SUMMARY ANNUAL REPORT 2019

geoplin
Next to Energy.

The story of a whole is written in its tiniest parts.
And the future of pure energy is planted in our small everyday decisions towards healthy and efficient energy.

Geoplin. Next to energy.

Every year, the Geoplin company issues a publication summarizing the most important highlights from the annual report. The annual report brochure is published on the 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 Geoplin's activities and its key results.

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SUMMARY
BUSINESS REPORT

1.1. STATEMENT BY THE MANAGEMENT BOARD

What is your assessment of the Company's performance in 2019?
We have had a successful financial year. Following the turbulent developments in the natural gas market of 2018, which saw natural gas prices surge to record levels, with an extremely cold winter and the consequent limitations on storage withdrawals, the market situation in 2019 produced an entirely different picture. Above-average temperatures, the increased supply of natural gas from Russia and Norway as well as of liquefied natural gas (LNG) in 2019 led to a surplus of natural gas in Europe that minimised withdrawals from storage facilities, which in turn filled up fast. Throughout 2019 we witnessed a downward trend in natural gas prices, with spot prices below long-term contract prices.

In the natural gas segment, a total of 20.9 TWh of natural gas was sold, which is more than 8.6% higher than the previous year and higher than planned. In 2019, sales to foreign customers represented 67.2% of the total sales volume structure and was 11.4% higher than in 2018. Net sales revenues in 2019 were better than the previous year's, totalling EUR 396.3 million. EBITDA for the period totalled EUR 10.6 million. The results are encouraging, with successful business performance due largely to higher natural gas sales volumes, the Company's timely reaction to favourable developments in the market, and cost efficiency. In these increasingly competitive conditions we focused on our competitive advantages and continued to improve our services by focusing on our customers' needs. Our good results were achieved through the efforts and expertise of all our employees.

Customers remained at the centre of Geoplin's operations in 2019. We continued to carefully monitor the developments in gas exchanges 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. In 2019, the Company ensured reliable supply based on long- and short-term agreements and purchases on the regulated market (the CEGH gas trading platform) and on the unregulated OTC market. Throughout the period, the Company was actively focused on optimising its purchasing portfolio. Special attention was paid to developing the trading infrastructure to support trading and boost the Company's potential prospects to enter new foreign markets, and to optimise the purchasing and sales portfolio.

In addition to marketing natural gas the Company also develops energy efficiency projects. What's your view on the Company's business performance in this segment?
At Geoplin we are aware how important it is to ensure the sustainable use of energy. In 2019, the Company made investments in energy efficiency projects and continued sales activities related primarily to finding new projects in lighting reconstruction, cogeneration through combined heat and power (CHP) and utilisation of waste heat. In the production resources segment of our ongoing projects we identified, proposed and realised investment measures as well as a number of organisational steps aimed at improving energy efficiency and capacity utilisation. Although we did not succeed in carrying out all of the investments planned in this segment for 2019, the measures implemented to improve the capacity utilisation of existing units contributed to financial results exceeding the results planned and realised in this segment over the previous year.

A lot has been said lately about the transition to a carbon-free society. The European strategic long-term vision is to reach net-zero greenhouse gas emissions by 2050. What's your view on decarbonisation?
Development of the energy sector in the European Union is geared towards reducing emissions of greenhouse gases and particulates into the environment. The industry is looking for alternative energy sources among numerous options, such as renewable energy sources, nuclear energy and new technologies (e.g. solar energy storage tanks). The Company maintains that natural gas as a fuel will play an important role in the transition to a carbon-free society and will, together with renewable energy sources, ensure adequate, reliable and sufficient supply while enabling the community to meet environment-related targets of reducing emissions into the atmosphere. With its physical and market characteristics, combined with diversified gas infrastructure and the possibility of transportation in liquefied form, natural gas provides considerable flexibility in ensuring energy supply. Burning natural gas produces half the carbon dioxide and just one-tenth of the air pollutants coal produces when burnt to generate electricity. The technologies available today cannot yet power all industries, and in transport, for example, natural gas has enormous potential, especially as a fuel for the marine segment. At Geoplin we believe that, combined with new technologies and renewable energy sources, natural gas will most likely retain at least its current position as a fuel for residential heating and its role of alternative fuel for power generation.

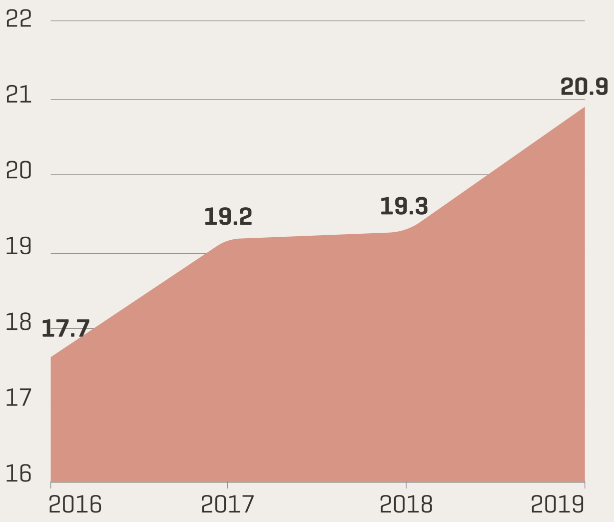
The business environment has been changing as new technologies give rise to new business models. What were the Company's development highlights in 2019?
Changes left a mark on every aspect of our operations. New technologies have dramatically changed our business environment. We are watching and embracing the current trends and challenges. In recent years we have focused on the renewal of our IT system and started implementing a comprehensive ETRM system. In 2019 we installed several optimisation components of the existing ERP system to ensure prompt responses for uninterrupted operations. A lot of emphasis has been given to automation of report writing and training in business intelligence and security. We also made sure that Geoplin customers can follow our business events on our online portal. At their initiative we upgraded the portal in 2019 to provide for an even better and easier overview of year-on-year comparisons.

Boštjan Napast
General Manager

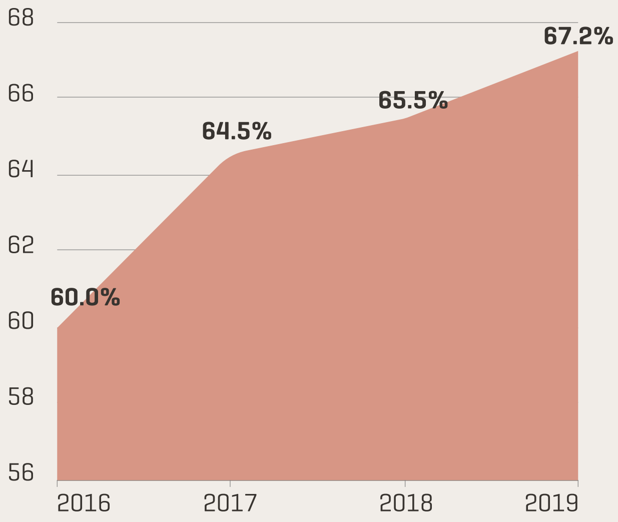
1.2. OPERATING HIGHLIGHTS

The figures below show business operations in 2016–2019 in terms of non-financial data.[1]

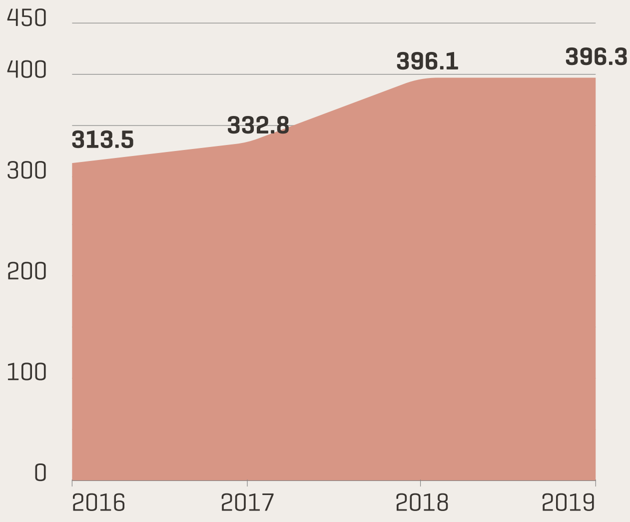
Natural gas sales volumes (in TWh)



