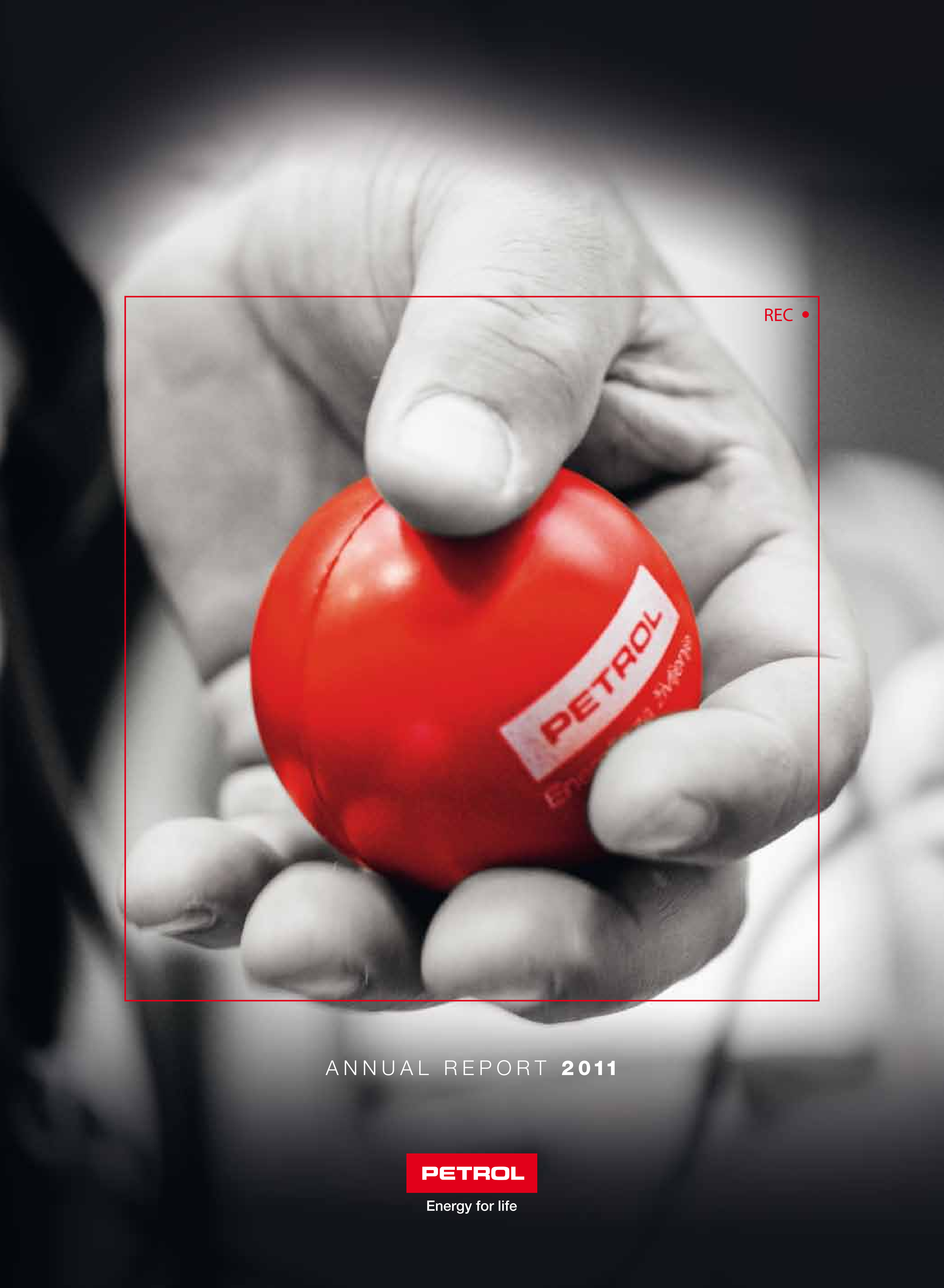


# ANNUAL REPORT 2011

PETROL

Energy for life

# 2011 ANNUAL REPORT OF THE PETROL GROUP AND PETROL D.D., LJUBLJANA

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March 2012

[A year of victorious energy]

We channel energy in the proper direction. Year after year we prove we are capable of predicting future trends and make the right offer at the right time. Day after day we power life with a wide energy range and shape the here and now wherever we are present.

In 2011 we went one step further. We pumped the noblest of our energies thus far through the veins of Slovenia – energy of the people for the people.  Under the title Give Energy to Save Lives! we carried out the largest Slovene blood donation campaign ever and once again showed we are able to push the limits, break records and time and again outdo ourselves.

But the victorious year of 2011 is only one step on the long path of our good energy.

# [Statement of the management]

Pursuant to Article 60 a of the Companies Act, members of the Management Board and Supervisory Board of Petrol d.d., Ljubljana represent that the annual report of the Petrol Group and Petrol d.d., Ljubljana for the year 2011, including the corporate governance statement, has been prepared and published in accordance with the Companies Act, Financial Instruments Market Act and International Financial Reporting Standards.

In accordance with 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, Janez Živko, Member of the Management Board, Rok Vodnik, Member of the Management Board, and Samo Gerdin, Member of the Management Board/Worker Director, declare that to their best knowledge:

- the financial report of the Petrol Group and Petrol d.d., Ljubljana for the year 2011 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 companies included in the consolidation as a whole;
- the business report of the Petrol Group and Petrol d.d., Ljubljana for the year 2011 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 companies included in the consolidation are exposed to as a whole.

Ljubljana, 12 March 2012

| Janez Živko | Rok Vodnik | Tomaž Berločnik | Samo Gerdin |
|---|---|---|---|
| Member of the Management Board | Member of the Management Board | President of the Management Board | Member of the Management Board/Worker Director |

# [Contens]


[1]

BUSINESS REPORT 2011

[Full of energy for life]

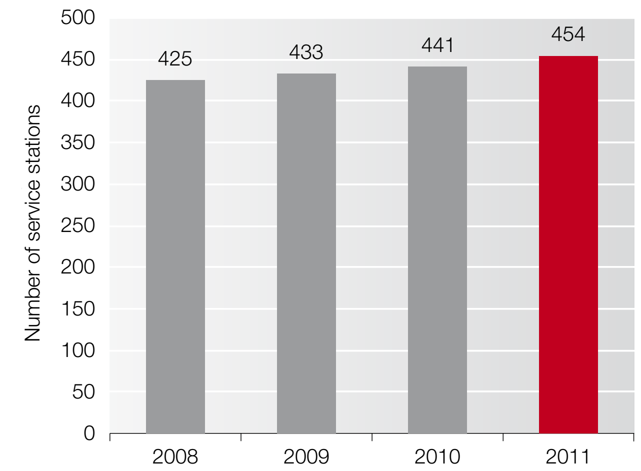
The more than 400 active blood donors among Petrol Group employees testify to the fact that we highly value empathy with other people.

# [Business highlights of 2011]

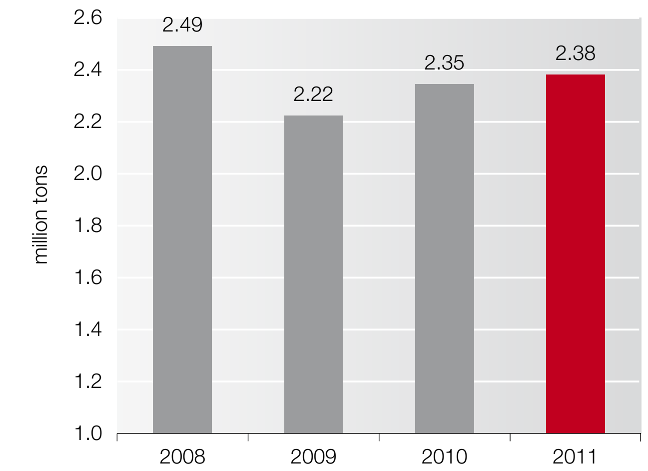
| THE PETROL GROUP | UM | Results 2011 | Results 2010 | Index 2011 / 2010 |
|---|---|---|---|---|
| Net sales revenue | EUR million | 3,270.4 | 2,802.8 | 117 |
| Gross profit | EUR million | 325.7 | 294.5 | 111 |
| Operating profit | EUR million | 81.0 | 63.0 | 129 |
| Net profit | EUR million | 52.3 | 35.5 | 148 |
| Equity | EUR million | 441.6 | 404.6 | 109 |
| Total assets | EUR million | 1,537.0 | 1,265.5 | 121 |
| EBITDA [1] | EUR million | 115.6 | 95.8 | 121 |
| EBITDA / Average fixed assets | % | 16.5 | 15.9 | 104 |
| EBITDA / Gross profit | % | 35.5 | 32.5 | 109 |
| Operating costs / Gross profit | % | 77.2 | 81.0 | 95 |
| Added value / Employee | EUR thousand | 55.6 | 51.0 | 109 |
| Net debt / Equity [2] | | 1.25 | 1.17 | 106 |
| Earnings per share [3] | EUR | 24.0 | 16.0 | 151 |
| Share price as at period end | EUR | 155 | 272 | 57 |
| Volume of petroleum products sold | million tons | 2.38 | 2.35 | 101 |
| Volume of LPG sold | thousand tons | 56.4 | 47.8 | 118 |
| Volume of natural gas sold | thousand $m^3$ | 114,062 | 104,239 | 109 |
| Electricity sold | MWh | 1,081,768 | 356,703 | 303 |
| Heat sold | MWh | 71,909 | 65,317 | 110 |
| Revenue from the sale of merchandise | EUR million | 435.9 | 416.6 | 105 |
| Investments in fixed assets | EUR million | 82.1 | 65.9 | 125 |
| Number of service stations as at period end | | 454 | 441 | 103 |
| Number of gas concessions as at period end | | 30 | 29 | 103 |
| Number of employees (including at third-party managed service stations) as at period end | | 3,897 | 3,520 | 111 |

[1] EBITDA = Operating profit + Depreciation and amortisation net of depreciation of environmental fixed assets
[2] Net debt / Equity = (Non-current and current financial liabilities – Cash and cash equivalents) / Equity
[3] 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.

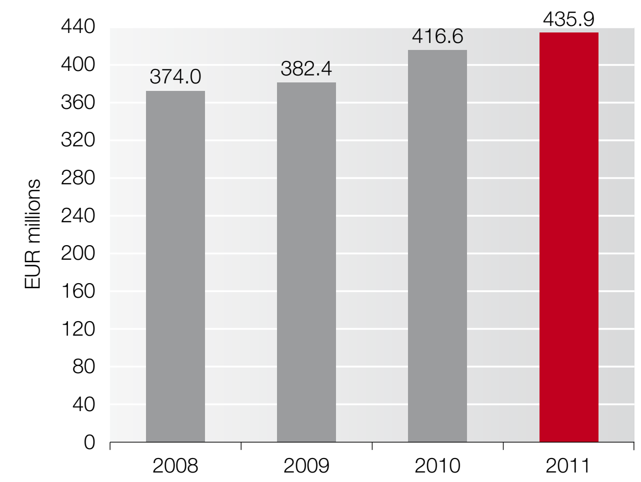
Number of service stations



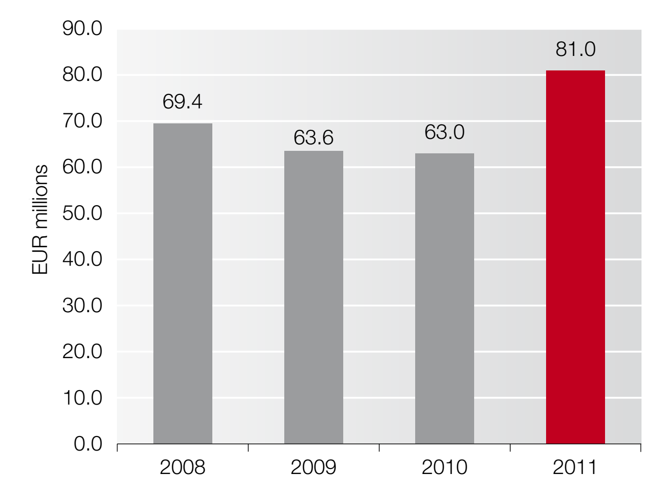

Volume of petroleum products sold



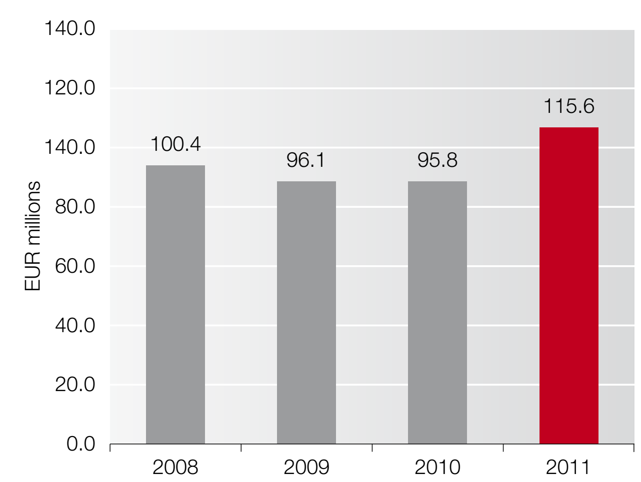

Revenue from the sale of merchandise



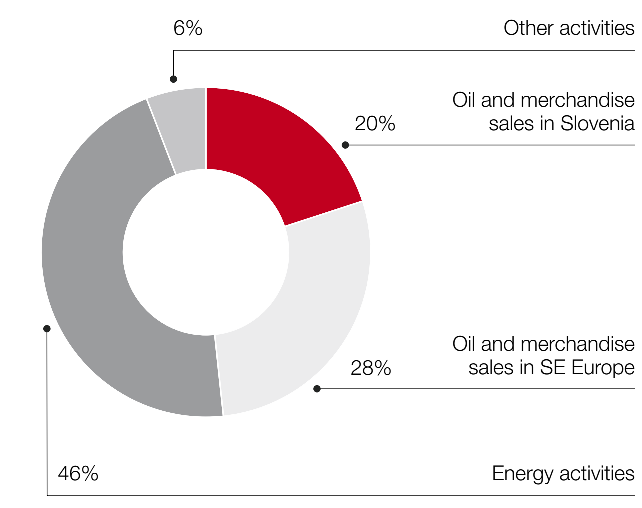

Operating profit




EBITDA




Structure of the Petrol Group's investments 2011



## [Statement of the Management Board]

Dear shareholders, business partners and co-workers,

There is no doubt that energy is one of the most demanding sectors of the economy. It is the foundation of all industries and transport. The operations of energy companies are decisively influenced by both the economic situation affecting energy product prices and the local economic situation in the environment in which a company is operating. In 2011 the prices of energy products largely increased and the economic situation in Slovenia and South-East Europe remained very difficult. In 2011 Slovenia witnessed deterioration in construction, transport and trade, namely the most important sectors for the Petrol Group. Nevertheless, last year the Petrol Group took a huge step towards becoming an energy company of the future. Good preliminary preparations are what allowed us to be able to respond to the daily requirements of the modern era and operations in tough business conditions, in turn leading to good results.

The Petrol Group is the largest business entity in Slovenia and also plays an increasingly significant role in the wider region. In 2011 its sales revenues totalled EUR 3.3 billion or 17 percent more than in 2010, and its gross profit was EUR 325.7 million, up 11 percent over 2010. Operating profit stood at EUR 81.0 million, having grown by 29 percent from 2010. In 2011 the Petrol Group's net profit amounted to EUR 52.3 million, considerably more than in 2010 when it was EUR 35.5 million.

In 2011 we pursued our commitment to a stable dividend policy, supporting the long-term maximisation of shareholder returns. A dividend of EUR 7.50 per share was paid for the 2010 business year.

The Petrol Group successfully completed the 2011 financial year, at the end of it recording a considerable expansion of business activities, the streamlining of operations and intensive investment activities.

The Petrol Group remains primarily engaged in the sale of petroleum products in all markets in the wider region. The Petrol Group sold 2.38 million tons of petroleum products in 2011 or 1 percent more than in 2010. The sale of merchandise generated EUR 436 million in revenue, exceeding the 2010 figure by 5 percent. At the end of 2010 its network comprised 13 more service stations than the previous year. We started the new year with a network of 454 service stations and a well-established wholesale network. Efficient procurement and logistics guarantee stable supply and represent Petrol's major competitive advantages.

Other energy areas are becoming increasingly important within the Petrol Group. In 2011 we sold 114.1 million m$^3$ of natural gas or 9 percent more than in 2010 and 1.1 million MWh of electricity, an increase of 203 percent relative to 2010. The sale of electricity to households and small-business customers, which started in 2010, resulted in over 15,000 electricity customers at the end of 2011. The two concessions for wood biomass district heating are operating flawlessly and also yield good results for the people living in the two municipalities involved – Ribnica and Metlika. In 2011 Petrol also pursued its strategy through takeover activities. We acquired 100 percent of IGES d.o.o. which, together with its subsidiaries, sells electricity and develops innovative solutions in the areas of sustainable energy, efficient use of energy and renewable energy sources, and we bought a 74.9-percent stake in EL-Tec Mulej d.o.o., which, together with its subsidiaries, markets top quality products and comprehensive system solutions for district energy, efficient lighting, water distribution systems and the energy management of buildings.

Also of exceptional importance for the Petrol Group is the acquisition of the remaining 51 percent holding in Instalacija d.o.o., whereby we gained a controlling influence in the company. The acquisition of Instalacija d.o.o. is an important investment that enables Petrol to increase the safe supply of petroleum products to Slovenia. Moreover, the company is an optimal supply source for Slovenia, Croatia, and part of Bosnia and Herzegovina and will allow Petrol to expand its activity to EU markets. This business decision will bring a series of synergistic effects and is a crucial component of Petrol's strategy until 2014. Efficient procurement and logistics are the key elements enabling the achievement of the strategic objectives.

Petrol was also active in Croatia and Montenegro. In Croatia, we signed an agreement to acquire the remaining 49-percent stake in Euro-Petrol d.o.o., which sells petroleum products in the Croatian market. In Montenegro we purchased the remaining 50-percent stake in Petrol - Bonus d.o.o., which sells petroleum products in the Montenegrin market.

In 2011 Petrol and its 3,897 employees selected five values that connect us and form a solid foundation for our further successful operations. These values are the basis for further improved mutual relations and even greater visibility of our company. Our employees are dedicated to their work and we thus build on their knowledge and creative energy. As part of the Family Friendly Enterprise project we invited employees and their families to the Petrol Sports Games for the second consecutive year, with the number of participating employees from abroad also growing considerably. Informal socialising helps us to consolidate the values and build loyalty to Petrol among the entire staff.

As a socially responsible company, Petrol has integrated social issues and environmental care into all aspects of its operations. It is worth mentioning the blood donation initiative called Give Energy to Save Lives, which helped raise awareness of the importance of donating blood and received the Prism Award for communication excellence. We are pleased to say that the share of blood donors among Petrol's employees is one of the highest in Slovenia. We are also proud of the athletes whose good results are recognition to us as we help them with training and competitions. We are honoured to have contributed to successful achievements in football, handball, hockey, tennis, skiing and boxing.

When developing business processes and new products and services we consistently adhere to all environmental regulations. We pay special attention to waste management by collecting, separating, temporarily storing and permanently disposing it according to the regulations and our environmental protection criteria. A particular focus is on waste that might pose a significant threat to the environment.

The business priorities we have set represent the central theme and above all the commitment of all our future activities. The main strategic development orientations of the Petrol Group involve securing growth and boosting profitability, increasing value added per employee, and continuously ensuring the sustainable development of the environments in which we operate. In order to achieve our goals, in 2012 Petrol will pay careful attention to the consolidation of new companies and activities and to the further streamlining of our commercial and support business processes.

The future is in our hands, and we believe you will be there with us on this successful journey!

Tomaž Berločnik
President of the Management Board


REC •

[2]

# OPERATIONS IN 2011

[To the stars and beyond]

Over 50 famous Slovenians helped us spread the word about the blood donation campaign to every nook and cranny of Slovenia.

# [Strategic]

## Mission

Petrol makes sure that its customers in Slovenia and SE Europe receive reliable, economical and environmentally friendly service by offering them a full range of energy and environmental products and services. Thanks to Petrol's diversified network of service stations, drivers are offered everything they need for a safe and comfortable journey. Businesses and local communities are offered a comprehensive energy supply, while households are provided with all the energy they need for their home – at their home.

## Vision

Petrol's vision is to become a leader in quality and the development of comprehensive energy supply and the convenience model for service stations in SE Europe with an above-average customer-satisfaction rate.

## Values

- **Respect:** Respecting fellow human beings and the environment.
- **Trust:** Building partnerships through fairness.
- **Excellence:** Aiming to be the best at what we do.
- **Creativity:** Making progress through ideas.
- **Courage:** Working 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 employees, we adhere to the fundamental legal and moral standards of the Slovene society and the more general European standards, and we protect the environment.

## Strategic business plan 2010-2014

The strategic business plan 2010–2014 is a fundamental corporate document defining the mission, vision, values, goals and strategies on which the business future of the Petrol Group in this period is based.

The Petrol Group will pursue its mission in the following core areas of business:
1. Oil and merchandise sales in Slovenia;
2. Oil and merchandise sales in SE Europe;
3. Energy activity, comprising the sale and distribution of natural and liquefied petroleum gas, heat and electricity, and energy and environmental solutions.

The Petrol Group will operate in the markets of Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and Kosovo, and also in the neighbouring EU countries (Austria, Italy, Hungary etc).

**Main strategic orientations of the Petrol Group's development:**
1. Ensuring growth
2. Increasing operating profitability and boosting added value per employee

Through a well considered investment policy we will secure a greater return on assets and focus on ensuring the Group's financial stability. Our operations are geared at quality and business excellence.

**The strategic goals of the Petrol Group by 2014 are as follows:**
- Net sales revenue of EUR 3.5 billion (average annual growth rate of 8 percent);
- EBITDA of EUR 167 million (average annual growth rate of 15 percent);
- Net profit of EUR 73.1 million (average annual growth rate of 14 percent);
- Added value per employee of EUR 57 thousand (average annual growth rate of 4 percent);
- Return on equity (ROE) up to 13 percent;
- Return on invested capital (ROIC) up to 10 percent;
- Investments in fixed assets in the period 2010-2014 of EUR 428 million;
- 2.8 million tons of petroleum products sold (average annual growth rate of 6 percent);


- Natural gas sales of 148 million $m^3$ (average annual growth rate of 10 percent);
- Electricity sales of 2,150 million kWh;
- Revenue from the sale of merchandise of EUR 503 million (average annual growth rate of 6 percent); and
- 570 service stations as at period end (average annual growth rate of 7 percent).

By achieving the goals set we will strengthen the long-term financial stability of the Petrol Group. 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. A stable dividend policy will ensure a balanced dividend yield to shareholders and the distribution of free cash flow for financing the investment plans of the Petrol Group. This will ensure the long-term growth and development of the Petrol Group and the maximisation of value for the owners.

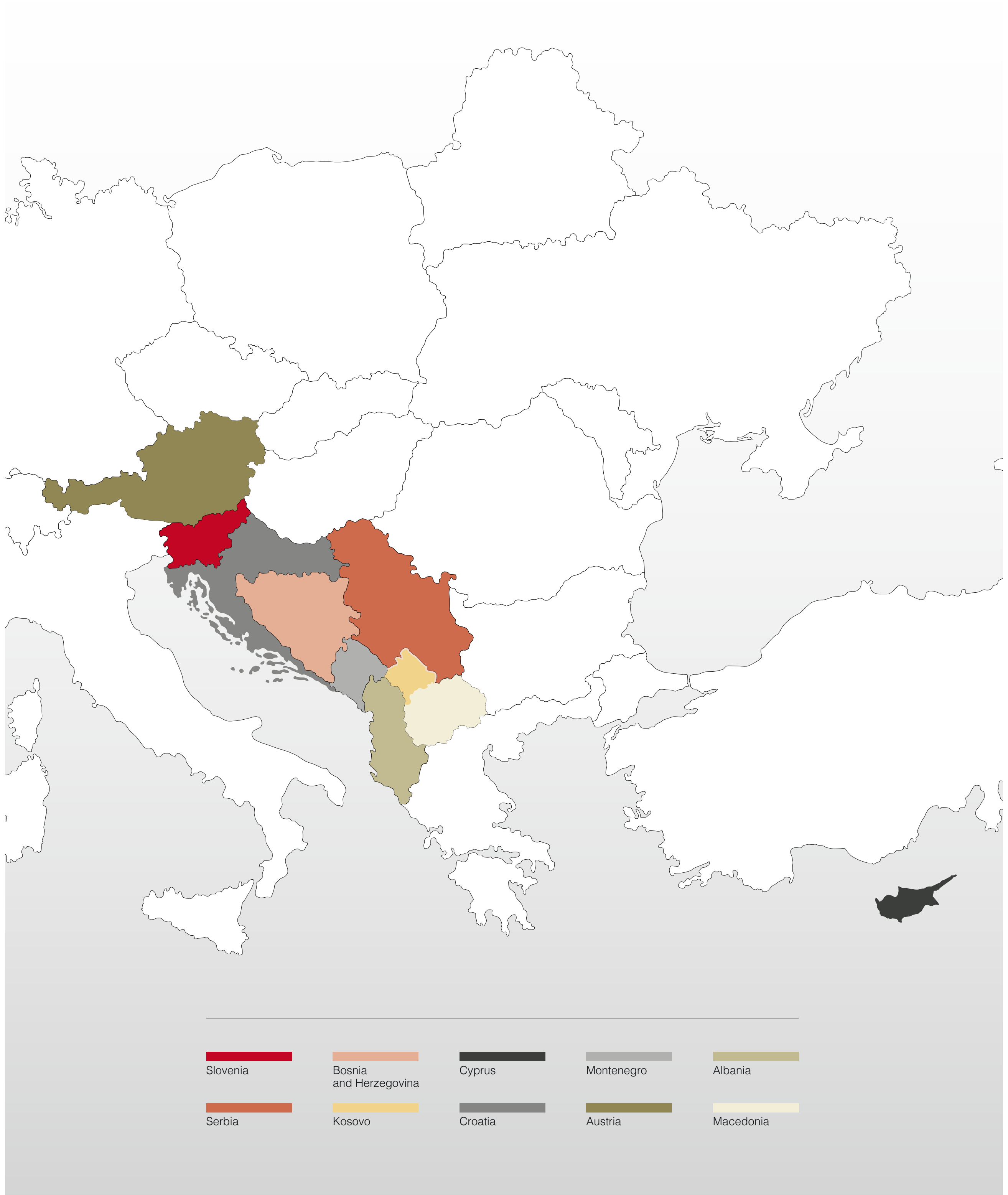
## Plan for 2012

Operations of the Petrol Group are subject to diverse and often interdependent factors, most important of which are changes of oil market prices, changes in the US dollar exchange rate and overall global economic conditions. In addition, the business environment in the countries where Petrol operates is affected by measures taken by governments to regulate prices and the energy market as well as by the overall economic situation (economic growth, price growth rates, increase in consumption and production, etc). Despite the difficult economic situation observed since 2008, the Petrol Group's business performance still continues to improve.

Main business goals of the Petrol Group in 2012:
- Net sales revenue of EUR 3.77 billion;
- Net profit of EUR 57 million;
- 2.45 million tons of petroleum products sold;
- Revenue from the sale of merchandise of EUR 470.3 million;
- Retail network comprised of 465 service stations;
- 30 gas supply concessions; and
- 6 district heating concessions.

To be able to achieve these goals, particular attention will be given to the consolidation of new companies and business activities as well as to further streamlining of commercial and support business processes.

# [Where does the Petrol group operate?]








# [The management and governance system]

## Corporate governance of Petrol d.d., Ljubljana – legal compliance and the corporate governance system

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 1 January 2011 to 31 December 2011, the Company was subject to the Corporate Governance Code as jointly drawn up and adopted by the Ljubljana Stock Exchange, the Slovene Directors' Association and the Managers' Association of Slovenia. The Code in its revised wording was adopted on 8 December 2009 and entered into force on 1 January 2010. It is available both in Slovene and English from the website of the Ljubljana Stock exchange http://www.ljse.si/.

The Company did not adopt a corporate governance code of its own. It is managed in accordance with the Companies Act and within the framework of the above Code. In compliance with the Code's recommendations, the Supervisory Board and the Management Board jointly drew up and, at the Supervisory Board meeting of 23 November 2010, adopted the Corporate Governance Policy of Petrol d.d., Ljubljana, which was published via the Ljubljana Stock Exchange information system – SEOnet (http://seonet.ljse.si/default_en.aspx?doc=PUBLIC_ANNOUNCEMENTS_BY_PRIME_MARKET_ISSUERS&doc_id=43359) on 28 December 2010 and can also be downloaded in Slovene and in English from the Company's website www.petrol.si.

### Declaration of compliance with the Code

The Company respects the above Code when conducting its operations. Its guiding principles as well as implemented recommendations and deviations from the Code are listed and explained below.

- The Articles of Association do not lay down objectives other than maximising shareholder value, but such objectives may be specified as part of changes, if any, to the Company's fundamental legal act.
- Independence statements of Supervisory Board members will not be published on the Company's website, in accordance with a Supervisory Board decision.
- Due to a high degree of data confidentiality, the use of information technology to convene meetings and distribute Supervisory Board documents is not yet possible, but 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 the documents.
- The Supervisory Board did not lay down the terms of office for the committees (they are composed of Supervisory Board members, except for an external member of the audit committee). The terms of office of committee members who are also Supervisory Board members end when their post of Supervisory Board member expires or when they are relieved of their duties.
- As of 1 January 2012, and as laid down in their employment contracts, legal representatives of the Company are entitled to severance payments that may exceed the fixed portion of their annual remuneration when relieved of their duties on business grounds (no-fault dismissal).
- The Company does not disclose in its annual report the positions held by Management Board members and Supervisory Board members in the management and supervisory bodies of unrelated companies because the members concerned notify the Supervisory Board of any potential breaches of competition prohibition or instances of dependence.
- The Company has not drawn up an internal act or rules that would lay down additional rules on trading limitations in addition to legal provisions and regulations. Nevertheless, any person having access to internal information signs a special statement to keep internal information confidential. In accordance with the requirements of the Securities Market Agency, the Company keeps a list of persons with access to internal information.
- The Company discloses only gross remuneration of individual Management Board and Supervisory Board members, as required by law, but not their net remuneration.

The Company will continue to conform to the recommendations of the Corporate Governance Code. Should it become evident that the Company is not able to observe a recommendation laid down in the Code, the Management Board and the Supervisory Board will prepare a justified explanation. It should be emphasised in particular that since the end of the accounting period and until the publication of this statement, no changes or deviations occurred other than those mentioned above. This announcement is permanently posted on the Company's website: www.petrol.si.

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

The company Petrol d.d., Ljubljana applies as appropriate the COSO model[1] of risk management and the internal control system in connection with the financial reporting process. Three objectives are pursued in establishing the internal control system:

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

The Company's Management Board aims to establish a control system that is on the one hand the most efficient as regards the prevention of undesired events and on the other hand acceptable in terms of cost.

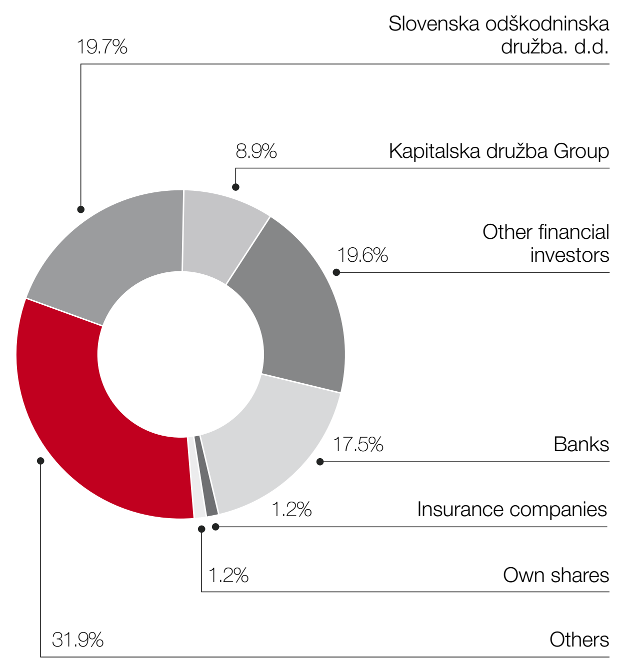
The Company's Management Board is aware that every internal control system, regardless of how well it functions, has restrictions and cannot fully prevent errors or frauds. But it must be configured so that it flags them as soon as possible and provides management with suitable assurance about the achievement of objectives. Given the general limitations of control systems and with a view of achieving the above objectives, the relevance of separate business risks is evaluated every two years, taking into account the changed circumstances of the external and internal environment in which the Petrol Group operates, and based thereon the need for setting up new or different controls is examined and the efficiency of the existing internal control system is checked. Such a system enables us to focus on important risks and to assess and control them on a continuous basis. The Risk Management chapter of this business report presents the risk management and control mechanisms in greater detail and in connection with the relevance of a specific type of risk.

In our opinion, the existing internal control system of the company Petrol d.d., Ljubljana and the Petrol Group provided, in 2011, for efficient and successful achievement of business objectives, operation in compliance with legal provisions, and fair and transparent reporting in all key aspects.

## 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:

Share capital structure of Petrol d.d., Ljubljana as at 31 December 2011




### 3.1. Structure of the Company's share capital

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

1 The author of the risk management model for companies, known as the COSO model, is the Committee of Sponsoring Organizations of the Treadway Commission. Its application is recommended by all relevant international institutions and standards. Risk management and the control system are set up to measure risks by considering individual activities and regional organisation of a company in conjunction.



### 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), we provide the following information as at 31 December 2011:

- Slovenska odškodninska družba, d.d., held 412,009 shares of Petrol d.d., Ljubljana, representing 19.75 percent of the issuer's share capital,
- Kapitalska družba, d.d., held 172,639 shares of Petrol d.d., Ljubljana, representing 8.27 percent of the issuer's share capital, and
- Nova Ljubljanska banka d.d. held 126,365 shares of Petrol d.d., Ljubljana, representing 6.06 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 that could result in the restriction 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:**
  Members of the Management Board are appointed by the Supervisory Board for a term of five years with the possibility of reappointment. Members of the Supervisory Board appoint members of the Management Board with due care and in a responsible manner. The Supervisory Board first specifies criteria for the selection of candidates and then determines candidates who meet the criteria. Provided that appropriate and suitable candidates are found, the Supervisory Board appoints the members of the Management Board at a session convened for such purpose, but may decide to carry out an internal or public call for applications before doing so. If the Supervisory Board decides to issue a call for applications, a committee may be established which carries out a call for applications and determines candidates suitable to become members of the Management Board. In 2009 the Supervisory Board established the Human Resources and Management Board Evaluation Committee, which may also carry out eventual calls for application. The Supervisory Board reappoints the Management Board within one year before the expiry of the term, but it usually does so 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, forms an opinion concerning a recall of a Management Board member. 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 may appoint its members as temporary Management Board members to replace the 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 longer than one year. The Supervisory Board

The largest shareholders of Petrol d.d., Ljubljana as at 31 December 2011

| | Shareholder | Address | Shares owned | Holding in % |
|---|---|---|---|---|
| 1 | Slovenska odškodninska družba, d.d. | Mala ulica 5, 1000 Ljubljana | 412,009 | 19.75% |
| 2 | Kapitalska družba, d.d. | Dunajska cesta 119, 1000 Ljubljana | 172,639 | 8.27% |
| 3 | NLB d.d. | Trg republike 2, 1000 Ljubljana | 126,365 | 6.06% |
| 4 | Istrabenz d.d. | Cesta Zore Perello-Godina 2, 6000 Koper | 84,490 | 4.05% |
| 5 | GB d.d., Kranj | Bleiweisova cesta 1, 4000 Kranj | 84,299 | 4.04% |
| 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 | NFD 1, Delniški podsklad | Trdinova 4, 1000 Ljubljana | 59,583 | 2.86% |
| 9 | Hypo Bank d.d. | Dunajska cesta 117, 1000 Ljubljana | 43,500 | 2.09% |
| 10 | Nova KBM d.d. | Ulica Vita Kraigherja 4, 2000 Maribor | 42,985 | 2.06% |

is required to immediately notify the Management Board that does not fully fulfil the tasks falling under its mandate of its findings and opinions and to determine the shortest deadline possible to eliminate the shortcomings determined. 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 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 are elected 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 is adopted with a three-quarters majority of votes present at a 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.

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

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

The powers of Management Board members are specified later in this chapter. The Management Board does not have particular powers concerning the issue or purchase of own shares.

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

The Company is not aware of such agreements.

### 3.11. Agreements between the Company and the members of its management and supervisory bodies or employees 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 receive it in the event of a recall and termination of their employment contract without cause.

## 4. Information on the workings of the General Meeting

In accordance with applicable legislation, specifically the Companies Act, the General Meeting is a body through which the 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 the General Meeting one month before the meeting by announcing the call in the Official Gazette of the Republic of Slovenia and via the Ljubljana Stock Exchange information system SEOnet. In the announcement regarding the convening 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 19 May 2011, 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 2010. They deliberated and adopted a resolution regarding the distribution of accumulated profit and the granting of a discharge from liability to the Management Board and Supervisory Board for the year 2010, a resolution regarding the appointment of an auditor to audit the Company's financial report and review its business report for 2011, a resolution regarding amendments to the Articles of Association resulting in the abolishment of the post of Vice-President of the Management Board, abolishment of joint representation, changes to the quorum requirements and conditions for decision-making and selection of members of the Management Board (type of a mandatary system) and changes to the Supervisory Board members' remuneration system, and a resolution determining the amount of remuneration for duties performed by the Supervisory Board members.

## 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 legal provisions, 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. It represents and acts on behalf of the Company. According to the Articles of Association, the Management Board is comprised of its 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 is determined by a resolution adopted by the Supervisory Board at the proposal of the Management Board president. One of Management Board members is always a worker director, who only participates in decisions relating to human resources and social policy issues and does not have the power to represent the Company. In 2011 there were several changes in the number of Management Board members (the Board had six members until 10 January 2011, five members from 10 January to 1 February 2011, again six members from 1 February to 15 September 2011, five members from 15 September to 14 October 2011, and four members from 14 October until the end of the year). In the period concerned, the Management Board discussed issues falling within its competence at fifty-seven 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. Activities concerning the Supervisory Board were carried out in accordance with chapter 4 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 Petrol Group's representative trade unions.

Members of the Management Board are elected for a five-year term of office and may be re-elected. Except for the worker director, who does not have the power to represent the Company, Management Board president and other members represent the Company in an independent and individual capacity.

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

### Members of the Management Board of Petrol d.d., Ljubljana in 2011

**Tomaž Berločnik, President of the Management Board**
Appointed for a five-year term of office beginning on 1 February 2011.

Born in 1968, he holds a bachelor degree in engineering and a master's degree in business administration. Fields of responsibility:
- human resources,
- capital investments,
- general administration and legal affairs,
- procurement of petroleum products,
- logistics.

**Rok Vodnik[2], Member of the Management Board**
Appointed for a five-year term of office beginning on 30 August 2009.

Born in 1970, he holds a master's degree in business administration. Fields of responsibility:
- sales,
- marketing,
- energy,
- procurement of merchandise.

**Janez Živko, Member of the Management Board**
Appointed for a five-year term of office beginning on 30 August 2009.

Born in 1973, he holds a master's degree in business administration. Fields of responsibility:
- finance,
- accounting,
- controlling,
- IT.

**Samo Gerdin**, Member of the Management Board/Worker Director (participates in decisions relating to human resources and social policy issues). On 24 November 2010, he was appointed by the Supervisory Board as a worker director for a five-year term of office. Born in 1969, he has a bachelor's degree in chemical technology.

Aleksander Svetelšek was president of the Management Board of Petrol d.d., Ljubljana until 10 January 2011, Roman Dobnikar was member of the Management Board of Petrol d.d., Ljubljana until 15 September 2011, Mariča Lah was member of the Management Board of Petrol d.d., Ljubljana until 14 October 2011.

[2] Appointed as president of the Management Board for the period 10 January 2011 to 1 February 2011.

**Responsibilities and composition of the Supervisory Board**

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

The only change in the Supervisory Board composition in 2011 took place as a result of Žiga Debeljak resigning from its position on 22 August 2011 due to a potential conflict of interests. The Supervisory Board was composed of eight members thereafter and until the end of the year.

The Supervisory Board had the following committees in 2011:
1. Audit Committee;
2. Human Resources and Management Board Evaluation Committee.

**Members of the Supervisory Board of Petrol d.d., Ljubljana in 2011**

**Tomaž Kuntarič,**
President of the Supervisory Board, shareholder representative

President of the Management Board of Slovenska odškodninska družba, d.d. Appointed for a four-year term of office at the 18th General Meeting held on 7 April 2009.

**Bruno Korelič,**
Deputy President of the Supervisory Board, shareholder representative

Appointed for a four-year term of office at the 18th General Meeting held on 7 April 2009.

**Dari Južna,**
Member of the Supervisory Board, shareholder representative

Chairman of the Board of the brokerage company Perspektiva d.d., director of Vizija holding, k.d.d., Vizija holding Ena, k.d.d. and Perspektiva FT, d.o.o. Appointed for a four-year term of office at the 18th General Meeting held on 7 April 2009. His term of office began on 16 July 2009.

**Irena Prijović,**
Member of the Supervisory Board, shareholder representative

Secretary General of the Slovene Directors' Association. Appointed as an alternate member at the 20th General Meeting held on 6 May 2010 for the remaining term of office of Tomaž Berločnik.

**Urban Golob,**
Member of the Supervisory Board, shareholder representative

Deputy Chairman of the Management Board of Kremen d.d. Appointed for a four-year term of office at the 18th General Meeting held on 7 April 2009.

**Žiga Debeljak,**
Member of the Supervisory Board, shareholder representative

President of the Management Board of Poslovni sistem Mercator, d.d. Appointed for a four-year term of office at the 18th General Meeting held on 7 April 2009. Resigned on 22 August 2011.

**Boštjan Trstenjak,**
Member of the Supervisory Board, employee representative

Petrol d.d., Ljubljana, Operations Control. Appointed at the 25th Workers' Council meeting of 6 December 2010 to replace Samo Gerdin for the term of office ending on 22 February 2013.

**Franc Premrn,**
Member of the Supervisory Board, employee representative

Petrol d.d., Ljubljana, Wholesale. Appointed for a four-year term of office at the 4th Workers' Council meeting of 16 February 2009. His term of office began on 22 February 2009.

**Andrej Tomplak,**
Member of the Supervisory Board, employee representative

Petrol Maloprodaja Slovenija d.o.o. Appointed for a four-year term of office at the 4th Workers' Council meeting of 16 February 2009. His term of office began on 22 February 2009.



# [Analysis of operating performance]

In 2011 the business environment was still influenced by the financial crisis and economic downturn. Particularly affected were the economic trends in the construction industry, trade and transport, where major buyers of petroleum products and other energy products operate. Illiquidity and financial indiscipline worsened. The Petrol Group considered the expected effect of the deteriorated economic conditions already when drafting the 2011 operating plan. Moreover, our risk management system enables us to react quickly to events in the business environment.

To mitigate the adverse effects of the financial crisis and economic downturn, the following activities were undertaken in 2011:
- the amount of current operating assets was optimised, keeping the stocks of petroleum products 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 us to keep ensuring the liquidity of the Petrol Group without interruption;
- receivables and credit exposure to customers were subjected to tighter control.

The price of crude oil and exposure to foreign exchange risks have a significant effect on the operations of the Petrol Group. The petroleum product pricing model enables the trends in global petroleum product prices and exchange rates to be passed on to domestic sales prices. The exposure of the Petrol Group to price and foreign exchange risks is thus considerably reduced.

In 2011 the Petrol Group generated EUR 3,270.4 million in net sales revenue, up 17 percent from 2010, thanks to both greater sales volume and higher petroleum product prices.

Gross profit from sales stood at EUR 325.7 million, which was 11 percent more than in 2010. Compared with the year 2010, the following influenced the amount of gross profit in 2011:
- an increase of 8 percent in the volume of motor fuels sold (petrol and diesel fuel),
- an increase of 5 percent in revenue from the sale of merchandise,
- an increase of 18 percent in the volume of liquefied petroleum gas sold,
- an increase of 9 percent in the volume of natural gas sold,

- an increase of 10 percent in the volume of heat sold,
- a decrease of 14 percent in the volume of extra light heating oil sold.

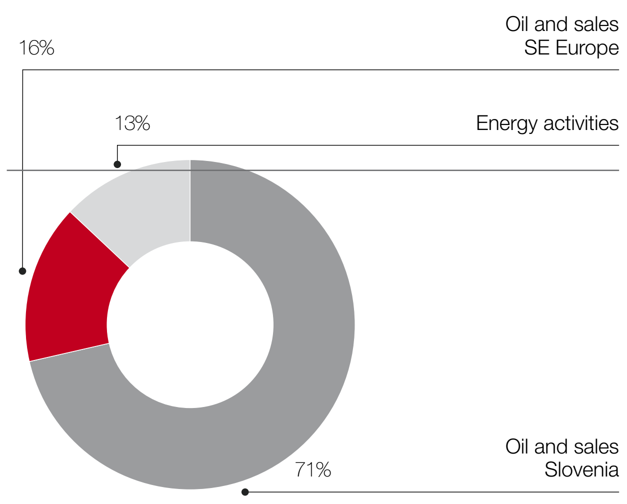
The Petrol Group's operating expenses totalled EUR 251.3 million in 2011, up 5 percent from 2010, mainly due to the expansion of its operations.

Compared to 2010, the costs of materials rose by 27 percent, chiefly because of higher energy and consumables costs. The increase was mainly related to the integration of the IGES Group into the Petrol Group (in July 2011) and higher costs incurred by Petrol Energetika d.o.o. as a result of higher natural gas prices and grid charges. This was, however, accompanied by a rise in sales revenue. The costs of services stood at EUR 117.3 million, having grown by 2 percent over 2010. The highest item among the costs of services was the fees charged by service station managers, which equalled EUR 31.2 million and increased by 2 percent compared to the year before, predominantly on account of pay rises stipulated by law. The second highest item among the costs of services was transport costs, which amounted to EUR 28.6 million and were roughly the same as in 2010. The costs of fixed asset maintenance services decreased in the period concerned, as did, thanks to streamlining, the costs of fairs, advertising and entertainment. Compared with the previous year, the costs of payment transactions and banking services increased dramatically, chiefly as a result of higher loan approval fees, bank guarantee costs and petroleum product prices. In the case of the costs of payment transactions this effectively cancelled out the cuts in banking fees as the fees are determined as a percentage of retail prices. Owing to higher sales at motorway service stations and the opening of a new motorway service station at the end of 2010, the contributions paid to DARS (Motorway Company of the Republic of Slovenia) in connection with operations at motorway service areas grew by 6 percent. An increase was also noted in insurance costs, mainly due to receivables insurance. The integration of new companies into the Petrol Group gave rise to an increase in outsourcing costs. Depreciation and amortisation costs exceeded the 2010 figure by 5 percent, primarily owing to new service stations and expanded operations. Labour costs were 4 percent higher than the year before, for the most part because of expanded operations and pay rises stipulated by law. Other costs decreased compared to 2010, especially as a result of a decline in write-offs of property, plant and equipment.

The year-on-year rise in sales revenue and gross profit was higher than the rise in costs, demonstrating the effectiveness of our business decisions. This is further confirmed by the increase in operating profit before other operating revenues/expenses[3], which stood at EUR 76.0 million in 2011, up 32 percent from 2010. The profitability of operations[4] in the relevant period was 1.30, which means that added value exceeded operating costs by 30 percent. In 2010 the respective figure was 1.24.

Operating profit totalled EUR 81.0 million in 2011, which was 29 percent more than in 2010. EBITDA[5] totalled EUR 115.6 million or 21 percent more than in 2010. In 2011 the Petrol Group's added value per employee equalled EUR 55.6 thousand or 9 percent more than the year before.

## EBITDA of the Petrol Group by business activity




The share of profit from equity accounted investees increased relative to the previous year, mainly thanks to higher attributable profit from the company Geoplin and profit generated by the company GEN-I, a new jointly controlled entity of the Petrol Group.

The Petrol Group's net finance expenses totalled EUR 36.9 million in 2011. Compared with the previous year, net interest expense and foreign exchange losses both increased. At the end of 2011, investments were subjected to reassessment and based thereon impaired by EUR 28.7 million. This was considerably more than in 2010, mainly due to the impairment of the investment in Istrabenz d.d. The EUR 42 million adjustment of the existing holding to fair value is the result of increasing the holding in the companies Instalacija d.o.o. and Petrol Bonus d.o.o. Previously jointly controlled entities, the companies became subsidiaries once the controlling influence was acquired. The Group adjusted the existing holding to fair value, generating finance income. In 2011 the Petrol Group continued to make allowances for receivables in line with the accounting policy.

Profit before tax amounted to EUR 54.7 million. Net profit for the year equalled EUR 52.3 million, which was significantly higher than in 2010 (EUR 35.5 million).

Total assets of the Petrol Group as at the last day of 2011 equalled EUR 1,537.0 million, which was 21 percent more than at the end of 2010.

The most important items among long-term assets are property, plant and equipment, totalling EUR 601.7 million, and long-term investments in jointly controlled entities and associates, which amount to EUR 137.4 million.

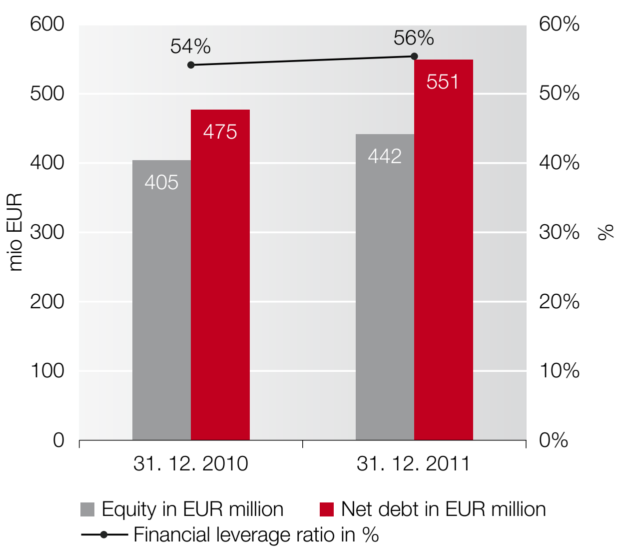
The management of current assets, which account for 36 percent of the Petrol Group's total assets, is given particular attention. The amount of current assets affects the amount of borrowing from suppliers and banking institutions. With short-term credit ensured both at home and abroad, however, we are able to quickly respond to changes in current assets. Operating receivables increased in nominal terms as at the last day of 2011 compared to the end of 2010, with the value of inventories decreasing year-on-year. The reason for the increase in receivables was a steep rise in petroleum product prices and in the EUR/USD exchange rate. The value of inventories decreased thanks to an active inventory management policy.

The increase in receivables notwithstanding, the Petrol Group in 2011 succeeded in reducing the tying-up period of funds by 1 day compared to 2010. As at the last day of the period concerned, the Petrol Group had EUR 80.9 million in working capital[6], down EUR 11.2 million from 2010.

All of the above affected the amount and volume of cash flows. In 2011 net cash from operating activities totalled EUR 91.0 million or EUR 27.6 million less than in 2010. 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[7] to equity ratio (D/E ratio) was 1.25 as at the last day of 2011, whereas at the end of 2010 it had stood at 1.17. The decline in the ratio was chiefly the result of investment activities giving rise to important acquisitions. The debts of acquired companies also resulted in a higher debt ratio for the Petrol Group. The financial leverage ratio[8] stood at 56 percent at 2011 year end, up from 54 percent at the end of 2010.

## Equity, net debt and financial leverage ratio




The financial position of the Petrol Group remains strong despite considerably deteriorated operating conditions, specifically increasing illiquidity and over-indebtedness of companies in Slovenia and abroad and the resulting weaker position of Petrol's customers. Through active daily cash flow planning and monitoring of its customers' operations, Petrol remains highly liquid and meets the criteria of the financial profession regarding short- and long-term solvency.

A shareholder policy that is based on a 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 as it also fits best the Company's long-term development needs.

[3] Operating profit before other operating revenues/expenses = Gross profit from sales – Operating costs excluding depreciation of environment fixed assets
[4] Profitability of operations = Gross profit/Operating costs excluding depreciation of environment fixed assets
[5] EBITDA = Operating profit + Depreciation and amortisation net of depreciation of environmental fixed assets

[6] Working capital = Operating receivables + Inventories – Current operating liabilities net of liabilities arising from the acquisition of Instalacija d.o.o. and El-tec Mulej d.o.o.
[7] Net financial liabilities = Current and non-current financial liabilities less cash and cash equivalents.
[8] Financial leverage = (Financial liabilities – Cash and cash equivalents) / (Equity + Financial liabilities – Cash and cash equivalents).

# [Events after the end of the accounting period]

There were no events after the end of the accounting period that would affect the disclosed results or have a material impact on operations in 2012.

# [Petrol's shares]

In 2011 Petrol's shares were again one of the most traded among those listed on the Ljubljana stock exchange.

No major changes took place at the Ljubljana Stock Exchange (LJSE) in 2011. The SBI TOP index remains LJSE's leading index, providing information on changes in the prices of the most highly capitalised and liquid shares traded on the regulated market. Similarly to the previous year, 2011 was not a particularly successful year for investors at the Ljubljana Stock Exchange. At the end of 2011, share prices were on average lower than at the end of 2010. This was also reflected in the SBI TOP index, which fell 30.7 percent relative to the end of 2010.

Petrol's shares are traded on the prime market, and have been listed on the stock exchange since 5 May 1997. In 2011 the volume of trading in Petrol's shares at the stock exchange amounted to EUR 27.3 million, up 50.4 percent from 2010. In the previous year, the shares were again one of the most traded among those listed on the Ljubljana Stock Exchange.

