfaction. Contracts with customers refer to sales of goods and servicies, which are disclosed separately in the Group's/Company's financial statements.

The Group/Company does not expect material differences to occur in the recognition of revenue over time.

The majority of revenue comes from contracts defined as simple delivery of goods and services. The contracts do not contain separately identifiable performance obligations, and management believe the current revenue recognition accounting policy is compliant with new IFRS 15 requirements.

The Group/Company has identified a minor proportion of revenue from contracts with customers in respect of which a financial component was determined. The recognition of revenue associated with financing will not materially affect the financial statements of the Group/Company.

IFRS 15 incorporates specific criteria to determine which costs relating to a contact should be capitalized and distinguishes between the costs associated with obtaining a contact and the costs associated with contract fulfillment. The Group/Company estimates that no significant fulfilment costs exist.

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

Clarifications to IFRS 15 Revenue form 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.

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

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

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

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

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

New standards and interpretations not yet adopted by the European Union

Amendments to IAS 28: Investments in Associates and Joint Ventures

The amendments address the issue of whether measuring long-term interests (especially as regards the requirements to impair long-term interests in associates and joint ventures which, in substance, form part of the "net investment" in an associate or joint venture) falls under IFRS 9, IAS 28 or a combination of both. The amendments clarify that when recognising long-term interests that are not accounted for using the equity method, an entity shall apply IFRS 9 Financial Instruments before it begins to apply IAS 28. When applying IFRS 9, the entity shall not make use of any adjustments to the carrying amount of long-term interests otherwise provided for by IAS 28.

The amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted.

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

Amendments to IAS 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 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 if 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 9: Prepayment features with negative compensation

The amendments allow financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

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

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

The amendments address the 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.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The 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. The 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.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12-Income Taxes. The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The interpretation has not yet been endorsed by the EU.
The interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted.

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

Annual improvements 2014-2016 Cycle

Amendments to IAS 28: Investments in Associates and Joint Ventures

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

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 lawsuits (Notes 6.32 and 9)
There are several lawsuits that have been filed against Group companies, for which the potential need for provisions is estimated on an ongoing basis. Provisions are recognised if, as a result of a past event, companies have a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are not disclosed in the financial statements because their actual existence will only be confirmed by the occurrence or non-occurrence of events in unforeseeable future, which is beyond the control of Group companies. The management of a company regularly checks if an outflow of economic benefits is probable to settle contingent liabilities. If it becomes probable, the contingent liability is restated and provisions are created for it in the financial statements as soon as the level of probability changes.

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 2017.

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 interpretations specified below, the accounting policies used herein are the same as in the previous annual report.

Newly adopted standards and interpretation effective as of 1 January 2017

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.

On initial application of the amendments, entities were not required to provide comparative information for preceding periods. Early application was permitted.

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

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.

On initial application of the amendments, the change in the opening equity of the earliest comparative period may have been 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 which were applying this relief must have disclosed that fact.

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

Amendments to IFRS 12: Disclosure of Interests in Other Entities
The amendments clarify 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 did not have a material impact on the financial statements of the Group/Company,

a. Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the controlling company and of its subsidiaries.

Business combinations
Business combinations are accounted for using the acquisition method as at the date of the combination, which is the same as the acquisition date or the date on which control is transferred to the Group. Control is the power to govern financial and operating policies of a company so as to obtain benefits from its activities.

The Group measures goodwill at the fair value of the consideration transferred plus the recognised amount of any non-controlling interest in the acquiree, plus the fair value of any pre-existing equity interest in the acquiree (if the business combination is achieved in stages), less the net recognised amount of the assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, the effect is recognised immediately in profit or loss.

Acquisition costs, other than those associated with the issue of equity or debt securities, incurred in connection with a business combination are expensed as incurred.

Any contingent liabilities arising from business combinations are recognised at fair value as at the acquisition date. If a contingent liability is classified as equity, then it is not remeasured and settlement is accounted for within equity. Subsequent changes in the fair value of the contingent liability are recognised in profit or loss.

Accounting for acquisitions of non-controlling interests

The Group accounts for acquisitions of non-controlling interests that do not involve the change in control of a company as transactions with owners and therefore no goodwill is recognised. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any surpluses or the difference between the costs of additional investments and the carrying amount of assets are recognised in equity.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when:

- an investor is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee;
- there is a link between power and returns.

The financial statements of subsidiaries are included in the Group's consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the Group's policies.

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, such interest is measured at fair value at the date the control is lost. Subsequently, the interest is accounted for as an investment in an associate (using the equity method) or as a financial asset available for sale, depending on the level of influence retained. Changes in the parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions (i.e. transactions with owners) in other revenue reserves. If a Group- controlled company is absorbed, the difference between the investment and the net value of acquired assets is recognised in other revenue reserves, taking into account goodwill, if any.

Investments in associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for financial and operating decisions. Investments in associates and jointly controlled entities are initially recognised at cost, but are subsequently accounted for using the equity method. The Group's consolidated financial statements include the Group's share of the profit and loss of equity accounted jointly controlled entities, after adjustments to align the accounting policies, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses of an associate or a jointly controlled entity exceeds its interest in such an entity, the carrying amount of the Group's interest is reduced to zero and the recognition of further losses is discontinued.

Transactions eliminated from consolidated financial statements

Intra-group balances and any gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates (accounted for using the equity method) are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated using the same method, provided there is no evidence of impairment.

b. Foreign currency translation

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Foreign exchange gains or losses are the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in a foreign currency and measured at historical cost are translated to the functional currency using the exchange rate at the date of the transaction. Foreign exchange differences are recognised in profit or loss.

Financial statements of Group companies

The Group's consolidated financial statements are presented in euros. Line items of each Group company that are included in the financial statements are translated, for the purpose of preparing consolidated financial statements, to the reporting currency as follows:

- assets and liabilities from each statement of financial position presented, including goodwill, are translated at the ECB exchange rate at the reporting date;
- revenue and expenses of foreign operations are converted to euros at exchange rates applicable at the transaction date.

Foreign exchange differences are recognised in other comprehensive income and presented under foreign exchange differences in equity. In the case of non-wholly-owned subsidiaries abroad, the relevant proportion of the foreign exchange difference is allocated to non-controlling interests. When a foreign operation is disposed of in such a way that control, significant influence or joint control is lost, the relevant cumulative amount in the translation reserve is reclassified to profit or loss or as gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or jointly controlled entity that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c. Financial 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 the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for sale financial assets. 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 %)	2017	2016
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 %)	2017	2016
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%**

Gains and losses on disposal or elimination are determined by comparing the proceeds from disposal with the carrying amount. Gains and losses on disposal are recognised in profit or loss. Available-for-sale items of property, plant and equipment are presented separately from other assets and are not depreciated in the year of the disposal.

The impairment of assets is detailed in Point j2.

Environmental fixed assets

Environmental tangible fixed assets acquired under the scheme for the creation and use of revenue deferred for the purpose of environmental rehabilitation are carried and presented separately. More information about deferred revenue relating to environmental fixed assets is available in Point l.

g. Investment property

Investment property is property held by the Group either to earn rental income or for capital appreciation or for both. It is measured at cost less accumulated depreciation and accumulated impairment losses. Investment property is measured using the cost model. The depreciation method and rates are the same as for other tangible assets. The impairment of assets is detailed in Point j2.

h. Leased assets

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

Finance lease

· The Group as a lessor

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

· The Group as a lessee

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

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

i. Inventories
Inventories of merchandise and materials are measured at the lower of cost and net realisable value.

The cost is made up of the purchase price, import duties and direct costs of purchase. Any discounts are subtracted from the purchase price. Direct costs of purchase include transportation costs, costs of loading, transhipment and unloading, transport insurance costs, goods tracking costs, costs of agency arrangements, other similar costs incurred before initial storage and borne by the purchaser as well as non-refundable duties (excise duty). Discounts on purchase prices include discounts indicated on invoices and subsequently obtained discounts relating to a specific purchase.

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

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

j. Impairment
j1. Financial assets
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 availableforsale 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.

Provisions for lawsuits

There are several lawsuits that have been filed against Group companies, for which the potential need for provisions is estimated on an ongoing basis. Provisions are recognised if, as a result of a past event, companies have a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are not disclosed in the financial statements because their actual existence will only be confirmed by the occurrence or non-occurrence of events in unforeseeable future, which is beyond the control of Group companies. The management of a company regularly checks if an outflow of economic benefits is probable to settle contingent liabilities. If it becomes probable, the contingent liability is restated and provisions are created for it in the financial statements as soon as the level of probability changes.

Provisions for onerous contracts

The Group creates provisions for onerous contracts when the market situation causes the costs of meeting contractual obligations to exceed the expected economic benefit of long-term contracts.

The provisions are determined based on estimated purchasing and selling price levels and quantities, taking into account the costs to sell and general and administrative costs.

l. Long-term deferred revenue

Government and other subsidies received to cover costs are recognised strictly as revenue over the periods in which the costs that they are intended to compensate are incurred. Other revenue is recognised when it can be reasonably expected it will result in receipts.

Long-term deferred revenue

Long-term deferred revenue comprises deferred revenue from funds granted for the environmental rehabilitation of service stations, road tankers and storage facilities. Environmental assets, presented as part of the Group's property, plant and equipment items, were approved by means of a decision of the Ministry of the Environment and Spatial Planning as part of the ownership transformation of the company Petrol d.d., Ljubljana and were recognised as such in the opening financial statements of Petrol d.d., Ljubljana as at 1 January 1993 that were prepared in accordance with the regulations governing the ownership transformation of companies. Deferred revenue is 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 December 2016 and 31 December 2017 and data derived from the statement of profit or loss for the period January to December 2017. 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 the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets. 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 %)	2017	2016
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 %)	2017	2016
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, transhipment and unloading, transport insurance costs, goods tracking costs, costs of agency arrangements, other similar costs incurred before initial storage and borne by the purchaser as well as non-refundable duties. Discounts on purchase prices include discounts indicated on invoices and subsequently obtained discounts relating to a specific purchase.

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

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

k. Impairment

k1. Financial assets

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.

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

Significant provisions include:

Provisions for employee post-employment and other long-term benefits
Pursuant to the law, the collective agreement and internal rules, the Company is obligated to pay its employees jubilee benefits and post-employment benefits on retirement, for which it has established long-term provisions. Other obligations related to employee post-employment benefits do not exist. The provisions amount to estimated future payments for post-employment benefits on retirement and jubilee benefits discounted to the end of the reporting period. The calculation is made separately for each employee by taking into account the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement. The calculation using the projected unit credit method is performed by a certified actuary. Post-employment benefits on retirement and jubilee benefits are charged against the provisions created.

Labour costs and costs of interest are recognised in the statement of profit or loss, whereas the adjustment of post-employment benefits or unrealised actuarial gains or losses arising from post-employment benefits are recognised in other comprehensive income.

Provisions for employee post-employment and other long-term benefits at third-party managed service stations
The business cooperation agreements entered into by the Company with service station managers stipulate that the rights of employees at third-party managed service stations to jubilee benefits and post-employment benefits on retirement are equal to the rights of the Company's employees. The contractual obligation of the Company to reimburse the costs arising from such rights to employees at third-party managed service stations represents the basis for recognition of long-term provisions. The provisions amount to estimated future payments for post-employment benefits on retirement and jubilee benefits discounted to the end of the reporting period. The obligation is calculated separately for each employee at a third-party managed service station by estimating the costs of post-employment benefits on retirement and the costs of all expected jubilee benefits until retirement. The calculation using the projected unit credit method is performed by a certified actuary. Reimbursed costs arising from post-employment benefits on retirement and jubilee benefits are charged against the provisions created.

Labour costs and costs of interest are recognised in the statement of profit or loss, whereas the adjustment of post-employment benefits or unrealised actuarial gains or losses arising from post-employment benefits are recognised in other comprehensive income.

Provisions for lawsuits
There are several lawsuits that have been filed against the Company, for which the potential need for provisions is estimated on an ongoing basis. Provisions are recognised if, as a result of a past event, the Company has a present legal or

constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are not disclosed in the financial statements because their actual existence will only be confirmed by the occurrence or non-occurrence of events in unforeseeable future, which is beyond the Company's control. The Company's management regularly checks if an outflow of economic benefits is probable to settle contingent liabilities. If it becomes probable, the contingent liability is restated and provisions are created for it in the financial statements as soon as the level of probability changes.

m. Long-term deferred revenue

Government and other subsidies received to cover costs are recognised strictly as revenue over the periods in which the costs that they are intended to compensate are incurred. Other revenue is recognised when it can be reasonably expected it will result in receipts.

Long-term deferred revenue

Long-term deferred revenue comprises deferred revenue from funds granted for the environmental rehabilitation of service stations, road tankers and storage facilities. Environmental assets, presented as part of the Company's property, plant and equipment items, were approved by means of a decision of the Ministry of the Environment and Spatial Planning as part of the ownership transformation of the company Petrol d.d., Ljubljana and were recognised as such in the opening financial statements of Petrol d.d., Ljubljana as at 1 January 1993 that were prepared in accordance with the regulations governing the ownership transformation of companies. Deferred revenue is restated under revenue in proportion to the depreciation of environmental fixed assets. A portion of deferred revenue attributable to the period under 12 months is moved to current deferred revenue.

n. 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 December 2016 and 31 December 2017 and data derived from the statement of profit or loss for the period January to December 2017. Default interest paid and received in connection with operating receivables is allocated to cash flows from operating activities. Interest on loans, and dividends paid and received are allocated to cash flows from financing activities.

5. Segment reporting

In view of the fact that the financial report consists of the financial statements and accompanying notes of both the Group and the Company, only the Group's operating segments are disclosed.

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses that relate to transactions with any of the Group's other components. The results of operating segments are reviewed regularly by the management to make decisions about resources to be allocated to a segment and assess the Group's performance.

The management monitors information on two levels: on the micro level, in which case individual units are monitored, and on the macro level, where only certain key information is monitored that can be used to make comparisons with similar companies in Europe. Given the substantial amount of information and their sensitivity on the micro level, the Group only discloses macro-level information in the annual report.

Since 2016, the Group/Company has been using the following segments in the preparation and presentation of the financial statements:

- sales,
- energy and environmental systems.

Sales consist of:

- retail and wholesale of petroleum products,
- retail and wholesale of merchandise,
- sales of liquefied petroleum gas,
- 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 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.

The Group's operating segments in 2017:

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

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

Additional information about geographic areas in which the Group operates:

	Sales revenue		Total assets		Net capital expenditure	
(in EUR)	2017	2016	2017	2016	2017	2016
Slovenia	2,453,757,251	2,185,995,714	1,159,770,712	943,395,109	52,978,562	25,550,276
Croatia	571,659,858	509,563,848	249,403,969	249,218,815	6,875,124	28,716,020
Bosnia and Herzegovina	215,490,932	201,613,804	78,025,796	78,325,648	3,509,361	3,194,600
Austria	144,169,999	184,641,614	2,927,796	1,896,839	0	0
Serbia	88,973,045	68,166,939	57,321,234	50,502,319	6,446,825	2,465,651
Montenegro	43,867,926	36,086,071	29,149,588	28,387,968	2,133,767	1,341,862
Macedonia	14,191,793	15,979,679	4,333,216	5,845,089	0	0
Romania	13,480,742	14,030,254	2,154,176	1,893,311	0	0
Other countries	951,144,804	640,624,703	9,878	65,985	0	0
	4,496,736,350	**3,856,702,626**	**1,583,096,365**	**1,359,531,083**	**71,943,640**	**61,268,408**

Jointly controlled entities	1,755,182	1,652,682
Associates	62,444,322	129,686,241
Unallocated assets	8,977,390	11,921,930
Total assets	**1,656,273,259**	**1,502,791,936**

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

Geoplin d.o.o. Ljubljana

Based on a General Meeting resolution hold in June 2017, assets related to the management of gas infrastructure of Geoplin d.o.o. Ljubljana were transferred to a newly established company Plinhold, upravljanje plinske infrastrukture, d.o.o. (hereinafter: Plinhold d.o.o.) In the newly established company, The Petrol Group retained the same interest as it had in the tranferring company, i.e. 40.72 percent.

Under an agreement concluded with the Republic of Slovenia, Petrol d.d., Ljubljana acquired on 29 December 2017 a 16.23-percent interest in Geoplin d.o.o. Ljubljana in exchange for disposed share in Plinhold d.o.o. The interests were exchanged using an exchange ratio determined by taking into account the value of both companies as assessed by a certified appraiser. In the Company's financial statements and the Group's consolidated financial statements, the acquisition was recognised at fair value and the disposal at carrying amount. The effects of the exchange were recognised in the statement of profit or loss. The Company generated finance income of EUR 8,093,077 from the exchange of the above interests.
As at 31 December 2017, the Group held a 56.95-percent interest in Geoplin d.o.o. Ljubljana, with its holding in Plinhold d.o.o. decrased to 29.70 percent.

In the Company's statement of financial position and the Group's consolidated statement of financial position, Geoplin d.o.o. Ljubljana was treated as a subsidiary as at 31 December 2017. The statement of financial position of the Geoplin Group was included in the consolidated financial position of the Group. With the conditions for exercising control over Geoplin d.o.o. Ljubljana being fulfilled at the end of 2017, the Group recognised the attributable profit of the Geoplin Group for 2017 as part of its finance income, using the equity method.

After acquiring the controlling interest in Geoplin d.o.o. Ljubljana, the Group did not generate any revenue as a result of this acquisition. If control had been obtained on 01 January 2017, the Group's revenue would have been EUR 345,413,965 higher and its net profit EUR 6,221,340 higher.

On the date the controlling influence was obtained over Geoplin d.o.o. Ljubljana, the fair value of the assets acquired was subjected to verification. The fair value of fixed assets was assessed using market transaction data for comparable property and the assessed value of cash-generating units. In assessing the value of cash-generating units, 7-year cash flow projections were applied, corresponding to the remaining life of the assets, together with a 10-percent discount rate.