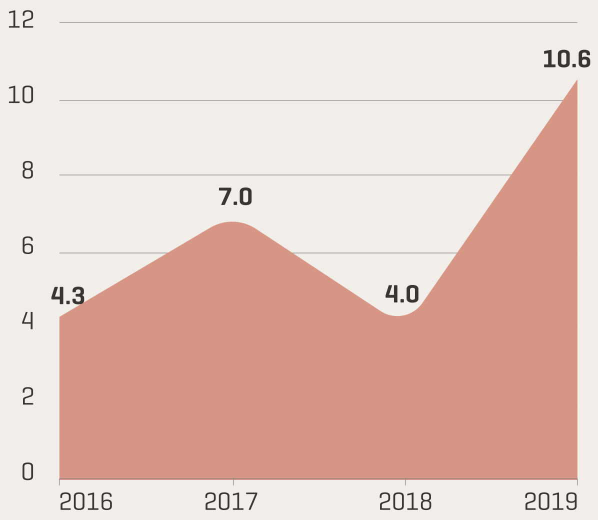
Sales to foreign customers



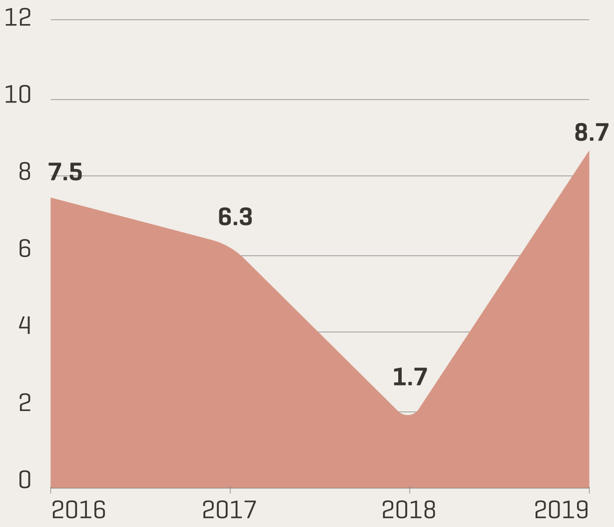
Net sales revenues (in EUR mil)



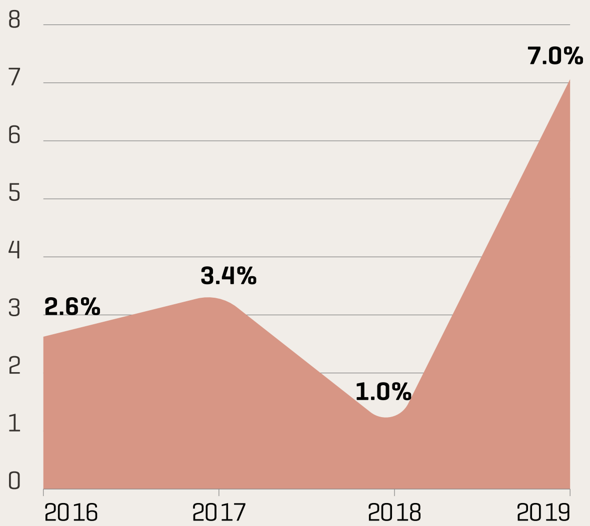
EBITDA (in EUR mil)



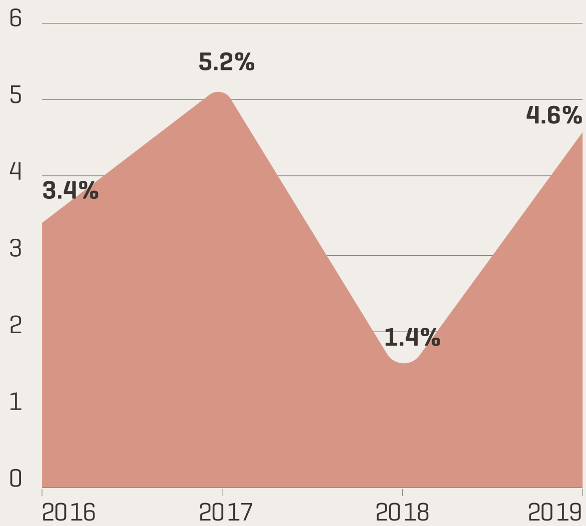
Net profit or loss (in EUR mil)



Net return on equity (ROE)



Net return on assets (ROA)



[1]EBITDA = operating profit + depreciation and amortisation expense
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. Geoplin company profile

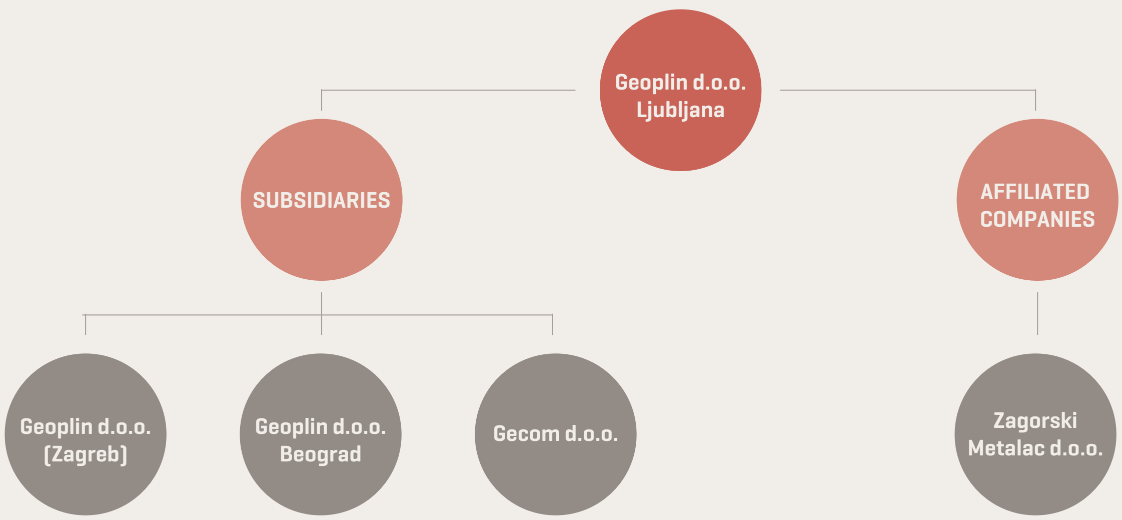
Geoplin was established in 1975 based on an agreement concluded in 1974 with future natural gas customers. The Company has been engaged in energy operations related to supplying, trading and acting as an agent and intermediary in the natural gas market, the Company's principal activity, since mid-1978. 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. Since 25 January 2019 the Company has been led and represented by Boštjan Napast.

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
President of the Management Board:	Boštjan Napast
Member of the Management Board:	Alojz Stana, MBA (until 25/1/2019)

1.3.2. Geoplin Group

The parent undertaking of Geoplin d.o.o. Ljubljana is Petrol, slovenska energetska družba d.d., which has a 74.3% stake in the Company. The financial statements of Geoplin d.o.o. Ljubljana 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. The consolidated financial statements of the Geoplin Group for the year ended 31 December 2019 have not been prepared owing to the negligible impact of subsidiaries on the balance sheet and the profit and loss statement of the Group.



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

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

Geoplin društvo s ograničenom odgovornošću za trgovinu i opskrbu energentima d. o. o. 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 began trading natural gas on the Croatian market in the second half of 2014.

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. Belgrade was established in April 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 the system rules. Geoplin d. o. o. Belgrade did not operate in 2019.

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

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

Geocom d.o.o. did not do any trading in 2019.

ZAGORSKI METALAC D. O. O.

