geoplin

Next to Energy.

2020 BUSINESS REPORT

SUMMARY ANNUAL REPORT OF THE GEOPLIN GROUP 2020

Next to Energy.

May the good energy find its direction and path.
Across distances and countries.
Through crossroads and ports.
All the way to fires of creation and flames of warmth.
To the source and at the finish line, that's where you'll find us.

Geoplin. Next to Energy.

Every year, the Geoplin Group issues a publication summarizing the most important highlights from the annual report. The summary annual report is published on the Geoplin company website www.geoplin.si. It is sent to our business partners (gas exchanges, banks and similar) in electronic or paper form, and is also used as promotional material to inform prospective partners and other interested stakeholders about the Geoplin Group's activities and its key results.

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1

SUMMARY BUSINESS REPORT

Jože Bajuk, Msc
Member of the Management Board

Boštjan Napast
President of the Management Board

STATEMENT BY THE MANAGEMENT BOARD

The year 2020 will be most remembered for the outbreak of the COVID-19 pandemic and stringent containment measures resulting in the closure of non-essential service activities, and hampered industry and other service activities, all of which led to a marked slowdown in economic activity and brought about a high level of uncertainty. The Group recognised the risk for transmission of infectious diseases; we quickly adapted the working conditions and digitised our processes to protect the health of our employees and other stakeholders.

In 2020, the natural gas market in Europe continued to feel the pressure of increased supplies of liquefied natural gas (LNG). In Europe, the global oversupply of natural gas pushed natural gas prices below 2019 levels. Natural gas storage facilities remained full and prices low (below EUR 10/MWh) throughout the summer. In the last quarter of 2020 we nevertheless saw partial recovery from the COVID-19 pandemic (especially in the Asian market), which again increased demand for liquefied natural gas. A rise in Asian LNG prices to more than EUR 30/MWh directly reflected in the matching of supply and demand in the natural gas market in Europe, with natural gas prices rising to just below EUR 20/MWh.

Despite stressed market conditions we believe that the Group succeeded in making the most of the extraordinary time when the world came to a halt. We increased the volume of our storage capacities. In the natural gas segment, the Group sold a total of 26.6 TWH of natural gas, which is more than 27% above the previous year's figure. Due to lower natural gas price indices net sales revenues in 2020 were lower than the previous year's, totalling EUR 390.2 million. The Group's earnings before interest and taxes (EBIT) totalled EUR 16.2 million and its net profit totalled EUR 12 million. The Group's net return on equity (ROE) at year-end totalled 9%.

Customers remained at the centre of Geoplin Group operations in 2020. We continued to carefully monitor the developments in gas hubs and kept our customers up to date in order to support them in making informed decisions about the management of the natural gas purchasing portfolio. The Group ensured reliable supply of customers in 2020 through long- and short-term agreements and purchases on the regulated market (EEX, CEEGEX) and on a non-regulated OTC market. Throughout the period, the Group was actively focused on optimising its purchasing portfolio. Special attention was paid to developing the trading infrastructure to support trading and boost the Group's potential prospects to enter new foreign markets, and to optimise the purchasing and sales portfolio. The liberalisation of the Croatian gas market made it possible to supply gas to regulated household customers and in 2020 the Croatian company Geoplin d.o.o. thus gained the opportunity to supply natural gas for the final household customers portfolio in Croatia.

At the Geoplin Group we are aware how important it is to ensure sustainable use of energy. In 2020, the Group made investments in energy efficiency projects and continued sales activities related primarily to finding new projects aimed at efficient energy use and renewable energy sources in Slovenia. In reaction to the global trends and market requirements the focus was on activities related to the development of green hydrogen projects geared towards the decarbonisation of natural gas. Although we did not succeed in carrying out all of the investments planned in this segment for 2020, the measures implemented to improve the capacity utilisation of existing production units contributed to mitigating the impact of the COVID-19 epidemic. The impact of the epidemic was felt mainly in reduced offtakes from production sources in the tourist sector and consequently in lower revenues than in the previous year.

The Group also continued its multi-year digital transformation. The implementation of a comprehensive ETRM system is in the final stage, we installed several upgrades to the existing ERP system, proceeded with the automation and visualisation of reports in BI, and ensured harmonisation of the ICT infrastructure within the Group. The "corona times" impelled us to modernise a part of our applications software, introduce the electronic signature and move to teleworking in order to ensure safe and uninterrupted business operations at the time of stringent epidemic containment measures. We updated the online portal for customers to provide for a better and easier overview and analysis of natural gas consumption.

A great emphasis was given to cybersecurity and safety of the information and communication systems. We conducted security screening to test our IT system for potential abuse by third parties and malicious or unaware internal users, and obtained detailed information on the level of the ICT system security. All our employees received IT system security training.

Jože Bajuk, Msc

Member of the Management Board

Boštjan Napast

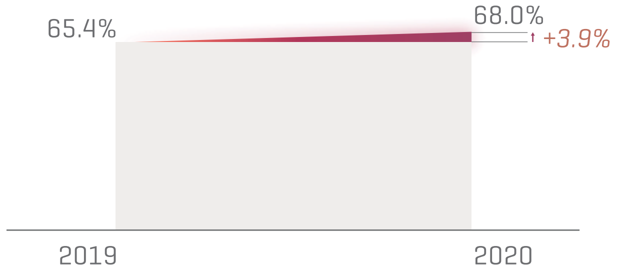
President of the Management Board

1.2. OPERATING HIGHLIGHTS

The graphs below show business operations in 2019–2020 in terms of non-financial data.[1]

Natural gas sales volumes (in TWh)

Sales to foreign customers



Net return on assets (ROA)

Net return on equity (ROE)

EBIT (in EUR mil)

Net profit or loss (in EUR mil)

1 Return on assets (ROA) = (net income / average assets in the year)
Return on equity (ROE) = (net income / average equity in the year)

1.3. COMPANY PROFILE

1.3.1. Parent company

Geoplin d.o.o. Ljubljana was established in 1975 based on an agreement concluded in 1974 with future natural gas customers. Since mid-1978 the company has been engaged in energy operations related to supplying, trading and acting as an agent and intermediary in the natural gas market, the company's principal activity. Its operations, both natural gas supply and the provision of related services, extend to foreign markets. To ensure reliable supply the company has secured appropriate and diversified procurement sources as well as transportation and storage capacities. Until 25 January 2019 the company was led and represented by a two-member management board, consisting of Boštjan Napast, president, and Alojz Stana, member of the management board. From 25 January 2019 to 26 March 2021 the company was led and represented by Boštjan Napast. Since 26 March 2021 the Company has been represented by a two-member management board, consisting of Boštjan Napast, president, and Jože Bajuk, member of the management board.

Company at a glance:

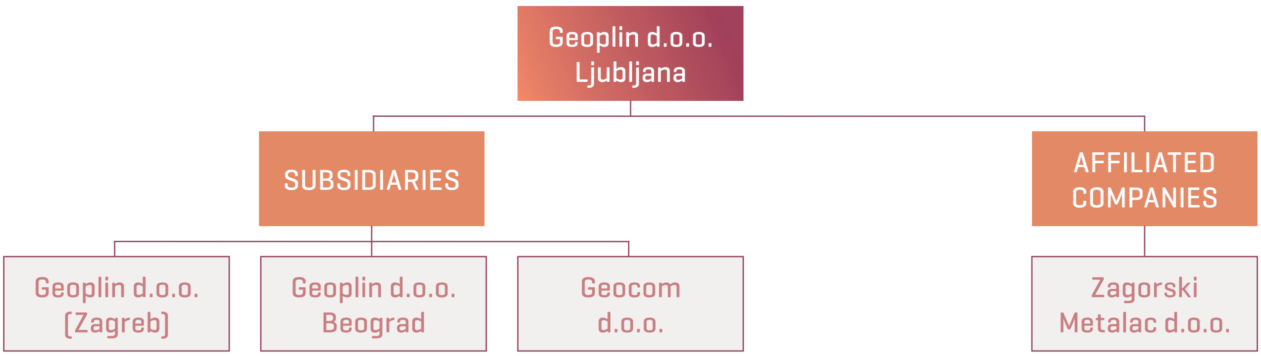
Company name:	Geoplin d.o.o. Ljubljana, družba za trgovanje z zemeljskim plinom
Abbreviated company name:	Geoplin d.o.o. Ljubljana
Registered office:	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia
Registration number:	5025869000
VAT ID no.:	SI51503581
Activity code:	46.710 Wholesale of solid, liquid and gaseous fuels and related products
President of the Management Board:	Boštjan Napast
Member of the Management Board:	Jože Bajuk, Msc (since 26 March 2021)
President of the Supervisory Board:	Nada Drobne Popović, Msc (since 18 June 2020) Tomaž Berločnik, MBA (until 18 June 2020)
Website:	https://www.geoplin.si
Email:	info@geoplin.si
LinkedIn:	https://www.linkedin.com/company/geoplin-d.o.o.-ljubljana/

1. 3. 2. Geoplin Group

The controlling company is Petrol, Slovenska energetska družba d.d., Ljubljana, which has a 74.3% stake in the company Geoplin d.o.o. Ljubljana. The financial statements of Geoplin d.o.o. Ljubljana and Geoplin društvo s ograničenom odgovornošću za trgovinu i opskrbu energentima d.o.o. are included in the consolidated financial statements. The annual report of the Petrol Group is prepared by Petrol, Slovenska energetska družba, d.d., Ljubljana, and is available at www.petrol.si.

Due to the considerable impact of subsidiaries on the balance sheet and the profit and loss statement the Geoplin Group prepared the consolidated financial statements of the Geoplin Group for the year ended 31 December 2020 and comparatively for the year ended on 31 December 2019. Non-current financial liabilities as at 31 December 2020 include the Group's capital investment in two subsidiaries (Geoplin d.o.o., Beograd and Geocom d.o.o.) that are not included in Geoplin Group's consolidated financial statements due to their small size and negligible impact on the consolidated financial statements (both companies are currently under suspension of operation).

Geoplin Group



GEOPLIN DRUŠTVO S OGRANIČENOM ODGOVORNOŠĆU ZA TRGOVINU I OPSKRBU ENERGENTIMA D. O. O.

Registered office:	Radnička cesta 177, 10000 Zagreb, Croatia
Director:	Zvonimir Jonjić
Procurator:	Emil Wein
Shareholding of Geoplin d.o.o. Ljubljana:	100%

The company Geoplin društvo s ograničenom odgovornošću za trgovinu i opskrbu energentima d.o.o. was established in 2014. It holds a valid energy permit to supply natural gas issued by the Croatian Energy Regulatory Agency (HERA), and is responsible for the balance group on the Croatian natural gas market via the Croatian energy market operator (HROTE). The company is a natural gas trader and supplier in Croatia.

GEOPLIN D.O.O. BEOGRAD

Registered office:	Zelengorska 1g, 11070 Novi Beograd, Serbia
Director:	Emil Wein
Shareholding of Geoplin d.o.o. Ljubljana:	100%

The company Geoplin d.o.o. Beograd was established in 2015 and received a natural gas trading licence the same year, but has not yet concluded its first transactions due to delays by the competent institutions regarding the announced changes to system rules. Geoplin d.o.o. Beograd did not operate in 2020.

GEOCOM, DRUŽBA ZA ENERGETSKI INŽENIRING D.O.O.

Registered office:	Cesta Ljubljanske brigade 11, 1000 Ljubljana, Slovenia
Director:	Jurij Planinc
Shareholding of Geoplin d.o.o. Ljubljana:	100%

Geocom did not operate in 2020.

ZAGORSKI METALAC D.O.O.

Registered office:	Ulica Josipa Broza Tita 2 F, 49210 Zabok, Croatia
Director:	Vladimir Sabo (since 2 October 2020), Željko Bjelan (until 2 October 2020)
Shareholding of Geoplin d.o.o. Ljubljana:	25%

In 2018, the companies Geoplin d.o.o. Ljubljana and Petrol d.d. Ljubljana acquired a 25% and a 56% share, respectively, in the company Zagorski Metalac d.o.o. In 2020, Petrol d.d. increased its share to 75%. The company Zagorski Metalac d.o.o. is a natural gas distributor and supplier in Croatia.

1. 3. 3. Audit

The audit of financial statements and annual report of the Geoplin Group for 2020 was conducted by the auditing firm Ernst & Young d.o.o.

The summary of the consolidated financial statements comprises: consolidated statement of financial position; consolidated profit and loss statement; consolidated statement of other comprehensive income; consolidated cash flow statement; consolidated statement of changes in equity, significant accounting policies for financial assets, inventories, provisions, liabilities, cash flow statement; operating receivables, inventories, provisions, and current liabilities.

The financial statements that served as the basis for the consolidated financial statements as at 31 December 2019 were audited, namely by the auditing firm Ernst & Young d.o.o. Ljubljana for Geoplin d.o.o. Ljubljana, and by UHY RUDAN d.o.o. for the Croatian company Geoplin d.o.o.

High-quality accounting information serves as the foundation for responsible decision-making. Such information is ensured by taking due account of accounting standards and appropriate accounting policies, and through regular annual supervision of the accounting process in auditing procedures.

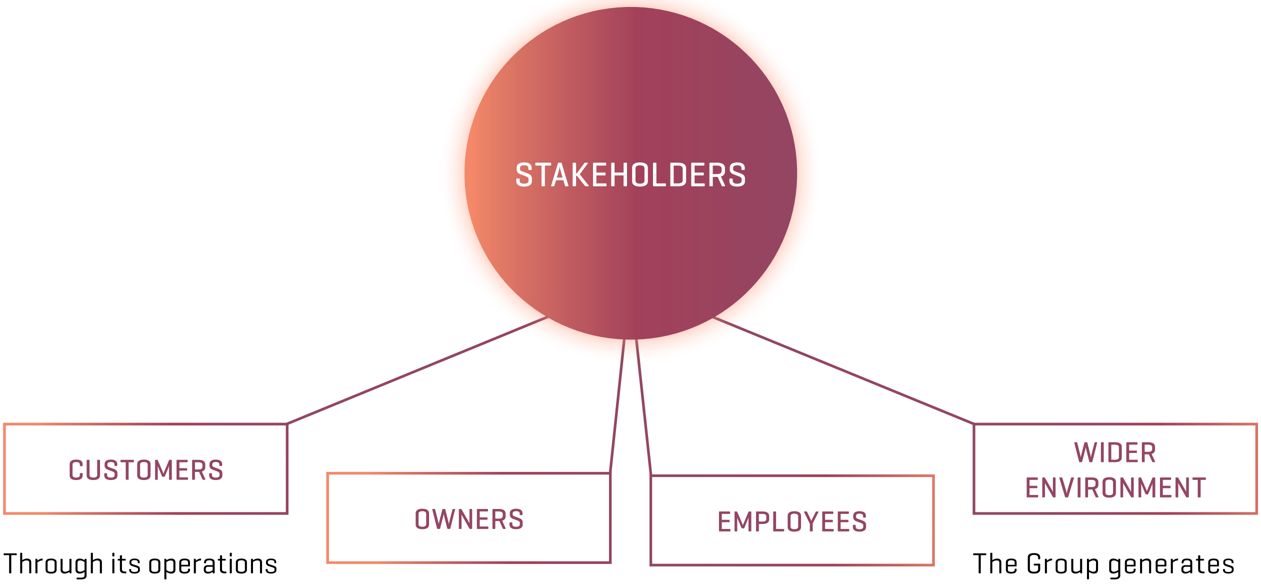
1. 3. 4. Mission, vision, values

MISSION	VALUES	VISION
The Group will ensure competitive and reliable natural gas supply to customers while maintaining sustainable operating profitability.	Honesty	To maintain the position of the leading and most widely recognised provider of natural gas in Slovenia and in the region, and further expand its core business activity.
	Respect	
	Open and straightforward communication within the Group and beyond	To adapt its range of products and services, as well as its activities to the needs of the market, and to ensure the competitiveness and reliability of supply.
	Hard work	
	Proactivity	
	Innovation	To seek new development and growth opportunities in the energy sector in Slovenia and beyond by offering a range of other energy products and services.
	Integrity and responsibility	

1. 3. 5. Key stakeholder groups

In the Geoplin Group we strive to ensure the long-term viability of our operations and are aware that responsibility and concern for our stakeholders' interests are the key to success. The Group has four key groups of stakeholders.