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	8,644,396	8,644,396
Intangible assets	327,911	327,911
Property, plant and equipment	4,945,585	4,945,585
Financial assets available for sale	11,508,719	11,508,719
Deferred tax assets	2,774,010	2,774,010
Inventories	20,867,939	20,867,939
Financial receivables	57,526,790	57,526,790
Operating receivables	70,000,050	70,000,050
Corporate income tax assets	316,155	316,155
Prepayments and other assets	8,005,772	8,005,772
Assets	**184,917,327**	**184,917,327**
Fair value reserve	519,009	519,009
Equity	**519,009**	**519,009**
Provisions for employee post-employment and other long-term benefits	56,568	56,568
Other provisions	23,666,315	23,666,315
Deferred tax liabilities	121,963	121,963
Financial liabilities	814,667	814,667
Operating liabilities	38,511,473	38,511,473
Corporate income tax liabilities	9,233	9,233
Other liabilities	391,305	391,305
Liabilities	**63,571,524**	**63,571,524**
Net assets	120,826,794	120,826,794
Non-controlling interest before the aquisition (40,72%)	49,386,324	-
Share aquired in exchange" (16,23%) (Note 6.20)	18,287,861	-
Net assets upon acquisition of majority interest	68,810,134	-
Difference	**(1,135,949)**	**-**

The fair value of investments in the interests of companies was assessed based on 5-year cash flow projections, an 11.5-percent discount rate and a non-controlling discount.

The fair value of inventories was assessed based on data on the average selling price of gas.

Other assets (cash and cash equivalents, other investments held for sale, operating and financial receivables, and prepayments and other assets) of Geoplin d.o.o. Ljubljana are carried at amortised cost which essentially corresponds to the fair value of these assets.

Upon the acquisition, the net value of the acquired assets exceeded the fair value of the interest held in Geoplin d.o.o. Ljubljana by EUR 1,135,949. Upon the initial consolidation of Geoplin d.o.o. Ljubljana, the surplus value was recognised as badwill in the Group's statement of profit or loss.

The exchange agreement with the Republic of Slovenia mentioned above also foresees a second phase of the exchange, which is to be executed upon the fulfilment of suspensive conditions. As part of this second phase, the exchange of interests will allow Petrol d.d., Ljubljana to acquire additional 25.01-percent interest in Geoplin d.o.o. Ljubljana in exchange for the 16.98-percent interest in Plinhold d.o.o. the Company had disposed of.

In 2017 Petrol d.d., Ljubljana entered into contracts with other Geoplin d.o.o. owners to acquire, in all, a 12.18-percent interest, and the contracts are expected to be executed in 2018 upon the fulfilment of suspensive conditions.

In the event that the second phase of the exchange under the above exchange agreement is carried out and the interests are acquired from other owners in their entirety, this will cause the non-controlling interest of the Petrol Group to decrease by a total of EUR 44,901,464.

Dubrovnik Plin d.o.o.

The company Petrol d.o.o., Zagreb, which is fully owned by Petrol d.d. Ljubljana, signed a contract in March 2017 to acquire the 100-percent interest in the company Dubrovnik Plin d.o.o. The latter supplies gas through a gas network, liquefied petroleum gas through service statitons and sells gas bottles in Croatia.

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	22,751	22,751
Intangible assets	309	309
Property, plant and equipment	254,538	254,538
Inventories	11,545	11,545
Operating receivables	17,762	17,762
Corporate income tax assets	743	743
Prepayments and other assets	1,350	1,350
Assets	**308,998**	**308,998**
Deferred tax liabilities	19,895	19,895
Financial liabilities	101,396	101,396
Operating liabilities	177,244	177,244
Liabilities	**298,535**	**298,535**
Net assets upon acquisition	**10,463**	**10,463**
Amount paid	353,344	-
Goodwill	342,881	-
Cash and cash equivalents	22,751	-
Net payment	330,593	-

Goodwill arises mainly from the sales network and gas sales contracts concluded with end consumers.

In the 10 months following the company's acquisition, the resulting revenue of the Group stood at EUR 375,279, with net profit or loss amounting to EUR 6,674. If the acquisition had taken place on 01 January 2017, the Group's revenue would have been EUR 421,662 higher and its net profit EUR 20,165 lower.

6.2 Changes within the Group

The Company:

- acquired an additional interest in the company Petrol Energetika d.o.o. in December 2017, becoming the company's sole owner,
- acquired a 50-percent interest in the company Vjetroelektrana Dazlin d.o.o. in December 2017.

The company Petrol Plin d.o.o. was merged into the company Petrol d.o.o., Zagreb in July 2017. Petrol Plin d.o.o. was then struck off the Companies Register. The merger by absorption did not have any impact on the Petrol Group as the company had been fully owned by Petrol d.d., Ljubljana.

In February 2017, the Group liquidated the company Cypet Oil Ltd.

The company Eltec Petrol d.o.o. Beograd was merged into the company Petrol d.o.o., Beograd in June 2017 and struck off the Companies Register as a result. The merger by absorption did not have any impact on the Petrol Group because Petrol d.d., Ljubljana was the sole owner of the absorbed company.

6.3 Revenue

Sales revenue by type of goods

	The Petrol Group		Petrol d.d.	
(in EUR)	2017	2016	2017	2016
Revenue from the sale of merchandise	4,384,888,532	3,769,100,482	3,671,835,944	3,105,789,744
- of which excise duty	1,109,803,201	1,069,489,389	771,700,375	749,680,687
Revenue from the sale of services	111,546,532	87,472,105	66,567,650	61,992,834
Revenue from the sale of products	301,286	130,039	0	0
Total revenue	**4,496,736,350**	**3,856,702,626**	**3,738,403,594**	**3,167,782,578**

Sales revenue by sales market

	The Petrol Group		Petrol d.d.	
(in EUR)	2017	2016	2017	2016
Domestic sales revenue	2,453,757,251	2,185,995,714	2,383,118,589	2,118,605,916
- of which excise duty	771,654,505	749,791,424	771,700,375	749,680,687
EU market sales revenue	1,589,806,089	1,268,813,743	1,215,154,078	916,404,287
- of which excise duty	217,308,371	214,999,064	0	0
Non-EU market sales revenue	453,173,010	401,893,169	140,130,927	132,772,375
- of which excise duty	120,840,325	104,698,901	0	0
Total revenue	**4,496,736,350**	**3,856,702,626**	**3,738,403,594**	**3,167,782,578**

Other revenue

	The Petrol Group		Petrol d.d.	
(in EUR)	2017	2016	2017	2016
Gain on disposal of fixed assets	1,253,518	1,201,345	641,986	469,881
Utilisation of environmental provisions	1,243,669	1,314,183	1,238,461	1,307,393
Compensation, litigation proceeds and contractual penalties received	410,647	861,077	323,233	792,359
Reversal of accrued costs, expenses	237,691	598,828	149,717	436,442
Payment of court fees	105,486	151,693	91,730	131,709
Compensation received from insurance companies	93,302	325,028	35,562	128,752
Other revenue	1,511,272	1,472,933	1,058,797	769,188
Total other revenue	**4,855,585**	**5,925,087**	**3,539,486**	**4,035,724**

6.4 Costs of materials

	The Petrol Group		Petrol d.d.	
(in EUR)	2017	2016	2017	2016
Costs of energy	19,655,788	19,024,163	9,738,462	8,892,363
Costs of consumables	7,831,682	8,475,976	5,782,735	5,959,053
Write-off of small tools	304,737	296,834	70,916	60,065
Other costs of materials	588,718	607,944	370,925	397,056
Total costs of materials	**28,380,925**	**28,404,917**	**15,963,038**	**15,308,537**

6.5 Costs of services

(in EUR)	The Petrol Group 2017	The Petrol Group 2016	Petrol d.d. 2017	Petrol d.d. 2016
Costs of service station managers	32,861,256	30,937,371	32,861,256	30,937,371
Costs of transport services	29,693,607	27,806,705	25,428,447	23,891,709
Costs of fixed-asset maintenance services	15,101,543	12,109,092	10,387,134	8,754,993
Lease payments	11,784,443	9,862,231	4,561,484	3,855,642
Costs of professional services	8,452,404	7,179,435	8,161,537	7,035,994
Costs of payment transactions and bank services	7,498,749	6,873,347	5,493,391	5,124,056
Costs of fairs, advertising and entertainment	6,096,586	4,686,290	4,528,640	3,492,214
Contributions for operations at motorway service areas	5,357,044	5,167,313	4,157,514	3,967,932
Costs of insurance premiums	3,713,072	3,622,497	2,416,674	2,395,320
Outsourcing costs	1,884,639	1,843,750	821,785	714,382
Fees for the building site use	1,863,317	1,919,425	1,696,142	1,757,607
Costs of fire protection and physical and technical security	1,809,440	1,953,666	1,458,033	1,528,405
Property management	1,352,237	1,130,440	1,214,559	1,172,032
Costs of environmental protection services	1,243,788	1,342,473	683,934	863,228
Reimbursement of work-related costs to employees	1,078,309	1,001,733	628,225	533,892
Concession charges	962,558	947,838	620,335	608,229
Membership fees	362,382	317,328	248,146	215,189
Other costs of services	4,567,663	3,990,255	3,316,341	2,669,215
Total costs of services	**135,683,037**	**122,691,189**	**108,683,577**	**99,517,410**

The Petrol Group
The costs of professional services include the cost of services performed by the auditors of the annual report of EUR 159,591 (2016: EUR 158,752). Auditing services comprise the fee for the auditing of the annual report of EUR 144,645 (2016: EUR 127,790). Other, non-auditing services stood at EUR 15,346 in 2017 (2016: EUR 30,962).

Petrol d.d., Ljubljana
The costs of professional services include the cost of services performed by the auditors of the annual report of EUR 51,000 (2016: EUR 51,245). Auditing services comprise the fee for the auditing of the annual report of EUR 50,250 (2016: EUR 50,495). Other, non-auditing services stood at EUR 750 in 2017 (2016: EUR 750).

6.6 Labour costs

(in EUR)	The Petrol Group 2017	The Petrol Group 2016	Petrol d.d. 2017	Petrol d.d. 2016
Salaries	56,749,093	48,674,044	39,425,238	32,914,413
Costs of other social insurance	5,175,251	4,864,998	2,925,498	2,605,453
Costs of pension insurance	4,983,918	4,061,292	3,852,869	3,179,609
Transport allowance	2,596,653	2,468,179	1,559,510	1,493,160
Annual leave allowance	2,062,790	1,731,244	1,520,623	1,298,232
Meal allowance	2,060,445	2,047,720	1,494,913	1,419,653
Supplementary pension insurance	1,064,800	969,762	970,779	881,667
Other allowances and reimbursements	2,202,062	2,392,981	1,355,418	1,802,606
Total labour costs	**76,895,012**	**67,210,220**	**53,104,848**	**45,594,793**

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

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

	The Petrol Group			Petrol d.d.		
	Group employees	Employees at third-party managed service stations	Total	Company employees	Employees at third-party managed service stations	Total
Level I	8	1	9	2	1	3
Level II	35	16	51	20	16	36
Level III	122	7	129	6	7	13
Level IV	723	337	1,060	224	337	561
Level V	1,355	703	2,058	639	703	1,342
Level VI	235	68	303	128	68	196
Level VII	664	65	729	449	65	514
Level VII/2	142	14	156	133	14	147
Level VIII	13	0	13	7	0	7
Total	**3,297**	**1,211**	**4,508**	**1,608**	**1,211**	**2,819**

On average, the Group and the Company had 4,337 and 1,525 employees in 2017, respectively (2016: 4,125 and 1,439).

6.7 Depreciation and amortisation

	The Petrol Group		Petrol d.d.	
(in EUR)	2017	2016	2017	2016
Amortisation od intangible assets	7,478,062	6,594,978	6,417,333	5,484,378
Depreciation of property, plant and equipment	40,082,024	37,890,101	24,670,082	24,825,249
Amortisation of investment property	1,101,944	1,095,446	1,059,505	1,051,787
Total depreciation and amortisation	**48,662,030**	**45,580,525**	**32,146,920**	**31,361,414**

6.8 Other costs

(in EUR)	The Petrol Group 2017	The Petrol Group 2016	Petrol d.d. 2017	Petrol d.d. 2016
Impairment/write-down of assets	14,514,638	17,304,984	7,507,083	13,515,008
Change in other provisions	9,886,238	77,928	9,895,075	0
Sponsorships and donations	2,066,185	1,694,914	1,930,672	1,535,643
Environmental charges and charges unrelated to operations	573,549	1,041,429	120,310	18,629
Loss on sale/disposal of property, plant and equipment	697,218	940,662	321,129	767,740
Other costs	7,438,989	2,455,504	820,247	400,117
Total other costs	**35,176,817**	**23,515,421**	**20,594,516**	**16,237,137**

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 2017	The Petrol Group 2016
Geoplin d.o.o. Ljubljana	3,575,589	4,741,757
Aquasystems d.o.o.	807,431	740,430
Marche Gostinstvo d.o.o.	0	(96,428)
Total profit or loss of associates	**4,383,020**	**5,385,759**
Soenergetika d.o.o.	154,289	145,013
Geoenergo d.o.o.	74,878	37,417
Total profit of jointly controlled entities	**229,167**	**182,430**
Petrol OTI Slovenia LLC	0	(193,451)
Petrol Slovenia Tirana Wholesale Sh.A.	0	(2,321)
Total loss of jointly controlled entities	**0**	**(195,772)**
Total net finance income from interests	**4,612,187**	**5,372,417**

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

(in EUR)	Petrol d.d. 2017	Petrol d.d. 2016
Petrol Trade Handelsgesellschaft m.b.H.	186,935	0
Cypet Oils Ltd.	60,595	0
Total subsidiaries	**247,530**	**0**
Geoplin d.o.o. Ljubljana	866,446	2,206,388
Plinhold d.o.o.	1,299,669	0
Aquasystems d.o.o.	740,451	1,351,948
Total associates	**2,906,566**	**3,558,336**
Soenergetika d.o.o.	150,000	150,000
Total jointly controlled entities	**150,000**	**150,000**
Total finance income from interests	**3,304,096**	**3,708,336**

6.11 Other finance income and expenses

	The Petrol Group		Petrol d.d.	
(in EUR)	2017	2016	2017	2016
Foreign exchange differences	15,853,617	13,111,730	10,859,491	9,259,846
Gain on derivatives	21,811,693	21,953,684	22,987,079	23,032,551
Interest income	3,372,217	4,112,260	3,314,039	3,589,104
Allowances for receivables reversed and bad debt recovered	1,773,881	810,949	17,629	115,164
Other finance income	1,238,108	3,181,278	8,292,324	2,716,198
Total other finance income	**44,049,516**	**43,169,901**	**45,470,562**	**38,712,863**
Foreign exchange differences	(10,014,565)	(13,332,938)	(5,406,051)	(9,507,975)
Loss on derivatives	(27,085,269)	(18,245,706)	(27,258,209)	(21,126,632)
Interest expense	(13,766,605)	(18,819,303)	(13,800,454)	(17,728,519)
Allowance for operating receivables	(6,704,419)	(990,790)	(4,839,262)	(301,947)
Allowances for financial receivables	(155,000)	(3,137,787)	(2,227,706)	(3,137,787)
Impairment of investments and of goodwill	(2,058,886)	(2,568,067)	(4,858,281)	(8,404,110)
Other finance expenses	(1,530,117)	(1,388,632)	(1,454,003)	(1,352,685)
Total other finance expenses	**(61,314,861)**	**(58,483,223)**	**(59,843,966)**	**(61,559,655)**
Net finance expense	**(17,265,345)**	**(15,313,322)**	**(14,373,404)**	**(22,846,792)**

6.12 Corporate income tax

	The Petrol Group		Petrol d.d.	
(in EUR)	2017	2016	2017	2016
Tax expense	(13,194,628)	(13,087,058)	(9,043,911)	(4,511,190)
Deferred tax	(5,199,352)	(3,870,561)	(5,977,156)	(4,711,402)
Taxes	**(18,393,980)**	**(16,957,619)**	**(15,021,067)**	**(9,222,592)**

	The Petrol Group		Petrol d.d.	
(in EUR)	2017	2016	2017	2016
Profit before tax	99,522,866	89,618,526	79,294,064	52,894,770
Tax at effective tax rate	18,909,345	15,235,149	15,065,872	8,992,111
Tax effect of untaxed revenue	(9,295,549)	(9,450,403)	(9,170,658)	(6,871,638)
Tax effect of expenses not deducted on tax assessment	9,447,702	12,817,327	9,125,853	8,354,386
Effect of a changed tax rate on deferred taxes	0	(1,747,475)	0	(1,252,267)
Effect of higher/lower tax rates for companies abroad	(667,518)	103,021	0	0
Taxes	**18,393,980**	**16,957,619**	**15,021,067**	**9,222,592**
Effective tax rate	18.48%	18.92%	18.94%	17.44%

The Group had EUR 108,824 (2016: EUR 30,672) and EUR 3,460,394 (2016: EUR 6,595,599) in corporate income tax assets and liabilities, respectively, as at 31 December 2017. The Group does not offset the assets and liabilities, as they represent a receivable from or a liability to different tax administrations.

In Slovenia, the effective corporate income tax rate stood at 19 percent in 2017 (in 2016: 17 percent), whereas the Group's tax rates ranged from 9 to 25 percent.

