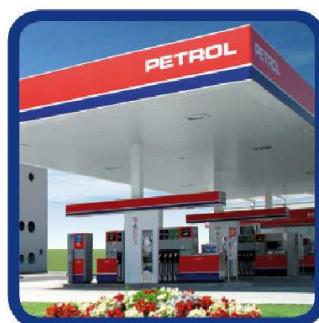


# The Petrol Group's Business Plan and Key Targets for 2019 – Summary



December 2018

**PETROL**



## INTRODUCTION

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

Energy market participants are presented with vast challenges and change. On the one hand, they have to deal with an extremely difficult systemic transition to renewable supply sources, while on the other, a considerable shift can be observed in the behaviour of end customers, who are becoming increasingly engaged. Energy consumption is predicted to decrease in the transport and manufacturing sectors and increase in the housing sector, despite the constant decline in energy consumption per unit of area brought about by efficient energy consumption actions. More people will live in urban settlements, and their choices will be an important factor shaping the energy market. Energy consumption in cities for heating and cooling purposes will thus be increasing. Technological advances will offer numerous solutions to choose from which will be increasingly affordable and more acceptable from the environmental perspective while maintaining the quality of living.

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

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

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

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

- sales in the EU market, the extremely volatility of which might keep us from reaching our sales targets,
- the impact of the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line, which foresees two new duties in order to finance the construction: a charge on transshipment in the freight port of Koper to be

- paid by the transshipment operator and an additional charge to the toll paid by the toll-paying entities, which would mean higher costs for the Petrol Group,
- proposal amending the Minimum Wage Act which redefines the minimum wage by excluding allowances (including the length of service allowance), the job performance bonus and the business performance bonus, which might bring up labour costs.

## THE PETROL GROUP'S FINANCIAL PERFORMANCE PLAN FOR 2019

The Petrol Group's **sales revenue** is planned to amount to EUR 5.6 billion in 2019. **Gross profit** is planned to total EUR 475 million.

The Petrol Group will achieve the results planned for 2019 by selling 3.3 million tons of petroleum products, 193.3 thousand tons of liquefied petroleum gas, 20.8 TWh of natural gas, through merchandise sales and related services of EUR 609.1 million and through electricity production, trading and sales.

At the end of 2019, the Petrol Group's **retail network** will consist of 515 service stations, of which 320 in Slovenia, 113 in Croatia, 40 in Bosnia and Herzegovina, 16 in Serbia, 15 in Montenegro and 11 in Kosovo. The number of service stations to be incorporated into the retail network will increase by 18 as compared to the end of 2018.

The Petrol Group's **EBITDA** is planned to amount to EUR 186.4 million in 2019, 50% of which will be generated through petroleum product sales, 20% through merchandise sales and related services, 13% through energy and environmental solutions, 9% through LPG sales, 5% through the sales of and trading in other energy products, and 3% through renewable electricity generation.

Financial stability, expressed as the net debt to equity ratio and the net debt to EBITDA ratio, shows that the Petrol Group successfully pursues its strategic orientation of bringing down financial debt. The Group's **net debt to equity** ratio is planned to stand at 0.4 in 2019, with the **net debt to EBITDA** ratio amounting to 1.8. The **financial leverage** ratio is planned at 29%.

The Petrol Group's **net profit** for 2019 is planned to amount to EUR 96.7 million.

The Petrol Group plans to **invest** EUR 101 million in **fixed assets** in 2019, in line with its strategy. In 2019 the Group's investment policy will be focused on the consolidation of the sales position in Slovenia, the boosting of sales in SE Europe markets, and on the expansion of operations in the area of energy and environmental systems. Particular attention will be given to the development of innovative business models.