

# The Petrol Group's Business Plan and Key Targets for 2021 – Summary



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**PETROL**



In 2020 the world was faced with a pandemic that also had a significant impact on the operations of the Petrol Group. All countries have observed a significant drop in economic activity. Among the measures to curb the pandemic many measures had to do with the restriction of movement, both during the first and the second wave of the pandemic. In addition to the fall in economic activity, this has had a further negative impact on transport, causing the sales of petroleum products to decrease.

The Petrol Group responded to the pandemic crisis in a comprehensive manner. Initially, activities were focused on ensuring the health of customers and employees, on the continuity of operations in the changed circumstances and on identifying and managing risks. Further activities, however, have had a long-term focus so that the Petrol Group can operate without interruption in a very different business environment. In 2020 we paid particular attention to optimising costs and streamlining operations, which was also reflected in the plan for the year 2021.

The Petrol Group operates in two highly competitive industries – energy and trade. Besides trends in the area of energy and commerce, the Petrol Group's operations are subject to several other and often interdependent factors, in particular changes in energy product prices and the US dollar exchange rate, which are a reflection of global economic trends. In 2021 the economic situation will be significantly affected by economic recovery following the pandemic, which will also be reflected in petroleum prices. In addition, operations in the Petrol Group's markets are influenced to an important extent by local economic conditions (economic growth, inflation rate, growth in consumption and manufacturing) and measures taken by governments to regulate prices and the energy market. Another factor are measures taken by countries to contain the pandemic, as shown when it had first emerged.

Energy market participants are presented with vast challenges and change. On the one hand, they have to deal with an extremely difficult systemic transition to renewable supply sources, while on the other, a considerable shift can be observed in the behaviour of end customers, who are becoming increasingly engaged and environmentally conscious. As a main energy company in Slovenia and in SE Europe, the Petrol Group took on an active role in increasing energy independence, energy efficiency and the share of renewables. In 2021 the Petrol Group will continue to work to reduce its carbon footprint.

The sales of merchandise and services make up an important part of the Petrol Group's revenue, which is why the situation in the trade sector has a major impact on operations. The Petrol Group participates in the development of the trade sector, which is changing the purchasing habits of consumers and distribution channels through the digitisation of business. The pandemic has further highlighted the need to reduce and control costs and to optimise supply and sales chains, thereby ensuring point-of-sale profitability.

Providing a full range of customer-focused products and services together with an excellent shopping experience is at the heart of Petrol's operations. As we try to approach our customers in innovative ways, we also change and enhance our internal operating processes, which enable us to develop new solutions and sustainable models.

The Petrol Group has a three-fold sustainable orientation:

1. Low-carbon energy company – focusing on a more sustainable energy portfolio and mobility, own production of renewable electricity, energy efficiency and on reducing the carbon footprint.

2. Partners with employees and the social environment – focusing on boosting corporate integrity, providing for healthy working conditions and employee satisfaction, with the support for the wider community in all markets where the Petrol Group operates (support for humanitarian, cultural, sports and environmental projects) also having a prominent role.
3. Circular economy – involvement in wastewater treatment, recycling of carwash water and re-use of industrial wastewater. Particular attention is paid to reducing or replacing raw materials used in packaging with recycled and biodegradable materials.

In the Petrol Group, we realise that despite careful preparation, informed business decisions, quick response to changes and an efficient risk management system external factors may arise in the business environment which are beyond our direct control and may pose a risk or a threat when it comes to meeting our targets. This was evident in 2020 when the Covid-19 pandemic emerged.

Our 2021 targets are ambitious. In drawing up the plan for 2021, we have assumed, however, that the pandemic will be effectively contained through vaccination in the first half of 2021.

We are still drawing attention to the fact that there remains considerable uncertainty as to the achievement of the plan, which is subject to the further course of the pandemic. This is particularly relevant if:

- insufficient vaccination coverage is achieved before summer 2021 and the pandemic continues,
- the measures to curb the pandemic are still in place at the end of the second quarter, in particular those taken by countries to restrict movement,
- the economy will be slower to recover, which will lead to economic growth that is lower than expected.

In this case, the Petrol Group will review its 2021 business targets in the second half of 2021 and adjust them accordingly.

The 2021 plan does not take into account any new acquisitions.

In addition to the pandemic, the following risks also bear on the achievement of the 2021 plan:

- sales in the EU market, which is extremely volatile,
- impact of the Real Property Tax Act and its new valuation model,
- impact of the Energy Savings Requirements Act in Croatia,
- other regulatory requirements.

In 2021 the Petrol Group plans to generate **sales revenue** of EUR 3.5 billion and **gross profit** of EUR 490.0 million.

The Petrol Group will achieve the results planned for 2021 by selling 3.0 million tons of petroleum products, 171.7 thousand tons of liquefied petroleum gas and 25.6 TWh of natural gas as well as through the sale of merchandise totalling EUR 446.2 million, through electricity production, trading and sales and through energy and environmental services.

The Petrol Group's **EBITDA** is planned to amount to EUR 213.5 million in 2021 and the **net debt/EBITDA** ratio to 1.5.

The Petrol Group's **net profit** for 2021 is planned to amount to EUR 104.4 million.

The Group's investment policy for 2021 will be focused on expanding the business in the area of renewable electricity production, on consolidating its position and expanding energy product sales and on expanding its operations in the area of energy and environmental solutions.

The Petrol Group was in a very good business and financial condition before the pandemic. In 2021 it will continue to meet the high standards of operation as recognised by the ratings from Standard & Poor's Rating Services. Despite the difficult business conditions, the Group will continue to pursue its objective of ensuring stable operations, thus delivering consistent return for shareholders.