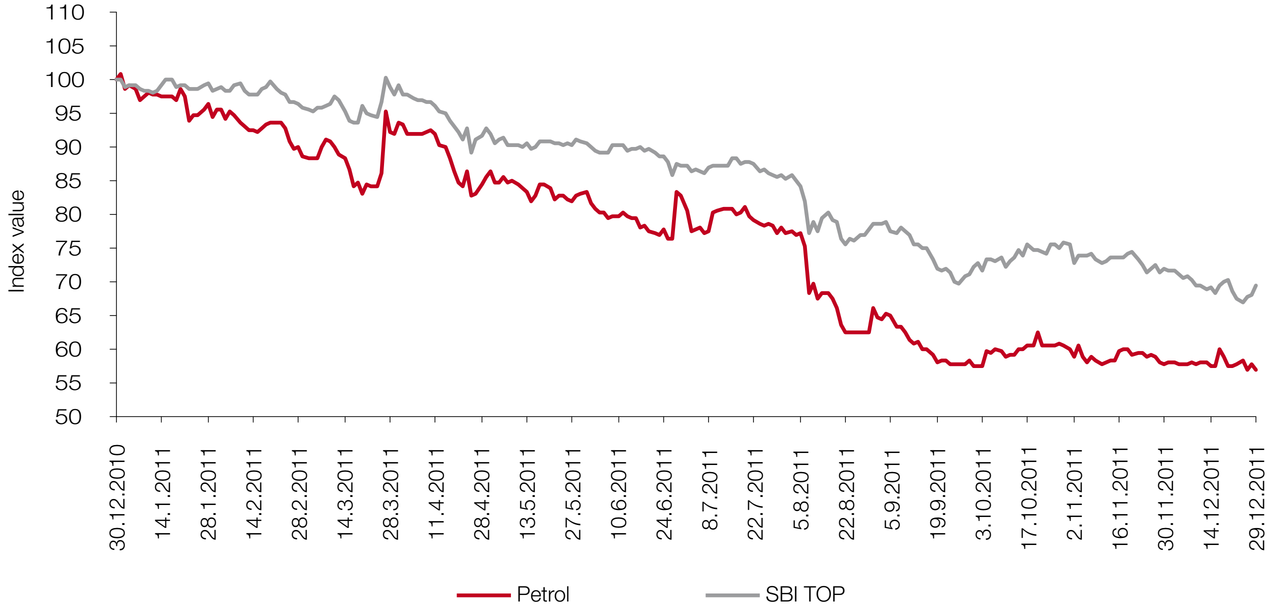
Petrol's shares generally followed the same trend as the SBI TOP index in 2011, although they slightly underperformed the index.

Between 1 January and 31 December 2011, the share price dropped 43.4 percent, although it almost doubled in value since the listing. The average price of Petrol's shares, which stood at EUR 207.13 in 2011, decreased 24.1 percent year-on-year. The share price ranged between EUR 155.10 and EUR 274.00 in the period concerned.

## Trading volume and market capitalisation

The volume of trading on the stock market amounted to EUR 27.3 million in 2011, up 50.4 percent from 2010. The trading in Petrol's shares accounted for 5.8 percent of the LJSE total trading volume and 6.9 percent of the share trading volume, exceeding the previous year's figures in both cases.

Changes in Petrol's closing share price base index against the SBI TOP index in 2011 compared with the end of 2010



Petrol's share prices in the period 2010 - 2011 in EUR

| | 2011 | 2010 |
|---|---|---|
| Shares outstanding | 2,086,301 | 2,086,301 |
| High | 274.00 | 329.64 |
| Low | 155.10 | 236.00 |
| Average price for the current year | 207.13 | 272.81 |
| Price as at last trading day of the current year | 155.10 | 272.00 |
| Price increase/decrease in the period 01/01-31/12/2011 | -43.39% | -14.60% |

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 2.3 million. Although the shares were traded at considerably lower prices, the volume of trading increased in 2011 both in terms of transaction and share numbers.

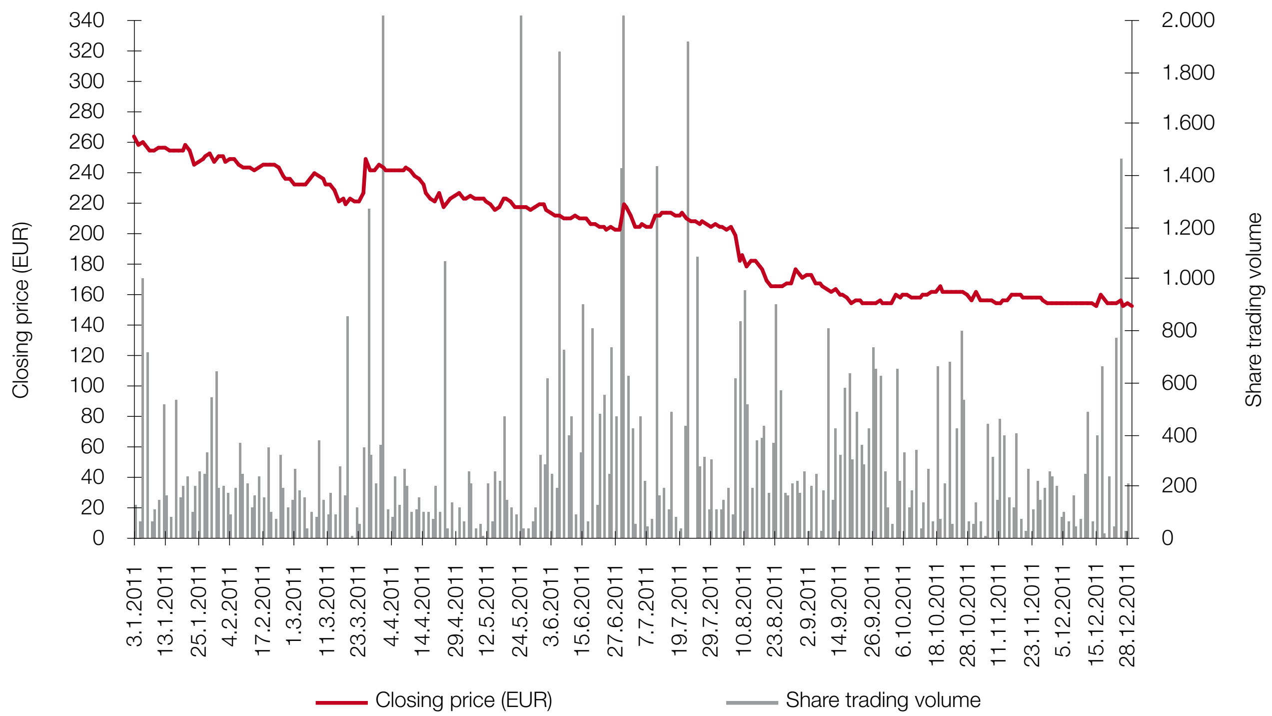
The market capitalisation of Petrol d.d., Ljubljana as at the last trading day of 2011 totalled EUR 324 million, which accounted for 6.7 percent of the stock market's total capitalisation. Petrol d.d., Ljubljana was ranked fourth in terms of market capitalisation as at the last day of 2011, with its shares accounting for 22 percent of the SBI TOP index.

## Key financial indicators and Petrol's shares

Earnings per share (EPS) for the year stood at EUR 5.63 and cash earnings per share (CEPS) at EUR 16.27. The return per share calculated using the share price as at the end of 2011 and the share price as at the end of 2010 stood at -43 percent. Combined with the dividend yield of 2.8 percent, the total return per share stood at minus 40.2 percent in 2011.

The ratio between the shares' market price and book value as at the end of 2011 – the latter amounting to EUR 183 – was 0.8 (P/BV), which was less than at the end of 2010. The ratio between the shares' market price as at the end of 2011 and earnings per share stood at 27.5 (P/E).

Closing price and the volume of trading in Petrol's share in 2011






## Share capital structure

The share capital structure of Petrol d.d., Ljubljana did not change significantly in 2011 compared with the end of the previous year. With 412,009 shares, Slovenska odškodninska družba is still the largest single shareholder, followed by Kapitalska družba d.d. with 172,639 shares and NLB d.d. with 126,365 shares. Other large single shareholders include Istrabenz d.d., GB d.d., Kranj, Vizija Holding k.d.d., Vizija holding ena k.d.d., NFD 1 delniški podsklad, Hypo bank d.d. and Nova KBM d.d.

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

At year-end, 63,758 shares or 3.1 percent of all shares were held by foreign legal or natural persons. The number of foreign shareholders increased by 0.5 percentage points in 2011, while the total number of shareholders decreased from 38,697 as at the end of 2010 to 37,253.

## Other explanations provided by Petrol d.d., Ljubljana

The prospectus of the company Petrol d.d., Ljubljana, which has been prepared for the purpose of listing the shares on the stock exchange, is published on the Company's website. All amendments have been published in the Company's strategy document, annual report of Petrol d.d., Ljubljana and public announcements that are available at the Company's website (www.petrol.si) and at the website of the Ljubljana Stock Exchange (seonet.ljse.si).

## Authorised capital

At the 20th General Meeting of Petrol d.d., Ljubljana of 6 May 2010 a resolution on the proposed amendment to the Articles of Association was adopted which authorises the Management Board to increase, with the approval of the Supervisory Board and without an additional resolution of the General Meeting, the share capital of the Company within five years of the entry of this amendment in the Register of Companies up to the amount of one half of the share capital as at the date of the adoption of this resolution, which totals EUR 26,120,488.52 in nominal terms, by issuing new shares as consideration (authorised capital).

## Contingent increase in called-up capital

The General Meeting of Petrol d.d., Ljubljana did not adopt any resolutions in 2011 regarding the contingent increase in called-up capital.

Shares owned by Supervisory Board and Management Board members as at 31 December 2011

| Name and Surname | Position | Shares owned | Equity share |
|---|---|---|---|
| Supervisory Board | | 135 | 0.01% |
| Internal members | | 135 | 0.01% |
| 1. Boštjan Trstenjak | Supervisory Board member | 0 | 0.0000% |
| 2. Franc Premrn | Supervisory Board member | 135 | 0.0065% |
| 3. Andrej Tomplak | Supervisory Board member | 0 | 0.0000% |
| External members | | 0 | 0.00% |
| 1. Tomaž Kuntarič | Supervisory Board president | 0 | 0.0000% |
| 2. Bruno Korelič | Supervisory Board deputy president | 0 | 0.0000% |
| 3. Irena Prijović | Supervisory Board member | 0 | 0.0000% |
| 4. Urban Golob | Supervisory Board member | 0 | 0.0000% |
| 5. Dari Južna * | Supervisory Board member | 0 | 0.0000% |
| Management Board | | 260 | 0.01% |
| 1. Tomaž Berločnik | Management Board president | 0 | 0.0000% |
| 2. Janez Živko | Management Board member | 40 | 0.0019% |
| 3. Rok Vodnik | Management Board member | 220 | 0.0105% |
| 4. Samo Gerdin | Management Board member/worker director | 0 | 0.0000% |

* The number of shares owned together with related entities as at 31 December 2011 totals 194,266, accounting for 9.31 percent of equity.

Overview of dividend payments 2006 - 2010

| Period | Total dividends in accordance with General Meeting resolution | Gross dividend per share |
|---|---|---|
| 2006 | EUR 11,474,655.50 | EUR 5.50 |
| 2007 | EUR 12,309,175.90 | EUR 5.90 |
| 2008 | EUR 12,309,175.90 | EUR 5.90 |
| 2009 | EUR 12,309,175.90 | EUR 5.90 |
| 2010 | EUR 15,647,257.50 | EUR 7.50 |

## Reserves for own shares

Petrol d.d., Ljubljana did not repurchase its own shares in 2011. On the last day of 2011, the Company held 24,703 own shares, representing 1.2 percent of its registered share capital. The total book value of own shares equalled EUR 2.6 million as at 31 December 2011 and was EUR 1.2 million lower than their market value on the said date.

Own shares were purchased between 1997 and 1999. In total, 36,142 shares were acquired during this period. The Company may acquire own shares only for the purposes laid down in Article 247 of the Companies Act (ZGD-1) and as remuneration to the Management Board and the Supervisory Board. Own shares are used in accordance with the Company's Articles of Association.

## A dividend policy maximising long-term returns

A shareholder policy that is based on a long-term maximisation of returns for shareholders is one of the cornerstones of Petrol's development strategy. Petrol's management advocates a stable long-term dividend payout. This fits best 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 21st General Meeting of 19 May 2011, the gross payment of 2010 dividends amounted to EUR 7.50 per share.

## Accumulated profit

Other revenue reserves and retained earnings of Petrol d.d., Ljubljana as at 31 December 2011 stood at EUR 124.91 million and EUR 5.80 million respectively. The amount allocated to accumulated profit consisted of the total amount of retained earnings (EUR 5.80 million) and EUR 12.21 million from other revenue reserves. The 2011 accumulated profit thus totalled EUR 18.01 million.

## Regular participation at investors' conferences and availability of information

Petrol d.d., Ljubljana continues to pursue its 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 that are organised each year by the Ljubljana Stock Exchange, Vienna Stock Exchange and various banks. In 2011 it attended six important international investors' conferences. It took part in both Slovene Capital Market Day events in Ljubljana that were organised by the Ljubljana Stock Exchange and its partners in April and December. It also attended the investors' conference in Zuers, Austria, an event organised by Raiffeisen Centrobank. In June and September, Petrol participated in two online road shows of Slovene prime market companies, which were organised by the Ljubljana Stock Exchange and technically supported by Thomson Reuters. In October, the Company was invited to the investors' day event in Zagreb which was organised by Intercapital Securities Ltd, an investment firm. In addition to the above, several individual meetings were held with domestic and foreign investors throughout the year.

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 investitorji.informacije@petrol.si.



# [Business risks]


## Business risk management

All companies deal with business uncertainty, which is even more acute in the time of a global economic crisis. At the Petrol Group we realise this, which is why we have integrated our business risk management policy into the process of strategic business planning and operational decision-making.

Using risk management to reduce adverse impacts on operations.

The Petrol Group uses a comprehensive business risk management system to continuously monitor the risks in its business environment, making sure that the Company's key risks are identified, assessed and controlled in due time. Business risk management is integrated into the entire organisational structure and all levels of the business process. The Group regularly monitors exposure to various types of risk and carries out activities to contain them. Through efficient responses we are able to successfully manage, reduce or even avoid individual business risks.

In 2011 the Petrol Group's business risks were reassessed in order to examine the efficiency of the existing risk management system and assess potential threats to future operations.

## Events in 2011 affecting business risks and their management

In 2011 the deteriorated economic conditions had a powerful influence on business in general, but also on business risk management within the Petrol Group. Therefore we focused even more on the management of financial risks and the containment of credit, liquidity and interest rate risks. We monitored our customers' solvency and, consequently, the balance of operating receivables. Liquidity and short-term solvency of the Petrol Group companies was ensured through the central management and reconciliation of current cash flows and by entering into agreements with banks to increase credit lines.

The supply of long-term financial sources both in Slovenia and on foreign financial markets decreased significantly in 2011 and its price shot up. We were nevertheless able to obtain more than EUR 130 million in long-term loans and successfully completed a new bond issue worth EUR 33 million, replacing a portion of short-term financial sources with long-term sources. Despite difficult conditions, the financial position of the Petrol Group remains stable.

In the second half of 2010, Petrol d.d., Ljubljana began supplying electricity to end customers, i.e. households and small businesses. At the end of 2011, the Company became the sole owner of IGES d.o.o. The Group thus gained a more prominent role in electricity production, sale, distribution and trading. We estimate that electricity-related risks were appropriately hedged in 2011, considering the volume of this business, but with electricity and the related risks becoming increasingly important for the Petrol Group, they will be given even more attention in 2012.

Considering all the measures taken within the Petrol Group in connection with financial risk management, we can safely say that we are successfully adapting to changes in capital and financial markets.

## Petrol's business risk model with most relevant and probable risks

Due to changed economic conditions at home and abroad, the Petrol Group reassessed its business risks in 2011. Twenty risk categories grouped, as appropriate, under environment risks and performance risks were assessed as part of the assessment exercise.

In 2011 the Business Risk Management Committee discussed a report on business risks prepared in connection with the 2010 annual report, updated the Petrol Group Business Risk Management Rules as well as discussed and carried out a reassessment of the Petrol Group's business risks. For the purpose of the reassessment, two workshops were carried out for the Petrol Group business risk assessors.

The assessment was performed the same way as in 2008 and an existing assessment methodology was used. For the first time, the assessment was also performed according to individual markets in which the Petrol Group operates. Business risks were assessed according to two criteria: probability (frequency of a risk) and relevance (potential damage to operations). As in 2008, the risks were assessed in 2011 based on a 5-level scale of relevance and probability.

According to the results of the 2011 business risk assessment, the most relevant and probable business risks comprise the following financial risks: price, credit, foreign exchange, liquidity and interest rate risks. To control and manage those 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 financial risks, the most relevant and probable risks include commercial risks, financial environment risks, business and financial decision-making risks, economic environment risks, strategic decision-making risks, and  legislation and regulation risks. In comparison with the previous assessment, practically all risks were on average assessed as lower in 2011 in terms of probability and relevance, meaning that assessors deemed on average that the probability and relevance of individual business risks were lower than in 2008.

The end result of the 2011 business risk assessment was an inventory of risks, i.e. a risk category catalogue showing the most relevant and probable risks. The existing insurance system, specifically the transfer of certain business risks onto an insurance company, was also analysed. Further, activities and recommendations for systematic risk management and control were defined.

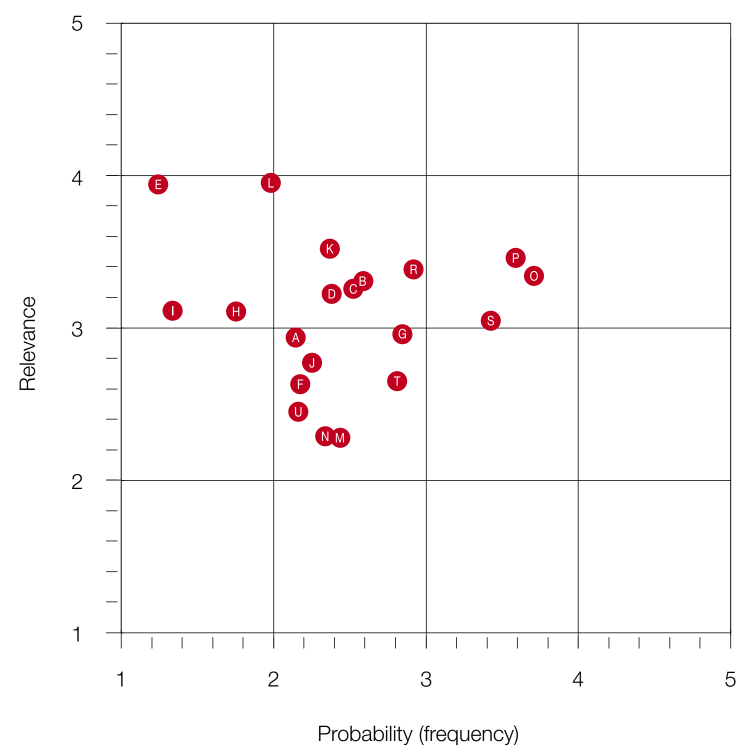
The chart above shows the distribution of individual business risks according to the latest assessment.

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

Business risk categories within the Petrol Group

| | | |
|---|---|---|
| I. Environment risks | | |
| I.1. Political risks | I.3. Economic environment risks | I.5. Disaster risks |
| I.2. Financial environment risks | I.4. Legislation and regulation risks | |
| II. Performance risks | | |
| II.1. Operating risks | II.2. Management and decision-making risks | II.5. Financial risks |
| II.1.1. Human resources management risks | II.2.1. Management risks | II.5.1. Price risks |
| II.1.2. Commercial risks | II.2.2. Business and financial decision-making risks | II.5.2. Credit risks (counterparty risks) |
| II.1.3. Safety and protection risks | II.2.3. Strategic decision-making risks | II.5.3. Liquidity risks |
| II.1.4. Risks of discontinued operations | II.3. Information risks | II.5.4. Foreign exchange risks |
| | II.4. Risks of fraud and other illegal activities | II.5.5. Interest rate risks |
| | | II.5.6. Financial instruments risks |

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




**A** Political risks
**B** Financial instruments risks
**C** Economic environment risks
**D** Legislation and regulation risks
**E** Disaster risks
**F** Human resources management risks
**G** Commercial risks
**H** Safety and protection risks
**I** Risks of discontinued operations
**J** Management risks
**K** Business and financial decision-making risks
**L** Strategic decision-making risks
**M** Information risks
**N** Risks of fraud and other illegal activities
**O** Price risks
**P** Credit risks
**R** Liquidity risks
**S** Foreign exchange risks
**T** Interest rate risks
**U** Financial environment risks

Probability (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 50,001 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.

## Management of individual risk categories in 2011

## I. Environment risks

The Petrol Group hedges against external environment risks by systematically monitoring developments in the business environment and responding to them in a timely manner. The most relevant and probable business risks included in the group of external environment risks comprise financial and economic environment risks, and legislation and regulation risks. Although relevant, disaster risks, which also belong to this group, have a lower probability (frequency). Political risks were assessed as relatively low-relevance and low-probability risks and as such classified into the bottom quadrant.

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

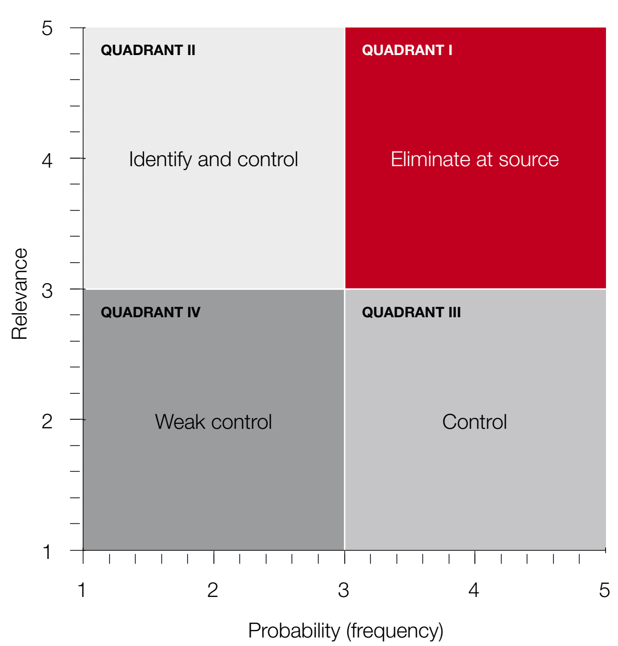
The economic environment risks are managed by constantly monitoring competitors and analysing operations of electricity, oil and gas companies, as well as by means of market surveys, benchmark analyses, customer satisfaction measurement, etc.

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

## II. Performance risks

Performance risks include operating risks, management and decision-making risks, information risks, risks of fraud and other illegal activities, and financial risks.

Schematic diagram of business risks management within the Petrol Group and control methods




### II.1. Operating risks

Operating risks are a category of risks which includes human resources management risks, commercial risks, safety and protection risks, and risks of discontinued operations. According to the latest assessment, safety and protection risks are the most relevant and probable of those risks.

The safety and protection risks comprise the fire risk, the environmental pollution risk, the occupational safety risk and the property protection risk. The Petrol Group protects itself against these types of business risks by proactively monitoring applicable legislation and cooperating with various institutions. Also, it has prepared risks assessments, action proposals, instructions for dealing with various situations and employee training, and selected high-quality and proven providers of security services. Liability insurance (for environmental disasters, employer's liability) as well as insurance against fire and other risks have also been concluded.

### II.2. Management and decision-making risks

Management and decision-making risks are closely connected with operating risks. They comprise management risks, business and financial decision-making risks, and strategic decision-making risks.

The business and financial decision-making risks are managed by implementing organisational rules and by regularly monitoring operations and reporting to various stakeholders. The management risks, on the other hand, are controlled through a regular measurement of the organisational climate in the entire Petrol Group and the annual interview system. The strategic decision-making risks are reduced by means of a clear strategy and control over its implementation, as well as by organising annual conferences.

### II.3. Information risks

According to the latest assessment, information risks are one of the least probable (frequent) and least relevant risks, but are by no means negligible. The management of risks related to ICT adequacy and security therefore represents a vital and ongoing activity in this field. Timely and complete provision of information about new business processes, products and services to all departments concerned is also important.

### II.4. Risks of fraud and other illegal activities

The management of the risks of fraud and other illegal activities also requires constant supervision and control despite their low probability (frequency) and relevance.

### II.5. Financial risks

Financial risks feature most prominently among the business risks. The most relevant and probable financial risks include price

Key foreign exchange rates in 2011

| Per 1 euro | As at 31/12/2010 | As at 31/12/2011 | Change in % (2011/2010) | Low in 2011 | High in 2011 | Average for 2011 |
|---|---|---|---|---|---|---|
| USD | 1.328 | 1.2939 | -3% | 1.2916 | 1.4826 | 1.392 |
| HRK | 7.3855 | 7.537 | 2% | 7.3266 | 7.5341 | 7.439 |
| RSD | 107.47 | 103.63 | -4% | 96.707 | 106.29 | 101.91 |

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

### Price and foreign exchange risks

The Petrol Group 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) when pursuing its core line of business. The petroleum product pricing model enables the changes in global petroleum product prices and exchange rates to be passed on to domestic selling prices. The exposure of the Petrol Group to price and foreign exchange risks is thus considerably reduced.

As regards supplying electricity to end customers, the controlling company managed price and quantity risks in an appropriate manner by matching the terms of sale applying to customers with suppliers' terms of procurement.

The controlling company supervises and offers advice on hedging against foreign exchange risks also at the level of subsidiaries. This mainly concerns the risks arising from changes in the EUR/HRK exchange rate in Croatia and the EUR/RSD exchange rate in Serbia. During the summer, the EUR/HRK exchange rate did not follow the usual seasonal trends. As the market expectations that the EUR/HRK exchange rate will appreciate towards the end of the summer did not materialise, no forward contracts to hedge against movements in the EUR/HRK exchange rate were concluded. The Group used to be exposed to changes in the EUR/RSD exchange rate because of a long-term EUR-denominated loan taken out by a Serbian subsidiary. During the summer, however, the loan was repaid ahead of schedule, meaning the Group is no longer exposed to foreign exchange risks in Serbia which could affect the cash flow.

Transactions with derivatives are entered into only to hedge against price and foreign exchange risks and not for reasons of speculative nature.

### Credit risks

At the beginning of 2011, we revamped our operating receivables management system. We have thus updated the instructions on the management of receivables from legal entities, we stepped up the collection of receivables, we are quicker to discontinue sales on open account to defaulting customers and we accelerated the use of legal remedies to collect receivables. Particular attention is given to an individual treatment of major customers. Also, we have tightened even more the conditions for approving the amount of exposure (limit) to individual buyers and broadened the range of first-class credit insurance instruments (mortgages, pledges, bank guarantees, insurance with SID – Prva kreditna zavarovalnica d.d. Ljubljana, collaterals, corporate guarantees and securities). Although some receivables are secured by promissory notes and bills of exchange, these are not considered first-class credit insurance.

In 2011 significant attention was devoted to the collection of receivables from construction companies in Slovenia and the collection of receivables in SE Europe markets where the solvency of the business sector is even worse than in Slovenia. Receivables are systematically monitored by age, region and organisational unit as well as by quality and individual customer. To monitor receivables, we use a joint computer-based receivables management application which provides us with automated control over the exposure to individual customers and the possibility to respond immediately.

The credit risk was also the most significant risk to which the controlling company was exposed in connection with electricity sales to natural and legal entities in 2011, but was successfully managed using the above measures.

Despite the general weakening of the financial strength of our customers due to liquidity problems, decreased production and a drop in exports, we estimate that credit risks are successfully managed within the Petrol Group. Our estimate is based on the nature of our products, our market share, our large customer base and the big range of credit insurance instruments.

### Liquidity risks

The financial crisis in the Slovene and global financial market resulted in a substantially increased vigilance of the banking sector when it comes to financing individuals and companies. Also, due to stricter requirements of the Basel Committee on Banking Supervision, all banks have problems meeting the capital requirements because they have insufficient capital compared to the amount of loans they have made. Considering that increasing the amount of capital is a demanding task, the banks first try to limit their lending exposure to individual clients.

Despite the above, we managed to secure for the Petrol Group sufficient short-term funds in 2011, which provided us with good-quality short-term financing. But the fact remains that an increase in petroleum product prices requires a higher amount of short-term financing. This, however, is being successfully ensured for the time being. In view of the forecasts of further increases in oil prices in the coming period and the resulting increase in the Group's needs for short-term financing, we are constantly actively working with existing banking partners to increase our credit lines and also looking for new banking partners.

Considerable attention was dedicated also to cash flow management, especially as regards the planning of cash inflows from lay away sales, because a large number of our customers have problems financing their operations due to a general increase in the number of defaults and a decrease in sales.

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 increase the amount of its equity capital. In December 2011, the Company issued a new batch of ordinary registered bonds, thus obtaining new long-term loans.

### Interest rate risks

The Petrol Group regularly monitors its exposure to the interest rate risk. The controlling company's long-term loans contain a variable interest rate which is linked to EURIBOR. The average EURIBOR rate was higher in 2011 than at the end of 2010, but was still relatively low. The Petrol Group's overall borrowing interest rate as at 31 December 2011 was also higher than at the end of 2010.

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. Exposure to the interest rate risk is hedged up to the amount of half of the Petrol Group's 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 on the basis of market conditions. In 2011 the extent of interest rate hedging increased relative to the end of 2010.

## Internal audit

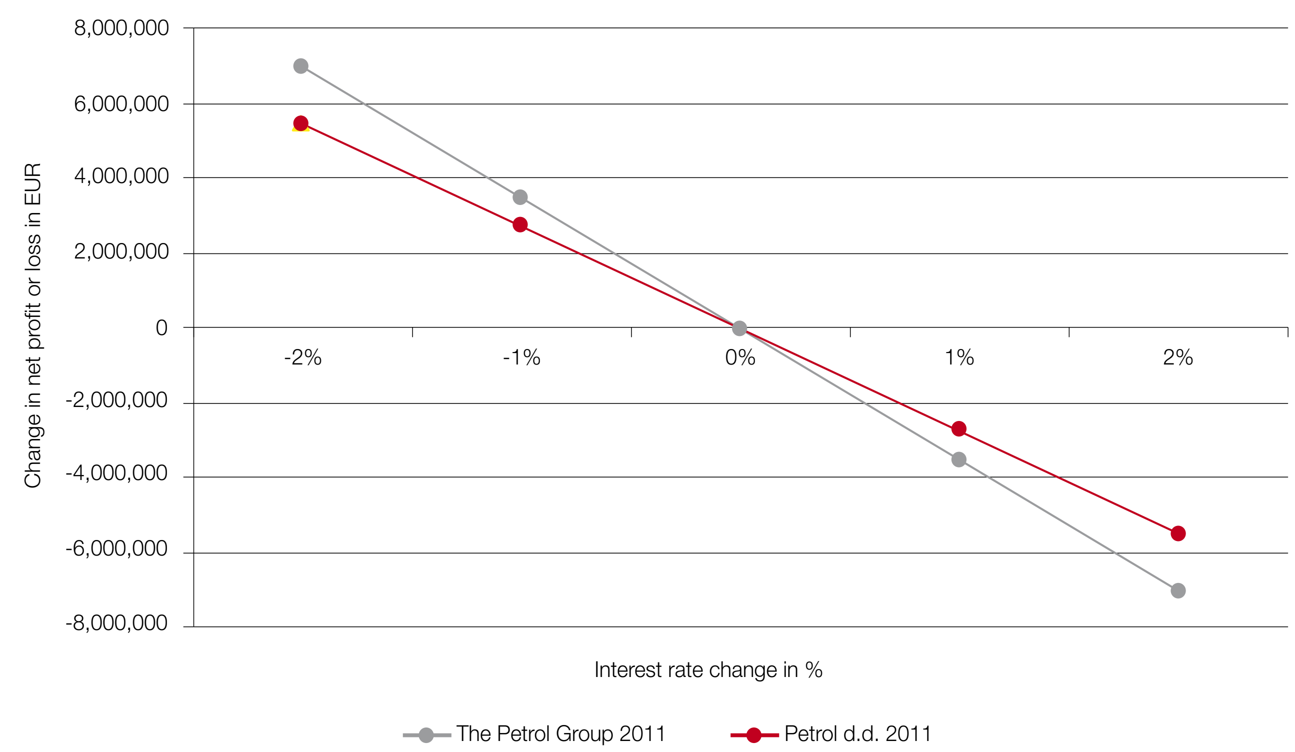
Organisationally, Internal Audit has operated within the controlling company as an independent and autonomous support function since 2002. It is responsible directly to the president of the Management Board and operates across the Petrol Group. The purpose of Internal Audit is to give objective assurance and advice to the Management Board and to management at all levels as regards property protection, improvement of quality and efficiency of the Petrol Group's operations, thus helping the Company achieve its strategic and business goals based on best practices. Internal Audit operates in accordance with the Charter and Rules Governing the Work of Internal Audit and the principles of independence, professional competence, objectivity and ethical principles as the fundamental principles of the auditing profession.

Internal Audit's annual work programmes are approved by the Management Board and the Supervisory Board's Audit Committee. Internal Audit provides regular reports on its work to the Management Board and at least quarterly reports to the Supervisory Board's Audit Committee. The Audit Committee received reports on all audits, findings and recommendations for improving supervisory controls and risk management within the Petrol Group, and quarterly reports on the work of Internal Audit and implementation of recommendations.

EURIBOR rates in 2011

| | As at 31/12/2010 | As at 31/12/2011 | Change in % (2011/2010) | Low in 2011 | High in 2011 | Average for 2011 |
|---|---|---|---|---|---|---|
| 6-month EURIBOR | 1.227% | 1.617% | 32% | 1.222% | 1.831% | 1.638% |
| 3-month EURIBOR | 1.006% | 1.356% | 35% | 0.995% | 1.615% | 1.393% |
| 1-month EURIBOR | 0.78% | 1.02% | 30% | 0.752% | 1.470% | 1.179% |

The effect of changing interest rates on net profit or loss




In 2011 Internal Audit carried out certain procedures to improve the quality of work:

- 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;
- based on the risk reassessment, it updated its 2011 work programme and prepared a work programme for 2012;
- it laid down procedures to measure the efficiency of internal audits;
- it updated its Charter and Rules as well as its working and reporting methods to bring them into line with the new International Standards for the Professional Practice of Internal Auditing effective from 1 January 2011.

Internal Audit performed 13 audits in 2011, of which three were extraordinary audits. All audits were carried out using the System Based Auditing approach to verify the integrity of financial reporting, compliance with legislation and internal rules, implementation of the Petrol Group's strategy and process effectiveness. The audits were substantively focused mainly on verifying the efficiency of financial risk management (credit risk management in the first place) and on operations of subsidiary companies in SE Europe.

In addition to performing regular and extraordinary audits, Internal Audit in 2011 regularly monitored the implementation of recommendations from the previous and current years and, in agreement with the Management Board, carried out five advisory tasks and took part in six Company projects and in Petrol Group risk management training for executive and management staff of the Petrol Group.

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 who mainly control the monitoring of goods and finance aspects of service station and storage facility operations.


[3]

# ENERGY ACTIVITIES

[Good energy is contagious]

The good energy of the Give Energy to Save Lives! blood donation campaign has brought the general public together and encouraged many individuals and groups to offer us assistance.

# [Oil and merchandise sales]

## Key impacts on operations

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

### Pricing of petroleum products

**Slovenia**

In Slovenia, fuel prices were set in accordance with the Regulation on the Price Methodology for Petroleum Products which was in force from 9 October 2010 to 9 October 2011. In the regulation in question, the model-based margin for government-regulated petroleum products was set at a fixed amount (EUR 0.08363 for a litre of petrol, EUR 0.07841 for a litre of diesel fuel and EUR 0.05162 for a litre of extra light heating oil).

In Slovenia, gross margins for petroleum products, which are, under the model, set at a fixed amount and do not reflect changes in retail prices, are still below European average. In the case of petrol, they amounted to 83 percent of the average gross margin in EU countries, in the case of diesel fuel to 70 percent and in the case of extra light heating oil to no more than 53 percent.

Since 9 October 2011, the prices have been set in accordance with a new regulation on the price methodology for petroleum products, which shall remain in force for one year. In the regulation, the model-based margin for government-regulated petroleum products is set at a fixed amount (EUR 0.08530 for a litre of petrol, EUR 0.07998 for a litre of diesel fuel and EUR 0.05265 for a litre of extra light heating oil). When compared to the previous regulation, the margin increased by 2 percent. In the case of petrol, it amounts to 81 percent of the average gross margin in EU countries, in the case of diesel fuel to 71 percent and in the case of extra light heating oil to still no more than 55 percent.

**Croatia**

Similar to Slovenia, the prices of petroleum products, i.e. petrol, diesel fuel and extra light heating oil, are government-regulated also in Croatia.

Between 16 April 2010 and 31 March 2011, the prices were set in accordance with the Petroleum Product Pricing Rules ("Pravilnik o utvrđivanju cijena naftnih derivata"). Retail prices of petroleum products changed fortnightly according to the prescribed methodology, provided that pre-duty prices increased or decreased by more than 2 percent, but the change in the existing retail price could not exceed 3 percent.

The gross margin was fixed at HRK 0.6 (EUR 0.080) for a litre of diesel fuel or petrol and HRK 0.4 (EUR 0.050) for a litre of extra light heating oil. In addition, retailers were allowed to include the costs of primary storage and handling into the margin, meaning the effective gross margin stood at HRK 0.764 (EUR 0.104) for a litre of petrol, HRK 0.775 (EUR 0.106) for a litre of diesel fuel and HRK 0.513 (EUR 0.078) for a litre of extra light heating oil.

Since 31 March 2011, the prices have been set in accordance with new Rules for Determining Maximum Retail Prices of Petroleum Products ("Pravilnikom o utvrđivanju najviših maloprodajnih cijena naftnih derivata"). Retail prices of petroleum products change fortnightly according to the prescribed methodology, but the change in the retail price relative to the previous period may not exceed 3 percent.

The gross margin is fixed at HRK 0.76 (EUR 0.103) for a litre of diesel or petrol and HRK 0.58 (EUR 0.078) for a litre of extra light heating oil. The prescribed methodology for setting maximum permitted retail prices of fuel is similar to the methodology in place in Slovenia. Also, the adjustment of prices is subject to changes in prices in the oil market and changes in the exchange rate of the US dollar against the national currency. The retail price includes a premium set each year by the Croatian government to encourage biofuel production. In 2011 this premium stood at HRK 0.04 (EUR 0.005) per litre of fuel, but was changed to HRK 0.05 (EUR 0.006) effective 1 January 2012. Retail prices may also be lower than the maximum price permitted. At motorway service areas and at certain service stations on the coast, however, they may exceed the model-based prices.

**Bosnia and Herzegovina**

In Bosnia and Herzegovina, the prices of petroleum prices are not government-regulated and are set freely in accordance with market conditions. The prices change weekly. In the Federation of Bosnia and Herzegovina, retailers notify the Federal Ministry of Commerce of new retail prices a day in advance, whereas in the Republic of Srpska changes in prices need not be notified in advance. Despite the free setting of prices, retail fuel prices do not vary significantly between service stations, but they are lower in the Republic of Srpska where lower procurement prices can be achieved thanks to its supply sources. In addition, there is increasingly more unfair competition which, as a result of dumping, poor fuel quality and fraud related to the quantity of the fuel dispensed, has an appreciably detrimental impact on Petrol's market position.

**Serbia**

Since the new 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 in accordance with market conditions.

**Montenegro**

In Montenegro, the prices of petroleum products are set in accordance with the Regulation on the Method of Setting Maximum Retail Prices ("Uredba o načinu obrazovanja maksimalnih maloprodajnih cijena"), which has been in force since 1 January 2011. The prices change fortnightly, provided that prices on the oil market (Platt's 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 price calculation methodology includes all taxes and charges as well as an oil companies' margin. The gross margin is fixed at EUR 0.063 for a litre of petrol, EUR 0.064 for a litre of eurodiesel and EUR 0.076 for a litre of extra light heating oil. In addition, retailers are allowed by the model to include the costs of transhipment, handling, bank charges, storage, transport, distribution, retail operations and internationally recognised maximum loss of 0.5 percent into the margin.

**Kosovo**

In Kosovo, retail and wholesale prices of petroleum prices are not government-regulated and are set freely in accordance with market conditions. In the case of sales of petroleum products to government institutions and state-owned companies, however, the prices are set in accordance with the 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 the margin achieved via a call for tenders.

### Changes in oil prices in 2011

In 2011 oil prices were most affected by expectations regarding the revival of economic activity, civil unrest in the Arab world and in Libya, natural disasters and economic conditions in the euro area.

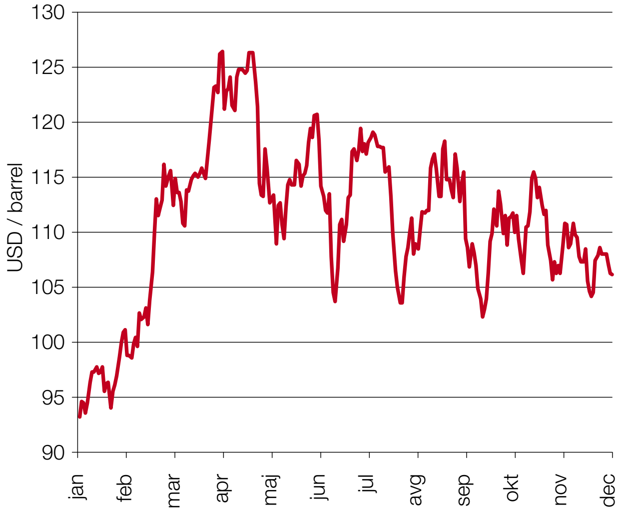
Oil prices per barrel ranged from USD 93.7 to USD 126.7 in 2011. The average price of crude oil per barrel stood at USD 111.3, up 40 percent from 2010. The prices of petrol and middle distillates followed the same trend.

### 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 1.39 US dollars for 1 euro in 2011.

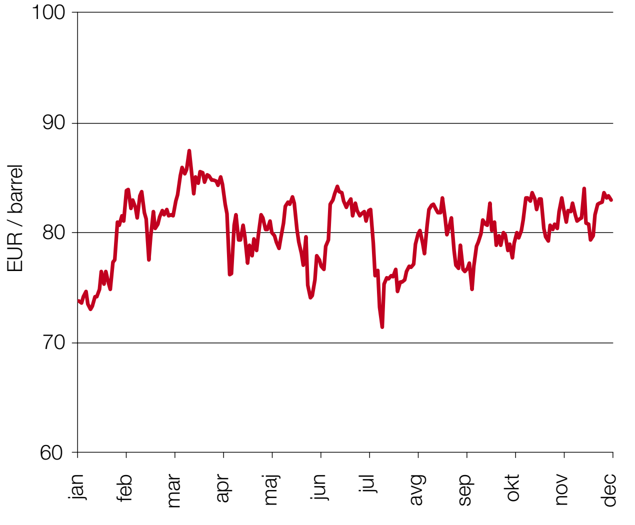
Changes in crude oil prices in 2011 in USD/barrel

Source: Petrol




Changes in crude oil prices in 2011 in EUR/barrel

Source: Petrol



## Sales performance

Our response to the difficult business environment was to introduce novelties into our operations and expand the network of service stations, thus achieving good sales performance. Customer satisfaction surveys prove that we are on the right track.

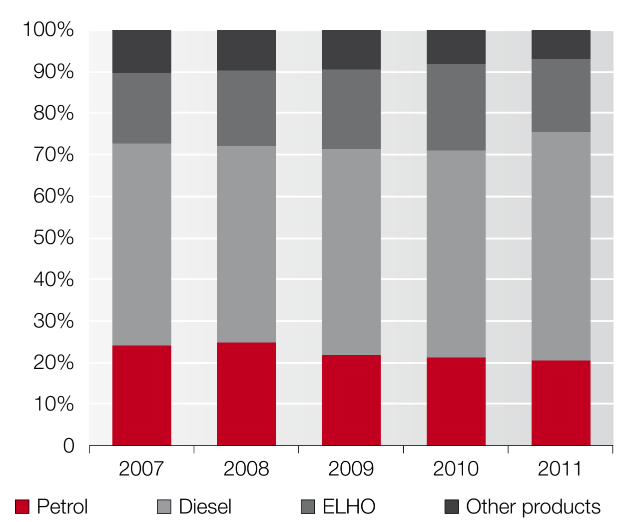
### Sales of petroleum products

In 2011 we sold 2.38 million tons of petroleum products, an increase of 1 percent over 2010 and 1 percent more than planned. 72 percent of our sales were generated in Slovenia and EU markets, and the remaining 28 percent in the markets of SE Europe. Further, 53 percent of the sales were generated in the retail market and 47 percent in the wholesale market. The sales in the Slovene and EU markets were down 1 percent from 2010 but they still exceeded the plan by 1 percent. In the markets of SE Europe, the sales of petroleum products increased by 8 percent relative to 2010 and rose 2 percent compared with the plan. As far as individual categories of petroleum products are concerned, the Petrol Group's sales of motor fuels rose by 8 percent, with the sales of extra light heating oil decreasing by 14 percent.

Retail sales of motor fuels produced good results, thanks also to the fuel prices that were lower in comparison with the neighbouring countries. As regards wholesale diesel fuel results, the impact of the economic crisis was appreciable in 2011 which saw construction companies filing for bankruptcy and freight transport declining. Finally, the sales of extra light heating oil were lower due to switching over to other, more affordable heating sources.

Changes in the fuel sales structure have significant influence on our business results. The share of diesel in the fuel sales structure continued to increase, a trend typical of recent years. This is chiefly still the result of changes in the composition of our customers' vehicle fleets and the rather high share of lorry transit through Slovenia in the overall transport. Also, in Slovenia, the Regulation on the Price Methodology for Petroleum Products stipulates a lower gross margin for diesel fuel than petrol.

Structure of the Petrol Group's sales of petroleum products 2007-2011




### Merchandise

The sale of merchandise generated revenue of EUR 435.9 million in 2011, which was 5 percent more than in 2010 and in line with the plan. In comparison with 2010, we sold more foodstuffs, tobacco products and virtual products (lottery, tickets, etc.). Good results were achieved also as regards the sale of Petrol Club loyalty programme merchandise.

Slightly poorer sales were recorded in the car-care products and accessories segments where changes in customers' shopping habits can be noticed. The Petrol Group still generates the bulk of its revenue from the sale of merchandise in the Slovene market, although the sales have been increasing also in the markets of SE Europe. The upward trend in sales in the domestic and foreign markets further proves that we made the right business decisions.

### Sale of services

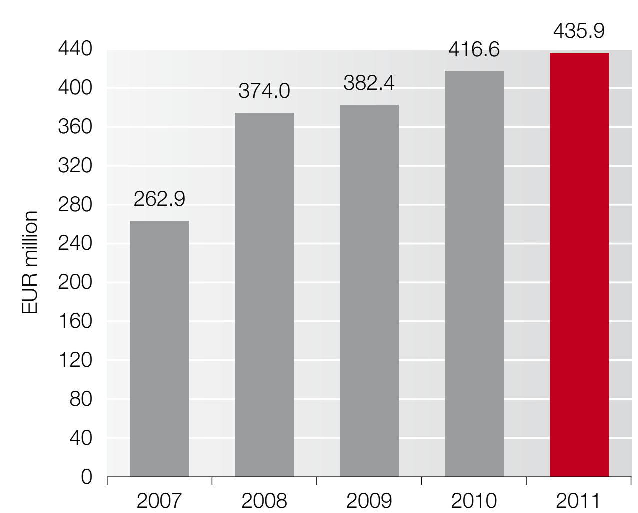
In 2011 the sales of services related to the petroleum activities went as planned. The greater part of the Group's revenue from services is generated by the parent company, which earned EUR 29.5 million in revenue from services in 2011. This was 2 percent more than in 2010 and in line with the plan. In terms of revenue, Petrol's most important services relating to oil and merchandise sales include the "coffee to go" service, transport services, car-washes, leasing of restaurant facilities and the Petrol Club card. In addition to the above, we do our best to launch new services on a yearly basis.

### Supplementary range

The range available at Petrol's points of sale is constantly being changed and expanded out of the need to quickly adapt the service range to the needs of customers and introduce products that open up new sales opportunities (Petrol Club, payments via money-order forms, photos on the go, photocopying).

Furthermore, the layout of shops at service stations is quickly adjusted to reflect the expanded range. In 2011 we renovated the shops at several service stations, bringing them even closer to the needs of our customers. Coffee corners, which are already accompanied by betting and lottery corners, were expanded to include mini bakeries. More price-sensitive customers can choose from items available at a promotional price which are clearly marked.


Increase in the Petrol Group's merchandise sales




### Retail network of the Petrol Group

By the end of 2011, the Petrol Group's retail network grew to 454 service stations: 314 in Slovenia, 86 in Croatia, 37 in Bosnia and Herzegovina, 7 in Serbia, 4 in Kosovo and 6 in Montenegro. The services provided at these service stations are complemented by 102 car-washes, 115 bars and 33 TIP STOP quick-service facilities. The latter are dedicated to the maintenance of freight and passenger vehicles.

In Slovenia, there are 27 motor fuel retailers. With its 314 service stations, Petrol d.d., Ljubljana has a 59-percent market share 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. Our main competitor is the company

OMV, which has a 21-percent share of the market (by the number of service stations). Thanks to the strategic expansion of its retail network, the Petrol Group is also becoming an increasingly important energy supplier in the markets of SE Europe. In Croatia, the Petrol Group holds a 10-percent market share in terms of the number of service stations. Its major retail competitors are INA, OMV, Tifon and Lukoil Croatia. OMV and INA are also Petrol's strongest competitors in Bosnia and Herzegovina. In Serbia, on the other hand, the companies with the largest retail network include NIS, Lukoil, OMV and Mol.

Sales were favourably affected by the setting up of new points of sale for the AdBlue additive, which contributes to cleaner freight-vehicle exhaust, and the introduction of high-volume diesel dispensers for transport vehicles. In 2011 the autogas network expanded to 34 additional service stations. At the end of 2011, autogas was available at 54 service stations in Slovenia, 48 in Croatia, 7 in Bosnia and Herzegovina, 7 in Serbia, 4 in Kosovo and 5 in Montenegro, in total at 125 service stations.

Opening hours have been adjusted to reflect seasonal traffic flows and actual customer needs. To streamline our operations, we closed down a service station at a location with insufficient turnover.

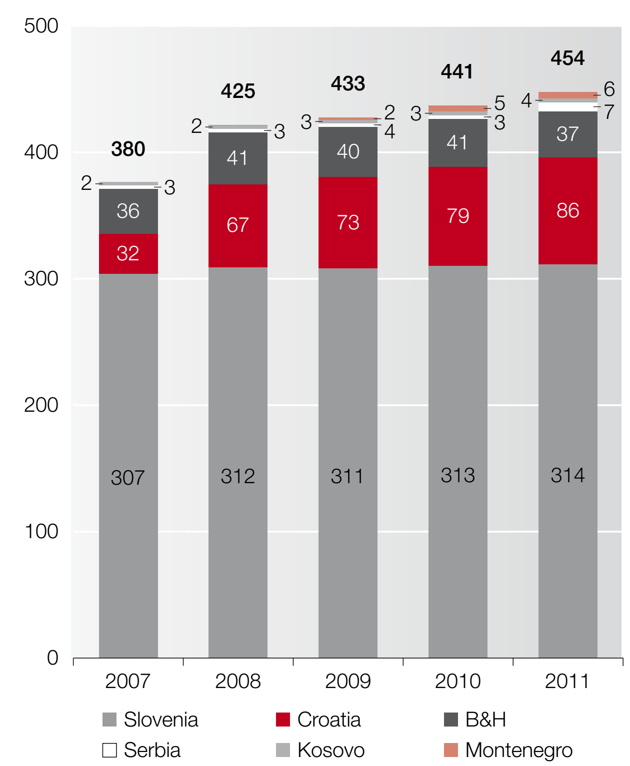
### Wholesale network of the Petrol Group

The Petrol Group sells nearly half of its petroleum products on the wholesale market. Its market position enables it to provide an uninterrupted supply of motor fuels and other petroleum products, making it the leading supplier to companies in the markets in which it operates. Its widespread network of sales representatives, local presence through wholesale outlets, appropriate technical and advisory support and efficient logistics are the key elements to secure a high level of sales services and competitive advantages. Despite the demanding economic situation we maintain close links with our business partners and remain an important supplier of energy products and raw materials to the industrial sector. Ongoing contacts with our business partners and open dialogue are a guarantee for a high level of customer satisfaction. We are well aware of the fact that we are deeply embedded in the industrial sector, which is why all of our business decisions are taken with great care. Business-wise the year 2011 was strongly marked by a drop in domestic consumption, particularly in construction. As a result, the decline in production and the volume of work was also reflected in payment discipline, which is why we took the necessary precautions to hedge our exposure to customers and business partners.

### Petrol Club

In 2010 the Petrol Group established the Petrol Club to expand the range of goods and services. The Petrol Club offers numerous benefits and an extensive service and product range at favourable prices. Customers can apply for a Petrol Club loyalty card and a Petrol Club payment card, providing them with additional financial advantages. The Petrol Club had over 468 thousand members in 2011.

Expansion of Petrol's service station network 2007-2011




The large database of Petrol Club card holders gives us excellent insight into the shopping habits and provides a solid foundation for setting up our own direct marketing network and a comprehensive customer relationship management system. In 2011 a single Petrol Club contact centre was introduced. By dialling a free telephone number, our customers can do all that is necessary to arrange the heating of their homes, obtain a Petrol Club card, make Petrol their electricity provider and acquire any information regarding Petrol's products and services. At the same time, we make sure that our customers receive extra information about all of our novelties and activities. Average waiting time is less than a minute, and all administrative work as well as customer support are taken care of on a daily basis.

Petrol's commercial card makes the broad network of service stations available also to wholesale customers, who may use it to purchase goods and services within Petrol's retail network in Slovenia and abroad as well as at its partner service stations.


## Procurement and logistics

Petrol buys most of its petroleum products from the largest multinational oil companies and some from major global oil and petroleum products traders. Many years of continuous cooperation with reliable and competitive suppliers give Petrol the status of a partner. But that does not mean we ignore new potential procurement sources: previous year's global changes are reflected chiefly in the redistribution of refinery capacities, changes in trade flows, and the emergence of new and merged multinationals, especially in Asia. With its domestic consumption decreasing, the United States is increasingly becoming an exporter of petroleum products, diesel fuel in particular.