Key stakeholder groups



Through its operations the Group generates benefits for **customers** through a range of products and services tailored to their needs, and by providing a competitive and reliable supply of natural gas to the corporate sector and households.

The Group generates benefits for **owners** through the continued development of the Group and by maintaining sustainable profitability of operations.

The Group generates benefits for **employees** by providing a suitable work environment, and the opportunity for professional development.

The Group generates benefits for the **wider community** by ensuring environmentally acceptable supply and by acting responsibly toward the natural and social environment.

1.4. EXPECTED DEVELOPMENT

Energy markets in Europe are progressing towards a fully decarbonised power sector, with a view to reducing carbon dioxide emissions to zero by 2050. As the cleanest fossil fuel natural gas will play a vital role in these efforts and is already becoming the most important energy source in the transition to a carbon-free Europe. In the next ten years we therefore expect to see continued growth in the natural gas trade, with natural gas replacing coal in electricity generation.

Natural gas is an easily transportable energy source and gas storage facilities are currently the largest possible energy storage facility available for immediate use. With this in mind the Geoplin Group will dedicate more of its activities to expanding natural gas supply and trade options, given the new supply channels and business opportunities that are opening up in Southeast Europe, which is one of the Group's markets. As Europe increasingly relies on external supply it will be one of Geoplin Group's priorities to optimise its leased long-term natural gas storage capacities, through which it will continue to provide a reliable supply of natural gas to its household and industrial customers in Slovenia, and to tap into the opportunities arising in the natural gas market.

As a group we expect additional increase in trading in the fast-growing Austrian VTP and Dutch TTF markets, which are becoming global pricing mechanisms and references for the supply of liquefied natural gas in Europe. Natural gas trading will work towards exploiting the market potential of long-term sales and purchase contracts on the one hand, and optimised management of the short-term segment of our portfolio on the other. In the future, we will not be able to control fluctuations in short-term natural gas prices through trade in standardised products alone, but will have to diversify into more complex structured products.

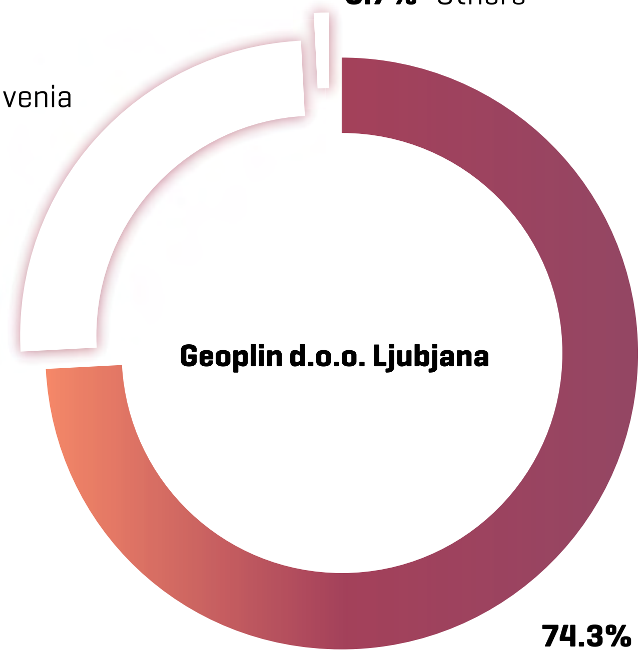
The Group's activities will focus also on the continued development and marketing of energy efficiency projects and services, and the promotion of natural gas in electricity generation, including cogeneration.

1.5. GOVERNANCE

1.5.1. Ownership structure

There were no changes in the ownership structure of Geoplin d.o.o. Ljubljana and as at 31 December 2020 the company therefore had six shareholders.

Ownership structure as at 31 December 2020



The subsidiaries Geoplin društvo s ograničenom odgovornošću za trgovinu i opskrbu energentima d.o.o., Geoplin d.o.o. Beograd, and Geocom, družba za energetski inženiring, d.o.o. are fully owned by the company Geoplin d.o.o. Ljubljana.

1. 5. 2. Work of the General Meeting, Management and Supervisory Boards

1. 5. 2. 1. General Meeting

At its 41st meeting on 18 June 2020 the General Meeting of the parent company's shareholders:

- granted discharge to the management board and the supervisory board for the financial year 2019;
- adopted a resolution on the allocation of the company's distributable profit, and
- elected new members of the Supervisory Board following the previous supervisory board members' resignation.

1. 5. 2. 2. Management and supervisory bodies

There were no changes in the management board in 2020, but there were changes in the parent company's supervisory bodies.

Tomaž Berločnik and Janez Grošelj resigned as members of the company's supervisory board on 18 June 2020. The company's General Meeting therefore elected new members of the Supervisory Board for a four-year term of office, namely Nada Drobne Popović and Jože Bajuk.

Supervisory Board in the period from 1 January to 18 June 2020

Chair – representative of capital:	Tomaž Berločnik, MBA
Deputy chair – representative of capital:	Janez Grošelj, MSc
Member – employee representative:	Simon Jelovčan

Supervisory Board in the period from 18 June to 31 December 2020

Chair – representative of capital:	Nada Drobne Popović, MSc
Deputy chair – representative of capital:	Jože Bajuk, MSc
Member – employee representative:	Simon Jelovčan

Supervisory bodies of Geoplin društvo s ograničenom odgovornošću za trgovinu i opskrbu energentima d.o.o. consist of parent company's employees.

1.6. CORPORATE GOVERNANCE STATEMENT

The corporate governance statement of Geoplin d.o.o. Ljubljana is available on the Geoplin company's website at www.geoplin.si.

1.7. ANALYSIS OF OPERATIONS IN 2020

1. 7. 1. The energy products market

After years of persistent growth the COVID-19 pandemic in 2020 pushed the global economy into a severe contraction. Countries across the world introduced strict public health measures and imposed movement and travel restrictions. The hardest hit was the service sector, in particular the tourism and transport industry. Lower overall global demand led to a severe contraction of the global economy. The International Monetary Fund (IMF) estimated the global growth contraction at -3.5%, with the exception of China, which recorded 2.3% growth.

Substantially reduced mobility across the globe at the beginning of 2020 led to a large surplus of crude oil and its derivatives in the second quarter of 2020. In May 2020, US aviation fuel consumption dropped by 80% and petrol consumption was 24% lower than before the pandemic. This, among other factors, led to extreme moves in the US crude oil market on 20 April 2020, when the WTI (West Texas Intermediate) crude for May delivery touched the all-time low, trading at negative 37.63 USD per barrel. In the same period, the price of the North Sea Brent crude fell below USD 20 per barrel. Other energy sources, such as natural gas and coal, continued this trend in the second quarter of 2020.

Above-average temperatures across the northern hemisphere in the first quarter of 2020 and reduced economic consumption contributed to considerably higher natural gas and coal storage levels in Europe. Increased production and availability of liquefied natural gas forced producers to employ more aggressive sales strategies and look for new customers. For most of the summer, Dutch TTF monthly natural gas prices thus traded at under EUR 10/MWh, whereas the price of Asian LNG dropped to USD 2/MBtu or EUR 7/MWh, the lowest gas price levels in a decade.

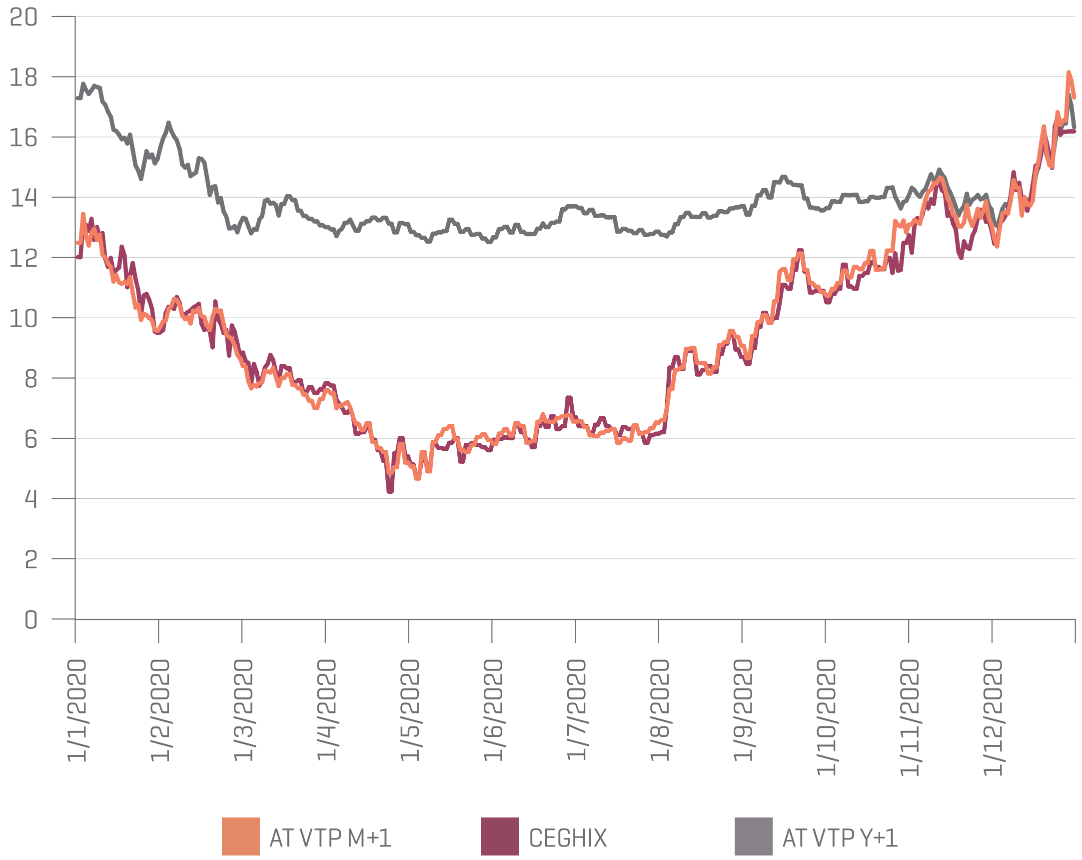
Down 5% compared with 2019, coal consumption in 2020 saw its largest decline after World War II. Nevertheless, driven by notable economic recovery in China, which currently burns more than a half of the world's coal, the demand for coal and coal prices did not reach the lows that natural gas and oil hit in the same period. The next month's price of ARA coal delivered to Europe lost 20% within a year, but still grew from the initial USD 53 to USD 70 per ton or +32% on an annual basis.

Reduced economic activity and shutdown of certain sectors reflected in reduced electricity consumption and thus drove down electricity prices in Europe. Owing to low natural gas and coal prices the costs of electricity production in Germany stayed very low for most of the year. The value of emission allowances, on the other hand, continued to rise even after the Great Britain left the European Union. Towards the end of the year the price of emission allowances exceeded EUR 30/ton when Joe Biden was confirmed as the new president of the United States and moved to reinstate the US to the Paris climate agreement.

Energy prices in 2020 (energy index (100 = 1/1/2020))

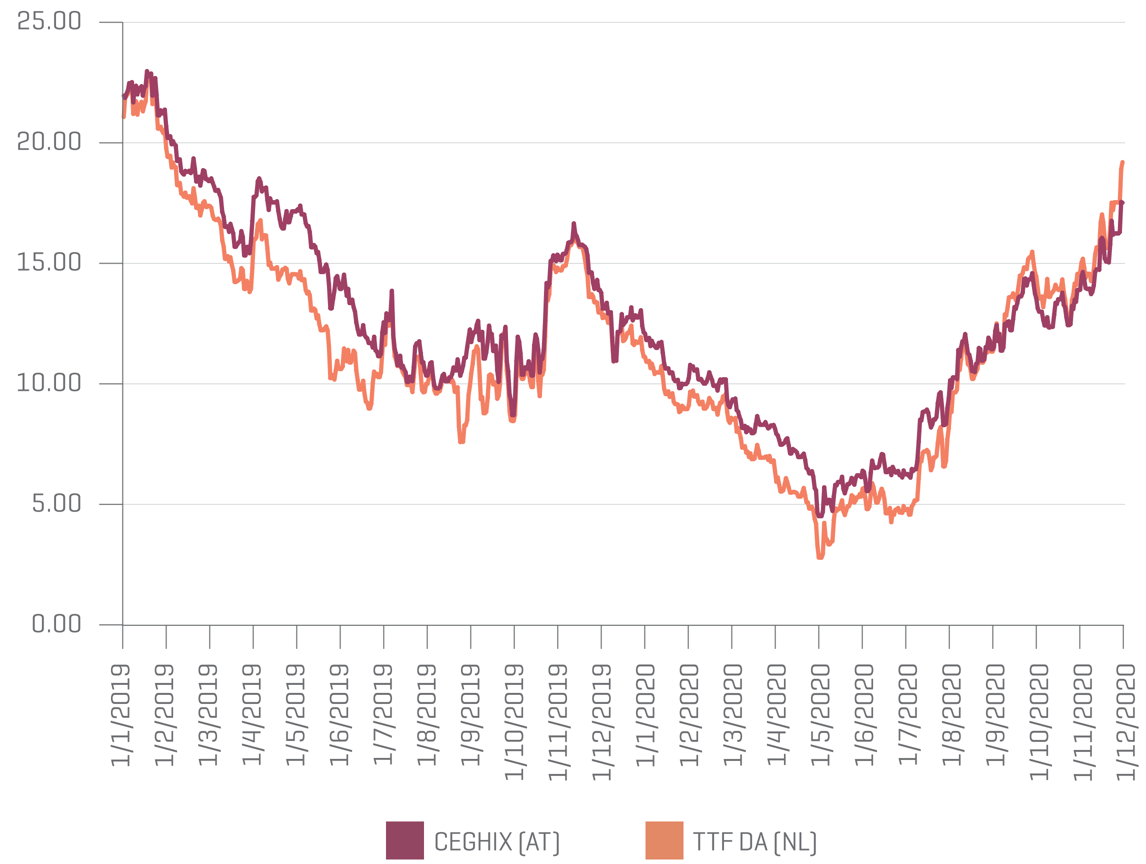
The natural gas market in Europe continued to feel the pressure of increased supplies of natural gas. At the beginning of 2020, European natural gas storage inventories were at record high levels. Of more than 976 TWh of gas at the beginning of January only 377 TWh were used by the end of March. The reason was constant high supply of liquefied natural gas to Europe at the beginning of the year, which exceeded 2 TWh/day. Favourable prices between periods allowed traders to hold natural gas in storage facilities across Europe and Ukraine. Daily and monthly natural gas prices in Europe dropped below EUR 10/MWh and stayed at this level for most of the period between March and August 2020.