Changes in deferred taxes of the Petrol Group

Deferred tax assets

(in EUR)	Investments	Provisions	Allowance for receivables	Inventories	Tax loss	Other	Total
As at 1 January 2016	**220,723**	**799,714**	**5,102,569**	**67,524**	**11,262,050**	**263,976**	**17,716,556**
(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**
(Charged)/credited to the statement of profit or loss	236,064	60,704	471,629	(947)	(6,190,487)	191,562	(5,231,475)
(Charged)/credited to other comprehensive income	(8,878)	0	0	0	0	0	(8,878)
New acquisitions as a result of control obtained	63,495	2,253,674	450,764	0	0	6,077	2,774,010
Foreign exchange differences	(61)	708	5,954	3	3,098	15,375	25,077
As at 31 December 2017	**301,765**	**3,345,654**	**5,733,785**	**82,987**	**565,911**	**603,237**	**10,633,339**
Netting							(1,655,949)
Total net receivables as at 31 December 2017							**8,977,390**

Deferred tax liabilities

(in EUR)	Investments	Fixed assets	Other	Total
As at 1 January 2016	**52,588**	**5,795,624**	**0**	**5,848,212**
Charged/(credited) to the statement of profit or loss	0	(590,845)	2,303	(588,542)
New acquisitions as a result of takeovers	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**
Charged/(credited) to the statement of profit or loss	0	(29,791)	(2,332)	(32,123)
Charged/(credited) to other comprehensive income	(52,588)	0	0	(52,588)
New acquisitions as a result of control obtained	121,963	19,895	0	141,858
Foreign exchange differences	141	77,966	42	78,149
As at 31 December 2017	**130,928**	**5,325,593**	**0**	**5,456,521**
Netting				(1,655,949)
Total net liabilities as at 31 December 2017				**3,800,572**

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 2016	**0**	**678,287**	**4,449,600**	**11,313,243**	**142,219**	**16,583,351**
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**
(Charged)/credited to the statement of profit or loss	247,209	56,810	463,603	(6,652,044)	(92,734)	(5,977,156)
(Charged)/credited to other comprehensive income	10,211	0	0	0	0	10,211
As at 31 December 2017	**257,420**	**994,314**	**4,638,079**	**0**	**39,776**	**5,929,589**
Netting						(461,256)
Total net receivables as at 31 December 2017						**5,468,333**

Deferred tax liabilities

(in EUR)	Fixed assets	Total
As at 1 January 2016	**461,256**	**461,256**
As at 31 December 2016	**461,256**	**461,256**
Netting		(461,256)
Total net liabilities as at 31 December 2016		**0**
As at 31 December 2017	**461,256**	**461,256**
Netting		(461,256)
Total net liabilities as at 31 December 2017		**0**

6.13 Earnings per share

	The Petrol Group		Petrol d.d.	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Net profit (in EUR)	81,128,886	72,660,907	64,272,996	43,672,178
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	30,723	24,703	24,703	24,703
Weighted average number of ordinary shares issued	2,055,578	2,061,598	2,061,598	2,061,598
Diluted average number of ordinary shares	2,055,578	2,061,598	2,061,598	2,061,598
Basic and diluted earnings per share (EUR/share)	**39.47**	**35.24**	**31.18**	**21.18**

Basic earnings per share are calculated by dividing the owners' net profit by the weighted average number of ordinary shares, excluding ordinary shares owned by the Company. The Group and the Company have no potential dilutive ordinary shares, meaning the basic and diluted earnings per share are identical.

6.14 Changes in other comprehensive income

The Petrol Group

The effective portion of changes in the fair value of the cash flow variability hedging instrument decreased by EUR 72,948 (in 2016: increase of EUR 980,862) and also by the deferred tax effect of EUR 8,878 (in 2016: EUR 195,189). The change relates to interest rate swap hedging and decreases the hedging reserve.

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

Petrol d.d., Ljubljana

The effective portion of changes in the fair value of the cash flow variability hedging instrument decreased by EUR 178,998 and by the deferred tax effect of EUR 10,211.

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 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**

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

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

Eight percent of all intangible assets in use on 31 December 2017 were fully amortised (as compared to 5 percent as at 31 December 2016).

The Group's intangible fixed assets as at 31 December 2017 were tested for impairment and it was determined that there is a need to impair the value of software by EUR 709,800.

Goodwill

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

(in EUR)	The Petrol Group	
	31 December 2017	31 December 2016
Instalacija d.o.o., Koper[1]	85,266,022	85,266,022
Euro-Petrol d.o.o.[2]	12,790,662	12,588,062
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]	756,734	744,748
Vjetroelektrane Glunča d.o.o.	362,622	356,878
Petrol-Butan d.o.o. [7]	283,181	278,695
Petrol Toplarna Hrastnik d.o.o. [6]	0	704,068
Sagax d.o.o. Beograd	0	148,151
Total goodwill	**105,882,081**	**106,509,484**

[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.

On 31 December 2017 goodwill was tested for impairment. The need for impairment was identified for the goodwill of Petrol Toplarna Hrastnik d.o.o. for amount of EUR 704,068, Sagax d.o.o. Beograd for amount of EUR 148,151 and Dubrovnik plin d.o.o. for amount of EUR 343,190. The goodwill of Petrol Toplarna Hrastnik d.o.o. and Sagax d.o.o. Beograd was not impaired in 2016. Other changes in goodwill are the result of the adjustment of foreign exchange differences of EUR 225,405 (2016: 139,780).

The recoverable amount of the acquired assets was assessed at the aggregate level of the acquired companies, except for the companies Petrol Toplarna Hrastnik d.o.o., Instalacija d.o.o., El-TEC Mulej d.o.o. and Petrol Bonus d.o.o., where the recoverable amount was assessed at the level of the cash-generating unit directly related to the assets acquired during the acquisition of the companies.

Goodwill was tested for impairment using the method of the present value of expected free cash flows, which are based on the future financial plans of cash-generating units (for Euro-Petrol d.o.o., 6-year financial plans of the cash-generating unit were used, for Petrol Bonus d.o.o., 10-year financial plans of the cash-generating unit were used, for Eltec Petrol, 14-year financial plans of the cash-generating unit were used, for Vjetroelektrana Glunča, 4 and 20-year financial plans of the cash-generating unit were used, and for other companies, 5 to 6-year financial plans of the cash-generating unit were used). The assumptions used in the calculation of net cash flows are based on the companies' past operations and reasonably expected operations in the future. Valuation techniques take into account the required rates of return before taxes ranging from 8.16 to 12 percent (2016: from 7.2 to 12.13 percent). When testing the goodwill of Instalacija d.o.o. for impairment, the required rate of return before taxes stood at 8.16 percent (2016: 8.03 percent), whereas in the case of Euro-Petrol d.o.o. the rate was 11.0 percent (2016: 9 percent). The annual growth rate of remaining free cash flows (the residual value) applicable to all goodwill ranged from 0 to 2 percent (2016: 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 was no need for impairment, except for the goodwill of Petrol Toplarna Hrastnik d.o.o., Sagax d.o.o. and Dubrovnik Plin d.o.o.

Overview of acquisitions resulting from a takeover of/control obtained over companies in 2017

(in EUR)	Right to use concession infrastructure	Goodwill	Ongoing investments	Total
Dubrovnik Plin d.o.o.	309	342,881	0	343,190
The Geoplin Group	304,587	0	23,324	327,911
New acquistions as a result of control obtained	**304,896**	**342,881**	**23,324**	**671,101**

Overview of items exceeding 5 percent of net carrying amount as at 31 December 2017 (in EUR)

	The Petrol Group	
	31 December 2017	31 December 2016
Right to use natural gas distribution infrastructure in the municipality of Domžale	8.541.038	9.129.960
Right to use natural gas distribution infrastructure in the municipality of Slovenske Konjice	4.363.036	4.526.685
Right to use natural gas distribution infrastructure in the municipality of Slovenska Bistrica	3.231.446	3.419.590
Right to use wastewater treatment infrastructure in the municipality of Murska Sobota	2.566.659	2.965.997

Intangible assets of Petrol d.d., Ljubljana

(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**

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

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

Six percent of all intangible assets in use on 31 December 2017 were fully amortised (as compared to 4 percent as at 31 December 2016).

Intangible fixed assets as at 31 December 2017 were tested for impairment and it was determined that there is a need to impair the value of software by EUR 709,800.

Goodwill

In 2013 goodwill of EUR 85,266,022 was generated as a result of the absorption of Instalacija d.o.o. The difference of EUR 53,452,160 between the net assets of the absorbed company, including goodwill, and the investment was recognised in the financial statements of Petrol d.d., Ljubljana in 2013, specifically in retained earnings, at EUR 12,938,309, and in the fair value reserve, at EUR 40,513,851.

Goodwill resulting from the absorption of Instalacija d.o.o. and El-TEC Mulej d.o.o. was tested for impairment as at 31 December 2017, as explained in the disclosure relating to the Group, but no need for impairment was identified.

Overview of items exceeding 5 percent of net carrying amount as at 31 December 2017 (in EUR)

	Petrol d.d.	
	31 December 2017	31 December 2016
Right to use natural gas distribution infrastructure in the municipality of Domžale	8.541.038	9.129.960
Right to use natural gas distribution infrastructure in the municipality of Slovenske Konjice	4.363.036	4.526.685
Right to use natural gas distribution infrastructure in the municipality of Slovenska Bistrica	3.231.446	3.419.590
Right to use wastewater treatment infrastructure in the municipality of Murska Sobota	2.566.659	2.965.997

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 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**

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

Fifty-one percent of all items of property, plant and equipment in use on 31 December 2017 were fully depreciated (as compared to 46 percent as at 31 December 2016).

Items of property, plant and equipment pledged as security

The present value of the pledged equipment obtained by the Group, as a result of the acquisition of Geoplin d.o.o. Ljubljana, amount to EUR 1,160,637 as at 31 December 2017.

Assets held under finance lease

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

In teh process of testing asset impairment indicators, the Group determined that the carrying amount of certain undeveloped land and buildings as well as the assets of some cash-generating units exceeded the fair value and value in use of these assets. Therefore, the Group has impaired the value of land, buildings and assets of the cash-generating units as at 31 December 2017 by EUR 13,741,434, based on independent appraisals and internal assessments.

To assess the value of property, plant and equipment, the Group applied the method of comparable market prices less costs to sell and the income method, impairing the land by EUR 2,837,051, buildings by EUR 9,909,747 and equipment by EUR 994,636 based on independent appraisals and internal assessments.

To assess the value of the fixed assets of the cash-generating units, 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 the required rates of return before taxes ranging from 8.38 to 13.12 percent. The impairment of the cash-generating units as at 31 December 2017 by EUR 5,996,465, which is already comprised in the total impairment amount of EUR 9,909,747, was performed based on independent business appraisals and allocated proportionately to property and equipment.

Overview of acquisitions resulting from a takeover of/control obtained over companies in 2017

(in EUR)	Land	Buildings	Equipment	Ongoing investments	Total
Dubrovnik Plin d.o.o.	153,813	84,641	16,084	0	254,538
The Geoplin Group	600,701	1,180,165	3,147,948	16,771	4,945,585
New acquistions as a result of control obtained	**754,514**	**1,264,806**	**3,164,032**	**16,771**	**5,200,123**

Overview of groups of investments in property, plant and equipment in 2017 including investments in excess of EUR 1,200,000

(in EUR)	2017
Energy management in buildings	13,085,992
Acquisition nad construction of service stations	11,012,693
Glunča wind power plant	3,805,319
Teslič hydro power plant	2,254,781
Purchase of business premises	1,604,617

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

(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**

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

Thirty-five percent of all items of property, plant and equipment in use on 31 December 2017 were fully depreciated (as compared to 33 percent as at 31 December 2016).

Items of property, plant and equipment pledged as security

All items of property, plant and equipment of the Company are unpledged.

Assets held under finance lease

The Company has no property, plant and equipment under finance lease.

In the process of testing asset impairment indicators, the Company determined that the carrying amount of certain undeveloped land and buildings as well as the assets of certain cash-generating units exceeded the fair value and value in use. Therefore, the Company has impaired the value of land, buildings and the assets of the cash-generating unit as at 31 December 2017 by EUR 6,836,537, based on independent appraisals.

To assess the value of property, plant and equipment, the Company applied the method of comparable market prices less costs to sell and the income method, impairing the land by EUR 1,944,399, buildings by EUR 3,897,502 and equipment by EUR 994,636 based on independent appraisals and internal assessments.

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 2018 to 2023. The required rate of return before taxes applied in the model was 8.38 percent. The impairment of the cash-generating unit as at 31 December 2017 by EUR 1,774,508, which is already comprised in the total impairment amount of EUR 6,836,537, was performed based on an independent business appraisal and allocated proportionately to property and equipment.

Overview of groups of investments in property, plant and equipment in 2017 including investments in excess of EUR 1,200,000

(in EUR)	2017
Energy management in buildings	13,085,992
Acquisition and construction of service stations	4,861,584
Purchase of business premises	1,604,617

6.17 Investment property

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

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

The Petrol Group

In 2017 revenue generated by the Group from investment property totalled EUR 3,039,719 (2016: EUR 2,497,696). According to the Group's estimates, the fair value of investment property stood at EUR 26,148,204 as at 31 December 2017 (EUR 27,063,077 as at 31 December 2016). The Group estimates the fair value using the method of capitalising normalised cash flows, with cash flows comprising chiefly lease payments for leased investment property. The growth rate and the required rate of return are expected to equal 0.05 percent (2016: 0.05 percent) and 9.05 percent (2016: 7.36 percent), respectively.

Petrol d.d., Ljubljana

In 2017 revenue generated by the Company from investment property totalled EUR 2,924,714 (2016: EUR 2,457,451). According to the Company's estimates, the fair value of investment property stood at EUR 25,299,921 as at 31 December 2017 (EUR 27,114,246 as at 31 December 2016). The Company estimates the fair value using the method of capitalising normalised cash flows, with cash flows comprising chiefly lease payments for leased investment property. The growth rate and the required rate of return are expected to equal 0.05 percent (2016: 0.05 percent) and 8.95 percent (2016: 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 December 2017

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

Name of subsidiary	Address of subsidiary	Ownership interest	Equity as at 31 December 2017 (in EUR)	Net profit or loss for 2017 (in EUR)
Slovenia				
IGES, d.o.o.	Dunajska cesta 50, Ljubljana, Slovenia	100%	45,684,081	(23,703)
Petrol Energetika, d.o.o.	Koroška cesta 14, Ravne na Koroškem, Slovenia	100%	44,948,958	3,931,905
Petrol Skladiščenje d.o.o.	Zaloška 259, Ljubljana - Polje, Slovenia	100%	817,295	(924)
Petrol Geoterm d.o.o.	Mlinska ulica 5, Lendava, Slovenia	100%	4,137,555	377,201
Ekopur d.o.o.	Dunajska cesta 50, Ljubljana, Slovenia	100%	10,475,783	477,883
Geoplin d.o.o. Ljubljana[1]	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	49.56%	120,799,595	6,236,596
Croatia				
Petrol d.o.o.	Oreškovićeva 6H, Zagreb, Croatia	100%	130,001,999	8,207,005
Vjetroelektrane Glunča d.o.o.	Krapanjska cesta 8, Šibenik, Croatia	100%	6,929,104	961,392
Serbia				
Petrol d.o.o. Beograd	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	100%	26,827,494	521,413
Rodgas AD Bačka Topola	Maršala Tita 61, Bačka Topola, Serbia	100%	2,438,745	292,452
Beogas Invest d.o.o. Beograd	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	100%	7,119,613	(6,047)
Petrol LPG d.o.o. Beograd	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	51%	5,746,495	825,191
Montenegro				
Petrol Crna Gora MNE d.o.o.	Josipa Broza Tita 19, Podgorica, Montenegro	100%	20,714,543	1,300,172
Other countries				
Petrol BH Oil Company d.o.o. Sarajevo	Tešanjska 24 a, Sarajevo, Bosnia and Herzegovina	100%	51,732,717	2,913,486
Intrade Energija d.o.o. Sarajevo	Ulica Zmaja od Bosne broj 44, Sarajevo, Bosnia and Herzegovina	51%	(7,991,942)	(455,201)
Petrol Trade Handelsgesellschaft m.b.H.	Elisabethstrasse 10 Top 4 u.5, Vienna, Austria	100%	1,591,972	30,889
Petrol-Energetika DOOEL Skopje	Ul. Sv. Kiril i Metodij br. 20, Skopje, Macedonia	100%	105,924	302
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%	(48,276)	3,999
Petrol Praha CZ S.R.O.	V celnici 1031/4, Nové Město, 110 00 Praha 1, Czech Republic	100%	(46,470)	(15,143)
Petrol Hidroenergija d.o.o. Teslić	Branka Radičevića 1, Teslić, Bosnia and Herzegovina	80%	6,222,679	21,649
Petrol Trade Slovenia L.L.C.	Gornje Dobrevo industrijska zona b.b., Kosovo Polje, Kosovo	100%	1,000	0

[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 56,95-percent interest in Geoplin d.o.o.

Information about indirect subsidiaries as at 31 December 2017

The companies Petrol LPG d.o.o. Beograd, IGES d.o.o., Beogas Invest d.o.o. and Petrol d.o.o. are the controlling companies of the Petrol LPG Group, the IGES Group, the Beogas Invest Group and the Petrol Zagreb Group, respectively. The subsidiaries from these groups are presented in the table below.

Name of subsidiary	Address of subsidiary	Ownership interest	Equity as at 31 December 2017 (in EUR)	Net profit or loss for 2017 (in EUR)
The Petrol LPG Group				
Tigar Petrol d.o.o.	Maršala Birjuzova 3-5, Belgrade-Stari Grad, Serbia	100%	343,297	6,818
Petrol LPG HIB d.o.o.	Preduzetnička zona bb, Šamac, Bosnia and Herzegovina	100%	140,967	137,434
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. Bihač[1]	Naselje Ripač b.b., Bihač, Bosnia and Herzegovina	100%	0	0
The Beogas Invest Group				
Beogas AD Beograd	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	100%	16,857,364	654,838
Domingas d.o.o.	Ulica Patrijarha Dimitrija 12v, Belgrade, Serbia	100%	(444,724)	(189,081)
The Petrol Zagreb Group				
Dubrovnik Plin d.o.o.	Banići 37, Slano, Croatia	100%	2,298	(7,398)
The Geoplin Group				
Geocom d.o.o.	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	100%	456,331	0
Geoplin d.o.o.	Radnička cesta 39, Zagreb, Croatia	100%	207,425	0
Geoplin d.o.o. Beograd	Zelenogorska ulica broj 1g, 11070 New Belgrade, Serbia	100%	43,803	0

[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 56,95-percent interest in Geoplin d.o.o.