### Procurement of petroleum products

The procurement strategy for motor fuels and middle distillates focuses on supply by sea, although inland refineries located in SE Europe, which complement the procurement network and increase the reliability of supply, mainly of derivatives for which there is local demand, are also important. Other petroleum products, such as fuel oil, bitumen and gas, are delivered only by land.

In 2011 motor fuel deliveries to our SE Europe subsidiaries were carried out mainly by sea to their storage facilities on the Adriatic coast. From there, the fuel was delivered by land to its final destination. Other inland sources for supplying petroleum products both to Slovenia and SE Europe include nearby inland refineries in Hungary, Italy, Bosnia and Herzegovina, and in Serbia.

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

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

### Procurement of merchandise

In the procurement of merchandise, the main goal and task is to ensure availability of goods for retail and wholesale, while providing for adequate provision of services at service stations in Slovenia and SE Europe. This is accompanied by efforts to achieve optimal terms of procurement. On an operational level, merchandise is procured directly from manufacturers, official distributors and strategic business partners. When putting together our range of merchandise, we take into account the sales performance of our points of sale, market shares for specific goods, as well as prices and product quality.

Significant focus is on introducing new features to our product and service range.

This year, procurement of merchandise was focused on improving the terms of procurement to achieve higher rebates and on the extension of payment deadlines. In addition to prices and payment and delivery terms, coordination with marketing activities is also important. We pay particular attention to ensuring that new products are included in the product and service range, and arrange special-offer prices in cooperation with suppliers. In 2011 new merchandise categories included in loyalty schemes for customers who are members of the Petrol Club were the focus of our attention. In this particular case, we go the extra mile to ensure the most affordable price for end customers.

In procurement, a well-organised document flow is of vital importance, with streamlining and electronically supported transactions with suppliers and distributors being a priority.

Stock optimisation at service stations is one of the regular activities. Furthermore, a programme is underway to optimise and streamline operations of the merchandise storage facility in Zalog, in which our suppliers are also included as far as the procurement process is concerned.

**Petroleum product and merchandise logistics**

In 2011 activities relating to petroleum product logistics were directed towards streamlining the supply chain and the resulting cost-cutting. In Slovenia, transport margins were further reduced, resulting in lower logistics costs per litre of fuel. At the same time, we significantly reduced the size of the fuel transport fleet, thus increasing the efficiency of road tanker use. In addition, the leasing of certain external storage facilities of the Petrol Group was discontinued. Also, we finalised the strategy for operating inland fuel storage facilities which will serve as a basis for investment and maintenance decisions with regard to these facilities and an orientation for the future business relationship with the Slovene Agency for Commodity Reserves, our most important user of storage services.

On 23 September 2011, a contract was signed to acquire a 51-percent interest in the company Instalacija d.o.o. Sermin and, in accordance with the contract, a concentration notification form was submitted to the Competition Protection Office which approved the acquisition. This acquisition will help Petrol to considerably improve the security and reliability of its fuel supply chain in Slovenia and in the wider region, providing it also with the possibility to develop and expand its petroleum product sales.

Another important measure in streamlining the fuel supply chain is the termination of the Zagreb storage facility contract and the rerouting of procurement and logistics flows supplying the Croatian market to the Instalacija Sermin storage facility. This enabled us to significantly reduce logistics costs in the Croatian market.

As for unit merchandise logistics, transport rates were maintained at the 2010 level and all contractor vehicles were fitted with a transport monitoring and control system. Owing to a larger volume of business, which grew mainly thanks to the Petrol Club scheme, and the related storage space limitations at our own storage facility SDS Zalog, the logistics of winter tyres was contracted out to an external company.



# [Gas and heat]


Natural gas and liquefied petroleum gas are considered top quality and clean fossil fuels, offering vast possibilities for use – from heating to electricity production and engine fuel. Both energy products are characterised by efficient use, low costs and mitigation of negative environmental impacts. The sale and distribution of gas have been gaining importance within the Petrol Group. Business activities involving liquefied petroleum gas are divided into several segments, i.e. gas sales through concessions and gas storage tanks, autogas sales and bottled gas sales. Through district heating and cogeneration systems we are also expanding the production and sale of heat.

## Sale and distribution of gas

The Petrol Group is engaged in the supply of natural and liquefied petroleum gas as well as in the construction and management of gas distribution networks. The selling prices of liquefied petroleum gas in Slovenia are determined freely. Also freely determined are the selling prices of natural gas as an energy source (supply), whereas the distribution prices (network fees) are approved by the Energy Agency of the Republic of Slovenia.

At the end of 2011, Petrol operated 30 gas concessions. Of these, 24 referred to the supply of natural gas and six to the supply of liquefied petroleum gas. The management of concessions is split between the parent company and the Group's subsidiaries. Twenty-three concessions are operated by Petrol d.d., Ljubljana, five by Petrol Energetika d.o.o., while of the two concessions in Serbia one is operated by Rodgas AD Bačka Topola and the other by Petrol Gas Group, d.o.o. On 30 June 2011 the company RP PLIN d.o.o, which is managing the concession in the area of Šenčur, was acquired by the parent company Petrol d.d., Ljubljana. In addition, the company Petrol-Jadranplin d.o.o. has gas supply contracts in the towns of Šibenik and Rijeka. At the end of 2011 gas was supplied to customers through 2,715 gas storage tanks, of which 2,313 were in Slovenia and 402 in Croatia. A new and completely automated gas cylinder filling facility was opened in Croatia.

In 2011 the volume of natural gas sold within the Petrol Group amounted to 114.1 million $Sm^3$, an increase of 9 percent from 2010 and 6 percent above the plan. The sales of liquefied petroleum gas totalled 56.4 thousand tons, which was 18 percent more than in 2010. Sold at 125 service stations, autogas accounted for 19.8 thousand tons, up 26 percent from 2010. Petrol also sold 3.5 thousand tons of industrial gases or 10 percent more than in 2010.

In 2011 Petrol started selling gas in Petrol cylinders in the Slovene market.

Advantages of the red PETROL cylinder:

1. new high-quality cylinder – representing higher quality in a market where most cylinders are 30 years old or more,
2. size – the cylinder is about 6 cm shorter than the average orange cylinder and fits into smaller cabinets as well,
3. handy – the cylinder is fitted with an ergonomically shaped PVC handle for a better grip, while most other cylinders lack this feature,
4. free-of-charge seal – the plastic nut contains a seal to be used by the customer every time the cylinder is replaced,
5. valve sleeve – the valve of every cylinder is enclosed in a heat shrinkable sleeve, providing an assurance to the customer that it has not been tampered with since it was filled and that the cylinder in fact contains 10 kg of gas,
6. instructions – a label with instructions for the safe use of bottled gas is attached next to the valve.

In the first half of 2011 we encountered considerable problems in the Croatian market after the Croatian government altered the LPG pricing method, leading to plummeting margins. We were actively involved in modifying the pricing model, as a result of which the margins were normalised.

## Production, sale and distribution of heat

Supplying heat for heating purposes through district heating systems is turning into an important segment of Petrol's comprehensive energy product supply.

In 2011 we constructed a wood biomass district heating system in Metlika; the first heating season was successfully completed in Ribnica. We also provide district heating to the municipalities of Piran, Ravne and Hrastnik. At the end of 2011, the Petrol Group managed five concessions for district heating. In partnership with Unior Zreče we also constructed a smaller district heating system on Rogla.

Heat and electricity are also produced by cogeneration – the simultaneous generation of electricity and useful heat from fuel energy. Fuel can be either fossil or a renewable energy source (biomass, biogas, landfill gas). Owing to the high fuel savings involved, cogeneration is one of the most important ways to reduce greenhouse gas emissions.

The year 2011 saw the launch of the first five micro-cogeneration units installed within the scope of projects for redesigning boiler rooms at schools and in other public buildings. Through Soenergetika d.o.o. we prepared the reconstruction of the boiler room at Planina in Kranj, which will be finalised in 2012.

In 2011 the Petrol Group sold 72 thousand MWh of heat or 10 percent more than in 2010 and 6 percent more than planned.



# [Electricity]

**By selling electricity to households and business customers Petrol consolidated its position as the leading provider of all energy products across Slovenia.**

The deregulation and liberalisation of the energy market made electricity more interesting for the Petrol Group. Electricity plays an important role in all segments of the economy and in households. Besides its primary function of lighting, it is also increasingly being used for heating and cooling buildings. It will play an especially significant role in the future as a new and environmentally safe engine fuel for various means of transport.

Connect to Petrol

Petrol provides electricity to all types of customers in Slovenia. The 3,500 satisfied customers from 2010 were joined in 2011 by another 11,500 household customers. At the end of the year the number of business customers exceeded 15,000 and has been growing steadily. This is also due to the favourable price available to members of the Petrol Club. Even though during the year the price fluctuated substantially on international markets, we managed to provide electricity to our customers at a competitive price. Petrol responded to the request of the Slovene Consumers' Association to freeze electricity prices for one year and guaranteed its customers a locked price at least until 30 June 2012. Customers welcomed this decision and many opted to switch over to Petrol.

In 2011 we sold 1.1 million MWh of electricity, an increase of 203 percent relative to 2010 and 7 percent more than planned. Electricity distribution totalled 315.6 thousand MWh, up 11 percent from 2010 and 16 percent above the plan.

The production, sale and distribution of electricity are performed by Petrol Energetika d.o.o. and since 2010 also the parent company Petrol d.d., Ljubljana. Petrol Energetika d.o.o. acts as the producer, merchant, representative and intermediary in the marketing of energy products. It has also assumed the role of the distribution system operator.

In 2011 Petrol d.d., Ljubljana, also actively entered the international electricity market. Having successfully established the trading infrastructure, we started trading on the German power exchange. In addition to being active in the German and Slovene electricity markets we also did business in the Austrian, Italian and Croatian markets. Petrol's partners are the most established energy companies in Europe and around the globe. The aim of trading in electricity on international markets is to buy the cheapest electricity for Petrol's customers. In 2011 we succeeded in attracting many new business customers to whom we supply electricity.

In mid-2011, Petrol d.d. signed an agreement to acquire IGES d.o.o. Once all suspensive conditions had been fulfilled, Petrol became a 100-percent owner of the company. Through its subsidiaries, the IGES Group is engaged in electricity trading both in Slovenia and in the EU and SE Europe, also selling it to end customers in Slovenia. By acquiring IGES d.o.o. Petrol obtained a 50 percent holding in GEN-I d.o.o., thereby greatly consolidating its position in the electricity market. GEN-I is a joint venture within the IGES Group, which is why the electricity sales are not reflected in the consolidated volume of electricity sales of the Petrol Group, but only through finance income. The IGES Group also develops innovative solutions in the field of sustainable energy, efficient energy consumption and use of renewable resources. Considering that these are also part of the Petrol Group's activities, the Group thus consolidated its position as Slovenia's leading energy company.

# [Environmental and energy solutions]


## Environmental solutions

In 2011 the Petrol Group operated three 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) and in Sežana and Mežica 6,000 and 4,000 PE, respectively. In May 2011, Petrol took over the operation of an industrial waste treatment plant at Vevče Paper Mill. All waste treatment plants operated successfully in 2011. As an important member of the company Aquasystems d.o.o., Petrol d.d., Ljubljana is also involved in the treatment of municipal wastewater in the Municipality of Maribor, the capacity of which is 190,000 PE.

At the end of 2010, Petrol entered the segment of energy production from waste by acquiring the Ihan Biogas Plant. In 2011 Petrol optimised the operations, obtained all relevant operating permits and secured the supply sources for the acceptance of organic waste. In 2012 we plan to construct a dehydration plant for sludge from treatment plants. This facility will enable the use of waste heat in electricity production. Through dehydration, sludge will be processed from waste to substitute fuel to be used for co-incineration in cement plants.

## Energy solutions

The efficient use of energy and renewable sources constitute the largest energy reserves. The goal of the Petrol Group is therefore to provide customers with an efficient and comprehensive energy supply, utilising all of the synergies of the Petrol Group – from procurement and selection of energy sources to the choice of technological solutions for energy supply, financing, and system management and maintenance. Such energy services complement the standard business lines of the Group and create new added value for customers, while providing a considerable competitive edge for the Petrol Group.

**Three areas of energy solutions**

1. Preparing alternative solutions for heat and energy supply to households and small-business customers. In 2011 Petrol launched the sale of standardised packages called "heat-up packages" involving heat pumps and wood biomass boilers in combination with the supply of heating oil and electricity.
2. The production of electricity from renewable sources. In 2011 an investment was made in the construction of large-scale photovoltaic power plants with a total power of 1 MWp.
3. Implementing complex projects for energy solutions. In 2011 Petrol implemented a project to recuperate waste flue gases produced in the production processes of Unior d.d. We expanded the service range to indoor and outdoor lighting and conducted numerous feasibility studies for efficient energy consumption projects which will be carried out in 2012.

By acquiring a 74.9-percent interest in the company El-tec Mulej d.o.o. in August 2011, the Petrol Group expanded its operations in the field of energy solution delivery. The company El-tec Mulej d.o.o. and its subsidiaries market top-quality products and comprehensive system services in the areas of district energy, lighting efficiency, water distribution systems and energy management in buildings. The company operates in Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Kosovo, Macedonia, Austria and Italy. Thanks to El-tec Mulej's know-how and use of specialised tools, Petrol will be able to pursue even more actively its long-term strategy of developing comprehensive energy solutions for existing and new customers both in Slovenia and abroad.


# SUSTAINABLE DEVELOPMENT

[4]

[10,000 blood donors in one month]

You donate because you never know when you yourself might need blood. Or simply because the feeling when you donate a drop of yourself to someone is so incredible. Whichever – the result is what matters.

# [Employees]

Reliable employees are Petrol's greatest asset.

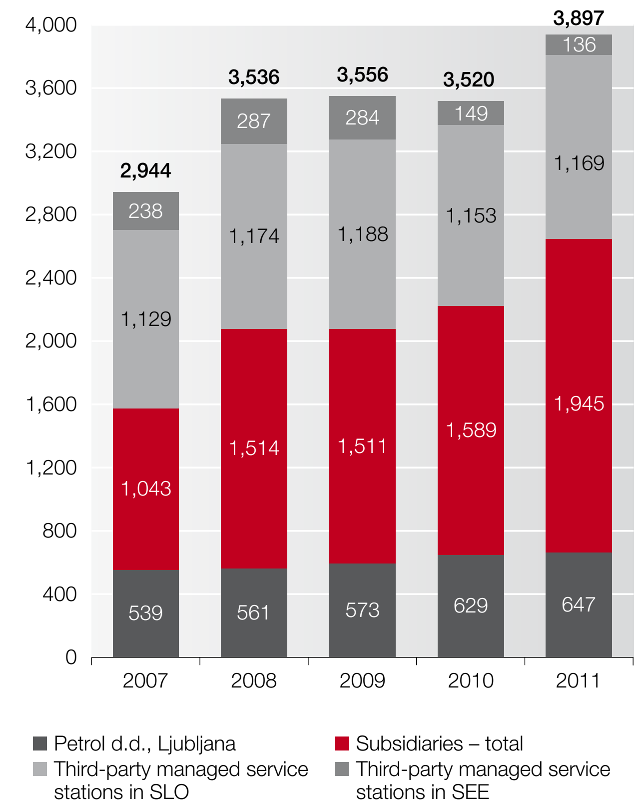
In the Petrol Group, HR management consists of a well thought-out recruitment policy, an effective remuneration and promotion system, care for the training and development of staff, and the monitoring of their satisfaction.

## Number of employees

The number of the petrol group's employees rose by 377 in 2011.

At the end of 2011, there were 3,897 people employed within the Petrol Group and at third-party managed service stations, of

Changes in the number of employees of the Petrol Group and at third-party managed service stations 2007-2011




which 31 percent worked for subsidiary companies and at third-party managed service stations abroad. The number of employees increased by 377 or 11 percent relative to the end of 2010 as a result of integrating new companies into the Petrol Group and expansion of business activities.

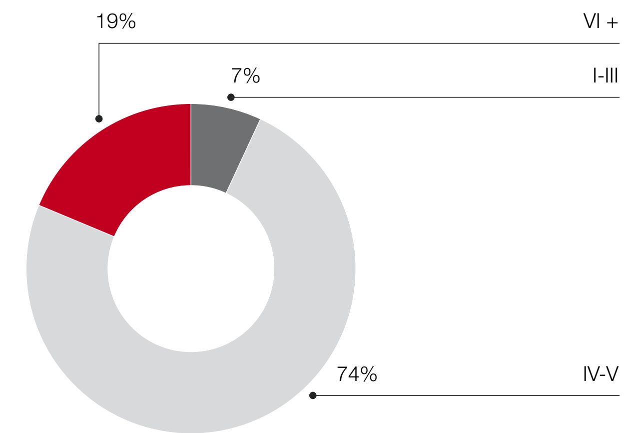
At the end of 2011, the average age of employees was 39 years. 69 percent of employees were male and 31 percent were female.

## The right experts at the right place

Recruiting the right experts to the right posts is the key for the achievement of our business goals. During the selection and recruitment process, all candidates are given equal treatment irrespective of sex or other personal circumstances.

In 2011 the Petrol Group employed 676 workers, the employment contracts of 299 employees were terminated and 118 people were transferred to new positions within the Group. The Group's staff turnover rate stood at 8 percent.

The Petrol Group's education structure as at 31 December 2011




Efficiency and factors of successful business go hand in hand with the efficiency of employees during working hours. Due to an increased number of holidays in 2011, Petrol's working time efficiency rate stood at 80.2 percent, down by 0.5 percentage points from 2010.

## Education and training

In 2011 the number of employees taking part in various forms of education and training stood at 12,599, of which 52 were engaged in the formal education process. 76,719 teaching hours of training were carried out, which on average amounted to more than 21 teaching hours of training per employee.

Only through continuous training can the long-term development of employees be assured.

Organised as part of the Petrol Group is Petrol Academy providing systematic and comprehensive training of employees. The Group organises numerous internal training programmes tailored to the work process and seeks to include each employee in at least one training a year. In 2011 there was particular focus on the training of co-workers at service stations abroad. By engaging internal lecturers, we transfer good practices and standards in sales to other markets, improve skills and develop communication with employees in foreign markets.

We have developed several training modules dedicated to sales, in which all employees at service stations are included. For managers and assistant managers, training modules are carried out as part of the School of Management. Training was also performed in the area of occupational health and safety, and food safety.

Petrol's yearly survey of organisational climate and employee satisfaction and motivation is a reflection of the company's condition. Its result reminded us that only through continuous training of managers can the long-term development of employees be assured. That is why management, communication and team skills were given significant attention in the previous year.

Particular attention was devoted also to the training of outworkers, i.e. truck drivers and students. In 2011 a number of various technical seminars were organised for them, which were attended by 2,230 active participants.

## Occupational safety

The Petrol Group does its best to provide its employees with optimal working conditions. 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. Also, 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.

As in previous years, the Group followed a programme of preventive medical checkups in 2011. Continued monitoring of medical condition remains one of the most effective methods for a timely prevention of chronic diseases and for obtaining feedback on the suitability of working conditions. We carried out 1,384 medical checkups. In 2011 particular attention was again devoted to workers with a reduced working capacity.

## Remuneration

Performance orientation is a basis of the Petrol Group's remuneration system. Salaries thus consist of a fixed and variable part. Collective performance, which is calculated using a performance benchmark, is an important component of variable pay. For service stations and regional retail and wholesale units performance is calculated on a monthly basis, for corporate functions it is calculated semi-annually. The Group encourages individual performance through bonuses for exceptional achievements and through promotion.

For several years, the Petrol Group has had in place a system of annual interviews with key personnel. They concern all members of top, middle and junior management, and employees at highly technical positions.

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.

## Organisational climate

Petrol has been measuring organisational climate and employee satisfaction on a regular basis since 2001 and has participated in the SiOK project – Slovene Organisational Climate Survey – since its very inception. In 2010 the survey was expanded and made more comprehensive with questions on the motivation of employees.

The survey has the usual high response rate, with 68 percent of employees taking part in it in 2011. The average organisational climate indicator improved from the 2010 figure of 3.54 to 3.70 and the average satisfaction indicator climbed from 3.54 to 3.71. Both indicators as well the response rate improved from 2010 and were the highest in the 11 years of conducting the survey.

Good working atmosphere is a key to success.

According to a survey conducted by the employment portal MojeDelo.com, Petrol is among the most respected employers in Slovenia. Roughly ten thousand job seekers took part in the employment portal's survey, assessing the reputation of individual Slovene companies based on various criteria. Petrol thus remains true to its guiding principles that promote entrepreneurial innovativeness, good practice examples in employment, and quality jobs, also in a time of increased economic uncertainty.

The company Petrol Energetika d.o.o. received a bronze horse award in recognition of being an enterprise friendly towards women managers. The award was presented by the Women's Section of the Managers' Association of Slovenia and accepted by Mojca Kert, Managing Director of Petrol Energetika d.o.o., on behalf of her colleagues.

## Employee and family friendly enterprise

In 2010 Petrol received a basic Family Friendly Enterprise certificate and adopted a series of measures enabling its employees to strike a balance between professional and family life more easily. Employees whose children began attending elementary school were granted paid time off on the first day of school. During the first week of settling the child in the nursery, employees are entitled to flexible working hours. Management Board compliments were introduced for special occasions (birth of a child, completion of studies, important anniversaries), and employees also receive a gift package for each new-born child. In addition to the Children to Adults fine arts competition, in which elementary schools across Slovenia take part, a parallel competition for the children of Petrol's employees was organised. What is more, prize quizzes are published on the corporate intranet offering attractive prizes (free tickets to various events or use of Petrol's holiday facilities) available to employees and their family members.

Petrol provides its employees with a possibility to spend their free time in a quality manner. To this end, it owns a number of holiday homes in Slovenia and Croatia where its employees and their families can spend their holidays. Each year, the Company organises the Petrol trip which is always attended by many employees. Ahead of the New Year, we get together at a New Year's party, while "Petrol's toddlers" are visited by Santa Claus. For more than 30 years, Petrol has been promoting sports, recreation and socialising at events for employees, which are organised several times a year. In 2011 Petrol Winter Games took place in Kranjska Gora. Summer Games, on the other hand, took place in Mengeš and were also open to the children of Petrol's employees. All Company events are increasingly popular with employees from Petrol's companies abroad. Socialising in an informal setting also helps to affirm the values and build loyalty to the Company among the entire staff.

# [Customer satisfaction measurement]


Petrol has over 200,000 customers a day.

In a highly developed market, a satisfied customer is an important competitive advantage. The needs, demands and wishes of customers are at the heart of the Petrol Group's creative activities, and keeping track of their preferences is the guiding principle in the planning of all key business activities, but also a useful tool for maintaining its long-term competitive advantage. Petrol uses surveys to systematically monitor a number of parameters reflecting customer satisfaction with its products and services. Through surveys and continuous monitoring of clients' behaviour, Petrol wishes to come even closer to satisfying their current needs and anticipating their future ones. A proper selection of relevant market surveys enables Petrol to adapt quickly and find new solutions. Survey results are used for putting together an improved range of products and services tailored to its customers' needs and wishes. By including a wide group of stakeholders in the planning and presentation of surveys, Petrol disseminates its marketing philosophy and raises the level of knowledge also within the Petrol Group, thus providing important feedback for changes in its organisational culture.

The Petrol Group relies on market research also to improve the effectiveness of its communication. Its results provide a basis for designing its communication activities, whereas their relevance and cost-effectiveness are determined by measuring the effects achieved, followed by the introduction of appropriate changes.

To determine the level of customer satisfaction, the following activities were carried out in 2011:

- The Power of the Petrol Brand survey, which was carried out among fuel suppliers and with regard to fuel brands in Slovenia;
- three editions of the Satisfaction of Petrol's Customers at Service Stations in Slovenia survey;
- a survey called Differences in Satisfaction between Customers at Petrol's Service Stations and those of its Competitors in Slovenia, Croatia and Bosnia and Herzegovina;
- a survey on the Hip Hop brand visibility;
- two editions of the Satisfaction with the Range of Petrol Club Products survey;
- measurement of the advertising impact of the Give Energy to Save Lives campaign;
- netnographic study of the Tell Petrol system, which was focused on the Petrol Club;
- the Measurement of Internal Services Quality survey.

Our contact with customers mostly takes place at service stations. Research into their satisfaction with our services is therefore given particular attention. Service stations used to serve merely as refuelling points with a modest range of additional products. These days, however, customers no longer perceive them merely as a service point for their cars. Instead, they associate them with services normally on offer in a general store, patisserie, tobacconist, florist, bakery, fast-food outlet, ticket shop, lottery shop, repair shop/mechanic, electronics or specialist car parts shop.

There were more than 30,000 Petrol's customers participating in the online 2011 Satisfaction of Petrol's Customers at Service Stations survey. Customers were mostly very satisfied with Petrol's services (the average satisfaction with a service station stood at 89 on a scale of 1 to 100). According to the customers, the main advantages of Petrol over its competitors are:

- the location of its service stations,
- the selection and range of complementary products and services,
- the new element of rewarding purchases as part of the newly introduced Petrol Club scheme.

## Claims and complaints handling

Closely related to the quality of products and service, expectations 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 instance of customer dissatisfaction with great care. We are aware that an efficient claims and complaints handling system is an important factor that has a positive long-term impact on the satisfaction and loyalty of our customers and, consequently, on the Company's reputation.

Claims and complaints are handled as part of an integrated complaint resolution system; relevant procedures and measures are defined in the Complaint Resolution Rules. The system is configured to enable quick, efficient and customer-friendly resolution. 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.

# [The quality management system]


Although quality management systems used to focus mainly on increasing efficiency and excellence, they now progressively incorporate an increasing number of sustainable development elements. These need to contain safeguards that are meant to provide an overall protection not only of the people's environment but also of the people themselves.

## Continued development of 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, which is certified to the ISO 9001 standard. In addition to certified quality and environment management systems, the comprehensive quality management system incorporates the requirements of the HACCP food safety management system, the requirements of the OHSAS occupational health and safety system, and the ISO 27001 information security system.

In May 2011, a recertification audit of the quality management systems accredited to the ISO 9001 standard and of the environmental management systems accredited to the ISO 14001 standard took place at the companies Petrol d.d., Ljubljana, Petrol Energetika d.o.o. and Petrol Tehnologija, d.o.o. All companies passed the audit, meaning the validity of their certificates will be extended for another three-year period.

Overview of certificates and laboratory accreditations

| Company | Quality management system | Environmental management system | Laboratory accreditations |
|---|---|---|---|
| Petrol d.d., Ljubljana | ISO 9001: 2008 | ISO 14001: 2004 | SIST EN ISO/IEC 17025:2005 |
| Petrol Tehnologija d.o.o. | ISO 9001: 2008 | ISO 14001: 2004 | SIST EN ISO/IEC 17020:2004 |
| Petrol Energetika d.o.o. | ISO 9001: 2008 | ISO 14001: 2004 | / |
| Petrol Hrvatska d.o.o., Zagreb | ISO 9001: 2008 | / | / |
| Euro Petrol d.o.o., Rijeka | ISO 9001: 2008 | ISO 14001: 2004 | / |

## Quality of services at service stations

The system of internal evaluation and assessment of service stations' operating quality is being continuously upgraded because we realise that sales are subject to numerous factors that need to be considered in the assessment of the operating quality. The quality of services at Petrol's retail points of sale is monitored by means of internal control and the "random shopping" method. Survey results confirm a high level of service quality at our service stations, which has now become our competitive advantage.

## Petrol's accredited inspection bodies

Operating within the Petrol Group are Slovenia's leading oil laboratory, which conducts tests and analyses of petroleum products, lubricants and chemical products, and the inspection body for the control of liquid-flow gauges, tyre-pressure gauges and pressurised equipment. The latter operates as part of Petrol Tehnologija d.o.o. Petrol Laboratory has in place a quality management system that is certified to the SIST EN ISO/IEC 17025:2005 standard (General requirements for the competence of testing and calibration laboratories). Although part of the parent company, Petrol Laboratory operates as an independent and neutral institution, also providing services to external clients. In February 2011, a monitoring visit was conducted by an accreditation body and the scope of accreditation was expanded to 3 new testing methods. Petrol Laboratory has 75 accredited methods altogether.

In September, an audit was carried out at the company Petrol Tehnologija d.o.o., which has in place a quality management system that is certified according to the SIST EN ISO/IEC 17020:2004 standard "General criteria for the operation of various types of bodies performing inspection". The range of accredited methods was extended to the flow gauge control in road tankers. Together with the new method, the company has 14 accredited testing methods for flow gauge control and pressurised equipment control.

## Petrol – a driver of fuel development in Slovenia

Petrol is aware that long-term progress is only possible if fresh solutions are developed and new development paths are sought. Today's development is inevitably connected with solutions involving a high degree of environmental responsibility. As the leading provider of fuel, Petrol not only ensures an uninterrupted market supply, but also offers its customers high-quality fuel. All Petrol's main types of fuel contain additives ensuring customers above-standard quality, greater safety and fuel economy. In terms of quality, they are entirely on a par with the products of the most renowned global fuel providers.

Long-term progress is only possible if fresh solutions are developed and new development paths are sought.

Its activities being closely linked with the environment, Petrol is increasingly taking part in the search for new, environmentally more acceptable energy solutions. In line with its commitment to sustainable development, Petrol is today assuming an ever more active role in making a breakthrough as far as new modes of mobility powered by the cleanest energy are concerned.

In 2011 Petrol continued to pursue certain development projects:

- **E-MOBILITY** – Together with experts and partners we are developing solutions which will allow for low-carbon mobility. We are monitoring the latest achievements in this area and co-shaping starting points for development to advance research in the field of low-carbon energy products, end users and infrastructure. In 2011 Petrol already started putting the commitment to construct the first electric charging stations into practice. They will be included in Petrol's so-called smart charging network which in the future will represent an important part of the national electric mobility network. In the development of a clean mobility infrastructure we are cooperating with professional international associations comprising companies, research institutions and government offices. Petrol is a member of the Slovene Electric Vehicles Association, which combines interest groups of researchers and manufacturers in the field of electric vehicle development and the related infrastructure. We are actively taking part in various conferences and technical meetings on electric vehicles and infrastructure, and we played an active role at the 2011 International Electric Mobility Conference in Ljubljana.
- **Efficient energy consumption systems** – Petrol is a partner of the Competence Centre for Advanced Efficient Energy Consumption Systems (KC SURE), which comprises 16 partners from Slovenia, both from the corporate sector and development and educational institutions. As a coordinator of the working group, Petrol is co-shaping new technology-based concepts of active electricity networks (Smart Grids), which will be tested on the Slovene electricity distribution network.
- **Hydrogen technologies** – As a consortium partner of the Centre of Excellence for Low-Carbon Technologies (CoE LCT), Petrol is taking part in the introduction of hydrogen as an alternative transport fuel. With the demonstration project of hydrogen filling stations we are helping to create the necessary infrastructure and, together with competent bodies, we are formulating a legislative framework for further construction and expansion of these new technologies. Petrol is a founding member of the Development Centre for Hydrogen Technologies (DCHT), which aims to become an internationally established development centre for hydrogen and fuel cells. Together with Slovene government institutions, DCHT provides a link with the European Hydrogen Platform.
- **Obtaining the status of an authorised economic operator** – Petrol's operations are subject to numerous regulations. The regulations covering all aspects of operational security are of particular relevance for Petrol due to the nature of its sales range. To ensure that its operations are carried out according to simplified customs procedures, in 2011 Petrol embarked on a project to acquire the full authorised economic operator certificate (AEOF). In addition to simplified customs procedures, Petrol will enjoy a number of other advantages, for instance improved work organisation, the streamlining of procedures, the possibility of implementing new security standards, better employee safety etc.). Petrol expects to gain this status before the end of 2012.

## The "Great idea" project

There is no concept so perfect that it cannot be improved.

General global trends coupled with the need for sustainable development lead us to support successful organic growth through dynamic and creative operations. We constantly contemplate concepts for improved operations and approach them in a systematic manner. Innovative operations represent enormous strategic potential that we methodically nurture and put into practice using the "Great idea" system. All employees have the possibility and an opportunity to contribute their ideas and solutions to help the Company overcome its challenges. In 2011 we collected 344 proposals for improvement – 301 in retail and 43 in other areas, of which 19 were designated a "Great idea". The employees who contributed the three most original, useful and economical improvements were presented awards at a business conference and their ideas were later put into practice.



# [Investments]


In keeping with its strategic orientations, the Petrol Group focused its investments in 2011 on the expansion of its oil and merchandise sales operations in SE Europe markets, expansion of other energy-related operations both in Slovenia and SE Europe (gas, electricity, efficient energy consumption, environmental projects) and consolidation of its position as regards oil and merchandise sales in Slovenia.

The Petrol Group invested EUR 82.1 million in fixed assets in 2011.

## Oil and merchandise sales in Slovenia

### Expanding our retail network of service stations

In Slovenia, four service stations were built (this includes new developments and replacement buildings), with the construction of a motorway service station in Vipava also ongoing and due to be completed in the first half of 2012. The process of preparing documentation and obtaining building permits for construction work scheduled to begin in 2012 was underway as well. At 11 service stations, liquefied petroleum gas for vehicle propulsion was introduced, and shops at 6 service stations and 14 car washes were renovated. At service stations and storage facilities, investments were made to carry out renovation and ensure fire safety, protection of the environment and security of buildings.

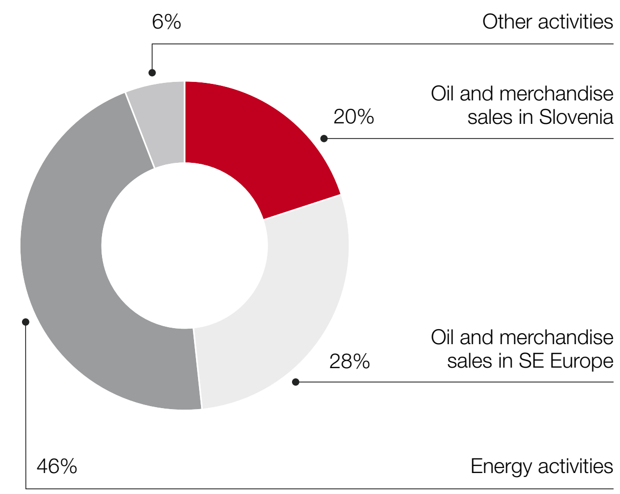
## Oil and merchandise sales in SE Europe

In Croatia, investments were made to acquire and build four service stations. Also, the process of preparing documentation and obtaining building permits for construction or renovation work at service stations due to begin in 2012 was underway. In Serbia, one service station was built, one was acquired and building permits for construction work due to begin next year were obtained. In Montenegro, 3 service stations were acquired.

## Energy activities

The Group invested in the construction of a gas network in Slovenia and Serbia and in the purchase of gas storage tanks. Solar power plants were installed at 4 service stations. Investments were also made to purchase bottles used for LPG sales, in efficient energy consumption projects, in cogeneration of heat and electricity, and to set up a wood biomass district heating system in Metlika. Investment funds were further allocated to the modernisation of heat generation at the Hrastnik thermal power plant and the expansion of electricity production in integrated economic zones of Ravne and Štore. In 2011 a large proportion of funds were used to acquire the companies IGES d.o.o. and El-tec Mulej d.o.o.

Structure of investments of the Petrol Group in 2011




## Information infrastructure

In 2011 our information and communication infrastructure was upgraded. In addition, investments were made in digital advertising at service stations.

# [Information technology]


### Using information technology to optimise business processes

Integration of the IT function into all parts of the business process is a prerequisite for effective use of the opportunities offered by modern information technology to improve business efficiency. The development of cloud computing, which has been underway at Petrol for several years, allows us to integrate new companies into Petrol's information system very quickly and cost-efficiently but also to provide consolidated IT support.

## Projects

In 2011 transition to a new and distinctly more economical (open-source) information infrastructure was accomplished at all service stations throughout the Petrol Group. Information support was introduced for two more international truck card systems as well as for ticket sales offered by another provider. New business opportunities arising from advertising space selling were supported by a comprehensive integrated system of digital advertising at service stations. Customers were also provided with free wireless internet connection (Wi-Fi) at more than one hundred service stations. Finally, we introduced support for the sale of goods currently out of stock at a particular service station. Such goods can now be delivered to a customer's home or the customer can take delivery of them at another service station.

New functionality was added to the Petrol Club scheme in 2011 thanks to the My Petrol application, which can be accessed through Petrol's internet portal. This enables us to approach the customer in an effective and modern way (the possibility to take advantage of Petrol Club benefits, enter electricity meter readings and review relevant data). The sale of Petrol Travel tourist packages was also provided with information support.

In 2011 the Company continued to set up its information support system, which is crucial for the automation and optimisation of business processes in the supply chain. Major upgrades were carried out in connection with unit merchandise (SDC Zalog storage facility) and they contributed significantly towards business optimisation.

The already capable business intelligence system, which is based on complex and exhaustive data warehouses, was upgraded with additional functionalities and new solutions. A new planning and forecasting system (new platform) was also introduced, as was a new transport cost monitoring system.

In the area of electricity sales, we continued intense information support development to be able to achieve even higher automation and optimisation of the business process.

# [Environmental protection]

Introducing high-quality fuels that are friendlier on the environment.

Petrol being a socially responsible company, concern for the environment is integrated into all aspects of its business. In the development of business processes as well as new products and services, environmental regulations are adhered to in their entirety. For Petrol, ensuring compliance with stringent environmental standards is a demanding task as it requires active and professional oversight as well as substantial financial investments. In all markets where the Petrol Group operates we introduce the best environmental protection practices while respecting applicable environmental legislation of those countries.

In 2011 Petrol continued to implement the requirements of the EU Regulation on registration, evaluation, authorisation and restriction of chemicals (REACH). The Company has a diversified safety architecture encompassing the entire organisational structure, including the quality management system and the setting up of an integrated security system. The Petrol Group is successful in providing conditions for a healthy and safe working environment, protection of the natural environment and safety of people and property.

## Environmental permits

As required by the environmental legislation in place in Slovenia, we continued in 2011 to prepare applications for environmental permits with regard to emissions into the air and water. By acquiring the required environmental permits and providing for suitable operating conditions, Petrol is able to carry out and develop without disruptions its primary line of business across Slovenia and ensure the operation of its plants, facilities and sites in line with legal requirements.

## Care for clean air

In the Petrol Group, caring for air quality is mostly associated with efforts to cut emissions of volatile carbohydrates. The company Petrol d.d., Ljubljana has installed systems for the closed loading of underground tanks at all service stations and at Zalog and Rače fuel storage facilities, thus preventing harmful substances from escaping into the environment. In 2011 several emissions monitoring exercises were carried out at service stations, confirming that emissions were within required limits. Emissions are also reduced through the introduction of high-quality fuels that are friendlier on the environment.

## Wastewater

As in previous years, continued systematic and methodical installation of suitable state-of-the-art waste treatment plants and oil and water separators contributed the most to a successful improvement of wastewaters in 2011. In Croatia, two service stations were fitted with biological waste treatment plants to treat wastewater coming from the service stations and restaurant facilities.

## Waste management

In the area of waste management, the Petrol Group provides for organised collection, separation, temporary storage or permanent disposal of waste according to regulations and its environmental protection criteria. A special focus is on waste that might pose a significant threat to the environment. During the systematic collection and separation, temporary storage and disposal of waste, all legal requirements and recommendations are fully complied with, including the most recent ones. In 2011 we continued to systematically collect and temporarily store municipal waste generated at motorway rest and service areas.

## Prevention of accidents at higher-risk facilities

In the area of prevention of major accidents and mitigation of their consequences, we continued activities in 2011 to implement required systemic and regular operational measures at higher-risk facilities as part of the tasks specified in safety reports, accident prevention schemes, and protection and rescue plans. The mandatory annual inspection was carried out in all risk-prone facilities, revealing that the condition of our facilities was appropriate and compliant with legislation.

Based on the protection and rescue plans in place at fuel storage facilities (risk-prone facilities), fire-fighting and rescue exercises were successfully carried out at all fuel storage facilities in 2011 based on potential accident scenarios and operational fire-fighting plans.

## Environmental protection training

To be able to carry out environmental protection tasks in an efficient manner, a high level of staff competency and awareness is of vital importance. That is why Petrol's employees are systematically kept up-to-date with novelties in this area every year.

Petrol's business partners and outworkers are actively involved in its environmental management system. Contractual relations with petroleum product hauliers, capital investment contractors, suppliers of potentially hazardous goods, and waste collection and disposal contractors are arranged so that they include requirements for consistent application of environmental legislation and Petrol's environmental protection standards. In 2011 all necessary regular and one-off trainings in the area of environmental management and chemicals handling were carried out for employees working in these areas.

## Protecting and safeguarding people and property

The working environment is changing owing to the development and introduction of new technologies and procedures. Petrol successfully keeps up with these changes. It constantly strives to reduce the risk level arising from working processes and looks for more health-friendly solutions that are safer for 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. Also, 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.

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.

The setting up of the occupational health and safety system – OHSAS 18001 – has allowed the occupational safety and health to become part of the Group's quality management system in 2003.

# [Social responsibility]


Prizma 2011 – award of the Public Relations Society of Slovenia for the social non-profit campaign

At Petrol we are sensitive to the needs of the environment in which we operate.

Caring for social and environmental issues has been part of the Petrol's operations for a number of years. The demands and challenges of our time are addressed based on a long-term growth strategy and a strong awareness that supporting the environment in which we operate significantly affects our operations and development. For many years we have been helping wider social and local communities achieve a dynamic lifestyle and better quality of life. We demonstrate our social accountability by supporting numerous sports, cultural, humanitarian and environmental projects. The Petrol Group perceives social responsibility as a lasting commitment to cooperate with its business environment. At Petrol we believe that giving back to the society and listening to its needs is what testifies and contributes to our success.

## Sponsorship

Petrol has been cooperating with Slovene athletes competing in both team and individual sports for years. In 2011 sponsorship contracts were signed with promising athletes such as Blaž Kavčič, a tennis player, Žan Košir, a snowboarder, and Eva Osolnik and Peter Pipp, dancers, but we also cooperate with established athletes, such as Dejan Zavec, a boxer, and Primož Kozmus, a hammer thrower. By supporting high-profile sports events, we increase our visibility and strengthen our brand. Particular attention is given to car racing through which we approach professionals and participate in car racing events.

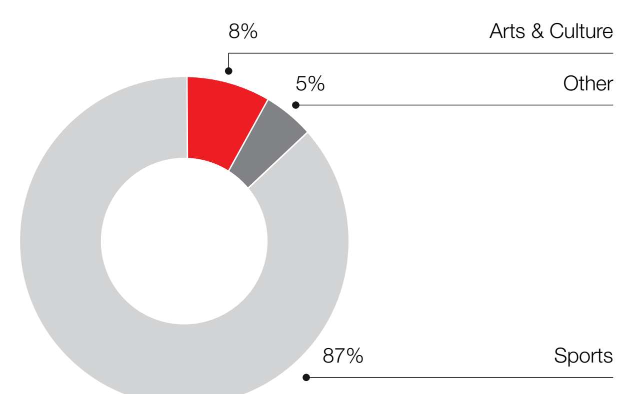
Sponsorship funding is also used to support technical projects (conferences, roundtables, symposia, events) organised by institutions from various fields related to Petrol' areas of work.

## Humanitarian projects

The majority of donations were allocated for humanitarian projects operated by non-profit organisation and to art associations. The Children to Adults fine arts competition, in which we work together with elementary schools from across Slovenia to


encourage artistic creativity in children, was organised for the 21st consecutive year.

Breakdown of sponsorship funding in 2011




In a joint effort with the Red Cross and the Blood Transfusion Centre of Slovenia we organised the humanitarian campaign Give Energy to Save Lives to motivate existing blood donors and attract new ones, but also to raise awareness of the Slovene population about the importance of blood donations. Petrol received the professional award Prizma 2011 for organising this campaign. The award is presented by the Public Relations Society of Slovenia for excellence in implemented communication campaigns.

At the end of the year, Our Energy Connects campaign was organised as part of which the funds earmarked for business gifts were given to charity instead. Employees from all 314 service stations across Slovenia were asked to find and propose a humanitarian project in their vicinity, for which EUR 200 was allocated individually (EUR 60,000 altogether).

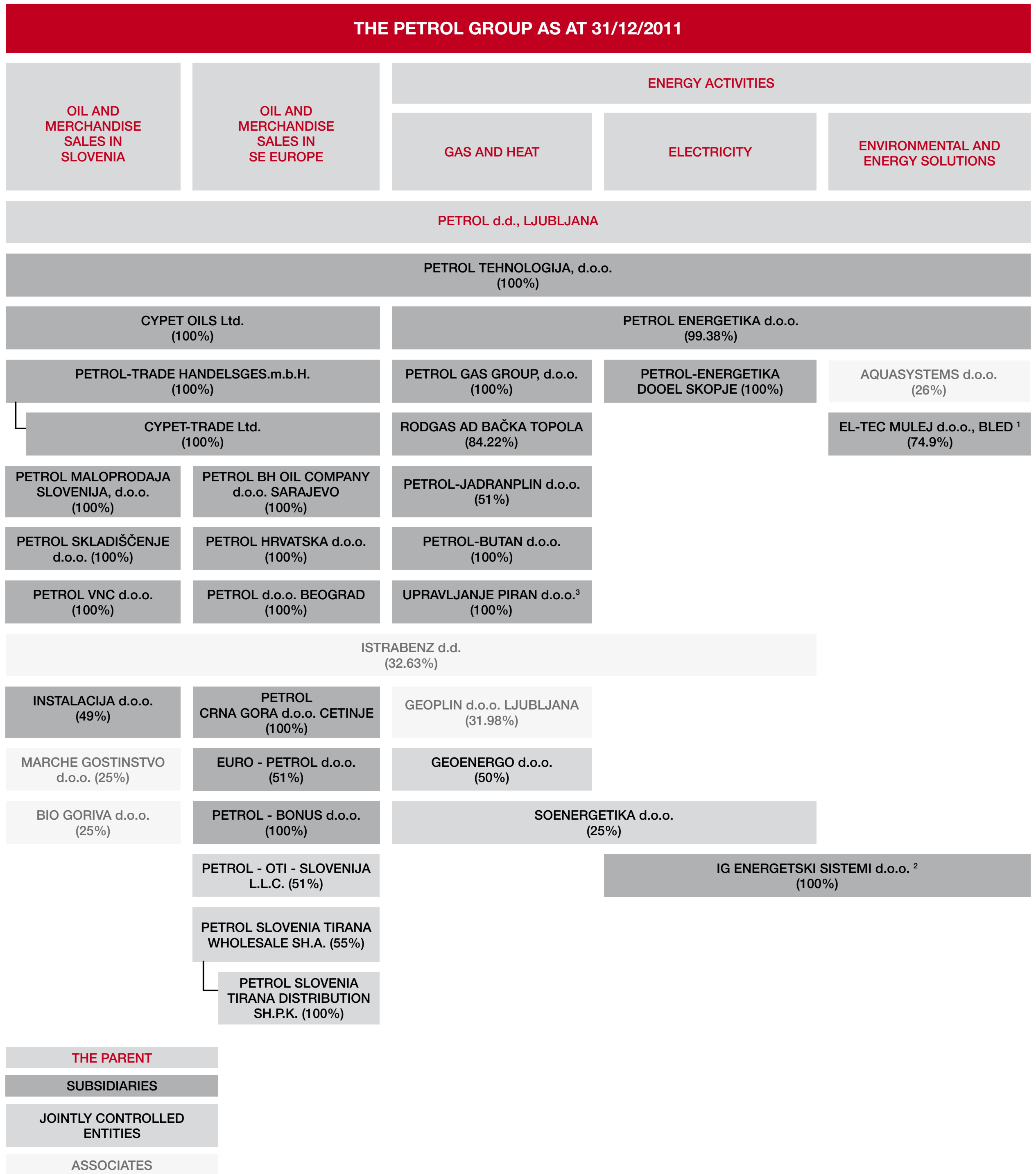



# [5]

[Connected by a single cause]

Good energy connects and brings people together. Our Give Energy to Save Lives! campaign aroused people's sympathy and united the Slovene public.

# [Group companies]




1 Subsidiaries of EL-TEC MULEJ d.o.o., Bled are as follows: ENERGOGLOBAL d.o.o., El-Tec Mulej, d.o.o., Niš, El-Tec Mulej BH, d.o.o., Tuzla and UNI ENERGIJA, d.o.o.
2 Subsidiaries of IG ENERGETSKI SISTEMI d.o.o. are as follows: IG AP d.o.o., IGIN, d.o.o., IGENS d.o.o., IG investicijski inženiring d.o.o., VITALES d.o.o. Nova Bila, Travnik, VITALES d.o.o. Bihač, Vitales energie biomasse Italia s.r.l., VITALES d.o.o., Sokolac, Vitales RTH d.o.o. and GEN-I, d.o.o.
3 Upravljanje Piran d.o.o. is in the process of being sold.

# [The parent company]


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

**Management Board:** Tomaž Berločnik – president,
Rok Vodnik – member, Janez Živko – member,
Samo Gerdin – worker director
**E-mail:** petrol.pr@petrol.si

The company Petrol d.d., Ljubljana was formally established on 5 June 1945 as a subsidiary of the state-owned company Jugopetrol. Before it was transformed into a private joint-stock company in 1997, Petrol had operated under a variety of different organisational forms.

The parent company's principal activity is trading in petroleum products and sale of other merchandise and services. With its 314 service stations, it has a 59-percent share of the Slovene retail market in petroleum products. It generates the greater part of the Group's profits and revenue.

In 2011 Petrol d.d., Ljubljana sold 2.2 million tons of petroleum products, which was 1 percent more than in 2010. The Company also generated EUR 403.1 million in sales revenue, up 4 percent from 2010. With the sale of services amounting to EUR 39.3 million, the 2010 sales were exceeded by 17 percent.

The Company ended the year 2011 with net sales revenue of EUR 2.8 billion, operating profit of EUR 61.1 million and net profit of EUR 11.6 million.

The Company's equity totalled EUR 381.7 million as at 31 December 2011.

# [Subsidiaries]

## Petrol-Trade Handelsges.m.b.H.

**General Manager:** Marko Malgaj
**E-mail:** malgaj@petrol-trade.at
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

Petrol-Trade Handelsges.m.b.H. is an important link in the Petrol Group's procurement chain for petroleum and chemical products. In 2011 Petrol-Trade Handelsges.m.b.H. purchased and sold 411.5 thousand tons of petroleum and chemical products, which was on a par with the year 2010. The company generated EUR 286.2 million in net sales revenue in 2011. The 2011 net profit of Petrol-Trade Handelsges.m.b.H. totalled EUR 630 thousand, which was 25 percent less than in the previous year. The company's equity totalled EUR 2.2 million as at 31 December 2011.

**CYPET-TRADE LTD.**
**General Manager:** Marko Malgaj
**E-mail:** cypet@logos.cy.net

The company Cypet-Trade Ltd. is fully owned by Petrol-Trade Handelsges.m.b.H. In 2011 Cypet-Trade Ltd. purchased and sold 1.1 million tons of petroleum products, a decrease of 5 percent compared with the year 2010. The company generated EUR 748.8 million in net sales revenue in the period concerned. Its 2011 net profit stood at EUR 5.7 million, up 7 percent from 2010. The company's equity totalled EUR 6.1 million as at 31 December 2011.

## Cypet Oils Ltd.

**General Manager:** Marko Malgaj
**E-mail:** cypet@logos.cy.net
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

On 1 January 2004, the business operations of Cypet Oils Ltd. were transferred to the company Cypet-Trade Ltd. In 2011 the company Cypet Oils Ltd. generated finance income only; its 2011 net profit stood at EUR 887. The company's equity totalled EUR 1.6 million as at 31 December 2011. It is currently in the process of liquidation.

## Petrol BH Oil Company d.o.o. Sarajevo

**General Manager:** Aleksander Malahovsky
**E-mail:** aleksander.malahovsky@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 sale of similar products. Through its retail and wholesale activities, the company sold 167.7 thousand tons of petroleum products in 2011, which was 11 percent more than in 2010. In the past year, the company generated EUR 173.6 million in revenue from the sale of oil and petroleum products, EUR 5.5 million in revenue from the sale of merchandise and EUR 567 thousand in revenue from the sale of services. In total, the company generated EUR 179.7 million in net sales revenue. The company's 2011 net profit totalled EUR 940 thousand, a considerable improvement on the previous year. Petrol BH Oil Company d.o.o. Sarajevo operated 37 service stations at the end of 2011. Its equity totalled EUR 42.0 million as at 31 December 2011.

## Petrol Hrvatska d.o.o.

**General Manager:** David Korošec since 1 July 2011, Ignac Rupar until 30 June 2011
**E-mail:** david.korosec@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

The company is engaged in the sale of oil derivatives, petroleum products and other merchandise in Croatia. In 2011 Petrol Hrvatska d.o.o. sold 142.2 thousand tons of oil and petroleum products, which was 6 percent more than in 2010. Revenue from the sale of oil and petroleum products totalled EUR 164.1 million, with revenue from the sale of merchandise amounting to EUR 11.2 million and revenue from the sale of services to EUR 1.1 million. In 2011 the company generated total net sales revenue of EUR 176.4 million. Its 2011 financial performance amounted to a net loss of EUR 4.5 million, a decline from the previous year. At the end of 2011, Petrol Hrvatska d.o.o. operated 35 service stations. The company's equity totalled EUR 37 million as at 31 December 2011.

## Euro - Petrol d.o.o.

**General Managers:** Jozo Kalem, David Korošec since 30 June 2011, Gregor Lukman until 30 June 2011
**E-mail:** jozo-kalem@euro-petrol.htnet.hr; david.korosec@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 51%

The company is engaged in the sale of oil derivatives, petroleum products and other merchandise in Croatia. In September 2011, Petrol d.d., Ljubljana signed a contract to acquire the remaining 49-percent interest in the company Euro - Petrol d.o.o. Once all suspensive conditions have been fulfilled, Petrol d.d., Ljubljana will become the sole owner of the company. In 2011 Euro - Petrol d.o.o. sold 249.1 thousand tons of oil derivatives, down 3 percent from 2010. Revenue from the sale of oil and petroleum products totalled EUR 279.6 million, with revenue from the sale of merchandise amounting to EUR 15.8 million and revenue from the sale of services to EUR 5.9 million. In total, the company Euro - Petrol d.o.o. generated EUR 301.3 million in net sales revenue in 2011. In the period concerned, the company generated a net profit of 3.5 million, a decline from the previous year. The net profit attributable to Petrol d.d., Ljubljana amounted to EUR 1.8 million. The company Euro - Petrol d.o.o. operated 51 service stations at the end of 2011. Its equity totalled EUR 47.0 million as at 31 December 2011.