Natural gas prices in the Austrian hub in 2020 (in EUR/MWh)



Average daily prices of natural gas in SE Europe in 2020 were almost EUR 5/MWh lower than in 2019, although they exceeded the 2019 year-end level towards the end of 2020. The average CEGHIX price in 2020 was EUR 9.98/MWh, whereas the price in 2019 was EUR 14.75/MWh. The last quarter of 2020 saw an unusual situation on the short-term prices market. The long-standing ratio between TTF and AT VTP prices collapsed, with the daily TTF price up and remaining above the Austrian (AT VTP).

Daily natural gas prices in 2019 and 2020 in NL TTF and AT VTP markets (in EUR/MWh)



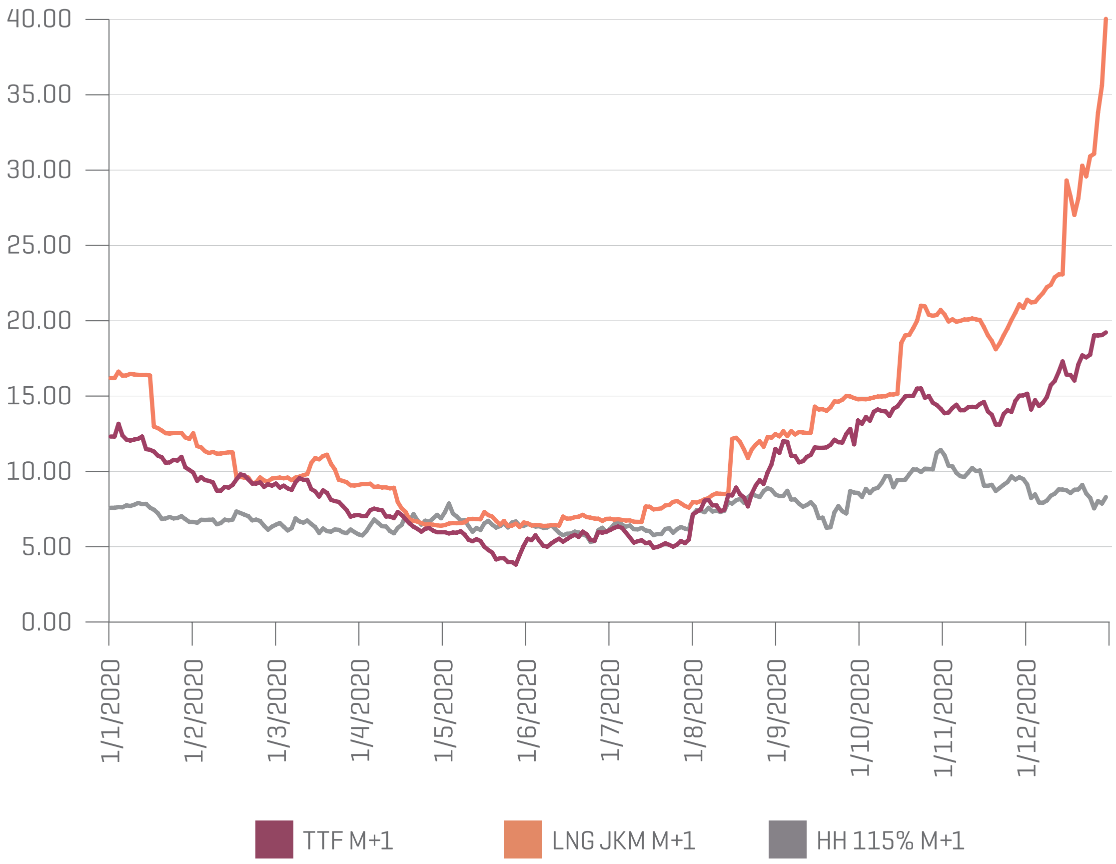
The shift in price ratios was a result of full Ukrainian natural gas storage sites, which offered reduced tariffs and therefore attracted large volumes of natural gas from Europe. With a capacity of 320 Twh Ukrainian storage sites are the largest in Europe. Last year they kept more than 282 TWh of natural gas, or 54 TWh more than in 2019.

Integration of European and Ukrainian gas infrastructure is only one of key projects realised for further development of the European natural gas market in the past year. The Trans Adriatic Pipeline (TAP), which supplies natural gas from Azerbaijan from Turkey to Italy via Greece and Albania, was successfully launched. TAP's capacity is 108 TWh of natural gas annually, of which 86 TWh goes to Italy and 11 TWh to Greece and Bulgaria. With the launch of the South Stream, Bulgaria and Greece started to collect gas at the border with Turkey already in January 2020, which additionally reduced Russian gas transit through the Ukrainian territory. What's more, with the new Kireevo/Zaychar interconnection point Serbia also now receives Russian gas from the south and no longer via Ukraine and Hungary.

The most important project in 2020, which additionally facilitated the natural gas price convergence process in the Balkans and Central Europe, is the liquefied natural gas terminal on the island of Krk in Croatia. Operated by LNG Hrvatska with an annual capacity of 24 TWh it is an entirely new source, important for the diversification of gas supply in this part of Europe. The terminal began operating on a trial basis in December 2020 and the first commercial LNG carrier arrived on 1 January 2021.

TTF is the main price index for LNG supplies to Europe and represents a transparent market price of natural gas in Europe, but Henry Hub in the Gulf of Mexico is increasingly being used as a benchmark for deliveries to Europe. Traditionally, the LNG market has been the most expensive in Asia, where trading with the LNG Japan-Korean Marker (JKM) as the pricing measure has increased substantially in the last two years. Price differences between these three regional indices have a substantial impact on the regional volume of LNG imports or exports. In the first half of 2020 much of LNG was held in European storage sites, because prices in Asia were very low and stood at EUR 7/MWh, but at the end of the year the demand in Asia spiked, which pushed JKM prices far above European, reaching EUR 40/MWh at the end of December 2020.

Global natural gas prices in 2020 (in EUR/MWh)



The year 2020 saw another important shift in concern for the cleaner environment and transformation of the economy towards more sustainable and greener mode of operation. Reduced economic activity in 2020 reflected in reduced greenhouse gas emissions. It is estimated that greenhouse gas emissions decreased by 4% in 2020. Big oil companies diverted to or increased investments in renewable energy sources. Low natural gas prices in 2020 stimulated its consumption and increased its share in the total energy mix on account of coal and oil, which usually generate more harmful emissions. With the still-growing global consumption of energy sources the market share of cheaper and cleaner natural gas and gas technologies thus increased.

1. 7. 2. Performance of the Geoplin Group

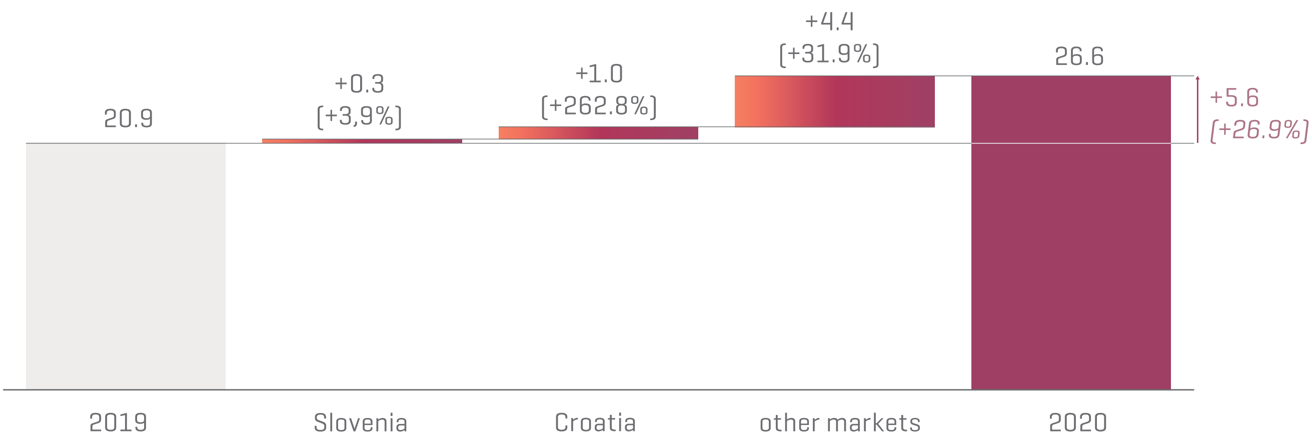
The Geoplin Group's focus in 2020 was on the performance and development of its core business of marketing and trading of natural gas through the development of the trading infrastructure in order to support the optimisation of the purchase and sales portfolio and business expansion to new markets. The company Geoplin d.o.o. Ljubljana maintained its position as the leading provider of natural gas in Slovenia also in 2020. Croatian company Geoplin d.o.o. became an important natural gas supplier to household consumers in Croatia.

The Group entered two new markets and continued to develop and market energy-related services and projects aimed at efficient energy use and renewable energy sources. The Group's activities are focused also on the optimisation and development of business operations.

1. 7. 2. 1. Sales and marketing of natural gas

In 2020, the Geoplin Group sold a total of 26.6 TWh of natural gas, 73% of which was sold to foreign customers. Total sales were up 5.6 Twh relative to the previous year, mainly on account of business expansion and penetration of new markets.

Natural gas sales (in TWh)



During the reporting period, the Geoplin Group supplied its customers with natural gas without disruptions and in line with contractual provisions and customer needs. Balancing services are provided to customers in the scope of Geoplin's balance group with the system operator. The Group ensured reliable supply to customers based on long- and short-term contracts and purchases on the CEGH trading platform and OTC market. Throughout the period, the Group remained focused on optimising its purchasing portfolio.

In 2020, the Geoplin Group carried out activities on the OTC market (bilaterally with contractual partners) as well as on EEX and CEEGEX energy exchanges. Via the trading platform the Group traded mainly in the spot market with daily products, whereas the majority of other transactions linked to term products were concluded on the OTC market to ensure better liquidity.

Active trading allowed us to further optimise the existing portfolio and manage contracts concluded with customers in terms of fixing and unfixing prices. This strategy allows the Geoplin Group to offer its customers the possibility of securing the price they pay for supply. Our increased cooperation with partners with which the parent company signed EFET contracts in recent years proved beneficial in these transactions.

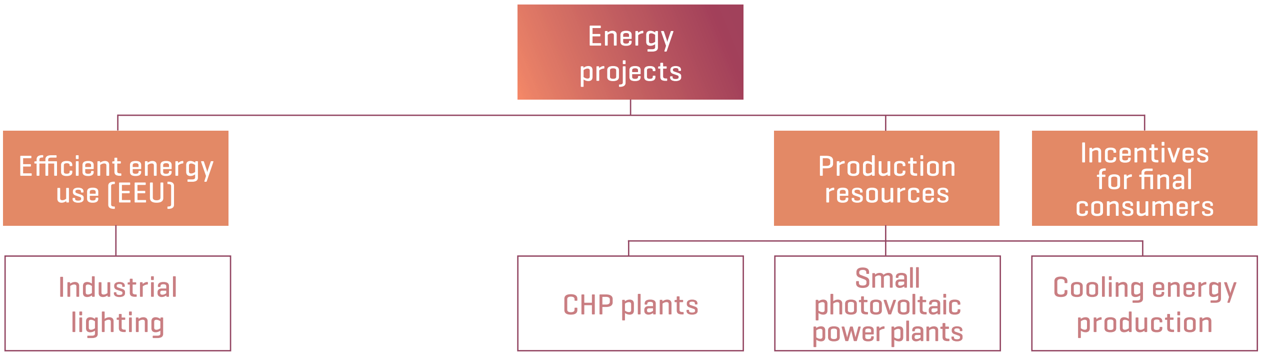
The liberalisation of the Croatian gas market made it possible to supply gas for regulated household customers, and in 2020 the Croatian company Geoplin d.o.o. thus gained the opportunity to supply natural gas for the final household customers portfolio in Croatia.

1. 7. 2. 2. Energy efficiency projects

The Geoplin Group continued to invest its efforts in the development and realisation of energy solutions through energy efficiency projects.

The Group recognised global trends in restructuring the energy sector through the introduction of green energy and green technologies as an opportunity and need to develop projects for the production and supply of decarbonised natural gas for industrial consumers. Its activities focused on energy efficiency measures as well as on production sources and co-investments in energy efficiency measures for final consumers.

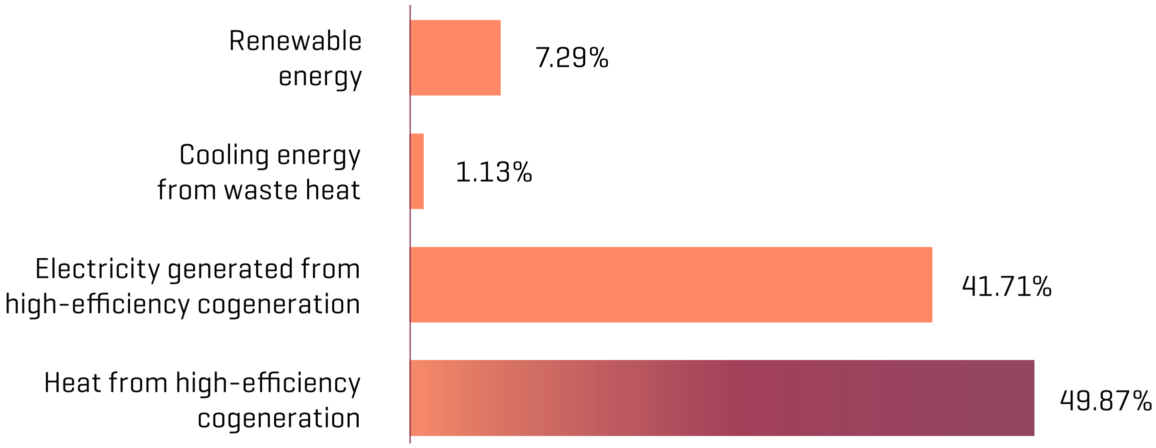
Energy efficiency projects by segment



In the efficient energy use segment (EEU) the Group strengthened its business cooperation with production industry customers using the incentive scheme for final consumers and participated in two reconstruction projects for production and technology lines in Slovenia and one in Croatia. In the production sources segment the scope of the Group's existing project portfolio remained the same as in 2019, but the Group moved one of the CHP units to a new location and thus improved its utilisation and efficiency.