Registered office:	Celine 2, Zabok, Croatia
Director:	Željko Bjelan
Shareholding of Geoplin d. o. o. Ljubljana	25%

In December 2018, the companies Geoplin d.o.o. Ljubljana and Petrol d.d. Ljubljana entered into a contract, based on which they acquired a 25% and a 56% share, respectively, in the company Zagorski Metalac d.o.o. The company Zagorski Metalac d.o.o. is a gas distributor and supplier in Croatia.

1.3.3. Statement of compliance with Article 545 of the Companies Act

In financial year 2019 Geoplin traded with the controlling company and its affiliates. The Company was not disadvantaged and did not suffer any loss in these transactions. The Company did not carry out or fail to carry out any actions at the initiative or in the interest of the controlling company or its affiliates. Transactions with related parties are described in more detail in disclosures to individual accounting items.

1.4. AUDIT

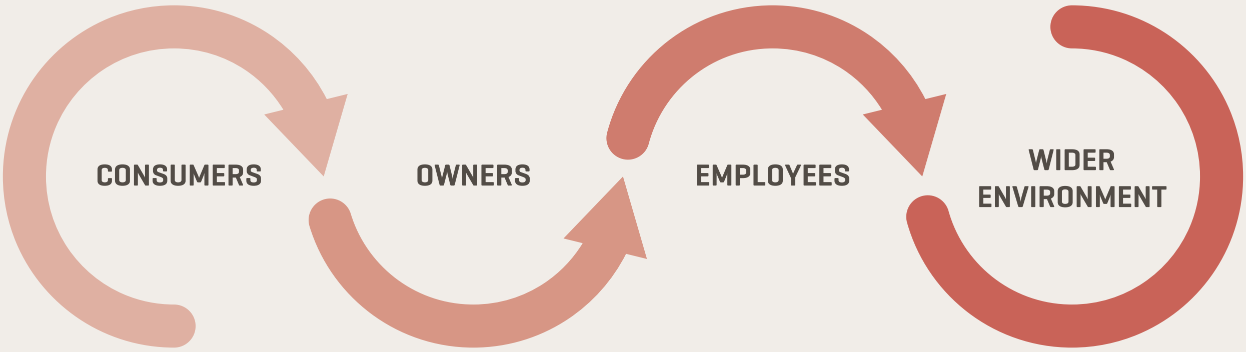
The external audit of financial statements and the annual report of Geoplin for the financial year 2019 were conducted by the auditing firm Ernst & Young d. o. o. and by Deloitte revizija d. o. o. in 2018.

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.

1.5. MISSION, VISION AND VALUES

MISSION	VISION	VALUES
The Company will ensure competitive and reliable natural gas supply to customers while maintaining sustainable operating profitability.	To maintain the position of the leading and most widely recognised provider of natural gas in Slovenia, to further expand its core business activity to new markets, and actively participate in natural gas exchanges.	Honesty
		Respect
		Open and straightforward communication within the Company 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
	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.	Innovation
		Integrity and responsibility

Key stakeholder groups



At Geoplin 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. Geoplin has four key groups of stakeholders. Through its operations, Geoplin 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;
- **benefits for owners** through the continued development of the Company and by maintaining sustainable profitability of operations;
- **benefits for employees** by providing a suitable work environment, and the opportunity for professional development; and
- **benefits for the wider community** by ensuring environmentally acceptable supply and by acting responsibly toward the natural and social environment.

1.5.1. 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 Geoplin 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 Company's markets. As Europe increasingly relies on external supply it will be one of Geoplin'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 distributors and industrial customers in Slovenia, and to tap into the opportunities arising in the natural gas market.

As a company 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 actively securing 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 and financial instruments.

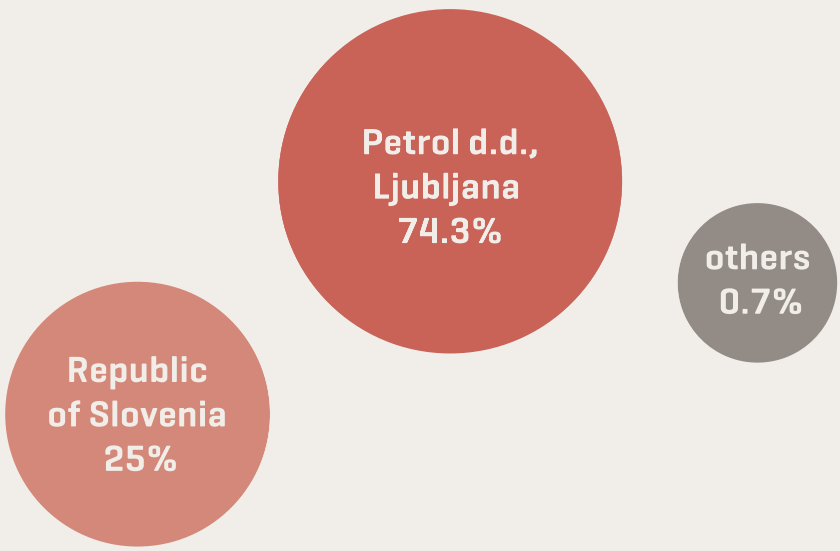
The Company's activities will focus also on the continued development and marketing of energy efficiency projects and services, and the promotion of natural gas in electricity generation, including cogeneration.

1.6. MANAGEMENT AND GOVERNANCE

1.6.1. Ownership structure

In 2019, member Petrol d. d. Ljubljana acquired ownership interests from members Komunala Slovenj Gradec d. o. o. (sale-purchase agreement), Ekopur d. o. o. (merger by acquisition) and Modra zavarovalnica d. d. (sale-purchase agreement). As at 31 December 2019 Geoplin therefore had six shareholders.

Ownership structure as at 31 December 2019



1.6.2. Work of the General Meeting, Management and Supervisory boards

1.6.2.1. General Meeting

At its 40th meeting on 25 April 2019 the General Meeting:

- granted discharge to the management board and the supervisory board for the financial year 2018;
- adopted a resolution on the allocation of the Company's distributable profit, and
- commissioned Ernst & Young d.o.o. to audit the financial statements and review the Company's business report for financial years 2019, 2020 and 2021.

1.6.2.2. Management and supervisory bodies

There were no changes in the Company's supervisory bodies in 2019, but there were changes in the management board.

On 25 January 2019 the term of office of the management board member Alojz Stana terminated early based on his letter of resignation. Since then, the Company has operated with a single-member management board led by Boštjan Napast, General Manager.

In 2019, the Supervisory Board comprised:

- representatives of capital:
  - Tomaž Berločnik, MBA, Chairman,
  - Janez Grošelj, MBA, Deputy Chairman,
- employee representative:
  - Simon Jelovčan.