## Petrol d.o.o. Beograd

**General Manager:** Aljoša Višnar
**E-mail:** aljosa.visnar@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 oil and petroleum products sold in 2011 totalled 11.1 thousand tons, an increase of 30 percent on the previous year. Revenue from the sale of oil and petroleum products totalled EUR 13.3 million, with revenue from the sale of merchandise amounting to EUR 793 thousand and revenue from the sale of services to EUR 58 thousand. In 2011 Petrol d.o.o. Beograd generated EUR 14.1 million in net sales revenue. The company generated a loss of EUR 341 thousand in the period concerned. Petrol d.o.o. Beograd operated 7 service stations at the end of 2011. The company's equity totalled EUR 11.9 million as at 31 December 2011.

## Petrol Crna gora d.o.o. Cetinje

**Executive Director**: Iztok Bajda since 20 September 2011, Dean Krivec until 19 September 2011
**E-mail:** iztok.bajda@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

At the beginning of 2008, Petrol d.d., Ljubljana established the company Petrol - Invest d.o.o., in which it has a 100-percent interest. In September 2011, the company was renamed Petrol Crna gora d.o.o. Cetinje. The company's business activities consist of capital investments in petroleum activities in Montenegro. The company manages and conducts all procedures relating to the purchase of land and construction of buildings. Once a capital investment is completed, the company transfers the property to Petrol - Bonus d.o.o. to be managed, via a finance lease. The company owns two service stations, which were transferred, based on finance lease agreements, to Petrol - Bonus d.o.o. to be managed, and a moratorium on lease payments was also agreed in the process. The company Crna gora d.o.o. Cetinje generated a net profit of EUR 108 thousand in 2011, an improvement on the previous year. The company's equity totalled EUR 8.3 million as at 31 December 2011. Effective 1 January 2012, the company was merged into the company Petrol - Bonus d.o.o.

## Petrol - Bonus d.o.o.

**Executive Director:** Dean Krivec since 1 October 2011, Branko Kašćelan until 31 August 2011
**E-mail:** dean.krivec@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

The company Petrol - Bonus d.o.o. was established by the companies Petrol d.d., Ljubljana and Montenegro Bonus - Cetinje by means of a contract signed in August 2007. Both companies had a 50-percent interest in the new company. On 8 August 2011, Petrol d.d., Ljubljana signed a contract to acquire the remaining 50-percent interest in the company Petrol - Bonus d.o.o., becoming its sole owner on 20 September 2011. The company's principal activity is the sale of gas and petroleum products in the territory of Montenegro. Petrol - Bonus d.o.o. holds two service stations, which are owned by Petrol – Crna gora d.o.o. Cetinje, under a finance lease and one service station under a standard lease. At the end of 2011, the company acquired 3 more service stations. In 2011 the company sold 21,236 tons of oil and petroleum products, which was 17 percent more than in 2010. In total, it generated EUR 24.6 million in net sales revenue in 2011, up 25 percent on the previous year. In 2011 the company generated a net loss of EUR -923 thousand, a decrease from the year before. Petrol - Bonus d.o.o. operated 6 service stations at the end of 2011. The company's equity totalled EUR -192 thousand as at 31 December 2011. Effective 1 January 2012, Petrol - Bonus d.o.o. absorbed the company Petrol Crna Gora d.o.o. Cetinje.

## Petrol Maloprodaja Slovenija, d.o.o.

**General Manager:** Roman Dobnikar since 1 January 2012, Igor Mravlja until 31 December 2011
**E-mail:** roman.dobnikar@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

The company Petrol Maloprodaja Slovenija, d.o.o. is engaged in the retail sale of petroleum products, merchandise and services at service stations in Slovenia. The service stations and the merchandise are the property of Petrol d.d., Ljubljana. In 2011 the company generated EUR 14 million in net sales revenue, up 6 percent on the previous year. Its net sales revenue consists of fees charged to Petrol d.d., Ljubljana in connection with sales activities performed at the service stations managed by Petrol Maloprodaja Slovenija d.o.o. The company ended the year 2011 with a net profit of EUR 32. The company's equity totalled EUR 12.7 million as at 31 December 2011.

## Instalacija d.o.o.

**General Manager:** Marija Lah since 22 December 2011, Rinaldo Glavina until 21 December 2011
**E-mail:** marica.lah@instalacija.si
**Ownership interest of Petrol, d.d., Ljubljana:** 49%

The company's principal activities comprise storage and handling of petroleum products. In 2011 Petrol d.d., Ljubljana entered into a sale and purchase agreement to acquire a 51-percent interest in Instalacija d.o.o., in which it had previously held a 49-percent interest. The suspensive conditions stipulated in the agreement were fulfilled at the end of 2011. Under the agreement, ownership interests are to be transferred progressively over the course of the next two years, in line with the schedule of payments for those interests. The agreed-upon fulfilment of obligations arising from the acquisition of the 51-percent interest notwithstanding, Petrol d.d., Ljubljana had a controlling influence over the company Instalacija d.o.o. on 31 December 2011. That is why it is treated as a subsidiary in Petrol's financial statements. Important events of 2011 included the construction of three new storage tanks to meet the needs of the Slovene Agency for Commodity Reserves, the increase in the storage capacity of bunds, the upgrade of the B 100 mixing system, the reconstruction of a storage tank's bottom plate and the replacement of filling arms at the rail tanker filling station. In 2011 the company handled 2.4 million tons of petroleum products, an increase on the year 2010. Its net sales revenue amounted to EUR 14.1 million, which was on a par with the previous year. The company's 2011 net profit stood at EUR 5.6 million, which was also on a par with the previous year. The net profit attributable to Petrol d.d., Ljubljana amounted to EUR 2.7 million. The company's equity totalled EUR 25.6 million as at 31 December 2011.

## Petrol Skladiščenje d.o.o.

**General Manager:** Anja Kocjančič since 3 February 2012, Rok Blenkuš until 2 February 2012
**E-mail:** anja.kocjancic@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

On 1 February 2010, operations of the company Petrol Skladiščenje d.o.o. were transferred to the parent company's logistics department. The company ended the year 2011 with a net profit of EUR 2,591. Its equity totalled EUR 814 thousand as at 31 December 2011.

## Petrol Tehnologija, d.o.o.

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

The company's activities comprise maintenance of property, technological equipment and storage tanks, maintenance and construction of technological installations, maintenance and testing of gas storage tank tightness, gauge control, and environmental and equipment measurements. The company has its own agencies for the purchasing of spare parts, installations and equipment. Petrol Tehnologija d.o.o. provides its services to both the Petrol Group and external customers. In 2011 the company generated EUR 6 million in net sales revenue, up 3 percent on the previous year. Its net profit totalled EUR 334 thousand, up 42 percent on the previous year. The company's equity totalled EUR 2 million as at 31 December 2011.

## Petrol VNC d.o.o.

**General Manager:** Bojan Babič
**E-mail:** bojan.babic@petrol.si; vnc@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

The company provides investigation and security services, i.e. professional services related to the reception, processing, displaying and archiving of alarm messages received from secured buildings, and ensures ongoing surveillance of secured areas and buildings. Since 2010 the company has also provided security consulting services and, with the help of a licensed subcontractor, detective services. In 2011 it generated EUR 314 thousand in net sales revenue, a decrease of 18 percent relative to 2010. The company ended the year 2011 with a net loss of EUR 6 thousand. Its equity totalled EUR 115 thousand as at 31 December 2011.

## Petrol Energetika d.o.o.

**General Manager:** Mojca Kert
**E-mail:** mojca.kos@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 99.3844%

Petrol Energetika d.o.o. developed and put into practice a competitive multi-energy and utility business model, which combines, in a technological, economic and environmental sense, the provision of comprehensive energy services to industry customers and consumers. The four pillars of its operations are electricity, natural gas and heat, renewable energy sources and comprehensive water management. For the purpose of trading in natural gas, the company has developed its own model for forecasting and optimising demand for natural gas. It is responsible for the management of the natural gas balance group, which comprises major industry customers and customers from the Slovene municipalities in which the Petrol Group obtained concessions for operating natural gas distribution systems. Despite the deteriorated economic situation, the company invested in the renovation of energy infrastructure, which remains a precondition for the functioning of the energy market and energy security. In a quest for effective cost management and measures aimed at quickly adapting to the market, adjusting the number of work places and maintaining profitability also in changed circumstances, Petrol Energetika d.o.o. continued to maintain and develop its role of a leading Slovene provider of comprehensive energy and environmental solutions in 2011. At the end of 2011, the company held five natural gas supply concessions, two heat distribution concessions, one drinking water supply concession, one wastewater treatment concession and one chimney sweeping concession. In 2011 Petrol Energetika d.o.o. sold 791.3 thousand MWh of electricity, of which 40.8 thousand MWh were generated by the company itself, and distributed 315.6 thousand MWh of electricity. The company sold and distributed 102.2 million $Sm^3$ and 54.2 million $Sm^3$ of natural gas, respectively. As regards heat-related operations, the company sold 55.7 thousand MWh of heat. In 2011 it generated EUR 110.5 million in net sales revenue, exceeding the 2010 figure by 52 percent. The company's 2011 net profit stood at EUR 3.2 million, up 51 percent from the previous year. The net profit attributable to the company Petrol d.d., Ljubljana totalled EUR 3.2 million. The company's equity totalled EUR 25.5 million as at 31 December 2011. The company's HR policy is founded on equality in recruitment and promotion, on systematic and methodical staff motivation, on encouragement of innovation, and also on regular employee satisfaction measurement. Encouraging knowledge and competency is at the forefront of the company's career development efforts. Promotion of promising women managers is systematically encouraged by providing for education and training, carrying out management programmes and implementing teamwork. Measures implemented by the company as a family friendly enterprise help facilitate a balance between professional and family life. In 2011 Petrol Energetika d.o.o. received an award in recognition of being an enterprise friendly towards women managers. Although women account for 16 percent of the staff, as much as 40 percent of managers are women.


## Petrol Gas Group, d.o.o.

**Board of Directors:** Matjaž Burger, Janez Grošelj, Milan Dragosavac
**E-mail:** matjaz.burger@petrol.si; janez.groselj@petrol.si; milan.dragosavac@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 100 %

The company Petrol Gas Group d.o.o. manages the Pećinci concession obtained by Petrol d.d., Ljubljana via a public call for tenders, which was then transferred to the company Petrol Gas Group d.o.o. The construction of a gas distribution network in Pećinci and in the new Šimanovci business zone was completed in the first half of 2011. In May 2011, the pipeline became operational and the companies Petrol d.d., Ljubljana and Srbijagas signed a letter regarding the possibility of future cooperation between the companies. In 2011 the company generated EUR 223 thousand in net sales revenue, ending the year with a net profit of EUR 72 thousand. The company's equity totalled EUR 4.4 million as at 31 December 2011.

## Rodgas AD Bačka Topola

**Board of Directors:** Primož Kramer, Milan Dragosavac, Matjaž Burger
**E-mail:** primoz.kramer@petrol.si; milan.dragosavac@petrol.si; matjaz.burger@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 84.22%

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 a 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-related activities. The company Rodgas AD Bačka Topola distributes natural gas via a gas network measuring 132.43 km. In 2011 the company sold 8.2 million $Sm^3$ of natural gas to household and industry customers, which was 34 percent more than in the previous year. 1,161 households and 114 businesses were connected to the network at the end of the year. The company generated EUR 2.9 million in net sales revenue in 2011, up 37 percent on the previous year. Its 2011 net profit totalled EUR 130 thousand, of which EUR 109 thousand is attributable to Petrol d.d., Ljubljana. The company's equity totalled EUR 1.5 million as at 31 December 2011.

## Petrol-Jadranplin d.o.o.

**President of the Board:** Stjepan Grcić,
**General Manager:** Zoran Kalac
**E-mail:** stjepan.grcic@petrol.si, zoran.kalac@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 51%

The company is engaged in the storage, distribution and sale of liquefied petroleum gas. In 2011 it sold 20 thousand tons of LPG, generating EUR 16.4 million in net sales revenue. Its 2011 net profit totalled EUR 501 thousand, of which EUR 256 thousand is attributable to Petrol d.d., Ljubljana. The company's equity totalled EUR 2.2 million as at 31 December 2011.

## Petrol-Butan d.o.o.

**President of the Board:** Božidar Roguljić,
**General Manager:** Matjaž Burger
**E-mail:** butan@butan.hr, matjaz.burger@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

The company is engaged in the storage, distribution and sale of liquefied petroleum gas. In 2011 it sold 4.1 thousand tons of LPG, generating EUR 3.8 million in net sales revenue. Its net profit for 2011 totalled EUR 67 thousand. The company's equity totalled EUR 643 thousand as at 31 December 2011.

## Petrol-Energetika DOOEL Skopje

**General Manager:** Gorazd Skubin
**E-mail:** gorazd.skubin@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. Its equity totalled EUR 5 thousand as at 31 December 2011.

## Ogrevanje Piran d.o.o.

**General Manager:** Srđan Purić until 1 August 2011 when the company was struck off the Companies Register.

On 28 February 2011, the company Ogrevanje Piran d.o.o. was absorbed by the parent company Petrol d.d., Ljubljana. Before the absorption, the company sold 182 tons of liquefied petroleum gas and 2.9 thousand MWh of heat. Its net sales revenue stood at EUR 477 thousand. The company's financial performance for the period before the absorption amounted to a net loss of EUR 10 thousand. On 1 March 2011, at the time of the absorption, the company's equity totalled EUR 2.2 million.

## RP Plin d.o.o.

By signing a contract to acquire a 100-percent interest in the company RP plin d.o.o. in June 2011, Petrol d.d., Ljubljana completed the expansion of natural gas distribution in the Upper Carniola municipalities of Cerklje, Vodice and Komenda. RP plin d.o.o. holds a natural gas distribution concession for the 3rd inner area of the municipality of Šenčur. On 30 June 2011, the company RP Plin d.o.o. was merged into the parent company.



## EL-Tec Mulej d.o.o., Bled

**General Manager:** Jože Torkar
**E-mail:** info@el-tec-mulej.si
**Ownership interest of Petrol, d.d., Ljubljana:** 74.9%

By acquiring a 74.9-percent interest in the company El-Tec Mulej d.o.o., Bled on 19 August 2011, the Petrol Group expanded its operations in the field of energy solutions delivery. The company El-Tec Mulej d.o.o., Bled and its subsidiaries[9] market top-quality products and comprehensive system services in the field of district energy, lighting efficiency, water distribution systems and energy management in buildings. The company operates in Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Kosovo, Macedonia, Austria and Italy. In the period September to December 2011, the group of companies controlled by El-Tec Mulej d.o.o., Bled generated EUR 5.2 million in net sales revenue. The group's net profit for the period September to December 2011 stood at EUR 1.1 million. The net profit attributable to Petrol d.d., Ljubljana amounted to EUR 855 thousand. The group's equity totalled EUR 2.8 million as at 31 December 2011.

## IG Energetski sistemi d.o.o.

**President of the Board:** Robert Golob
**E-mail:** robert.golob@iges.si
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

On 19 June 2011, Petrol d.d., Ljubljana signed a contract to acquire a 46.5507-percent interest in the company IG energetski sistemi d.o.o., signing further contracts on 20 June 2011 and 29 July 2011 to acquire a 6.8986-percent interest and a 46.5507-percent interest, respectively, in the company IG energetski sistemi d.o.o. After all suspensive conditions had been fulfilled at the end of 2011, the Petrol Group became the sole owner of the company. The company IG energetski sistemi d.o.o. and its subsidiaries[10] are engaged in electricity trading both in Slovenia and in the EU and SE Europe, also selling it to end customers in Slovenia. In addition, IG energetski sistemi d.o.o. develops innovative solutions in the field of sustainable energy, efficient energy consumption and use of renewable resources. In the period July to December 2011, the IGES Group generated EUR 13.8 million in net sales revenue. The group's net profit for the period July to December 2011 stood at EUR 2.6 million. The net profit attributable to Petrol d.d., Ljubljana amounted to EUR 1.4 million. The group's equity totalled EUR 23.2 million as at 31 December 2011.

## Upravljanje Piran d.o.o.

**Procurator:** Miha Valentinčič
**E-mail:** miha.valentincic@petrol.si
**Ownership interest of Petrol, d.d., Ljubljana:** 100%

In June 2010, Petrol d.d., Ljubljana acquired the remaining 60-percent interest in the company Ogrevanje Piran d.o.o. The company's activities also included the provision of management services under the Housing Act. Because those services do not fall within the Petrol Group's strategic activities, they were excluded from the acquisition and a new company, Upravljanje Piran d.o.o., was established as a result. All assets and liabilities related to the excluded activities were transferred to the new company. The company Upravljanje Piran d.o.o. is in the process of being sold.

[9] These are ENERGOGLOBAL d.o.o., El-Tec Mulej, d.o.o., Niš, El-Tec Mulej BH, d.o.o., Tuzla and UNI ENERGIJA, d.o.o.
[10] These are IG AP d.o.o., IGIN, d.o.o., IGENS d.o.o., IG investicijski inženiring d.o.o., VITALES d.o.o. Nova Bila, Travnik, VITALES d.o.o. Bihać, Vitales energie biomasse Italia s.r.l., VITALES d.o.o., Sokolac, Vitales RTH d.o.o. and GEN-I, d.o.o.

# [Jointly controlled entities]

## Geoenergo d.o.o.

**General Managers:** Evgen Torhač, Miha Valentinčič
**E-mail**: evgen.torhac@nafta-geoterm.si; 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. Geoenergo d.o.o. and Ascent Slovenia Limited concluded a long-term contract on joint investments in carbohydrate extraction from oil and gas fields Dolina and Petišovci near Lendava. The years 2010 and 2011 saw significant investments in the development of a gas field, and they are expected to result in increased production at the Petišovci gas field in the near future. In 2011 the company generated a net profit of EUR 124. Its equity totalled EUR 132 thousand as at 31 December 2011.

## 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 main activity is electricity, gas and steam supply. In 2011 it generated a net loss of EUR 45 thousand. The net loss attributable to Petrol d.d., Ljubljana amounted to EUR 11 thousand. The company's equity totalled EUR 481 thousand as at 31 December 2011.

## PETROL - OTI - Slovenija L.L.C.

**General Manager:** Roman Pirš since 16 July 2011, Bojan Babič until 16 July 2011
**E-mail:** roman.pirs@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 2011 it sold 6.6 thousand tons of oil and petroleum products, generating EUR 8.5 million in net sales revenue. The company generated a net loss of EUR 268 thousand. The net loss attributable to Petrol d.d., Ljubljana amounted to EUR 137 thousand. The company operated four service stations at the end of 2011. Its equity totalled EUR 12.9 million as at 31 December 2011.

## Petrol Slovenia Tirana Wholesale Sh.A.

**General Manager:** Roman Mazi, who had performed this function until a company liquidator was appointed
**Ownership interest of Petrol, d.d., Ljubljana:** 55%

The company did not operate actively in 2011. On 30 May 2011, the company's co-founders adopted a decision to liquidate the company, appointing Mr Luan Pustin as the company's liquidator, who then took over the liquidation process. The company's equity totalled EUR 2.3 million as at 31 December 2011.

**Petrol Slovenia Tirana Distribution Sh.p.k.**
**General Managers:** Bojan Babič and Roman Mazi, who had performed this function until a company liquidator was appointed
**E-mail:** bojan.babic@petrol.si

The company Petrol Slovenia Tirana Distribution Sh.p.k. is fully owned by Petrol Slovenia Tirana Wholesale Sh.A. The company did not operate actively in 2011. On 30 May 2011, a decision was adopted to liquidate the company and Mr Luan Pustin was appointed as the company's liquidator, who then took over the liquidation process. The company's equity totalled EUR -6 thousand as at 31 December 2011.



# [Associates]

## Aquasystems d.o.o.

**Activities:** Construction and operation of industrial and municipal water treatment plants – the central waste treatment plant in Maribor
**Ownership interest of Petrol, d.d., Ljubljana:** 26%

## Geoplin d.o.o. Ljubljana

**Activities:** Sale and transport of natural gas
**Ownership interest of Petrol, d.d., Ljubljana:** 31.9779%

## Marche Gostinstvo d.o.o.

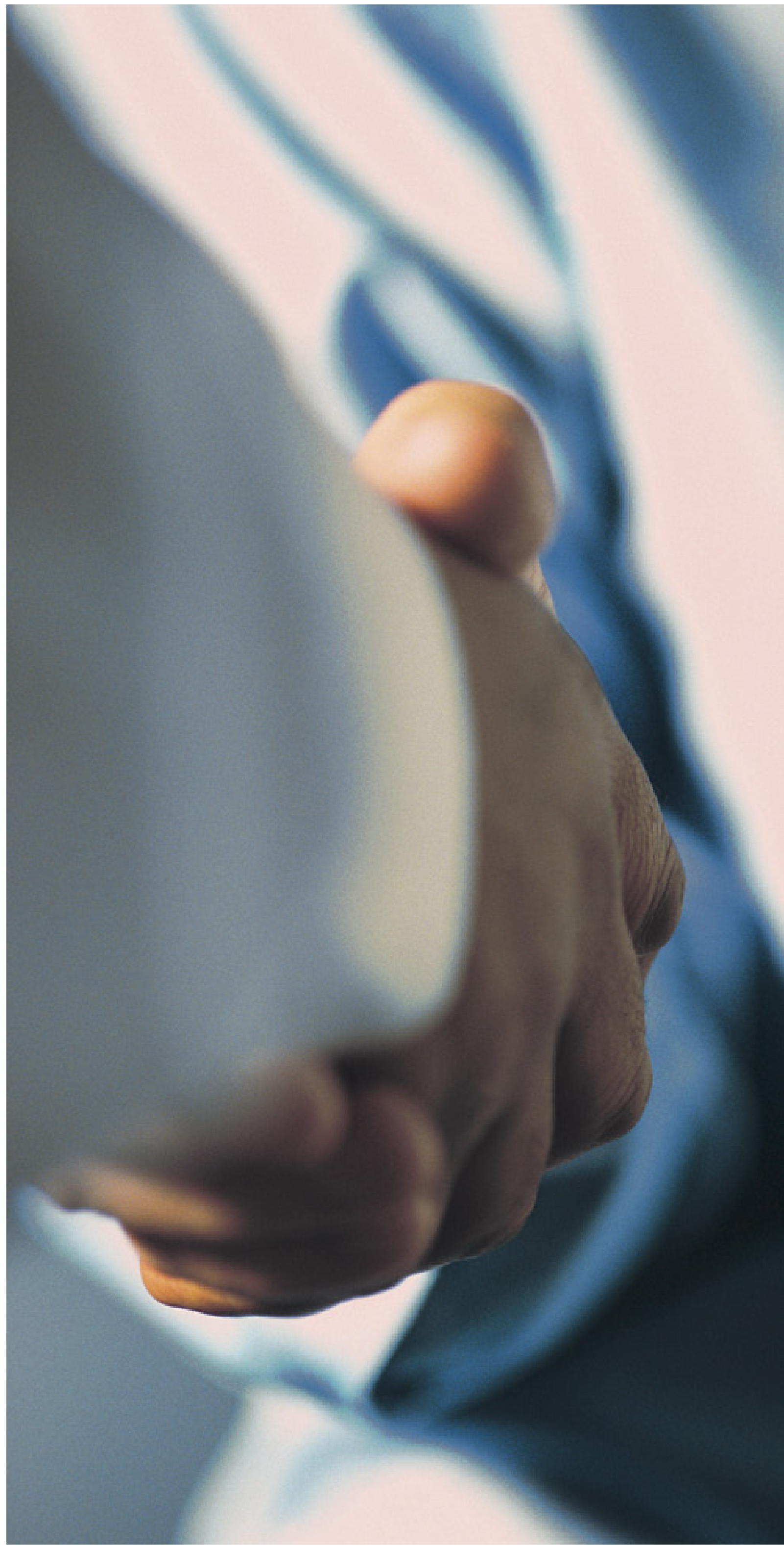
**Activities:** Preparation of food and beverages, sale of merchandise and other services
**Ownership interest of Petrol, d.d., Ljubljana:** 25%

## Bio goriva d.o.o.

**Activities:** Biodiesel production
**Ownership interest of Petrol, d.d., Ljubljana:** 25%

## Istrabenz d.d.

**Activities:** Management of Istrabenz Group investments and of other investments
**Ownership interest of Petrol, d.d., Ljubljana:** 32.63%




# [6]

# REPORT OF THE SUPERVISORY BOARD

[Good results at the right time]

Thanks to the 1,500 blood donors who are newly registered in the online database there is sufficient life energy at any moment.

# [Stable performance in difficult conditions]

## Good performance and efficient supervision

In 2011 the Supervisory Board's composition remained practically unchanged for the third consecutive financial year. The work of its members, including the work carried out within the committees, was professional and focused on the effective performance of their function. In 2011, among other things, this was achieved by a self-evaluation conducted with the assistance of an external expert, which resulted in the Supervisory Board Action Plan. The necessary improvements and measures identified in the Action Plan have already been partly implemented in the current financial year, and this document is constantly adjusted and revised annually, in accordance with good corporate governance practice.

The Supervisory Board started the financial year in its full composition comprising nine members, but in August 2011 member Žiga Debeljak submitted a statement of resignation owing to a potential conflict of interest that was expected to arise due to the performance of an activity of the same type by the company and the group he was managing. In the period following his resignation until the General Meeting of Shareholders in 2012, when a substitute member will be elected, the eight-member Supervisory Board will have enough room for manoeuvre to constitute the statutory quorum.

The members of the Supervisory Board prepared themselves for the topics discussed, gave constructive proposals and, based on expert and comprehensive verbal and written information obtained from the Management Board, adopted competent decisions in line with the Rules of Procedure, internal regulations and legal powers. The Supervisory Board informed the stakeholders on a regular basis. If events occurred that were relevant, I, as President of the Supervisory Board, issued public statements for the investors and the media immediately after the meetings, always ready to provide additional information.

In 2011 the Supervisory Board held eleven meetings.

The most important topics discussed at Supervisory Board meetings in 2011 were associated with the monitoring of the company's day-to-day operations. The Supervisory Board and the Management Board focused their efforts on identifying strategies and business risks important for successful future operations of the Company and the Petrol Group.

**Major topics discussed at the Supervisory Board's meetings in 2011**

1. **At the 26th meeting held on 10 January 2011** the Supervisory Board accepted the resignation of the President of the Management Board, Aleksander Svetelšek. The Supervisory Board appointed the Management Board member Rok Vodnik President of the Management Board for the period until the end of January 2011, while appointing Tomaž Berločnik President of the Management Board for a five-year term of office starting on 1 February 2011.
2. **At the 27th correspondence meeting (voting from 15 to 18 February 2011)** the Supervisory Board agreed that a valuation model be applied to the investment in Istrabenz d.d. for the purpose of compiling the 2010 Annual Report.
3. **At the 28th meeting held on 24 March 2011** the Supervisory Board approved the Annual Report and convened the 21st General Meeting of Shareholders for 19 May 2011. The resolution on the allocation of accumulated profit was passed by a majority. The Supervisory Board also adopted resolutions on the convocation of the Annual General Meeting of Shareholders and the initiation of a procedure to evaluate the performance of the Supervisory Board.
4. **At the 29th meeting held on 17 May 2011** the Supervisory Board discussed the quarterly financial results and a series of business topics, such as regular reports on receivables, the consolidation of the Petrol Group companies (e.g. merger by acquisition) and the issuing of approvals for ordinary transactions which in terms of substance or nominal amount exceed the threshold above which the Management Board needs to obtain the Supervisory Board's approval.
5. **The 30th meeting held on 2 June 2011** focused solely on the presentation of the consolidation of operations in the Croatian market and on the issue of the Supervisory Board's approval for the Management Board to round up activities and take advantage potential synergies by acquiring the remaining stake in a petroleum products retailer and wholesaler in the Croatian market.
6. **At the 31st meeting held on 14 July 2011** the Supervisory Board discussed activities for the planned acquisition of RP Plin d.o.o. and the purchase of holdings in Instalacija d.o.o., Istrabenz Gorenje d.o.o., Petrol - Bonus d.o.o., Cetinje and El-Tec Mulej d.o.o. All of these activities that had been approved by or communicated to the Supervisory Board were carried out and successfully completed by the end of the financial year.
7. **At the 32nd meeting held on 25 August 2011** the Supervisory Board discussed the semi-annual results and a number of topics such as, for instance, the elimination of potential conflicts of interest and the method of reporting by the Management Board to the Supervisory Board in view of Article 38.a of the Companies Act (ZGD-1 D), and the approval of the Charter Governing the Work of Internal Audit and Rules Governing the Work of Internal Audit of Petrol d.d., Ljubljana.
8. **At the 33rd and 34th meeting held on 15 September and 14 October 2011**, respectively, considering the resignation of Management Board member Roman Dobnikar as well as the decision to reorganise the Management Board (consensual termination of the term of office of Management Board member Marija Lah), the Supervisory Board delegated the management of the Company as of 14 October 2011 to the remaining four members of the Management Board: Tomaž Berločnik – president of the Management Board, Rok Vodnik and Janez Živko – members of the Management Board and Samo Gerdin – member of the Management Board/worker director. At these two meetings the Supervisory Board also focused on the evaluation of the Supervisory Board's performance (an action plan with proposed improvements and measures), measures directed at optimising and boosting the performance of the Petrol Group, approval of the 2012 financial calendar, and the provision of adequate capital structure so as to ensure a sufficient volume of long-term debt financing sources to finance operations.
9. **At the 35th meeting held on 15 November 2011** the Supervisory Board approved the Audit Committee Work Programme for 2012, discussed the Report on the Operations of the Petrol Group and Petrol d.d., Ljubljana in the first nine months of 2011, acknowledged the analysis of the expected impact of the execution of business transactions it had approved, and approved amendments to the Supervisory Board's Action Plan as well as defined the areas of responsibility of individual Management Board members.
10. **At the 36th meeting held on 15 December 2011** the Supervisory Board approved the Business Plan and Key Targets of the Petrol Group for 2012.

In addition to the above topics, the Supervisory Board also discussed the reports of the Audit Committee, Internal Audit and the Business Risk Management Committee as well as other issues falling within its competence.

## Work of the Supervisory Board's committees

In 2011 the **Audit Committee** met eleven times. At the first meetings in the financial year the Committee prepared bases for the Supervisory Board in relation to the audit of transactions concluded by the Management Board in 2010 with the company SCT and the lawyer Dušan Korošec. This audit was conducted by external auditors and was reflected in the activities of the Supervisory Board, including the revision and update of risk management processes.

At the 5th meeting held on 2 March 2011, the Audit Committee discussed the Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2010, held a discussion with KPMG auditors before they issued their opinion, discussed the management letter, formulated a proposal for the Supervisory Board on the appointment of an auditor for the financial report and a review of the 2011 business report. It also discussed the Report on the Implementation of the Internal Audit Work Programme for 2010. At the next meeting held on 14 March 2011 it examined the 2010 Annual Report and the auditor's report and proposed to the Supervisory Board that it approve the audited Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2010.

The topics of other meetings were the following:

- interim results of the Petrol Group and Petrol d.d., Ljubljana;
- discussion of credit, foreign exchange and price risk management;
- dialogue with the auditors on the progress of the preliminary audit;
- discussion of risk management at the Petrol Group by quarter and of the activities of the Business Risk Management Committee;
- the business risk assessment for the Petrol Group;
- discussion of the staffing and conceptual organisation of Internal Audit's work;
- discussion of the Audit Committee Work Programme for 2012, the annual review of powers and tasks of the Audit Committee and the self-evaluation of the Audit Committee;
- Internal Audit Work Programme for 2012;
- discussion of contracts with external auditors; and
- other topics falling within the competence of the Audit Committee.

**The Human Resources and Management Board Evaluation Committee** met three times in the 2011 financial year. The first meeting was on 10 January 2011 following the Supervisory Board's decision to replace the President of the Management Board, when it formulated its positions and submitted proposals on this issue. The second was on 2 February 2011 to formulate its positions about the contents of the issue of the Supervisory Board members' remuneration to be discussed at the Annual General Meeting of Shareholders and to submit an initiative to the Supervisory Board to start procedures for evaluating its performance according to the provisions of the Corporate Governance Code for Joint Stock Companies. The third was on 13 December 2011 to discuss the performance evaluation and remuneration of the Management Board and activities related to the Supervisory Board Action Plan aimed at improving and enhancing its performance. The Human Resources and Management Board Evaluation Committee did not evaluate its own performance in 2011.

## Assessment of the Petrol Group's operations in 2011

In spite of the difficult economic conditions, the Petrol Group achieved good business results in 2011.

The Petrol Group's business position is still strong and Petrol ranks among the leading Slovene companies. Petrol's operations are focused on achieving long-term and stable growth in harmony with the environment, economy, local community, shareholders and other stakeholders.

In 2011 the Petrol Group generated EUR 3.3 billion in net sales revenue, up 17 percent from 2010. Its gross profit totalled EUR 325.7 million, which was 11 percent more than in the previous year. The Group's operating profit amounted to EUR 81.0 million and its net profit to EUR 52.3 million.

The volume of petroleum products sold by the Petrol Group totalled EUR 2.38 million tons, up 1 percent from 2010. Revenue from the sale of merchandise equalled EUR 435.9 million, exceeding the 2010 figure by 5 percent. The investments of the Petrol Group in 2011 amounted to EUR 82.1 million. At the end of 2011, the Group's network of service stations comprised 454 stations.

In 2011 the Petrol Group sold 114.1 million $m^3$ of natural gas, an increase of 9 percent from 2010. It also sold 1.1 million MWh of electricity and 71.9 thousand MWh of heat. At the end of 2011, the Petrol Group supplied liquefied petroleum gas to customers from 2,715 gas storage tanks and operated 30 gas supply concessions along with 5 concessions for district heating.

## Approval of the 2011 Annual Report

At the **38th meeting held on 5 April 2012** the Supervisory Board discussed the Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2011. The results from ordinary activity were good, considering the general economic situation, and in line with the expectations formed on the basis of the interim results and the situation facing the industry. Based on the verification of the 2011 Annual Report of the Petrol Group and Petrol d.d., Ljubljana, the financial statements and the notes thereto, and the verification of the Management Board's proposal for the distribution 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 2011.

Ljubljana, 5 April 2012

Tomaž Kuntarič
President of the Supervisory Board


# [7]



[Energy for good results]

The Give Energy to Save Lives! campaign has surpassed all our expectations and resulted in a record number of blood donors of the past decade.

# Annual Report of the Petrol Group and Petrol d.d., Ljubljana for 2011 – Financial Report

## [Contents]

# [Statement of management's responsibility]

The Company's management is responsible for the preparation of the financial statements of the Petrol Group and the company Petrol d.d., Ljubljana for the year 2011, together with accompanying policies and notes, which give, to its best knowledge, 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 possibly other companies included in the consolidated financial statements are exposed to as a whole.

Management confirms that appropriate accounting policies have been applied consistently in the preparation of the financial statements, that accounting estimates were prepared on the principles of fair value, prudence and good 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 2011.

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 approves and confirms the financial statements, together with accompanying policies and notes, of the Petrol Group and the company Petrol d.d., Ljubljana for the year 2011.

Tomaž Berločnik
President of the
Management Board

Rok Vodnik
Member of the
Management Board

Janez Živko
Member of the
Management Board

Samo Gerdin
Member of the Management
Board/Worker Director

Petrol d.d., Ljubljana, Dunajska c. 50, 1527 Ljubljana, Slovenia

Ljubljana, 12 March 2012

KPMG

# Independent Auditor's Report

## To the Shareholders of Petrol d.d., Ljubljana

We have audited the accompanying consolidated financial statements of Petrol d.d., Ljubljana and its subsidiaries (Petrol Group), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Petrol Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

***Other matters***

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying consolidated financial statements.

**KPMG SLOVENIJA,**
**podjetje za revidiranje, d.o.o.**

Peter Anžin, B.Sc.Ec.
*Certified Auditor*

Jason Stachurski, B.Sc.Ec.
*Certified Auditor*
*Partner*

Ljubljana, 12 March 2012

KPMG Slovenija, d.o.o.
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KPMG

# Independent Auditor's Report

## To the Shareholders of Petrol d.d., Ljubljana

We have audited the accompanying financial statements of Petrol d.d., Ljubljana, which comprise the statement of financial position as at 31 December 2011, the income statement and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

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

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Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of Petrol d.d., Ljubljana as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

***Other matters***

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

**KPMG SLOVENIJA,**
**podjetje za revidiranje, d.o.o.**

Peter Anžin, B.Sc.Ec.
*Certified Auditor*

Jason Stachurski, B.Sc.Ec.
*Certified Auditor*
*Partner*

Ljubljana, 12 March 2012

KPMG Slovenija, d.o.o.
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# [Financial statements of the Petrol Group and the company Petrol d.d., Ljubljana]

## Income statement of the Petrol Group and Petrol d.d., Ljubljana

| | | The Petrol Group | | | Petrol d.d. | | |
|---|---|---|---|---|---|---|---|
| (in EUR) | Note | 2011 | 2010 | 11/10 index | 2011 | 2010 | 11/10 index |
| Sales revenue | | 3,270,353,441 | 2,802,752,517 | 117 | 2,767,652,402 | 2,393,325,777 | 116 |
| Cost of merchandise sold | | (2,944,702,615) | (2,508,258,916) | 117 | (2,529,404,600) | (2,171,101,876) | 117 |
| **Gross profit** | | **325,650,826** | **294,493,601** | **111** | **238,247,802** | **222,223,901** | **107** |
| Costs of materials | 6.4 | (34,422,965) | (27,108,193) | 127 | (11,641,452) | (10,530,944) | 111 |
| Costs of services | 6.5 | (117,287,165) | (114,882,996) | 102 | (116,218,859) | (113,908,892) | 102 |
| Labour costs | 6.6 | (56,075,354) | (53,934,108) | 104 | (25,661,190) | (26,479,854) | 97 |
| Depreciation and amortisation | 6.7 | (36,224,361) | (34,447,861) | 105 | (23,559,719) | (22,427,400) | 105 |
| Other costs | 6.8 | (7,250,531) | (8,056,647) | 90 | (5,149,082) | (4,787,631) | 108 |
| **Operating costs** | | **(251,260,376)** | **(238,429,805)** | **105** | **(182,230,302)** | **(178,134,721)** | **102** |
| Other revenue | 6.3 | 7,161,649 | 7,588,171 | 94 | 5,167,791 | 6,051,088 | 85 |
| Other expenses | 6.9 | (517,446) | (693,578) | 75 | (35,686) | (56,027) | 64 |
| **Operating profit** | | **81,034,653** | **62,958,389** | **129** | **61,149,605** | **50,084,242** | **122** |
| Share of profit from equity accounted investees | 6.1 | 10,641,658 | 5,783,045 | 184 | - | - | - |
| Finance income from dividends paid by subsidiaries, associates and jointly controlled entities | 6.1 | - | - | - | 14,886,283 | 13,534,714 | 110 |
| Other finance income | 6.11 | 120,011,674 | 73,330,286 | 164 | 71,988,022 | 69,164,441 | 104 |
| Other finance expenses | 6.11 | (156,941,019) | (97,185,253) | 161 | (135,390,579) | (88,569,785) | 153 |
| **Net finance expense** | | **(36,929,345)** | **(23,854,967)** | **155** | **(63,402,557)** | **(19,405,344)** | **327** |
| **Profit before tax** | | **54,746,966** | **44,886,467** | **122** | **12,633,331** | **44,213,614** | **29** |
| Tax expense | 6.12 | (10,867,894) | (10,094,877) | 108 | (7,579,440) | (7,295,370) | 104 |
| Deferred tax | 6.12 | 8,464,557 | 668,269 | - | 6,553,222 | 1,028,159 | - |
| **Tax** | | **(2,403,337)** | **(9,426,608)** | **25** | **(1,026,218)** | **(6,267,211)** | **16** |
| **Net profit for the year** | | **52,343,629** | **35,459,859** | **148** | **11,607,113** | **37,946,402** | **31** |
| Net profit for the year attributable to: | | | | | | | |
| owners of the controlling company | | 51,472,423 | 32,904,210 | 156 | 11,607,113 | 37,946,402 | 31 |
| non-controlling interest | | 871,206 | 2,555,649 | 34 | - | - | - |
| Basic and diluted earnings per share | 6.13 | 24.04 | 15.96 | 151 | 5.63 | 18.41 | 31 |

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

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

| | | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|---|
| (in EUR) | Note | 2011 | 2010 | 2010 | 2010 |
| **Net profit for the year** | | **52,343,629** | **35,459,859** | **11,607,113** | **37,946,402** |
| Net change in the value of investments in associates and jointly controlled entities | 6.14 | - | - | (35,270,253) | (1,282,331) |
| Attribution of changes in the equity of associates | 6.14 | (157,075) | (181,125) | - | - |
| Net gains on available-for-sale financial assets | 6.14 | - | 54,818 | - | 54,818 |
| Net effective portion of changes in the fair value of cash flow variability hedging | 6.14 | 1,181,670 | 1,587,117 | 1,181,670 | 1,587,117 |
| Foreign exchange differences | | (1,030,399) | (2,743,553) | - | - |
| **Other comprehensive income** | | **(5,804)** | **(1,282,743)** | **(34,088,583)** | **359,604** |
| **Total comprehensive income for the year** | | **52,337,825** | **34,177,116** | **(22,481,470)** | **38,306,006** |
| Total comprehensive income attributable to: | | | | | |
| owners of the controlling company | | 52,127,739 | 32,056,814 | (22,481,470) | 38,306,006 |
| non-controlling interest | | 210,086 | 2,120,302 | - | - |

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

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

| (in EUR) | Note | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | The Petrol Group 11/10 index | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 | Petrol d.d. 11/10 index |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| Non-current (long-term) assets | | | | | | | |
| Intangible assets | 6.15 | 176,628,810 | 80,021,454 | 221 | 55,683,732 | 52,063,347 | 107 |
| Property, plant and equipment | 6.16 | 601,702,624 | 516,734,506 | 116 | 281,269,534 | 281,477,644 | 100 |
| Investment property | 6.17 | 13,557,862 | 14,293,359 | 95 | 13,422,848 | 14,186,872 | 95 |
| Investments in subsidiaries | 6.18 | - | - | - | 298,499,439 | 200,531,434 | 149 |
| Investments in jointly controlled entities | 6.19 | 37,964,476 | 16,386,748 | 232 | 2,583,500 | 61,270,000 | 4 |
| Investments in associates | 6.20 | 99,406,712 | 119,535,318 | 83 | 135,743,305 | 154,860,000 | 88 |
| Available-for-sale financial assets | 6.21 | 7,568,721 | 11,338,780 | 67 | 7,438,775 | 11,259,737 | 66 |
| Financial receivables | 6.22 | 2,924,920 | 10,944,605 | 27 | 8,104,316 | 10,443,715 | 78 |
| Operating receivables | 6.23 | 925,709 | 966,472 | 96 | 748,164 | 966,472 | 77 |
| Deferred tax assets | 6.12 | 43,457,608 | 35,074,080 | 124 | 43,808,067 | 37,274,223 | 118 |
| | | **984,137,442** | **805,295,322** | **122** | **847,301,680** | **824,333,444** | **103** |
| Current assets | | | | | | | |
| Inventories | 6.24 | 100,583,405 | 108,421,227 | 93 | 79,861,445 | 90,193,443 | 89 |
| Assets held for disposal | 6.38 | 9,129,811 | 0 | - | 0 | 0 | - |
| Financial receivables | 6.25 | 15,671,856 | 13,674,416 | 115 | 12,993,255 | 7,627,732 | 170 |
| Operating receivables | 6.26 | 352,044,457 | 312,122,226 | 113 | 317,225,816 | 285,951,240 | 111 |
| Corporate income tax assets | 6.12 | 76,210 | 437,355 | 17 | 0 | 0 | - |
| Financial assets at fair value through profit or loss | 6.27 | 7,942,414 | 3,848,931 | 206 | 7,942,414 | 3,848,931 | 206 |
| Prepayments and other assets | 6.28 | 6,675,014 | 4,167,703 | 160 | 4,155,951 | 2,661,009 | 156 |
| Cash and cash equivalents | 6.29 | 60,701,551 | 17,543,771 | 346 | 32,949,888 | 14,773,479 | 223 |
| | | **552,824,718** | **460,215,629** | **120** | **455,128,769** | **405,055,834** | **112** |
| Total assets | | **1,536,962,160** | **1,265,510,951** | **121** | **1,302,430,449** | **1,229,389,278** | **106** |

| (in EUR) | Note | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | The Petrol Group 11/10 index | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 | Petrol d.d. 11/10 index |
|---|---|---|---|---|---|---|---|
| EQUITY AND LIABILITIES | | | | | | | |
| Equity attributable to owners of the Petrol Group | | | | | | | |
| Called-up capital | | 52,240,977 | 52,240,977 | 100 | 52,240,977 | 52,240,977 | 100 |
| Capital surplus | | 80,991,385 | 80,991,385 | 100 | 80,991,385 | 80,991,385 | 100 |
| Legal reserves | | 62,007,289 | 61,988,761 | 100 | 61,749,884 | 61,749,884 | 100 |
| Reserves for own shares | | 2,604,670 | 2,604,670 | 100 | 2,604,670 | 2,604,670 | 100 |
| Own shares | | (2,604,670) | (2,604,670) | 100 | (2,604,670) | (2,604,670) | 100 |
| Other revenue reserves | | 132,714,209 | 119,367,602 | 111 | 119,107,103 | 109,792,331 | 108 |
| Fair value reserve | | - | - | - | 66,586,771 | 101,857,024 | 65 |
| Hedging reserve | | (4,822,014) | (6,003,684) | 80 | (4,822,014) | (6,003,684) | 80 |
| Revaluation reserves | | 244,566 | 401,641 | 61 | 0 | 0 | - |
| Foreign exchange differences | | (4,173,047) | (3,803,768) | 110 | 0 | 0 | - |
| Retained earnings | | 91,617,392 | 64,940,254 | 141 | 5,803,557 | 18,973,201 | 31 |
| | | **410,820,757** | **370,123,168** | **111** | **381,657,663** | **419,601,118** | **91** |
| Non-controlling interest | | **30,815,344** | **34,458,004** | **89** | | | |
| Total equity | 6.30 | **441,636,101** | **404,581,172** | **109** | **381,657,663** | **419,601,118** | **91** |
| Non-current liabilities | | | | | | | |
| Provisions for employee benefits | 6.31 | 4,215,098 | 3,953,944 | 107 | 2,066,543 | 2,066,543 | 100 |
| Other provisions | 6.32 | 2,814,557 | 2,677,566 | 105 | 2,538,403 | 2,538,403 | 100 |
| Long-term deferred revenue | 6.33 | 13,148,814 | 14,025,330 | 94 | 12,684,493 | 13,532,594 | 94 |
| Financial liabilities | 6.34 | 373,306,652 | 318,821,179 | 117 | 311,942,456 | 293,077,579 | 106 |
| Operating liabilities | 6.35 | 27,380,320 | 1,364,060 | - | 27,291,782 | 1,357,182 | - |
| Deferred tax liabilities | 6.12 | 6,332,403 | 6,497,196 | 97 | 16,646,694 | 25,209,249 | 66 |
| | | **427,197,844** | **347,339,275** | **123** | **373,170,370** | **337,781,550** | **110** |
| Current liabilities | | | | | | | |
| Financial liabilities | 6.34 | 238,316,123 | 173,244,281 | 138 | 212,757,746 | 131,661,896 | 162 |
| Operating liabilities | 6.36 | 406,362,859 | 328,437,942 | 124 | 327,506,950 | 331,060,070 | 99 |
| Corporate income tax liabilities | 6.12 | 2,034,195 | 2,854,687 | 71 | 891,348 | 1,712,921 | 52 |
| Liabilities held for disposal | 6.38 | 12,812,196 | 0 | - | 0 | 0 | - |
| Other liabilities | 6.37 | 8,602,842 | 9,053,594 | 95 | 6,446,372 | 7,571,723 | 85 |
| | | **668,128,215** | **513,590,504** | **130** | **547,602,416** | **472,006,610** | **116** |
| Total liabilities | | **1,095,326,059** | **860,929,779** | **127** | **920,772,786** | **809,788,160** | **114** |
| Total equity and liabilities | | **1,536,962,160** | **1,265,510,951** | **121** | **1,302,430,449** | **1,229,389,278** | **106** |

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

## Statement of changes in equity of the Petrol Group

| (in EUR) | Called-up capital | Capital surplus | Revenue reserves: Legal reserves | Revenue reserves: Reserves for own shares | Revenue reserves: Own shares | Revenue reserves: Other revenue reserves | Fair value reserve | Hedging reserve | Investment revaluation reserve | Foreign exchange differences | Retained earnings | Equity attributable to owners of the Petrol Group | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| As at 1 January 2010 | 52,240,977 | 80,991,385 | 61,974,850 | 2,604,670 | (2,604,670) | 110,420,597 | (54,818) | (7,590,800) | 582,766 | (1,495,562) | 53,160,388 | 350,229,783 | 31,310,329 | 381,540,112 |
| Dividend payments for 2009 | | | | | | (12,163,428) | | | | | | (12,163,428) | | (12,163,428) |
| Transfer of net profit for 2009 | | | | | | 2,137,232 | | | | | (2,137,232) | 0 | | 0 |
| Increase in non-controlling interest (note 6.1) | | | | | | | | | | | | 0 | 1,027,374 | 1,027,374 |
| Transfer of a portion of net profit for 2010 | | | | | | 18,973,201 | | | | | (18,973,201) | 0 | | 0 |
| Creation of legal reserves | | | 13,911 | | | | | | | | (13,911) | 0 | | 0 |
| **Transactions with owners** | **0** | **0** | **13,911** | **0** | **0** | **8,947,005** | **0** | **0** | **0** | **0** | **(21,124,344)** | **(12,163,428)** | **1,027,374** | **(11,136,054)** |
| Net profit for the current year | | | | | | | | | | | 32,904,210 | 32,904,210 | 2,555,649 | 35,459,859 |
| Other changes in comprehensive income | | | | | | | 54,818 | 1,587,117 | (181,125) | (2,308,206) | | (847,396) | (435,347) | (1,282,743) |
| **Total changes in comprehensive income** | **0** | **0** | **0** | **0** | **0** | **0** | **54,818** | **1,587,117** | **(181,125)** | **(2,308,206)** | **32,904,210** | **32,056,814** | **2,120,302** | **34,177,116** |
| **As at 31 December 2010** | **52,240,977** | **80,991,385** | **61,988,761** | **2,604,670** | **(2,604,670)** | **119,367,602** | **0** | **(6,003,684)** | **401,641** | **(3,803,768)** | **64,940,254** | **370,123,168** | **34,458,004** | **404,581,172** |
| As at 1 January 2011 | 52,240,977 | 80,991,385 | 61,988,761 | 2,604,670 | (2,604,670) | 119,367,602 | 0 | (6,003,684) | 401,641 | (3,803,768) | 64,940,254 | 370,123,168 | 34,458,004 | 404,581,172 |
| Dividend payments for 2010 | | | | | | | | | | | (15,461,985) | (15,461,985) | | (15,461,985) |
| Transfer of net profit for 2010 | | | | | | 3,511,216 | | | | | (3,511,216) | 0 | | 0 |
| Decrease in non-controlling interest (note 6.1) | | | | | | 4,031,836 | | | | | | 4,031,836 | (3,852,746) | 179,090 |
| Transfer of a portion of profit for 2011 to other reserves | | | | | | 5,803,557 | | | | | (5,803,557) | 0 | | 0 |
| Creation of legal reserves | | | 18,528 | | | | | | | | (18,528) | 0 | | 0 |
| **Transactions with owners** | **0** | **0** | **18,528** | **0** | **0** | **13,346,609** | **0** | **0** | **0** | **0** | **(24,795,286)** | **(11,430,149)** | **(3,852,746)** | **(15,282,895)** |
| Net profit for the current year | | | | | | | | | | | 51,472,423 | 51,472,423 | 871,206 | 52,343,629 |
| Other changes in comprehensive income | | | | | | | | 1,181,670 | (157,075) | (369,279) | | 655,316 | (661,120) | (5,804) |
| **Total changes in comprehensive income** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **1,181,670** | **(157,075)** | **(369,279)** | **51,472,423** | **52,127,739** | **210,086** | **52,337,825** |
| **As at 31 December 2011** | **52,240,977** | **80,991,385** | **62,007,289** | **2,604,670** | **(2,604,670)** | **132,714,209** | **0** | **(4,822,014)** | **244,566** | **(4,173,047)** | **91,617,392** | **410,820,757** | **30,815,344** | **441,636,101** |

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 Petrol d.d., Ljubljana

| | | | Revenue reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in EUR) | Called-up capital | Capital surplus | Legal reserves | Reserves for own shares | Own shares | Other revenue reserves | Fair value reserve | Hedging reserve | Retained earnings | Total |
| As at 1 January 2010 | 52,240,977 | 80,991,385 | 61,749,884 | 2,604,670 | (2,604,670) | 100,845,326 | 103,084,537 | (7,590,801) | 2,137,232 | 393,458,540 |
| Dividend payments for 2009 | | | | | | (12,163,428) | | | | (12,163,428) |
| Transfer of net profit for 2009 | | | | | | 2,137,232 | | | (2,137,232) | 0 |
| Transfer of a portion of net profit for 2010 | | | | | | 18,973,201 | | | (18,973,201) | 0 |
| **Transactions with owners** | **0** | **0** | **0** | **0** | **0** | **8,947,005** | **0** | **0** | **(21,110,433)** | **(12,163,428)** |
| Net profit for the current year | | | | | | | | | 37,946,402 | 37,946,402 |
| Other changes in comprehensive income | | | | | | | (1,227,513) | 1,587,117 | | 359,604 |
| **Total changes in comprehensive income** | **0** | **0** | **0** | **0** | **0** | **0** | **(1,227,513)** | **1,587,117** | **37,946,402** | **38,306,006** |
| **As at 31 December 2010** | **52,240,977** | **80,991,385** | **61,749,884** | **2,604,670** | **(2,604,670)** | **109,792,331** | **101,857,024** | **(6,003,684)** | **18,973,201** | **419,601,118** |
| As at 1 January 2011 | 52,240,977 | 80,991,385 | 61,749,884 | 2,604,670 | (2,604,670) | 109,792,331 | 101,857,024 | (6,003,684) | 18,973,201 | 419,601,118 |
| Dividend payments for 2010 | | | | | | | | | (15,461,985) | (15,461,985) |
| Transfer of net profit for 2010 | | | | | | 3,511,216 | | | (3,511,216) | 0 |
| Transfer of a portion of net profit for 2011 | | | | | | 5,803,557 | | | (5,803,557) | 0 |
| **Transactions with owners** | **0** | **0** | **0** | **0** | **0** | **9,314,773** | **0** | **0** | **(24,776,758)** | **(15,461,985)** |
| Net profit for the current year | | | | | | | | | 11,607,113 | 11,607,113 |
| Other changes in comprehensive income | | | | | | | (35,270,253) | 1,181,670 | | (34,088,584) |
| **Total changes in comprehensive income** | **0** | **0** | **0** | **0** | **0** | **0** | **(35,270,253)** | **1,181,670** | **11,607,114** | **(22,481,469)** |
| **As at 31 December 2011** | **52,240,977** | **80,991,385** | **61,749,884** | **2,604,670** | **(2,604,670)** | **124,910,660** | **66,586,771** | **(4,822,014)** | **5,803,557** | **387,461,220** |
| **Accumulated profit for 2011** | | | | | | **12,211,792** | | | **5,803,557** | **18,015,348** |