The graph below shows energy generated in 2020 by production source.

Energy generated in 2020 by production source



In the ongoing projects in the production sources segment the Group identified, proposed and realised, based on targeted monitoring of energy consumption, operation and profitability, investments as well as a number of organisational measures aimed at improving energy efficiency and utilisation of production unit capacity.

The efforts invested in the realisation of the Group's strategy in energy projects have a positive financial impact on the Group as well as a positive impact on the environment. The table below shows annual final energy savings and CO_2 savings as a result of ongoing and already completed projects in 2020.

Effects of ongoing and completed energy projects in 2020

	Industrial lighting	CHP plants	Small photovoltaic power plants	Cooling energy production	Other measures co-funded in 2020	**TOTAL**
Final energy savings [MWh/a]	3,404	14,375	934	91	49,522	**68,325**
CO_2 savings [t/a]	1,668	2,199	458	45	14,326	**18,696**

1. 7. 2. 3. Investments

The Geoplin Group invested EUR 0.3 million in the fixed assets in 2020. The majority of investments were made in information technology projects.

1. 7. 2. 4. Performance analysis

Group performance in 2020 was successful on account of several factors, the most important being higher sales volumes in natural gas, in particular in foreign markets, together with market conditions and cost efficiency.

Key financial highlights are provided below.

Key financial highlights

	Unit	2020	2019
Sales revenue	in EUR mil	390.2	397.4
Adjusted gross profit or loss [2]	in EUR mil	29.5	13.1
EBIT	in EUR mil	16.2	9.8
Net profit or loss	in EUR mil	12.0	8.7
Balance sheet total	in EUR mil	221.4	201.7
Equity	in EUR mil	137.8	127.4
Financial debt	in EUR mil	15.2	0.2
Equity / Balance sheet total	%	62.2	63.2
Employees on the last day of the period	number	46	46
Added value per employee [3]	EUR 000	440.2	309.0
ROA	%	5.7	4.3
ROE	%	9.0	6.8

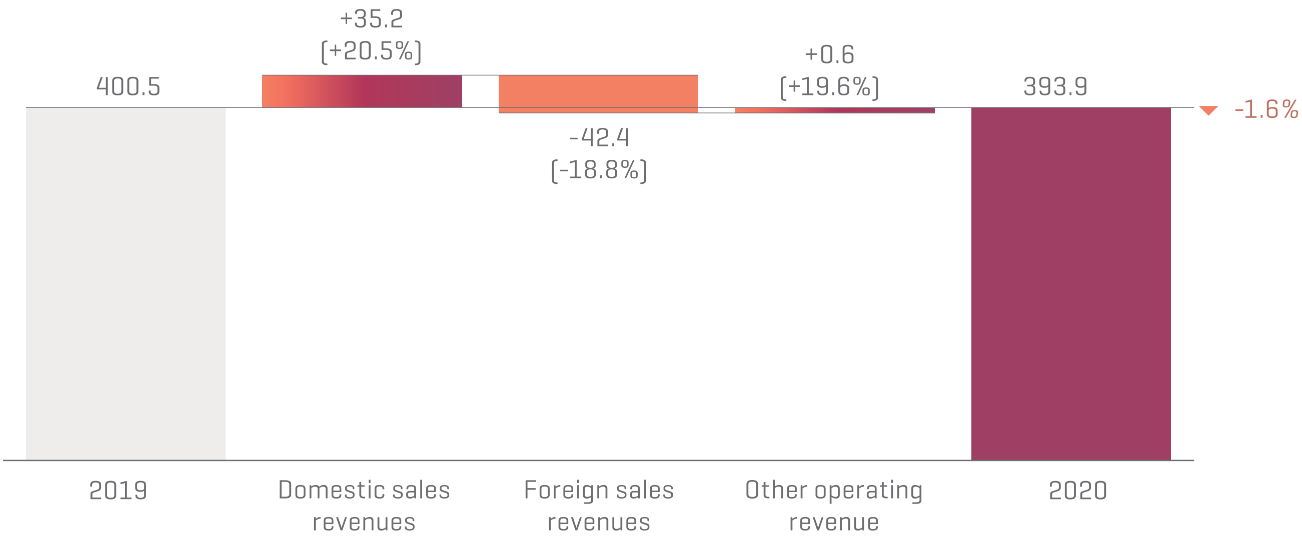
2 Adjusted gross profit or loss = sales revenue – cost of goods sold; this item is not defined under the International Financial Reporting Standards.

3 Added valued per employee = (total profit or loss + depreciation and amortisation costs + labour costs) / number of employees based on hours worked.

Operating revenue

The Group's operating revenue, totalling EUR 393.9 million in 2020, was 1.6% lower than in 2019, on account of lower natural gas prices on gas trading platforms.

Operating revenue – year-on-year change (in EUR million)

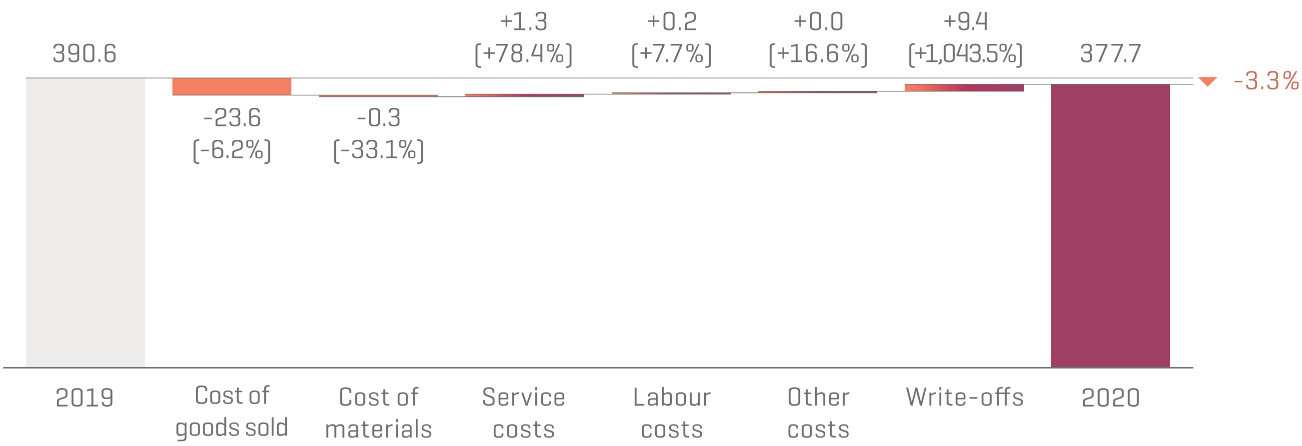


In 2020, the Geoplin Group generated **sales revenues** of EUR 390.2 million. **Other operating revenue**, totalling EUR 3.7 million, was up 20% on 2019, mainly on account of the higher release of onerous contract provisions.

Operating expenses

At EUR 377.7 million the Group's **operating expenses** were 3.3% lower than in 2019.

Operating expenses – year-on-year change (in EUR million)



At EUR 360.7 million the cost of goods sold represents the highest share in the structure of the Group's operating expenses and is 6.2% lower than in the previous year. Cost of material in 2020 totalled EUR 563,600 or 33.1% less than the year before. Service costs totalled EUR 2.8 million and were 78.4% higher than in the previous year. Labour costs totalled EUR 3.0 million and were 7.7% higher than the previous year. Other costs totalled EUR 206,300 and were 16.6% lower than in 2019, mainly due to lower environmental protection costs.

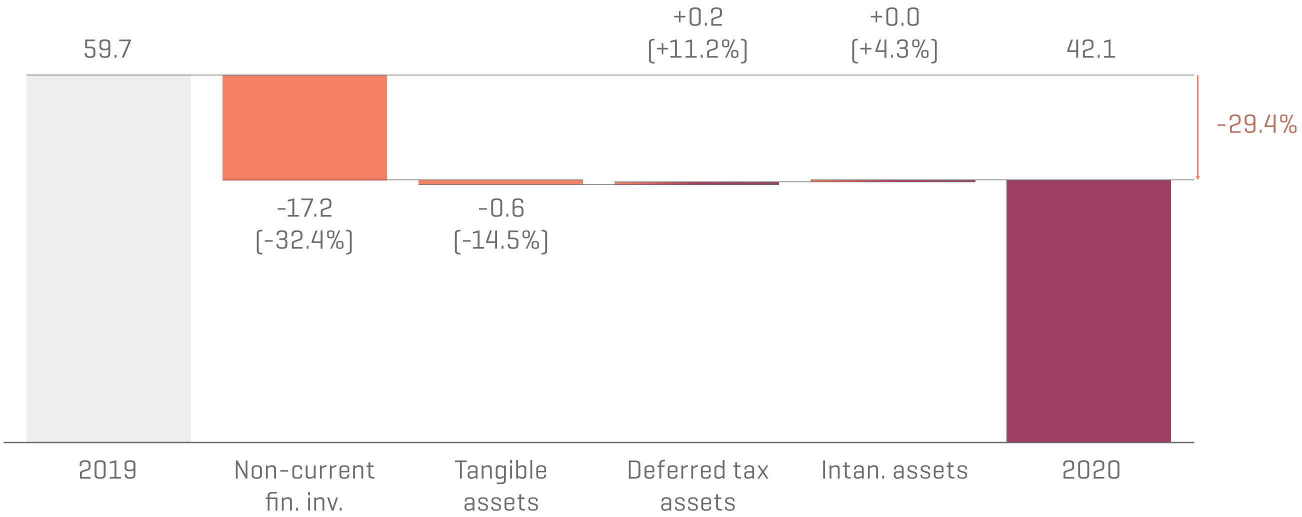
Operating results

EBIT totalled EUR 16.2 million and earnings before taxes EUR 16.4 million, with both items higher than the previous year, mainly due to higher sales volumes, adequate optimisation and utilisation of storage capacities and purchasing portfolio, and cost efficiency. The Group's net profit in 2020 totalled EUR 12 million.

Assets

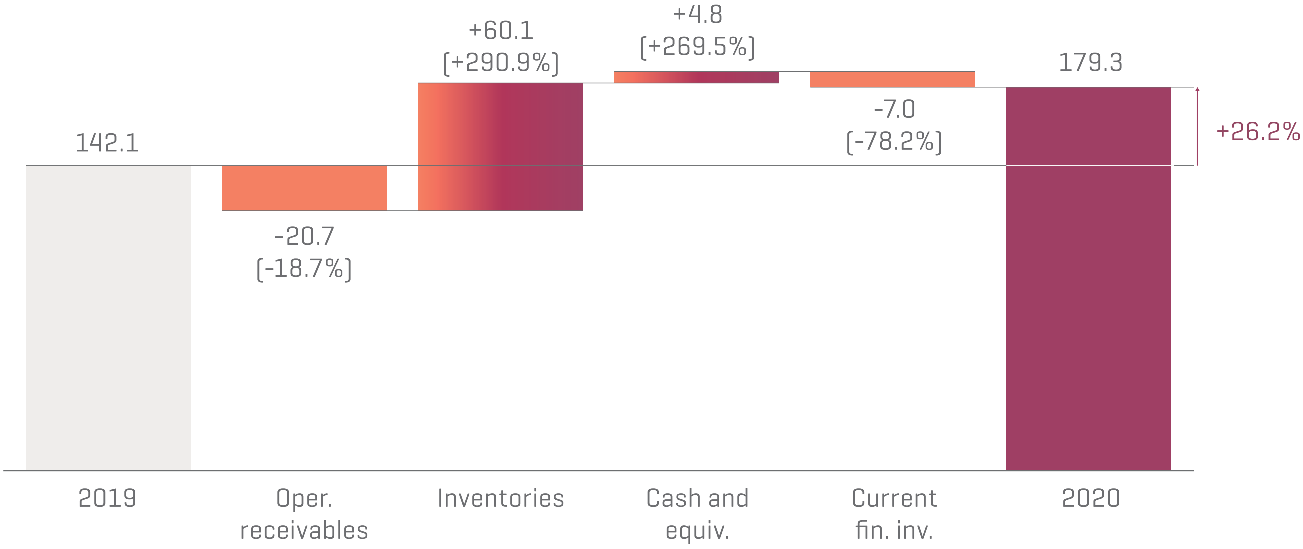
As at 31 December 2020, the Group had total **assets** of EUR 221.4 million, an increase of 9.8% relative to year-end 2019.

Non-current assets – year-on-year change (in EUR million)



The most important item under **non-current assets** is *non-current financial investments*, representing 85.1% of non-current assets as at 31 December 2020, totalling EUR 35.8 million or EUR 17.2 million less than the year before.

Current assets – year-on-year change (in EUR million)

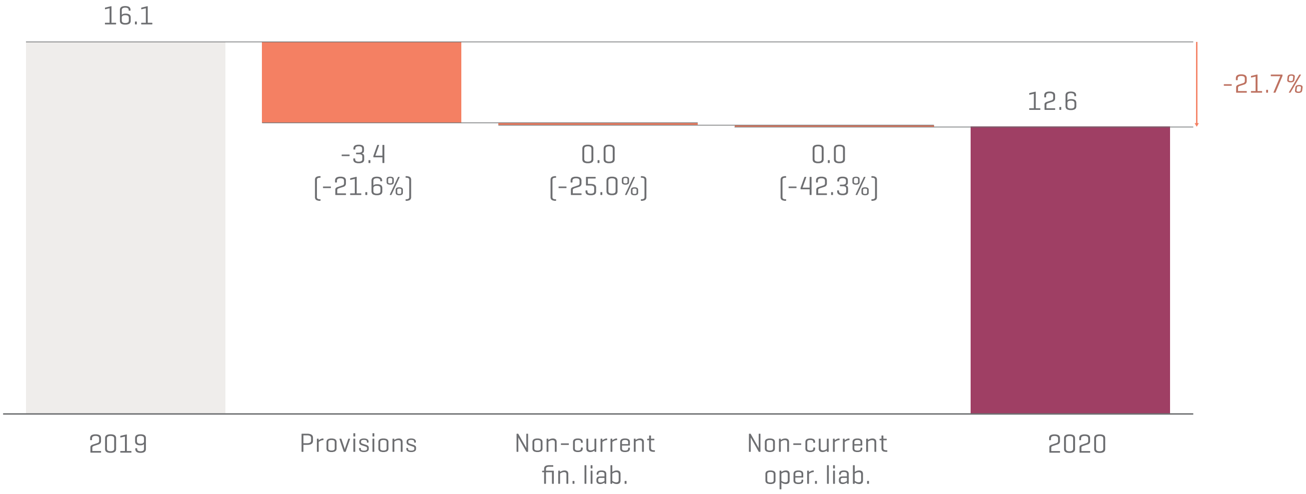


The value of **current assets** as at 31 December 2020 totalled EUR 179.3 million or 81% of the Geoplin Group's assets. The most important current assets item is *operating receivables*, representing 50.1% of current assets as at 31 December 2020, totalling EUR 90 million or EUR 20.7 million less than the year before. The reduction was largely due to lower balance of other current receivables. The value of *inventories* as at 31 December 2020 was up EUR 60.1 million compared to the year before. The increase is the result of higher inventory levels as at 31 December 2020. At EUR 6.6 million, the value of *cash* as at 31 December 2020 was EUR 4.8 million higher than the previous year.