1.7. CORPORATE GOVERNANCE STATEMENT

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

1.8. ANALYSIS OF OPERATIONS IN 2019

1.8.1. Business environment

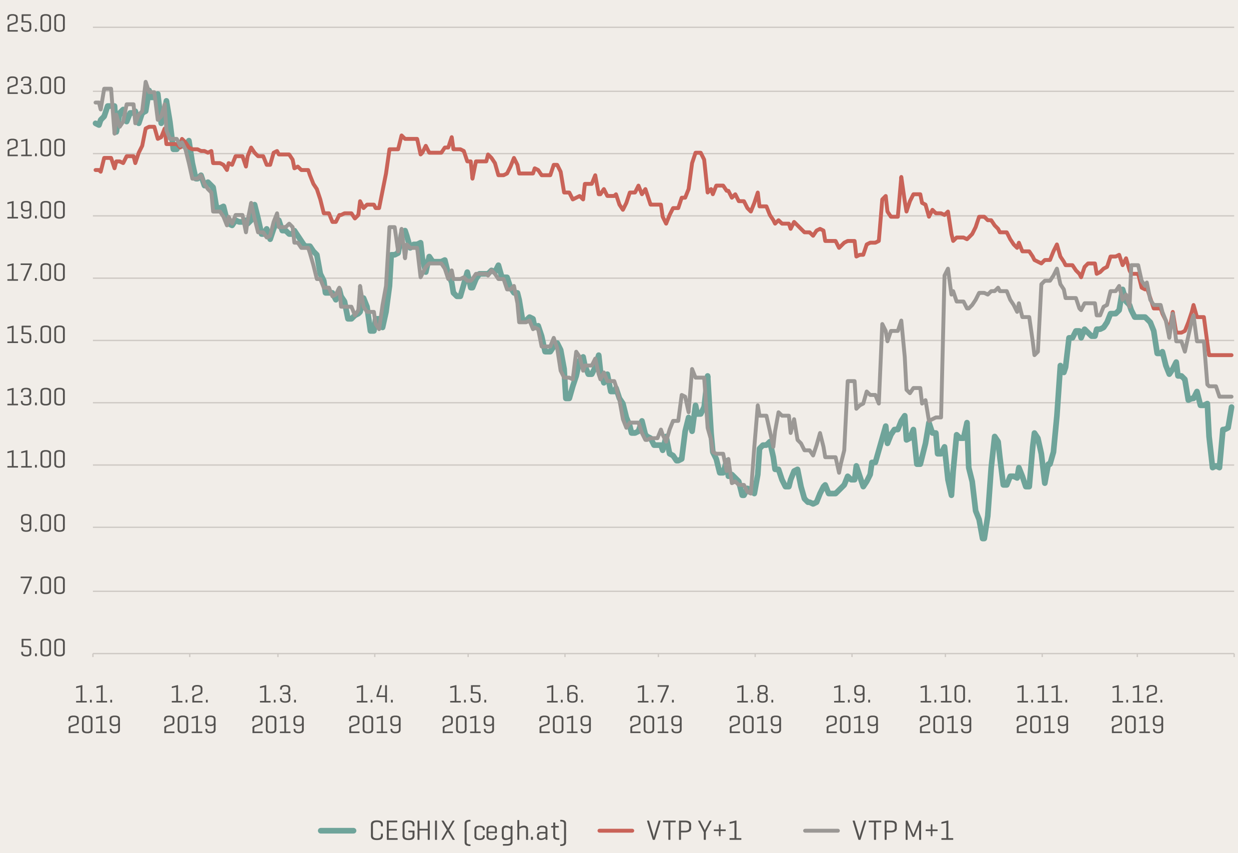
The growth in European gas trading volumes continued in 2019. Major activities in the European natural gas market were triggered by events both within and outside Europe. At the beginning of 2019 we once again, after 2014, saw converging natural gas prices between Europe and southeast Asia, which enabled an influx of LNG into Europe. As a result, 148 LNG vessels arrived in Europe in 2019, 78 more than the year previous. We also saw increased LNG supply from the USA, in particular in the Atlantic Basin, and Russia, the traditional pipeline natural gas supplier to Europe entering the liquefied natural gas market.

In September, the Dutch government announced its decision to cut their natural gas production cap to 12 bcm. The cap is expected to apply until mid-2022, when regular natural gas production is expected to stop completely.

Trilateral talks between the EU, Ukraine and Russia came to a close at the end of 2019, when Moscow and Kiev signed a five-year (2020–2024) agreement on the transit of Russian natural gas to Europe via Ukraine. This ended the economic and political dispute between Russia and Ukraine, which had raised doubts over the security of natural gas supply to Europe for years and challenged the role of natural gas as the key energy source in Europe's transition to a carbon-free society.

The downward trend in natural gas prices, which started in the last quarter of 2018, continued throughout 2019 due to increased supply and above-average temperatures. Increased supply of natural gas from Russia and Norway and supply of liquefied natural gas led to a substantial surplus of natural gas in all European markets and inhibited storage withdrawals. At the end of the storage season in April 2019 European natural gas storage levels stood at 40%, representing 15 percentage points or 15 bcm above the five-year average.

Natural gas prices in the Austrian market (VTP)



As a result of the trends enumerated above, the daily and monthly natural gas prices in the Austrian market more than halved by mid-summer (relative to the beginning of 2019). In January, daily prices moved at around EUR 23/MWh and continued to fall until the summer when they bottomed out at EUR 8.68/MWh. This was the lowest price ever recorded in Austria's organised natural gas market. The next month's price at the end of the year included the uncertainty premium due to the transit of Russian gas to Europe via Ukraine, which finally reached zero in December 2019, with the price remaining below EUR 13/MWh. Like other energy sources the price of natural gas supply in 2020 fell by 30%, reaching EUR 14.55/MWh at the end of 2019.

Other energy sources affecting the movement in natural gas prices in Europe also reflected declining demand, which was the result of reduced economic activity in the EU and beyond. The exception was the price of Brent crude oil, which rose in 2019 and settled at USD 66/barrel, which is about 24% higher than at the beginning of 2019. Oil prices in 2019 ranged between USD 55 and 75 per barrel, shaped by significant geopolitical tension in the Middle East and OPEC's decision in November to cut oil production in 2020. Coal prices (API2) in Northwest Europe plunged more than any other energy source in European markets. Abandoning coal for renewable energy sources for electricity production combined with the high price of emissions coupons led to a slump in 2020 coal prices from USD 83/tonne to USD 57/tonne. Electricity production from coal is less competitive every year, forcing countries to close their coal-fired power plants. Germany, for example, has undertaken the closing of 1 GW of coal-fired power plants by 2023. The price of emissions coupons in 2019 fluctuated considerably, by more than 40%, but nevertheless remained higher than EUR 24/tonne for most of the year. The price of electricity in Europe also fell as the result of lower coal and natural gas prices. The price of electricity in Germany for supply in 2020 (reference price for Europe) was down 20%, from EUR 51 to EUR 40/MWh. Natural gas prices in Europe for 2020 dropped by 30% during 2019. While in January the TTF index for 2020 still traded at more than EUR 21/MWh, it had dropped below EUR 14/MWh by the end of the year.

1.8.2. Performance of Geoplin

Geoplin maintained its position as the leading provider of natural gas in Slovenia also in 2019. The Company focused on the performance and development of its core business activity of marketing and trading in natural gas through the development of the trading infrastructure to support the optimisation of the purchase & sales portfolio and expand business into new markets, entering two new markets in 2019. The Company continued to develop and market energy-related services and projects aimed at efficient energy use and renewable energy sources. The Company's activities are focused also on the optimisation and development of business operations.

SALES AND MARKETING OF NATURAL GAS

In 2019, Geoplin sold a total of 20.9 TWh of natural gas, 67.2% of which was sold to foreign customers. Total sales were up 8.6% relative to the previous year, mainly on account of an 11.4% increase in sales to foreign customers, our business expansion outside Slovenia and penetration of new markets.

Natural gas sales

		in TWh
	2019	**2018**
Domestic customers	6.9	6.6
Foreign customers	14.1	12.6
Total	**20.9**	**19.3**