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

## Cash flow statement of the Petrol Group and Petrol d.d., Ljubljana

| (in EUR) | Note | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| **Net profit** | | **52,343,629** | **35,459,859** | **11,607,113** | **37,946,402** |
| **Adjustments for:** | | | | | |
| Taxes | 6.12 | 2,403,337 | 9,426,608 | 1,026,218 | 6,267,211 |
| Depreciation of property. plant and equipment | 6.7 | 32,570,006 | 31,107,574 | 20,517,787 | 20,080,056 |
| Amortisation of intangible assets | 6.,7 | 3,654,355 | 3,340,287 | 3,041,932 | 2,347,344 |
| (Gain)/loss on disposal of property, plant and equipment | 6.2, 6.8 | (729,571) | (564,740) | (152,395) | (278,763) |
| Impairment/write-down of assets | 6.8 | 3,312,674 | 4,318,066 | 2,986,584 | 2,540,983 |
| Revenue from assets under management | 6.35 | (65,400) | (65,400) | (65,400) | (58,831) |
| Net (decrease in)/creation of provisions for employee benefits | 6.31, 6.33 | 10,664 | 114,066 | 0 | 367,011 |
| Net (decrease in)/creation of other provisions and long-term deferred revenue | 6.32 | (905,049) | (1,558,544) | (848,101) | (1,552,549) |
| Net merchandise shortages | 6.8 | 3,165,360 | 3,427,369 | 2,647,614 | 2,065,992 |
| Net (decrease in)/creation of allowance for receivables | 6.11 | 20,204,816 | 1,029,854 | 7,517,202 | 4,114,300 |
| Net finance (income)/expense | 6.11 | (26,003,592) | 13,958,965 | 12,929,077 | 8,239,313 |
| Impairment of investments | 6.11 | 28,538,276 | 3,612,275 | 30,611,046 | 3,768,694 |
| Share of profit of jointly controlled entities | 6.10 | (5,566,408) | (2,720,246) | 0 | 0 |
| Share of profit of associates | 6.10 | (5,075,250) | (3,062,799) | 0 | 0 |
| Finance income from dividends received from subsidiaries | 6.10 | 0 | 0 | (9,981,814) | (5,617,065) |
| Finance income from dividends received from jointly controlled entities | 6.10 | 0 | 0 | 0 | (3,849,709) |
| Finance income from dividends received from associates | 6.10 | 0 | 0 | (4,904,469) | (3,919,500) |
| **Cash flow from operating activities before changes in working capital** | | **107,857,847** | **97,823,194** | **76,932,394** | **72,460,889** |
| Net (decrease in)/creation of other liabilities | 6.37 | (1,561,934) | 1,169,257 | (1,125,945) | 1,361,932 |
| Net decrease in/(creation of) other assets | 6.28 | 1,330,690 | (1,788,142) | 79,154 | (1,168,866) |
| Change in inventories | 6.24 | 7,266,276 | (29,528,218) | 7,474,276 | (24,260,903) |
| Change in operating and other receivables | 6.26 | (49,754,669) | (57,950,209) | (42,865,866) | (53,937,484) |
| Change in operating and other liabilities | 6.36 | 25,488,042 | 108,919,207 | (38,489,837) | 93,044,531 |
| **Cash generated from operating activities** | | **90,626,252** | **118,645,089** | **2,004,175** | **87,500,099** |
| Interest paid | 6.11 | (23,931,554) | (22,416,939) | (19,602,685) | (19,067,218) |
| Taxes paid | 6.12 | (11,747,896) | (4,820,775) | (8,400,995) | (2,865,329) |
| **Net cash from (used in) operating activities** | | **54,946,802** | **91,407,375** | **(25,999,505)** | **65,567,552** |



| (in EUR) | Note | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | |
| Payments for investments in subsidiaries | 6.18 | (27,566,422) | (3,971,685) | (34,114,066) | (3,789,120) |
| Receipts from investments in associates | | 0 | 250,000 | 0 | 250,000 |
| Payments for investments in jointly controlled entities | 6.19 | (439,120) | 0 | (414,120) | 0 |
| Payments for investments in associates | 6.20 | 0 | (3,405,397) | 0 | (3,405,397) |
| Receipts from intangible assets | 6.15 | 281,985 | 35,835 | 61,350 | 1,270 |
| Payments for intangible assets | 6.15 | (6,625,968) | (6,949,649) | (5,585,291) | (5,123,847) |
| Receipts from property, plant and equipment | 6.16 | 2,846,893 | 3,215,098 | 1,147,090 | 1,379,446 |
| Payments for property, plant and equipment | 6.16 | (50,013,158) | (52,177,844) | (24,160,568) | (31,816,568) |
| Receipts from available-for-sale financial assets | 6.21 | 1,046,034 | 0 | 1,046,034 | 0 |
| Receipts from loans granted | 6.22, 6.25 | 22,030,409 | 15,612,979 | 28,384,284 | 12,448,470 |
| Payments for loans granted | 6.22, 6.25 | (15,734,575) | (28,826,716) | (32,068,873) | (13,148,771) |
| Interest received | 6.11 | 9,476,403 | 6,405,175 | 8,115,097 | 5,308,869 |
| Dividends received from subsidiaries | 6.10 | 0 | 0 | 9,981,814 | 5,617,065 |
| Dividends received from jointly controlled entities | 6.10 | 3,000,000 | 3,849,709 | 0 | 3,849,709 |
| Dividends received from associates | 6.10 | 4,904,469 | 3,919,500 | 4,904,469 | 3,919,500 |
| Dividends received from others | 6.10 | 167,246 | 160,499 | 167,246 | 160,499 |
| **Net cash used in investing activities** | | **(56,625,804)** | **(61,882,496)** | **(42,535,534)** | **(24,348,875)** |
| **Cash flows from financing activities** | | | | | |
| Payments for bonds issued | 6.34 | 32,815,856 | (20,472) | 32,815,856 | (20,472) |
| Proceeds from borrowings | 6.34 | 1,826,661,745 | 1,611,263,392 | 913,278,111 | 856,276,685 |
| Repayment of borrowings | 6.34 | (1,799,208,840) | (1,618,768,500) | (843,956,249) | (877,437,987) |
| Dividends paid to shareholders | 6.30 | (15,426,270) | (12,173,064) | (15,426,270) | (12,173,064) |
| **Net cash from (used in) financing activities** | | **44,842,491** | **(19,698,644)** | **86,711,448** | **(33,354,838)** |
| Increase/(decrease) in cash and cash equivalents | | 43,163,489 | 9,826,235 | 18,176,409 | 7,863,839 |
| **Changes in cash and cash equivalents** | | | | | |
| **At the beginning of the year** | | **17,543,771** | **7,789,488** | **14,773,479** | **6,909,640** |
| Translation differences | | (5,709) | (71,952) | 0 | 0 |
| Increase/(decrease) | | 43,163,489 | 9,826,235 | 18,176,409 | 7,863,839 |
| **At the end of the year** | | **60,701,551** | **17,543,771** | **32,949,888** | **14,773,479** |

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. The address of the Company's registered office is Dunajska cesta 50, 1527 Ljubljana. Below we present consolidated financial statements of the Group for the year ended 31 December 2011 and separate financial statements of the company Petrol d.d., Ljubljana for the year ended 31 December 2011. 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 Group companies 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 12 March 2012.

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 following amendment adopted by the European Union but not in force on 31 December 2011 has not been applied in the preparation of the financial statements:

**Amendment to IFRS 7 Disclosures – transfers of financial assets (effective for annual accounting periods beginning on or after 1 July 2011)**

According to the amendment, an entity is required to disclose information that enables users of its financial statements:

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities;
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The amendment defines continuing involvement for the purpose of applying disclosure requirements.

Considering the nature of its operations and the type of its financial assets, the Company/Group does not expect the amendment to IFRS 7 to significantly affect its financial statements and disclosures.

### 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,
- available-for-sale financial assets,
- investments in associates and jointly controlled entities (applies to the Company).

### 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 tables.

### d. Use of estimates and judgements

When preparing the financial statements management is required to provide estimates, judgements and assumptions 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 certain 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,
- asset impairment testing,
- estimating the fair value of investments in associates and jointly controlled entities (applies to the Company only),
- estimating the fair value of available-for-sale financial assets,
- estimating the fair value of financial assets at fair value through profit or loss,
- estimating the fair value of derivative financial instruments,
- assessing the amount of provisions created;
- assessing the possibility of using deferred tax assets.

### e. Changes in accounting policies

**Revenue and expenses associated with allowances for receivables created or reversed**

To ensure a more appropriate presentation, the Company/Group moved the allowances for receivables created and reversed and the bad debt recovered to finance expenses and income, as appropriate. In the previous period these items were carried under other expenses and other revenue. The changes only concern presentation aspects and have no effect on the net profit or loss of the Group/Company. Comparative information has been appropriately reclassified so that it corresponds to the current year.

**Rights to use concession infrastructure**

The Company reclassified assets associated with the performance of concession activities from property, plant and equipment to intangible fixed assets, classifying them as rights to use concession infrastructure. The reclassification allows for proper presentation of the Company's asset structure. The changes only concern presentation aspects and have no effect on the net profit or loss of the Group/Company. Comparative information has been appropriately reclassified so that it corresponds to the current year.

## 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 presented herein.

### 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 the 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, a bargain purchase gain 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 expenses as incurred.

Any contingent liabilities arising from business combinations are recognised at fair value as at the acquisition date. If the 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 the Group has the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. 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.

**Loss of control**
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 in equity as an investment in associate (using the equity method) or as an available-for-sale financial asset, depending on the level of influence retained.

**Acquisitions by entities under common control**
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling company's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

**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 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 are translated at the ECB exchange rate at the reporting date;
- revenue and expenses of foreign operations are converted to euros at exchange rates at the conversion date.

Foreign exchange differences are recognised in other comprehensive income and presented in the item 'foreign exchange differences' in equity. In the case of non-wholly-owned subsidiaries abroad, the relevant proportion of the translation 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 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.

Impairment of financial assets is detailed in note k1.

## 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.

**Available-for-sale financial assets**
Available-for-sale financial assets 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 an available-for-sale financial asset is derecognised, the cumulative gain or loss in other comprehensive income for the period is transferred to profit or loss.

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 Company measures the financial asset at cost. If the financial asset is carried at cost, that fact is disclosed.

**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 upon 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. Upon 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.

**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 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 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 recognised initially 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 the hedging instrument in a 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 the hedging instrument in a 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.

**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.

**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.

### 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 has been registered with the Court and is 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 and other reserves**

Legal and other 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.

**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 respect 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 %) | 2011 | 2010 |
|---|---|---|
| Right to use concession infrastructure | 3.45-20.00% | 3.45-50.00% |
| Computer software | 10.00-25.00% | 10.00-25.00% |

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment of assets is explained in more detailed in point k2.

### 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 %) | 2011 | 2010 |
|---|---|---|
| **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:** | | |
| Equipment – mechanical and electronic equipment for maintenance of other equipment | 10.00-25.00% | 10.00-25.00% |
| Gas stations 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 | 6.70-12.5% | 6.70-12.5% |
| **Small tools:** | **33.33%** | **33.33%** |
| **Environmental fixed assets:** | **5.00-25.00%** | **5.00-25.00%** |

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.

Impairment of assets is explained in more detailed in point k2.

**Environmental fixed assets**

Environmental tangible fixed assets acquired under a 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. Impairment of assets is explained in more detailed in point k2.

### 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 (acting as a lessee) or non-current financial receivables (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 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 income statement, 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. Assets held for disposal or disposal groups

Assets held for disposal or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale are classified as assets and liabilities held for sale. Immediately before classification as held for sale, the assets held for disposal or disposal groups are remeasured. Non-current assets or disposal groups are accordingly measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on the reclassification of assets as assets held for sale, and subsequent losses and gains on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated. When investments are classified as assets held for sale or distribution, they are no longer equity accounted.

### 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 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

### 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 that can be estimated 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. In addition, 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 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.

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 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 available-for-sale financial assets**

Impairment losses on available-for-sale financial assets 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 fair value reserve.

### k2. 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 generates cash inflows from continuing use that 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 first to 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 in respect of goodwill is not reversed. In respect of 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.

### l. Provisions

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

The most significant provisions include:

**Provisions for employee benefits**

Pursuant to the law, the collective agreement and the internal rules, the Group is obligated to pay its employees jubilee benefits and termination 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 termination 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 termination 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. Termination benefits on retirement and jubilee benefits are charged against the provisions created.

**Provisions for employee benefits in relation to 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 termination 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 the basis for recognition of long-term provisions. The provisions amount to estimated future payments for termination benefits on retirement and jubilee benefits discounted to the end of the reporting period. The obligation is calculated separately for each employee of a third-party managed service station by estimating the costs of termination 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 termination benefits on retirement and jubilee benefits are charged against the provisions created.

### m. Long-term deferred revenue

**Long-term deferred revenue from gas network connection fees**

When connected to the gas network, users pay a fixed fee entitling them to be connected to the established network. Since the benefits from the service rendered are expected throughout the period of supplying gas to the user, the revenue from the connection fee is deferred in proportion to the estimated period during which the benefits will flow to Petrol. The Group estimates that the period during which the benefits will flow to it equals the term of concession for the gas network. This term ranges between 20 and 35 years, depending on a specific concession agreement.

**Long-term deferred revenue from environmental fixed assets**

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

**Sale of services**

A sale of services is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the transaction assessed on the basis of the actual service provided as a proportion of total services to be provided. This policy also applies to services provided as part of concession activities.

### o. Finance income and expenses

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

### q. 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 (as prices in less active markets) or indirectly (e.g. values derived from quoted prices in an active market);
- Level 3 comprises inputs for assets or liabilities that are not based on market data.

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 and the market is considered as inactive, the Group uses inputs of Levels 2 and 3 for determining 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 the approach using quoted 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 available-for-sale financial assets**

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets 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 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 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.

### s. Operating segments

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 operating results of operating segments are reviewed regularly by the executive officers of the Group to make decisions about resources to be allocated to a segment and assess the performance of the Group.

In the preparation and presentation of the financial statements, the Group uses the following segments:

- oil and merchandise sales,
- energy activities.

### t. Cash flow statement

The section of the cash flow statement 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 2010 and 31 December 2011 and data derived from the income statement for the period January to December 2011. The section referring to investing and financing activities has been prepared using the direct method. 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.

Impairment of financial assets is detailed in note k1.

### c. Investments in associates and jointly controlled entities

The Company measures investments in associates and jointly controlled entities as available-for-sale financial assets. They are measured at fair value and the resulting gains or losses are recognised directly in other comprehensive income and presented in fair value reserve, except for impairment losses. When an investment is derecognised, the cumulative gain or loss in other comprehensive income for the period is transferred to profit or loss.

Impairment of financial assets is detailed in note k1.

## d. Financial instruments

Financial instruments consist of the following items:

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

Impairment of financial assets is detailed in note 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.

**Available-for-sale financial assets**

Available-for-sale financial assets 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. The Company measures investments in associates and jointly controlled entities as available-for-sale financial assets.

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 an available-for-sale financial asset is derecognised, the cumulative gain or loss in other comprehensive income for the period is transferred to profit or loss.

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 Company measures the financial asset at cost. If the financial asset is carried at cost, that fact is disclosed.

**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 upon 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. Upon 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.

**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 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 recognised initially 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 the hedging instrument in a 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 the hedging instrument in a 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.

**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.

**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.

## 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 has been registered with the Court and is 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 and other reserves**

Legal and other reserves comprise shares of profit from previous years that have been retained for a dedicated purpose, mainly for offsetting eventual future losses.

**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

**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, 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 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 %) | 2011 | 2010 |
|---|---|---|
| Right to use concession infrastructure | 3.45-20.00% | 3.45-50.00% |
| Computer software | 10.00-25.00% | 10.00-25.00% |

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment of assets is explained in more detailed in point k2.

## g. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land, which is measured at cost less accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Parts of an item of property, plant and equipment having different useful lives are accounted for as separate items of property, plant and equipment. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. Items of property, plant and equipment are subsequently measured using the cost model.

**Subsequent expenditure**

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of that asset if it is probable that the future economic benefits embodied within the part of this asset will flow to the Company and the cost can be measured reliably. All other expenditure (e.g. day-to-day servicing) is recognised in profit or loss as incurred.

**Depreciation**

Depreciation is calculated on a straight-line basis, taking into account the useful life of each part (component) of an item of property, plant and equipment. Leased assets are depreciated by taking into account the lease term and their useful lives. Land is not depreciated. Depreciation begins when the asset is available for use. Construction work in progress is not depreciated.

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

| (in %) | 2011 | 2010 |
|---|---|---|
| **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:** | | |
| Equipment – mechanical and electronic equipment for maintenance of other equipment | 10.00-25.00% | 10.00-25.00% |
| Gas stations 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 | 6.70-12.5% | 6.70-12.5% |
| **Small tools:** | **33.33%** | **33.33%** |
| **Environmental fixed assets:** | **5.00-25.00%** | **5.00-25.00%** |

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.

Impairment of assets is explained in more detailed in point k2.

**Environmental fixed assets**

Environmental tangible fixed assets acquired under a 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. Impairment of assets is explained in more detailed in point k2.

## i. Leased assets

A lease is classified as a finance lease when under the terms of the lease substantially all the risks and rewards of ownership are transferred to the lessee. Other leases are treated as operating leases, in which case the leased assets (acting as a lessee) or non-current financial receivables (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 income statement, 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 that can be estimated 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. In addition, 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 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.

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 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 available-for-sale financial assets**

Impairment losses on available-for-sale financial assets 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 fair value reserve.

### 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 generates cash inflows from continuing use that 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

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

The most significant provisions include:

**Provisions for employee benefits**

Pursuant to the law, the collective agreement and the internal rules, the Company is obligated to pay its employees jubilee benefits and termination 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 termination 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 termination 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. Termination benefits on retirement and jubilee benefits are charged against the provisions created.

**Provisions for employee benefits in relation to 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 termination 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 termination benefits on retirement and jubilee benefits discounted to the end of the reporting period. The obligation is calculated separately for each employee of a third-party managed service station by estimating the costs of termination 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 termination benefits on retirement and jubilee benefits are charged against the provisions created.

### m. Long-term deferred revenue

**Long-term deferred revenue from gas network connection fees**

When connected to the gas network, users pay a fixed fee entitling them to be connected to the established network. Since the benefits from the service rendered are expected throughout the period of supplying gas to the user, the revenue from the connection fee is deferred in proportion to the estimated period during which the benefits will flow to Petrol. The Company estimates that the period during which the benefits will flow to it equals the term of concession for the gas network. This term ranges between 20 and 35 years, depending on a specific concession agreement.

**Long-term deferred revenue from environmental fixed assets**

Long-term deferred revenue from environmental fixed assets comprises deferred revenue from funds granted for the environmental rehabilitation of service stations, road tankers, storage facilities and the clean-up of the bitumen dump at Pesniški Dvor. 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 and the funds used for the clean-up of the dump at Pesniški Dvor. A portion of deferred revenue payable in the period under 12 months is restated under short-term 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.

**Sale of services**
A sale of services is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the transaction assessed on the basis of the actual service provided as a proportion of total services to be provided. This policy also applies to services provided as part of concession activities.

### o. Finance income and expenses

Finance income comprises interest income on financial assets, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign exchange gains, gains on hedging instruments that are recognised in the income statement, and income generated as a result of mergers by absorption.

Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised in the Company's income statement 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, 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 income statement 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 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.

### 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 (as prices in less active markets) or indirectly (e.g. values derived from quoted prices in an active market);
- Level 3 comprises inputs for assets or liabilities that are not based on observable market data.

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 and the market is considered as inactive, the Company uses inputs of Levels 2 and 3 for determining 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 the approach using quoted 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 available-for-sale financial assets**
The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets 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 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 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. Cash flow statement

The section of the cash flow statement 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 2010 and 31 December 2011 and data derived from the income statement for the period January to December 2011. The section referring to investing and financing activities has been prepared using the direct method. 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

Because the financial report consists of the financial statements and the accompanying notes of the Group as well as of 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 operating results of operating segments are reviewed regularly by the executive officers of the Group to make decisions about resources to be allocated to a segment and assess the performance of the Group.

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

The Group uses the following segments in the preparation and presentation of the financial statements:

- oil and merchandise sales,
- energy activities.

Oil and merchandise sales consist of:

- sale of oil and petroleum products,
- sale of merchandise.

The sale of merchandise consists of selling automotive products, foodstuffs, accessories, tobacco and lottery products, coupons, cards, Petrol Club merchandise, raw materials and chemical products.

Energy activities consist of:

- gas and heat segment,
- generation, sale and distribution of electricity,
- environmental and energy solutions.

### The Group's operating segments in 2010

| (in EUR) | Oil and merchandise sales | Gas, environmental and other energy activities | Total | Income statement/ Statement of financial position |
|---|---|---|---|---|
| Sales revenue | 3,771,837,452 | 133,585,199 | 3,905,422,651 | |
| Revenue from subsidiaries | (1,083,745,826) | (18,924,309) | (1,102,670,135) | |
| Sales revenue | 2,688,091,626 | 114,660,889 | 2,802,752,517 | 2,802,752,517 |
| Estimated net profit for the year | 29,763,122 | 5,696,737 | 35,459,859 | 35,459,859 |
| Interest income | 5,064,159 | 1,871,445 | 6,935,604 | 6,935,604 |
| Interest expense | (12,278,630) | (4,537,531) | (16,816,161) | (16,816,161) |
| Depreciation of property, plant and equipment, depreciation of investment property, amortisation of intangible assets | 28,691,179 | 5,756,682 | 34,447,861 | 34,447,861 |
| Share of profit from equity accounted investees | 1,742,272 | 4,040,773 | 5,783,045 | 5,783,045 |
| Total assets | 1,047,907,242 | 217,603,709 | 1,265,510,951 | 1,265,510,951 |
| Equity accounted investees | 38,719,380 | 97,202,686 | 135,922,066 | 135,922,066 |
| Property, plant and equipment, intangible assets and investment property | 506,695,552 | 104,353,767 | 611,049,319 | 611,049,319 |
| Other assets | 502,492,310 | 16,047,256 | 518,539,566 | 518,539,566 |
| Current and non-current operating and financial liabilities | 788,244,780 | 33,622,681 | 821,867,462 | 821,867,462 |

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

### The Group's operating segments in 2011

| (in EUR) | Oil and merchandise sales | Gas, environmental and other energy activities | Total | Income statement/ Statement of financial position |
|---|---|---|---|---|
| Sales revenue | 4,425,936,155 | 229,764,947 | 4,655,701,102 | |
| Revenue from subsidiaries | (1,359,384,466) | (25,963,195) | (1,385,347,661) | |
| Sales revenue | 3,066,551,689 | 203,801,751 | 3,270,353,441 | 3,270,353,441 |
| Estimated net profit for the year | 36,961,323 | 15,382,306 | 52,343,629 | 52,343,629 |
| Interest income | 6,444,577 | 2,647,990 | 9,092,567 | 9,092,567 |
| Interest expense | (14,865,350) | (6,107,973) | (20,973,323) | (20,973,323) |
| Depreciation of property, plant and equipment, depreciation of investment property, amortisation of intangible assets | 28,942,828 | 7,281,534 | 36,224,361 | 36,224,361 |
| Share of profit from equity accounted investees | 400,793 | 10,240,865 | 10,641,658 | 10,641,658 |
| Total assets | 1,226,828,262 | 310,133,898 | 1,536,962,160 | 1,536,962,160 |
| Equity accounted investees | 2,431,250 | 134,939,938 | 137,371,188 | 137,371,188 |
| Property, plant and equipment, intangible assets and investment property | 656,204,581 | 135,684,715 | 791,889,296 | 791,889,296 |
| Other assets | 568,192,431 | 39,509,245 | 607,701,676 | 607,701,676 |
| Current and non-current operating and financial liabilities | 980,220,881 | 65,145,073 | 1,045,365,954 | 1,045,365,954 |

* Interest income and expenses 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 | | Total assets | | Capital expenditure | |
|---|---|---|---|---|---|---|
| (in EUR) | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Slovenia | 2,582,450,166 | 2,151,226,026 | 950,367,036 | 712,913,619 | 34,702,384 | 40,751,309 |
| Croatia | 454,541,069 | 406,482,204 | 238,396,622 | 238,679,043 | 11,168,472 | 11,479,903 |
| Bosnia and Herzegovina | 181,115,840 | 163,967,601 | 77,868,457 | 73,738,671 | 444,483 | 1,010,189 |
| Montenegro | 19,754,219 | 13,319,837 | 32,270,178 | 3,457,714 | 8,171,079 | 225,278 |
| Serbia | 18,235,060 | 11,392,615 | 30,698,927 | 19,259,578 | 4,504,855 | 3,782,470 |
| Austria | 9,128,820 | 31,586,776 | 15,164,335 | 11,930,068 | 308,453 | 507,097 |
| Other countries | 5,128,267 | 24,777,459 | 10,916,714 | 23,387,962 | 236,793 | 388,205 |
| | **3,270,353,441** | **2,802,752,517** | **1,355,682,269** | **1,083,366,656** | **59,536,519** | **58,144,450** |
| | | | | | | |
| Jointly controlled entities | | | 37,964,476 | 16,386,748 | | |
| Associates | | | 99,406,712 | 119,535,318 | | |
| Unallocated assets | | | 43,908,703 | 46,222,229 | | |
| **Total assets** | | | **1,536,962,160** | **1,265,510,951** | | |

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.

# 6. Notes to individual items in the financial statements

## 6.1 Business combinations

### Instalacija d.o.o.

In 2011 Petrol d.d., Ljubljana concluded a purchase and sale agreement for the acquisition of a 51-percent interest in Instalacija d.o.o., where it had previously held a 49-percent interest. The suspensive conditions stipulated in the agreement were met in 2011. The agreement provides for a gradual transfer of equity interests concurrently with projected payments therefor over the next two years. Regardless of the agreed method of payment for the acquisition of a 51-percent interest, Petrol d.d., Ljubljana as at 31 December 2011 held a controlling influence over Instalacija d.o.o. and treats this company as a subsidiary in the financial statements, and the Group applies full consolidation. The carrying amounts of assets and liabilities of the acquired company do not deviate substantially from fair values and as such are considered in the first consolidation.

The core activity of the above company is the storage and transhipment of petroleum products. The company has available the largest and best equipped storage facility for petroleum products in Slovenia.

The statement of the financial position of Instalacija d.o.o. as at the day the Group acquired controlling influence is presented in the table:

| (in EUR) | Fair value | Carrying amount |
|---|---|---|
| Cash and cash equivalents | 1,473,044 | 1,473,044 |
| Property, plant and equipment | 44,517,473 | 44,517,473 |
| Operating receivables | 1,483,197 | 1,483,197 |
| Other assets | 42,851 | 42,851 |
| **Assets** | **47,516,565** | **47,516,565** |
| Financial liabilities | 18,994,172 | 18,994,172 |
| Operating liabilities | 2,614,083 | 2,614,083 |
| Other liabilities | 324,332 | 324,332 |
| **Liabilities** | **21,932,587** | **21,932,587** |
| Net assets | 25,583,978 | 25,583,978 |
| Carrying amount of non-controlling interest before acquisition (49%) | 12,536,149 | |
| **Net assets upon acquisition** | **13,047,829** | |
| Difference up to the fair value of non-controlling interest (49%) | 40,513,851 | |
| Amount paid | 57,800,000 | |
| Goodwill | 85,266,022 | |

The fair value of the non-controlling interest is estimated at EUR 53,050,000. The difference between the carrying amount of EUR 12,536,149 and fair value of the non-controlling interest equalling EUR 40,513,851 is disclosed by the Group under other finance income (note 6.11). Fair value was determined according to the guideline public company method and the method of the present value of expected free cash flow with the required rate of return of 10.42 percent, a 5-percent discount for lack of liquidity and taking into account the annual growth rate for remaining free cash flow of 2 percent.

Goodwill arises primarily from the strategic role of the petroleum products storage facility, as it enhances safe supply of petroleum products to Slovenia and is an optimal source of supply to Slovenia, Croatia and part of Bosnia and Herzegovina. Efficient procurement and logistics are two of the key elements of the Petrol Group's operations.

The Group recognised the investment in the subsidiary on 31 December 2011, which is why no revenue was posted in 2011. If the Group had recognised the investment on 1 January 2011, its revenues would have been EUR 6,870,332 higher due to intra-group transactions, while its net profit would have increased by only 51 percent of the company's net profit, i.e. EUR 2,859,099, since 49 percent of it, totalling EUR 2,746,977, had already been considered by the Group under the equity method in gains on investments accounted for using the equity method.

### IGES Group

In 2011 Petrol d.d., Ljubljana concluded a purchase and sale agreement on the purchase of a 100-percent holding in the IGES Group. The holding was acquired gradually and the Company gained controlling influence on 30 June 2011, when it held 53.45 percent. On 31 December 2011, it acquired the remaining interest. Since 30 June 2011 Petrol d.d. has carried the investment as a subsidiary, and the Group applies full consolidation.

The Group is engaged mainly in the production, distribution and trading in electricity as well as in innovative solutions in sustainable energy, efficient use of energy and of renewable energy sources. Petrol d.d. operates in all these areas and by acquiring the IGES Group it is developing into the leading provider of comprehensive energy supply in Slovenia.

The statement of the financial position of the IGES Group as at the day the Group acquired controlling influence is presented in the table:

| (in EUR) | Fair value | Carrying amount |
|---|---|---|
| Cash and cash equivalents | 203,749 | 203,749 |
| Intangible assets | 84,348 | 84,348 |
| Property, plant and equipment | 12,141,096 | 12,141,096 |
| Investments in jointly controlled entities | 35,500,571 | 20,382,929 |
| Assets held for sale | 9,730,965 | 9,730,965 |
| Inventories | 1,647,525 | 1,647,525 |
| Financial receivables | 366,223 | 366,223 |
| Operating receivables | 3,181,559 | 3,181,559 |
| Other assets | 933,757 | 933,757 |
| **Assets** | **63,789,793** | **48,672,151** |
| Financial liabilities | 26,839,183 | 26,839,183 |
| Operating liabilities | 2,464,498 | 2,464,498 |
| Liabilities held for sale | 12,697,162 | 12,697,162 |
| Other liabilities | 729,686 | 729,686 |
| **Liabilities** | **42,730,529** | **42,730,529** |
| Net assets | 21,059,264 | 5,941,622 |
| Non-controlling interest (46.5507%) | 8,159,789 | |
| **Net assets upon acquisition of majority interest** | **12,899,475** | |
| Amount paid | 12,899,475 | |
| Goodwill | 0 | |

When it acquired a 53.45-percent interest, the Group stated assets at fair value. The bulk of assets of the IGES Group is accounted for by an investment in the jointly controlled entity Gen-I d.o.o. The fair value of the interest in Gen-I, d.o.o. was assessed using the guideline public company method and the method of discounted cash flows. The discount applied was 9.21 percent, the long-term growth rate was 2.7 percent and the discount for lack of marketability was 20 percent.

Upon the purchase of the remaining 46.55 percent, the Group recognised the difference between net assets acquired and payment in the amount of EUR 4,027,726 and charged it against the non-controlling interest in the statement of changes in equity.

In four months of acquiring the IGES Group, revenues and net profit of the Group amounted to EUR 17,361,793 and EUR 2,536,142 respectively. If the acquisition had taken place on 1 January 2011, the Group's revenue would have been EUR 10,773,919 higher and its profit EUR 1,783,516 higher.

### Petrol Bonus d.o.o.

In 2011 Petrol d.d., Ljubljana signed an agreement with Montenegro Bonus d.o.o., Cetinje on full acquisition of Petrol Bonus d.o.o., where it had previously held 50 percent. Since 31 July 2011, Petrol d.d. has carried the investment as a subsidiary, and the Group applies full consolidation. The carrying amounts of assets and liabilities of the acquired company do not deviate substantially from fair values and as such are considered in the first consolidation.

The company is engaged in petroleum products retail and wholesale in Montenegro.

The statement of the financial position of Petrol Bonus d.o.o. as at the day the Group acquired controlling influence is presented in the table:

| (in EUR) | Fair value | Carrying amount |
|---|---|---|
| Cash and cash equivalents | 128,699 | 128,699 |
| Intangible assets | 6,469 | 6,469 |
| Property, plant and equipment | 8,193,171 | 8,193,171 |
| Inventories | 517,861 | 517,861 |
| Operating receivables | 4,176,471 | 4,176,471 |
| Other assets | 152,233 | 152,233 |
| **Assets** | **13,174,904** | **13,174,904** |
| Financial liabilities | 8,506,989 | 8,506,989 |
| Operating liabilities | 4,657,641 | 4,657,641 |
| Other liabilities | 116,231 | 116,231 |
| **Liabilities** | **13,280,861** | **13,280,861** |
| Net assets | (105,957) | (105,957) |
| Carrying amount of non-controlling interest before acquisition (50%) | 0 | |
| **Net assets upon acquisition** | **(105,957)** | |
| Difference up to the fair value of non-controlling interest (50%) | 1,421,197 | |
| Amount paid | 3,050,000 | |
| Goodwill | 4,577,154 | |

The difference up to the fair value of the non-controlling interest equalling EUR 1,421,197 is accounted for by the valuation of this interest for the purpose of goodwill recognition. The difference up to the fair value is disclosed by the Group under other finance income (note 6.11). Fair value was determined according to the method of the present value of expected free cash flow with the required rate of return from 11.2 to 13.7 percent, taking into account the annual growth rate for remaining free cash flow between 2 and 3 percent.

Goodwill arises predominantly from the strategic position of the Petrol Group in the Montenegrin market, where the Group can continue operating independently, while the agreement with Montenegro Bonus d.o.o. allows cooperation mainly in procurement and logistics.

The Group disclosed the investment in the subsidiary on 31 July 2011 and as a result posted revenue of EUR 11,802,781 and a net loss of EUR 440,246 in 2011. If the Group had recognised the investment on 1 January 2011, its revenues would have been EUR 12,791,380 higher due to intra-group transactions, while its net profit would decrease by only 50 percent of the company's net result, i.e. EUR 471,562, since 50 percent of it, totalling EUR 471,562, had already been considered by the Group under the equity method in gains on investments accounted for using the equity method.

**EL-TEC Mulej Group**

In 2011 Petrol d.d., Ljubljana concluded a purchase and sale agreement on the purchase of a 74.9-percent interest in the EL-TEC Mulej Group. Since 31 August 2011, Petrol d.d. has carried the investment as a subsidiary, and the Group applies full consolidation. The carrying amounts of assets and liabilities of the acquired company do not deviate substantially from fair values and as such are considered in the first consolidation.

The company EL-TEC Mulej d.o.o. and its subsidiaries market top-quality products and comprehensive system services in the field of district energy, lighting efficiency, water distribution systems and energy management in buildings.

The statement of the financial position of the EL-TEC Mulej Group as at the day the Group acquired controlling influence is presented in the table:

| (in EUR) | Fair value | Carrying amount |
|---|---|---|
| Cash and cash equivalents | 232.593 | 232.593 |
| Intangible assets | 34.264 | 34.264 |
| Property, plant and equipment | 6.396.695 | 6.396.695 |
| Inventories | 687.036 | 687.036 |
| Operating receivables | 2.075.560 | 2.075.560 |
| Other assets | 848.595 | 848.595 |
| **Assets** | **10.274.743** | **10.274.743** |
| Financial liabilities | 6.592.413 | 6.592.413 |
| Operating liabilities | 1.568.168 | 1.568.168 |
| Other liabilities | 408.875 | 408.875 |
| **Liabilities** | **8.569.456** | **8.569.456** |
| Net assets | 1.705.287 | 1.705.287 |
| Non-controlling interest (25.1%) | 465.944 | |
| **Net assets upon acquisition of majority interest** | **1.239.343** | |
| Amount paid | 5.111.478 | |
| Goodwill | 3.872.135 | |

Goodwill arises predominantly from the knowledge of the EL-TEC Mulej Group and the use of specialised tools it disposes with. The Petrol Group can thus pursue the strategy of providing comprehensive energy solutions to existing and new customers.

In four months of acquiring the above holding, the revenues and net profit of the Group amounted to EUR 3,514,250 and EUR 1,141,571 respectively. If the acquisition had taken place on 1 January 2011, the Group's revenue would have been EUR 3,074,127 higher and its profit EUR 973,374 lower.

## 6.2 Status changes

**RP plin**

On 29 June 2011, Petrol d.d., Ljubljana purchased a 100-percent holding in RP Plin d.o.o. and absorbed the company on 30 June 2011. RP Plin d.o.o. has been deleted from the Slovene Companies Register. The difference between the investment and net asset value of the absorbed company totalling EUR 120,099 was disclosed under other finance expenses.

Since Petrol d.d., Ljubljana absorbed RP Plin d.o.o. and purchased a 100-percent interest in this company at the same time, the effect of the absorption is the same as if a new company had been included in the Group.

**Ogrevanje Piran d.o.o.**

In June 2010, the company Petrol d.d., Ljubljana acquired from the municipality of Piran a 60-percent interest in the company Ogrevanje Piran d.o.o., thus becoming its sole owner. Petrol d.d., Ljubljana absorbed the company in 2011. As at 31 August 2011, Ogrevanje Piran d.o.o. was stricken off the Slovene Companies Register. The Petrol Group still includes the subsidiary Upravljanje Piran d.o.o., which is consolidated in full.

The merger by absorption does not influence the Petrol Group, since the company was 100-percent owned by Petrol d.d., Ljubljana, and the difference between the investment and net asset value of the absorbed company totalling EUR 1,155 is disclosed under other finance income.

## 6.3 Other revenue

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 2011 | 2010 | 2011 | 2010 |
| Compensation, litigation proceeds and contractual penalties received | 2,360,126 | 11,812 | 2,089,184 | 2,343 |
| Utilisation of environmental provisions | 1,618,799 | 1,620,556 | 1,618,799 | 1,620,556 |
| Gain on disposal of fixed assets | 1,094,448 | 937,518 | 255,413 | 495,010 |
| Revenue from reversal of accrued litigation costs | 522,267 | 2,782,003 | 482,898 | 2,705,831 |
| Cash discounts and rebates received | 231,276 | 203,319 | 115,681 | 101,244 |
| Compensation received from insurance companies | 199,737 | 202,009 | 106,883 | 72,729 |
| Payment of court fees | 191,315 | 145,862 | 167,308 | 104,552 |
| Reversal of accrued costs, expenses | 92,527 | 952,100 | 32,384 | 802,289 |
| Other revenue | 851,154 | 732,992 | 299,241 | 146,535 |
| **Total other revenue** | **7,161,649** | **7,588,171** | **5,167,791** | **6,051,088** |

For the purpose of clarity the Petrol Group and the company Petrol d.d., Ljubljana transferred the allowances for established, reversed and collected receivables to finance expenses or income. In the past periods, they were carried as other expenses or other revenue. For the purpose of consistency with the current year, the Group in the comparative year 2010 restated allowances for receivables of EUR 6,403,806 under finance expenses (note 6.11) and posted the reversed allowances for receivables of EUR 5,373,952 under finance income, while Petrol d.d., Ljubljana restated EUR 4,208,894 under finance expenses and EUR 94,594 under finance income.

## 6.4 Costs of materials

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 2011 | 2010 | 2011 | 2010 |
| Costs of energy | 23,525,897 | 19,879,595 | 5,735,521 | 5,015,282 |
| Costs of consumables | 9,773,761 | 5,963,418 | 5,306,045 | 4,763,412 |
| Write-off of small tools | 211,270 | 216,361 | 35,184 | 60,363 |
| Other costs of materials | 912,037 | 1,048,819 | 564,702 | 691,887 |
| **Total costs of materials** | **34,422,965** | **27,108,193** | **11,641,452** | **10,530,944** |

## 6.5 Costs of services

| (in EUR) | The Petrol Group 2011 | The Petrol Group 2010 | Petrol d.d. 2011 | Petrol d.d. 2010 |
|---|---|---|---|---|
| Costs of service station managers | 31,169,699 | 30,691,766 | 29,802,776 | 29,279,205 |
| Costs of transport services | 28,682,018 | 28,567,278 | 26,896,909 | 27,369,803 |
| Lease payments | 10,045,817 | 9,856,386 | 9,070,732 | 8,833,922 |
| Costs of fixed asset maintenance services | 9,514,185 | 9,967,605 | 9,038,790 | 9,659,797 |
| Costs of payment transactions and bank services | 6,515,693 | 5,987,138 | 5,147,691 | 4,875,264 |
| Costs of professional services | 5,643,183 | 5,331,396 | 3,488,361 | 3,363,031 |
| Costs of fairs, advertising and entertainment | 5,116,554 | 5,493,927 | 3,933,324 | 4,279,726 |
| Contributions for operations at motorway service areas | 4,789,980 | 4,507,826 | 3,973,896 | 3,640,685 |
| Costs of insurance premiums | 3,768,642 | 3,299,206 | 2,674,642 | 2,411,465 |
| Costs of fire protection and physical and technical security | 1,646,221 | 1,701,806 | 1,547,211 | 1,648,726 |
| Costs of environmental services | 1,459,907 | 1,374,892 | 1,241,024 | 1,114,008 |
| Fees for the building site use | 1,242,259 | 1,360,725 | 1,113,509 | 1,239,586 |
| Outsourcing costs | 1,141,966 | 574,203 | 2,261 | 4,498 |
| Reimbursement of work-related costs to employees | 1,098,384 | 929,288 | 363,378 | 352,487 |
| Concession charges | 821,563 | 731,734 | 453,284 | 326,108 |
| Property management | 437,283 | 228,224 | 14,769,997 | 13,281,788 |
| Membership fees | 400,660 | 582,223 | 193,234 | 146,660 |
| Other costs of services | 3,793,151 | 3,697,374 | 2,507,841 | 2,082,133 |
| **Total costs of services** | **117,287,165** | **114,882,996** | **116,218,859** | **113,908,892** |

### The Petrol Group

The costs of professional services include auditing services relating to the annual report audit of EUR 267,000 (2010: EUR 401,574). Auditing services comprise the fee for auditing of the annual report totalling EUR 218,000 (2010: EUR 171,392) and other non-auditing services equalling EUR 49,000 (2010: EUR 146,531).

### Petrol d.d., Ljubljana

The costs of professional services include auditing services in the amount of EUR 102,060 (2010: EUR 191,745). Auditing services comprise the fee for auditing of the annual report totalling EUR 66,060 (2010: EUR 72,700) and other non-auditing services equalling EUR 36,000 (2010: EUR 119,045).

## 6.6 Labour costs

| (in EUR) | The Petrol Group 2011 | The Petrol Group 2010 | Petrol d.d. 2011 | Petrol d.d. 2010 |
|---|---|---|---|---|
| Salaries | 42,712,759 | 39,306,959 | 20,009,262 | 19,103,058 |
| Costs of pension insurance | 3,139,447 | 2,987,338 | 1,747,352 | 1,787,165 |
| Costs of other insurance | 3,828,105 | 3,507,235 | 1,440,324 | 1,464,081 |
| Transport allowance | 1,859,485 | 1,827,299 | 601,224 | 596,379 |
| Meal allowance | 1,406,058 | 1,772,482 | 522,487 | 746,502 |
| Annual leave allowance | 1,369,800 | 1,349,943 | 587,917 | 605,198 |
| Supplementary pension insurance | 852,417 | 823,468 | 512,856 | 499,393 |
| Other allowances and reimbursements | 907,283 | 2,359,384 | 239,769 | 1,678,078 |
| **Total labour costs** | **56,075,354** | **53,934,108** | **25,661,190** | **26,479,854** |

### Number of employees by formal education level as at 31 December 2010

| | The Petrol Group: Group employees | The Petrol Group: Employees at third-party managed service stations | The Petrol Group: Total | Petrol d.d.: Company employees | Petrol d.d.: Employees at third-party managed service stations | Petrol d.d.: Total |
|---|---|---|---|---|---|---|
| Level I | 19 | 14 | 33 | 6 | 14 | 20 |
| Level II | 67 | 52 | 119 | 15 | 49 | 64 |
| Level III | 95 | 18 | 113 | 4 | 9 | 13 |
| Level IV | 608 | 539 | 1,147 | 66 | 467 | 533 |
| Level V | 884 | 622 | 1,506 | 211 | 558 | 769 |
| Level VI | 139 | 32 | 171 | 65 | 31 | 96 |
| Level VII | 364 | 25 | 389 | 223 | 25 | 248 |
| Level VII/2 | 41 | 0 | 41 | 38 | 0 | 38 |
| Level VIII | 1 | 0 | 1 | 1 | 0 | 1 |
| **Total** | **2,218** | **1,302** | **3,520** | **629** | **1,153** | **1,782** |

### Number of employees by formal education level as at 31 December 2011

| | The Petrol Group: Group employees | The Petrol Group: Employees at third-party managed service stations | The Petrol Group: Total | Petrol d.d.: Company employees | Petrol d.d.: Employees at third-party managed service stations | Petrol d.d.: Total |
|---|---|---|---|---|---|---|
| Level I | 23 | 13 | 36 | 5 | 13 | 18 |
| Level II | 62 | 47 | 109 | 15 | 43 | 58 |
| Level III | 109 | 16 | 125 | 4 | 7 | 11 |
| Level IV | 682 | 502 | 1,184 | 67 | 436 | 503 |
| Level V | 1,042 | 652 | 1,694 | 219 | 596 | 815 |
| Level VI | 176 | 40 | 216 | 66 | 39 | 105 |
| Level VII | 445 | 35 | 480 | 233 | 35 | 268 |
| Level VII/2 | 49 | 0 | 49 | 36 | 0 | 36 |
| Level VIII | 4 | 0 | 4 | 2 | 0 | 2 |
| **Total** | **2,592** | **1,305** | **3,897** | **647** | **1,169** | **1,816** |

## 6.7 Depreciation and amortisation

| (in EUR) | The Petrol Group 2011 | The Petrol Group 2010 | Petrol d.d. 2011 | Petrol d.d. 2010 |
|---|---|---|---|---|
| Amortisation of intangible assets | 3,654,355 | 3,340,287 | 3,041,932 | 2,347,344 |
| Depreciation of property, plant and equipment | 31,759,384 | 30,288,801 | 19,678,638 | 19,232,756 |
| Depreciation of investment property | 810,622 | 818,773 | 839,149 | 847,300 |
| **Total depreciation and amortisation** | **36,224,361** | **34,447,861** | **23,559,719** | **22,427,400** |

## 6.8 Other costs

| (in EUR) | The Petrol Group 2011 | The Petrol Group 2010 | Petrol d.d. 2011 | Petrol d.d. 2010 |
|---|---|---|---|---|
| Impairment/write-down of assets | 3,312,674 | 4,318,066 | 2,986,584 | 2,540,983 |
| Sponsorships and donations | 1,469,261 | 1,444,130 | 1,241,456 | 1,267,652 |
| Environmental charges and charges unrelated to operations | 780,516 | 573,775 | 299,657 | 243,644 |
| Loss on sale/elimination of property, plant and equipment | 364,877 | 372,778 | 103,018 | 216,247 |
| Other costs | 1,323,203 | 1,347,898 | 518,367 | 519,106 |
| **Total other costs** | **7,250,531** | **8,056,647** | **5,149,082** | **4,787,631** |

For the purpose of clarity the Petrol Group and the company Petrol d.d., Ljubljana transferred the allowances for established, reversed and collected receivables to finance expenses or income. In the past periods, they were carried as other expenses or other revenue. For the purpose of consistency with the current year, the Group in the comparative year 2010 restated allowances for receivables of EUR 6,403,806 under finance expenses (note 6.11) and posted the reversed allowances for receivables of EUR 5,373,952 under finance income, while Petrol d.d., Ljubljana restated EUR 4,208,894 under finance expenses and EUR 94,594 under finance income.

## 6.9 Other expenses

Other expenses for the most part include penalties, complaints, duties and other expenses.

## 6.10 Interests and dividends

**The Petrol Group's shares of profit from equity accounted investees**

| (in EUR) | The Petrol Group 2011 | The Petrol Group 2010 |
|---|---|---|
| Geoplin d.o.o. Ljubljana | 6,234,704 | 2,475,438 |
| Aquasystems d.o.o. | 562,165 | 521,848 |
| Marche Gostinstvo d.o.o. | 149,306 | 96,953 |
| Ogrevanje Piran d.o.o. | 0 | 12,940 |
| Bio goriva d.o.o. | 0 | (44,380) |
| Istrabenz d.d. | (1,870,925) | 0 |
| **Total associates** | **5,075,250** | **3,062,799** |
| Gen-I, d.o.o. | 3,424,695 | 0 |
| Instalacija d.o.o. Koper | 2,746,977 | 2,747,760 |
| Petrol Slovenia Tirana Wholesale Sh.A. | 49,571 | 76,792 |
| Soenergetika d.o.o. | 39,233 | (53,977) |
| Geoenergo d.o.o. | 62 | (3,743) |
| Karkasa, d.o.o. | 0 | 7,085 |
| Vitales RTH. d.o.o. | (19,932) | 0 |
| Petrol - OTI - Slovenija L.L.C. | (204,702) | (106,772) |
| Petrol - Bonus d.o.o. | (469,496) | 53,101 |
| **Total jointly controlled entities** | **5,566,408** | **2,720,246** |
| **Total finance income from interests** | **10,641,658** | **5,783,045** |

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

| (in EUR) | Petrol d.d. 2011 | Petrol d.d. 2010 |
|---|---|---|
| Petrol-Trade H.m.b.H. | 9,865,819 | 5,617,065 |
| Petrol VNC d.o.o. | 115,995 | 0 |
| **Total subsidiaries** | **9,981,814** | **5,617,065** |
| Geoplin d.o.o. Ljubljana | 4,165,605 | 3,332,484 |
| Aquasystems d.o.o. | 649,975 | 519,980 |
| Marche Gostinstvo d.o.o. | 88,890 | 67,036 |
| **Total associates** | **4,904,469** | **3,919,500** |
| Instalacija d.o.o. Koper | 0 | 3,849,709 |
| Karkasa d.o.o. | 0 | 148,440 |
| **Total jointly controlled entities** | **0** | **3,998,149** |
| **Total finance income from interests** | **14,886,283** | **13,534,714** |

## 6.11 Other finance income and expenses

| (in EUR) | The Petrol Group 2011 | The Petrol Group 2010 | Petrol d.d. 2011 | Petrol d.d. 2010 |
|---|---|---|---|---|
| Foreign exchange differences | 38,285,069 | 30,213,994 | 35,147,088 | 28,371,592 |
| Gain on derivatives | 28,382,455 | 29,892,189 | 28,382,455 | 29,892,189 |
| Interest income | 9,092,567 | 6,935,604 | 7,082,293 | 6,204,416 |
| Allowances for receivables reversed and bad debt recovered | 1,001,231 | 5,373,952 | 80,515 | 94,594 |
| Adjustment of existing holding to fair value | 41,935,048 | 0 | 0 | 0 |
| Other finance income | 1,315,304 | 914,548 | 1,295,671 | 4,601,650 |
| **Total other finance income** | **120,011,674** | **73,330,286** | **71,988,022** | **69,164,441** |
| Foreign exchange differences | (56,254,357) | (39,863,384) | (51,271,717) | (36,055,520) |
| Loss on derivatives | (28,450,866) | (30,093,517) | (28,430,417) | (30,093,517) |
| Interest expense | (20,973,323) | (16,816,161) | (16,332,965) | (14,124,160) |
| Allowance for operating receivables | (21,206,047) | (6,403,806) | (7,597,717) | (4,208,894) |
| Impairment of investments | (28,394,022) | (3,612,275) | (30,466,792) | (3,768,694) |
| Other finance expenses | (1,662,404) | (396,110) | (1,290,971) | (319,000) |
| **Total other finance expenses** | **(156,941,019)** | **(97,185,253)** | **(135,390,579)** | **(88,569,785)** |
| **Net finance expense** | **(36,929,345)** | **(23,854,967)** | **(63,402,557)** | **(19,405,344)** |

The existing holding valued at fair value of EUR 41,935,048 was recognised by the Petrol Group in the acquisition of jointly controlled entities Instalacija d.o.o., Sermin and Petrol Bonus d.o.o., once a controlling interest was acquired. These items are explained in more detail in note 6.1.

For the purpose of clarity the Petrol Group and the company Petrol d.d., Ljubljana transferred the allowances for established, reversed and collected receivables to finance expenses or income. In the past periods, they were carried as other expenses or other revenue. For the purpose of consistency with the current year, the Group in the comparative year 2010 restated allowances for receivables of EUR 6,403,806 under finance expenses (note 6.11) and posted the reversed allowances for receivables of EUR 5.373.952 under finance income, while Petrol d.d., Ljubljana restated EUR 4,208,894 under finance expenses and EUR 94,594 under finance income.