Balance of investments in subsidiaries

	Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016
Petrol d.o.o.	136,133,985	130,951,378
Geoplin d.o.o. Ljubljana	39,219,211	0
Petrol BH Oil Company d.o.o. Sarajevo	34,537,990	34,537,990
Petrol d.o.o. Beograd	23,602,819	20,507,846
IGES, d.o.o.	21,299,475	21,299,475
Petrol Crna Gora MNE d.o.o.	19,396,000	19,396,000
Petrol Energetika, d.o.o.	13,758,901	13,538,901
Ekopur d.o.o.	11,963,444	11,963,444
Beogas Invest d.o.o. Beograd	6,671,462	9,349,084
Vjetroelektrane Glunča d.o.o.	6,523,622	6,523,622
Petrol Hidroenergija d.o.o. Teslić	5,000,409	4,800,409
Beogas d.o.o.	3,282,538	4,600,000
Rodgas A.D. Bačka Topola	2,820,000	2,820,000
Petrol LPG d.o.o. Beograd	2,057,948	2,057,948
Petrol Geoterm d.o.o.	1,968,928	1,968,928
Petrol Skladiščenje d.o.o.	794,951	794,951
Petrol Trade Handelsgesellschaft m.b.H.	147,830	147,830
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 Slovenia L.L.C.	1,000	1,000
Petrol Plin d.o.o.	0	5,182,607
Intrade Energija d.o.o. Sarajevo	0	0
Eltec Petrol d.o.o. Beograd	0	94,973
Total investments in subsidiaries	**329,225,470**	**290,581,344**

Changes in investments in subsidiaries

(in EUR)	Petrol d.d. 31 December 2017	31 December 2016
As at 1 January	**290,581,344**	**286,097,454**
New acquisitions	3,420,000	11,575,623
Transfer from investments in jointly controlled entities	0	1
Transfer from investments in associates	39,219,211	0
Merger by absorption	0	(790,580)
Impairment	(3,995,084)	(6,301,154)
As at 31 December	**329,225,470**	**290,581,344**

Major new acquisitions of investments in subsidiaries were as follows in 2017:

- The acquisition of a 16.23-percent interest in the associate Geoplin d.o.o. Ljubljana, giving the Company the controlling interest. As of 31 December 2017, the investment is no longer carried as an investment in associates. For disclosures relating to the acquisition of the interest in the associate Geoplin d.o.o. Ljubljana, see Notes 6.1 and 6.20.
- The capital increase of Petrol Beograd d.o.o. totalling EUR 3,000,000 in February and June 2017.
- The capital increase of Hidroenergija d.o.o. Teslić totalling EUR 200,000.
- The purchase of the minority interest in Petrol Energetika d.o.o. for EUR 220,000.

When testing investment impairment indicators, the Company determined that the carrying amount of the investment in Beogas Invest d.o.o. and Beogas AD Beograd exceeded the investments' fair value and value in use, prompting the Company to impair the investments by a total of EUR 3,995,084 based on an independent business appraisal. In 2016 the Company, after having tested investment impairment indicators, determined there is a need to impair the value of the investment in Petrol d.o.o. Beograd by EUR 6,301,154.

To assess the value of the investment, the Company applied the method of fair value less costs to sell and the value in use as at 30 September 2017. The valuation is based on data about the past operations and assumptions regarding the future operations of the company, and takes into account projections for the period from 2018 to 2032. The required rate of return before taxes was set at 10.41 percent and the annual growth rate of remaining free cash flows (the residual value) at 1.5 percent.

In February 2017, the Group liquidated the company Cypet Oils Ltd.

6.19 Investments in jointly controlled entities

A more detailed overview of the Group's structure is presented in chapter *Companies in the Petrol Group* of the business report.

Information about jointly controlled entities as at 31 December 2017

Name of jointly controlled entity	Address of jointly controlled entity	Business activities	Ownership and voting rights 31 December 2017	Ownership and voting rights 31 December 2016
Slovenia				
Geoenergo d.o.o.	Mlinska ulica 5, Lendava, Slovenia	Extraction of natural gas, oil and gas condensate	50%	50%
Soenergetika d.o.o.	Stara cesta 3, Kranj, Slovenia	Electricity, gas and steam supply	25%	25%
Other countries				
Vjetroelektrana Dazlina d.o.o.	Krapanjska cesta 8, Šibenik, Croatia	Electricity production	50%	50%
Petrol OTI Slovenia LLC	Gornje Dobrevo industrijska zona b.b., Kosovo Polje, Kosovo	Retail sale and wholesale of liquid and gaseous fuel and similar products	51%	51%
Petrol 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 2017	31 December 2016	31 December 2017	31 December 2016
Petrol Slovenia Tirana Wholesale Sh.A.	1,077,833	1,077,833	986,000	986,000
Soenergetika d.o.o.	462,563	458,274	210,000	210,000
Geoenergo d.o.o.	191,453	116,575	0	0
Vjetroelektrana Dazlina d.o.o.	23,333	0	23,000	0
Total investments in jointly controlled entities	**1,755,182**	**1,652,682**	**1,219,000**	**1,196,000**

The Petrol Group

Changes in investments in jointly controlled entities

(in EUR)	The Petrol Group 31 December 2017	The Petrol Group 31 December 2016
As at 1 January	**1,652,682**	**50,451,020**
Attributed profit/loss	229,167	(13,342)
Dividends received	(150,000)	(2,150,000)
New acquitions	23,000	0
Disposals	0	(44,853,746)
Impairment	0	(1,781,250)
Foreign exchange differences	333	0
As at 31 December	**1,755,182**	**1,652,682**

In conformity with the equity method, the Group received attributable profit of EUR 229,167 in 2017. From this amount, dividends on retained earnings, which stood at EUR 150,000, were deducted. These items are explained in more detail in Note 6.10.

In 2017 the Group acquired a 50-percent interest in the jointly controlled entity Vjetroelektrana Dazlina d.o.o. for a total of EUR 23,000.

Testing the indicators of impairment applicable to investments in jointly controlled entities identified no need for impairment.

Significant amounts from the financial statements of jointly controlled entities

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 Slovenia 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

2017

(in EUR)	Assets	Liabilities (debt)	Revenue	Net profit or loss	Net profit or loss attributable to the Petrol Group
Petrol Slovenia Tirana Wholesale Sh.A.	2,252,413	17,703	0	(5,604)	(3,082)
Petrol OTI Slovenia LLC	20,317,659	5,001,291	12,072,753	(192,751)	(98,303)
Soenergetika d.o.o.	3,142,346	1,292,207	3,309,777	562,389	154,289
Geoenergo d.o.o.	1,758,644	1,278,613	2,208,733	149,800	74,878
Vjetroelektrana Dazlina d.o.o.	2,229	0	0	(459)	(230)

Petrol d.d., Ljubljana

Changes in investments in jointly controlled entities

	Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016
As at 1 January	**1,196,000**	**2,512,140**
New acquisitions	23,000	0
Transfer to investments in subsidiaries	0	(1)
Impairment	0	(1,316,139)
As at 31 December	**1,219,000**	**1,196,000**

New acquisitions relate entirely to the acquisition of a 50-percent interest in the company Vjetroelektrana Dazlina d.o.o.

6.20 Investments in associates

A more detailed overview of the Group's structure is presented in chapter *Companies in the Petrol Group* of the business report.

Information about associates as at 31 December 2017

Name of associate	Address of associate	Business activities	Ownership and voting rights 31 December 2017	31 December 2016
Slovenia				
Geoplin d.o.o. Ljubljana	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	Sale and transport of natural gas	-	33.32%
Plinhold d.o.o.[1]	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	Gas infrastructure management	22.31%	-
Aquasystems d.o.o.	Dupleška cesta 330, Maribor, Slovenia	Construction and operation of industrial and municipal water treatment plants	26%	26%
Bio goriva d.o.o. in bankruptcy proceedings	Grajski trg 21, Rače, Slovenia	Manufacturing, trading and services	25%	25%
GEN-EL naložbe d.o.o.	Vrbina 17, Krško, Slovenia	Financial investments	25%	25%

[1] The subsidiary Ekopur d.o.o. owns a 7.39-percent interest in the company Plinhold d.o.o. In total, the Group has a 29.7-percent interest in Plinhold d.o.o.

Balance of investments in associates

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Plinhold d.o.o.	49,190,348	0	20,635,378	0
GEN-EL naložbe d.o.o.	11,277,500	11,277,500	0	0
Aquasystems d.o.o.	1,976,474	1,909,495	1,091,028	1,091,028
Geoplin d.o.o. Ljubljana	0	116,499,246	0	51,761,512
Total investments in associates	**62,444,322**	**129,686,241**	**21,726,406**	**52,852,540**

The Petrol Group

Changes in investments in associates

	The Petrol Group	
(in EUR)	31 December 2017	31 December 2016
As at 1 January	**129,686,241**	**117,494,379**
Attributed profit/loss	4,383,020	5,385,759
Dividends received	(3,387,146)	(4,047,851)
New acquisitions	18,287,861	11,277,500
Transfer to investments in subsidiaries	(67,578,271)	0
Disposals	(18,352,353)	(399,899)
Attributed changes in the equity of associates	(595,030)	(23,647)
As at 31 December	**62,444,322**	**129,686,241**

Following the completion of the partial assets transfer of Geoplin d.o.o. Ljubljana in June 2017, in which the investment in the company Plinovodi d.o.o. was transferred to a newly formed company Plinhold d.o.o., the Petrol Group, in addition to its holding in Geoplin d.o.o. Ljubljana, became the owner of a 40.70-percent interest in Plinhold d.o.o. Under the contract to exchange business interests, the Group acquired a 16.23-percent interest in Geoplin d.o.o. Ljubljana worth EUR 18,287,861 in exchange for an 11.02-percent interest in Plinhold d.o.o. The value of the acquired interest in Geoplin d.o.o. Ljubljana was determined using the marked value of Geoplin d.o.o. Ljubljana as assessed by an independent business appraiser. To determine the market value of Geoplin d.o.o., Ljubljana, the method of discounted cash flows was applied which is based on data about the past operations and assumptions regarding the future operations of the company. The valuation relied on projections for the period until 2030, the required rate of return before taxes of 11.4 percent and a 2-percent growth rate over the normalised cash flow period. As at 31 December 2017, the Petrol Group had a controlling interest in Geoplin d.o.o. Ljubljana, reclassifying the investment as a subsidiary as a result.

With regard to the investment in GEN-EL naložbe d.o.o., we would like to disclose the fact that the Group has a put option, exercisable on 29 June 2018, for GEN-EL naložbe d.o.o. to be sold at carrying amount plus accrued interest. At the same time, the Group has a commitment arising from 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 can be exercised until 04 July 2018.

In 2017, in conformity with the equity method, the Petrol Group attributed the corresponding share of 2017 profits or losses to its investments, in total EUR 4,383,020, deducting from the investments the dividends received of EUR 3,387,146. These items are explained in more detail in Note 6.10.

Significant amounts from the financial statements of associates

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)	-

2017

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

Petrol d.d., Ljubljana

Changes in investments in associates

	Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016
As at 1 January	**52,852,540**	**53,206,341**
New acquisitions	18,287,861	0
Transfer to investments in subsidiaries	(39,219,211)	0
Disposals	(10,194,784)	(353,801)
As at 31 December	**21,726,406**	**52,852,540**

Following the completion of the partial assets transfer of Geoplin d.o.o. Ljubljana in June 2017, Petrol d.d., Ljubljana, in addition to its holding in Geoplin d.o.o. Ljubljana, became the owner of a 33.32-percent interest in Plinhold d.o.o. Under the contract to exchange business interests, the Company acquired a 16.23-percent interest in Geoplin d.o.o. Ljubljana worth EUR 18,287,861 in exchange for an 11.02-percent interest in Plinhold d.o.o. As at 31 December 2017, the Petrol Group had a controlling interest in Geoplin d.o.o. Ljubljana, which is why the Company reclassified the investment as a subsidiary.

6.21 Financial assets available for sale

Financial assets available for sale stand for investments in shares and interests of companies and banks as well as investments in mutual funds and bonds. Since the majority of financial assets 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

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Bonds	7,468,943	0	0	0
Interests in companies	2,142,794	1,188,290	325,193	1,188,290
Shares of companies	1,325,987	1,171,037	1,128,457	1,091,994
Shares of banks	235,841	235,841	235,841	235,841
Other assets	0	2,903	0	2,903
Total financial assets available for sale	**11,173,565**	**2,598,071**	**1,689,491**	**2,519,028**

Changes in financial assets available for sale

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
As at 1 January	**2,598,071**	**1,764,945**	**2,519,028**	**1,685,902**
New acquisitions as a result of control obtained	11,508,719	0	0	0
Transfer to own shares	(2,103,689)	0	0	0
New acquisitions	36,564	1,348,541	36,564	1,348,541
Disposals	(2,903)	(77,512)	(2,903)	(77,512)
Impairment	(863,197)	(437,903)	(863,197)	(437,903)
As at 31 December	**11,173,565**	**2,598,071**	**1,689,491**	**2,519,028**

The Petrol Group and Petrol d.d., Ljubljana

The 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

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Loans and other financial receivables	32,651,760	1,009,220	6,362,867	27,351,882
Finance lease receivables	0	69,932	0	69,932
Total non-current financial receivables	**32,651,760**	**1,079,152**	**6,362,867**	**27,421,814**

The Petrol Group

The most significant items of non-current financial receivables consist of loans to an associate of EUR 15,191,704 and long-term bank deposits of EUR 15,026,750.

Changes in non-current financial receivables

	The Petrol Group	
(in EUR)	31 December 2017	31 December 2016
Receivables as at 1 January	**1,079,152**	**5,509,008**
New acquisitions as a result of control obtained	31,246,509	0
New loans	3,185,342	303,667
Loans repaid	(2,581,414)	(354,376)
Impairment	(155,000)	0
Transfer to current financial receivables	(122,804)	(4,379,151)
Foreign exchange differences	(25)	4
Receivables as at 31 December	**32,651,760**	**1,079,152**

Petrol d.d., Ljubljana

Non-current financial receivables of EUR 6,362,867 comprise non-current financial receivables from Group companies totalling EUR 5,389,912 and non-current financial receivables from others equalling EUR 972,954 (EUR 1,075,984 as at 31 December 2016). A significant item of non-current financial receivables from others are also loans for goods delivered totalling EUR 747,194 (EUR 941,827 as at 31 December 2016). Non-current financial receivables from Group companies are presented in the table below.

	Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016
Non-current financial receivables from Group companies		
Petrol LPG d.o.o. Beograd	2,805,918	2,665,918
Petrol d.o.o. Beograd	2,000,000	0
Petrol OTI Slovenia LLC	583,994	0
Vjetroelektrarne Glunča d.o.o.	0	19,062,275
Petrol Crna Gora MNE d.o.o.	0	3,200,000
Petrol Energetika d.o.o.	0	966,899
Petrol Plin d.o.o.	0	356,000
Intrade Energija d.o.o. Sarajevo	0	94,738
Total	**5,389,912**	**26,345,830**

Changes in non-current financial receivables

	Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016
Receivables as at 1 January	**27,421,814**	**15,794,952**
New loans	8,978,186	21,665,942
Loans repaid	(24,060,744)	(2,980,542)
Impairment	(1,424,989)	0
Transfer to current financial receivables	(4,551,400)	(7,058,538)
Receivables as at 31 December	**6,362,867**	**27,421,814**

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 2017	31 December 2016	31 December 2017	31 December 2016
Receivables from companies	1,462,621	1,433,469	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	163,719	118,583	163,719	118,583
Other receivables	3,075,426	525,268	3,075,426	525,268
Total non-current operating receivables	**3,275,362**	**650,916**	**3,239,145**	**643,851**

The Petrol Group and Petrol d.d., Ljubljana
The 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.

Other receivables of EUR 3,785,426 refer to the long-term portion of receivables from sale on instalments.

6.24 Inventories

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Spare parts and materials inventories	2,362,733	2,377,970	1,896,790	1,690,395
Merchandise:	157,386,223	113,839,201	115,368,645	93,804,392
- fuel	100,594,442	79,838,753	86,478,396	65,896,850
- other petroleum products	5,357,876	4,787,441	4,303,093	4,106,104
- other merchandise	51,433,905	29,213,007	24,587,156	23,801,438
Total inventories	**159,748,956**	**116,217,171**	**117,265,435**	**95,494,787**

The Petrol Group and Petrol d.d., Ljubljana
The Group/Company has no inventories pledged as security for liabilities.

After checking the value of merchandise inventories as at 31 December 2017, the Group/Company determined that the net realisable value of inventories was higher than the cost of merchandise, which is why it did not impair their value in 2017.

6.25 Current financial receivables

(in EUR)	The Petrol Group		Petrol d.d.	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Loans granted	22,025,288	11,886,653	20,004,800	22,607,878
Adjustment to the value of loans granted	(3,095,684)	(5,469,993)	(5,430,283)	(4,480,523)
Time deposits with banks (3 months to 1 year)	10,541,500	260,192	0	0
Interest receivables	1,157,199	1,009,532	4,397,792	3,702,422
Allowance for interest receivables	(1,105,221)	(858,505)	(4,029,003)	(3,472,146)
Finance lease receivables	75,482	94,715	75,482	94,715
Bank receivables arising from interest rate swaps	156,202	0	0	0
Total current financial receivables	**29,754,766**	**6,922,594**	**15,018,789**	**18,452,346**

The Petrol Group

In addition to the loans of EUR 3,079,718 granted by Petrol d.d., Ljubljana to others (for explanation, see the disclosure relating to the Company) and the loan of EUR 486,006 to the jointly controlled entity Petrol OTI Slovenija LLC, the loans granted include short-term loans of EUR 18,459,564 (EUR 3,508,781 as at 31 December 2016) 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 2,393,123 in 2017.

Petrol d.d., Ljubljana

Short-term loans to companies of EUR 20,004,800 (EUR 22,607,878 as at 31 December 2016) include the short-term portion of loans to Group companies totalling EUR 12,217,141 (EUR 17,853,956 as at 31 December 2016) and short-term loans to others equalling EUR 3,079,718 (EUR 4,753,922 as at 31 December 2016). Short-term loans to Group companies are presented below.

(in EUR)	Petrol d.d.	
	31 December 2017	31 December 2016
Loans to Group companies		
Petrol Bucharest ROM S.R.L.	3,844,102	3,853,770
Intrade Energija d.o.o. Sarajevo	3,264,000	6,758,244
Petrol Crna Gora MNE	1,700,000	0
Petrol LPG d.o.o. Beograd	1,460,000	1,100,000
Petrol Energetika dooel Skopje	1,400,000	1,400,000
Petrol-OTI-Slovenia L.L.C.	486,006	3,623,949
Petrol Praha CZ s.r.o.	53,033	42,533
Petrol Trade Slovenia LLC	10,000	0
Petrol Plin d.o.o.	0	356,000
Petrol LPG d.o.o. Beograd	0	330,000
Eltec Petrol d.o.o. Beograd	0	325,000
Petrol Energetika d.o.o.	0	64,460
Total	**12,217,141**	**17,853,956**

Short-term loans to others of EUR 3,079,718 refer to a loan arising from the sale of financial instruments of EUR 2,183,324 (EUR 3,477,683 as at 31 December 2016), loans to companies for the payment of goods delivered of EUR 289,726 (EUR 580,279 as at 31 December 2016) and other loans of EUR 606,668 (EUR 695,960 as at 31 December 2016).