Equity and liabilities

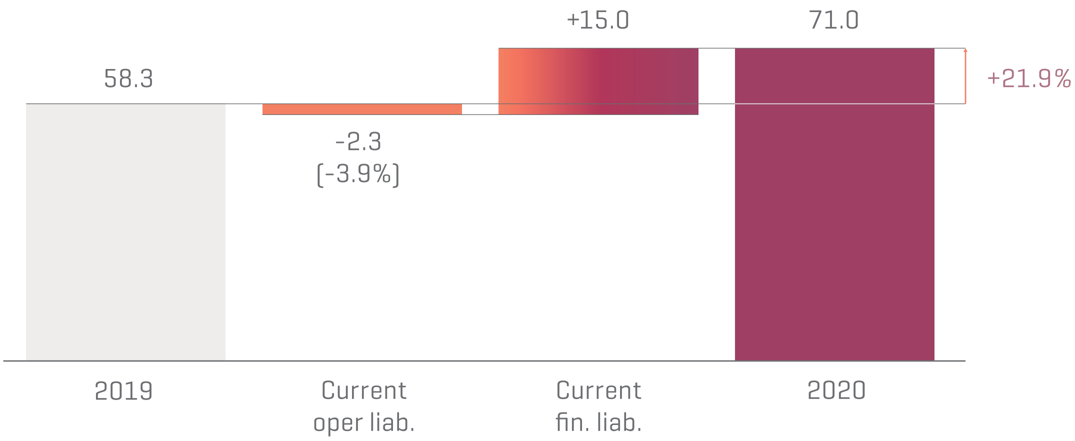
Group **equity** as at 31 December 2020 totalled EUR 137.8 million or 8.2% more than at year-end 2019. The increase in equity is mainly the result of *net profit* achieved in 2020.

Non-current liabilities – year-on-year change (in EUR million)



The value of *provisions* under **non-current liabilities** was down EUR 3.4 million, totalling EUR 12.4 million as at 31 December 2020. This reduction was due to the utilisation of provisions for onerous contracts and jubilee awards paid.

Current liabilities – year-on-year change (in EUR million)



The highest increase under the **current liabilities** item, which as at 31 December 2020 increased by EUR 12.8 million compared to the previous year, was reported for *current financial liabilities*, which totalled EUR 15 million as at year end and represent current liabilities from loans to parent company.

1.8. RISK MANAGEMENT

2020 was a very complex year also in terms of risk management, as the COVID-19 epidemic had a significant impact on the fluctuations both in the price of natural gas and its consumption. Nevertheless, with quick response in the market, close cooperation with natural gas consumers and other business partners, and prompt adjustments within the Group, we successfully mitigated the impacts of the epidemic on the Group's business operations.

In addition to said significant risk groups (quantity and price risks) the Group is exposed to other types of risks, which it tries to minimise in its operations. Below we describe significant types of risks to which the Group is exposed and how they are managed. The risks were classified into five key groups.

Key risk groups

1. 8. 1. Strategic and regulatory risks

Risk area	Description of risks	Risk management	Risk impact
Geopolitical situation	Changes in the external business environment, international relations and conflicts, protectionism	Regular monitoring of international developments and adjustment to new circumstances, presence in relevant markets	moderate
Regulatory changes	Changes in European energy laws, changes in Slovenian energy law and regulatory changes in areas in which the Group operates	Active monitoring and adjustments to legislative changes, participation in drafting of Slovenian legislation, cooperation with external institutions	moderate
New supply sources	Construction of new pipelines in the Group's markets, construction of LNG terminals, new long-term supply contracts, changes in natural gas balance in the region	Active monitoring and participation in the new terminal construction processes or changes in transport capacities, effective cooperation with our suppliers, access to major gas exchanges, extension of the business partners list	moderate

Strategic and regulatory risks derive from the wider external business environment. Although the Geoplin Group is exposed to these risks in the course of its operations, they typically remain beyond its control. The Group must respond to changes through appropriate monitoring and adjustment of its operations in order to eliminate or minimise the impact of the external environment on the Group's performance and the achievement of its strategic objectives.

The strategic risks of the Geoplin Group largely consist in the geopolitical situation, new supply sources and routes across Slovenia and the markets in which the Group operates as well as changed conditions on the gas market, which result in natural gas supply surpluses in the region. The Group identifies strategic risks through annual planning and realisation of short-term objectives. When adjusting to the changes in the business environment, the Group introduces good business practices and trains its employees to develop the competencies required to function in a rapidly changing business environment. One of the Group's strengths is also its work organisation and a small number of people required for decision-making. This allows us to make and implement decisions quickly.

Regulatory risks, which are the result of changes to market rules or legislation and affect the Group's operations, are more difficult to manage. These primarily include changes to European and Slovenian energy regulations, and to national regulations on the markets where the Geoplin Group operates. It is often difficult to quantify these risks and to mitigate their effects. Employees thus actively monitor changes to regulations and market rules. In Slovenia, the Group is actively involved in legislative public hearings and also participates in the development of legislation governing the Slovenian natural gas market. It responds to regulatory changes by adjusting its operations, thus ensuring compliance of its operations with applicable regulations and rules. As these changes frequently result in higher operating costs, the Group assesses their impact on its operations through appropriate monitoring, and makes provisions required to implement such changes.

1. 8. 2. Commercial risks

Risk area	Description of risks	Risk management	Risk impact
Retention of existing contracts	Our customers may change supplier when their contract expires	Good and regular communication with customers, adjusting to customers' needs, diverse range of products, medium-term contracts	moderate
Risks arising from concluded contracts	Timing, quantitative and price mismatch between the purchase and sales part of the portfolio	To maximise the matching of purchase and sales agreements, use of storage facilities and non-current supply contracts, trading platforms and business with our OTC partners	moderate
Business expansion within and beyond the region	Risk of different regulations, unfamiliarity with the market, new business partners, specificity of the market in the transport and storage of natural gas, reporting according to EU regulations, setting the local market price	Cooperation with larger local partners, a proper overview of the market and individual business partners, careful examination of gas transportation conditions and local legislation, close monitoring of exposure to foreign partners	moderate
Market competition	Arrival of new natural gas providers, aggressive existing competition, decline in the Group's market share	A wide range of products and services, flexibility, extended payment plan options, competitive prices, long-term business relationships with our customers, reliable supply, business expansion beyond the Slovenian market, takeovers in the Croatian market	moderate
Energy projects	Technical and financial risks, failure to achieve the defined operational objectives, failure to achieve energy savings	Presence with customers, assessment of individual projects, co-investments, maintenance agreements, insurance policies	moderate
Alternative fuels	Our largest industrial customers switching from natural gas to other types of fuels	Conversion is hindered by technological and environmental requirements; over the long term, natural gas is cheaper than comparable fuels	low

The most significant commercial risks to which the Group is exposed are linked to the renewal of contracts with customers whose contracts expire in the next period, business expansion in and beyond the region, increasing pricing and similar pressures from customers, heightening competition, deviations in outdoor temperatures from long-term averages, prices of substitutes, increased use of renewable energy sources and energy efficiency, achievement of minimum volumes in non-current supply agreements, new legislation and fear of another economic downturn, in particular in view of the current global health situation.

Motivated by the external business environment more and more customers are looking for the most competitive supply conditions and switch between different suppliers. At the same time they expect maximum flexibility in quantity and other trading conditions for natural gas as well as diverse products and related services, all of which increases the supplier's risks. There has been strong pressure on the natural gas price, which is the most important factor when selecting a supplier. Also important are payment terms and quantity flexibility. Market prices are set at price levels that are subject to price movements in trading hubs. Any lapses between the time of actual sale and purchase of natural gas, and diversity of supply and sales products generate certain risks, as individual price elements and market conditions can change dynamically. With low natural gas sales margins more attention has to be paid to customers' credit monitoring and obtaining guarantee instruments.

All commercial risks involved in the sale of natural gas are mitigated to the highest extent possible by matching purchase and sales agreements or terms and conditions, and through the use of storage facilities. A wide range of supply sources, both long- and short-term, is also very useful in mitigating these risks.

The Geoplin Group responds to the changes in market conditions and heightened competition by optimising its supply, transport and sales contracts, introducing customer-tailored natural gas products and providing comprehensive energy solutions. With new sales products and services the Geoplin Group will continue to invest maximum effort to retain its existing customers.

The development of energy services brings new technical and financial risks associated with ensuring proper functioning of CHP and other plants, and their economic performance. Proper functioning and protection against potential malfunctions are ensured through relevant maintenance agreements and an insurance company. To some extent, achievement of required operating hours and in turn adequate performance depends on proper technical functioning and the selection of suitable input parameters. The subsidy scheme represents the highest uncertainty, in particular in view of the level of allocated operational support and new calls for tenders, as well as in view of its long-term financing viability.

Achieving energy savings with consumers is a financial risk associated with the level of specific cost of saving per megawatt hour. This requires intensive presence with consumers and identifying relevant projects or recognising co-investment opportunities. In case of failure to achieve required savings suppliers are obligated to pay a high price to the Eco Fund for these savings.

The possibility of individual distributors deciding to start trading natural gas is a potentially high risk in the Slovenian and Croatian market. Should such a scenario materialise the Geoplin Group will have to increase its sales activities aimed at small business customers.

With tightening competition in the Slovenian natural gas market and limited possibilities for further sales growth in this market, the Group increased natural gas sales activities in international markets. Expansion opportunities here are considerably better, but they also bring additional risks that must be mitigated through our operations, the most significant being credit, operational and regulatory risks. In such cases we closely cooperate with insurance companies, banks and foreign business partners.

At the moment, natural gas is competitive to alternative fuels in the market. The possibility of certain large industrial customers switching to light fuel oil is small due to technological and environmental restrictions. In the long term, natural gas prices in the household segment are lower than fuel oil prices and consequently have a comparatively positive impact on consumption. In mass consumption, relatively high fossil fuel prices drive interest in other fuels, in particular wood and subsidized fuels such as biomass and/or heat pumps. In cities with regulated distribution of natural gas the use of the latter is currently very small and limited to areas without natural gas, so it does not pose a significant threat to the Geoplin Group's activities.

The regulatory requirement to ensure reliable supply for specific users does not represent a significant risk in its present form. Risks deriving from possible overhauls, construction or other interventions in the Slovenian gas transmission system are minimised through prior coordination of activities. The independent operator ensures immediate response to any irregularities in the Slovenian transmission system and their elimination, so the impact of extraordinary events is minimised.

The Geoplin Group buys natural gas based on non-current agreements and other contracts covering in particular spot natural gas supply in European gas hubs. Due to the nature of non-current contracts the risks arising from the reliability of natural gas supply through non-current contracts to the Slovenian border and further to Croatia are low, and are mainly associated with the availability of transport routes to the Slovenian border. The options of natural gas supply to Croatia are additionally diversified also with the possibility to supply natural gas to this market through Hungary, and since recently also by using the Krk LNG terminal. There is some degree of risk associated with the supply of natural gas from Russia, where geopolitical conflicts may lead to temporary or more permanent interruptions in natural gas transit via Ukraine. The Group manages natural gas supply risks by utilising the flexibility of leased gas storage facilities and transport routes, with systematic diversification of its purchase portfolio and additional back-up purchase agreements. The Group leased natural gas storage facilities in Croatia (in addition to storage in Austria) to protect its portfolio in the country.

The risks associated with the supply of natural gas purchased based on current contracts in Baumgarten gas hub, at the Austrian VTP or Hungarian virtual point MGP, are subject to market operation and liquidity. In ordinary conditions, the liquidity of both hubs is sufficient for the Group's requirements and poses virtually no risks, but some degree of risk still exists as both hubs largely depend on natural gas supply from Russia and less on other supply sources. The Geoplin Group has established business contacts with major European natural gas traders, which is the basis for adequate diversification of supply sources.

In addition to quantity risks, purchase and sales activities involve price risks, which the Group manages by integrating the same mechanisms of price conversion to purchase as well as sales agreements, and by locking in purchase prices.

1. 8. 3. Financial risks

Risk area	Description of risks	Risk management	Risk impact
Liquidity	Possible shortage of liquid assets to cover operating and financial liabilities	Cash flow planning and matching, day-to-day management of receivables, diversification of investment, open short-term credit lines	low
Credit risk	Default risk	Day-to-day monitoring of customers' credit discipline, compliance with internal rules, customer credit checks, setting credit limits for customers and business partners, different tools to protect against credit risk (insurance policies, deposits, directly enforceable collaterals, inventories and similar instruments)	moderate
Interest rate risk	An increase in interest rates	Low debt ratio	low
Currency risk	Unfavorable moves in exchange rates	A small share of foreign currency transactions, use of derivatives (forwards), the HRK rate is protected by the parent company	low
Price risk – in pricing	Possible financial loss when setting prices for fixed-price customers	Day-to-day monitoring of open positions under this item, internal instructions, monitoring of positions in committees, coordination within Group services and companies	low

Financial risk management is especially important because these risks can quickly have a material impact on the Group's operations. A lot of effort was invested in managing financial risks also in 2020, especially with a view to preparing for the threats posed by the pandemic. We ensured additional liquidity, careful checks of our business partners' lines of credit, adequate collaterals and management of the entire portfolio.

The Group consistently identifies price risks, and monitors and properly protects major positions through management. The monitoring of such transactions is prescribed also by the adopted internal rules.

The Group's exposure to currency risk is low as it conducts most of its business in euros. Transactions in other currencies are planned and protected through derivatives. The Group's highest exposure is to the HRK exchange rate, which the parent company protects with forward contracts.

Solvency risk is managed through cash flow planning and management. The Group also has credit lines that allow it to ensure additional liquidity, if necessary.

Short-term cash surpluses are deployed in the short-term, in line with the dynamics of sales, purchase and inventories. As part of the Petrol Group we manage liquidity primarily through cash-pooling within the Petrol Group.

A certain degree of risk comes also from solvency risk manifested as delayed payments by liquidity-poor customers, who can only pay their obligations in instalments. Payment discipline is tracked daily. In line with internal rules we check customers' credit rating, and require additional guarantees and collateral for defaults, with termination of supply as a measure of last resort. To mitigate these risks the Group also insures its accounts receivable.

In case of mark-to-market (MTM) exposure to fixed-price customers we introduced so called margin calls to protect the position.