## 6.12 Taxes

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 2011 | 2010 | 2011 | 2010 |
| Tax expense | (10,867,894) | (10,094,877) | (7,579,440) | (7,295,370) |
| Deferred tax | 8,464,557 | 668,269 | 6,553,222 | 1,028,159 |
| **Taxes** | **(2,403,337)** | **(9,426,608)** | **(1,026,218)** | **(6,267,211)** |

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 2011 | 2010 | 2011 | 2010 |
| Profit before tax | 54,746,966 | 44,886,467 | 12,633,331 | 44,213,613 |
| Tax at effective tax rate | 10,949,393 | 8,977,293 | 2,526,666 | 8,842,723 |
| Tax effect of untaxed revenue | (13,741,433) | (4,380,406) | (3,010,115) | (3,536,138) |
| Tax effect of expenses not deducted on tax assessment | 5,613,959 | 5,386,308 | 1,509,666 | 960,627 |
| Effect of lower tax rates for companies abroad | (418,583) | (556,587) | 0 | 0 |
| **Taxes** | **2,403,337** | **9,426,608** | **1,026,218** | **6,267,211** |
| Effective tax rate | 4.39% | 21.00% | 8.12% | 14.17% |

The Group's corporate income tax assets and liabilities as at 31 December 2011 stood at EUR 76,210 and EUR 2,034,195 respectively. The Group does not offset the assets and liabilities as they represent a receivable from or a liability to different tax administrations.

The Company's corporate income tax liabilities totalled EUR 891,348 as at 31 December 2011. This is a liability determined in accordance with the Corporate Income Tax Act.

### Changes in deferred taxes of the Petrol Group

Deferred tax assets

| (in EUR) | Investments | Provisions | Allowance for receivables | Inventories | Other | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2010** | **32,196,865** | **617,249** | **1,968,849** | **84,382** | **44,002** | **34,911,346** |
| (Charged)/credited to the income statement | 457,966 | 14,084 | 184,677 | 17,088 | (109,129) | 564,686 |
| Credited to other comprehensive income | 65,389 | 0 | 0 | 0 | 0 | 65,389 |
| Charged to other comprehensive income | (475,871) | 0 | 0 | 0 | 0 | (475,871) |
| New acquisitions as a result of takeover | 0 | 0 | 0 | 0 | 21,033 | 21,033 |
| Foreign exchange differences | 0 | 0 | (7,095) | 0 | (5,408) | (12,503) |
| **As at 31 December 2010** | **32,244,349** | **631,333** | **2,146,431** | **101,470** | **(49,502)** | **35,074,080** |
| (Charged)/credited to the income statement | 5,150,287 | 224 | 3,262,725 | (26,254) | 8,840 | 8,395,822 |
| Credited to other comprehensive income | 639,395 | 0 | 0 | 0 | 0 | 639,395 |
| Charged to other comprehensive income | (934,812) | 0 | 0 | 0 | 0 | (934,812) |
| New acquisitions as a result of takeover | 0 | 38,254 | 20,016 | 0 | 251,460 | 309,730 |
| Foreign exchange differences | 0 | 0 | (34,908) | 0 | 8,301 | (26,607) |
| **As at 31 December 2011** | **37,099,220** | **669,811** | **5,394,264** | **75,216** | **219,099** | **43,457,608** |

Deferred tax liabilities

| (in EUR) | Investments | Fixed assets | Other | Total |
|---|---|---|---|---|
| **As at 1 January 2010** | **145,691** | **6,523,731** | **60,217** | **6,729,641** |
| Credited to the income statement | 0 | (76,886) | (26,696) | (103,582) |
| Credited to other comprehensive income | (45,281) | 0 | 0 | (45,281) |
| Foreign exchange differences | 0 | (83,581) | 0 | (83,581) |
| **As at 31 December 2010** | **100,410** | **6,363,263** | **33,521** | **6,497,196** |
| Charged/(credited) to the income statement | 0 | (75,128) | 6,393 | (68,735) |
| Credited to other comprehensive income | (39,268) | 0 | 0 | (39,268) |
| New acquisitions as a result of takeover | 0 | 49,857 | 0 | 49,857 |
| Translation differences | 0 | (106,647) | 0 | (106,647) |
| **As at 31 December 2011** | **61,143** | **6,231,345** | **39,914** | **6,332,403** |

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

Deferred tax assets

| (in EUR) | Investments | Provisions | Allowance for receivables | Tax loss | Total |
|---|---|---|---|---|---|
| **As at 1 January 2010** | **35,769,095** | **411,641** | **606,588** | **0** | **36,787,324** |
| New acquisitions as a result of merger by absorption | 0 | 14,334 | 109,897 | 0 | 124,231 |
| Credited to the income statement | 409,227 | 33,985 | 584,947 | 0 | 1,028,159 |
| Credited to other comprehensive income | 65,389 | 0 | 0 | 0 | 65,389 |
| Charged to other comprehensive income | (730,880) | 0 | 0 | 0 | (730,880) |
| **As at 31 December 2010** | **35,512,831** | **459,960** | **1,301,432** | **0** | **37,274,223** |
| New acquisitions as a result of merger by absorption | 0 | 0 | 0 | 21,033 | 21,033 |
| (Charged)/credited to the income statement | 5,150,290 | 0 | 1,423,964 | (21,033) | 6,553,222 |
| Credited to other comprehensive income | 639,395 | 0 | 0 | 0 | 639,395 |
| Charged to other comprehensive income | (679,806) | 0 | 0 | 0 | (679,806) |
| **As at 31 December 2011** | **40,622,710** | **459,960** | **2,725,396** | **0** | **43,808,067** |

Deferred tax liabilities

| (in EUR) | Investments | Total |
|---|---|---|
| **As at 1 January 2010** | **25,784,839** | **25,784,839** |
| Credited to other comprehensive income | (736,990) | (736,990) |
| Charged to other comprehensive income | 161,400 | 161,400 |
| **As at 31 December 2010** | **25,209,249** | **25,209,249** |
| Credited to other comprehensive income | (9,512,317) | (9,512,317) |
| Charged to other comprehensive income | 949,762 | 949,762 |
| **As at 31 December 2011** | **16,646,694** | **16,646,694** |

## 6.13 Earnings per share

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Net profit (in EUR) | 49,565,944 | 32,904,210 | 11,607,113 | 37,946,402 |
| Number of shares issued | 2,086,301 | 2,086,301 | 2,086,301 | 2,086,301 |
| Number of own shares at the beginning of the year | 24,703 | 24,703 | 24,703 | 24,703 |
| Number of own shares at the end of the year | 24,703 | 24,703 | 24,703 | 24,703 |
| Weighted average number of ordinary shares issued | 2,061,598 | 2,061,598 | 2,061,598 | 2,061,598 |
| Diluted average number of ordinary shares | 2,061,598 | 2,061,598 | 2,061,598 | 2,061,598 |
| **Basic and diluted earnings per share (EUR/share)** | **24.04** | **15.96** | **5.63** | **18.41** |

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, so the basic and diluted earnings per share are identical.

## 6.14 Changes in comprehensive income

### The Petrol Group

Attribution of changes in the equity of associates dropped by EUR 196,344 and rose by the deferred tax effect amounting to EUR 39,269. The change is due to the attribution of changes in the equity of associates under the equity method, resulting in lower revaluation reserve.

The net effective portion of changes in the fair value of cash flow variability hedging instrument grew by EUR 1,477,088 and was reduced by the effect of deferred taxes of EUR 295,418. The change represents effective interest rate swap hedging and increases the hedging reserve.

### Petrol d.d., Ljubljana

Net change in the value of investments in associates and jointly controlled entities decreased by EUR 44,087,818 and rose by the deferred tax effect of EUR 8,817,564. The change results from the decrease in the value of fair value reserve owing to valuation of investments in associates and jointly controlled entities at fair value and reversal of fair value reserve due to transfer of investments in jointly controlled entities to investments in subsidiaries. Details are disclosed in note 6.19 Investments in jointly controlled entities and note 6.20 Investments in associates.

The net effective portion of changes in the fair value of cash flow variability hedging instrument grew by EUR 1,477,088 and was reduced by the effect of deferred taxes of EUR 295,418. The change represents effective interest rate swap hedging and increases the hedging reserve.



## 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 31 December 2009** | **4,879,363** | **9,085,094** | **14,111,306** | **87,175** | **28,162,938** |
| Transfer from property, plant and equipment | 0 | 61,883,988 | 0 | 0 | 61,883,988 |
| **As at 1 January 2010** | **4,879,363** | **70,969,082** | **14,111,306** | **87,175** | **90,046,926** |
| New acquisitions as a result of takeover | 667 | 1,006,839 | 0 | 0 | 1,007,505 |
| New acquisitions | 0 | 6,109,842 | 1,064,458 | 839,790 | 8,014,090 |
| Disposals/impairments | (7,220) | (54,248) | 0 | 0 | (61,468) |
| Transfer from ongoing investments | 690,956 | 112,198 | 0 | (803,154) | 0 |
| Translation differences | (2,200) | (21,435) | 0 | (640) | (24,276) |
| **As at 31 December 2010** | **5,561,566** | **78,122,277** | **15,175,764** | **123,170** | **98,982,777** |
| **Accumulated amortisation** | | | | | |
| **As at 31 December 2009** | **(3,543,320)** | **(2,157,326)** | **0** | **0** | **(5,700,646)** |
| Transfer from property, plant and equipment | 0 | (9,957,555) | 0 | 0 | (9,957,555) |
| **As at 1 January 2010** | **(3,543,320)** | **(12,114,881)** | **0** | **0** | **(15,658,201)** |
| Amortisation | (562,045) | (2,778,522) | 0 | 0 | (3,340,568) |
| Disposals | 6,906 | 21,727 | 0 | 0 | 28,633 |
| Translation differences | 1,559 | 7,253 | 0 | 0 | 8,812 |
| **As at 31 December 2010** | **(4,096,899)** | **(14,864,423)** | **0** | **0** | **(18,961,323)** |
| **Net carrying amount as at 1 January 2010** | **1,336,043** | **58,854,201** | **14,111,306** | **87,175** | **74,388,725** |
| **Net carrying amount as at 31 December 2010** | **1,464,666** | **63,257,854** | **15,175,764** | **123,170** | **80,021,454** |

| (in EUR) | Software | Right to use concession infrastructure | Goodwill | Ongoing investments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As at 1 January 2011** | **5,561,566** | **78,122,277** | **15,175,764** | **123,170** | **98,982,777** |
| New acquisitions as a result of takeover | 88,089 | 169,463 | 0 | 0 | 257,552 |
| New acquisitions | 0 | 3,820,600 | 93,715,311 | 2,851,694 | 100,387,605 |
| Disposals | (40,543) | (365,854) | 0 | (44,246) | (450,643) |
| Transfer from ongoing investments | 918,416 | 138,186 | 0 | (1,056,602) | 0 |
| Translation differences | (4,123) | (42,271) | 0 | (1,187) | (47,581) |
| **As at 31 December 2011** | **6,523,405** | **81,842,401** | **108,891,075** | **1,872,829** | **199,129,710** |
| **Accumulated amortisation** | | | | | |
| **As at 1 January 2011** | **(4,096,899)** | **(14,864,423)** | **0** | **0** | **(18,961,323)** |
| Amortisation | (668,371) | (2,984,713) | 0 | 0 | (3,653,084) |
| Disposals | 15,269 | 80,949 | 0 | 0 | 96,218 |
| Translation differences | 2,972 | 14,317 | 0 | 0 | 17,289 |
| **As at 31 December 2011** | **(4,747,029)** | **(17,753,870)** | **0** | **0** | **(22,500,900)** |
| **Net carrying amount as at 1 January 2011** | **1,464,666** | **63,257,854** | **15,175,764** | **123,170** | **80,021,454** |
| **Net carrying amount as at 31 December 2011** | **1,776,375** | **64,088,531** | **108,891,075** | **1,872,829** | **176,628,810** |

All disclosed intangible assets are owned by the Group and are unencumbered.

## The rights to use concession infrastructure

The Group reclassified assets related to the performance of the concession activity from property, plant and equipment to intangible assets as the rights to use concession infrastructure. The infrastructure involved was constructed by the Petrol Group; however, the concession agreement specifies that after the expiry of the concession term the ownership passes to the concessionaire. The Petrol Group is entitled to use the infrastructure constructed for the performance of concession activities. Reclassification thus allows proper presentation of the Group's asset structure. Comparative information has been appropriately reclassified so that it corresponds to the current year. As at 1 January 2010, the Group reclassified under the rights to use concession infrastructure the assets with a net carrying amount of EUR 51,926,433 that had previously been stated under property, plant and equipment. The changes in reclassified rights to use concession infrastructure in the comparative year 2010 are presented below.

Changes in reclassified rights to use concession infrastructure in 2010:

| (in EUR) | Rights to use concession infrastructure |
|---|---|
| **Cost** | |
| **As at 1 January 2010** | **61,883,988** |
| New acquisitions as a result of takeover | 1,000,816 |
| New acquisitions | 6,109,842 |
| Disposals/impairments | (22,870) |
| Transfer from ongoing investments | 0 |
| **As at 31 December 2010** | **68,971,776** |
| **Accumulated amortisation** | |
| **As at 1 January 2010** | **(9,957,555)** |
| Amortisation | (2,408,692) |
| Disposals | 21,600 |
| **As at 31 December 2010** | **(12,344,647)** |
| **Net carrying amount as at 1 January 2010** | **51,926,433** |
| **Net carrying amount as at 31 December 2010** | **56,627,129** |

## Goodwill

Goodwill structure arising from business combinations is presented below:

| (in EUR) | The Petrol Group 31 December 2011 | 31 December 2010 |
|---|---|---|
| **Business combination with:** | | |
| Instalacija d.o.o., Koper | 85,266,022 | 0 |
| Euro-Petrol d.o.o. | 13,151,422 | 13,151,422 |
| Petrol Bonus d.o.o. | 4,577,154 | 0 |
| El-TEC Mulej d.o.o. | 3,872,135 | 0 |
| Petrol-Jadranplin d.o.o. | 789,404 | 789,404 |
| Petrol Toplarna Hrastnik d.o.o. | 704,068 | 704,068 |
| Petrol-Butan d.o.o. | 275,054 | 275,054 |
| Rodgas AD | 255,816 | 255,816 |
| **Total goodwill** | **108,891,075** | **15,175,764** |

The increase in goodwill in 2011 is the result of a business combination involving the companies Instalacija d.o.o., EL-TEC Mulej d.o.o., Bled and Petrol Bonus d.o.o. as shown in note 6.1.

On 31 December 2011, goodwill was tested for impairment, but the Group did not identify any indications of impairment. Based on conducted testing, the management estimates that the recoverable amount of acquired assets was as at 31 December 2011 higher than their carrying amount, including goodwill, which means that goodwill arising from business combination need not be impaired.

The recoverable amount of acquired assets was assessed at the aggregate level of the acquired company, except for Petrol Toplarna Hrastnik. Because Petrol Toplarna Hrastnik d.o.o. was merged into Petrol Energetika d.o.o. on 1 January 2009, the goodwill was tested at the level of the cash-generating unit within Petrol Energetika d.o.o. which is directly connected with the assets acquired by the acquisition of Petrol Toplarna Hrastnik d.o.o.

Goodwill was tested for impairment using the method of present value of expected free cash flows without considering the indebtedness. All assumptions used in the calculation of net cash flows are based on experience with operations of the companies in the past and reasonably expected operations in the future. Valuation models take into account the required rates of return ranging from 8.6 percent to 11 percent. Relevant annual growth rates for remaining free cash flows (the residual value) range from 0.05 to 3 percent.

## Other changes in 2011

In 2011, through the business combination involving Instalacija d.o.o., IGES d.o.o., Petrol-Bonus d.o.o. and EL-TEC Mulej d.o.o, Bled, the Group acquired new intangible assets of EUR 258,823. More information about business combinations is provided in note 6.1.



Overview of items (other than goodwill) exceeding 5 percent of the net carrying amount as at 31 December 2011 (in EUR):

| (in EUR) | The Petrol Group 31 December 2011 | 31 December 2010 |
|---|---|---|
| Right to use natural gas distribution infrastructure in the municipality of Domžale | 11,836,393 | 12,317,008 |

## Intangible assets of Petrol d.d., Ljubljana

| (in EUR) | Software | Right to use concession infrastructure | Ongoing investments | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As at 31 December 2009** | **4,444,557** | **4,210,146** | **20,485** | **8,675,188** |
| Transfer from property, plant and equipment | 0 | 27,406,133 | 0 | 27,406,133 |
| **As at 1 January 2010** | **4,444,557** | **31,616,279** | **20,485** | **36,081,321** |
| New acquisitions as a result of merger by absorption | 0 | 26,378,236 | 0 | 26,378,236 |
| New acquisitions | 0 | 4,450,252 | 673,595 | 5,123,847 |
| Disposals | 0 | (17,452) | 0 | (17,452) |
| Transfer from ongoing investments | 676,080 | 0 | (676,080) | 0 |
| **As at 31 December 2010** | **5,120,637** | **62,427,315** | **18,000** | **67,565,952** |
| **Accumulated amortisation** | | | | |
| **As at 31 December 2009** | **(3,274,895)** | **(1,041,068)** | **0** | **(4,315,963)** |
| Transfer from property, plant and equipment | 0 | (5,303,921) | 0 | (5,303,921) |
| **As at 1 January 2010** | **(3,274,895)** | **(6,344,989)** | **0** | **(9,619,884)** |
| New acquisitions as a result of merger by absorption | 0 | (3,551,559) | 0 | (3,551,559) |
| Amortisation | (501,246) | (1,846,098) | 0 | (2,347,344) |
| Disposals | 0 | 16,182 | 0 | 16,182 |
| **As at 31 December 2010** | **(3,776,141)** | **(11,726,464)** | **0** | **(15,502,605)** |
| **Net carrying amount as at 1 January 2010** | **1,169,662** | **25,271,290** | **20,485** | **26,461,437** |
| **Net carrying amount as at 31 December 2010** | **1,344,496** | **50,700,851** | **18,000** | **52,063,347** |

| (in EUR) | Software | Right to use concession infrastructure | Ongoing investments | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As at 1 January 2011** | **5,120,637** | **62,427,315** | **18,000** | **67,565,952** |
| New acquisitions as a result of merger by absorption | 47,348 | 1,376,188 | 0 | 1,423,536 |
| New acquisitions | 0 | 2,959,852 | 2,625,439 | 5,585,291 |
| Disposals | (2,283) | (95,988) | 0 | (98,271) |
| Transfer from ongoing investments | 874,857 | 0 | (874,857) | 0 |
| **As at 31 December 2011** | **6,040,559** | **66,667,367** | **1,768,582** | **74,476,508** |
| **Accumulated amortisation** | | | | |
| **As at 1 January 2011** | **(3,776,141)** | **(11,726,464)** | **0** | **(15,502,605)** |
| New acquisitions as a result of merger by absorption | (42,261) | (242,900) | 0 | (285,161) |
| Amortisation | (551,927) | (2,490,005) | 0 | (3,041,932) |
| Disposals | 1,538 | 35,384 | 0 | 36,922 |
| **As at 31 December 2011** | **(4,368,791)** | **(14,423,985)** | **0** | **(18,792,776)** |
| **Net carrying amount as at 1 January 2011** | **1,344,496** | **50,700,851** | **18,000** | **52,063,347** |
| **Net carrying amount as at 31 December 2011** | **1,671,768** | **52,243,382** | **1,768,582** | **55,683,732** |

All disclosed intangible assets are owned by the Company and are unencumbered.

### The rights to use concession infrastructure

The Company reclassified assets related to the performance of the concession activity from property, plant and equipment to intangible assets as the rights to use concession infrastructure. The infrastructure involved was constructed by the Company; however, the concession agreement specifies that after the expiry of the concession term the ownership passes to the concessionaire. The Company is entitled to use the infrastructure constructed for the performance of concession activities. Reclassification thus allows proper presentation of the Group's asset structure. Comparative information has been appropriately reclassified so that it corresponds to the current year. As at 1 January 2010, the Company reclassified under the rights to use concession infrastructure the assets with a net carrying amount of EUR 22,102,212 that had previously been stated under property, plant and equipment. The changes in reclassified rights to use concession infrastructure in the comparative year 2010 are presented below.

### Changes in reclassified rights to use concession infrastructure

| (in EUR) | Rights to use concession infrastructure |
|---|---|
| **Cost** | |
| **As at 1 January 2010** | **27,406,133** |
| New acquisitions as a result of takeover | 26,059,968 |
| New acquisitions | 4,450,252 |
| Disposals/impairments | (17,452) |
| **As at 31 December 2010** | **57,898,901** |
| **Accumulated amortisation** | |
| **As at 1 January 2010** | **(5,303,921)** |
| New acquisitions as a result of merger by absorption | (3,478,359) |
| Amortisation | (1,665,492) |
| Disposals | 16,182 |
| **As at 31 December 2010** | **(10,431,590)** |
| **Net carrying amount as at 1 January 2010** | **22,102,212** |
| **Net carrying amount as at 31 December 2010** | **47,467,311** |

### Other changes in 2011

In 2011, as a result of the absorption of Ogrevanje Piran d.o.o. and RP Plin d.o.o., the Company acquired items of property, plant and equipment with a net carrying amount of EUR 1,138,375 as at 31 December 2010. More information about the merger by absorption is provided in note 6.2.

### Overview of items exceeding 5 percent of the net carrying amount as at 31 December 2011 (in EUR)

| | The Petrol Group | |
|---|---|---|
| (in EUR) | 31 December 2011 | 31 December 2010 |
| Right to use natural gas distribution infrastructure in the municipality of Domžale | 11,836,393 | 12,317,008 |

## 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 31 December 2009** | **173,944,220** | **529,465,149** | **21,954,260** | **146,711,649** | **27,764,401** | **899,839,679** |
| Transfer to intangible fixed assets | (2,879) | (52,254,166) | 0 | (6,551,813) | (3,075,130) | (61,883,988) |
| **As at 1 January 2010** | **173,941,341** | **477,210,983** | **21,954,260** | **140,159,836** | **24,689,271** | **837,955,691** |
| New acquisitions as a result of takeover | 1,794,909 | 1,007,431 | 0 | 943,516 | 1,432,696 | 5,178,551 |
| New acquisitions | 0 | 0 | 0 | 446 | 49,092,723 | 49,093,169 |
| Disposals/impairments | (4,348,943) | (2,393,782) | (956,042) | (8,646,931) | (987,836) | (17,333,534) |
| Transfer from ongoing investments | 11,450,560 | 14,664,149 | 3,646,757 | 8,550,871 | (38,312,337) | 0 |
| Transfer to investment property | (3,772) | (21,008) | 0 | 0 | 0 | (24,780) |
| Transfer from investment property | 434,625 | 978,525 | 0 | 241,435 | (465,924) | 1,188,661 |
| Foreign exchange differences | (864,757) | (2,084,462) | 0 | (372,139) | (1,282,447) | (4,603,805) |
| **As at 31 December 2010** | **182,403,963** | **489,361,836** | **24,644,975** | **140,877,033** | **34,166,147** | **871,453,954** |
| **Accumulated depreciation** | | | | | | |
| **As at 31 December 2009** | **0** | **(225,138,332)** | **(11,737,656)** | **(108,208,444)** | **0** | **(345,084,432)** |
| Transfer to intangible fixed assets | 0 | 7,281,438 | 0 | 2,676,117 | 0 | 9,957,555 |
| **As at 1 January 2010** | **0** | **(217,856,894)** | **(11,737,656)** | **(105,532,327)** | **0** | **(335,126,877)** |
| Depreciation | 0 | (19,097,326) | (1,459,034) | (9,774,478) | 0 | (30,330,838) |
| Disposals | 0 | 1,384,861 | 955,191 | 8,037,383 | 0 | 10,377,435 |
| Transfer to investment property | 0 | 369 | 0 | 0 | 0 | 369 |
| Transfer from investment property | 0 | (536,754) | 0 | 0 | 0 | (536,754) |
| Foreign exchange differences | 0 | 669,577 | 0 | 227,640 | 0 | 897,217 |
| **As at 31 December 2010** | **0** | **(235,436,167)** | **(12,241,499)** | **(107,041,782)** | **0** | **(354,719,448)** |
| **Net carrying amount as at 1 January 2010** | **173,941,341** | **259,354,089** | **10,216,604** | **34,627,509** | **24,689,271** | **502,828,814** |
| **Net carrying amount as at 31 December 2010** | **182,403,963** | **253,925,669** | **12,403,476** | **33,835,251** | **34,166,147** | **516,734,506** |

| (in EUR) | Land | Buildings | Plant | Equipment | Ongoing investments | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **As at 1 January 2011** | **182,403,963** | **489,361,836** | **24,644,975** | **140,877,033** | **34,166,147** | **871,453,954** |
| New acquisitions as a result of takeover | 16,562,509 | 31,075,423 | 1,635,300 | 8,200,492 | 13,774,709 | 71,248,433 |
| New acquisitions | 0 | 0 | 0 | 0 | 53,065,204 | 53,065,204 |
| Disposals/impairments | (764,143) | (981,360) | (2,833,560) | (7,015,477) | (2,945,934) | (14,540,474) |
| Transfer from ongoing investments | 5,165,311 | 28,987,088 | 2,710,419 | 18,690,769 | (55,553,587) | 0 |
| Transfer to investment property | 0 | (75,126) | 0 | 0 | 0 | (75,126) |
| Transfer from investment property | 0 | 4,757 | 0 | 0 | 0 | 4,757 |
| Foreign exchange differences | (1,181,957) | (1,496,044) | 0 | (563,864) | 325,674 | (2,916,191) |
| **As at 31 December 2011** | **202,113,869** | **544,737,719** | **26,157,134** | **158,752,367** | **46,479,468** | **978,240,557** |
| **Accumulated depreciation** | | | | | | |
| **As at 1 January 2011** | **0** | **(235,436,168)** | **(12,241,499)** | **(107,041,781)** | **0** | **(354,719,448)** |
| Depreciation | 0 | (19,574,753) | (1,669,211) | (10,515,420) | 0 | (31,759,384) |
| Disposals | 0 | 536,763 | 2,572,045 | 6,331,448 | 0 | 9,440,256 |
| Transfer from investment property | 0 | (4,757) | 0 | 0 | 0 | (4,757) |
| Foreign exchange differences | 0 | 222,033 | 0 | 334,702 | 0 | 556,735 |
| **As at 31 December 2011** | **0** | **(254,256,882)** | **(11,338,665)** | **(110,942,387)** | **0** | **(376,537,933)** |
| **Net carrying amount as at 1 January 2011** | **182,403,963** | **253,925,668** | **12,403,476** | **33,835,252** | **34,166,147** | **516,734,506** |
| **Net carrying amount as at 31 December 2011** | **202,113,869** | **290,480,837** | **14,818,469** | **47,809,980** | **46,479,468** | **601,702,624** |

### Items of property, plant and equipment pledged as security

The Group's items of property, plant and equipment are unencumbered, except for some assets acquired through acquisitions of other companies. On 31 December 2011, the cost of assets pledged as security stood at EUR 25,287,590, with their net carrying amount totalling EUR 19,112,483. Assets are either mortgaged or held under finance lease.

### Assets held under finance lease

On 31 December 2011, the cost of equipment held under finance lease stood at EUR 4,665,265, with its net carrying amount totalling EUR 1,398,816. On 31 December 2010, the cost of property held under finance lease stood at EUR 9,061,086, with its net carrying amount totalling EUR 7,404,007.

### Infrastructure for concession activity

The Group reclassified assets related to the performance of the concession activity from property, plant and equipment to intangible assets as the rights to use infrastructure for concession activity. The infrastructure involved was constructed by the Group; however, the concession agreement specifies that after the expiry of the concession term the ownership passes to the concessionaire. The Group is entitled to use the infrastructure constructed for the performance of concession activities. Reclassification thus allows proper presentation of the Group's asset structure. Comparative information has been appropriately reclassified so that it corresponds to the current year. As at 1 January 2010, the Group reclassified under the rights to use concession infrastructure the assets with a net carrying amount of EUR 51,926,433 that had previously been stated under property, plant and equipment. The balance, structure and changes of reclassified concession infrastructure in the comparative year 2010 are presented below.



### Changes in reclassified concession infrastructure assets

| (in EUR) | Land | Buildings | Equipment | Ongoing investments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As at 1 January 2010** | **2,879** | **52,254,166** | **6,551,813** | **3,075,130** | **61,883,988** |
| New acquisitions as a result of takeover | 271,409 | 726,203 | 817 | 2,387 | 1,000,816 |
| New acquisitions | 0 | 0 | 0 | 6,109,842 | 6,109,842 |
| Disposals/impairments | 0 | (5,418) | (17,452) | 0 | (22,870) |
| Transfer from ongoing investments | 0 | 3,447,154 | 144,955 | (3,592,109) | 0 |
| **As at 31 December 2010** | **274,288** | **52,974,951** | **6,535,178** | **9,187,359** | **68,971,776** |
| **Accumulated depreciation** | | | | | |
| **As at 1 January 2010** | **0** | **(7,281,438)** | **(2,676,117)** | **0** | **(9,957,555)** |
| Depreciation | 0 | (1,876,608) | (532,084) | 0 | (2,408,692) |
| Disposals | 0 | 5,418 | 16,182 | 0 | 21,600 |
| **As at 31 December 2010** | **0** | **(9,152,628)** | **(3,192,019)** | **5,595,250** | **(12,344,647)** |
| **Net carrying amount as at 1 January 2010** | **2,879** | **44,972,728** | **3,875,696** | **3,075,130** | **51,926,433** |
| **Net carrying amount as at 31 December 2010** | **274,288** | **43,822,323** | **3,343,159** | **14,782,609** | **56,627,129** |

### Other changes in 2011

In 2011, through the business combination involving Instalacija d.o.o., IGES d.o.o., Petrol-Bonus d.o.o., and EL-TEC Mulej d.o.o., Bled the Group acquired new items of property, plant and equipment of EUR 71,248,433. The assets acquired in 2011 by individual company are presented below, while business combinations are detailed in note 6.1.

### New acquisitions as a result of takeover of companies in 2011, by company

| (in EUR) | Land | Buildings | Plant | Equipment | Ongoing investments | Total |
|---|---|---|---|---|---|---|
| Instalacija d.o.o. | 9,582,858 | 23,131,179 | 0 | 2,270,393 | 9,533,043 | 44,517,473 |
| El-Tec Mulej d.o.o. | 447,040 | 981,096 | 0 | 4,597,799 | 370,760 | 6,396,695 |
| IGES d.o.o. | 391,676 | 5,446,119 | 1,635,300 | 797,093 | 3,870,906 | 12,141,094 |
| Petrol Bonus d.o.o. | 6,140,935 | 1,517,029 | 0 | 535,207 | 0 | 8,193,171 |
| **New acquisitions as a result of takeover** | **16,562,509** | **31,075,423** | **1,635,300** | **8,200,492** | **13,774,709** | **71,248,433** |

While examining assets included in ongoing investments the Group established that there is indication of impairment of some of these investments due to the small possibility of their final completion. Therefore the Group on 31 December 2011 derecognised ongoing investments of EUR 2,507,555.

### Overview of groups of investments in property, plant and equipment in 2011 including investments in excess of EUR 1,250,000

| (in EUR) | 2011 |
|---|---|
| Acquisition and construction of service stations | 17,367,133 |
| Server system upgrade | 2,516,015 |
| Purchase of land | 2,768,997 |
| Upgrade of heat generation facilities (Toplarna Hrastnik) | 1,901,267 |
| Setting up of a solar power plant system | 1,429,560 |

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

| (in EUR) | Land | Buildings | Equipment | Ongoing investments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As at 31 December 2009** | **90,503,832** | **359,919,862** | **114,593,847** | **9,355,695** | **574,373,236** |
| Transfer to intangible assets | (2,879) | (22,477,648) | (4,816,607) | (108,999) | (27,406,133) |
| **As at 1 January 2010** | **90,500,953** | **337,442,214** | **109,777,240** | **9,246,696** | **546,967,103** |
| New acquisitions as a result of merger by absorption | 438,047 | 8,692,312 | 2,520,849 | 1,143,402 | 12,794,610 |
| New acquisitions | 0 | 0 | 0 | 29,247,552 | 29,247,552 |
| Disposals/impairments | (3,232,232) | (1,520,242) | (7,732,278) | (7,125) | (12,491,877) |
| Transfer from ongoing investments | 7,300,888 | 8,037,754 | 6,277,434 | (21,616,076) | 0 |
| Transfer to investment property | (3,772) | (21,008) | 0 | 0 | (24,780) |
| Transfer from investment property | 439,905 | 848,286 | 0 | 0 | 1,288,191 |
| **As at 31 December 2010** | **95,443,789** | **353,479,316** | **110,843,245** | **18,014,449** | **577,780,799** |
| **Accumulated depreciation** | | | | | |
| **As at 31 December 2009** | **0** | **(193,510,461)** | **(94,083,893)** | **0** | **(287,594,354)** |
| Transfer to intangible assets | 0 | 3,385,633 | 1,918,288 | 0 | 5,303,921 |
| **As at 1 January 2010** | **0** | **(190,124,828)** | **(92,165,605)** | **0** | **(282,290,433)** |
| New acquisitions as a result of merger by absorption | 0 | (2,529,667) | (561,820) | 0 | (3,091,487) |
| Depreciation | 0 | (13,637,865) | (5,594,891) | 0 | (19,232,756) |
| Disposals | 0 | 1,349,617 | 7,498,290 | 0 | 8,847,907 |
| Transfer to investment property | 0 | 369 | 0 | 0 | 369 |
| Transfer from investment property | 0 | (536,754) | 0 | 0 | (536,754) |
| As at 31 December 2010 | 0 | (205,479,128) | (90,824,026) | 0 | (296,303,154) |
| **Net carrying amount as at 1 January 2010** | **90,500,953** | **147,317,386** | **17,611,635** | **9,246,696** | **264,676,669** |
| **Net carrying amount as at 31 December 2010** | **95,443,789** | **148,000,188** | **20,019,219** | **18,014,449** | **281,477,644** |

| (in EUR) | Land | Buildings | Equipment | Ongoing investments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As at 1 January 2011** | **95,443,789** | **353,479,316** | **110,843,245** | **18,014,449** | **577,780,799** |
| New acquisitions as a result of merger by absorption | 45,022 | 732,862 | 711,149 | 0 | 1,489,033 |
| New acquisitions | 0 | 0 | 0 | 22,527,467 | 22,527,467 |
| Disposals/impairments | (332,157) | (195,584) | (5,431,268) | (2,936,736) | (8,895,745) |
| Transfer from ongoing investments | 2,986,553 | 10,972,758 | 12,174,716 | (26,134,027) | 0 |
| Transfer to investment property | 0 | (75,126) | 0 | 0 | (75,126) |
| Transfer from investment property | 0 | 4,757 | 0 | 0 | 4,757 |
| **As at 31 December 2011** | **98,143,207** | **364,918,983** | **118,297,842** | **11,471,153** | **592,831,185** |
| **Accumulated depreciation** | | | | | |
| **As at 1 January 2011** | **0** | **(205,479,128)** | **(90,824,026)** | **0** | **(296,303,154)** |
| New acquisitions as a result of merger by absorption | 0 | (169,590) | (580,073) | 0 | (749,663) |
| Depreciation | 0 | (13,748,982) | (5,929,656) | 0 | (19,678,638) |
| Disposals | 0 | 193,813 | 4,980,747 | 0 | 5,174,560 |
| Transfer from investment property | 0 | (4,757) | 0 | 0 | (4,757) |
| As at 31 December 2011 | 0 | (219,208,644) | (92,353,008) | 0 | (311,561,652) |
| **Net carrying amount as at 1 January 2011** | **95,443,789** | **148,000,188** | **20,019,219** | **18,014,449** | **281,477,644** |
| **Net carrying amount as at 31 December 2011** | **98,143,207** | **145,710,339** | **25,944,834** | **11,471,153** | **281,269,534** |

### Items of property, plant and equipment pledged as security

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

### Infrastructure for concession activity

The Company reclassified assets related to the performance of the concession activity from property, plant and equipment to intangible assets as the rights to use concession infrastructure. The infrastructure involved was constructed by the Company; however, the concession agreement specifies that after the expiry of the concession term the ownership passes to the concessionaire. The Company is entitled to use the infrastructure constructed for the performance of concession activities. Reclassification thus allows proper presentation of the Company asset structure. Comparative information has been appropriately reclassified so that it corresponds to the current year. As at 1 January 2010, the Group reclassified under the rights to use concession infrastructure the assets with a net carrying amount of EUR 22,102,212 that had previously been stated under property, plant and equipment. The balance, structure and changes of reclassified concession infrastructure in the comparative year 2010 are presented below.

## Changes in reclassified concession infrastructure assets

| (in EUR) | Land | Buildings | Equipment | Ongoing investments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As at 1 January 2010** | **2,879** | **22,477,648** | **4,816,607** | **108,999** | **27,406,133** |
| New acquisitions as a result of merger by absorption | 0 | 22,017,102 | 795,455 | 3,247,411 | 26,059,968 |
| New acquisitions | 0 | 0 | 0 | 4,450,252 | 4,450,252 |
| Disposals/impairments | 0 | 0 | (17,452) | 0 | (17,452) |
| Impairments | 0 | 3,089,626 | 126,282 | (3,215,908) | 0 |
| **As at 31 December 2010** | **2,879** | **47,584,376** | **5,720,892** | **4,590,754** | **57,898,901** |
| **Accumulated depreciation** | | | | | |
| **As at 1 January 2010** | **0** | **(3,385,633)** | **(1,918,288)** | **0** | **(5,303,921)** |
| New acquisitions as a result of merger by absorption | 0 | (3,168,298) | (310,061) | 0 | (3,478,359) |
| Depreciation | 0 | (1,254,955) | (410,537) | 0 | (1,665,492) |
| Translation differences | 0 | 0 | 16,182 | 0 | 16,182 |
| **As at 31 December 2010** | **0** | **(7,808,886)** | **(2,622,704)** | **0** | **(10,431,590)** |
| **Net carrying amount as at 1 January 2010** | **2,879** | **19,092,015** | **2,898,319** | **108,999** | **22,102,212** |
| **Net carrying amount as at 31 December 2010** | **2,879** | **39,775,490** | **3,098,188** | **4,590,754** | **47,467,311** |

### Other changes in 2011

In 2011, as a result of the absorption of Ogrevanje Piran d.o.o. and RP Plin d.o.o. the Company acquired items of property, plant and equipment with a net carrying amount of EUR 739,370 as at 31 December 2011. More information about the merger by absorption is provided in note 6.2.

While examining assets included in ongoing investments the Company established that there is indication of impairment of some of these investments due to the small possibility of their final completion. Therefore the Company on 31 December 2011 derecognised ongoing investments of EUR 2,507,555.

## Overview of groups of investments in property, plant and equipment in 2011 including investments in excess of EUR 1,250,000

| (in EUR) | 2011 |
|---|---|
| Server system upgrade | 2,516,015 |
| Purchase of land | 2,768,997 |
| Setting up of a solar power plant system | 1,429,560 |

### Environmental fixed assets of the Group/ Company

The Company's/Group's property, plant and equipment items include environmental fixed assets acquired under a scheme for the creation and use of long-term deferred revenue for the purpose of environmental rehabilitation. Environmental fixed assets have been approved for the purpose of the environmental rehabilitation of service stations, road tankers and storage facilities, as well as for the cleanup of the bitumen dump at Pesniški Dvor. The note on environmental assets should be read in conjunction with long-term deferred revenue from these assets disclosed in note 6.33.

### Changes in the Group's/Company's environmental fixed assets

| (in EUR) | Buildings | Equipment | Investment property | Total |
|---|---|---|---|---|
| Cost | | | | |
| As at 1 January 2010 | 32,700,700 | 12,763,516 | 83,805 | 45,548,021 |
| Disposals | (58,730) | (235,109) | 0 | (293,839) |
| As at 31 December 2010 | 32,641,970 | 12,528,407 | 83,805 | 45,254,182 |
| Accumulated depreciation | | | | |
| As at 1 January 2010 | (19,894,949) | (12,763,516) | (63,113) | (32,721,578) |
| Depreciation | (1,616,799) | 0 | (3,632) | (1,620,431) |
| Disposals | 48,452 | 235,109 | 0 | 283,561 |
| As at 31 December 2010 | (21,463,296) | (12,528,407) | (66,745) | (34,058,448) |
| Net carrying amount as at 1 January 2010 | 12,805,751 | 0 | 20,692 | 12,826,443 |
| Net carrying amount as at 31 December 2010 | 11,178,674 | 0 | 17,060 | 11,195,734 |

| (in EUR) | Buildings | Equipment | Investment property | Total |
|---|---|---|---|---|
| Cost | | | | |
| As at 1 January 2011 | 32,641,970 | 12,528,407 | 83,805 | 45,254,182 |
| Disposals | 0 | (108,506) | 0 | (108,506) |
| As at 31 December 2011 | 32,641,970 | 12,419,901 | 83,805 | 45,145,676 |
| Accumulated depreciation | | | | |
| As at 1 January 2011 | (21,463,296) | (12,528,407) | (66,745) | (34,058,448) |
| Depreciation | (1,615,156) | 0 | (3,632) | (1,618,788) |
| Disposals | 0 | 108,506 | 0 | 108,506 |
| As at 31 December 2011 | (23,078,452) | (12,419,901) | (70,377) | (35,568,730) |
| Net carrying amount as at 1 January 2011 | 11,178,674 | 0 | 17,060 | 11,195,734 |
| Net carrying amount as at 31 December 2011 | 9,563,518 | 0 | 13,428 | 9,576,946 |



## 6.17 Investment property

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

| | The Petrol Group | Petrol d.d. |
|---|---|---|
| | Investment property | Investment property |
| Cost | | |
| As at 1 January 2010 | 27,601,631 | 28,110,638 |
| Transfer to property, plant and equipment | (1,188,661) | (1,288,191) |
| Transfer from property, plant and equipment | 24,780 | 24,780 |
| As at 31 December 2010 | 26,437,750 | 26,847,227 |
| Accumulated depreciation | | |
| As at 1 January 2010 | (11,862,004) | (12,349,440) |
| Depreciation | (818,772) | (847,300) |
| Transfer to property, plant and equipment | 536,754 | 536,754 |
| Transfer from property, plant and equipment | (369) | (369) |
| As at 31 December 2010 | (12,144,391) | (12,660,355) |
| Net carrying amount as at 1 January 2010 | 15,739,627 | 15,761,198 |
| Net carrying amount as at 31 December 2010 | 14,293,359 | 14,186,872 |

| | Investment property | Investment property |
|---|---|---|
| Cost | | |
| As at 1 January 2011 | 26,437,750 | 26,847,227 |
| Transfer to property, plant and equipment | (4,757) | (4,757) |
| Transfer from property, plant and equipment | 75,126 | 75,126 |
| As at 31 December 2011 | 26,508,119 | 26,917,596 |
| Accumulated depreciation | | |
| As at 1 January 2011 | (12,144,391) | (12,660,355) |
| Depreciation | (810,622) | (839,149) |
| Transfer to property, plant and equipment | 4,757 | 4,756 |
| As at 31 December 2011 | (12,950,256) | (13,494,748) |
| Net carrying amount as at 1 January 2011 | 14,293,359 | 14,186,872 |
| Net carrying amount as at 31 December 2011 | 13,557,862 | 13,422,848 |

### The Petrol Group

In 2011 revenue generated by the Group from investment property totalled EUR 2,517,464 (in 2010: EUR 2,429,530). The Group estimates that the fair value of investment property as at 31 December 2011 was EUR 31,377,306. The fair value is estimated by the Group based on the method of capitalising normalised cash flows, with cash flows comprising chiefly lease payments for leased investment property. Projected growth and discount rates equal 0.05 percent and 8.79 percent respectively.

### Petrol d.d., Ljubljana

In 2011 revenue generated by the Company from investment property totalled EUR 2,506,095 (in 2010: EUR 2,554,900). The Company estimates that the fair value of investment property as at 31 December 2011 was EUR 31,396,883. The fair value is estimated by the Company based on the method of capitalising normalised cash flows, with cash flows comprising chiefly lease payments for leased investment property. Projected growth and discount rates equal 0.05 percent and 8.60 percent respectively.

## 6.18 Investments in subsidiaries

### The Petrol Group

In the preparation of the Group's financial statements, investments in subsidiaries are excluded on consolidation. A more detailed overview of the Group's structure is presented in chapter Group companies of the business report.

## Information about subsidiaries as at 31 December 2011

| Name of subsidiary | Address of subsidiary | Business activities | Ownership and voting rights | |
|---|---|---|---|---|
| | | | 31 December 2011 | 31 December 2010 |
| **Slovenia** | | | | |
| Instalacija d.o.o.* | Sermin 10/a, Koper, Slovenia | Storage and handling of petroleum products | 49% | 49% |
| IGES d.o.o.** | Tumova Ulica 5, Nova Gorica, Slovenia | Energy services | 100% | - |
| Petrol Energetika d.o.o. | Koroška c. 14, Ravne na Koroškem, Slovenia | Gas and electricity distribution | 99.38% | 99.38% |
| Petrol Maloprodaja Slovenija, d.o.o. | Dunajska c. 50, Ljubljana, Slovenia | Retail sale of motor fuel | 100% | 100% |
| El-Tec Mulej d.o.o., Bled** | Pot na Lisce 7, Bled, Slovenia | Energy services | 74.9% | - |
| Petrol Skladiščenje d.o.o. | Zaloška 259, Ljubljana Polje, Slovenia | Storage services | 100% | 100% |
| Petrol Tehnologija, d.o.o. | Zaloška 259, Ljubljana Polje, Slovenia | Maintenance services | 100% | 100% |
| Upravljanje Piran d.o.o. | Liminijanska cesta 117, Portorož, Slovenia | Property management | 100% | - |
| Petrol VNC d.o.o. | Dunajska c. 50, Ljubljana, Slovenia | Investigation activities and security | 100% | 100% |
| **Croatia** | | | | |
| Petrol Hrvatska d.o.o. | Oreškovićeva 6H, Zagreb, Croatia | Sale and marketing of petroleum products | 100% | 100% |
| Euro - Petrol d.o.o. | Martinkovac 143b, Rijeka, Croatia | Trading in and transport of oil and petroleum products | 51% | 51% |
| Petrol-Jadranplin d.o.o. | Put Bioca 15, Šibenik, Croatia | Distribution of liquefied petroleum gas | 51% | 51% |
| Petrol-Butan d.o.o. | Koće Popoviča 9, Divoš, Ernestinovo, Croatia | Distribution of liquefied petroleum gas | 100% | 100% |
| **Serbia** | | | | |
| Petrol d.o.o. Beograd | Ulica Španskih boraca br. 24v, Novi Beograd, Serbia | Sale and marketing of petroleum products | 100% | 100% |
| Petrol Gas Group, d.o.o. | Ticanova 31, Novi Sad, Serbia | Gas distribution | 100% | 100% |
| Rodgas AD Bačka Topola | Maršala Tita 61, Bačka Topola, Serbia | Gas distribution | 84.22% | 84.22% |
| **Montenegro** | | | | |
| Petrol Crna gora d.o.o., Cetinje*** | Donje polje b.b., Cetinje, Montenegro | Investments in petroleum activities | 100% | 100% |
| Petrol - Bonus d.o.o. | Ulica Donje polje bb, Cetinje, Montenegro | Wholesale and retail sale of fuel | 100% | 50% |
| **Other countries** | | | | |
| Petrol BH Oil Company d.o.o., Sarajevo | Grbavička 4/4, Sarajevo, Bosnia and Herzegovina | Sale and marketing of petroleum products | 100% | 100% |
| Cypet Oils Ltd.**** | Ariadne House, Office 52, 333 28th October Street, Limassol, Ciper | Trading in oil and petroleum products | 100% | 100% |
| Petrol-Trade Handelsges.m.b.H. | Elisabethstrasse 10 Top 4 u.5, Dunaj, Austria | Trading in oil. petroleum products and chemical products | 100% | 100% |
| Petrol-Energetika DOOEL Skopje | Belasica br. 2, Skopje, Macedonia | Electricity trading | 100% | 100% |

* In 2011 Petrol d.d., Ljubljana concluded a purchase and sale agreement on the purchase of a 51-percent interest in Instalacija d.o.o. The suspensive conditions stipulated in the agreement were met in 2011. The agreement provides for a gradual transfer of equity interests concurrently with projected payments therefor over the next two years. Regardless of the agreed method of payment for the acquisition of a 51-percent interest, Petrol d.d., Ljubljana as at 31 December 2011 held a controlling influence over Instalacija d.o.o. and treats this company as a subsidiary in the financial statements.
** The companies IGES d.o.o., EL-TEC Mulej d.o.o., Bled and Petrol-Trade Handelsges.M.b.H are the parent companies of the IGES Group, the EL-TEC Group and the Petrol-Trade Group respectively. The subsidiaries from these groups are presented below.
*** Petrol - Invest d.o.o. was renamed Petrol Crna gora d.o.o. Cetinje. On 1 January 2012 it was merged into Petrol-Bonus d.o.o.
**** The company is in the process of liquidation.



## Table of subsidiaries from the groups of EL-TEC, IGES and Petrol-Trade

| Name of subsidiary | Address of subsidiary | Business activities | Ownership and voting rights | |
|---|---|---|---|---|
| | | | 31 December 2011 | 31 December 2010 |
| **El-Tec Group** | | | | |
| ENERGOGLOBAL d.o.o. | Vranovina 30, Zagreb, Croatia | Specialised construction activities | 51% | - |
| EL-TEC MULEJ. d.o.o., NIŠ | Knjaževačka 5, Niš, Serbia | Business and other management consulting | 100% | - |
| EL-TEC MULEJ BH. d.o.o., TUZLA | Ul. Armije RBIH br. 1, Tuzla, Bosnia and Herzegovina | Wholesale | 75% | - |
| UNI ENERGIJA, d.o.o. | Partizanska ceta 30, Maribor, Slovenia | Engineering services and technical consulting | 96.39% | - |
| **IGES Group** | | | | |
| IG AP d.o.o. | Naselje na Šahtu 53, Kisovec, Slovenia | Mechanical and electrical engineering services | 100% | - |
| IGIN. d.o.o. | Stegne 7, Ljubljana, Slovenia | Mechanical and electrical engineering services | 100% | - |
| IGENS d.o.o. | Ulica Vinka Vodopivca 45a, Nova Gorica, Slovenia | Mechanical and electrical engineering services | 100% | - |
| IG investicijski inženiring d.o.o. | Ulica Vinka Vodopivca 45a, Nova Gorica, Slovenia | Mechanical and electrical engineering services | 100% | - |
| VITALES d.o.o. Nova Bila, Travnik | Nova Bila b.b., Travnik, Bosnia and Herzegovina | Production and marketing of enhanced biomass | 100% | - |
| VITALES d.o.o. Bihač* | Naselje Ripač b.b., Bihač, Bosnia and Herzegovina | Production and marketing of enhanced biomass | 100% | - |
| Vitales energie biomasse Italia s.r.l. | Via del San Michele 340, Gorizia, Italia | Investments in renewable energy sources | 67% | - |
| VITALES d.o.o., Sokolac* | Pere Kosorića 2, Sokolac, Bosnia and Herzegovina | Production and marketing of enhanced biomass | 50% | - |
| **Petrol Trade Group** | | | | |
| Cypet-Trade Ltd.** | Ariadne House, 333 28th October Street, Limassol, Cyprus | Trading in oil and petroleum products | 100% | 100% |

* Bankruptcy proceedings started in 2012.
** The company is in the process of liquidation.

### Balance of investments in subsidiaries

| (in EUR) | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|
| Instalacija d.o.o. | 64,841,412 | 0 |
| Petrol Hrvatska d.o.o. | 51,021,249 | 51,021,249 |
| Euro - Petrol d.o.o. | 47,899,200 | 47,899,200 |
| Petrol BH Oil Company d.o.o. | 34,537,990 | 34,537,990 |
| Petrol d.o.o. Beograd | 21,821,792 | 16,591,792 |
| IGES d.o.o. | 21,299,475 | 0 |
| Petrol Energetika d.o.o. | 13,538,900 | 13,538,900 |
| Petrol Maloprodaja Slovenija. d.o.o. | 11,344,738 | 11,344,738 |
| Petrol Crna gora d.o.o. Cetinje | 8,230,000 | 8,230,000 |
| El-Tec Mulej d.o.o., Bled | 5,111,478 | 0 |
| Petrol Gas Group. d.o.o. | 4,850,000 | 4,850,000 |
| Rodgas AD Bačka Topola | 3,510,400 | 3,510,400 |
| Petrol - Bonus d.o.o. | 3,461,000 | 0 |
| Cypet Oils, Ltd. | 2,150,906 | 2,150,906 |
| Petrol-Jadranplin d.o.o. | 1,858,711 | 1,858,711 |
| Petrol-Butan d.o.o. | 998,897 | 979,049 |
| Petrol Skladiščenje d.o.o. | 794,951 | 794,951 |
| Petrol Tehnologija, d.o.o. | 755,579 | 755,579 |
| Upravljanje Piran d.o.o. | 205,097 | 0 |
| Petrol-Trade Handelsges.m.b.H. | 147,830 | 147,830 |
| Petrol VNC d.o.o. | 114,834 | 114,834 |
| Petrol-Energetika DOOEL Skopje | 5,000 | 5,000 |
| Ogrevanje Piran d.o.o. | 0 | 2,200,305 |
| **Total investments in subsidiaries** | **298,499,439** | **200,531,434** |

### Changes in investments in subsidiaries

| (in EUR) | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|
| As at 1 January | 200,531,434 | 213,663,092 |
| New acquisitions | 100,292,127 | 5,043,065 |
| Disposals | (2,324,122) | (18,174,723) |
| As at 31 December | **298,499,439** | **200,531,434** |

The 2011 increase in investments in subsidiaries relates to:

- the acquisition of a 51-percent interest in Instalacija d.o.o. and transfer of a 49-percent interest in Instalacija d.o.o. from investments in jointly controlled entities to investments in subsidiaries, totalling EUR 64,841,412,
- the acquisition of IGES d.o.o., totalling EUR 21,299,475,
- the capital increase of Petrol d.o.o., Belgrade totalling EUR 5,230,000,
- the acquisition of EL-TEC Mulej d.o.o., Bled totalling EUR 5,111,478,
- the acquisition of a 50-percent interest in Petrol-Bonus d.o.o. and transfer of a 50-percent interest in Petrol-Bonus d.o.o. from investments in jointly controlled entities to investments in subsidiaries, totalling EUR 3,461,000,
- the acquisition of a 100-percent interest in Upravljanje Piran d.o.o., totalling EUR 205,097 through the absorption of Ogrevanje Piran d.o.o.,
- the acquisition of a 100-percent interest in RP Plin d.o.o., totalling EUR 123,817.