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 2,227,653 in 2017.

6.26 Current operating receivables

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Trade receivables	481,578,064	426,258,672	318,916,206	341,939,337
Allowance for trade receivables	(50,602,952)	(50,680,784)	(32,059,730)	(28,464,056)
Operating receivables from state and other institutions	3,962,504	4,278,940	376,081	353,131
Operating interest receivables	5,505,191	4,328,195	6,288,440	5,423,304
Allowance for interest receivables	(2,849,598)	(2,445,571)	(2,676,168)	(2,310,446)
Receivables from insurance companies (loss events)	371,155	230,802	198,302	171,681
Other operating receivables	3,876,309	946,224	2,473,426	56,970
Allowance for other receivables	(384,365)	(384,365)	0	0
Total current operating receivables	**441,456,308**	**382,532,113**	**293,516,557**	**317,169,921**

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.

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Assets arising from commodity swaps	1,661,550	1,110,122	1,661,550	1,110,122
Assets arising from forward contracts	0	676,917	0	676,917
Other assets	0	49,023	0	0
Total financial assets at fair value through profit or loss	**1,661,550**	**1,836,062**	**1,661,550**	**1,787,039**

The Petrol Group and Petrol d.d., Ljubljana

Financial assets arising from commodity swaps represent the fair values of outstanding commodity swap contracts for the purchase of petroleum products as at 31 December 2017. 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

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Prepayments	27,188,684	10,950,578	17,209,798	8,769,527
Prepaid subscriptions, specialised literature, etc.	1,432,884	1,478,962	1,248,633	918,964
Prepaid insurance premiums	832,266	756,607	565,048	527,592
Uninvoiced services and goods	1,226,748	636,935	982,477	609,507
Other deferred costs and accrued revenue	3,696,970	1,491,325	1,212,327	345,380
Total prepayments and other assets	**34,377,552**	**15,314,407**	**21,218,283**	**11,170,970**

6.29 Cash and cash equivalents

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Cash	227,813	269,167	0	0
Cash in banks	32,558,394	25,749,443	17,779,561	11,610,079
Short-term deposits (up to 3 months)	12,706,614	969,359	5,871,681	1,047,644
Total cash and cash equivalents	**45,492,821**	**26,987,969**	**23,651,242**	**12,657,723**

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 December 2017 was EUR 349.45 per share (EUR 325 as at 31 December 2016) and the book value of a share as at 31 December 2017 was EUR 336.42 (EUR 285.51 as at 31 December 2016).

Capital surplus

Capital surplus may be used under conditions and for the purposes stipulated by law.

It stood at EUR 80,991,385 as at 31 December 2017 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.

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 32,136,498, in accordance with Article 230 of the Companies Act, and to pay out dividends totalling EUR 7,026,283.

· 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.

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 December 2017	**24,703**	**2,604,670**

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

In 2017 the number of own shares remained unchanged. As at 31 December 2017, the Company held 24,703 own shares. The market value of repurchased own shares totalled EUR 8,632,463 on the above date (EUR 8,028,475 as at 31 December 2016).

The Petrol Group

The company Geoplin d.o.o. Ljubljana owned 6,020 shares of Petrol d.d., Ljubljana as at 31 December 2017. By including Geoplin d.o.o. Ljubljana in the consolidated financial statements, the Group acquired 6,020 own shares totalling EUR 2,103,689. As at 31 December 2017, the Group held 30,723 own shares. The market value of own shares totalled EUR 10,736,152 on the above date.

Other reserves

Other reserves consist of revaluation reserves (the Group), the fair value reserve and the hedging reserve. Changes in these reserves that took place in 2017 are explained in more detail in Note 6.14.

The fair value reserve refers to the reserves of EUR 40,513,851 resulting from the absorption of Instalacija d.o.o. (see Note 6.15 for explanation) and to unrealised actuarial losses from the actuarial calculation of post-employment benefits on retirement totalling EUR 1,218,726.

Accumulated profit

Allocation of accumulated profit for 2016

At the 27th General Meeting of the joint-stock company Petrol d.d., Ljubljana held on 10 April 2017, 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 2016 of EUR 28,862,372 is to be allocated in accordance with the provisions of Articles 230, 282 and 293 of the Companies Act (ZGD-1) as follows:

- payment of gross dividends of EUR 14.00 per share or the total of EUR 28,862,372 (own shares excluded).

The dividends were paid out of the 2016 net profit and other revenue reserves.

In 2017 the Company paid out dividends for the year 2016 of EUR 28,862,372 and dividends from the previous years of EUR 42,804.

Accumulated profit for 2017

	Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016
Compulsory allocation of net profit		
Net profit	64,272,996	43,672,178
Net profit after compulsory allocation	**64,272,996**	**43,672,178**
Creation of other revenue reserves	32,136,498	21,836,089
Determination of accumulated profit		
Net profit	32,136,498	21,836,089
Decrease by the amount of long-term deferred development costs on the balance sheet date	(713,806)	(1,936,155)
Other revenue reserves	1,562,876	8,962,438
Accumulated profit	**32,985,568**	**28,862,372**

Acting on the proposal from the Company's Management Board made upon the approval of the annual report, the Company's Supervisory Board used the net profit to create other revenue reserves in accordance with Article 230 of the Companies Act.

Final dividends for the year ended 31 December 2017 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.

The management believes that the factors used to assess the provisions for jubilee benefits and post-employment benefits did not change significantly compared to the previous year. It therefore considers the value of provisions for jubilee benefits and post-employment benefits calculated on the basis of the actuarial model as at 31 December 2016 to be a suitable basis for the recognition of provisions as at 31 December 2017. The calculation as at 31 December 2017 has been adjusted only to reflect the number of employees.

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Post-employment benefits on retirement	4,644,649	4,206,016	4,040,417	3,658,487
Jubilee benefits	2,459,507	2,239,189	2,060,455	1,865,685
Total provisions	**7,104,156**	**6,445,205**	**6,100,872**	**5,524,172**

The Petrol Group

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

	The Petrol Group		
(in EUR)	Post-employment benefits	Jubilee benefits	Total
As at 1 January 2016	**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**
Current service cost	519,999	394,117	914,116
New acquisitions as a result of control obtained	34,583	21,985	56,568
Post-employment benefits paid	(117,191)	(199,348)	(316,539)
Foreign exchange differences	1,242	3,564	4,806
As at 31 December 2017	**4,644,649**	**2,459,507**	**7,104,156**

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 (2016: 0.83 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 (2016: 2.75 percent), a 2.5-percent discount rate for companies in the Federation of Bosnia and Herzegovina (2016: 2.5 percent) and a 3.75-percent discount rate for companies in Serbia (2016: 3.75 percent);
- the currently applicable amount of post-employment and jubilee benefits specified in internal acts;
- staff turnover, primarily depending on their age;
- mortality based on the most recent mortality tables for the local population.

For companies in Slovenia it is assumed that average salaries in the Republic of Slovenia will increase by 2 percentage points and, in addition, that individual salaries will increase by 0.6 percentage points. For companies abroad it is assumed that average salaries will increase at the following rates: Croatia 1 percentage point, Serbia 1.5 percentage points, Federation of Bosnia and Herzegovina 1 percentage point, accompanied by a growth in individual salaries of 0.6 percentage points.

Sensitivity analysis

	Discount rate		Salary increase		Staff turnover	
Change 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)	**(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

	Petrol d.d.		
(in EUR)	Post-employment benefits	Jubilee benefits	Total
As at 1 January 2016	**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)
As at 31 December 2016	**3,658,487**	**1,865,685**	**5,524,172**
Current service cost	470,653	353,919	824,572
Post-employment benefits paid	(88,723)	(159,149)	(247,872)
At 31 December 2017	**4,040,417**	**2,060,455**	**6,100,872**

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 (2016: 0.83 percent), which is based on the yield of 10-year government bonds of the Republic of Slovenia;
- the currently applicable amount of post-employment and jubilee benefits specified in internal acts;
- staff turnover, primarily depending on their age;
- mortality based on the most recent mortality tables for the local population.

It is assumed that average salaries in the Republic of Slovenia will increase by 2 percentage points and, in addition, that individual salaries will increase by 0.6 percentage points.

Sensitivity analysis

	Discount rate		Salary increase		Staff turnover	
Change 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 31 December 2017	The Petrol Group 31 December 2016	Petrol d.d. 31 December 2017	Petrol d.d. 31 December 2016
Provisions for legal procedures	9,669,523	926,097	9,396,809	644,546
Provisions for employee post-employment and other long-term benefits at third-party managed service stations	3,598,101	3,488,077	3,598,101	3,488,077
Other provisions	25,420,294	830,898	1,124,586	0
Total provisions	**38,687,918**	**5,245,072**	**14,119,496**	**4,132,623**

The Petrol Group
Other provisions

Through the initial consolidation of Geoplin d.o.o. Ljubljana as at 31 December 2017, the Group acquired provisions for onerous contracts. As at 31 December 2017, the Group had in place long-term contracts with suppliers to purchase natural gas and long-term contracts for the leasing of transmission and storage capacities. New EU rules governing the single European natural gas market have led to an expansion of short-term trading at gas hubs and make it possible to contract transport capacities on a per month and per day basis. As a result, a different kind of sales products appeared in the market, both as far as natural gas sales and the leasing of transmission and storage capacities are concerned. The Group was also compelled to provide similar products to local customers. Because the costs of meeting contractual obligations will exceed the expected economic benefits of the contracts, negative differences will arise.

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

The Petrol Group and Petrol d.d., Ljubljana
Provisions for lawsuits

The amount of the provisions for lawsuits is determined based on the amount of a claim or estimated based on the expected possible amount, if the actual amount is not yet known. The Management Board determines the expected possible amount in consultation with external litigation experts and checks the amount of provisions for each ongoing lawsuit on a yearly basis. As the Group's management estimates that there is a possibility, that some of these lawsuits will be lost, the Group has created long-term provisions for lawsuits and for interest on overdue amounts arising from the claims. The provisions for lawsuits totalled EUR 7,417,494 as at 31 December 2017 (EUR 853,647 as at 31 December 2016), with the provisions for interest on overdue amounts arising from the claims amounting to EUR 2,252,029 (EUR 72,450 as at 31 December 2016). The majority (over 90 percent) of the total amount of the provisions for lawsuits as at 31 December 2017 refers to provisions for a claim made in 2017.

The Company's long-term provisions for lawsuits totalled EUR 7,144,780 as at 31 December 2017 (EUR 577,355 as at 31 December 2016) and the provisions for interest on overdue amounts arising from the claims EUR 2,252,029 (EUR 67,191 as at 31 December 2016). The majority (over 90 percent) of the total amount of the provisions for lawsuits as at 31 December 2017 refers to provisions for a claim made in 2017.

Provisions for employee post-employment and other long-term benefits

Other provisions also include 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.

The management believes that the factors used to assess the provisions for jubilee benefits and post-employment benefits did not change significantly compared to the previous year. It therefore considers the value of provisions for jubilee benefits and post-employment benefits calculated on the basis of the actuarial model as at 31 December 2016 to be a suitable basis for the recognition of provisions as at 31 December 2017. The calculation as at 31 December 2017 has been adjusted only to reflect the number of employees.

Changes in provisions for employee post-employment and other long-term benefits at third-party managed service stations

	Petrol d.d.		
(in EUR)	Post-employment benefits	Jubilee benefits	Total
As at 1 January 2016	**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**
Current service cost	103,588	178,335	281,923
Post-employment benefits paid	(44,887)	(127,012)	(171,899)
As at 31 December 2017	**1,919,692**	**1,678,409**	**3,598,101**

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 (2016: 0.83 percent), which is based on the yield of 10-year government bonds of the Republic of Slovenia;
- the currently applicable amount of post-employment and jubilee benefits specified in internal acts;
- staff turnover, primarily depending on their age;
- mortality based on the most recent mortality tables for the local population.

It is assumed that average salaries in the Republic of Slovenia will increase by 2 percentage points and, in addition, that individual salaries will increase by 0.6 percentage points.

Sensitivity analysis

	Discount rate		Salary increase		Staff turnover	
Change 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 2017	31 December 2016	31 December 2017	31 December 2016
Long-term deferred revenue from environmental assets	1,081,317	2,321,052	1,081,317	2,321,052
Long-term deferred revenue from grants	39,303	29,745	39,303	29,745
Other long-term deferred revenue	5,256,153	2,205,137	5,208,138	2,156,954
Total	**6,376,773**	**4,555,934**	**6,328,758**	**4,507,751**

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 2016	**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**
Increase	0	15,373	4,124,510	4,139,883
Decrease	(1,239,735)	(5,814)	(1,073,494)	(2,319,043)
As at 31 December 2017	**1,081,317**	**39,303**	**5,256,153**	**6,376,773**

Long-term deferred revenue from environmental assets decreased by EUR 1,239,735 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 2016	**3,628,444**	**33,948**	**2,335,332**	**5,997,724**
New acquisitions as a result of control obtained	0	0	141,962	141,962
Increase	0	0	23,019	23,019
Decrease	(1,307,392)	(4,202)	(343,359)	(1,654,954)
As at 31 December 2016	**2,321,052**	**29,745**	**2,156,954**	**4,507,751**
Increase	0	15,373	4,101,982	4,117,355
Decrease	(1,239,735)	(5,814)	(1,050,798)	(2,296,347)
As at 31 December 2017	**1,081,317**	**39,303**	**5,208,138**	**6,328,758**

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

6.34 Financial liabilities

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Current financial liabilities				
Bank loans	54,455,711	58,855,967	54,092,750	55,012,640
Bonds issued	3,878,327	33,013,863	3,878,327	33,013,863
Liabilities to banks arising from commodity swaps	1,729,801	94,738	1,635,792	94,738
Liabilities to banks arising from forward contracts	845,458	24,432	845,458	24,432
Liabilities to banks arising from interest rate swaps	178,999	0	178,999	0
Other liabilities arising from financial instruments	0	0	2,568,846	2,568,846
Other loans and financial liabilities	1,772,341	10,496,363	71,523,033	97,422,702
	62,860,637	**102,485,363**	**134,723,206**	**188,137,221**
Non-current financial liabilities				
Bonds issued	256,527,730	241,915,076	256,527,730	241,915,076
Bank loans	100,958,089	63,013,412	49,752,326	9,950,067
	357,485,819	**304,928,488**	**306,280,056**	**251,865,143**
Total financial liabilities	**420,346,456**	**407,413,851**	**441,003,262**	**440,002,364**

The Petrol Group

The present value of the pledged equipment obtained by the Group as a result of the acquisition of Geoplin d.o.o. Ljubljana stood at EUR 1,160,637 as at 31 December 2017.

In 2017 the average interest rate on short-term and long--term funding sources (including interest rate hedging) stood at 2.58 percent p.a. (2016: 3.46 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 December 2017. Liabilities arising from commodity swaps totalling EUR 1,729,801 represent the fair values of outstanding commodity swap contracts for the purchase of petroleum products as at 31 December 2017. 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 the bonds issued by Petrol d.d., Ljubljana and listed on the Ljubljana Stock Exchange as PET4 and PET5 bonds, and to eurobonds issued by Petrol d.d., Ljubljana.

Petrol d.d., Ljubljana issued the eurobonds on 16 June 2014 at the total nominal amount of EUR 265,000,000. The bond maturity date is 24 June 2019. The interest rate on the bonds is fixed, i.e. 3.25 percent p.a. Interest is accrued annually in arrears. The nominal value of the principal falls due in full and in a single amount upon the maturity of the bond on 24 June 2019. The bonds are listed on the Irish Stock Exchange. In 2017 the Company repurchased 30,089 lots of eurobonds, the nominal amount of which was EUR 30,089,000, and removed them from the Irish Stock Exchange. The liabilities associated with eurobonds stood at EUR 213,874,000 as at 31 December 2017.

On 22 February 2017, Petrol d.d., Ljubljana issued PET4 bonds at the total nominal amount of EUR 11,000,000. The bond maturity date is 22 February 2027. The interest rate on the bonds is 1.5 percent p.a.

On 21 June 2017, Petrol d.d., Ljubljana issued PET5 bonds at the total nominal amount of EUR 32,828,000. The interest rate is 1.2 percent p.a. The bond maturity date is 21 June 2024.

In 2012 Petrol d.d., Ljubljana issued PET3 bonds at the total nominal amount of EUR 30,158,000. The entire bond issue contains 30,158 denominations of EUR 1,000. The bond maturity date was 07 December 2017. In 2017 the Company repaid the PET3 bonds in full.

Other loans

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

Petrol d.d., Ljubljana

In 2017 the average interest rate on short-term and long--term funding sources (including interest rate hedging) stood at 2.58 percent p.a. (2016: 3.46 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 December 2017.

Other loans obtained by the Company relate mainly to loans from Group companies amounting to EUR 71,435,176, as shown in the table below.

	Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016
IGES, d.o.o.	33,379,113	37,039,870
Petrol d.o.o.	11,687,943	35,073,185
Petrol BH Oil Company d.o.o. Sarajevo	11,134,144	5,586,131
Petrol Energetika d.o.o.	6,890,278	2,875,588
Petrol Trade Handelsgesellschaft m.b.H.	4,677,365	4,855,620
Ekopur d.o.o.	2,032,125	1,555,942
Petrol Slovenia Tirana Wholesale Sh.A.	1,271,910	1,271,910
Geoenergo d.o.o.	300,030	0
Petrol Skladiščenje d.o.o.	62,035	51,931
Geoplin d.o.o.	234	0
Skupaj	**71,435,176**	**88,310,178**

Gibanje finančnih obveznosti

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
As at 1 January	**407,413,851**	**485,441,741**	**440,002,364**	**453,939,688**
New acquisitions as a result of control obtained	916,063	1,001,745	-	-
New acquisitions as a result of merger by absorption	-	-	0	461,149
Proceeds from bonds issued	43,828,000	1,230,000	43,828,000	1,230,000
Payments for bonds issued	(58,853,000)	(54,802,000)	(58,853,000)	(54,802,000)
Proceeds from borrowings	643,939,868	763,552,148	895,317,377	1,080,460,409
Repayment of borrowings	(621,211,708)	(787,019,209)	(882,580,114)	(1,041,902,098)
Changes in liabilities from financial instruments	2,635,088	(3,034,785)	2,541,079	(742,948)
Changes in interest liabilities	790,243	410,263	747,556	1,358,164
Foreign exchange differences	888,051	633,948	0	0
As at 31 December	**420,346,456**	**407,413,851**	**441,003,262**	**440,002,364**

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.