The Group's financial debt is minimal and the Group's exposure to interest rate risk on the liability side is therefore limited. The downward trend in interest rates is expected to continue, which will affect the returns in the short-term deposits segment.

1. 8. 4. Human resources risk

Risk area	Description of risks	Risk management	Risk impact
Human resources risk	Key staff leaving, shortage of professionally qualified employees, small number of employees, losing employees to competitors	Motivating employees for training and education, internal communication, employee information, remuneration, regular quarterly and annual interviews	moderate

Due to its low headcount and specific knowledge requirements, the Group is also exposed to human resources risks. These are mainly associated with the loss of key personnel and the lack of specific expertise in new recruits. The demand for personnel with specific knowledge and skills is growing as competition on the natural gas market intensifies. The risk is being mitigated by providing and promoting continuous learning and training, through in-house communication and information, and by having in place an annual interview system. Employees' health and safety at work is continuously monitored through employee medical check-ups and workplace inspections.

1. 8. 5. Systemic and operational risks

Risk area	Description of risks	Risk management	Risk impact
ICT infrastructure	Obsolete ICT infrastructure, third-party intrusion into our IT system, disruptions in ICT infrastructure operation, inappropriate business monitoring system	Regular monitoring and control over the ICT system, use of modern software and hardware, regular technical and security checks, software upgrade, introduction of new software for improved traceability of operations, cooperation with external providers	low
Operational risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	Rules defining the procedure of specific processes, education and training of employees, verification of transactions and registrations at multiple levels	moderate

By regularly monitoring and supervising the ICT infrastructure and by using modern software and technical equipment the ICT Department ensures its uninterrupted operation and full availability. The Group responds to various information and technological risks by regularly following up on technological developments, especially in security systems, and with regular technical check-ups and tests, and thus additionally verifies the adequacy and security of the existing ICT infrastructure. The Group mitigates potential risks or keeps them at an acceptable level with regular software updates and the planned replacement of the existing hardware with current, up-to-date technology as well as with relevant technical warranty servicing. With the above-mentioned preventive measures the ICT department ensures uninterrupted operation of all key business systems and thus maintains their availability at the highest level possible.

The Group is introducing a new ETRM system, which will provide for an even better overview of operations and reduce the likelihood of operational errors. The system is being developed in cooperation with the majority owner, where such an ETRM system is already in place. This will considerably reduce the risks associated with the introduction of the new system. The Croatian subsidiary is also setting up an ETRM system, which will be as similar to the one used by the parent company as possible.

1.9. SUSTAINABLE DEVELOPMENT

Due to the nature of its business, the Geoplin Group focuses its sustainable development efforts on environmental management and social responsibility. The Group's key sustainable development priority is on the promotion of natural gas as the most environmentally acceptable fossil fuel that reduces the burden on the natural environment.

The Geoplin Group's objective in terms of quality and social responsibility is to respect the interests of all stakeholders with which the Group engages in the course of its operations: owners, business partners, employees, the expert public, media, the environment and local communities. Through prudent operations, a reliable supply of natural gas and a socially-responsible approach, the Geoplin Group creates benefits and contributes to a better wider environment. Activities relating to the quality of operations are aimed at improving business processes and reducing their impact on the environment, taking into account the principles of the Group's environmental policy.

1. 9. 1. Human resources

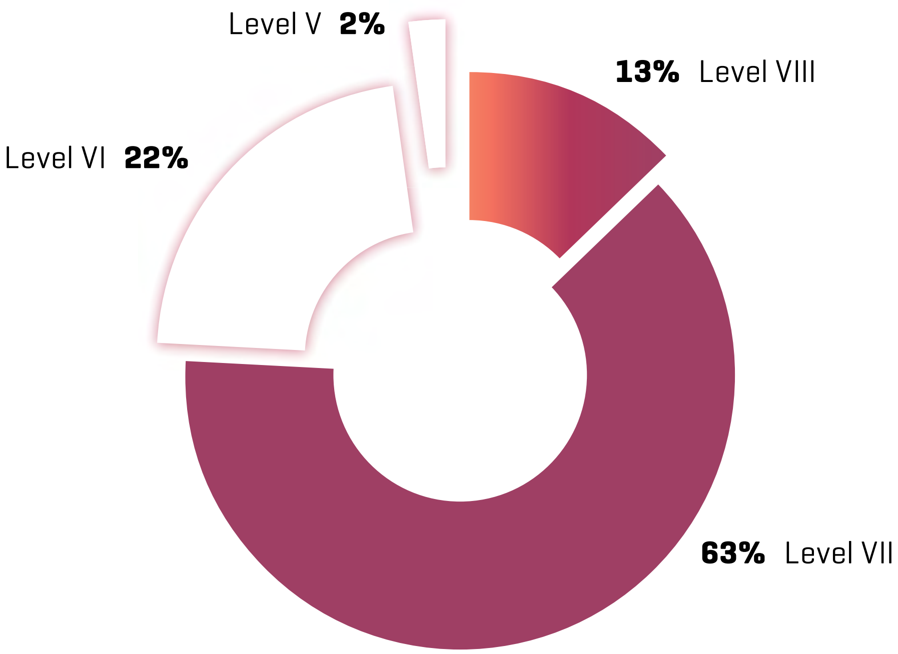
As at 31 December 2020, the Geoplin Group had 46 employees. The Group employs highly educated and qualified professionals with specific skills required by its activities, and builds their level of professional proficiency every year through additional training.

The Group endeavours to provide optimum work conditions for its employees and has prepared workplace risk assessments for each position. We regularly examine work equipment and the workplace environment, taking into account the risk of injury or ill health. To raise awareness we organise theoretical and practical refresher training for safety at work and periodic preventive medical examinations for our employees.

Our employees are professional, committed to their work, and possess a high level of expertise, initiative and drive. Employee training, recruitment of staff trained in specific skills, and concern for the health and safety of our employees are the key priorities of human resource management, which we continue to develop. Our added value is interdisciplinarity, which facilitates our development based on the latest expertise and technologies. We encourage independent thought and a culture of responsibility among our employees, and facilitate active employee participation in Group management through work council representatives and the employee representative in the supervisory board.

Special attention is paid to key staff who play an important role in achieving the goals set; we expand accountability and encourage them to take on new responsibilities. Together with other motivational measures we foster their loyalty and decrease turnover risk.

Employees by level of education



The educational profile of the Group's workforce is very high, with university graduates prevailing. At the end of 2020, as many as 97.8% of Group employees held a college or higher degree. Women constituted 37% of employees. The average age of employees was 43.

As a group with a strong diversity policy the Geoplin Group has established a system of rules ensuring equal opportunities based on the following premises: the enforcement of legislation (satisfying statutory regulations in the field of human rights protection and labour legislation), respect for ethical principles such as honesty and fairness, the pursuit of diversity objectives, such as investing in employees and equal opportunities, prevention of discrimination, adjustment to demographic trends, and maximising of employee potential and promotion of diversity, all of which contributes both to the success of individual employees and the organisation as a whole.

1. 9. 2. Environmental performance

The Geoplin Group is aware that environmental management is an ongoing process that requires us to conform to ever new legislative requirements and changes in the environment. The Group's environmental policy and objectives are primarily aimed at reducing the environmental impact through the reduction of emissions into the atmosphere, waste management, improved water use efficiency and other targeted environmental activities. In 2020, the Group emphasised the benefits of natural gas as an environmentally friendly energy source also in the scope of corporate communications.

Natural gas is an environmentally friendly fuel. It is green energy and the cleanest fossil fuel, since it generates substantially lower CO_2 emissions during combustion compared to other fossil fuels, and contributes to lower greenhouse gas emissions. Natural gas has a number of environmental advantages over other fossil fuels:

- it contains fewer impurities, such as sulphur, nitrogen and dust particles; methane, which is the main component of natural gas, is a carbohydrate with the lowest carbon content; the combustion of natural gas emits 25% less CO_2 than fuel oil, and close to 45% less than coal;
- environmentally friendly transmission via underground pipelines;
- natural gas production does not involve a complex refining process.

Through the diversification of its energy-related activities, the Group promotes energy efficiency and renewable energy sources, aware of their advantages for both consumers and the environment. Aware of the importance of sustainable energy use the Group promotes the measures aimed at ensuring energy savings and increased energy efficiency, in particular with final consumers of natural gas. In accordance with its mission, the Group has developed an array of energy services that allow its partners to monitor, report and analyse trends in energy consumption, plan organisational and investment measures to reduce energy consumption, and carry out and finance relevant projects.

1. 9. 3. Social responsibility

The Geoplin Group's sustainable development and social responsibility efforts were aimed also at reinforcing the Group's positive image in Slovenia and the region, and exercising its ongoing commitment to contributing to the development and wellbeing of the local environment.

In accordance with the adopted annual communication plan the Geoplin Group's sponsorship and donation strategy is balanced and diversified, supporting various sports events, professional athletes, cultural and artistic events, and professional conferences. The selection of sponsorship and donation recipients takes into account media coverage, outstanding results, events focused on knowledge exchange in energy, and more specifically gas area, whereas charity donations depend on the most pressing needs of people and the environment at a given moment.

1.10. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In the statement of financial position as at 1 January 2021 the Group recognised, based on a written contract and the taking over protocol of 1 January 2021, an ongoing investment (land and a commercial building) totalling EUR 2,025,267. The consideration was paid in full. There were no significant events after the end of the reporting period that would affect the Group's financial statements for 2020.

The COVID-19 epidemic is still ongoing after the end of the reporting period, and its course and duration are still unknown as the annual report is being compiled, mainly on account of new variants of the coronavirus and delays in deliveries of COVID-19 vaccines. At the outbreak of the COVID-19 epidemic the Group identified risks for the transmission of infectious diseases, promptly digitised processes, adapted working conditions to ensure social distancing and use of protective equipment, and introduced a two-shift remote work model in order to prevent spreading of the infectious disease. With these measures we protected the health of our employees and other stakeholders, and ensured the continuity of the Group's operations. Based on the currently available data and results achieved in 2020 the Group does not expect events and circumstances to have a significant effect on the operations and existence of Group companies in 2021, nor does it expect them to have an impact on the assets and liabilities reported in the statement of the financial position on the reporting date.

2

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

The summary of consolidated financial statements comprises a summary of information from the financial section of the audited consolidated annual report of the Geoplin Group, which was approved by the Management Board on 19 May 2021. The audited consolidated annual report of the Geoplin Group is available at the registered office of the Geoplin Group.

2.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position of Geoplin Group as at 31 December

in EUR

	Notes	As at 31/12/2020	As at (unaudited) 31/12/2019
Assets		221,448,302	201,746,076
A. Non-current assets		42,127,845	59,695,542
I. INTANGIBLE ASSETS		**884,688**	**848,064**
Property rights		218,181	302,454
Intangible assets under development		666,507	545,610
II. TANGIBLE FIXED ASSETS		**3,560,215**	**4,163,750**
Land		600,701	600,701
Buildings		843,322	1,015,133
Plant and other equipment		1,900,599	2,295,463
Right of use assets		163,982	235,682
Ongoing investments		51,611	16,771
III. NON-CURRENT FINANCIAL ASSETS		**35,838,409**	**53,025,374**
IV. DEFERRED TAX ASSETS		**1,844,533**	**1,658,354**
B. Current assets		179,320,457	142,050,534
I. INVENTORIES	**2.8.1**	**80,800,277**	**20,670,941**
Merchandise		58,358,535	17,085,766
Advance payments for inventories		22,441,742	3,585,175
II. CURRENT FINANCIAL ASSETS		**1,958,033**	**8,976,046**
Loans granted		1,958,030	8,972,730
Other current financial assets		4	3,316
III. OPERATING RECEIVABLES	**2.8.2**	**89,913,027**	**110,604,054**
Trade receivables		68,413,709	64,725,613
Corporate income tax assets		0	6,704
Other current assets		21,499,318	45,871,738
IV. CASH AND CASH EQUIVALENTS		**6,649,120**	**1,799,493**

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

	Notes	As at 31/12/2020	As at (unaudited) 31/12/2019
			in EUR
Equity and liabilities		221,448,302	201,746,076
A. Equity		137,842,378	127,421,305
I. Called-up capital		29,583,473	29,583,473
II. Capital reserves		75,010,673	75,010,673
III. Profit reserves		20,036,697	12,643,897
IV. Capital revaluation adjustment		92,215	89,330
V. Fair value reserve		1,160,999	1,404,809
VI. Retained earnings		0	0
VII. Net profit for the period		11,958,320	8,689,123
Non-current and current liabilities total		**83,605,924**	**74,324,771**
B. Non-current liabilities		12,580,605	16,064,076
I. PROVISIONS	2.8.4	12,418,545	15,831,375
Provisions for severance pay		48,106	48,106
Provisions for jubilee awards		22,091	23,870
Other provisions		12,348,348	15,759,399
II. NON-CURRENT OPERATING LIABILITIES		41,442	71,953
III. NON-CURRENT FINANCIAL LIABILITIES		120,617	160,748
C. Current liabilities	2.8.5	71,025,319	58,260,695
I. CURRENT FINANCIAL LIABILITIES		15,041,656	1,546
II. CURRENT OPERATING LIABILITIES		55,983,663	58,259,149
Trade payables		40,748,261	46,165,536
Corporate income tax liabilities		3,331,791	1,607,061
Contract liabilities		4,321,891	464,220
Other current operating liabilities		7,581,719	10,022,331

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

2.2. CONSOLIDATED PROFIT AND LOSS STATEMENT

Consolidated profit and loss statement of Geoplin Group for the financial year from 1/1 through 31/12

in EUR

		2020	2019 (unaudited)
1.	**Sales revenue**	390,158,716	397,376,489
2.	**Cost of goods sold**	360,663,964	384,387,001
	Costs of materials and services	3,429,908	2,449,146
	Labour costs	3,021,832	2,805,788
	Depreciation and amortisation	849,090	822,238
	Other costs	206,288	176,858
3.	**Operating costs**	7,507,118	6,254,029
	Other revenues	3,722,944	3,112,758
	Other expenses	7,403,292	74,754
	Impairment of receivables	2,094,336	7,826
4.	**Operating income**	16,212,950	9,765,637
	Financial revenue	707,319	1,044,860
	Financial expenses	543,329	223,860
5.	**Financial result**	163,990	821,001
6.	**Earnings before taxes**	16,376,940	10,586,638
	Tax expense	4,547,609	1,608,696
	Deferred taxes	-128,989	288,819
7.	**Corporate income tax and deffered tax**	4,418,620	1,897,515
8.	**Net profit for the period**	11,958,320	8,689,123
	Net profit for the period attributable to:		
	owners of the controlling company	*11,958,320*	*8,689,123*
	non-controlling interests	*8,885,032*	*6,456,018*