Disposals of investments are the result of mergers by absorption carried out in 2011. Petrol d.d., Ljubljana:

- on 30 June 2011, absorbed the company RP Plin d.o.o. and, as a result, eliminated from investments in subsidiaries the investment in the absorbed company, totalling EUR 123,817.
- on 1 March 2011, absorbed the company Ogrevanje Piran d.o.o. and, as a result, eliminated from investments in subsidiaries the investment in the absorbed company, totalling EUR 2,200,305.

More information about mergers by absorption is provided in note 6.2.

## 6.19 Changes in investments in jointly controlled entities

The Group measures investments in jointly controlled entities using the equity method. The Company measures investments in jointly controlled entities at fair value as available-for-sale assets. More information about the accounting treatment of investments in jointly controlled entities in the Group is provided in chapter Significant accounting policies of the Group in note 3a. More information about the accounting treatment of investments in jointly controlled entities in the Company is provided in chapter Significant accounting policies of the Company in note 4c. A more detailed overview of the Group's structure is presented in chapter Group companies of the business report.

### Information about jointly controlled entities as at 31 December 2011

| Name of jointly controlled entity | Address of jointly controlled entity | Business activities | Ownership and voting rights 31 December 2011 | Ownership and voting rights 31 December 2010 |
|---|---|---|---|---|
| **Slovenia** | | | | |
| Gen-I, d.o.o.* | Cesta 4. julija 42, Krško, Slovenia | Electricity trading and sale | 50% | - |
| Geoenergo d.o.o. | Mlinska ulica 5, Lendava, Slovenia | Extraction of natural gas, oil and gas condensate | 50% | 50% |
| Vitales RTH, d.o.o.* | Trg revolucije 14, Trbovlje, Slovenia | Processing and sale of wood chips | 50% | - |
| Soenergetika d.o.o. | Stara cesta 3, Kranj, Slovenia | Electricity, gas and steam supply | 25% | 25% |
| **Other countries** | | | | |
| Petrol - Oti - Slovenija L.L.C.** | Prishtina Magijstralija, Priština, Kosovo | Retail sale and wholesale of liquid and gaseous fuel and similar products | 51% | 51% |
| Petrol Slovenia Tirana Wholesale Sh.A.*** | Deshmoret e 4 Shkurtit Pll.26, Tirana, Albania | Wholesale of liquid, gaseous and similar fuels | 55% | 55% |
| Petrol Slovenia Tirana Distribution Sh.p.k.**** | Deshmoret e 4 Shkurtit Pll.26, Tirana, Albania | Retail sale of liquid and gaseous fuel | 55% | 55% |

* The company is owned directly by IGES d.o.o.
** The contract of members stipulates joint management.
*** The company is in the process of liquidation.
**** Petrol Slovenia Tirana Distribution Sh.p.k. is fully owned by Petrol Slovenia Tirana Wholesale Sh.A. The company is in the process of liquidation.

## Balance of investments in jointly controlled entities

| (in EUR) | The Petrol Group 31 December 2011 | 31 December 2010 | Petrol d.d. 31 December 2011 | 31 December 2010 |
|---|---|---|---|---|
| Gen-I, d.o.o. | 35,913,766 | 0 | - | - |
| Petrol Slovenia Tirana Wholesale Sh.A. | 1,085,570 | 1,036,000 | 1,198,500 | 1,036,000 |
| Petrol-Oti-Slovenija L.L.C. | 811,000 | 5,100,000 | 811,000 | 5,100,000 |
| Soenergetika d.o.o. | 120,256 | 81,023 | 504,000 | 90,000 |
| Geoenergo d.o.o. | 17,318 | 17,256 | 70,000 | 30,000 |
| Vitales RTH, d.o.o. | 16,566 | 0 | - | - |
| Instalacija d.o.o. | 0 | 9,789,170 | 0 | 54,515,000 |
| Petrol-Bonus d.o.o. | 0 | 363,300 | 0 | 499,000 |
| **Total investments in jointly controlled entities** | **37,964,476** | **16,386,748** | **2,583,500** | **61,270,000** |

## The Petrol Group

### Changes in investments in jointly controlled entities

| (in EUR) | The Petrol Group 31 December 2011 | 31 December 2010 |
|---|---|---|
| **As at 1 January** | **16,386,748** | **15,318,725** |
| Attributed profit | 5,566,408 | 2,720,246 |
| Dividends received | (3,000,000) | (3,849,709) |
| New acquisitions | 35,939,691 | 3,673,776 |
| Transfer to investments in subsidiaries | (12,429,953) | (325,933) |
| Impairment (effect on the income statement) | (4,498,418) | (1,150,357) |
| **As at 31 December** | **37,964,476** | **16,386,748** |

In conformity with the equity method, the Group received attributable profit of EUR 5,566,408 in 2011. This amount is net of dividends on retained earnings, which stood at EUR 3,000,000. These items are explained in more detail in note 6.10.

In 2011 the Group acquired IGES d.o.o. and thus gained a 50-percent interest in Gen-I, d.o.o. and Vitales RTH, d.o.o. The interests were upon business combination estimated at EUR 35,489,073 (Gen-I, d.o.o.) and EUR 36,498 (Vitales RTH, d.o.o.). More information about the acquisition of IGES d.o.o. is provided in note 6.1. The remaining increase of EUR 414,120 refers to capital increase of Petrol-Oti-Slovenija L.L.C by Petrol d.d., Ljubljana.

The Group reclassified the interest in Instalacija d.o.o. to investments in subsidiaries, due to which investments in jointly controlled entities in 2011 decreased by EUR 12,429,952. The reclassification was made because of a purchase and sale agreement on the remaining 51-percent interest in Instalacija d.o.o. whereby Petrol d.d., Ljubljana gained a controlling influence over Instalacija d.o.o.

On the basis of estimated fair value of jointly controlled entities the Group established that the carrying amount of the investment in Petrol-Oti-Slovenija L.L.C., measured using the equity method was higher than the estimated fair value. As a result, the Group impaired the investment to its fair value. Impairment costs for Petrol-Oti-Slovenija L.L.C. stood at EUR 4,498,418 in 2011. The valuation is explained in more detail in the note pertaining to the Company below.



## Significant amounts from the financial statements of jointly controlled entities

**2010**

| (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. | 2,147,986 | 168,532 | 116,664 | 95,840 | 47,495 |
| Petrol - OTI - Slovenija L.L.C. | 14,385,303 | 1,452,391 | 6,807,757 | (122,587) | (62,519) |
| Soenergetika d.o.o. | 347,107 | 23,013 | 177 | (215,906) | (53,976) |
| Geoenergo, d.o.o. | 205,557 | 74,001 | 52,596 | (7,487) | (3,743) |
| Instalacija, d.o.o. Koper | 39,307,663 | 19,329,761 | 14,257,012 | 5,607,673 | 2,747,760 |
| Petrol - Bonus d.o.o. | 15,608,947 | 14,882,108 | 19,607,149 | (29,401) | (14,701) |
| Karkasa, d.o.o.* | 590,320 | 1,669 | 665,235 | 24,761 | 12,381 |

*The company Karkasa d.o.o. was liquidated in 2010.

**2011**

| (in EUR) | Assets | Liabilities (debt) | Revenue | Net profit or loss | Net profit or loss attributable to the Petrol Group |
|---|---|---|---|---|---|
| Group GEN-I, d.o.o. | 218,630,466 | 167,241,429 | 586,974,647 | 6,849,390 | 3,424,695 |
| Petrol Slovenia Tirana Wholesale Sh.A. | 2,304,931 | 42,430 | 105,116 | 85,528 | 47,040 |
| Petrol - OTI - Slovenija L.L.C. | 15,694,356 | 2,838,068 | 8,622,556 | (267,790) | (136,573) |
| Soenergetika d.o.o. | 5,704,085 | 5,223,058 | 2,165 | (44,692) | (11,173) |
| Geoenergo, d.o.o. | 197,018 | 65,338 | 49,765 | 124 | 62 |
| Vitales RTH, d.o.o. | 232,189 | 199,058 | 133,725 | (39,864) | (19,932) |
| Petrol - Bonus d.o.o. | 13,174,905 | 13,387,058 | 12,812,608 | (943,123) | (471,562) |

## Petrol d.d., Ljubljana

### Changes in investments in jointly controlled entities

| (in EUR) | The Petrol Group 31 December 2011 | 31 December 2010 |
|---|---|---|
| **As at 1 January** | **61,270,000** | **61,137,000** |
| New acquisitions | 414,120 | 3,673,776 |
| Transfer to investments in subsidiaries | (7,452,412) | (410,000) |
| Effect of transfer to investments in subsidiaries (reversal of fair value reserve) | (47,561,588) | 0 |
| Enhancement (creation of fair value reserve) | 616,500 | 147,000 |
| Impairment (reversal of fair value reserve) | 0 | (1,971,000) |
| Impairment (effect on the income statement) | (4,703,120) | (1,306,776) |
| **As at 31 December** | **2,583,500** | **61,270,000** |

In 2011 the Company increased its interest in the company Petrol-Oti-Slovenija L.L.C. by means of a capital increase of EUR 414,120.

In 2011 the Company reclassified to investments in subsidiaries the investments in Instalacija d.o.o., totalling EUR 7,041,412, and in Petrol-Bonus d.o.o., totalling EUR 499,000, which is why the investments in jointly controlled entities in 2011 dropped by EUR 7,452,412. Since the investments in Instalacija d.o.o. and Petrol-Bonus d.o.o. were transferred to subsidiaries, fair value reserve decreased by EUR 47,561,588.

### Fair value measurement effect

The Company assessed the fair value of investments in jointly controlled entities as at 31 December 2011. The valuation revealed that the fair value of the investment in the company Petrol-Oti-Slovenija L.L.C. was lower than its carrying amount, which led to impairment. The valuation also revealed that the fair value of investments in the companies Geoenergo d.o.o., Petrol Slovenia Tirana Wholesale Sh.A and Soenergetika d.o.o. was higher than their carrying amount, which led to strengthening of the investments' value and a corresponding increase in the fair value reserve.

The techniques selected to assess the fair value and the fair value assessment effects as at 31 December 2011 are shown in the table below:

| (in EUR) Company | Holding in % | Valuation technique | Pre-valuation value as at 31 December 2011 | Fair value as at 31 December 2011 | Valuation effect (enhancement / impairment) | Valuation effect: Fair value reserve | Valuation effect: Profit or loss for the period |
|---|---|---|---|---|---|---|---|
| Geoenergo, d.o.o. | 50% | Capitalisation of normalised cash flows | 30,000 | 70,000 | 40,000 | 40,000 | 0 |
| Petrol - Oti - Slovenija L.L.C. | 51% | Present value of expected free cash flows | 5,514,120 | 811,000 | (4,703,120) | 0 | (4,703,120) |
| Soenergetika d.o.o. | 25% | Present value of expected free cash flows | 90,000 | 504,000 | 414,000 | 414,000 | 0 |
| Petrol Slovenia Tirana Wholesale Sh.A. | 55% | * | 1,036,000 | 1,198,500 | 162,500 | 162,500 | 0 |
| **Total** | | | **6,670,120** | **2,583,500** | **(4,086,620)** | **616,500** | **(4,703,120)** |

* The fair value of the investment is the same as the carrying amount of the interest in the company's equity.

### Description of assumptions and investment valuation techniques

Assessment of the fair value of the investments in jointly controlled entities was prepared on the going concern assumption, taking into account all information about the operation of the companies that was available at the time of the valuation. Due to the nature of the companies' business, no observable market data exists. The valuation thus mainly relies on information about the companies' previous operations and assumptions regarding their future operations. The valuation takes into account the perspective of market participants. Valuation techniques were tailored to the nature of the companies' business and available data. The following valuation techniques were used:

- Capitalisation of standardised free cash flows, which is a shortened variant of the method of calculating the present value of expected returns and uses a single return forecast and an expected future growth rate of such a return instead of a longer time series of forecasts of the rate of return to owners.
- The present value of expected free cash flow method attempts, by applying an analysis of the past operations and an assessment of future business opportunities, to forecast future cash returns to the shareholders which are then discounted to the present value at an appropriate discount rate. The resulting valuation of a company based on free cash flow represents the return demanded for the risk from investing in the company. The method is based on the going concern assumption, i.e. a company aiming to maximise value and continuing to do business in the foreseeable future.
- Valuation methods that are based on the analysis of comparable companies listed on a stock exchange (the guideline public company method) or companies that were (recently) sold or merged with other companies (the transaction method).

The required rate of return was adjusted to specific circumstances of individual companies, the interest in which was subject to valuation, and their business environment. The required rates of return for the companies ranged from 8.6 to 16.05 percent. In the valuation of the investments, discounts reflecting the lack of liquidity and ranging from 5 percent to 10 percent were taken into account and adjusted to the nature of the companies' business. As for the techniques used, the annual growth rates for remaining free cash flows (the residual value) taken into account ranged from 2 to 3 percent.

## 6.20 Investments in associates

The Group measures investments in associates using the equity method. The Company, however, treats the investments in associates as available-for-sale financial assets, meaning they are measured at fair value. More information about the accounting treatment of investments in associates is given in note 3a (the Group) and note 4c (the Company). A more detailed overview of the Group's structure is presented in chapter Group companies of the business report.

### Information about associates as at 31 December 2011

| Name of associate | Address of associate | Business activities | Ownership and voting rights 31 December 2011 | Ownership and voting rights 31 December 2010 |
|---|---|---|---|---|
| **Slovenia** | | | | |
| Geoplin d.o.o. Ljubljana | Cesta Ljubljanske brigade 11, Ljubljana, Slovenia | Sale and transport of natural gas | 31.98% | 31.98% |
| Istrabenz d.d. | Cesta Zore Perello - Godina 2, Koper, Slovenia | Management of Istrabenz Group investments and other investments | 32.63% | 32.63% |
| Aquasystems d.o.o. | Dupleška 330, Maribor, Slovenia | Construction and operation of industrial and municipal water treatment plants | 26% | 26% |
| Marche Gostinstvo d.o.o. | Notranjska c. 71, Logatec, Slovenia | Preparation of food and beverages, sale of merchandise and other services | 25% | 25% |
| Bio goriva d.o.o. | Grajski trg 21, Rače, Slovenia | Manufacturing, trading and services | 25% | 25% |

### Balance of investments in associates

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Geoplin d.o.o. Ljubljana | 96,987,260 | 95,114,507 | 129,900,000 | 128,000,000 |
| Aquasystems d.o.o. | 1,902,090 | 1,989,900 | 3,854,000 | 2,303,000 |
| Marche Gostinstvo d.o.o. | 517,362 | 456,946 | 1,989,305 | 1,308,000 |
| Istrabenz d.d. | 0 | 21,973,965 | 0 | 23,249,000 |
| Bio Goriva d.o.o. | 0 | 0 | 0 | 0 |
| **Total investments in associates** | **99,406,712** | **119,535,318** | **135,743,305** | **154,860,000** |

### The Petrol Group

### Changes in investments in associates

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 |
|---|---|---|
| **As at 1 January** | **119,535,318** | **121,282,983** |
| Attributed profit/losses | 5,075,250 | 3,062,799 |
| Dividends received | (4,904,469) | (3,919,500) |
| Disposal of investments | 0 | (664,560) |
| Attributed changes in the equity of associates | (196,347) | (226,404) |
| Impairment (effect on the income statement) | (20,103,040) | 0 |
| **As at 31 December** | **99,406,712** | **119,535,318** |

The Group did not increase its existing investments or make new investments in associates in 2011.

In conformity with the equity method, the Petrol Group attributed a corresponding share of 2011 profits or losses to its investments, which amounted to EUR 5,075,250. This amount is net of dividends, which stood at EUR 4,904,469. These items are explained in more detail in note 6.10.

In accordance with the equity method, the Group recognised its interest in the equity of the associate Geoplin, d.o.o., which stood at EUR 196,347.

The valuation of the fair value of the associates for the purpose of measuring investments of the Company revealed that the carrying amount of the investment in Istrabenz d.d. was higher than its fair value, which led to an impairment of the investment by the Group to estimated fair value. Impairment costs stood at EUR 20,103,040 in 2011. Valuation methods and procedures are explained in the note pertaining to the Company below.

## Significant amounts from the financial statements of associates

### 2010

| (in EUR) | Assets | Liabilities | Revenue | Net profit or loss | Net profit or loss attributable to the Petrol Group |
|---|---|---|---|---|---|
| Geoplin Group | 370,391,000 | 87,564,000 | 385,407,000 | 24,792,000 | 7,927,961 |
| Istrabenz Group* | 875,386,732 | 878,110,707 | 477,807,769 | (3,335,173) | (1,088,267) |
| Aquasystems, d.o.o. | 30,892,037 | 24,675,092 | 7,891,212 | 2,001,307 | 520,340 |
| Marche Gostinstvo, d.o.o. | 3,371,000 | 1,543,000 | 12,519,690 | 387,810 | 96,953 |
| Bio goriva d.o.o. | 26,005,065 | 23,632,035 | 21,039,083 | (177,518) | (44,379) |

* Most recent financial statements that were publicly available before the publication of this report were the consolidated financial statements of the Istrabenz Group as at 30 September 2011.

### 2011

| (in EUR) | Assets | Liabilities | Revenue | Net profit or loss | Net profit or loss attributable to the Petrol Group |
|---|---|---|---|---|---|
| Geoplin Group | 432,481,000 | 143,985,000 | 406,439,000 | 18,762,000 | 5,999,694 |
| Istrabenz Group* | 26,224,825 | 21,102,868 | 7,807,704 | 2,160,779 | 561,803 |
| Aquasystems, d.o.o. | 3,588,000 | 1,519,000 | 11,894,000 | 596,650 | 149,163 |
| Marche Gostinstvo, d.o.o. | 433,313,567 | 444,426,964 | 106,759,747 | (5,733,758) | (1,870,925) |
| Bio goriva d.o.o. | 22,694,197 | 22,269,005 | 1,515,619 | (1,943,227) | (485,807) |

* Most recent financial statements that were publicly available before the publication of this report were the consolidated financial statements of the Istrabenz Group as at 30 September 2011.

## Petrol d.d., Ljubljana

## Changes in investments in associates

| (in EUR) | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|
| **As at 1 January** | **154,860,000** | **155,070,965** |
| Disposal of investments | 0 | (696,000) |
| Enhancement (creation of fair value reserve) | 4,132,305 | 1,935,035 |
| Impairment (reversal of fair value reserve) | (1,275,035) | (1,450,000) |
| Impairment (effect on the income statement) | (21,973,965) | 0 |
| **As at 31 December** | **135,743,305** | **154,860,000** |

The Company did not increase its existing investments or make new investments in associates in 2011.

### Fair value measurement effect

The Company assessed the fair value of investments in associates as at 31 December 2011. The valuation also revealed that the fair value of the investment in the company Istrabenz d.d. was lower than its carrying amount, which led to an impairment of the investment to estimated fair value. The valuation also revealed that the fair value of investments in the companies Geoplin d.o.o., Ljubljana, Aquasystems d.o.o. and Marche Gostinstvo d.o.o. was higher than their carrying amount, which led to a strengthening of the investments' value and a corresponding increase in the fair value reserve.

The techniques selected to assess the fair value and the fair value assessment effects as at 31 December 2011 are shown in the table below:

| (in EUR) Company | Holding in % | Valuation technique | Pre-valuation value as at 31 December 2011 | Fair value as at 31 December 2011 | Valuation effect (enhancement / impairment) | Valuation effect: Fair value reserve | Valuation effect: Profit or loss for the period |
|---|---|---|---|---|---|---|---|
| Geoplin, d.o.o., Ljubljana | 31.98% | Present value of expected free cash flows and Guideline public company method | 128,000,000 | 129,900,000 | 1,900,000 | 1,900,000 | 0 |
| Istrabenz d.d. | 32.63% | Asset accumulation method | 23,249,000 | 0 | (23,249,000) | (1,275,035) | (21,973,965) |
| Aquasystems, d.o.o. | 26% | Present value of expected free cash flows | 2,303,000 | 3,854,000 | 1,551,000 | 1,551,000 | 0 |
| Marche Gostinstvo, d.o.o. | 25% | Present value of expected free cash flows | 1,308,000 | 1,989,305 | 681,305 | 681,305 | 0 |
| Bio goriva d.o.o. | 25% | Present value of expected free cash flows | 0 | 0 | 0 | 0 | 0 |
| Total | | | 154,860,000 | 135,743,305 | (19,116,695) | 2,857,270 | (21,973,965) |

### Description of assumptions and investment valuation techniques

- Valuation of the investment in Istrabenz d.d.
  Independent assessment of the value of the investment in Istrabenz d.d. was prepared on the basis of publicly available information about the operations of the Istrabenz Group. The value was assessed using the asset accumulation method. The use of this method is reasonable since the subject of valuation is an interest in a company that is essentially a holding company performing the function of an investment company, which has considerable material assets, because financial investments represent the bulk of its assets. According to this method all assets and liabilities are assessed at market value as at the assessment date. Moreover the value of contingent assets and liabilities which are not disclosed in the statement of financial position is assessed. The value of the company's assets was assessed using the method of the present value of expected free cash flows and the guideline public company method. Valuation techniques were tailored to the nature of the investments and available data. Discount rates between 8.48 and 11.60 percent were applied in the valuation of investments in the Istrabenz Group along with a lack of marketability discount ranging from 5 to 10 percent. According to the valuation, the management estimates that the fair value of the investment in Istrabenz d.d. totalled EUR 0 as at 31 December 2011. Given the stock market price of the interest in Istrabenz d.d., which as at 31 December 2011 totalled EUR 5,223,042, the management decided to impair the investment in Istrabenz d.d. to EUR 0 owing to the valuation made and the principle of prudence.
- Valuation of other investments
  An independent assessment of the fair value of the investment associates was prepared on the going concern assumption, taking into account all information about the operation of the companies that was available at the time of the valuation. The valuation takes into account the perspective of market participants. Due to the nature of the companies' business, no observable market data exists. The valuation thus mainly relies on information about the companies' previous operations and assumptions regarding their future operations. Valuation techniques were tailored to the nature of the companies' business and available data. The following valuation techniques were used:

- The present value of expected free cash flow method attempts, by applying an analysis of the past operations and an assessment of future business opportunities, to forecast future cash returns to the shareholders which are then discounted to the present value at an appropriate discount rate. The resulting valuation of a company based on free cash flow represents the return demanded for the risk from investing in the company. The technique is based on the going concern assumption, i.e. a company aiming to maximise value and continuing to do business in the foreseeable future.
- Valuation techniques that are based on the analysis of comparable companies listed on a stock exchange (the guideline public company method) or companies that were (recently) sold or merged with other companies (the transaction method).
  The required rate of return was adjusted to specific circumstances of individual companies, the interest in which was subject to valuation, and their business environment. The required rates of return for the companies ranged from 7.1 to 11.53 percent. In the valuation of the investments, discounts reflecting the lack of marketability and ranging from 10 to 15 percent were taken into account and adjusted to the nature of the companies' business. As for the techniques used, the annual growth rates for remaining free cash flows (the residual value) taken into account ranged from 2 to 3 percent. A discount for lack of marketability was considered in the valuation, ranging from 10 to 21 percent.

## 6.21 Available-for-sale financial assets

Available-for-sale financial assets relate to investments in shares and interests of companies and banks as well as investments in mutual funds and bonds. Since the majority of available-for-sale financial assets are the assets of Petrol d.d., Ljubljana, a joint disclosure for the Group and the Company is presented.

### Balance of available-for-sale financial assets

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Shares of companies | 3,788,153 | 3,831,636 | 3,709,110 | 3,752,593 |
| Shares of banks | 3,541,136 | 7,318,616 | 3,541,136 | 7,318,616 |
| Interests in companies | 235,791 | 187,790 | 187,791 | 187,790 |
| Bonds and other assets | 3,641 | 738 | 738 | 738 |
| **Total available-for-sale financial assets** | **7,568,721** | **11,338,780** | **7,438,775** | **11,259,737** |

### Changes in available-for-sale financial assets

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| **As at 1 January** | **11,338,780** | **14,866,548** | **11,259,737** | **14,787,505** |
| New acquisitions as a result of takeover | 50,904 | 0 | 0 | 0 |
| Disposals | (43,483) | (1,481,633) | (43,483) | (1,481,633) |
| Impairment (effect on the income statement) | (3,777,480) | (2,046,135) | (3,777,480) | (2,046,135) |
| **As at 31 December** | **7,568,721** | **11,338,780** | **7,438,775** | **11,259,737** |

### The Petrol Group and Petrol d.d., Ljubljana

In 2011 the Group/Company disposed of the shares of the Ljubljana Stock Exchange (LSER) totalling EUR 36,907.

Based on a valuation, the Group/Company determined that the carrying amount of the investment in NLB d.d. shares as at 31 December 2011 was higher than its fair value. To adjust the carrying amount to the fair value, the Group/Company impaired the value of the investment by EUR 3,777,480. Assessment of the fair value of the investment in NLB d.d. shares was prepared on the going concern assumption, taking into account all information about the operation of the bank that was available at the time of the valuation. The valuation takes into account the perspective of market participants. The methods used were the method of the present value of expected free cash flows and the guideline company method. The method of the present value of expected free cash flows takes into account a 13.02-percent required rate of return, a 10-percent minority interest discount and a 25-percent lack of marketability discount. The relevant annual growth rate for remaining free cash flows is estimated at 4 percent.

Available-for-sale financial assets of the Group/Company measured at fair value totalled EUR 3,305,395 as at 31 December 2011. The remaining available-for-sale financial assets of the Group/Company are carried at cost since their fair values cannot be reliably measured due to significant variability in the range of reasonable fair value estimates.

## 6.22 Non-current financial receivables

### Balance of non-current financial receivables

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Finance lease receivables | 0 | 7,961,236 | 0 | 3,940 |
| Loans and other financial receivables | 2,924,920 | 2,983,369 | 8,104,316 | 10,439,775 |
| **Total non-current financial receivables** | **2,924,920** | **10,944,605** | **8,104,316** | **10,443,715** |

### Changes in non-current financial receivables

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 |
|---|---|---|
| **Receivables as at 1 January** | **10,944,605** | **9,798,440** |
| New acquisitions as a result of takeover | 319,027 | 49,380 |
| New loans | 2,648,486 | 2,784,538 |
| Loans repaid | (91,134) | (606,911) |
| Eliminations as a result of acquisition | (7,961,236) | 0 |
| Transfer to current financial receivables | (2,934,527) | (1,081,024) |
| Foreign exchange differences | (301) | 182 |
| **Receivables as at 31 December** | **2,924,920** | **10,944,605** |

Non-current financial receivables due from others, totalling EUR 2,924,920, comprise loans for supplied goods amounting to EUR 2,616,895 and housing loans to employees of Petrol d.d., Ljubljana equalling EUR 308,025.

In 2011, through the business combination involving Instalacija d.o.o., IGES d.o.o., Petrol-Bonus d.o.o., RP Plin d.o.o. and EL-TEC Mulej d.o.o., Bled, the Group acquired non-current financial receivables of EUR 319,027. More information about business combinations is provided in note 6.1 and note 6.2.

The elimination amounting to EUR 7,961,236 refers to a finance lease receivable from the subsidiary Petrol Invest d.o.o. due from Petrol-Bonus d.o.o. Since in 2011 Petrol-Bonus became a subsidiary of the Petrol Group, the receivable is in the consolidation procedure excluded from the financial statements of the Group. More information about business combinations is provided in note 6.1.

### Petrol d.d., Ljubljana

#### Changes in non-current financial receivables

| (in EUR) | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|
| **Receivables as at 1 January** | **10,443,715** | **14,322,182** |
| New acquisitions as a result of merger by absorption | 41,036 | 26,785 |
| Eliminations as a result of merger by absorption | 0 | (8,568,750) |
| New loans | 6,180,014 | 10,353,465 |
| Loans repaid | (42,938) | (302,014) |
| Transfer to current financial receivables | (8,517,511) | (5,387,953) |
| **Receivables as at 31 December** | **8,104,316** | **10,443,715** |

Non-current financial receivables comprise non-current financial receivables from Group companies totalling EUR 5,461,670 and non-current financial receivables from others equalling EUR 2,642,646. Non-current financial receivables from Group companies comprise mainly the loans to the subsidiary Petrol Energetika d.o.o. totalling EUR 4,774,171 and to the subsidiary Petrol Plin d.o.o. amounting to EUR 687,500. Non-current financial receivables from others comprise loans for supplied goods totalling EUR 2,334,621 and housing loans to employees of the Company equalling EUR 308,025.

## 6.23 Non-current operating receivables

Since the majority of non-current operating receivables are the receivables due to Petrol d.d., Ljubljana, a joint disclosure for the Group and the Company is presented.

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Receivables from companies | 1,603,949 | 1,426,404 | 1,426,404 | 1,426,404 |
| Allowance for receivables from companies | (1,426,404) | (1,426,404) | (1,426,404) | (1,426,404) |
| Receivables from municipalities | 646,457 | 882,547 | 646,457 | 882,547 |
| Other receivables | 101,707 | 83,925 | 101,707 | 83,925 |
| **Total non-current operating receivables** | **925,709** | **966,472** | **748,164** | **966,472** |

### The Petrol Group and Petrol d.d., Ljubljana

Non-current operating receivables from companies consist of receivables from the jointly controlled entity Geoenergo d.o.o. amounting to EUR 1,426,404. The receivables arose from long-term assets allocated to the restructuring of the company Nafta Lendava d.o.o. that the company 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 receivable is contingent on the generation and distribution of profit of the company Geoenergo d.o.o., an allowance was made for the entire receivable.

Receivables from municipalities mainly relate to receivables from the municipality of Mengeš amounting to EUR 192,593 and from the municipality of Šempeter-Vrtojba amounting to EUR 315,393, both arising from the refund of overcharged fees for the building site use, and receivables from the municipality of Idrija totalling EUR 135,004, which are the result of prepaid concession fees. The receivables are accounted for based on the agreed-upon plan for the refund of overpaid fees.



## 6.24 Inventories

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Spare parts and materials inventories | 1,916,840 | 1,530,176 | 43,382 | 0 |
| Merchandise: | 98,666,565 | 106,891,051 | 79,818,063 | 90,193,443 |
| - fuel | 67,708,833 | 83,171,888 | 54,725,699 | 70,274,634 |
| - other petroleum products | 6,686,401 | 4,524,343 | 5,421,425 | 4,328,249 |
| - other merchandise | 24,271,331 | 19,194,820 | 19,670,939 | 15,590,560 |
| **Total inventories** | **100,583,405** | **108,421,227** | **79,861,445** | **90,193,443** |

### The Petrol Group and Petrol d.d., Ljubljana

The Group/Company has no inventories that are pledged as security for liabilities.

After checking the value of merchandise inventories as at 31 December 2011, the Group/Company determined that the net realisable value of inventories was lower than the cost of merchandise, which is why it impaired fuel value in 2011 by EUR 385,202.

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Loans granted | 16,168,386 | 13,154,362 | 13,486,421 | 8,043,142 |
| Adjustment to the value of loans granted | (724,733) | (640,853) | (607,890) | (640,853) |
| Time deposits with banks (3 months to 1 year) | 160,906 | 545,934 | 0 | 0 |
| Interest receivables | 71,182 | 180,073 | 117,669 | 209,483 |
| Allowance for interest receivables | (7,825) | (6,885) | (6,885) | (6,885) |
| Finance lease receivables | 3,940 | 441,786 | 3,940 | 22,845 |
| **Total current financial receivables** | **15,671,856** | **13,674,416** | **12,993,255** | **7,627,732** |

### The Petrol Group

In addition to the loans granted by Petrol d.d., Ljubljana to others, which stood at EUR 4,496,277, and the adjustment to the value of loans granted of EUR 607,890, the loans granted comprise short-term loans granted by other Group companies totalling EUR 11,672,109.

### Petrol d.d., Ljubljana

Short-term loans to companies of EUR 13,486,421 include the short-term portion of long-term loans to subsidiaries totalling EUR 8,990,144 and short-term loans to others equalling EUR 4,496,277. Short-term loans to subsidiaries in the Group are presented below.

| (in EUR) | 31 December 2011 |
|---|---|
| **Balance of non-current loans to Group companies:** | |
| Petrol d.o.o, Beograd | 4,290,000 |
| IGES d.o.o. | 2,500,000 |
| Petrol Energetika d.o.o. | 1,081,644 |
| El-Tec Mulej d.o.o., Bled | 589,000 |
| Petrol-Jadranplin d.o.o. | 467,000 |
| Petrol-Butan d.o.o. | 62,500 |
| **Total** | **8,990,144** |

Short-term loans to others totalling EUR 4,496,227 consist of loans to road hauliers for the purchase of vehicles amounting to EUR 210,791 and loans to companies for the payment of goods delivered equalling EUR 4,285,436. Value adjustments to short-term loans equalled EUR 607,890.

## 6.26 Current operating receivables

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Trade receivables | 369,173,511 | 323,798,611 | 322,842,219 | 294,487,393 |
| Allowance for trade receivables | (44,525,739) | (26,360,688) | (22,993,200) | (17,211,342) |
| Operating receivables from state and other institutions | 16,614,453 | 12,198,013 | 8,557,492 | 6,190,466 |
| Operating interest receivables | 3,815,380 | 2,573,260 | 2,916,701 | 3,200,358 |
| Allowance for interest receivables | (2,327,557) | (1,066,994) | (1,355,659) | (1,002,968) |
| Receivables from insurance companies (loss events) | 173,573 | 289,026 | 163,946 | 260,073 |
| Other operating receivables | 9,120,836 | 749,822 | 7,094,317 | 27,260 |
| Allowance for other receivables | 0 | (58,822) | 0 | 0 |
| **Total current operating receivables** | **352,044,457** | **312,122,226** | **317,225,816** | **285,951,240** |

## 6.27 Financial assets at fair value through profit or loss

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

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Assets arising from forward contracts | 6,558,462 | 1,704,503 | 6,558,462 | 1,704,503 |
| Assets arising from commodity swaps | 172,657 | 293,969 | 172,657 | 293,969 |
| Assets arising from interest rate swaps | 14,256 | 508,101 | 14,256 | 508,101 |
| Financial assets under management | 1,197,039 | 1,342,358 | 1,197,039 | 1,342,358 |
| **Total financial assets at fair value through profit or loss** | **7,942,414** | **3,848,931** | **7,942,414** | **3,848,931** |

### The Petrol Group and Petrol d.d., Ljubljana

Financial assets from forward contracts for the purchase of US dollars, which stood at EUR 6,558,462, comprise the fair value of outstanding forward contracts as at 31 December 2011. Financial assets arising from commodity swaps totalling EUR 172,657 represent the fair value of outstanding commodity swap contracts for the purchase of petroleum products as at 31 December 2011. Financial assets from interest rate swaps of EUR 14,256 relate to the fair value of outstanding interest rate risk hedging contracts as at 31 December 2011. 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.

Financial assets under management totalling EUR 1,197,039 comprise cash invested in financial instruments to generate return while ensuring acceptable dispersion of risk under a concluded contract on financial instrument management. Financial assets as at 31 December 2011 were valued at the market prices of the financial instruments included in the portfolio.

## 6.28 Prepayments and other assets

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Prepayments | 3,656,053 | 1,637,081 | 2,013,998 | 386,407 |
| Prepaid insurance premiums | 657,650 | 674,712 | 473,456 | 487,511 |
| Uninvoiced services and goods | 540,810 | 668,463 | 528,997 | 958,463 |
| Prepaid subscriptions, specialised literature, etc. | 488,736 | 427,831 | 475,146 | 420,620 |
| Uninvoiced natural gas and LPG | 402,736 | 359,147 | 402,736 | 367,066 |
| Other short-term deferred costs and expenses | 929,029 | 400,469 | 261,618 | 40,942 |
| **Total prepayments and other assets** | **6,675,014** | **4,167,703** | **4,155,951** | **2,661,009** |

## 6.29 Cash and cash equivalents

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Cash | 105,216 | 120,399 | 0 | 25,542 |
| Cash in banks | 55,609,061 | 7,810,546 | 27,301,388 | 4,966,480 |
| Short-term deposits (up to 3 months) | 4,987,274 | 9,612,826 | 5,648,500 | 9,781,457 |
| **Total cash and cash equivalents** | **60,701,551** | **17,543,771** | **32,949,888** | **14,773,479** |

## 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 2011 was EUR 155.10. The book value of the share as at 31 December 2011 was EUR 182.94.

### Capital surplus

Capital surplus may be used under conditions and for the purposes stipulated by law. General equity revaluation adjustments as at 31 December 2003 comprised the revaluation of share capital made before the year 2002, in accordance with the then applicable Slovene Accounting Standards. Because of the transition to International Financial Reporting Standards, the revaluation adjustment was transferred to capital surplus. It can only be used to increase share capital. In 2011 there were no changes in capital surplus.

### Revenue reserves

· Legal reserves and other revenue reserves
Legal and other revenue reserves comprise shares of profit from previous years that have been retained for a dedicated purpose, mainly for offsetting eventual future losses. The Company's Supervisory Board, acting on a proposal from the Company's Management Board made upon the approval of the annual report, used the net profit to create other revenue reserves totalling EUR 5,803,557 in accordance with Article 230 of the Companies Act. In addition, the Group's legal reserves increased by EUR 18,528 due to a transfer of a 5-percent share of profit for the current year to the legal reserves of the subsidiaries Petrol Tehnologija d.o.o., Petrol Skladiščenje and UNI ENERGIJA d.o.o.

· Own shares and reserves for own shares
If the 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 1997-2011** | **(11,439)** | **(1,036,113)** |
| **Own shares as at 31 December 2011** | **24,703** | **2,604,670** |

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

In 2011 the number of own shares remained unchanged. As at 31 December 2011 the Company held 24,703 own shares. The market value of repurchased own shares totalled EUR 3,831,435 on the above date.

### Other reserves

Revaluation reserves (the Group) are included in the Group's financial statements and represent attributed changes in the equity of associates and jointly controlled entities accounted for using the equity method.

Fair value reserve comprises the effects of valuing available-for-sale financial assets at fair value. The Company also discloses the effects of valuing investments in jointly controlled entities and associates that are measured as available-for-sale financial assets in accordance with the relevant accounting policy.

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.

Changes in the above reserves in 2011 are explained in more detail in note 6.14.

### Accumulated profit

**Allocation of accumulated profit for 2010**

At the 21st General Meeting of the joint-stock company Petrol d.d., Ljubljana held on 19 May 2011, 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 2010 of EUR 18,973,201.33 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 dividends in the gross amount of EUR 7.50 per share or in the total amount of EUR 15,647,257.50,
- transfer to other revenue reserves in the amount of EUR 3,325,943.83.

The dividends are to be paid from net profit for 2010.

The Company does not pay dividends on own shares. Consequently, the Company's dividend payment obligation in respect of 2,061,598 shares stood at EUR 15,461,985. The amount of dividends paid by the Company in 2011 totalled EUR 15,411,152, while dividends from previous years stood at EUR 15,117.

### Accumulated profit for 2011

| | Petrol d.d. | |
|---|---|---|
| (in EUR) | 31 December 2011 | 31 December 2010 |
| **Compulsory allocation of net profit** | | |
| Net profit | 11,607,113 | 37,946,402 |
| **Net profit after compulsory allocation** | **11,607,113** | **37,946,402** |
| Creation of other revenue reserves | 5,803,557 | 18,973,201 |
| **Determination of accumulated profit** | | |
| Net profit | 5,803,557 | 18,973,201 |
| Other revenue reserves | 12,211,792 | 0 |
| **Accumulated profit** | **18,015,348** | **18,973,201** |

The Company's Supervisory Board, acting on a proposal from the Company's Management Board made upon the approval of the annual report, 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 2011 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 benefits

Provisions for employee benefits comprise provisions for termination benefits on retirement and jubilee benefits.

Provisions are determined by discounting, to the end of the reporting period, the estimated future benefits in respect of termination and jubilee benefits. The obligation is calculated separately for each employee by estimating the costs of termination benefits on retirement and the costs of all expected jubilee benefits until retirement.

The management of the Company believes that the factors in assessing the provisions for jubilee benefits and termination benefits did not change significantly in relation to the preceding year. Because of that, it is estimated that the value of provisions for jubilee benefits and termination benefits, calculated on the basis of the actuarial model on 31 December 2010, is an appropriate basis for recognition of provisions on 31 December 2011.

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Termination benefits on retirement | 2,199,103 | 2,004,606 | 1,085,599 | 1,085,599 |
| Jubilee benefits | 2,015,995 | 1,949,338 | 980,944 | 980,944 |
| **Total provisions** | **4,215,098** | **3,953,944** | **2,066,543** | **2,066,543** |

### The Petrol Group

#### Changes in provisions for employee benefits

| (in EUR) | The Petrol Group | | |
|---|---|---|---|
| | Termination benefits | Jubilee benefits | Total |
| **As at 1 January 2010** | **2,092,853** | **1,841,080** | **3,933,933** |
| New provisions | 295,339 | 425,846 | 721,185 |
| Utilised | (150,774) | (108,747) | (259,521) |
| Reversed | (230,121) | (206,473) | (436,594) |
| Translation differences | (2,691) | (2,368) | (5,059) |
| **As at 31 December 2010** | **2,004,606** | **1,949,338** | **3,953,944** |
| New provisions | 37,570 | 140,092 | 177,662 |
| New acquisitions as a result of takeover | 189,045 | 63,350 | 252,395 |
| Utilised | (31,943) | (135,055) | (166,998) |
| Translation differences | (172) | (1,730) | (1,905) |
| **As at 31 December 2011** | **2,199,106** | **2,015,995** | **4,215,098** |

The calculation of provisions in Slovenia was made according to the yield curve determined based on the yield on corporate bonds in the euro area and matched against the yield curve of government bonds with AAA rating for the euro area countries. The provisions for employee benefits for the companies based in Croatia and in the Federation of Bosnia and Herzegovina were calculated based on a 6-percent yield, whereas for the companies based in Serbia a 7.75-percent yield was used. The model for provisions set aside by the companies in Slovenia envisages a salary increase of 2.20 percent in 2012, and 3 percent from 2013 onwards. The model for Croatian companies envisages a 4.5-percent growth, the one for the companies in the Federation of Bosnia and Herzegovina a 3-percent growth, and the one for Serbian companies a 5.50-percent growth.

By acquiring IGES d.o.o., Instalacija d.o.o. and EL-TEC Mulej d.o.o. the Group obtained EUR 252,395 of additional provisions for employee benefits in the year. More information about business combinations is provided in note 6.1.

### Company Petrol d.d., Ljubljana

#### Changes in provisions for employee benefits

| (in EUR) | Petrol d.d. | | |
|---|---|---|---|
| | Termination benefits | Jubilee benefits | Total |
| **As at 1 January 2010** | **959,955** | **776,620** | **1,736,575** |
| New provisions | 192,472 | 257,499 | 449,971 |
| New acquisitions as a result of merger by absorption | 30,431 | 26,581 | 57,012 |
| Utilised | (97,259) | (79,756) | (177,015) |
| **As at 31 December 2010** | **1,085,599** | **980,944** | **2,066,543** |
| New provisions | 14,371 | 71,888 | 86,259 |
| Utilised | (14,371) | (71,888) | (86,259) |
| **As at 31 December 2011** | **1,085,599** | **980,944** | **2,066,543** |

The calculation of provisions was made according to the yield curve determined based on the yield on corporate bonds in the euro area and matched against the yield curve of government bonds with AAA rating for the euro area countries. The model envisages a salary increase of 2.20 percent in 2012 and 3 percent from 2013 onwards.

## 6.32 Other provisions

| (in EUR) | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Provisions for third-party managed service station employee benefits | 2,538,403 | 2,538,403 | 2,538,403 | 2,538,403 |
| Other provisions | 276,154 | 139,163 | 0 | 0 |
| **Total provisions** | **2,814,557** | **2,677,566** | **2,538,403** | **2,538,403** |

Other provisions comprise mainly provisions for employee benefits in relation to third-party managed service stations The business cooperation agreements entered into by individual Group companies and the Company with the service station managers stipulate that the rights of employees at third-party managed service stations to jubilee benefits and termination benefits on retirement are equal to the rights of employees of the Group. The contractual obligation of the Group companies to reimburse the costs arising from such rights to service station managers represents the basis for recognition of long-term provisions. The calculation of long-term provisions for employee benefits with respect to employees at third-party managed service stations is the same as the one described in note 6.31.

## 6.33 Long-term deferred revenue

| (in EUR) | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Long-term deferred revenue from environmental assets | 10,315,826 | 11,202,141 | 10,315,826 | 11,202,140 |
| Long-term deferred revenue from gas connections | 2,718,969 | 2,655,748 | 2,261,313 | 2,173,486 |
| Long-term deferred revenue from grants | 107,354 | 156,968 | 107,354 | 156,967 |
| Other long-term deferred revenue | 6,665 | 10,473 | 0 | 0 |
| **Total** | **13,148,814** | **14,025,330** | **12,684,493** | **13,532,594** |

**Long-term deferred revenue from environmental assets** comprises deferred revenue of Petrol d.d., Ljubljana from funds granted for the environmental rehabilitation of service stations, road tankers, storage facilities and the clean-up of the bitumen dump at Pesniški Dvor. 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.

**Long-term deferred revenue from gas connections** or gas network connection fees consists of revenue deferred by the Group/Company over a concession period.

## The Petrol Group

### Changes in deferred revenue

| (in EUR) | Long-term deferred revenue from environmental assets | Long-term deferred revenue from gas connections | Long-term deferred revenue from grants | Other long-term deferred revenue | Total |
|---|---|---|---|---|---|
| **As at 1 January 2010** | **12,832,974** | **2,509,692** | **206,849** | **14,281** | **15,563,796** |
| Increase | 0 | 372,851 | 0 | 0 | 372,581 |
| Decrease | (1,630,833) | (226,525) | (49,881) | (3,808) | (1,911,047) |
| **As at 31 December 2010** | **11,202,141** | **2,655,748** | **156,968** | **10,473** | **14,025,330** |
| Increase | 738,877 | 305,957 | 0 | 0 | 1,044,834 |
| Decrease | (1,625,192) | (242,736) | (49,614) | (3,808) | (1,921,350) |
| **As at 31 December 2011** | **10,315,826** | **2,718,969** | **107,354** | **6,665** | **13,148,814** |

The increase in long-term deferred revenue from environmental assets in the year relates to the refund of overcharged fees for the building site use for the period between 1999 and 2005. Long-term deferred revenue from environmental assets in 2011 decreased by EUR 1,618,788, in line with depreciation charge on environmental assets. The remaining decrease constitutes the use according to the approved rehabilitation plan.

The increase in long-term deferred revenue in 2011 arising from gas connections relates to new connections, while the decrease relates to the transfer of the portion falling due in the current year to revenue.

## Company Petrol d.d., Ljubljana

### Changes in deferred revenue

| (in EUR) | Long-term deferred revenue from environmental assets | Long-term deferred revenue from gas connections | Long-term deferred revenue from grants | Total |
|---|---|---|---|---|
| **As at 1 January 2010** | **12,832,974** | **240,289** | **206,585** | **13,279,849** |
| New acquisitions as a result of merger by absorption | 0 | 1,800,473 | 0 | 1,800,473 |
| Increase | 0 | 299,584 | 0 | 299,584 |
| Decrease | (1,630,834) | (166,860) | (49,618) | (1,847,312) |
| **As at 31 December 2010** | **11,202,140** | **2,173,486** | **156,967** | **13,532,594** |
| Increase | 738,877 | 305,954 | 0 | 1,044,831 |
| Decrease | (1,625,191) | (218,128) | (49,613) | (1,892,932) |
| **As at 31 December 2011** | **10,315,826** | **2,261,312** | **107,354** | **12,684,493** |

**Long-term deferred revenue from environmental assets** and **gas connections** is explained in more detail in the note pertaining to the Group.



# The Petrol Group

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| **Current financial liabilities** | | | | |
| Bank loans | 229,462,647 | 160,593,173 | 196,320,140 | 112,580,839 |
| Liabilities to banks arising from interest rate swaps | 5,744,138 | 7,440,127 | 5,723,956 | 7,440,127 |
| Finance lease liabilities | 963,499 | 2,183,469 | 0 | 0 |
| Liabilities arising from commodity swaps | 254,478 | 764,648 | 254,478 | 764,648 |
| Liabilities to banks arising from forward contracts | 0 | 491,910 | 0 | 491,910 |
| Other loans and financial liabilities | 1,891,361 | 1,770,954 | 10,459,172 | 10,384,372 |
| | **238,316,123** | **173,244,281** | **212,757,746** | **131,661,896** |
| **Non-current financial liabilities** | | | | |
| Bank loans | 284,166,462 | 263,880,880 | 229,054,950 | 243,005,929 |
| Bonds issued | 82,887,506 | 50,071,650 | 82,887,506 | 50,071,650 |
| Finance lease liabilities | 4,620,314 | 4,868,649 | 0 | 0 |
| Loans obtained from other companies | 1,632,370 | 0 | 0 | 0 |
| | **373,306,652** | **318,821,179** | **311,942,456** | **293,077,579** |
| **Total financial liabilities** | **611,622,775** | **492,065,460** | **524,700,202** | **424,739,475** |

### The Petrol Group

Financial liabilities are not covered by securities in rem, except for liabilities arising from finance leases that the Group acquired as a result of business combinations involving the companies Euro-Petrol d.o.o., IGES d.o.o., EL-TEC Mulej d.o.o., Bled, Petrol-Jadranplin d.o.o. and Petrol-Butan d.o.o.

Bank loans are subject to a variable and EURIBOR-linked interest rate.

Derivative financial instruments

Liabilities to banks arising from interest rate swaps in the amount of EUR 5,744,138 relate to the estimated fair values of outstanding interest rate risk hedging contracts as at 31 December 2011. Liabilities arising from commodity swaps totalling EUR 254,478 represent the fair values of outstanding commodity swap contracts for the purchase of electricity as at 31 December 2011. The said financial liabilities arising from derivative financial instruments should be considered in conjunction with the outstanding contracts disclosed under financial receivables in note 6.27.

### Issued bonds

Bonds payable refer to two lots of bonds issued by Petrol d.d., Ljubljana with official designation of PET1 and PET2.

In 2009 Petrol d.d., Ljubljana issued PET1 bonds. The total nominal value of the bond issue is EUR 50,000,000. The entire bond issue contains 50,000 denominations of EUR 1,000. The bond maturity date is 29 June 2014. The interest rate on the bonds is fixed, i.e. 7.57 percent p.a. Interest is accrued semi-annually in arrears. The nominal value of the principal falls due in full in a one-off amount upon the maturity of the bond on 29 June 2014. The bonds are traded on the Ljubljana Stock Exchange. The fair value of the bonds as at 31 December 2011 was EUR 53,500,000.

PET2 bonds were issued by Petrol d.d., Ljubljana in 2011. The total nominal value of the bond issue is EUR 33,000,000. The entire bond issue contains 33,000 denominations of EUR 1,000. The bond maturity date is 20 December 2016. The interest rate on the bonds is fixed, i.e. 6.75 percent p.a. Interest is accrued annually in arrears. The nominal value of the principal falls due in full in a one-off amount upon the maturity of the bond on 20 December 2016. The bonds have been traded on the Ljubljana Stock Exchange since 2012.

### Finance lease

Out of the total amount of finance lease liabilities, which stood at EUR 5,583,813, the amount of EUR 4,870,960 relates to finance lease liabilities of Euro - Petrol d.o.o., which acquired a vehicle fleet for the transport of petroleum products and certain service stations under finance lease. Over the next eight years, the Group's interest expense arising from the finance lease will amount to EUR 1,023,528. On 31 December 2011, minimum finance lease payments of Euro - Petrol d.o.o. totalled EUR 4,870,960, with their net present value totalling EUR 5,894,489.

Finance lease liabilities of the Group will fall due as follows: EUR 963,499 in 1 year, EUR 3,154,688 in 1 to 5 years, and the remaining EUR 1,465,646 in more than five years.

**Other loans**

Other loans consist mainly of a loan from the jointly controlled entity Petrol Slovenia Tirana Wholesale Sh.A to Petrol d.d., Ljubljana, which stood at EUR 1,240,971 as at 31 December 2011.

Other long-term loans comprise a loan of the public Eco Fund of EUR 1,164,666 for investments in fixed assets of IGES d.o.o.

**Petrol d.d., Ljubljana**

Bank loans are subject to a variable and EURIBOR-linked interest rate.

Liabilities arising from the Company's bond issue and from derivative financial instruments are explained in more detail in the note pertaining to the Group.

Other loans obtained by the Company relate to loans from Group companies amounting to EUR 10,215,530, as shown in the table below.

| (in EUR) | 31 December 2011 |
|---|---:|
| **Balance of current financial liabilities to group companies** | |
| Petrol Maloprodaja d.o.o. | 7,765,730 |
| Petrol Slovenia Tirana Wholesale Sh.A | 1,240,971 |
| Petrol Energetika d.o.o. | 1,121,900 |
| Petrol VNC d.o.o. | 64,439 |
| Petrol Skladiščenje | 58,491 |
| **Total** | **10,251,530** |

## 6.35 Non-current operating liabilities

Since the majority of non-current operating liabilities are 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 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Liabilities arising from interests acquired | 26,000,000 | 0 | 26,000,000 | 0 |
| Liabilities arising from assets received for administration | 1,291,782 | 1,357,182 | 1,291,782 | 1,357,182 |
| Other non-current operating liabilities | 88,538 | 6,878 | 0 | 0 |
| **Total non-current operating liabilities** | **27,380,320** | **1,364,060** | **27,291,782** | **1,357,182** |

**The Petrol Group and Petrol d.d., Ljubljana**

The liability for acquired stakes in companies totalling EUR 26,000,000 refers in full to the long-term portion of the purchase price for a 51-percent interest in Instalacija d.o.o. The liability falls due in 2013. Details about the business combination involving Instalacija d.o.o. are provided in note 6.1.

Non-current operating liabilities of the Group/Company of EUR 1,291,782 relate to property, plant and equipment received for administration from municipalities under concession agreements. Liabilities are decreased in line with the depreciation of the assets received.