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Liabilities arising from interests acquired	24,000	24,000	24,000	24,000
Liabilities arising from assets received for administration	899,382	899,382	899,382	899,382
Other non-current operating liabilities	294,180	418,681	0	0
Total non-current operating liabilities	**1,217,562**	**1,342,063**	**923,382**	**923,382**

The Petrol Group and Petrol d.d., Ljubljana

The Group's/Company's liabilities arising from assets received for administration relate largely to property, plant and equipment received for administration from municipalities under concession agreements. Liabilities are reduced in line with the depreciation of the assets received.

6.36 Current operating liabilities

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Trade liabilities	338,710,484	349,231,923	269,513,648	313,844,825
Excise duty liabilities	60,837,074	64,588,054	53,207,020	57,143,816
Value added tax liabilities	22,062,303	16,569,741	11,792,071	9,877,291
Environment pollution charge liabilities	10,140,301	10,706,855	9,638,883	10,575,247
Liabilities to employees	8,834,803	7,002,140	7,179,922	5,610,535
Liabilities arising from prepayments and collaterals	2,331,190	2,431,640	1,681,815	1,456,672
Import duty liabilities	2,240,607	1,956,618	7,701	7,764
Other liabilities to the state and other state institutions	1,908,983	1,041,033	194,538	199,060
Liabilities associated with the allocation of profit or loss	634,630	667,711	634,630	667,711
Social security contribution liabilities	669,887	563,350	536,744	470,652
Liabilities arising from interests acquired	220,000	0	220,000	0
Other liabilities	1,928,487	1,457,320	2,065,788	1,555,628
Total current operating and other liabilities	**450,518,749**	**456,216,385**	**356,672,760**	**401,409,201**

6.37 Other liabilities

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Accrued annual leave expenses	2,003,527	1,810,185	1,211,614	1,159,440
Accrued concession fee costs	194,857	253,617	186,871	181,264
Accrued expenses for tanker demurrage	194,800	120,319	194,800	120,319
Accrued motorway site lease payments	115,869	115,987	115,869	115,987
Accrued goods shortages	0	187,712	0	187,712
Other accrued costs	14,939,585	8,193,452	5,513,531	4,660,247
Deferred default interest income	2,114,977	1,593,632	2,114,977	1,586,642
Deferred prepaid card revenue	1,406,305	1,968,129	1,280,609	1,878,879
Deferred revenue from rebates granted	598,611	354,372	282,016	125,018
Deferred revenue from heating	85,580	87,202	0	0
Other deferred revenue	1,239,414	454,976	1,085,614	278,549
Total other liabilities	**22,893,525**	**15,139,583**	**11,985,901**	**10,294,058**

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 2017 the Group/Company continued to actively monitor the balances of trade receivables and to apply strict terms on which sales on open account are approved, requiring an adequate range of high-quality collaterals.

The carrying amount of financial assets has maximum exposure to credit risks and was the following as at 31 December 2017:

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial assets available for sale	11,173,565	2,598,071	1,689,491	2,519,028
Non-current financial receivables	32,651,760	1,079,152	6,362,867	27,421,814
Non-current operating receivables	3,275,362	650,916	3,239,145	643,851
Current financial receivables	29,754,766	6,922,594	15,018,789	18,452,346
Current operating receivables (excluding receivables from the state)	437,493,804	378,253,173	293,140,476	316,816,790
Financial assets at fair value through profit or loss	1,661,550	1,836,062	1,661,550	1,787,039
Cash and cash equivalents	45,492,821	26,987,969	23,651,242	12,657,723
Total assets	**561,503,628**	**418,327,937**	**344,763,560**	**380,298,591**

The item that was most exposed to credit risk on the reporting date were current operating receivables. Compared to the end of 2016, they increased, in nominal terms, by 15.2 percent in the case of the Group and decreased by 7.5 percent in the case of the Company. The increase stems primarily from higher sales, or rather invoiced sales in the last quarter, resulting in the increase in outstanding receivables.

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

The Group's current operating receivables by maturity

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

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

The Company's current operating receivables by maturity

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

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

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 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)**

(in EUR)	Allowance for current operating receivables	Allowance for current interest receivables	Total
As at 1 January 2017	**(51,065,149)**	**(2,445,571)**	**(53,510,720)**
New acquisitions as a result of control obtained	(2,775,426)	0	(2,775,426)
Creation of allowances affecting profit or loss	(4,758,421)	(4,922)	(4,763,343)
Changes in allowances not affecting profit or loss	354,208	(422,355)	(68,147)
Write-downs	7,426,363	23,710	7,450,073
Foreign exchange differences	(168,892)	(460)	(169,352)
As at 31 December 2017	**(50,987,317)**	**(2,849,598)**	**(53,836,915)**

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 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)**

(in EUR)	Allowance for current operating receivables	Allowance for current interest receivables	Total
As at 1 January 2017	**(28,464,056)**	**(2,310,446)**	**(30,774,502)**
Creation of allowances affecting profit or loss	(4,746,771)	26,960	(4,719,811)
Changes in allowances not affecting profit or loss	0	(416,063)	(416,063)
Write-downs	1,151,097	23,381	1,174,478
As at 31 December 2017	**(32,059,730)**	**(2,676,168)**	**(34,735,898)**

Collateralisation of receivables

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Current trade receivables	481,578,064	426,258,672	318,916,206	341,939,337
Allowances	(50,602,952)	(50,680,784)	(32,059,730)	(28,464,056)
Current trade receivables including allowances	430,975,112	375,577,888	286,856,476	313,475,281
Overdue current trade receivables (gross amount)	107,830,734	96,444,093	69,297,421	64,029,465
Share of overdue receivables in outstanding receivables	22%	23%	22%	19%
Current operating receivables over EUR 100,000 secured with high-quality collaterals	**206,550,620**	**222,496,091**	**150,172,270**	**169,342,798**

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 10,822,411 as at 31 December 2017 (the customer is an agent of a foreign private company in Slovenia), accounting for 2.5 percent of the Group's trade receivables and 3.8 percent of the Company's trade receivables.

The receivables mainly relate to receivables from domestic and foreign customers arising from the wholesale of goods and services and the sale of goods to the holders (natural persons) of the Petrol Club card. The structure of wholesale and retail customers is diversified, meaning there is no significant exposure to a single customer. The Company had 25,275 active customers (legal persons) as at 31 December 2017. The Group/Company has in place an IT-based system of grades, ratings and blocks, enabling it to constantly monitor its customers.

The Group/Company improves the system for the monitoring of credit risks on an 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 a range of credit insurance instruments (insurance with insurance companies, bank guarantees, letters of credit, mortgages, pledges, collaterals, corporate guarantees, surety bonds, enforcement drafts). In 2017 the Petrol Group completed the introduction of the new system of limits, 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.

	The Petrol Group		Petrol d.d.	
(in days)	2017	2016	2017	2016
Days sales outstanding				
Contract days	30	30	28	30
Overdue receivables in days	9	12	8	10
Total days sales outstanding	**39**	**42**	**36**	**40**

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 and business plan;
- 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;
- computer-assisted system for the management of cash flows of 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 2017 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, along with the disposal of non-core assets in 2016. The Company also 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	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.

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

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

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	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.

(in EUR)	Carrying amount of liabilities	Contractual cash flows				
		Liability	0 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Non-current financial liabilities	306,280,056	318,331,345	0	0	272,979,607	45,351,738
Non-current operating liabilities (excluding other liabilities)	24,000	24,000	0	0	24,000	0
Current financial liabilities	134,723,206	143,544,979	113,671,723	29,873,256	0	0
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	272,434,066	272,434,066	271,642,539	791,527	0	0
As at 31 December 2017	**713,461,328**	**734,334,390**	**385,314,262**	**30,664,783**	**273,003,607**	**45,351,738**

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

7.3 Foreign exchange risk

The Group

(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**

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

The Petrol Group							
31 December 2016							
RSD	MKD	RON	CHF	HUF	CZK	BGN	Total
2,241,473	1,366,144	1,286,707	288,337	22,541	4,708	0	26,987,969
7,113,861	2,529,250	594,771	0	11,606	0	0	378,253,173
0	0	0	0	0	0	0	650,916
9,990	0	0	0	0	0	0	6,922,594
0	0	0	0	0	0	0	1,079,152
0	0	0	0	0	0	0	(24,000)
(3,024,833)	(4,514)	(1,491,486)	0	(1,428,897)	(1,367)	0	(351,356,954)
0	0	0	0	0	0	0	(304,928,488)
0	0	0	0	0	0	0	(102,485,363)
6,340,491	**3,890,880**	**389,992**	**288,337**	**(1,394,750)**	**3,341**	**0**	**(344,901,001)**
0	0	13,337,157	0	318,349	0	0	0
6,340,491	**3,890,880**	**13,727,149**	**288,337**	**(1,076,401)**	**3,341**	**0**	**(344,901,001)**

The Petrol Group							
31 December 2017							
RSD	MKD	RON	CHF	HUF	CZK	BGN	Total
2,874,868	2,612,895	755,066	32,460	12,645	7,859	0	45,492,821
11,065,069	1,277,377	785,543	0	0	0	27,598	437,493,804
2,344	0	0	0	0	0	0	3,275,362
0	100,835	0	0	0	0	0	29,754,766
0	2,828	0	0	0	0	0	32,651,760
0	0	0	0	0	0	0	(24,000)
(3,355,204)	(26,231)	(1,203,235)	0	(1,084,386)	(749)	0	(341,493,601)
0	0	0	0	0	0	0	(357,485,819)
0	0	0	0	0	0	0	(62,860,637)
10,587,077	**3,967,704**	**337,374**	**32,460**	**(1,071,741)**	**7,110**	**27,598**	**(213,195,544)**
0	0	1,009,148	0	26,790	0	0	0
10,587,077	**3,967,704**	**1,346,522**	**32,460**	**(1,044,951)**	**7,110**	**27,598**	**(213,195,544)**

The Company

(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**

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

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 2017 and 2016:

Per 1 euro	31 December 2017	31 December 2016
USD	1.1993	1.0541
HRK	7.4400	7.5597
BAM	1.9558	1.9558
RSD	118.6600	123.6000
CZK	25.5350	27.0210
RON	4.6595	4.5390
MKD	61.2150	61.8000
HUF	310.3300	309.8300

As far as foreign exchange risks are concerned, the Group/Company is 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: expenses of EUR 660,739 (2016: revenue of EUR 4,573,634) for the Group and expenses of EUR 1,046,351 (2016: revenue of EUR 4,546,713) for the Company.

	Petrol d.d.					
	31 December 2016					
	BAM	RON	CHF	HUF	CZK	Total
	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)**

	Petrol d.d.					
	31 December 2017					
	BAM	RON	CHF	HUF	CZK	Total
	0	755,066	32,346	12,640	4,684	23,651,242
	0	0	0	0	0	293,140,476
	0	0	0	0	0	3,239,145
	0	0	0	0	0	15,018,789
	0	0	0	0	0	6,362,867
	0	0	0	0	0	(24,000)
	(143,974)	(358,899)	0	(1,035,595)	0	(272,434,066)
	0	0	0	0	0	(306,280,056)
	0	0	0	0	0	(134,723,206)
	(143,974)	**396,167**	**32,346**	**(1,022,955)**	**4,684**	**(372,048,809)**
	0	1,009,148	0	26,790	0	0
	(143,974)	**1,405,315**	**32,346**	**(996,165)**	**4,684**	**(372,048,809)**

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Unrealised loss	(845,458)	(24,432)	(845,458)	(24,432)
Unrealised gain	0	676,917	0	676,917
Realised loss	(8,564,843)	(2,506,566)	(8,564,843)	(2,506,566)
Realised gain	3,000,510	6,648,923	3,000,510	6,648,923
Total effect of forward contracts	**(6,499,791)**	**4,794,842**	**(6,499,791)**	**4,794,842**

Given that forward contracts for hedging against foreign exchange risks are entered into with first-class Slovene banks, the Group/Company considers the counterparty default risk is minimal.

The Group is exposed to foreign exchange risks also due its subsidiaries in Southeastern Europe. Considering the low volatility of exchange rates of local currency in Southeastern Europe markets and the relatively low exposure, the Group/Company believes it is not exposed to significant risks in this area. To control these risks, we rely on natural hedging to the largest possible extent.

In 2017 the Group/Company was also exposed to certain other currencies (RON, HUF), which was hedged using derivative financial instruments.

The Group/Company regularly monitors its open currency position and sensitivity based on the VaR method for all currencies to which it is exposed.

An unfavourable change in any currency pair by 10 percent would decrease net profit by a maximum of EUR 2,213,001 (2016: EUR 894,369), with the EUR/BAM currency pair being treated as fixed. The effect is more pronounced than in the previous year because of a higher foreign currency exposure of the Group/Company.

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 product in terms of quantities as well as purchase and sales conditions, thus securing its margin. Potential residual mismatches are hedged using derivative financial instruments. Depending on the business model for each energy commodity, appropriate limit systems are in place that limit exposure to price and volumetric risks.

The Group/Company hedges energy product prices primarily by using commodity swaps (variable to fixed price swap). Partners in this area include global financial institutions and banks or suppliers of goods. The Group/Company considers the counterparty default risk as minimal.

The effect of commodity swaps:

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Unrealised loss	(1,729,801)	(94,738)	(1,635,792)	(94,739)
Unrealised gain	1,661,550	1,110,122	1,661,550	1,110,122
Realised loss	(15,485,740)	(15,619,970)	(15,877,823)	(15,932,050)
Realised gain	17,149,633	13,370,992	18,325,019	14,449,859
Total effect of commodity swaps	**1,595,642**	**(1,233,594)**	**2,472,954**	**(466,808)**

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 604,269 in 2017 (2016: a loss of EUR 958,412).

7.5 Interest rate risk

The source of interest rate risks are loans with a floating interest rate, which are mostly Euribor-based.

In 2017 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 recognises the hedging instrument designated as effective directly in equity.

An overview of the value of Euribor interest rates in 2017 and 2016:

	6-month Euribor	3-month Euribor	1-month Euribor
Value as at 31 December 2016 (in percent)	(0.221)	(0.319)	(0.366)
Value as at 31 December 2017 (in percent)	(0.271)	(0.329)	(0.368)
Change in interest rate (in percentage points)	**(0.050)**	**(0.010)**	**(0.002)**
The lowest value in 2017 (in percent)	(0.276)	(0.332)	(0.375)
The lowest value in 2017 (in percent)	(0.220)	(0.318)	(0.366)
Change between the lowest and the highest interest rate (in percentage points)	**0.056**	**0.014**	**0.009**
Average value in 2016 (in percent)	(0.165)	(0.265)	(0.338)
Average value in 2017 (in percent)	(0.260)	(0.329)	(0.372)
Change in average interest rate (in percentage points)	**(0.095)**	**(0.064)**	**(0.034)**

Interest rate swaps by maturity:

(in EUR)	The Petrol Group 31 December 2017	The Petrol Group 31 December 2016	Petrol d.d. 31 December 2017	Petrol d.d. 31 December 2016
1 to 5 years	111,000,000	50,000,000	61,000,000	0
Total interest rate swaps	**111,000,000**	**50,000,000**	**61,000,000**	**0**

The effect of interest rate swaps:

(in EUR)	The Petrol Group 31 December 2017	The Petrol Group 31 December 2016	Petrol d.d. 31 December 2017	Petrol d.d. 31 December 2016
Unrealised loss on effective transactions	(72,948)	882,471	(178,998)	0
Realised loss	(369,427)	(369,310)	(244,293)	0
Total effect of interest rate swaps	**(442,375)**	**513,162**	**(423,291)**	**0**

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 31 December 2017	The Petrol Group 31 December 2016	Petrol d.d. 31 December 2017	Petrol d.d. 31 December 2016
Financial liabilities	(246,702,000)	(331,727,000)	(246,702,000)	(331,727,000)
Net financial instruments with a fixed interest rate	**(246,702,000)**	**(331,727,000)**	**(246,702,000)**	**(331,727,000)**

Financial instruments with a variable interest rate:

(in EUR)	The Petrol Group 31 December 2017	The Petrol Group 31 December 2016	Petrol d.d. 31 December 2017	Petrol d.d. 31 December 2016
Financial receivables	62,406,526	8,001,746	21,381,656	45,874,160
Financial liabilities	(173,644,456)	(75,686,851)	(194,301,262)	(108,275,364)
Net financial instruments with a variable interest rate	**(111,237,930)**	**(67,685,105)**	**(172,919,606)**	**(62,401,204)**

Value of financial liabilities hedged using interest rate swaps:

(in EUR)	The Petrol Group 31 December 2017	The Petrol Group 31 December 2016	Petrol d.d. 31 December 2017	Petrol d.d. 31 December 2016
Interest rate swaps	111,000,000	50,000,000	61,000,000	0
Total interest rate swaps	**111,000,000**	**50,000,000**	**61,000,000**	**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.