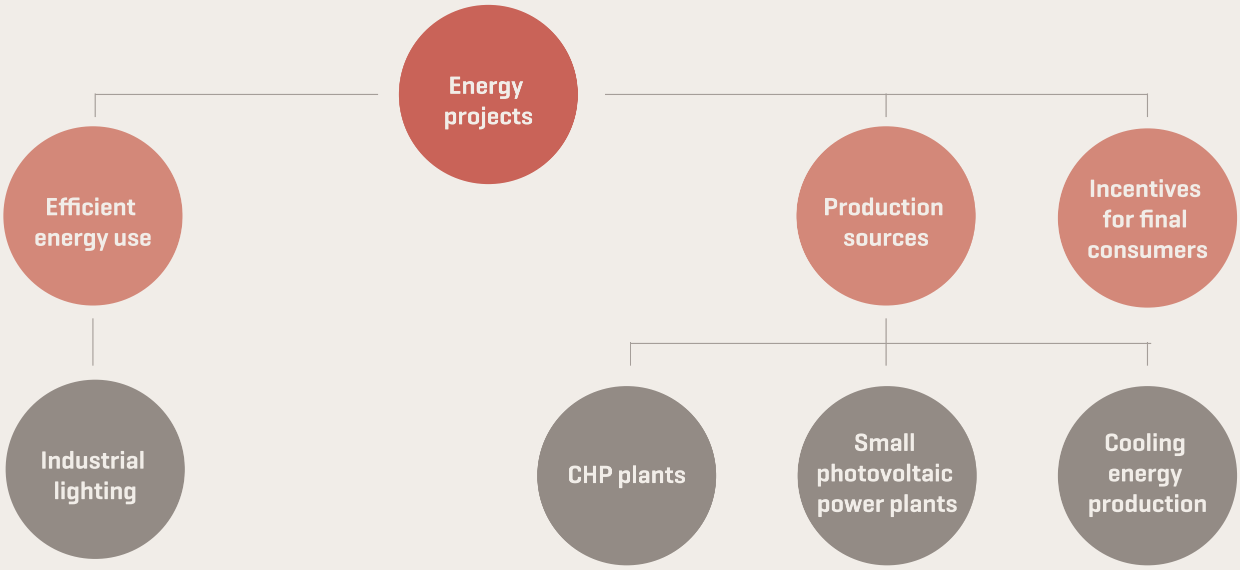
During the reporting period, Geoplin supplied its customers with natural gas without disruptions and in line with contractual provisions and customer needs. Balancing services are provided to customers in the scope of Geoplin's balance group with the system operator. The Company ensured reliable supply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

In 2019, Geoplin carried out activities on the OTC market (bilaterally with contractual partners) as well as on CEGH and ICE ENDEX energy exchange. Via the trading platform the Company traded mainly in the spot market with daily products, while the majority of other transactions linked to term products were concluded on the OTC market and the ICE Endex energy exchange to ensure better liquidity. Active trading allowed us to further optimise the existing portfolio and manage contracts concluded with consumers in terms of fixing and unfixing prices. This strategy allows Geoplin to offer its customers the possibility of securing the price they pay for supply. Our increased cooperation with partners with which the Company signed EFET contracts in recent years proved beneficial in these transactions.

ENERGY EFFICIENCY PROJECTS

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



The Company further strengthened its cooperation with customers with which it had already successfully completed energy efficiency projects with two new energy performance contracting projects for industrial and street lighting reconstruction.

In the production sources segment the Company extended its existing portfolio of projects for a client from the service industry with a trigeneration project under an energy supply contract.

In the ongoing projects in the production sources segment we 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 Geoplin's strategy in energy projects have a positive financial impact on the Company 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 2019.

Effects of ongoing and completed energy projects in 2019

	Industrial lighting	CHP plants	Small photovoltaic power plants	Cooling energy production	Other measures co-funded in 2019	**TOTAL**
Final energy savings [MWh/a]	3,404	17,880	934	1,622	18,096	**41,936**
CO_2 savings [t/a]	1,668	2,535	458	795	3,724	**9,180**

INVESTMENTS

Geoplin invested EUR 0.4 million in fixed assets in 2019. The majority of investments were made in energy efficiency projects.

PERFORMANCE ANALYSIS

Company performance in 2019 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. Following the turbulent developments in the natural gas market in 2018, which saw natural gas prices surge to record levels, an extremely cold winter and the consequent limitations on storage withdrawals, the market situation in 2019 showed a completely different picture. Above-average temperatures, increased supply of natural gas from Russia and Norway and of liquefied natural gas (LNG) in 2019 led to a surplus of natural gas in Europe, which inhibited storage withdrawals and led to storage capacities filling up fast.

The key financial highlights are provided below.

Key financial highlights

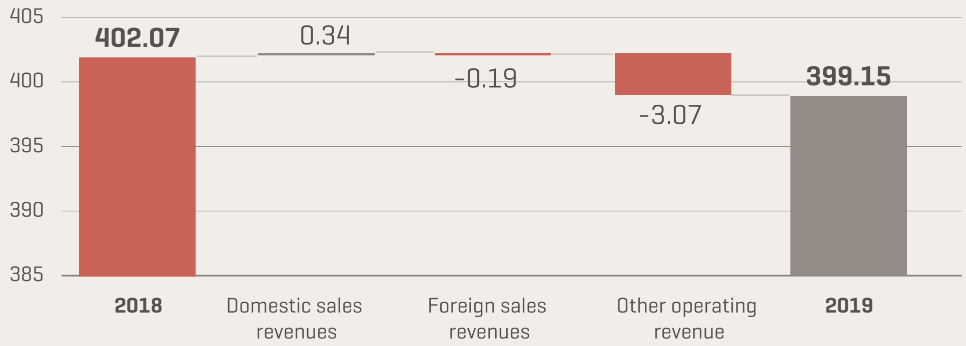
	Unit	2019	2018
PROFIT OR LOSS			
Net sales revenue	in EUR mil	396.30	396.15
Adjusted gross profit or loss[2]	in EUR mil	12.68	2.68
EBIT	in EUR mil	9.75	3.03
EBITDA	in EUR mil	10.56	3.98
Net profit or loss	in EUR mil	8.68	1.74
FINANCIAL RESULT			
Balance sheet total	in EUR mil	200.75	178.73
Equity	in EUR mil	127.33	119.82
PROFITABILITY			
Employees on the last day of the period	Number	41	39
Added value per employee[3]	EUR 000	342.12	144.48
EBITDA margin[4]	%	2.64	0.99

[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 + write-offs + labour costs) / number of employees based on hours worked.
[4]EBITDA margin = (operating result + write offs) / operating revenue.

OPERATING REVENUE

The Company's operating revenue, totalling EUR 399.15 million, was 0.7% lower than in 2018, mainly on account of lower natural gas prices on gas trading platforms.

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



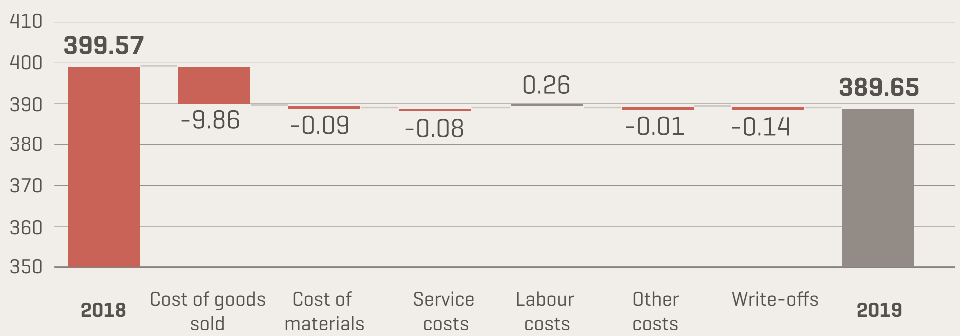
In 2019, Geoplin generated net sales revenues of EUR 396.3 million. Despite the 8.6% increase in volumes sold net sales revenues remained at a comparable level due to lower natural gas prices on gas trading platforms.

The Company's other operating revenue, totalling EUR 3.1 million, was down 51.9% on 2018, mainly on account of the lower release of onerous contract provisions.

OPERATING EXPENSES

At EUR 389.65 million the Company's operating expenses were 2.5% lower than in 2018.

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



At EUR 383.6 million **the cost of goods sold** represents the highest share in the structure of operating expenses and is 2.5% lower than in 2018, mainly on account of lower natural gas prices on gas trading platforms, and optimized use of storage capacities and the purchasing portfolio.

Cost of material in 2019 totalled EUR 835.6 thousand or 9.7% less than the year before. The largest cut under this item was in the cost of natural gas for own use, which declined as a result of lower average purchase price of the inventory under which they were evaluated.

Service costs totalled EUR 1.5 million and were 5.1% lower than in 2018. Consultancy and advertising costs saw the highest decline in this category.

Labour costs totalled EUR 2.7 million and were 10.7% higher than the previous year, mainly due to the higher number of employees.