## 6.36 Current operating liabilities

| | The Petrol Group | | Petrol d.d. | |
|---|---:|---:|---:|---:|
| (in EUR) | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Trade liabilities | 274,096,209 | 237,994,077 | 212,505,309 | 254,775,459 |
| Excise duty liabilities | 49,795,483 | 54,705,104 | 46,291,421 | 51,582,432 |
| Liabilities arising from interests acquired | 34,661,978 | 0 | 34,661,978 | 0 |
| Value added tax liabilities | 20,831,879 | 14,265,803 | 17,713,832 | 12,781,396 |
| Import duty liabilities | 12,743,775 | 8,630,269 | 5,780,860 | 2,214,167 |
| Liabilities to employees | 6,944,340 | 5,439,128 | 3,774,656 | 2,968,938 |
| Environment pollution charge liabilities | 3,250,143 | 3,234,479 | 3,221,645 | 3,198,415 |
| Liabilities arising from prepayments and collaterals | 1,104,148 | 577,957 | 943,889 | 497,229 |
| Social security contribution liabilities | 635,126 | 583,765 | 262,635 | 306,023 |
| Liabilities associated with the distribution of profit or loss | 426,232 | 390,357 | 418,873 | 390,357 |
| Other liabilities to the state and other state institutions | 329,781 | 338,561 | 105,035 | 100,826 |
| Other liabilities | 1,543,765 | 2,278,442 | 1,826,817 | 2,244,828 |
| **Total current operating and other liabilities** | **406,362,859** | **328,437,942** | **327,506,950** | **331,060,070** |

Liabilities for interests acquired in companies include: short-term portion of the purchase price for a 51-percent interest in Instalacija d.o.o. totalling EUR 31,800,000, the remaining part of the purchase price for a 74.9-percent interest in EL-TEC Mulej d.o.o., Bled amounting to EUR 2,611,978 and the subscribed unpaid stake in the framework of capital increase of Petrol Gas Group d.o.o. equalling EUR 250,000.

## 6.37 Other liabilities

| | The Petrol Group | | Petrol d.d. | |
|---|---:|---:|---:|---:|
| (in EUR) | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Accrued annual leave expenses | 1,511,914 | 1,220,517 | 889,792 | 726,650 |
| Accrued environmental expenses | 1,293,132 | 1,267,776 | 1,293,132 | 1,267,776 |
| Accrued goods shortages | 543,165 | 544,713 | 543,165 | 544,713 |
| Accrued expenses for tanker demurrage | 502,665 | 358,237 | 502,665 | 358,237 |
| Accrued motorway site lease payments | 342,654 | 156,407 | 285,014 | 131,284 |
| Accrued litigation expenses | 281,476 | 866,251 | 206,684 | 726,847 |
| Accrued concession fee expenses | 142,102 | 152,546 | 142,102 | 152,546 |
| Accrued expenses for uninvoiced goods | 15,124 | 1,308,861 | 11,137 | 1,278,153 |
| Other accrued costs | 1,297,744 | 1,341,866 | 563,518 | 830,628 |
| Deferred default interest income | 614,443 | 397,901 | 614,443 | 397,901 |
| Deferred Magna prepayment card revenue | 474,832 | 526,980 | 474,832 | 526,980 |
| Deferred revenue from heating | 388,569 | 234,782 | 0 | 0 |
| Deferred revenue from assigned contributions | 257,023 | 114,113 | 117,549 | 114,113 |
| Deferred revenue from gas connections | 206,781 | 315,338 | 185,290 | 296,635 |
| Other deferred revenue | 731,218 | 247,306 | 617,049 | 219,260 |
| **Total other liabilities** | **8,602,842** | **9,053,594** | **6,446,372** | **7,571,723** |

## 6.38 Assets and liabilities held for disposal

In 2011 the Group reclassified the assets and liabilities arising from the operations of two subsidiaries from the group of IGES d.o.o., namely Vitales d.o.o., Nova Bila, Travnik and Vitales d.o.o., Bihać, acquired through a business combination involving IGES d.o.o. in 2011, as assets and liabilities held for disposal. The principal activity of both companies is production and marketing of enhanced biomass products. Since the Petrol Group's strategy does not envisage enhanced biomass products, the management decided to exit this activity. The assets of both companies will be disposed in the bankruptcy proceedings of the two companies. All assets were evaluated at the lower of the carrying amount and fair value less costs from the business combination with the IGES Group. As a result of the reclassification of assets the Petrol Group experienced no valuation effects in the income statement or the statement of comprehensive income.

| (in EUR) | 31 December 2011 |
|---|---:|
| Intangible assets | 9,673 |
| Property, plant and equipment | 8,012,049 |
| Inventories | 137,015 |
| Operating receivables | 676,812 |
| Prepayments and other assets | 294,262 |
| **Total assets held for sale** | **9,129,811** |
| Long-term operating liabilities | 150,000 |
| Long-term financial liabilities | 7,902,127 |
| Current operating liabilities | 874,832 |
| Current financial liabilities | 3,875,628 |
| Other liabilities | 9,609 |
| **Total liabilities held for sale** | **12,812,196** |

## 7. Financial instruments and risk

This chapter presents disclosures about financial instruments and risks. Risk management is explained in the business risks section of the business report.

### 7.1 Credit risk

In 2011 the economic and financial crisis continued in Slovenia and globally, which was reflected mostly in the collection of trade receivables from customers in the construction and transport sector. This led the Group/Company to monitor even more closely the balance of trade receivables and tighten the terms on which sales on open account are approved by requiring a considerably wider range of high-quality collaterals.

Having maximum exposure to credit risk is the carrying amount of financial assets which was the following as at 31 December 2011:

| | The Petrol Group | | Petrol d.d. | |
|---|---:|---:|---:|---:|
| (in EUR) | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Available-for-sale financial assets | 7,568,721 | 11,338,780 | 7,438,775 | 11,259,737 |
| Non-current financial receivables | 2,924,920 | 10,944,605 | 8,104,316 | 10,443,715 |
| Non-current operating receivables | 2,352,113 | 2,392,876 | 2,174,568 | 2,392,876 |
| Current financial receivables | 16,404,414 | 14,322,154 | 13,608,030 | 8,275,470 |
| Current operating receivables | 398,897,753 | 339,549,909 | 341,574,675 | 304,165,550 |
| Financial assets at fair value through profit or loss | 7,942,414 | 3,848,931 | 7,942,414 | 3,848,931 |
| Cash and cash equivalents | 60,701,551 | 17,543,771 | 32,949,888 | 14,773,479 |
| **Total assets** | **496,791,886** | **399,941,026** | **413,792,666** | **355,159,758** |



The item that was most exposed to credit risk on the reporting date was current operating receivables. Compared with the end of 2010, these rose, in nominal terms, by 17 percent within the Group and 12 percent within the Company. Within the Group, the main reason for the increase was a steep rise in petroleum product prices.

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 | 229,810,917 | 39,382,222 | 11,841,426 | 4,091,331 | 38,672,716 | **323,798,611** |
| Allowances for trade receivables | 0 | (1,511) | (3,386) | (2,665,661) | (23,690,130) | **(26,360,688)** |
| Operating receivables from state and other institutions | 11,488,643 | 709,370 | 0 | 0 | 0 | **12,198,013** |
| Interest receivables | 294,487 | 389,225 | 142,621 | 60,782 | 1,686,145 | **2,573,260** |
| Allowances for interest receivables | 0 | 0 | (237) | (46,795) | (1,019,962) | **(1,066,994)** |
| Other receivables | 749,206 | 7,922 | 6,478 | 6,428 | 209,995 | **980,029** |
| **Total balance as at 31 December 2010** | **242,343,253** | **40,487,227** | **11,986,902** | **1,446,085** | **15,858,762** | **312,122,226** |

| | 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 | 258,155,204 | 42,808,178 | 13,069,263 | 5,318,508 | 49,822,358 | **369,173,511** |
| Allowances for trade receivables | 0 | (7,899) | (11,694) | (3,899,769) | (40,606,377) | **(44,525,739)** |
| Operating receivables from state and other institutions | 16,223,575 | 129,531 | 250,445 | 10,902 | 0 | **16,614,453** |
| Interest receivables | 1,028,583 | 336,369 | 132,492 | 295,483 | 2,022,453 | **3,815,380** |
| Allowances for interest receivables | 0 | 0 | (29,665) | (292,692) | (2,005,200) | **(2,327,557)** |
| Other receivables | 8,445,294 | 1,101 | 1,825 | 4,255 | 841,934 | **9,294,409** |
| **Total balance as at 31 December 2011** | **283,852,656** | **43,267,280** | **13,412,666** | **1,436,687** | **10,075,168** | **352,044,457** |

## The Company's current operating receivables by maturity

| (in EUR) | Breakdown by maturity<br>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 | 213,999,829 | 42,724,375 | 11,005,363 | 4,028,657 | 22,729,169 | **294,487,393** |
| Allowances for trade receivables | 0 | 0 | 0 | (1,425,047) | (15,786,295) | **(17,211,342)** |
| Interest receivables | 376,379 | 77,712 | 514,063 | 29,627 | 1,804,676 | **2,802,457** |
| Allowances for interest receivables | 0 | 0 | 0 | (29,627) | (973,341) | **(1,002,968)** |
| Other receivables | 6,875,700 | 0 | 0 | 0 | 0 | **6,875,700** |
| **Total balance as at 31 December 2010** | **221,251,908** | **42,802,087** | **11,519,426** | **2,603,610** | **7,774,209** | **285,951,240** |

| (in EUR) | Breakdown by maturity<br>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 | 234,346,336 | 40,925,310 | 14,505,767 | 1,542,326 | 31,522,480 | **322,842,219** |
| Allowances for trade receivables | 0 | 0 | 0 | (976,124) | (22,017,076) | **(22,993,200)** |
| Interest receivables | 487,843 | 77,791 | 73,489 | 318,806 | 1,344,332 | **2,302,261** |
| Allowances for interest receivables | 0 | 0 | 0 | (151,319) | (1,204,340) | **(1,355,659)** |
| Other receivables | 16,430,195 | 0 | 0 | 0 | 0 | **16,430,195** |
| **Total balance as at 31 December 2011** | **251,264,374** | **41,003,101** | **14,579,256** | **733,689** | **9,645,396** | **317,225,816** |

## 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 2010 | (29,699,103) | (1,070,330) | **(30,769,433)** |
| Net changes in allowances affecting profit or loss | (646,228) | (19,707) | **(665,935)** |
| Changes in allowances not affecting profit or loss | 2,047 | 13,547 | **15,594** |
| Reversal of allowances for receivables | 3,983,708 | 7,213 | **3,990,921** |
| New acquisitions as a result of takeover | (126,745) | 0 | **(126,745)** |
| Foreign exchange differences | 66,809 | 2,284 | **69,093** |
| **As at 31 December 2010** | **(26,419,513)** | **(1,066,993)** | **(27,486,506)** |

| (in EUR) | Allowance for current operating receivables | Allowance for current interest receivables | Total |
|---|---|---|---|
| As at 1 January 2011 | (26,419,513) | (1,066,993) | **(27,486,506)** |
| Net changes in allowances affecting profit or loss | (18,579,856) | (1,137,592) | **(19,717,448)** |
| Changes in allowances not affecting profit or loss | 1,598,574 | (134,765) | **1,463,809** |
| New acquisitions as a result of takeover | (1,362,800) | 0 | **(1,362,800)** |
| Foreign exchange differences | 237,856 | 11,793 | **249,649** |
| **As at 31 December 2011** | **(44,525,739)** | **(2,327,557)** | **(46,853,296)** |

## 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 2010 | (13,363,314) | (964,098) | (14,327,412) |
| New acquisitions as a result of merger by absorption | (582,140) | (17,598) | (599,738) |
| Net changes in allowances affecting profit or loss | (3,869,281) | (39,081) | (3,908,362) |
| Changes in allowances not affecting profit or loss | 0 | 17,809 | 17,809 |
| Reversal of allowances for receivables | 603,393 | 0 | 603,393 |
| **As at 31 December 2010** | **(17,211,342)** | **(1,002,968)** | **(18,214,310)** |

| (in EUR) | Allowance for current operating receivables | Allowance for current interest receivables | Total |
|---|---|---|---|
| As at 1 January 2011 | (17,211,342) | (1,002,968) | (18,214,310) |
| Net changes in allowances affecting profit or loss | (6,901,847) | (217,982) | (7,119,829) |
| Changes in allowances not affecting profit or loss | 0 | (187,386) | (187,386) |
| Write-downs | 1,119,989 | 52,676 | 1,172,665 |
| **As at 31 December 2011** | **(22,993,200)** | **(1,355,660)** | **(24,348,860)** |

## Collateralisation of receivables

| (in EUR) | The Petrol Group<br>31 December 2011 | 31 December 2010 | Petrol d.d.<br>31 December 2011 | 31 December 2010 |
|---|---|---|---|---|
| Current trade receivables (outstanding) | 369,173,511 | 323,798,611 | 322,842,217 | 294,487,393 |
| Allowances | (44,525,739) | (26,360,688) | (22,993,200) | (17,211,342) |
| Current trade receivables including allowances | 324,647,772 | 297,437,923 | 299,849,017 | 277,276,051 |
| Overdue current trade receivables | 111,018,307 | 93,987,694 | 88,495,883 | 80,487,564 |
| Share of overdue receivables in outstanding receivables | 34% | 32% | 30% | 29% |
| **Current operating receivables secured with high-quality collaterals** | **127,156,245** | **67,375,633** | **98,735,337** | **61,047,829** |

Only high-quality collaterals were presented in the overview of collaterals. Bills of exchange and promissory notes were excluded because they have a lower level of collectability.

The receivable from the Group's largest individual customer stood at EUR 5,021,279 as at 31 December 2011, accounting for 1.36 percent of trade receivables of the Group and 1.56 percent of trade receivables of the Company.

These 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 (natural persons) is diversified, meaning there is no significant exposure to a single customer. The Company had 24,264 customers (legal persons) as at 31 December 2011. The Group/Company has in place a computerised system of grades, ratings and blocks, enabling it to constantly monitor its customers.

The Group/Company improves the system for the monitoring of credit risks on a yearly basis. Due to an expected increase in the number of defaulting customers, the Group/Company tightened its credit standards in 2011, requiring from customers a wider range of collaterals (bank guarantees, mortgages, pledges).

The Group/Company measures the degree of receivables management using days sales outstanding.

| (v dnevih) | The Petrol Group 2011 | 2010 | Petrol d.d. 2011 | 2010 |
|---|---|---|---|---|
| **Days sales outstanding** | | | | |
| Contract days | 38 | 40 | 40 | 42 |
| Overdue receivables in days | 21 | 19 | 17 | 17 |
| **Total days sales outstanding** | **59** | **59** | **57** | **59** |

In spite of the economic crisis the Company succeeded to maintain the number of days sales outstanding or even reduce them. Even more difficult conditions of receivables collection in markets outside Slovenia are reflected in a higher number of days sales outstanding of the Petrol Group, which increased by 2 days, nevertheless, the total number of days of its assets being tied up in receivables remained at the same level as at the end of 2010.

## 7.2 Liquidity risk

The Group/Company successfully manages liquidity risks, and the system itself remained virtually unchanged in 2011. However, as the number of subsidiaries in the Petrol Group increased, this area became more demanding to manage. The Group/Company manages liquidity risks through:

- standardised and centralised treasury management at Group level,
- joint approach to banks in Slovenia and abroad,
- computer-assisted system for the management of cash flows of the parent company and all its subsidiaries,
- centralised collection of available cash through cash pooling.

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 at its disposal both in Slovenia and abroad, the size of which enables the Group to meet all its due liabilities at any given moment.

In 2011 the Group/Company successfully substituted repaid long-term loans with new long-term loans and a new issue of bonds, in spite of the financial crisis and a lack of long-term funds. It was the issue of bonds that indicated that in addition to banks other financial investors trust the Petrol Group as well. The Group's ratio between long-term assets and long-term liabilities decreased by 5 percent, however, the share of the Group's/Company's long-term financial liabilities in total financial liabilities still accounts for 56 percent.

In 2011 the Group/Company focused even more on the planning of cash flows, in particular as regards cash inflows from lay away sales, which tend to be extremely unpredictable in the time of a crisis. Successful planning of cash flows enabled it to anticipate any liquidity surpluses or shortages in time and manage them optimally.

The majority of financial liabilities arising from long-term and short-term loans are those of the parent company which also generates the majority of revenue.



### The Group's liabilities by maturity

| (in EUR) | Liability | 0 to 6 months | 6 to 12 months | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Non-current financial liabilities | 318,821,179 | 0 | 0 | 266,256,918 | 52,564,261 |
| Non-current operating liabilities | 1,364,060 | 0 | 0 | 6,879 | 1,357,181 |
| Current financial liabilities | 173,244,281 | 127,056,966 | 46,187,315 | 0 | 0 |
| Current operating liabilities | 328,437,942 | 319,994,870 | 8,443,072 | 0 | 0 |
| **As at 31 December 2010** | **821,867,463** | **447,051,836** | **54,630,387** | **266,263,797** | **53,921,442** |

Current financial liabilities include derivative financial instruments amounting to EUR 8,638,201.

| (in EUR) | Liability | 0 to 6 months | 6 to 12 months | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Non-current financial liabilities | 373,306,652 | 0 | 0 | 347,618,200 | 25,688,452 |
| Non-current operating liabilities | 27,380,320 | 0 | 0 | 45,137 | 27,335,183 |
| Current financial liabilities | 238,316,123 | 166,480,796 | 71,835,327 | 0 | 0 |
| Current operating liabilities | 406,362,859 | 404,697,083 | 1,665,776 | 0 | 0 |
| **As at 31 December 2011** | **1,045,365,954** | **571,177,879** | **73,501,103** | **347,663,337** | **53,023,635** |

Current financial liabilities include derivative financial instruments amounting to EUR 8,696,684.

### The Company's liabilities by maturity

| (in EUR) | Liability | 0 to 6 months | 6 to 12 months | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Non-current financial liabilities | 293,077,579 | 0 | 0 | 292,247,911 | 829,668 |
| Non-current operating liabilities | 1,357,182 | 0 | 0 | 0 | 1,357,182 |
| Current financial liabilities | 131,661,896 | 92,250,030 | 39,411,865 | 0 | 0 |
| Current operating liabilities | 331,060,070 | 330,950,872 | 109,198 | 0 | 0 |
| **As at 31 December 2010** | **757,156,726** | **423,200,902** | **39,521,063** | **292,247,911** | **2,186,850** |

Current financial liabilities include derivative financial instruments amounting to EUR 5,978,434.

| (in EUR) | Liability | 0 to 6 months | 6 to 12 months | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Non-current financial liabilities | 311,942,456 | 0 | 0 | 306,678,427 | 5,264,029 |
| Non-current operating liabilities | 27,291,782 | 0 | 0 | 27,291,782 | 0 |
| Current financial liabilities | 212,757,746 | 154,566,101 | 58,191,644 | 0 | 0 |
| Current operating liabilities | 327,506,950 | 326,059,470 | 1,447,480 | 0 | 0 |
| **As at 31 December 2011** | **879,498,934** | **480,625,571** | **59,639,124** | **333,970,209** | **5,264,029** |

Current financial liabilities include derivative financial instruments amounting to EUR 5,998,616.

The increase in the prices of petroleum products in 2011 is also reflected in higher operating liabilities of the Group/Company at the end of 2011 compared to the end of 2010. Operating liabilities also include deferred payment of purchase prices for the companies acquired in 2011, of which EUR 34,661,978 relates to current operating liabilities and EUR 26,000,000 to non-current operating liabilities.

| (in EUR) | The Petrol Group<br>31 December 2010<br>EUR | USD | HRK | BAM | RSD | CHF | Total | Petrol d.d.<br>31 December 2010<br>EUR | USD | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Current operating receivables | 233,181,198 | 1,594,214 | 54,352,646 | 21,915,814 | 1,078,354 | 0 | 312,122,226 | 284,445,151 | 1,506,089 | 285,951,240 |
| Non-current operating receivables | 966,473 | 0 | 0 | 0 | 0 | 0 | 966,473 | 966,472 | 0 | 966,472 |
| Current financial receivables | 3,136,454 | 0 | 10,101,126 | 0 | 436,835 | 0 | 13,674,416 | 7,627,732 | 0 | 7,627,732 |
| Non-current financial receivables | 10,895,689 | 0 | 47,192 | 0 | 1,723 | 0 | 10,944,604 | 10,347,154 | 96,561 | 10,443,715 |
| Non-current operating liabilities | (1,357,181) | 0 | (6,879) | 0 | 0 | 0 | (1,364,060) | (1,357,182) | 0 | (1,357,182) |
| Current operating liabilities | (150,004,758) | (145,538,170) | (28,288,194) | (2,831,840) | (1,774,980) | 0 | (328,437,942) | (142,239,129) | (188,820,941) | (331,060,070) |
| Non-current financial liabilities | (315,407,247) | 0 | (771,720) | 0 | (1,636,088) | (1,006,125) | (318,821,179) | (293,077,579) | 0 | (293,077,579) |
| Current financial liabilities | (135,058,104) | (31,329,489) | (4,035,773) | (487,596) | (1,090,725) | (1,242,595) | (173,244,281) | (131,354,371) | (307,525) | (131,661,896) |
| **Statement of financial position exposure** | **(353,647,475)** | **(175,273,445)** | **31,398,398** | **18,596,378** | **(2,984,880)** | **(2,248,720)** | **(484,159,743)** | **(264,641,752)** | **(187,525,816)** | **(452,167,568)** |

| (in EUR) | The Petrol Group<br>31 December 2011<br>EUR | USD | HRK | BAM | RSD | CHF | Total | Petrol d.d.<br>31 December 2011<br>EUR | USD | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Current operating receivables | 268,025,078 | 321,822 | 49,564,461 | 32,262,487 | 1,870,609 | 0 | 352,044,457 | 315,148,354 | 2,077,462 | 317,225,816 |
| Non-current operating receivables | 925,709 | 0 | 0 | 0 | 0 | 0 | 925,709 | 748,164 | 0 | 748,164 |
| Current financial receivables | 4,162,855 | 0 | 11,509,001 | 0 | 0 | 0 | 15,671,856 | 12,993,255 | 0 | 12,993,255 |
| Non-current financial receivables | 2,921,212 | 0 | 1,858 | 0 | 1,850 | 0 | 2,924,920 | 8,104,316 | 0 | 8,104,316 |
| Non-current operating liabilities | (27,380,320) | 0 | 0 | 0 | 0 | 0 | (27,380,320) | (27,291,782) | 0 | (27,291,782) |
| Current operating liabilities | (242,958,628) | (120,525,623) | (35,619,045) | (3,943,631) | (3,315,932) | 0 | (406,362,859) | (206,634,711) | (120,872,239) | (327,506,950) |
| Non-current financial liabilities | (371,836,074) | 0 | (651,604) | 0 | (3,036) | (815,938) | (373,306,652) | (311,942,456) | 0 | (311,942,456) |
| Current financial liabilities | (164,372,178) | (71,975,382) | (108,332) | (1,643,473) | (2,279) | (214,479) | (238,316,123) | (140,916,808) | (71,840,938) | (212,757,746) |
| **Statement of financial position exposure** | **(530,512,346)** | **(192,179,183)** | **24,696,339** | **26,675,383** | **(1,448,788)** | **(1,030,417)** | **(673,799,012)** | **(349,791,668)** | **(190,635,714)** | **(540,427,382)** |

Because the Group/Company purchases petroleum products in US dollars, while sales in the domestic and foreign markets are made in local currencies, it is exposed to the risk of changes in the EUR/USD exchange rate.

The following exchange rates prevailed in 2011:

| Per 1 euro | 31 December 2011 | 31 December 2010 |
|---|---|---|
| USD | 1.2939 | 1.3280 |
| HRK | 7.5370 | 7.3855 |
| BAM | 1.9558 | 1.9558 |
| RSD | 103.6300 | 107.4700 |

Hedging is performed in accordance with the Group's rules for the management of price and foreign exchange risks prepared on the basis of the Regulation on the Price Methodology for Petroleum Products. Foreign exchange hedging is used to hedge against the exposure to changes in the EUR/USD exchange rate. The EUR/USD exchange rate is thus fixed at the rate recognised under the Regulation on the Price Methodology for Petroleum Products and the margin is maintained. The hedging instruments used are forward contracts entered into with banks.

### The effect of forward contracts

| (in EUR) | The Petrol Group<br>31 December 2011 | 31 December 2010 | Petrol d.d.<br>31 December 2011 | 31 December 2010 |
|---|---|---|---|---|
| Unrealised loss | 0 | (491,910) | 0 | (491,910) |
| Unrealised gain | 6,558,462 | 1,704,503 | 6,558,462 | 1,704,503 |
| Realised loss | (15,650,734) | (17,062,767) | (15,650,734) | (17,062,767) |
| Realised gain | 16,715,783 | 22,282,243 | 16,715,783 | 22,282,243 |
| **Total effect of forward contracts** | **7,623,511** | **6,432,069** | **7,623,511** | **6,432,069** |

The effects of forward contracts need to be considered together with foreign exchange differences arising on the purchasing of oil and petroleum products. The total effect of forward contracts and foreign exchange differences consists of expenses of EUR 10,345,776 for the Group (2010: EUR 3,217,322) and expenses of EUR 8,501,117 for the Company (2010: EUR 1,251,859).

Considering that forward contracts for hedging against foreign exchange risks are entered into with first-class Slovene banks, the Group/Company estimates that the counterparty default risk is nil.

The Group is exposed to foreign exchange risks also in dealing with subsidiaries in SE Europe. The risk incurred is a risk of changes in the EUR/HRK exchange rate arising from the sales of euro-denominated goods in Croatia. The Group used to be exposed to changes in the EUR/RSD exchange rate because of a long-term EUR-denominated loan taken out by a Serbian subsidiary. The loan was paid early in the summer of 2011. Considering that due to an illiquid market the cost of hedging against changes in the above exchange rates would be excessive and that the above items represent only a small part of the Group's operations, the Group is not exposed to significant risks in this area.

The Group/Company does not prepare a sensitivity analysis for changes in the prices of petroleum products given that regulations on the price methodology in force in its major markets (Slovenia and Croatia) allow for changes in the prices of petroleum products to be passed on to retail prices. Retail prices change every 7 or 14 days, and the Group/Company uses forward contracts to hedge against exchange rate changes that are included in price changes.

The Group/Company does not prepare a sensitivity analysis for other exchange rates (EUR/HRK, EUR/RSD and EUR/CHF) because it estimates the exposure to be minimal and the changes would not have a material effect on profit or loss.

## 7.4 Price risk

The Group/Company hedges petroleum product prices primarily by using commodity swaps (variable to fixed price swap). Partners in this area include global financial institutions and banks or suppliers of goods, which is why the Group/Company believes that the counterparty default risk is nil.

### Effect of commodity swaps

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Unrealised loss | (702,089) | (457,124) | (702,089) | (457,124) |
| Unrealised gain | 542,828 | 197,407 | 542,828 | 197,407 |
| Realised loss | (8,151,108) | (7,342,527) | (8,151,108) | (7,342,527) |
| Realised gain | 4,466,295 | 5,571,067 | 4,466,295 | 5,571,067 |
| **Total effect of commodity swaps** | **(3,844,074)** | **(2,031,177)** | **(3,844,074)** | **(2,031,177)** |

Because commodity swaps are not designated as a hedging instrument in a hedge of 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 higher margin achieved thanks to commodity swaps, the Company generated a net gain on commodity swaps of EUR 748,363 in 2011 (2010: EUR 358,527).
The Group does not prepare a sensitivity analysis for changes in the prices of petroleum products given that regulations on the price methodology in force in its major markets (Slovenia and Croatia) allow for changes in the prices of petroleum products to be passed on to retail prices, which change every 7 to 14 days.

## 7.5 Interest rate risk

In the financing of capital investments and current operations, interest rate risks are incurred as the Group/Company enters into long-term loan agreements based on Euribor, which changes on a daily basis. As far as short-term financing is concerned, loan agreements have a fixed interest rate, but they too are progressively adapted to the changes in Euribor.

Interest rate hedging is conducted in accordance with the Group's policy for hedging against business risks as laid down in the rules on business risk management and instructions for hedging against interest rate risks of the Petrol Group.

Cash flow hedging is performed as follows:

- partly through current operations (the Group's/Company's interest rate on operating receivables being Euribor-based);
- partly through financial markets (the interest rate on bank deposits being Euribor-based);
- partly through forward markets by entering into interest rate swaps.



Hedging through the use of derivatives is aimed at achieving a fixed interest rate and, consequently, constant cash flows (cash flow hedging) amounting to the fixed interest rate plus an interest margin. The Group/Company therefore recognises the instrument designated as effective directly in equity.

To hedge against interest rate risks, the Group/Company uses multiple financial instruments, of which most frequently the interest rate swap.
Because partners in this area include first-class Slovene banks, the Group/Company estimates that the counterparty default risk is nil.

### Interest rate swaps by maturity

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| 6 months or less | 0 | 2,000,000 | 0 | 2,000,000 |
| 6 to 12 months | 44,000,000 | 10,000,000 | 44,000,000 | 10,000,000 |
| 1 to 5 years | 187,000,000 | 156,000,000 | 177,000,000 | 156,000,000 |
| **Total interest rate swaps** | **231,000,000** | **168,000,000** | **221,000,000** | **168,000,000** |

### Effect of interest rate swaps

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Unrealised loss on effective transactions | 1,477,088 | 1,983,896 | 1,477,088 | 1,983,896 |
| Unrealised loss on ineffective transactions | (47) | (5,473) | (47) | (5,473) |
| Unrealised gain on ineffective transactions | 10,984 | 77,083 | 10,984 | 77,083 |
| Realised loss | (3,946,581) | (4,733,716) | (3,926,398) | (4,733,716) |
| Realised gain | 88,102 | 59,886 | 88,102 | 59,886 |
| **Total effect of interest rate swaps** | **(2,370,454)** | **(2,618,324)** | **(2,350,271)** | **(2,618,324)** |

### Exposure

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

### Financial instruments with a fixed interest rate

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Total interest rate swaps | 231,000,000 | 168,000,000 | 221,000,000 | 168,000,000 |
| **Net financial instruments at fixed interest rate** | **231,000,000** | **168,000,000** | **221,000,000** | **168,000,000** |

### Financial instruments with a variable interest rate

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Financial receivables | 18,596,776 | 24,619,021 | 21,097,571 | 18,071,447 |
| Financial liabilities | (611,622,775) | (492,065,460) | (524,700,202) | (424,739,475) |
| **Net financial instruments at variable interest rate** | **(593,025,999)** | **(467,446,439)** | **(503,602,631)** | **(406,668,028)** |

### Sensitivity analysis of cash flow with instruments at a variable interest rate

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. The analysis assumes that all variables, in particular foreign exchange rates, remain unchanged. In performing the calculation, receivables/(liabilities) with variable interest rates are further decreased by the total amount of interest rate swaps. The analysis was prepared in the same manner for both years.

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

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 2011 | 2010 | 2011 | 2010 |
| Cash flow variability (net) - 100 bp | (3,620,260) | (2,994,464) | (2,826,026) | (2,386,680) |
| **Cash flow variability (net) - 200 bp** | **(7,240,520)** | **(5,988,929)** | **(5,652,053)** | **(4,773,361)** |

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

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 2011 | 2010 | 2011 | 2010 |
| Cash flow variability (net) - 100 bp | 3,620,260 | 2,994,464 | 2,826,026 | 2,386,680 |
| **Cash flow variability (net) - 200 bp** | **7,240,520** | **5,988,929** | **5,652,053** | **4,773,361** |

## 7.6 Equity management

The main purpose of equity management is to ensure capital adequacy, the best possible financial stability, and long-term solvency for the purpose of financing operations and achieving maximum shareholder value. The Group/Company achieves this also through a policy of stable dividend payout to the Company's owners. To this end, the Company and the Group regularly monitor the debt-to-equity ratio:

| | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| Non-current financial liabilities | 373,306,652 | 318,821,179 | 311,942,456 | 293,077,579 |
| Current financial liabilities | 238,316,123 | 173,244,281 | 212,757,746 | 131,661,896 |
| Total financial liabilities | 611,622,775 | 492,065,460 | 524,700,202 | 424,739,475 |
| Total equity | 441,636,101 | 404,581,172 | 381,657,663 | 419,601,118 |
| **Debt/Equity ratio** | **1.38** | **1.22** | **1.37** | **1.01** |
| Cash and cash equivalents | 60,701,551 | 17,543,771 | 32,949,888 | 14,773,479 |
| Net financial liabilities | 550,921,224 | 474,521,689 | 491,750,314 | 409,965,996 |
| **Net Debt/Equity ratio** | **1.25** | **1.17** | **1.29** | **0.98** |

The debt-to-equity ratio increased at the end of 2011, however, the net debt-to-equity ratio has to be applied in analysing the financial position of the Group/Company. Because of the financial crisis in Slovenia and abroad, the Group/Company has part of assets in liquid form.

At the end of 2011, the indebtedness of the Group/Company was higher due to several reasons. One of them is higher prices of petroleum products resulting in increased working capital and another is the fact that in 2011 the Group's investment activity was very strong in terms of acquisitions as a result of which the extent of indebtedness rose through the consolidation of acquired companies.

## 7.7 Carrying amount and fair value of financial instruments

### The Petrol Group

| | The Petrol Group | | | |
|---|---|---|---|---|
| | 31 December 2011 | | 31 December 2010 | |
| (in EUR) | Carrying amount | Fair value | Carrying amount | Fair value |
| **Non-derivative financial assets at fair value** | | | | |
| Available-for-sale financial assets | 7,568,721 | 7,568,721 | 11,338,780 | 11,338,780 |
| **Non-derivative financial assets at amortised cost** | | | | |
| Financial receivables | 18,596,776 | 18,596,776 | 24,619,021 | 24,619,021 |
| Operating receivables | 352,970,166 | 352,970,166 | 313,088,698 | 313,088,698 |
| Cash | 60,701,551 | 60,701,551 | 17,543,771 | 17,543,771 |
| **Total non-derivative financial assets** | **439,837,214** | **439,837,214** | **366,590,270** | **366,590,270** |
| **Non-derivative financial liabilities at amortised cost** | | | | |
| Bank loans and other financial liabilities | (611,622,775) | (615,235,269) | (483,368,776) | (488,076,386) |
| Operating liabilities | (433,743,179) | (433,743,179) | (329,802,002) | (329,802,002) |
| **Total non-derivative financial liabilities** | **(1,045,365,954)** | **(1,048,978,448)** | **(813,170,778)** | **(817,878,388)** |
| **Derivative financial instruments at fair value** | | | | |
| Derivative financial instruments (assets) | 7,942,414 | 7,942,414 | 3,848,931 | 3,848,931 |
| Derivative financial instruments (liabilities) | (5,998,616) | (5,998,616) | (8,696,685) | (8,696,685) |
| **Total derivative financial instruments** | **1,943,798** | **1,943,798** | **(4,847,754)** | **(4,847,754)** |

### Company Petrol d.d.

| | Petrol d.d. | | | |
|---|---|---|---|---|
| | 31 December 2011 | | 31 December 2010 | |
| (in EUR) | Carrying amount | Fair value | Carrying amount | Fair value |
| **Non-derivative financial assets at fair value** | | | | |
| Available-for-sale financial assets | 7,438,775 | 7,643,872 | 11,259,737 | 11,259,737 |
| **Non-derivative financial assets at amortised cost** | | | | |
| Financial receivables | 21,097,571 | 21,097,571 | 18,071,447 | 18,071,447 |
| Operating receivables | 317,973,980 | 317,973,980 | 286,917,712 | 286,917,712 |
| Cash | 32,949,888 | 32,949,888 | 14,773,479 | 14,773,479 |
| **Total non-derivative financial assets** | **379,460,214** | **379,665,311** | **331,022,375** | **331,022,375** |
| **Non-derivative financial liabilities at amortised cost** | | | | |
| Bank loans and other financial liabilities | (518,721,768) | (522,334,262) | (416,042,790) | (420,750,400) |
| Operating liabilities | (353,543,035) | (353,543,035) | (332,417,252) | (332,417,252) |
| **Total non-derivative financial liabilities** | **(872,264,803)** | **(875,877,297)** | **(748,460,042)** | **(753,167,652)** |
| **Derivative financial instruments at fair value** | | | | |
| Derivative financial instruments (assets) | 7,942,414 | 7,942,414 | 3,848,931 | 3,848,931 |
| Derivative financial instruments (liabilities) | (5,978,434) | (5,978,434) | (8,696,685) | (8,696,684) |
| **Total derivative financial instruments** | **1,963,980** | **1,963,980** | **(4,847,754)** | **(4,847,753)** |

**Presentation of financial assets measured at fair value according to the fair value hierarchy**

| (in EUR) | The Petrol Group 31 December 2011 | The Petrol Group 31 December 2010 | Petrol d.d. 31 December 2011 | Petrol d.d. 31 December 2010 |
|---|---|---|---|---|
| Total financial assets at fair value through profit or loss | 7,942,414 | 3,848,931 | 7,942,414 | 3,848,931 |
| **Level 1 financial assets at fair value** | **7,942,414** | **3,848,931** | **7,942,414** | **3,848,931** |
| Available-for-sale financial assets | 7,568,721 | 11,338,780 | 7,438,775 | 11,259,737 |
| **Level 3 financial assets at fair value** | **7,568,721** | **11,338,780** | **7,438,775** | **11,259,737** |
| **Total financial assets at fair value** | **15,511,135** | **15,187,711** | **15,381,189** | **15,108,668** |

## 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 2011 is presented in chapter Corporate and Governance System of Petrol d.d., Ljubljana in the business report.

All transactions with parties related to the Group/Company were carried out based on the market conditions applicable to related-party transactions.

**Company's in Petrol Group**

| (in EUR) | The Petrol Group 2011 | The Petrol Group 2010 | Petrol d.d. 2011 | Petrol d.d. 2010 |
|---|---|---|---|---|
| **Sales revenue relating to:** | | | | |
| subsidiaries | - | - | 286,774,278 | 210,488,720 |
| jointly controlled entities | 8,146,870 | 7,560,487 | 7,927,251 | 7,486,636 |
| associates | 1,972,610 | 6,181,504 | 1,972,610 | 6,108,084 |
| **Cost of merchandise relating to:** | | | | |
| subsidiaries | - | - | 1,030,768,578 | 835,496,593 |
| jointly controlled entities | 3,667 | 375,094 | 0 | 375,094 |
| associates | 46,894,247 | 56,667,727 | 1,273,789 | 21,314,841 |
| **Costs of materials relating to:** | | | | |
| subsidiaries | - | - | 1,608,215 | 1,194,735 |
| jointly controlled entities | 393 | 2,096 | 213 | 2,096 |
| associates | 9,133 | 12,506 | 8,813 | 12,321 |
| **Costs of services relating to:** | | | | |
| subsidiaries | - | - | 19,252,150 | 17,942,265 |
| jointly controlled entities | 7,387,702 | 7,410,071 | 7,387,702 | 7,406,620 |
| associates | 46,205 | 80,139 | 45,005 | 76,904 |
| **Other costs relating to:** | | | | |
| subsidiaries | - | - | 155,002 | 151,047 |
| jointly controlled entities | 0 | 0 | 0 | 0 |
| associates | 210 | 189 | 20 | 0 |
| **Finance income from interests in group companies relating to:** | | | | |
| subsidiaries | - | - | 9,981,814 | 9,304,266 |
| jointly controlled entities | 6,273,777 | 3,053,174 | 0 | 3,998,149 |
| associates | 6,946,176 | 8,594,776 | 4,905,625 | 3,919,500 |
| **Finance expenses for interests in group companies relating to:** | | | | |
| subsidiaries | | - | 0 | 0 |
| jointly controlled entities | 707,370 | 332,929 | 0 | 0 |
| associates | 1,870,925 | 1,149,852 | 0 | 0 |

| (in EUR) | The Petrol Group 2011 | The Petrol Group 2010 | Petrol d.d. 2011 | Petrol d.d. 2010 |
|---|---|---|---|---|
| **Finance income from interest relating to:** | | | | |
| subsidiaries | - | - | 2,518,752 | 2,092,431 |
| jointly controlled entities | 293,156 | 196,760 | 74,058 | 0 |
| associates | 1,029 | 11,406 | 1,029 | 11,406 |
| **Finance expenses for interest relating to:** | | | | |
| subsidiaries | - | - | 405,448 | 317,174 |
| jointly controlled entities | 95,587 | 58,456 | 59,252 | 58,456 |
| associates | 0 | 1,279 | 0 | 1,279 |
| **Investments in group companies relating to:** | | | | |
| subsidiaries | - | - | 298,499,440 | 200,531,435 |
| jointly controlled entities | 37,964,476 | 16,386,748 | 2,583,500 | 61,270,000 |
| associates | 99,406,712 | 122,294,012 | 135,743,305 | 154,860,000 |
| **Non-current financial receivables relating to:** | | | | |
| subsidiaries | - | - | 5,461,671 | 7,554,815 |
| jointly controlled entities | 0 | 7,961,235 | 0 | 0 |
| associates | 0 | 0 | 0 | 0 |
| **Non-current operating receivables relating to:** | | | | |
| subsidiaries | - | - | 0 | 0 |
| **Current operating receivables relating to:** | | | | |
| subsidiaries | - | - | 78,520,419 | 65,027,893 |
| jointly controlled entities | 184,533 | 2,378,482 | 75,776 | 2,365,472 |
| associates | 266,562 | 389,491 | 266,562 | 389,491 |
| **Current financial receivables relating to:** | | | | |
| subsidiaries | - | - | 9,043,276 | 5,017,758 |
| jointly controlled entities | 0 | 418,941 | 0 | 0 |
| associates | 0 | 0 | 0 | 0 |
| **Short-term deposits (up to 3 months) relating to:** | | | | |
| subsidiaries | - | - | 1,297,988 | 269,131 |
| **Current financial liabilities relating to:** | | | | |
| subsidiaries | - | - | 9,010,560 | 9,065,459 |
| jointly controlled entities | 1,245,347 | 1,181,719 | 1,240,971 | 1,181,719 |
| associates | 0 | 0 | 0 | 0 |
| **Non-current operating liabilities relating to:** | | | | |
| associates | 26,000,000 | 0 | 26,000,000 | 0 |
| **Current operating liabilities relating to:** | | | | |
| subsidiaries | - | | 45,717,023 | 133,175,186 |
| jointly controlled entities | 3,051 | 755,405 | 350 | 774,127 |
| associates | 40,738,076 | 8,394,055 | 31,925,342 | 1,589,989 |

**Companies related to the management and the Supervisory Board**

In 2011 the Group/Company did business with companies and groups which have ownership ties with a member of the Supervisory Board of Petrol d.d., Ljubljana.

The business with Perspektiva FT, d.o.o., was limited to transactions in long-term certificates of deposit issued by domestic commercial banks. The purchase of certificates of deposits issued by commercial banks by Petrol, d.d., Ljubljana from the said company was done on a temporary basis to manage its current liquidity. Long-term certificates of deposits issued by commercial banks consist of paper-form securities that were endorsed and transferred to Petrol, d.d., upon each purchase.

In 2011 the Group/Company temporarily purchased from the above company the certificates of deposit issued by commercial banks for the total amount of EUR 31,048,415 (2010: EUR 54,468,599), reselling them to the company for the total amount of EUR 32,098,840 (2010: EUR 49,116,675) in the period concerned. The investments held by Petrol, d.d., Ljubljana as at 31 December 2011 included a temporary holding of certificates of deposit issued by domestic commercial banks amounting to EUR 4,301,499 (2010: 5,351,924).

In 2011 Petrol d.d., Ljubljana purchased goods and services worth EUR 107,823 (2010: EUR 308,208) from CGP, d.d. and generated sales revenue of EUR 3,892,918 (2010: EUR 2,620,734). The balance of receivables from CGP, d.d., as at 31 December 2011 stood at EUR 1,426,699 (2010: EUR 939,813), with the balance of liabilities to CGP, d.d., as at 31 December 2011 amounting to EUR 0 (2010: EUR 308,101).

In 2011 Petrol d.d., Ljubljana generated revenue from sales involving the Lisca Group totalling EUR 32,633, while the balance of receivables as at 31 December 2011 was EUR 1,133.

In 2011 Petrol d.d., Ljubljana generated revenue from sales involving Tiskarna Novo mesto d.d. of EUR 49,583, while the balance of receivables as at 31 December 2011 was EUR 18,460.

**Companies related to the state**

Petrol d.d., Ljubljana in 2011 did business with organisations and companies that have ownership ties with the state. Major transactions were as follows:

| (in EUR) | Opis | The Petrol Group | | Petrol d.d. | |
|---|---|---|---|---|---|
| | | Volume of receivables | Volume of liabilities | Volume of receivables | Volume of liabilities |
| National budget | VAT, excise duties, dues, income tax | 982,531,374 | 1,215,646,875 | 953,079,843 | 1,184,373,813 |
| DARS d.d. | Sale of fuel, purchase of vignettes, contributions for operations at motorway service areas | 6,391,083 | 103,700,113 | 6,389,435 | 103,700,113 |
| Agency of the Republic of Slovenia for Commodity Reserves | Compulsory oil stocks membership, replacement of fuel | 13,954,186 | 42,786,698 | 13,950,794 | 42,786,698 |
| ADRIA AIRWAYS d.d. | Sale of fuel | 17,094,849 | 45,684 | 17,094,014 | 45,684 |
| Slovenske železnice d.o.o. | Sale and transport of fuel | 11,990,053 | 4,584,347 | 11,990,053 | 4,584,347 |
| JAVNO PODJETJE LJUBLJANSKI POTNIŠKI PROMET, d.o.o. | Sale of fuel | 7,353,303 | 118,245 | 7,353,303 | 118,087 |
| MINISTRY OF DEFENCE, LJUBLJANA | Sale of fuel | 6,303,136 | 0 | 6,302,146 | 0 |
| MINISTRY OF THE INTERIOR POLICE, LJUBLJANA | Sale of fuel | 5,346,676 | 45,684 | 5,328,837 | 45,684 |
| LOTERIJA SLOVENIJE, d.d. | Fees, sale of fuel | 2,179,208 | 19,542,969 | 2,179,208 | 19,542,969 |
| ŠPORTNA LOTERIJA d.d. | Fees, sale of fuel | 2,425,148 | 14,207,963 | 2,425,148 | 14,207,963 |

## 9. Remuneration of Supervisory Board and Management Board members and the Group's employees with individual contracts

**Remuneration of Supervisory Board members of Petrol d.d., Ljubljana**

| (in EUR) | Remuneration* |
|---|---|
| Tomaž Kuntarič, President | 14,914 |
| Bruno Korelič, Deputy President | 12,980 |
| Dari Južna, Member | 15,838 |
| Irena Prijović, Member | 12,126 |
| Urban Golob, Member | 15,838 |
| Žiga Debeljak, Member (until 22 August 2011) | 7,126 |
| Boštjan Trstenjak | 11,713 |
| Franc Premrn, Member | 16,251 |
| Andrej Tomplak, Member | 12,126 |
| **Total:** | **118,910** |

*Comprises meeting fees and payment for the performance of duties.

**Remuneration of Management Board members of Petrol d.d., Ljubljana**

| (in EUR) | Fixed portion | Costs reimbursed | Benefits - insurance premiums | Other receipts and benefits | Total |
|---|---|---|---|---|---|
| Tomaž Berločnik, MSc, President of the Management Board (since 1 February 2011) | 132,015 | 780 | 10,069 | 11,016 | **153,880** |
| Aleksander Svetelšek, President of the Management Board (until 10 January 2011) | 3,429 | 23 | 288 | 572 | **4,311** |
| Rok Vodnik, MSc, Member of the Management Board | 132,005 | 744 | 11,081 | 10,998 | **154,828** |
| Janez Živko, MBA, Member of the Management Board | 132,005 | 802 | 6,684 | 9,907 | **149,398** |
| Marija Lah, MSc, Member of the Management Board (until 14 October 2011) | 104,242 | 617 | 8,738 | 8,128 | **121,725** |
| Roman Dobnikar, Member of the Management Board (until 15 September 2011) | 93,503 | 588 | 7,485 | 7,875 | **109,451** |
| Samo Gerdin, Member of the Management Board, Worker Director | 77,969 | 1,112 | 233 | 1,646 | **80,959** |
| **Total:** | **675,167** | **4,667** | **44,576** | **50,142** | **774,552** |

Other receipts and benefits relate to annual leave allowances, termination benefits, use of company vehicles and other benefits.

Total remuneration paid in 2011 by the Company and the Group to employees with individual contracts who are not subject to the tariff part of the collective agreement (excluding Management Board members) stood at EUR 2,680,959 and EUR 3,695,545 respectively.

Total remuneration paid in 2011 by the Company and the Group to the members of the Workers' Council stood at EUR 6,462 and EUR 11,805 respectively.

Total remuneration of other supervisory board members (excluding members of the Company's Supervisory Board) stood at EUR 132,153.

The Company and the Group had no receivables from or liabilities to Supervisory Board members as at 31 December 2011.

The Company and the Group had no receivables from or liabilities to Management Board members as at 31 December 2011, except for liabilities arising from December salaries payable in January 2012.

## 10. Contingent liabilities

**Contingent liabilities for guarantees issued**

Maximum contingent liabilities for guarantees issued stood at EUR 339,958,146 as at 31 December 2011 and were as follows:

| (in EUR) | Petrol d.d. 2011 | Petrol d.d. 2010 | Petrol d.d. 2011 | Petrol d.d. 2010 |
|---|---|---|---|---|
| Guarantee issued to: | Value of guarantee issued | | Guarantee amount used | |
| Cypet-Trade Ltd | 177,072,880 | 170,626,506 | 44,218,255 | 116,218,602 |
| Petrol - Bonus d.o.o. | 0 | 154,500,000 | 0 | 0 |
| Petrol Hrvatska d.o.o. | 53,159,144 | 32,290,475 | 32,863,123 | 18,224,741 |
| Euro - Petrol d.o.o. | 31,459,759 | 42,486,881 | 22,109,039 | 33,689,049 |
| Petrol Energetika d.o.o. | 13,462,006 | 15,262,006 | 5,375,492 | 556,854 |
| Petrol-Trade G.m.b.H. | 12,364,287 | 12,265,061 | 437,611 | 1,925,852 |
| Bio goriva d.o.o. | 5,406,000 | 5,406,000 | 436,000 | 436,000 |
| Petrol d.o.o., Beograd | 5,245,500 | 0 | 5,245,500 | 0 |
| Petrol Jadranplin d.o.o. | 4,182,860 | 3,007,803 | 1,912,858 | 1,000,000 |
| Petrol BH Oil Company d.o.o. | 2,914,364 | 1,789,522 | 2,254,661 | 1,391,429 |
| Aquasystems d.o.o. | 911,309 | 911,309 | 911,309 | 911,309 |

| | Petrol d.d. | | Petrol d.d. | |
|---|---|---|---|---|
| (in EUR) | 2011 | 2010 | 2011 | 2010 |
| Rodgas AD | 0 | 300,000 | 0 | 100,000 |
| Petrol Tehnologija d.o.o. | 50,000 | 50,000 | 1,206 | 26,522 |
| Total | 306,228,109 | 438,895,563 | 115,765,054 | 174,480,358 |
| Other guarantees | 8,409,047 | 4,739,271 | 8,409,047 | 4,739,271 |
| Bills of exchange issued as security | 25,320,990 | 23,444,918 | 25,320,990 | 23,444,918 |
| Total contingent liabilities for guarantees issued | 339,958,146 | 467,079,752 | 149,495,091 | 202,664,547 |

### Contingent liabilities for lawsuits

The total value of lawsuits against the Company as defendant and debtor totals EUR 2,570,357. Interest on overdue amounts arising from claims stood at EUR 93,706 as at 31 December 2011. The Company's management estimates that there is high probability that some of these lawsuits will be lost. As a result, the Company set aside short-term provisions, which stood at EUR 153,594 as at 31 December 2011 compared to EUR 419,174 as at 31 December 2010. In addition, the Company created short-term provisions for interest on overdue amounts arising from claims, which totalled EUR 53,090 as at 31 December 2011 compared to EUR 307,673 as at 31 December 2010.

The total value of lawsuits against the Group as defendant and debtor totals EUR 2,821,133. Interest on overdue amounts arising from claims stood at EUR 151,850 as at 31 December 2011. The Group's management estimates that there is high probability that some of these lawsuits will be lost. As a result, the Group set aside short-term provisions, which stood at EUR 224,248 as at 31 December 2011 compared to EUR 554,744 as at 31 December 2010. In addition, the Group created short-term provisions for interest on overdue amounts arising from claims, which totalled EUR 57,228 as at 31 December 2011 compared to EUR 311,507 as at 31 December 2010.

### Option contracts

Upon the establishment of the jointly controlled entity Petrol Slovenia Tirana Wholesale Sh.A. in 2007, the Company entered into an option contract based on which it is entitled to purchase the cofounder's share after five years of the establishment of the jointly controlled entity at market value as assessed on that date. Considering the nature of the option contract, its fair value as at 31 December 2011 is estimated to be nil.

Upon the acquisition of the subsidiary Euro - Petrol d.o.o. in 2008, the Company entered into an option contract based on which it is entitled to purchase the counterparty's share after five years of the establishment of the subsidiary at market value as assessed on that date. Considering the nature of the option contract, its fair value as at 31 December 2011 is estimated to be nil.

### Off-balance-sheet assets and liabilities to D.S.U. d.o.o.

In accordance with provisions of Article 57 of the Regulation on the Methodology for Preparing Opening Balance Sheet and a contract for the establishment of off-balance-sheet records of assets and contingent liabilities entered into with the Development Fund of the Republic of Slovenia (whose legal successor is the company D.S.U. d.o.o.), the Company reduced its assets on account of their elimination from the statement of financial position and establishment of off-balance-sheet records of investments and receivables for goods due from Energoinvest, Bosanski Brod, in the republics of former Yugoslavia. The value of the contingent liability arising from investments is estimated at SIT 0, whereas the estimated value of the receivables for goods totals SIT 184,000,000. The Company's off-balance-sheet assets and liabilities arising from the above items stood at EUR 767,818 as at 31 December 2011.

### Inventories owned by other entities

The Group's and the Company's inventories as at 31 December 2011 included commodity reserve stocks of the Republic of Slovenia totalling EUR 132,432,825. The Company's and the Group's inventories as at 31 December 2011 also included goods delivered on consignment totalling EUR 52,340,987 and EUR 55,488,420 respectively. The goods delivered on consignment are carried at cost, while the commodity reserve stocks are carried at calculated prices.

## 11. Events after the reporting date

There were no events after the reporting date that would significantly affect the disclosed financial statements for 2011.