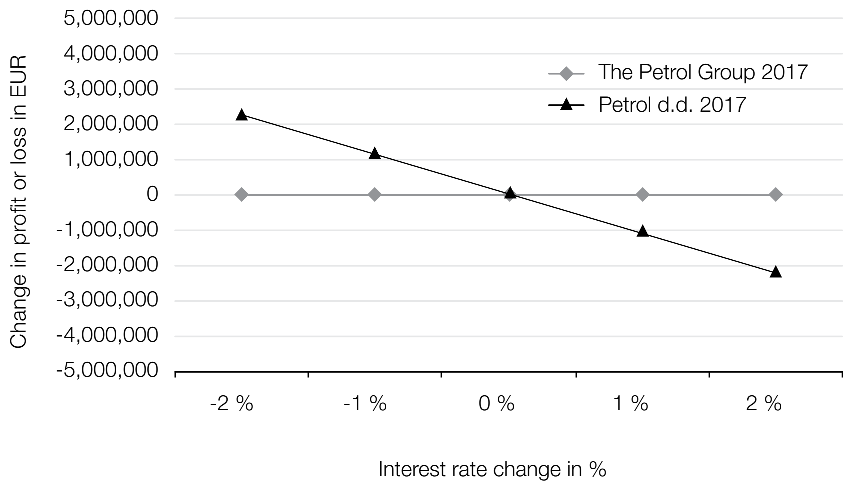
Change in profit or loss in the case of an increase by 100 or 200 bp:

(in EUR)	The Petrol Group 31 December 2017	The Petrol Group 31 December 2016	Petrol d.d. 31 December 2017	Petrol d.d. 31 December 2016
Cash flow variability (net)–100 bp	(2,379)	(176,851)	(1,119,196)	(624,012)
Cash flow variability (net)–200 bp	(4,759)	(353,702)	(2,238,392)	(1,248,024)

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

(in EUR)	The Petrol Group 31 December 2017	The Petrol Group 31 December 2016	Petrol d.d. 31 December 2017	Petrol d.d. 31 December 2016
Cash flow variability (net)–100 bp	2,379	176,851	1,119,196	624,012
Cash flow variability (net)–200 bp	4,759	353,702	2,238,392	1,248,024

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 20 March 2017, 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 2017 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.

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Non-current financial liabilities	357,485,819	304,928,488	306,280,056	251,865,143
Current financial liabilities	62,860,637	102,485,363	134,723,206	188,137,221
Total financial liabilities	420,346,456	407,413,851	441,003,262	440,002,364
Total equity	701,867,154	595,669,693	482,912,133	447,670,296
Debt/equity	**0.60**	**0.68**	**0.91**	**0.98**
Cash and cash equivalents	45,492,821	26,987,969	23,651,242	12,657,723
Net financial liabilities	374,853,635	380,425,882	417,352,020	427,344,641
Net debt/equity	**0.53**	**0.64**	**0.86**	**0.95**

7.7 Carrying amount and fair value of financial instruments

The Petrol Group

(in EUR)	The Petrol Group 31 December 2017 Carrying amount	Fair value	31 December 2016 Carrying amount	Fair value
Non-derivative financial assets at fair value				
Financial assets available for sale	11,173,565	11,173,565	2,598,071	2,598,071
Non-derivative financial assets at amortised cost				
Financial receivables (excluding derivative financial instruments)	62,250,324	62,250,324	8,001,746	8,001,746
Operating receivables (excluding receivables from the state)	440,769,166	440,769,166	378,904,089	378,904,089
Cash and cash equivalents	45,492,821	45,492,821	26,987,969	26,987,969
Total non-derivative financial assets	**559,685,876**	**559,685,876**	**416,491,875**	**416,491,875**
Non-derivative financial liabilities at amortised cost				
Bank loans and other financial liabilities (excluding derivative financial instruments)	(417,592,198)	(417,592,198)	(407,294,681)	(407,294,681)
Operating liabilities (excluding other non-current liabilities and current liabilities to the state, employees and arising from advance payments)	(341,517,601)	(341,517,601)	(351,380,954)	(351,356,954)
Total non-derivative financial liabilities	**(759,109,799)**	**(759,109,799)**	**(758,675,635)**	**(758,651,635)**
Derivative financial instruments at fair value				
Derivative financial instruments (assets)	1,817,752	1,817,752	1,836,062	1,836,062
Derivative financial instruments (liabilities)	(2,754,258)	(2,754,258)	(119,170)	(119,170)
Total derivative financial instruments	**(936,506)**	**(936,506)**	**1,716,892**	**1,716,892**

Petrol d.d., Ljubljana

(in EUR)	Petrol d.d. 31 December 2017 Carrying amount	Fair value	31 December 2016 Carrying amount	Fair value
Non-derivative financial assets at fair value				
Financial assets available for sale	1,689,491	1,689,491	2,519,028	2,519,028
Non-derivative financial assets at amortised cost				
Financial receivables (excluding derivative financial instruments)	21,381,656	21,381,656	45,874,160	45,874,160
Operating receivables (excluding receivables from the state)	296,379,621	296,379,621	317,460,641	317,460,641
Cash and cash equivalents	23,651,242	23,651,242	12,657,723	12,657,723
Total non-derivative financial assets	**343,102,010**	**343,102,010**	**378,511,552**	**378,511,552**
Non-derivative financial liabilities at amortised cost				
Bank loans and other financial liabilities (excluding derivative financial instruments)	(435,774,167)	(435,774,167)	(437,314,348)	(437,314,348)
Operating liabilities (excluding other non-current liabilities and current liabilities to the state, employees and arising from advance payments)	(272,458,066)	(272,458,066)	(316,092,164)	(316,092,164)
Total non-derivative financial liabilities	**(708,232,233)**	**(708,232,233)**	**(753,406,512)**	**(753,406,512)**
Derivative financial instruments at fair value				
Derivative financial instruments (assets)	1,661,550	1,661,550	1,787,039	1,787,039
Derivative financial instruments (liabilities)	(5,229,095)	(5,229,095)	(2,688,016)	(2,688,016)
Total derivative financial instruments	**(3,567,545)**	**(3,567,545)**	**(900,977)**	**(900,977)**

Presentation of financial assets and liabilities disclosed at fair value according to the fair value hierarchy

The Petrol Group

Fair value of assets

	31 December 2017				31 December 2016			
(in EUR)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,661,550	0	0	1,661,550	1,836,062	0	0	1,836,062
Total assets at fair value	**1,661,550**	**0**	**0**	**1,661,550**	**1,836,062**	**0**	**0**	**1,836,062**
Financial assets available for sale	0	0	11,173,565	11,173,565	0	0	2,598,071	2,598,071
Non-current financial receivables	0	0	32,651,760	32,651,760	0	0	1,079,152	1,079,152
Current financial receivables	0	0	29,754,766	29,754,766	0	0	6,922,594	6,922,594
Non-current operating receivables	0	0	3,275,362	3,275,362	0	0	650,916	650,916
Current operating receivables (excluding receivables from the state)	0	0	437,493,804	437,493,804	0	0	378,253,173	378,253,173
Cash and cash equivalents	0	0	45,492,821	45,492,821	0	0	26,987,969	26,987,969
Total assets with fair value disclosure	**0**	**0**	**559,842,078**	**559,842,078**	**0**	**0**	**416,491,875**	**416,491,875**
Total assets	**1,661,550**	**0**	**559,842,078**	**561,503,628**	**1,836,062**	**0**	**416,491,875**	**418,327,937**

Fair value of liabilities

	31 December 2017				31 December 2016			
(in EUR)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	(2,754,258)	0	0	(2,754,258)	(119,170)	0	0	(119,170)
Total liabilities at fair value	**(2,754,258)**	**0**	**0**	**(2,754,258)**	**(119,170)**	**0**	**0**	**(119,170)**
Non-current financial liabilities	0	0	(357,485,819)	(357,485,819)	0	0	(304,928,488)	(304,928,488)
Current financial liabilities (excluding liabilities at fair value)	0	0	(60,106,379)	(60,106,379)	0	0	(102,366,193)	(102,366,193)
Non-current operating liabilities (excluding other liabilities)	0	0	(24,000)	(24,000)	0	0	(24,000)	(24,000)
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	0	0	(341,493,601)	(341,493,601)	0	0	(351,356,954)	(351,356,954)
Total liabilities with fair value disclosure	**0**	**0**	**(759,109,799)**	**(759,109,799)**	**0**	**0**	**(758,675,635)**	**(758,675,635)**
Total liabilities	**(2,754,258)**	**0**	**(759,109,799)**	**(761,864,057)**	**(119,170)**	**0**	**(758,675,635)**	**(758,794,805)**

Petrol d.d., Ljubljana

Fair value of assets

	31 December 2017				31 December 2016			
(in EUR)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,661,550	0	0	1,661,550	1,787,039	0	0	1,787,039
Total assets at fair value	**1,661,550**	**0**	**0**	**1,661,550**	**1,787,039**	**0**	**0**	**1,787,039**
Financial assets available for sale	0	0	1,689,491	1,689,491	0	0	2,519,028	2,519,028
Non-current financial receivables	0	0	6,362,867	6,362,867	0	0	27,421,814	27,421,814
Current financial receivables	0	0	15,018,789	15,018,789	0	0	18,452,346	18,452,346
Non-current operating receivables	0	0	3,239,145	3,239,145	0	0	643,851	643,851
Current operating receivables (excluding receivables from the state)	0	0	293,140,476	293,140,476	0	0	316,816,790	316,816,790
Cash and cash equivalents	0	0	23,651,242	23,651,242	0	0	12,657,723	12,657,723
Total assets with fair value disclosure	**0**	**0**	**343,102,010**	**343,102,010**	**0**	**0**	**378,511,552**	**378,511,552**
Total assets	**1,661,550**	**0**	**343,102,010**	**344,763,560**	**1,787,039**	**0**	**378,511,552**	**380,298,591**

Fair value of liabilities

	31 December 2017				31 December 2016			
(in EUR)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	(2,660,249)	0	(2,568,846)	(5,229,095)	(119,170)	0	(2,568,846)	(2,688,016)
Total liabilities at fair value	**(2,660,249)**	**0**	**(2,568,846)**	**(5,229,095)**	**(119,170)**	**0**	**(2,568,846)**	**(2,688,016)**
Non-current financial liabilities	0	0	(306,280,056)	(306,280,056)	0	0	(251,865,143)	(251,865,143)
Current financial liabilities (excluding liabilities at fair value)	0	0	(129,494,111)	(129,494,111)	0	0	(185,449,205)	(185,449,205)
Non-current operating liabilities (excluding other liabilities)	0	0	(24,000)	(24,000)	0	0	(24,000)	(24,000)
Current operating liabilities (excluding liabilities to the state, employees and arising from advance payments)	0	0	(272,434,066)	(272,434,066)	0	0	(316,068,164)	(316,068,164)
Total liabilities with fair value disclosure	**0**	**0**	**(708,232,233)**	**(708,232,233)**	**0**	**0**	**(753,406,512)**	**(753,406,512)**
Total liabilities	**(2,660,249)**	**0**	**(710,801,079)**	**(713,461,328)**	**(119,170)**	**0**	**(755,975,358)**	**(756,094,528)**

8. Related party transactions

Petrol d.d., Ljubljana is a joint-stock company listed on the Ljubljana Stock Exchange. The ownership structure as at 31 December 2017 is presented in chapter *The Management and Governance System* in the business report.

All of the Group/Company related party transactions were carried out based on the market conditions applicable to transactions with unrelated parties.

Companies in the Petrol Group

	The Petrol Group		Petrol d.d.	
(in EUR)	2017	2016	2017	2016
Sales revenue:				
Subsidiaries	-	-	299,488,794	314,093,469
Jointly controlled entities	1,076,301	22,357,468	92,095	21,470,880
Associates	57,337	40,129	57,337	40,129
Cost of goods sold:				
Subsidiaries	-	-	44,822,252	34,156,260
Jointly controlled entities	166,306	49,177,363	0	22,187,563
Associates	20,938,874	21,817,911	44,872	132,453
Costs of materials:				
Subsidiaries	-	-	1,397,069	1,398,480
Jointly controlled entities	4,815	162,992	1,816	160,633
Associates	361,956	197,568	0	25,397
Costs of services:				
Subsidiaries	-	-	1,691,942	1,798,929
Jointly controlled entities	0	0	0	0
Associates	40	19,210	40	19,210
Other costs:				
Subsidiaries	-	-	2,540	3,103
Jointly controlled entities	253	95	0	0
Associates	0	0	0	0
Finance income from interests in Group companies:				
Subsidiaries	-	-	247,530	0
Jointly controlled entities	229,167	182,430	150,000	150,000
Associates	4,383,020	5,482,187	2,906,566	3,558,336
Finance expenses for interests in Group companies:				
Subsidiaries	-	-	0	0
Jointly controlled entities	0	195,772	0	0
Associates	0	96,428	0	0
Finance income due to elimination of negative goodwill:				
Subsidiaries	1,135,949	460,496	0	0
Jointly controlled entities	0	0	0	0
Associates	0	0	0	0
Finance income from interest:				
Subsidiaries	-	-	695,507	390,998
Jointly controlled entities	0	0	0	0
Associates	0	0	0	0
Gain on derivatives:				
Subsidiaries	-	-	1,275,367	1,129,037
Jointly controlled entities	0	0	0	0
Associates	0	0	0	0

Other finance income:				
Subsidiaries	-	-	128,511	169,409
Jointly controlled entities	0	183,231	0	0
Associates	34,192	2,452,870	8,095,846	2,498,967
Finance expenses due to impairment of investments and goodwill:				
Subsidiaries	1,195,689	348,914	3,995,084	6,650,068
Jointly controlled entities	0	1,781,250	0	1,316,139
Associates	0	0	0	0
Finance expenses for interest:				
Subsidiaries	-	-	657,110	1,457,462
Jointly controlled entities	332	0	332	0
Associates	0	23,552	0	23,552
Loss on derivatives:				
Subsidiaries	-	-	677,262	3,068,605
Jointly controlled entities	0	0	0	0
Associates	0	0	0	0
Allowances for financial receivables:				
Subsidiaries	-	-	2,227,706	0
Jointly controlled entities	155,000	3,137,787	0	3,137,787
Associates	0	0	0	0

	The Petrol Group		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Investments in Group companies:				
Subsidiaries	-	-	329,225,470	290,581,344
Jointly controlled entities	1,755,182	1,652,682	1,219,000	1,196,000
Associates	62,444,322	129,686,241	21,726,406	52,852,540
Non-current financial receivables:				
Subsidiaries	-	-	4,805,918	26,345,830
Jointly controlled entities	428,994	0	583,994	0
Associates	0	0	0	0
Current operating receivables:				
Subsidiaries	-	-	21,351,402	33,536,819
Jointly controlled entities	438,342	484,760	313,222	363,359
Associates	654	12,555	654	12,555
Current financial receivables:				
Subsidiaries	-	-	12,037,946	13,034,171
Jointly controlled entities	486,006	1,070,000	486,006	1,070,000
Associates	0	0	0	0
Short-term deposits (up to 3 months):				
Subsidiaries	-	-	219,533	1,047,644
Jointly controlled entities	0	0	0	0
Associates	0	0	0	0
Current financial liabilities:				
Subsidiaries	-	-	72,432,083	89,607,113
Jointly controlled entities	0	1,271,910	0	1,271,910
Associates	0	9,000,164	0	9,000,164
Current operating liabilities:				
Subsidiaries	-	-	9,305,163	7,980,150
Jointly controlled entities	46,505	13,727	1,513	1,215
Associates	0	4,728,836	0	38,165

Remuneration of Supervisory Board and committee members of Petrol d.d., Ljubljana, in accordance with Appendix C4 of the Code

(in EUR)	Function	Basic payment-gross annal	Attendance fees	Sum gross	Sum net	Travel expenses
Tomaž Kuntarič	President of the Supervisory board	3,280	4,700	7,980	5,804	0
Irena Prijović	Deputy President of the Supervisory board	3,233	4,868	8,101	5,892	0
Igo Gruden	Member of the Supervisory board	11,900	8,910	20,810	15,135	0
Klemen Ferjančič	Member of the Supervisory board	3,233	4,043	7,276	5,292	0
Matija Blažič	Member of the Supervisory board	3,233	1,568	4,801	3,492	0
Andrej Tomplak	Member of the Supervisory board	1,750	2,888	4,638	3,373	0
Damjan Legen	Member of the Supervisory board	1,750	825	2,575	1,873	0
Nada Drobne Popović	President of the Supervisory board	10,400	5,420	15,820	11,506	0
Sašo Berger	Deputy President of the Supervisory board	8,667	4,455	13,122	9,544	0
Mladen Kaliterna	Member of the Supervisory board	12,000	7,260	19,260	14,008	0
Metod Podkrižnik	Member of the Supervisory board	8,667	4,868	13,535	9,844	0
Sergej Goriup	Member of the Supervisory board	8,667	4,455	13,122	9,544	0
Zoran Gračner	Member of the Supervisory board	12,000	7,260	19,260	14,008	0
Alen Mihelčič	Member of the Supervisory board	10,250	5,198	15,448	11,235	0
Robert Ravnikar	Member of the Supervisory board	10,250	5,198	15,448	11,235	0
Janez Pušnik	Member of the Audit Commettee	3,000	2,393	5,393	3,922	0
Žiga Škerjanec	Member of the Remuneration Commettee	0	2,475	2,475	1,800	0
Total:		**112,281**	**76,781**	**189,062**	**137,504**	**0**

Remuneration of Management Board members of Petrol d.d., Ljubljana, in accordance with Appendix C3 of the Code

2016

		Variable remuneration-gross***								
(in EUR)	Fixed re-muneration -gross**	Based on quantitative criteria	Based on qualitativ criteria	Sum	Deferred remu-neration	Termi-nation pay-ments	Benefit	Claw-back	Sum gross****	Sum net
Tomaž Berločnik, MSc, President of the Management Board	198,791	56,843	50,408	107,250	0	0	21,108	0	327,149	121,793
Rok Vodnik, MSc, Member of the Management Board	168,791	48,230	42,770	91,000	0	0	16,759	0	276,550	111,377
Igor Stebernak, Member of the Management Board	168,791	32,154	28,513	60,667	0	0	17,947	0	247,405	93,059
Ika Krevzel Panić, Member of the Management Board and Worker Director	77,346	2,120	1,880	4,000	0	0	143	0	81,489	45,049
Total:	**613,719**	**139,346**	**123,571**	**262,917**	**0**	**0**	**55,957**	**0**	**932,593**	**371,278**

2017

		Variable remuneration-gross***								
(in EUR)	Fixed re-muneration -gross**	Based on quantitative criteria	Based on qualitativ criteria	Sum	Deferred remu-neration	Termi-nation pay-ments	Benefit	Claw-back	Sum gross****	Sum net
Tomaž Berločnik, MSc, President of the Management Board	198,805	70,543	62,557	133,100	0	0	19,959	0	351,864	136,588
Rok Vodnik, MSc, Member of the Management Board	168,805	59,890	53,110	113,100	0	0	21,070	0	302,975	121,464
Igor Stebernak, Member of the Management Board	168,805	59,943	53,157	113,100	0	0	17,309	0	299,214	118,758
Ika Krevzel Panić, Member of the Management Board and Worker Director	78,262	9,151	8,115	17,366	0	0	4,695	0	100,323	52,366
Total:	**614,677**	**199,527**	**176,939**	**376,666**	**0**	**0**	**63,033**	**0**	**1,054,376**	**429,176**

* Travel expenses, costs of accommodation and subsistence allowance are not disclosed as by their nature they do not represent Management Board remuneration

** Fixed remuneration-gross comprises the basic salary and pay for annual leave (pay for annual leave: EUR 805 to Management Board members, EUR 1,000 to the Worker Director)

*** Variable remuneration-gross comprises the annual bonus, the performance bonus

**** In 2016 the Worker Director received an additional gross payment of EUR 761 comprising the Christmas bonus and the sales promotion bonus.

