The Petrol Group’s Business Plan and Key Targets for 2016 – Summary

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CONTENTS

INTRODUCTION.......................................................................................................................... 3

THE PETROL GROUP'S FINANCIAL PERFORMANCE PLAN FOR 2016 .................................. 3
INTRODUCTION

The Petrol Group's operations are subject to multiple and often interdependent factors, the most important of which include changes in oil market prices, changes in the US dollar exchange rate and overall global economic conditions. In the international business environment, the most relevant factors influencing the Group's operations consist of price fluctuations in the oil market and the US dollar exchange rate, which both reflect global economic developments (in the EU and in the United States in particular, but with China and India also increasingly gaining in prominence). Petrol's local environment, on the other hand, is determined by government measures taken 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). Although Petrol's main sales markets (Slovenia and Croatia) are expected to grow in 2016, difficult economic conditions will continue. In the case that Slovenian Government is going to pursue a policy of high excise duties and other charges which caused that the prices of petroleum products were generally higher than in neighbouring countries already in 2015, this will also adversely affect the operations of oil traders in 2016.

Despite the persistence of the difficult and uncertain economic situation, the Petrol Group has set itself ambitious goals for 2016. To achieve them, the Group will pay particular attention to the streamlining of operational and supporting business processes in the year to come.

THE PETROL GROUP’S FINANCIAL PERFORMANCE PLAN FOR 2016

In 2016 the Petrol Group's sales revenue is planned to amount to EUR 3.7 billion. Gross profit is planned to amount to EUR 361 million.

The Petrol Group will achieve the planned results for 2016 by selling 2.75 million tons of petroleum products, 112 million m$^3$ of natural gas, 12.4 TWh of electricity, and through merchandise sales of EUR 506.5 million.

At the end of 2016, the Petrol Group's retail network will consist of 490 service stations, of which 317 in Slovenia, 107 in Croatia, 36 in Bosnia and Herzegovina, 9 in Serbia, 10 in Montenegro and 11 in Kosovo. The number of service stations due to be incorporated into the retail network will increase by 9 as compared to the end of 2015, and the opening of new service stations will be evenly distributed throughout the year.

The Group's cash flow from operating activities before working capital change is planned to amount to EUR 141 million.

The financial stability, expressed as the net debt to equity ratio and net debt to EBITDA ratio, shows that the Petrol Group successfully pursues its strategic orientation of bringing down financial debt. The Petrol Group plans net debt to equity ratio to stand at 0.77 and net debt to EBITDA ratio at 3.3 in 2016. Gearing ratio is planned to stand at 43%.

The Petrol Group's net profit for 2016 is planned to amount to EUR 68.8 million.
The Petrol Group's investments

The Petrol Group intends to invest EUR 60 million in fixed assets in 2016. The Group's investment policy will still be focused on the expansion of operations in all energy segments both in Slovenia and SE Europe (gas, electricity, efficient energy consumption, environmental projects), the expansion of oil and merchandise sales operations in SE Europe markets, and on the consolidation of its position as regards oil and merchandise sales in Slovenia.