Other costs totalled EUR 161,000 and were 6.6% higher than in 2018 due to higher environmental protection costs.

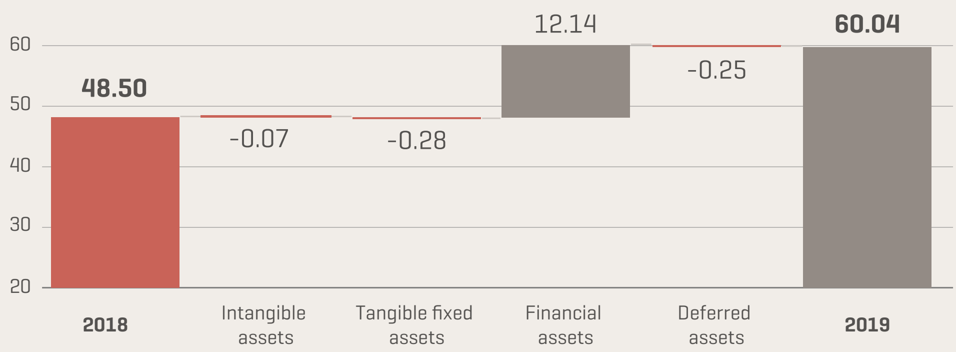
OPERATING RESULTS

EBIT totalled EUR 9.6 million and EBITDA EUR 10.4 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 Company's net profit in 2019 totalled EUR 8.7 million.

ASSETS

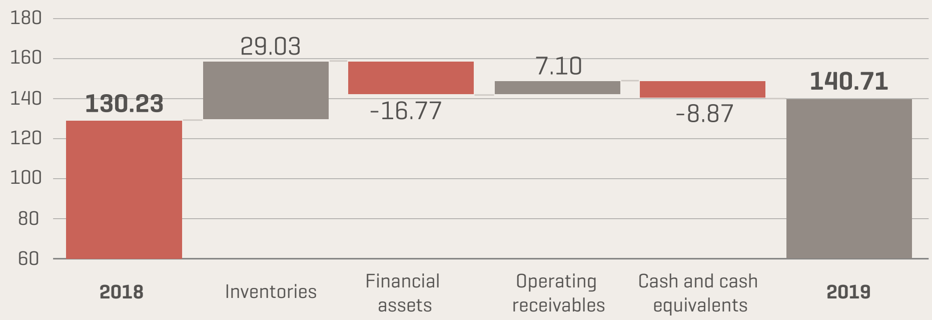
As at 31 December 2019, the Company had total assets of EUR 200.8 million, an increase of 12.3% relative to year-end 2018.

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



The most important item under **non-current assets** is **non-current financial investments**, representing 89.1% of non-current assets as at 31 December 2019, totalling EUR 53.5 million or EUR 12.1 million more than the year before. The increase was due to a higher level of non-current loans to group companies.

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



The value of **current assets** as at 31 December 2019 totalled EUR 140.7 million or 70% of Geoplin's assets.

The most important current assets item is **operating receivables**, representing 65.3% of current assets as at 31 December 2019, totalling EUR 91.8 million or EUR 7.1 million more than the year before. The increase was due to the higher level of other current assets.

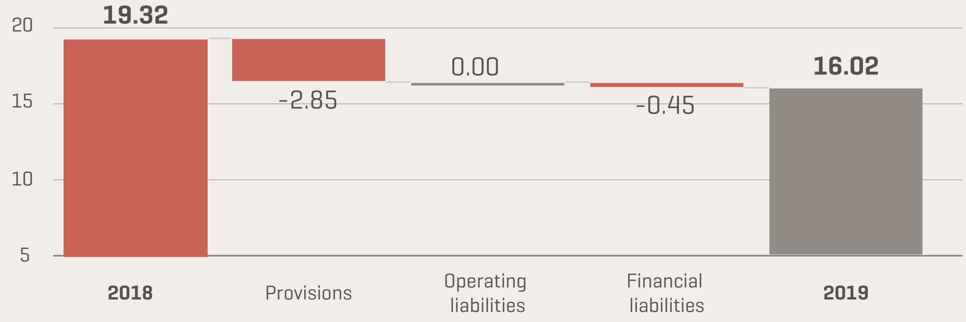
The value of **inventories** as at 31 December 2019 was up EUR 29 million compared to the year before. The increase is the result of higher inventory levels as at 31 December 2019 and advance payments for inventories.

At EUR 0.4 million the value of **cash** as at 31 December 2019 was EUR 8.9 million lower than the previous year, mainly due to liquidity management through cash pooling within the Petrol group.

EQUITY AND LIABILITIES

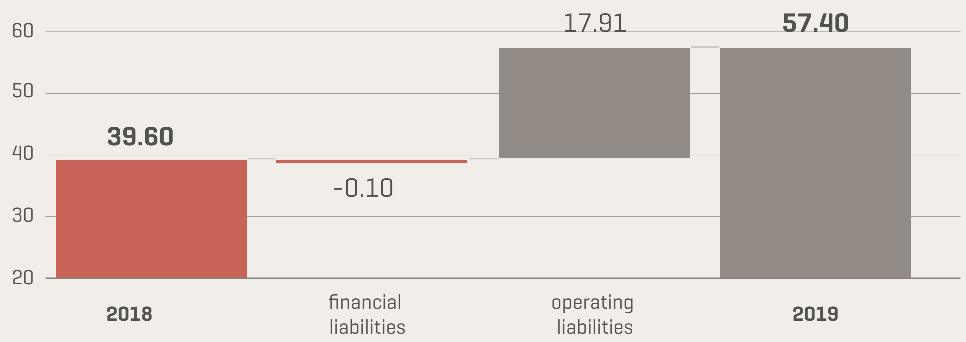
Company **equity** as at 31 December 2019 totalled EUR 127.1 million or 6.3% more than at year-end 2018. The increase in equity is mainly the result of net profit achieved in 2019.

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



The value of **provisions** under **non-current liabilities** was down EUR 2.8 million, totalling EUR 15.8 million as at 31 December 2019. 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 2019 increased by EUR 17.8 million compared to the previous year, was reported for liabilities to suppliers, which totalled EUR 46 million as at year end. The latter represent liabilities for natural gas supplies and costs related to the supply of natural gas and other material and services.

1.9. SUSTAINABLE DEVELOPMENT

Due to the nature of its business, Geoplin's sustainable development efforts are focused on environmental management and social responsibility. The Company'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.

Geoplin's objective in terms of quality and social responsibility is to respect the interests of all stakeholders with which the company engages in the course of its operations: owners, business partners, employees, the expert public, media, the environment and local communities. Through prudent operations, reliable supply of natural gas and social responsibility Geoplin creates benefits and contributes to a better environment in a broader sense. 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 Company's environmental policy.

1.9.1. Human resources

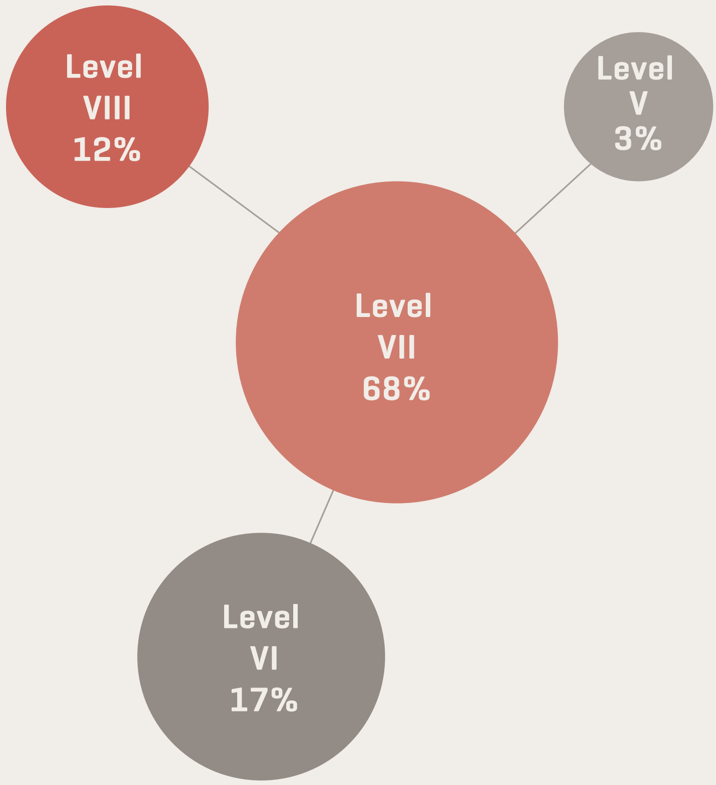
As at 31 December 2019, Geoplin had 41 employees. The Company employs highly educated and qualified professionals with Company-specific skills and organises training courses to maintain and further develop their expertise.