Total remuneration paid in 2017 by the Company to the members of the Workers' Council stood at EUR 8,962.

The Company and the Group had no receivables from or liabilities to Supervisory Board members as at 31 December 2017.

The Company and the Group had no receivables from or liabilities to Management Board members as at 31 December 2017, 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 189,438,632 as at 31 December 2017 (2016: EUR 178,941,081) and were as follows:

	Petrol d.d.		Petrol d.d.	
(in EUR)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Guarantee issued to:	**Value of guarantee issued**		**Guarantee amount used**	
Petrol d.o.o.	116,685,484	126,966,937	68,065,716	67,725,299
Geoplin d.o.o.	28,000,000	0	0	0
Petrol BH Oil Company d.o.o. Sarajevo	10,681,312	7,270,484	36,646	2,844,647
Petrol d.o.o. Beograd	8,504,298	14,493,528	1,500,000	1,500,000
Petrol Bucharest ROM S.R.L.	4,500,000	4,000,000	0	885,936
Petrol Trade Handelsgesellschaft m.b.H.	3,000,000	3,000,000	2,250,000	2,250,000
Petrol Crna Gora MNE d.o.o.	790,000	1,720,000	161,299	106,509
Petrol LPG d.o.o. Beograd	1,000,000	0	0	0
Aquasystems d.o.o.	911,309	911,309	911,309	911,309
Petrol Geoterm d.o.o.	132,490	132,490	132,490	132,490
Petrol Energetika, d.o.o.	50,000	8,250,000	0	0
Petrol Plin d.o.o.	0	4,525,207	0	337,579
Eltec Petrol d.o.o. Beograd	0	360,000	0	3,915
Total	**174,254,893**	**171,629,955**	**73,057,460**	**76,697,684**
Other guarantees	15,183,739	7,311,126	15,183,739	7,311,126
Bills of exchange issued as security	4,693,627	2,483,522	4,693,627	2,483,522
Total contingent liabilities for guarantees issued	**194,132,259**	**181,424,603**	**92,934,826**	**86,492,332**

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 28,559,894. Interest on overdue amounts arising from the claims stood at EUR 2,457,038 as at 31 December 2017. The Company's management estimates that there is a possibility that some of these lawsuits will be lost. As a result, the Company set aside long-term provisions. See disclosure in Note 6.32.

The total value of lawsuits against the Group as defendant and debtor totals EUR 32,705,908. Interest on overdue amounts arising from the claims stood at EUR 2,457,038 as at 31 December 2017. The Group's management estimates that there is a possibility that some of these lawsuits will be lost. As a result, the Group set aside long-term provisions. See disclosure in Note 6.32.

Inventories owned by other entities

The Group's and the Company's inventories as at 31 December 2017 included commodity reserve stocks of the Republic of Slovenia totalling EUR 72,371,318 (EUR 60,376,523 as at 31 December 2016). The Company's and the Group's inventories as at 31 December 2017 also included goods delivered on consignment totalling EUR 31,295,285 (EUR 31,130,778 as at 31 December 2016) and EUR 32,148,893 (EUR 31,863,860 as at 31 December 2016), respectively. The goods delivered on consignment are carried at cost, while the commodity reserve stocks are carried at calculated prices.

Commodity forward contracts

The Group records commodity forward contracts falling outside the scope of IAS 39 off-balance-sheet. The fair value of their net open position stood at EUR 3,689,571 as at 31 December 2017 (2016: EUR 980,042).

10. Events after the reporting date

There were no events after the reporting date that would significantly affect the financial statements for 2017 presented herein.

11. The financial statements of Petrol d.d. by activity in accordance with the Services of General Economic Interest Act and the Energy Act

11.1 Introduction

The energy part comprises an overview of the financial statements that the Company is obliged to disclose in accordance with the Energy Act (Official Gazette of the RS, No. 17/14), which stipulates that undertakings performing energy activities in the field of electricity or natural gas or heat supply have to prepare, audit and publish annual financial statements in the manner prescribed by law for companies, irrespective of their legal form and ownership.

In accordance with Article 66 of the Services of General Economic Interest Act (Official Gazette of the RS, No. 32/1993 and 30/1998) a company has to separately monitor all accounting records that enable the calculation of costs, expenses and revenue according to the principles applicable to companies.

According to the provisions of the Energy Act, the annual report shall also include the rules and criteria based on which assets, liabilities, revenue and expenses are allocated to individual energy activities.

11.2 Accounting policies for separating financial statements

In separating financial statements, the principles of prudence and accuracy were taken into account. The Company maintains separate accounting records for each activity, thus enabling close monitoring of all forms of revenue and expenses. At the same time, the Company discloses in its books fixed assets separately for individual activities.

For each of the activities reported in accordance with the Energy Act, the Company has designated a cost centre. All activities represent the Company's production cost centres. Revenue and expenses are accurately separated according to the activity for which they are recognised.

The Company also generates revenue and expenses that are not related to a specific activity, but represent general indirect revenue and expenses. These revenue and expenses are presented entirely under market activities.

Within the Company, there are two organisational units dealing with energy, namely the Energy and Environmental Systems organisational unit and the Trading organisational unit. Within these organisational units, general indirect expenditure is generated by individual section, which is divided according to the key applied within each section.

The Energy and Environmental Systems organisational unit incurs indirect expenses, which are divided according to the key used within the organisational unit.

Serving both organisational units are the customer support section (call centre and user helpdesk) the back office section. Expenses are distributed by area (and further by individual activity) according to the key used.

Both organisational units are the responsibility of the Management Board member in charge of energy. Expenses are distributed by area (and further by individual activity) according to the key used.

The Company used the cost key per activity as the basis for the distribution of all indirect expenditure.

The statement of profit or loss was divided in the following steps:

- Net sales revenue is separated by individual activity directly according to invoiced sales for each activity (cost centre); a proportionate share of overhead revenue is allocated to each activity according to the division key used.
- The cost of goods is the cost of energy products sold and is recognised directly.
- Costs of materials are direct costs of materials attributable to an individual activity; a proportionate share of material overhead costs is allocated to each activity according to the division key used.
- Costs of services are direct costs of services attributable to an individual activity; a proportionate share of services overhead costs is allocated to each activity according to the division key used.
- Labour costs are direct costs of labour attributable to an individual activity; a proportionate share of labour overhead costs is allocated to each activity according to the division key used.
- The depreciation and amortisation charge is a direct cost of depreciation and amortisation attributable to an individual activity; a proportionate share of depreciation and amortisation overhead costs is allocated to each activity according to the division key used.
- Other costs and expenses are direct other costs and expenses attributable to an individual activity; a proportionate share of other overhead costs and expenses is allocated to each activity according to the division key used.

- Finance income is recognised as the overhead part under other activities.
- Finance expenses are finance expenses attributable to an individual activity (in concessions, interest expense and foreign exchange losses arising from loans are recorded under an individual concession, much like long-term and short-term loans are recognised); a proportionate share of overhead finance expenses is allocated to each activity according to the division key used.
- Other revenue is allocated to an individual activity according to the division key used.
- Other expenses are allocated to an individual activity according to the division key used.

The statement of financial position was divided in the following steps:

- Intangible assets are disclosed directly under individual activities and the overhead part is recognised among other activities.
- Property, plant and equipment are disclosed directly under individual activities and the overhead part is recognised among other activities.
- Non-current investments are recognised as the overhead part under other activities.
- Inventories are recognised as the overhead part under other activities.
- Non-current operating receivables are recognised as the overhead part under other activities.
- Current operating receivables are recorded directly under an individual activity and the overhead part is recognised among other activities.
- Other operating receivables comprise the difference between assets and liabilities under individual activities.
- Current investments are recognised as the overhead part under other activities.
- Deferred costs and accrued revenue are recorded directly under an individual activity and the overhead part is recognised among other activities.
- Called-up capital and capital surplus were determined as at 31 December 2015.
- Retained earnings are transferred according to separate financial statements from previous years.
- Net profit or loss for the year is calculated in the statement of profit or loss for the year for each activity.
- Provisions are recognised as the overhead part under other activities, unless the direct cost centre can be determined.
- Non-current financial and operating liabilities arise from long-term loans that are disclosed as a liability under concession activities and are recorded directly under an individual activity.
- Current financial and operating liabilities are disclosed directly under an individual activity and the overhead part is recognised among other activities.
- Other operating liabilities comprise the difference between assets and liabilities under an individual activity.
- Accrued costs and deferred revenue are recorded directly under an individual activity and the overhead part is recognised among other activities.

11.3 Presentation of the financial statements of Petrol d.d. by activity

11.3.1 Statement of profit or loss by activity

(in EUR)	Natural gas distribution system operator	Natural gas supply	Heat distribution	Heat generation	Electricity supply	Municipal wastewater and run-off rainwater treatment	Other activities	Total
Sales revenue	**8,021,198**	**8,652,722**	**2,435,847**	**0**	**34,572,634**	**2,660,114**	**3,682,061,079**	**3,738,403,594**
- of which excise duty	0	0	0	0	0	0	771,700,375	771,700,375
Cost of goods sold	**0**	**(7,068,603)**	**0**	**0**	**(32,673,325)**	**0**	**(3,381,325,407)**	**(3,421,067,335)**
Costs of materials	(1,433,911)	(18)	(374,281)	(812,394)	(148)	(348,116)	(12,994,169)	(15,963,038)
Costs of services	(1,182,500)	(20,413)	(158,748)	(174,253)	(195,980)	(524,168)	(106,427,515)	(108,683,577)
Labour costs	(903,100)	(2,224)	(191,469)	(289,483)	(17,810)	(515,539)	(51,185,224)	(53,104,848)
Depreciation and amortisation	(2,038,034)	(20)	(309,403)	(287,058)	(150)	(777,152)	(28,735,104)	(32,146,920)
Other costs	(208)	(40)	(27)	(10)	(1,367)	(1,124,758)	(19,470,840)	(20,594,516)
Operating costs	**(5,557,752)**	**(22,715)**	**(1,033,927)**	**(1,563,198)**	**(212,722)**	**(3,289,733)**	**(218,812,851)**	**(230,492,898)**
Other revenue	74,620	0	0	0	0	22,386	3,442,480	3,539,486
Other expenses	0	0	0	0	0	0	(19,475)	(19,475)
Operating profit	**2,538,067**	**1,561,404**	**1,401,920**	**(1,563,198)**	**1,686,587**	**(607,234)**	**85,345,826**	**90,363,372**
Finance income from dividends paid by subsidiaries, associates and jointly controlled entities	**0**	**0**	**0**	**0**	**0**	**0**	**3,304,096**	**3,304,096**
Other finance income	0	0	0	0	0	0	45,470,562	45,470,562
Other finance expenses	(433,871)	0	(102,290)	0	0	(67,718)	(59,240,087)	(59,843,966)
Net finance expense	**(433,871)**	**0**	**(102,290)**	**0**	**0**	**(67,718)**	**(13,769,525)**	**(14,373,404)**
Profit before tax	**2,104,195**	**1,561,404**	**1,299,630**	**(1,563,198)**	**1,686,587**	**(674,952)**	**74,880,396**	**79,294,064**
Tax expense	(399,797)	(296,667)	(246,930)	297,008	(320,452)	128,241	(8,205,315)	(9,043,911)
Deferred tax	0	0	0	0	0	0	(5,977,156)	(5,977,156)
Corporate income tax	**(399,797)**	**(296,667)**	**(246,930)**	**297,008**	**(320,452)**	**128,241**	**(14,182,471)**	**(15,021,067)**
Net profit for the year	**1,704,398**	**1,264,737**	**1,052,700**	**(1,266,191)**	**1,366,136**	**(546,711)**	**60,697,926**	**64,272,996**

11.3.2 Statement of financial position by activity

(in EUR)	Natural gas distribution system operator	Natural gas supply	Heat distribution	Heat generation	Electricity supply	Municipal wastewater and run-off rainwater treatment	Other activities	Total
ASSETS								
Non-current (long-term) assets								
Intangible assets	38,135,901	0	2,871,476	2,517,851	0	5,401,878	104,766,797	153,693,903
Property, plant and equipment	3,665	0	2,975,983	693,817	0	61,514	308,922,501	312,657,480
Investment property	0	0	0	0	0	0	16,211,085	16,211,085
Investments in subsidiaries	0	0	0	0	0	0	329,225,470	329,225,470
Investments in jointly controlled entities	0	0	0	0	0	0	1,219,000	1,219,000
Investments in associates	0	0	0	0	0	0	21,726,406	21,726,406
Financial assets available for sale	0	0	0	0	0	0	1,689,491	1,689,491
Financial receivables	0	0	0	0	0	0	6,362,867	6,362,867
Operating receivables	0	0	0	0	0	0	3,239,145	3,239,145
Deferred tax assets	0	0	0	0	0	0	5,468,333	5,468,333
	38,139,566	**0**	**5,847,459**	**3,211,668**	**0**	**5,463,392**	**798,831,095**	**851,493,180**
Current assets								
Inventories	0	0	0	0	0	0	117,265,435	117,265,435
Financial receivables	0	0	0	0	0	0	15,018,789	15,018,789
Operating receivables	4,747,903	7,305,550	990,253	0	11,785,269	531,419	268,156,163	293,516,557
Financial assets at fair value through profit or loss	0	0	0	0	0	0	1,661,550	1,661,550
Prepayments and other assets	29,278	0	73,086	0	0	10,042	21,105,877	21,218,283
Cash and cash equivalents	0	0	0	0	0	0	23,651,242	23,651,242
	4,777,182	**7,305,550**	**1,063,339**	**0**	**11,785,269**	**541,461**	**446,859,055**	**472,331,856**
Total assets	**42,916,748**	**7,305,550**	**6,910,798**	**3,211,668**	**11,785,269**	**6,004,852**	**1,245,690,150**	**1,323,825,036**

EQUITY AND LIABILITIES								
Equity attributable to owners of the controlling company								
Called-up capital	13,917,266	577,501	(232,730)	1,895,208	5,942,805	0	30,140,928	52,240,977
Capital surplus	13,917,266	577,501	(232,730)	1,895,208	5,942,805	0	58,891,335	80,991,385
Legal reserves	0	0	0	0	0	0	61,749,884	61,749,884
Reserves for own shares	0	0	0	0	0	0	2,604,670	2,604,670
Own shares	0	0	0	0	0	0	(2,604,670)	(2,604,670)
Other revenue reserves	0	0	0	0	0	0	216,667,051	216,667,051
Fair value reserve	0	0	0	0	0	0	39,295,125	39,295,125
Hedging reserve	0	0	0	0	0	0	(168,787)	(168,787)
Retained earnings	(707,233)	3,756,867	2,751,350	(3,144,298)	(557,505)	(546,711)	30,584,028	32,136,498
Total equity	**27,127,299**	**4,911,869**	**2,285,890**	**646,117**	**11,328,105**	**(546,711)**	**437,159,564**	**482,912,133**
Non-current liabilities								
Provisions for employee post-employment and other long-term benefits	0	0	0	0	0	0	6,100,872	6,100,872
Other provisions	0	0	0	0	0	1,124,586	12,994,910	14,119,496
Long-term deferred revenue	0	0	0	0	0	0	6,328,758	6,328,758
Financial liabilities	14,254,398	0	3,469,232	0	0	2,296,678	286,259,747	306,280,056
Operating liabilities	0	0	0	0	0	0	923,383	923,383
	14,254,398	**0**	**3,469,232**	**0**	**0**	**3,421,265**	**312,607,670**	**333,752,565**
Current liabilities								
Financial liabilities	460,584	0	867,308	0	0	574,170	132,821,144	134,723,206
Operating liabilities	887,605	2,393,681	288,368	2,565,551	457,164	2,556,129	347,524,263	356,672,760
Corporate income tax liabilities	0	0	0	0	0	0	3,778,471	3,778,471
Other liabilities	186,862	0	0	0	0	0	11,799,039	11,985,901
	1,535,051	**2,393,681**	**1,155,676**	**2,565,551**	**457,164**	**3,130,299**	**495,922,917**	**507,160,338**
Total liabilities	**15,789,449**	**2,393,681**	**4,624,908**	**2,565,551**	**457,164**	**6,551,563**	**808,530,587**	**840,912,903**
Total equity and liabilities	**42,916,748**	**7,305,550**	**6,910,798**	**3,211,668**	**11,785,269**	**6,004,852**	**1,245,690,150**	**1,323,825,036**

11.3.3 Statement of cash flows by activity

(in EUR)	Natural gas distribution system operator	Natural gas supply	Heat distribution	Heat generation	Electricity supply	Municipal wastewater and run-off rainwater treatment	Other activities	Total
Cash flows from operating activities								
Net cash from (used in) operating activities	3,530,838	(2,040,700)	1,331,823	35,569	(265,243)	2,582,287	58,637,101	63,811,675
Cash flows from investing activities								
Net cash from (used in) investing activities	(2,455,954)	(20)	(1,646,732)	(35,569)	(150)	(220,543)	(17,266,276)	(21,625,243)
Cash flows from financing activities								
Net cash from (used in) financing activities	(1,074,885)	2,040,720	314,909	0	265,393	(2,361,744)	(30,377,305)	(31,192,913)
Increase/(decrease) in cash and cash equivalents	0	0	0	0	0	0	10,993,519	10,993,519
Changes in cash and cash equivalents								
At the beginning of the year	**0**	**0**	**0**	**0**	**0**	**0**	**12,657,723**	**12,657,723**
Cash acquired through mergers by absorption	0	0	0	0	0	0	0	0
Increase/(decrease)	0	0	0	0	0	0	10,993,519	10,993,519
At the end of the year	**0**	**0**	**0**	**0**	**0**	**0**	**23,651,242**	**23,651,242**

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