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

2.3. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated statement of other comp. income of Geoplin Group
for the financial year from 1/1 through 31/12

in EUR

		2020	2019 (unaudited)
1.	**Net profit for the period**	11,958,320	8,689,119
2.	**Items to be recognised in the profit or loss statement in the future**	-243,810	-154,133
	Change in reserve due to fair value valuation	-301,000	-190,288
	Change in deferred taxes	57,190	36,155
3.	**Items not to be recognised in the profit or loss statement in the future**	0	0
	Unrealised actuarial gains and losses	0	0
	Total other comprehensive income for the report. period	**11,714,510**	**8,534,986**
	Of which:		
	owners of non-controlling company's equity (Geoplin Group)	*11,714,510*	*8,534,986*
	non-controlling interests (Petrol Group)	*8,703,881*	*6,341,494*

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

2.4. CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement of the Geoplin Group for the financial years 2020 and 2019

in EUR

		2020	2019 (unaudited)
A.	**Cash flows from operating activities**		
a.	**Net profit or loss**	**11,958,320**	**8,689,123**
b.	**Adjustment for:**	**10,914,394**	**245,374**
	corporate income tax	4,418,620	1,897,515
	depreciation and amortisation (+)	778,334	765,211
	operating revenues from revaluation	-168,159	-171,308
	operating expenses from revaluation	279	651
	financial income excl. fin. income from operating receivables	-427,777	-909,117
	financial expenses excl. fin. expenses from operating liabilities	39,949	20,256
	other income and expense adjustments	6,303,111	-925,430
	other adjustments to operating items of the statement of financial position	-29,963	-432,404
c.	**Changes in net operating current assets (and deferred and accrued items, provisions and deferred tax assets and liabilities) of operating items of the statement of financial position**	**-55,876,499**	**-20,162,845**
	Opening less closing operating receivables	5,631,635	4,816,162
	Opening less closing deferred costs and accrued revenue	7,342,521	-15,334,058
	Opening less closing deferred tax assets	-186,179	252,665
	Opening less closing assets (disposal groups) held for sale	0	0
	Opening less closing inventories	-60,129,336	-29,033,890
	Closing less opening operating liabilities	134,616	21,840,479
	Closing less opening accrued costs and deferred revenue, and provisions	-5,853,442	-2,696,403
	Closing less opening deferred tax liabilities	0	0
	Cash disbursements for corporate income tax	-2,816,313	-7,800
d.	**Positive/negative operating cash flow (a+b+c)**	**-33,003,785**	**-11,228,348**

B.	**Cash flows from investing activities**		
	a. Receipts from investing activities	**56,154,025**	**79,311,796**
	Receipts from participation in the profit of others related to investing activities	110,000	281,802
	Receipts from interest	313,809	627,349
	Receipts from disposal of tangible fixed assets	7,545	30,970
	Receipts from disposal of financial assets	55,722,672	78,371,675
	b. Cash disbursements in investing activities	**-32,017,502**	**-74,451,520**
	Disbursements for acquisition of intangible assets	-72,169	-63,548
	Disbursements for acquisition of tangible fixed assets	-88,761	-499,436
	Disbursements for acquisition of financial assets	-31,856,573	-73,888,537
	c. Positive cash flow from investing activities (a+b)	**24,136,526**	**4,860,276**
C.	**Cash flows from financing activities**		
	a. Receipts from financing activities	**57,064,163**	**217,044**
	Cash proceeds from increase in financial liabilities	57,064,163	217,044
	b. Cash disbursements in financing activities	**-43,347,273**	**-1,805,030**
	Interest paid	-39,949	-20,256
	Dividends and other profit participations paid	-1,290,060	-1,018,469
	Repayment of financial liabilities	-42,001,805	-761,667
	Repayment of principal on leases	-15,458	-4,638
	c. Negative cash flow in financing activities (a + b)	**13,716,890**	**-1,587,986**
D.	**Closing balance of cash**	**6,649,120**	**1,799,493**
	x. Net increase/decrease in cash for the period (Ad + Bc + Cc)	**4,849,628**	**-7,956,058**
	y. Opening balance of cash	**1,799,493**	**9,755,552**

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

2.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity of Geoplin Group in **2020**

in EUR	Share capital	Capital reserves	Profit reserves other	Capital revaluation adjustment	Fair value reserves	Retained earnings	Net profit/ loss for the period	**TOTAL EQUITY**
A.1. Closing balance of the previous reporting period	29,583,473	75,010,673	12,643,897	89,330	1,404,809	0	8,689,123	**127,421,305**
A.2. Opening balance of the reporting period	29,583,473	75,010,673	12,643,897	89,330	1,404,809	8,689,123	0	**127,421,305**
B.1. Changes in equity – transactions with owners						-1,290,060		**-1,290,060**
a. Profit sharing payments						-1,290,060		**-1,290,060**
B.2. Total comprehensive income for the reporting period				2,886	-243,810		11,958,320	**11,717,396**
a. Net profit/loss for the reporting period							11,958,320	**11,958,320**
b. Change in revaluation reserve								
c. Change in reserve due to fair value revaluation					-243,810			**-243,810**
d. Change in capital revaluation adjustment				2,886				**2,886**
B.3. Changes in equity			7,392,800			-7,399,062		**-6,262**
a. Alloc. of part of the net prof. of prev. rep. per. to other eq. comp.			7,392,800			-7,399,062		**-6,262**
C. Closing balance for the period	**29,583,473**	**75,010,673**	**20,036,697**	**92,216**	**1,160,999**	**0**	**11,958,320**	**137,842,378**

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

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Consolidated statement of changes in equity of Geoplin Group in **2019**

in EUR		Share capital	Capital reserves	Profit reserves – other	Capital revaluation adjustment	Fair value reserves	Retained earnings	Net profit/loss for the period	**TOTAL EQUITY**
A.1.	**Closing balance of the previous reporting period**	29,583,473	75,010,673	3,290,116	95,593	1,558,942	8,628,683	1,743,569	**119,911,049**
A.2.	**Opening balance of the reporting period**	29,583,473	75,010,673	3,290,116	95,593	1,558,942	8,628,683	1,743,569	**119,911,049**
B.1.	**Changes in equit-transactions with owners**						-1,018,469		**-1,018,469**
a.	Profit sharing payments						-1,018,469		**-1,018,469**
B.2.	**Total comprehensive income for the reporting period**				-6,263	-154,133		8,689,123	**8,528,727**
a.	Net profit/loss for the reporting period							8,689,123	**8,689,123**
b.	Change in revaluation reserve								**0**
c.	Change in reserve due to fair value revaluation					-154,133			**-154,133**
d.	Change in capital revaluation adjustment				-6,263				**-6,263**
B.3.	**Changes in equity**			9,353,781			-7,610,214	-1,743,569	**0**
a.	Alloc. of part of the net prof. of prev. rep. per. to other eq. comp.			9,353,781			-7,610,214	-1,743,569	**0**
C.	**Closing balance for the period**	**29,583,473**	**75,010,673**	**12,643,897**	**89,330**	**1,404,809**	**0**	**8,689,123**	**127,421,305**

These notes form an integral part of and should be read in conjunction with the consolidated financial statements.

2.6. STATEMENT OF COMPLIANCE

2.6.1. Statement of Compliance

The management board of the Geoplin Group approved the consolidated financial statements on 19 May 2021.

The consolidated financial statements of the Geoplin Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, along with the interpretations adopted by the International Financial Reporting Interpretations Committee and by the European Union, and in accordance with the provisions of the Companies Act (ZGD-1).

The financial statements that served as the basis for the consolidated financial statements as at 31 December 2019 were audited, namely by the auditing firm Ernst & Young d.o.o. Ljubljana for Geoplin d.o.o. Ljubljana, and by UHY RUDAN d.o.o. for the Croatian company Geoplin d.o.o.

They were compiled under the assumptions of the accrual basis and going concern, and provide understandable, relevant, reliable and comparable information.

The basic accounting policies, the evaluation of individual items in the financial statements and the structure of the financial statements are defined in the Accounting Rules of the Geoplin Group, which are summarised below.

All receivables, liabilities, revenues, expenditure and other economic categories expressed in a foreign currency are converted to the domestic currency upon accrual and at the end-of-year balance in accordance with the reference rate of the European Central Bank as at the balance sheet date.

2.6.2. Newly adopted standards and interpretations

The accounting policies used in compiling the Group's financial statements are the same as those used for the financial statements for the previous financial year. Exceptions consist in the newly adopted or amended standards and interpretations that apply for annual periods beginning on 1 January 2020 or later and are presented below.

Conceptual Framework in IFRS standards

The International Accounting Standards Board (IASB) issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework it is effective for annual periods beginning on or after 1 January 2020. .

IFRS 3: Business combinations (amendments)

The IASB issued "Definition of a Business (Amendments to IFRS 3)" aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. The management assessed that the amendments to this standard did not lead to significant changes in the Geoplin Group's financial statements.

IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors: Definition of "material" (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The Amendments clarify the definition of "material" and how it should be applied. The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of "material" is consistent across all IFRS Standards. The management assessed that the amendments to this standard did not lead to significant changes in the Geoplin Group's financial statements.

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the International Accounting Standards Board (IASB) finalised its response to the reform of inter-bank offered rates (IBOR) and its effects on financial reporting by issuing Amendments to IFRS 9, IAS 39 and IFRS 7. The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary relief applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enables hedge accounting to continue during the period of uncertainty before the existing interest rate benchmark is replaced with an alternative nearly risk-free interest rate. Amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The Amendments are effective for annual periods beginning on or after 1 January 2020 and are to be applied retrospectively. In Phase 2 of the project (draft) the Board will deal with issues that might affect financial reporting in the period when an existing interest rate benchmark is replaced with an alternative risk-free rate. The management assessed that the amendments to these standards did not lead to significant changes in the Geoplin Group's financial statements.

2. 6. 3. Standards not yet effective that the Group did not adopt prior to their effective date

Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures: Sale or contribution of assets between an investor and its associate or joint venture

The amendments address an acknowledged inconsistency between the requirements of IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the International Accounting Standards Board postponed the effective date of this amendment indefinitely pending the outcome of its research on the equity method of accounting. These Amendments have not yet been endorsed by the EU.

IAS 1 Presentation of financial statements: Classification of Liabilities as Current or Non-Current (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted. In response to the COVID-19 pandemic, the IASB provided entities with more time to implement any classification changes resulting from the amendments to the standard by deferring the effective date by one year to annual reporting periods beginning on or after 1 January 2023. The amendments are used to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position, but do not change existing requirements related to the measurement or timing of recognition of any asset, liability, income or expenses, or the information disclosed about these items. Also, the amendments clarify the classification requirements for debt a company might settle by converting it into equity. These Amendments have not yet been endorsed by the EU.

IFRS 3 Business combinations; IAS 16 Property Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual Improvements 2018–2020 (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The IASB published the following limited amendments to the IFRS standards:

- Amendments to IFRS 3 Business Combinations aim to update the reference in IFRS 3 to the revised Conceptual Framework for Financial Reporting without changing its requirements in accounting for business combinations.
- IAS 16 Property Plant and Equipment (amendments). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company recognises such sales proceeds and related costs in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments). Amendments define costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- Annual Improvements 2018–2020 bring several minor amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 9 – Financial Instruments, IAS 41 – Agriculture, and Illustrative Examples accompanying IFRS 16 – Leases.

These Amendments have not yet been endorsed by the EU.

IFRS 16 Leases – COVID-19-Related Rent Concessions (amendments)

The Amendments are effective for annual periods beginning on or after 1 June 2020 and are to be applied retrospectively. The amendments aim to simplify how a lessee applies IFRS 16 in accounting for rent concessions that are a direct consequence of the COVID-19 pandemic. The amendments add a practical expedient that allows a lessee not to assess whether COVID-19-related rent concessions are lease modifications, instead accounting for them the same way as it would account for the change applying IFRS 16 if the change were not a lease modification, provided that all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021;
- there is no substantive change to other terms and conditions of the lease.

The management assessed that the amendments to this standard did not lead to significant changes in the Geoplin Group's financial statements.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB published the results of the Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, and thus finalised its IBOR reform project. The amendments offer a temporary relief in reporting the effects of replacing interbank offered rates (IBORs) with alternative risk-free rates (RFRs) on financial accounting. The amendments offer entities a practical expedient in accounting for modifications in the basis for determining contractual cash flows of financial assets and liabilities by updating the effective interest rate to reflect the change in the interest rate benchmark. The amendments also offer relief from discontinuing hedging relationships, including a temporary relief from the interest rate benchmark designated as a hedged item having to meet the separately identifiable requirement. The amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. Amendments to IFRS 7 Financial Instruments: Disclosures require a company to make relevant disclosures to enable users of financial statements to understand the effect of the interest rate benchmark reform on its financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021. Early application is permitted. The amendments must be applied retrospectively, but restatement of prior periods is not required. The management assessed that the amendments to this standard did not lead to significant changes in the Geoplin Group's financial statements.

The Group believes that the adoption of these new standards and amendments to the existing ones will not have a significant impact on its financial statements in the period of initial application.

2.7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies discloses selected accounting policies identified by the management as significant for understanding the summary of the consolidated financial statements as well as policies governing items containing significant assessments and disclosures relating to the items subject to amendments to the International Financial Reporting Standards as adopted by the EU.

Financial assets

Financial assets comprise cash, short-term deposits, financial assets at fair value through other comprehensive income, trade receivables, loans and other receivables.

Financial assets and financial liabilities are offset and net basis is disclosed in the balance sheet when, and only when, an entity has a legally enforceable right of set-off and intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously.

Liabilities and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the asset. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less impairment loss.

Cash is initially recognised in the amount recorded in the underlying documents after their nature has been verified. Cash denominated in a foreign currency is translated into the domestic currency at the exchange rate applicable on the date of receipt.

The balance of cash denominated in a foreign currency is converted into the national currency on the date of the financial statement using the reference exchange rate of the European Central Bank. Exchange rate differences arising due to the conversion increase either financial revenue or financial expenses.

Financial assets at fair value through other comprehensive income that have the nature of a debt instrument are the financial assets held by the company in a business model whose objective is achieved by both collecting contractual cash flows, which are solely payments of principal and interest on the principal amount outstanding, and by selling financial assets. After initial recognition such investments are measured at fair value increased by associated transaction costs. The Geoplin Group conducts an annual impairment review and does not record insignificant impairments in its financial statements.

The Geoplin Group holds debt instruments at fair value through other comprehensive income, including quoted bonds, which are recognised under long-term financial assets.

Financial assets at fair value through other comprehensive income that have the nature of an equity instrument are those financial assets that meet the definition of own equity under IAS 32 Financial Instruments, and for which the company elected to classify them irrevocably as equity instruments designated at fair value through other comprehensive income, and are not held for trading.

Fair value changes and exchange gains and losses on financial instruments at fair value through other comprehensive income that have the nature of an equity instrument are recognised in other comprehensive income under equity or fair value reserve, except for profit-sharing payments. The effect of disposal of such a financial instrument will be recorded under retained earnings. Upon derecognition of equity at fair value through other comprehensive income the cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings and are never recycled from equity to profit or loss. When a debt financial asset measured at fair value through other comprehensive income is derecognised, the cumulative gains and losses are reclassified to profit or loss.