The Company 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 working 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 that 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 Company 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 Company's workforce is very high, with university graduates prevailing. At the end of 2019, as many as 97.6% of Company employees held a college or higher degree. Women constituted 41% of employees. The average age of employees was 43.

As a company with a strong diversity policy Geoplin 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

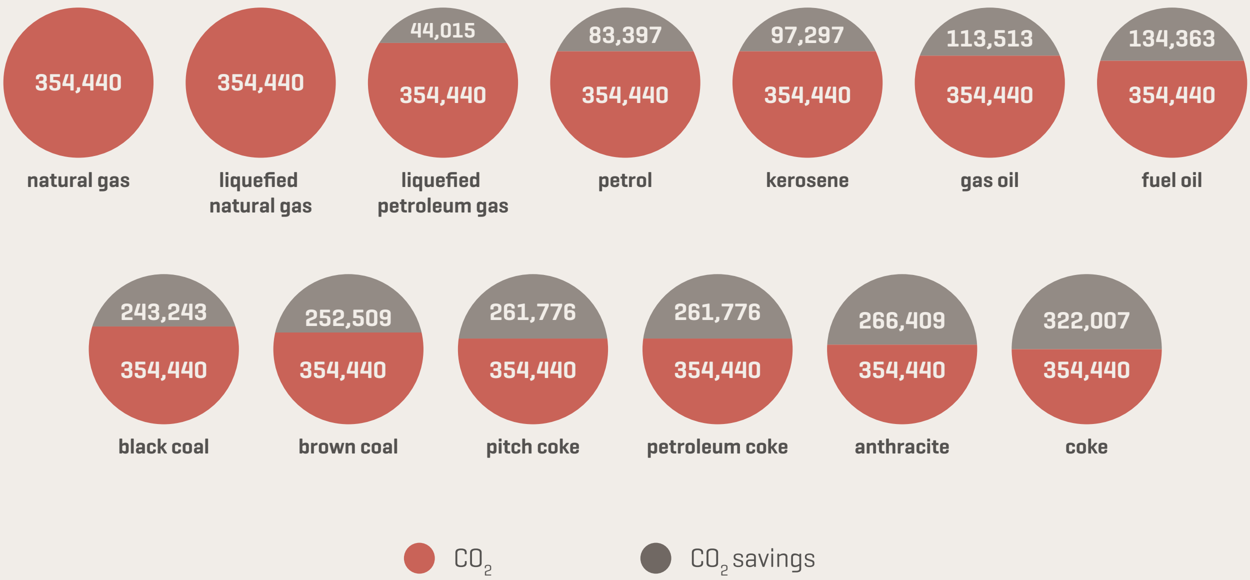
Geoplin is aware that environmental management is an ongoing process that requires the Company to conform to ever new legislative requirements and changes in the environment.

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.

The table below shows a comparison of emissions that would be generated in 2019 in Slovenia if natural gas were replaced with other fuels.

Comparison of CO_2 emissions from different fossil fuels (in kg)



Note: consumption of natural gas used in the calculation: 600,000 Sm³ × 10.725 kWh/Sm³, i.e. approx. consumption of natural gas in Slovenia in 2019.

Through the diversification of its energy-related activities, the Company promotes energy efficiency and renewable energy sources, aware of their advantages for both consumers and the environment. We are aware of the importance of sustainable energy use and promote 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 Company has developed an array of energy services that allow 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

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

1.10. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

There were no significant events after the end of the reporting period that affect Geoplin's financial statements for 2019.

2

SUMMARY
FINANCIAL STATEMENTS

The summary of the financial statements comprises a summary of information from the audited annual report 2019, which is available at the Agency of the Republic of Slovenia for Public Legal Records and Related Services website (https://www.ajpes.si/jolp) and the Company headquarters.

2.1. STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION OF GEOPLIN AS AT 31 DECEMBER

in EUR

		NOTES	As at 31/12/2019	As at 31/12/2018
	ASSETS		200,749,654	178,731,692
A.	NON-CURRENT ASSETS		60,038,991	48,504,591
I.	INTANGIBLE ASSETS		833,805	907,546
	Property rights		288,195	384,329
	Intangible assets under development		545,610	523,217
II.	TANGIBLE FIXED ASSETS		4,063,412	4,347,377
	Land		600,701	600,701
	Buildings		1,015,133	1,022,136
	Plant and other equipment		2,270,151	2,646,223
	Right of use assets		160,656	0
	Ongoing investments		16,771	78,317
III.	NON-CURRENT FINANCIAL ASSETS		53,483,419	41,338,649
IV.	DEFERRED TAX ASSETS		1,658,354	1,911,019
B.	CURRENT ASSETS		140,710,662	130,227,102
I.	INVENTORIES		39,508,426	10,474,536
	Merchandise		17,085,766	10,474,536
	Advance payments for inventories		22,422,660	0
II.	CURRENT FINANCIAL ASSETS		8,976,044	25,749,130
	Loans granted		8,972,730	24,050,428
	Other current financial assets		3,314	1,698,702
III.	OPERATING RECEIVABLES		91,853,426	84,757,779
	Trade receivables		65,124,076	72,646,291
	Corporate income tax assets		0	395,129
	Other current assets		26,729,350	11,716,359
IV.	CASH AND CASH EQUIVALENTS		372,766	9,245,657

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

in EUR

		NOTES	As at 31/12/2019	As at 31/12/2018
	EQUITY AND LIABILITIES		200,749,654	178,731,692
A.	EQUITY		127,325,713	119,815,455
I.	Called-up capital		29,583,473	29,583,473
II.	Capital reserves		75,010,673	75,010,673
III.	Profit reserves		12,643,897	3,290,116
IV.	Fair value reserve		1,404,809	1,558,943
V.	Retained earnings		0	8,628,683
VI.	Net profit for the period		8,682,860	1,743,567
	NON-CURRENT AND CURRENT LIABILITIES TOTAL		73,423,941	58,916,237
B.	NON-CURRENT LIABILITIES		16,020,957	19,319,023
I.	PROVISIONS	2.8.1	15,831,376	18,683,650
	Provisions for severance pay		48,106	48,106
	Provisions for jubilee awards		23,870	25,839
	Other provisions		15,759,399	18,609,706
II.	NON-CURRENT OPERATING LIABILITIES		28,833	28,707
III.	NON-CURRENT FINANCIAL LIABILITIES	2.8.2	160,748	606,667
C.	CURRENT LIABILITIES	2.8.3	57,402,984	39,597,214
I.	CURRENT FINANCIAL LIABILITIES		1,546	104,888
II.	CURRENT OPERATING LIABILITIES		57,401,438	39,492,326
	Trade payables		46,022,658	31,483,191
	Corporate income tax liabilities		1,607,061	0
	Contract liabilities		464,172	1,400,555
	Other current operating liabilities		9,307,547	6,608,581

