

The Petrol Group's Business Plan and Key Targets for 2022 – Summary



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PETROL

1. Business environment

Despite the continued presence of the epidemic, economic growth has been stable in 2021, but it has also been accompanied by soaring prices of energy products. Countries have been trying to alleviate the pressure on selling prices by imposing various regulatory measures. The measures currently in effect are not as restrictive on mobility and economy as they used to be. Nonetheless, the number of customers at points of sale has declined due to the recovered-vaccinated-tested rule imposed in the majority of activities as the result of the deteriorated epidemiological situation, thereby resulting in lower sales of merchandise.

The environment in which the Petrol Group operates is facing important changes. Energy transition towards a low-carbon company and the development of new technologies are transforming established ways of how energy products are produced, sold and used. On the one hand, we are faced with an extremely complex 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 SE Europe, the Petrol Group took on an active role in increasing energy independence, energy efficiency and the share of renewables. To this end, the Petrol Group will further endeavour to reduce its carbon footprint also in 2022.

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. Digitalisation has changed consumers' expectations and shopping habits, as well as sales channels. The pandemic has further highlighted the need to reduce and control costs by optimising supply and sales chains, thereby ensuring point-of-sale profitability.

Providing a full range of customer-focused products and services 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 upgrade our internal operating processes, which enable us to develop new solutions and sustainable models.

2. Strategic orientation

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 carbon footprint.
2. **Partnership 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.

At the beginning of 2021, the Petrol Group adopted **a new strategy for the period of 2021–2025**, in which we have committed ourselves to making a transition to green energy and making significant investments to achieve it. While co-creating opportunities brought about by the energy transition we continue to supply the market with hydrocarbons. The new strategy

of the Petrol Group defines clear targets for implementing our vision “to become an integrated partner in the energy transition, offering an excellent user experience”. This helps us focus on our core business, which is to supply energy products, as it is this area where we still see great potential and opportunities in connection with the energy transformation.

3. Business plan for 2022

The main guideline in preparing the plan for 2022 is that the strategic targets will be achieved. The plan for 2022 is optimistic. Nevertheless, we are still drawing attention to the fact that there remains considerable uncertainty as to the further course of the pandemic despite vaccine availability. We assume that the containment measures will not restrict mobility anymore and that consumer behaviour will return to normal once the recovered-vaccinated-tested rule is no longer in effect. 2021 has been marked by a stable economic growth in all markets where the Petrol Group operates, but this has been accompanied by skyrocketing prices of energy products and the related reimposed government regulation of the prices of certain petroleum products in Slovenia and in Croatia, which are the Petrol Group’s main sales markets. The plan for 2022 assumes that the energy product price growth will settle down and that governments will adopt various measures to promote economic activity and consumption level.

The acquisition of Crodux Derivati Dva d.o.o. in October 2021 is Petrol d.d., Ljubljana’s major acquisition in the last decade and it represents the greatest one-off increase in the number of points of sale in the Petrol Group’s history. A successful integration of the company and the realisation of the set synergies is one of the key challenges for our future growth in SEE markets.

At the Petrol Group, we are aware that despite careful preparation, informed business decisions, quick response to change 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, which has been a reality in the time of the Covid-19 pandemic.

The main risk underlying the achievement of the set plan in 2022 is the negative impact of the energy crisis on inflation and, consequently, on the growth of living expenses and the management of higher operating costs. **Other risks** of the plan for 2022 not being successfully executed are:

- Supply chain cancellation and effect on the economy,
- Intensification of petroleum product purchase conditions,
- Energy product selling price regulation,
- The effect of the recovered-vaccinated-tested rule on consumers’ shopping habits at our POS,
- The effect of the Energy Savings Act in Slovenia and Croatia,
- A potential change of the Decree on the promotion of the use of biofuels and other renewable fuels for the propulsion of motor vehicles,
- Sales to EU markets which are extremely volatile,
- Other regulatory requirements.

The 2022 plan does not foresee any new acquisitions.

The Petrol Group’s plan for 2022 is to generate **sales revenue** of EUR 5.9 billion and **adjusted gross profit** of EUR 643.9 million.

The Petrol Group will achieve the results planned for 2022 by selling 3.6 million tons of petroleum products, 162.4 thousand tons of liquefied petroleum gas, 24.2 TWh of natural gas, and merchandise in the amount of EUR 532.2 million, as well as by producing, trading and selling electricity and offering energy and environmental solutions.

The Petrol Group's **EBITDA** is planned to amount to EUR 297.8 million in 2022 and the **net debt-to-EBITDA** ratio to 1.6.

The Petrol Group plans to generate a **net profit** of EUR 158.3 million in 2022.

The Petrol Group's investment policy in 2022 will be focused on expanding the business in the area of renewable electricity generation, on consolidating its position and on expanding energy product sales and operations in the field of energy and environmental solutions. We will earmark up to EUR 100 million for further development in 2022, of which more than a half for energy transition projects.

The Petrol Group was in a very good business and financial condition before the pandemic. In 2022, we will continue to meet the high business standards as recognised by the ratings awarded by Standard & Poor's Rating Services. Despite the difficult business conditions, the Petrol Group will continue to pursue its objective of ensuring stable operations, thereby delivering consistent returns for shareholders.