Inventories

The Geoplin Group only keeps inventories of merchandise. The inventory of merchandise consists of natural gas held in leased storage facilities abroad.

The value of natural gas in inventory is determined based on the average cost, which is calculated based on average price of initial inventory and average cost of supplies in the current year.

The actual cost is the purchase price of natural gas and direct acquisition costs (transport, storage and other acquisition costs until the goods are released for free circulation) excluding duty (eco tax, excise duty) and costs (carrier, network charge) incurred when the merchandise is released for free circulation.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of sale. The Geoplin Group verifies net realisable value of inventories on the date of the statement of financial position. If the net realizable value is less than the carrying amount, inventories are impaired.

Provisions

Provisions are recognised for present obligations arising from obligating past events that can be estimated reliably and will be settled in an unspecified period, and for losses expected on onerous contracts.

Provisions for onerous contracts are recognised when market conditions lead to a situation where the unavoidable costs of meeting the obligations under the long-term contract exceed the economic benefits expected to be received under it.

Accordingly, the amount of long-term provisions is calculated based on estimated economic benefits and service costs from long-term contracts for lease of capacities and storage agreements with consideration of used cross-zonal capacity. Provisions are carried as the difference between the contract price and its mark-to-market value. Current market value is determined based on the realised value, and estimated value for future years of contracts is based on the probable trend of future market prices. The difference between the estimated market value and contract value is discounted at the discount rate based on the data on the yield of Slovenian government bonds maturing in the year of expiry of long-term contracts.

Liabilities

Liabilities are non-current and current, financial and operating. After initial recognition they are measured at amortised cost using the effective interest rate method.

Liabilities are initially reported in the amounts recorded in underlying documents, or at the value equal to the amount of cash or cash equivalents received. Subsequently they are measured at amortised cost and increased by accruing interest, if so agreed with the creditor. They are reduced by amounts paid and any other form of settlement agreed with the creditor.

Debts denominated in foreign currencies are translated into the national currency on the day of origination. Debts denominated in a foreign currency are translated on the balance sheet date using the middle exchange rate of the European Central Bank. Resulting exchange differences are classified under operating expenses or revenues.

Statement of cash flows

The statemen of cash flows has been compiled based on data from the profit and loss account for the period 1/1/2020 to 31/12/2020 and 1/1/2019 to 31/12/2019, data from the statement of financial position as at 31/12/2020, 31/12/2019, 1/1/2019 and other required information.

2.8. SUMMARY OF NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The summary discloses the notes shaped by significant assessments and disclosures relating to the items subject to amendments to the International Financial Reporting Standards as adopted by the EU.

2.8.1. Inventories

in EUR

	As at 31/12/2020	As at 31/12/2019
Merchandise	58,358,535	17,085,766
Advance payments for merchandise	22,441,742	3,585,176
Total	80,800,277	20,670,941

The Geoplin Group has leased storage capacities in Austria, Ukraine and Croatia. The volume of inventories in storage is subject to the dynamics in the price situation and efforts to achieve optimum sales conditions. Advance payments for merchandise are reported based on the contractual provision which stipulates that by the end of the year uncollected natural gas volumes are to be recognised as a liability falling due within 30 days after the expiry of a financial year. Uncollected natural gas volumes so recognised must be collected within three years.

For inventories whose net realisable value, i.e. the estimated selling price in the ordinary course of business less the estimated cost of sale, is lower than the carrying amount, the Geoplin Group recognised inventory revaluation of EUR 7,331,973. Revaluation took into account market prices on the date of compilation of financial statements.

The inventory count revealed no excess or shortage of merchandise. No part of the Geoplin Group's inventory is pledged as collateral for the Group's obligations.

2. 8. 2. Operating receivables

The table below shows the structure of operating receivables.

in EUR

	As at 31/12/2020	As at 31/12/2019
Trade receivables	68,413,709	64,725,613
Corporate income tax assets	0	6,704
Other current assets	21,499,318	45,871,738
Total	89,913,027	110,604,054

Changes in allowance for receivables

in EUR

	2020	2019
Allowance for receivables		
Opening balance	2,511,665	2,651,912
Reduction (payments/write-offs)	-184,752	-148,073
Increase (additions)	2,113,559	7,826
Closing balance	4,440,472	2,511,665
Total	4,440,472	2,511,665

2.8.3. Credit risk

Credit risk is the risk of a counterparty failing to meet its contractual obligations or obligations arising from financial instruments. The Geoplin Group is exposed to credit risk from operations, in particular from trade receivables and financial receivables, mainly from loans granted and cash.

Credit risk concentration is not disclosed. The most noteworthy exposure is to the sovereign from government bonds. As at 31 December 2020 the Geoplin Group has no past due and unimpaired financial assets.

The table below shows maximum exposure to the Geoplin Group's credit risk, namely the worst case exposure of the Geoplin Group to credit risk as at 31 December 2020 and 31 December 2019.

in EUR

	31/12/2020	31/12/2019
Companies' interests	1,817,600	1,817,600
Companies' shares	1,956,500	2,257,500
Bonds	402,132	402,133
Non-current loans	28,207,721	45,089,887
Trade receivables	68,413,709	64,725,613
Current financial investments	1,958,033	8,976,045
Cash and cash equivalents	6,649,120	1,799,493

Up by 5.8% compared with 2019, trade receivables are the most exposed to credit risk as at the reporting date.

The Geoplin Group manages credit risk by insuring its receivables with Zavarovalnica Triglav insurance company, with financial collaterals and guarantees.

Trade receivables insurance

in EUR

	31/12/2020	31/12/2019
Gross trade receivables	72,854,181	67,237,278
Allowance	-4,440,472	-2511665
Net trade receivables	68,413,709	64,725,613
Past due trade receivables (gross)	5,770,085	4,335,991
Percentage of past due receivables in outstanding receivables	8%	7%
Insured trade receivables higher than EUR 100,000	47,074,300	46,882,299

Insurance includes all types of insurance and collaterals.

The receivable due from the largest customer as at 31 December 2020 totals EUR 11,302,476 (31 December 2019: EUR 9,985,766) and represents 16.5% of trade receivables in the Group (31 December 2019: 15.4%).

The majority of receivables are domestic and foreign trade receivables from the sale of natural gas. Customers are diversified, so there is no major exposure to individual customers.

2. 8. 4. Provisions

in EUR

	As at 31/12/2020	As at 31/12/2019
Provisions for severance pay	48,106	48,106
Provisions for jubilee awards	22,091	23,870
Other provisions	12,348,348	15,759,399
Closing balance	12,418,545	15,831,375

Tables below show changes in provisions.

in EUR

	As at 31/12/2020	Additions 2020	Reversals 2020	Uses 2020	As at 1/1/2020
Provisions for severance pay	48,106	0	0	0	48,106
Provisions for jubilee awards	22,091	0	0	1,779	23,870
Other provisions	12,348,348	0	3,411,051	0	15,759,399
Total	12,418,545	0	3,411,051	1,779	15,831,375

in EUR

	As at 31/12/2019	Additions 2019	Reversals 2019	Uses 2019	As at 1/1/2019
Provisions for severance pay	48,106	0	0	0	48,106
Provisions for jubilee awards	23,870	0	0	1,969	25,839
Other provisions	15,759,399	0	2,850,307	0	18,609,706
Total	15,831,375	0	2,850,307	1,969	18,683,650

In 2020, the Geoplin Group did not create new provisions for jubilee awards and severance pay upon retirement, as it employs the materiality principle when forming provisions. The actuarial calculation is made every three years, the last in 2018. The Croatian company Geoplin d.o.o. does not make provisions as it employs the materiality principle (the company has five employees). The actuary used the following assumptions in the actuarial report:

- Average salary increases in the Republic of Slovenia of 2.5% per year in 2019 and 2.5% per year in the following years, which represents the estimated long-term salary increase.
- The calculation takes into account increases in severance pay upon retirement and jubilee award as defined by the Decree on the tax treatment of reimbursement of costs and other income from employment in the amount reflecting the increase in average salary in the Republic of Slovenia in the preceding indent.
- Severance liabilities are calculated based on an employee's years of service.
- The selected discount rate is 2.31% per year, equal to the return on 15-year corporate bonds with high credit ratings in the euro zone at the end of November 2018.
- Employee turnover is assumed to be correlated with employees' age.
- Employee mortality is calculated based on life tables for the population of Slovenia in 2007.
- It is assumed that the present value of employer's liabilities for redundancies equals the present value of severance liabilities.
- For reasons of regular retirement the calculation takes into account years of completed service and years of future service as well as requirements for full age retirement.
- It is assumed that the employees will exercise their right to full age retirement and the employer will not be liable to pay jubilee awards, which are projected to be paid subsequently.

Sensitivity analysis for significant actuarial assumptions

in EUR

Item	Period	Assumption	Deviation	Long-term liabilities	Severance pay	Jub. awards
Obligation (DBO)	31/12/2018	Central scenario	0.00%	73,944.28	48,105.57	25,838.71
Obligation (DBO)	31/12/2018	Discount rate	-0.50%	78,723.31	51,653.93	27,069.38
Obligation (DBO)	31/12/2018	Discount Rate	0.50%	69,584.15	44,886.00	24,698.15
Obligation (DBO)	31/12/2018	Salary increase	-0.50%	69,571.42	44,876.67	24,694.75
Obligation (DBO)	31/12/2018	Salary increase	0.50%	78,689.77	51,628.97	27,060.80
Duration (DBO)	31/12/2018			12.6	14.4	9.4

No additional provisions were formed for onerous contracts for transport and storage capacity leases in 2020.

Reduction in provisions in 2020 relates to utilisation or reversal of provisions for onerous contracts in 2020 and to utilisation of provisions for jubilee awards paid.

The Geoplin Group has entered into long-term contracts for the lease of transport and storage capacities. The new EU rules in the single European natural gas market have given rise to short-term trading in gas hubs, and allow for the lease of transport capacities at the monthly and daily basis. In response to this trend different products have been developed for the market in the sales of natural gas and lease of transport and storage capacities.

The Geoplin Group is thus forced to offer comparable products to its domestic customers, which will lead to negative differences, with costs of contractual obligations exceeding the economic benefits expected from these contracts.

The Group has therefore created provisions for onerous contracts for the lease of transport and storage capacities. The amount of these provisions was calculated based on estimated economic benefits and service costs from non-current contracts for the lease of capacities and with consideration of used cross-zonal capacities.

Provisions for non-current contracts for the lease of transport and storage capacities were created for the period of duration of these contracts.

2. 8. 5. Current liabilities

The structure of current liabilities as at 31 December is shown below.

in EUR

	As at 31/12/2020	As at 31/12/2019
Current financial liabilities	15,041,656	1,546
Current operating liabilities	55,983,663	58,259,149
Total	71,025,319	58,260,695

Current financial liabilities as at 31 December 2020 consist of the November and December liability for the lease of hardware and a short-term loan from Petrol d.d., Ljubljana in the amount of EUR 15 million, which was fully repaid in January 2021.

Changes in current financial liabilities are shown in the table below.

in EUR

	As at 1/1/2020	Increase	Repayments	As at 31/12/2020
Current financial liabilities	0	57,040,189	42,001,625	15,038,565
Current lease liabilities	1,546	17,003	15,458	3,091
Total	1,546	57,057,192	42,017,083	15,041,656

Current operating liabilities of the Geoplin Group consist of:

in EUR

	As at 31/12/2020	As at 31/12/2019
Trade payables	40,748,261	46,165,536
Corporate income tax liabilities	3,332,791	1,607,061
Contract liabilities	4,321,891	464,220
Other current liabilities	7,581,719	10,022,331
Total	55,983,663	58,259,149

Contract liabilities – IFRS 15 liabilities as at 31 December are presented in the table below.

in EUR

	As at 31/12/2020	As at 31/12/2019
Liabilities for payments and deposits received in advance	4,321,891	464,220
Total	4,321,891	464,220

Advance payments and deposits received comprise advance payments received for the supply of natural gas that will be closed when the gas is supplied.

Other current operating liabilities as at 31 December are presented in the table below.

in EUR

	As at 31/12/2020	As at 31/12/2019
Liabilities to employees	220,067	204,548
Liabilities to the state	6,722,607	9,273,826
Accrued costs and expenses	413,333	301,226
Other current liabilities	225,712	242,731
Total	7,581,719	10,022,331

Liabilities to employees comprise gross salaries and related contributions, supplementary pension insurance premiums and other labour costs for December 2020 paid in January 2021.

Liabilities to the state totalling EUR 6,722,607 (2019: EUR 9,273,826) represent liabilities for VAT, excise duty, ecotax and contributions for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources.

Accrued costs and expenses were formed for accrued costs of services, costs related to unused leave and accrued costs of business cooperation in ensuring energy savings for final consumers.

Other current operating liabilities mainly relate to the retained portion of the consideration for an interest in the Croatian company Zagorski Metalac d.o.o.

As at 31 December 2020 the Geoplin Group does not record operating liabilities to members of the supervisory and management boards in total trade payables.

2.9. THE IMPACT OF SIGNIFICANT BUSINESS EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

In the statement of financial position as at 1 January 2021 the Geoplin Group recognised, based on a written contract and the taking over protocol of 1 January 2021, an ongoing investment (land and a commercial building) totalling EUR 2,025,267. The consideration was paid in full. There were no significant events after the end of the reporting period that would affect the Geoplin Group's financial statements for 2020. The pandemic continues after the end of the reporting period. Based on the currently available data and results achieved in 2020 the Group does not expect events and circumstances to have a significant effect on the operations and existence of the Geoplin Group 2021, nor does it expect them to have an impact on the assets and liabilities reported in the statement of the financial position on the reporting date. Member of the management board, Jože Bajuk, Msc, joined the Geoplin Group on 26 March 2021.

2.10. INDEPENDENT AUDITOR'S REPORT FOR THE GEOPLIN GROUP

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Owners of Geoplin group

Opinion

The summary consolidated financial statements, which comprise the summary of consolidated balance sheet as at 31 December 2020, the summary of consolidated income statement, the summary of consolidated statement of other comprehensive income, summary of consolidated statement of changes in equity and summary of consolidated cash flow statement for the year then ended, and related notes, are derived from the complete consolidated audited financial statements of Geoplin group for the year then ended.

In our opinion, the accompanying summary of consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Note 2.7..

Summary financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 19 May 2021 with other matters statement that consolidated financial statements of Geoplin group for financial year ended 31 December 2019, were not audited. The audited consolidated financial statements and the summary consolidated financial statements do not reflect the effects of events that occurred subsequent to the date our report on the audited consolidated financial statements.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in Note 2.7.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Ljubljana, 16 June 2021

Sanja Košir Nikašinović
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Dunajska 111, Ljubljana

Lidija Sirnkovec
Certified auditor

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SUMMARY
ANNUAL REPORT
OF THE GEOPLIN GROUP
2020

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