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

2.2. PROFIT AND LOSS STATEMENT OF GEOPLIN

PROFIT AND LOSS STATEMENT OF GEOPLIN FOR THE FINANCIAL YEAR FROM 1/1 THROUGH 31/12

in EUR

		2019	2018
1.	**Sales revenue**	**396,297,176**	**396,149,920**
2.	**Cost of goods sold**	**383,613,312**	**393,472,085**
	Costs of materials and services	2,355,891	2,527,855
	Labour costs	2,707,433	2,446,494
	Depreciation and amortisation	800,774	761,335
	Other costs	160,596	150,682
3.	**OPERATING COSTS**	**6,024,694**	**5,886,365**
	Other revenues	3,100,168	6,446,012
	Other expenses	8,477	211,484
4.	**OPERATING INCOME**	**9,750,862**	**3,025,998**
	Financial revenue	1,032,330	1,101,584
	Financial expenses	204,451	1,889,501
5.	**FINANCIAL RESULT**	**827,879**	**-787,917**
6.	**EARNINGS BEFORE TAXES**	**10,578,741**	**2,238,081**
	Tax expense	1,607,061	0
	Deferred taxes	288,819	494,514
7.	**CORPORATE INCOME TAX**	**1,895,880**	**494,514**
8.	**NET PROFIT FOR THE PERIOD**	**8,682,860**	**1,743,567**
	Net profit for the period attributable to:		
	owners of the controlling company	6,451,365	1,155,985
	non-controlling interest	2,231,495	587,582

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

2.3. STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME OF GEOPLIN FOR FINANCIAL YEAR FROM 1/1 THROUGH 31/12

in EUR

		2019	2018
1.	**NET PROFIT FOR THE PERIOD**	**8,682,860**	**1,743,567**
2.	**Items to be recognised in the profit or loss statement in the future**	**-154,133**	**-192,366**
	Change in reserve due to fair value valuation	-190,288	-237,489
	Change in deferred taxes	36,155	45,123
3.	**Items not to be recognised in the profit or loss statement in the future**	**0**	**-11,000**
	Unrealised actuarial gains and losses	0	-11,000
	TOTAL OTHER COMPREHENSIVE INCOME FOR THE REPORT. PERIOD	**8,528,727**	**1,540,201**

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

2.4. CASH FLOW STATEMENT

GEOPLIN CASH FLOW STATEMENT FOR THE FINANCIAL YEARS 2019 AND 2018

in EUR

		2019	2018
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
a.	**Net profit or loss**	**8,682,860**	**1,743,567**
b.	**Adjustment for:**	**-118,405**	**-37,205**
	corporate income tax	1,895,880	494,513
	depreciation and amortisation (+)	800,774	761,335
	operating revenues from revaluation	-171,309	-23,868
	operating expenses from revaluation	-8,477	-58,483
	financial income excl. fin. income from operating receivables	-909,116	-982,972
	financial expenses excl. fin. expenses from operating liabilities	20,256	27,793
	Other income and expense adjustments	-977,738	-5,269,716
	Other adjustments to operating items of the statement of financial position	-768,674	5,014,193
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**	**-20,826,098**	**103,648**
	Opening less closing operating receivables	-10,852,444	-2,988,884
	Opening less closing deferred costs and accrued revenue	3,750,607	-3,732,963
	Opening less closing deferred tax assets	252,665	449,390
	Opening less closing assets (disposal groups) held for sale	0	0
	Opening less closing inventories	-29,033,890	10,385,116
	Closing less opening operating liabilities	17,753,367	1,703,502
	Closing less opening accrued costs and deferred revenue, and provisions	-2,696,403	-5,281,463
	Closing less opening deferred tax liabilities	0	0
	Cash disbursements for corporate income tax	0	-431,050
d.	**Positive/negative operating cash flow (a+b+c)**	**-12,261,643**	**1,810,010**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
a.	**Receipts from investing activities**	**79,306,026**	**166,243,713**
	Receipts from participation in the profit of others related to investing activities	281,802	284,985
	Receipts from interest	627,314	690,511
	Receipts from disposal of tangible fixed assets	30,970	-45,509
	Receipts from disposal of financial assets	78,365,940	165,313,726
b.	**Cash disbursements in investing activities**	**-74,329,289**	**-164,389,442**
	Disbursements for acquisition of intangible assets	-48,733	-686,345
	Disbursements for acquisition of tangible fixed assets	-394,987	-129,291
	Disbursements for acquisition of financial assets	-73,885,569	-163,573,806
c.	**Positive cash flow from investing activities (a+b)**	**4,976,737**	**1,854,271**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
a.	**Receipts from financing activities**	**217,044**	**0**
	Cash proceeds from increase in non-current financial liabilities	217,044	0
b.	**Cash disbursements in financing activities**	**-1,805,029**	**-2,677,077**
	Interest paid	-20,256	-26,905
	Dividends and other profit participations paid	-1,018,469	-2,546,172
	Repayment of financial liabilities	-766,304	-104,000
c.	**Negative cash flow in financing activities (a+b)**	**-1,587,985**	**-2,677,077**
D.	**CLOSING BALANCE OF CASH**	**372,766**	**9,245,657**
x.	Net increase/decrease in cash for the period (Ad+Bc+Cc)	-8,872,891	987,204
y.	Opening balance of cash	9,245,657	8,258,453

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

2.5. STATEMENT OF CHANGES IN EQUITY

CHANGES IN EQUITY OF GEOPLIN IN 2019

in EUR

		share capital	capital reserves	profit reserves	fair value reserves	retained earnings	net profit/ loss for the period	**TOTAL EQUITY**
				other				
A.1.	**Closing balance of the previous reporting period**	29,583,473	75,010,673	3,290,116	1,558,942	8,628,683	1,743,567	**119,815,454**
A.2.	**Opening balance of the reporting period**	29,583,473	75,010,673	3,290,116	1,558,942	8,628,683	1,743,567	**119,815,455**
B.1.	**Changes in equity – transactions with owners**	0	0	0	0	-1,018,469	0	**-1,018,469**
	a. Profit sharing payments					-1,018,469		**-1,018,469**
B.2.	**Total comprehensive income for the report. period**		0	0	-154,133	0	8,682,860	**8,528,727**
	a. Net profit/loss for the report. period						8,682,860	**8,682,860**
	b. Change in revaluation reserve							**0**
	c. Change in reserve due to fair value revaluation				-154,133			**-154,133**
B.3.	**Changes in equity**		0	9,353,782	0	-7,610,214	-1,743,567	**0**
	a. Alloc. of part of the net prof. of prev. rep. per. to other eq. comp.			9,353,782		-7,610,214	-1,743,567	**0**
C.	**Closing balance for the period**	**29,583,473**	**75,010,673**	**12,643,898**	**1,404,809**	**0**	**8,682,860**	**127,325,713**

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

CHANGES IN EQUITY OF GEOPLIN IN 2018

in EUR

		share capital	capital reserves	profit reserves other	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	1,762,308	4,916,418	6,258,437	**120,821,425**
A.2.	Opening balance of the reporting period	29,583,473	75,010,673	3,290,116	1,762,308	4,916,418	6,258,437	**120,821,425**
B.1.	Changes in equity – transactions with owners	0	0	0	0	-2,546,172	0	**-2,546,172**
	a. Profit sharing payments					-2,546,172		**-2,546,172**
B.2.	Total comprehensive income for the report. period		0	0	-203,366	0	1,743,567	**1,540,201**
	a. Net profit/loss for the report. period						1,743,567	**1,743,567**
	b. Change in revaluation reserve							**0**
	c. Change in reserve due to fair value revaluation				-203,366			**-203,366**
B.3.	Changes in equity		0	0	0	6,258,437	-6,258,437	**0**
	a. Alloc. of part of the net prof. of prev. rep. per. to other eq. comp.					6,258,437	-6,258,437	**0**
C.	**Closing balance for the period**	**29,583,473**	**75,010,673**	**3,290,116**	**1,558,942**	**8,628,683**	**1,743,567**	**119,815,455**

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

2.6. STATEMENT OF COMPLIANCE

2.6.1. Statement of Compliance

The management board of Geoplin d.o.o. Ljubljana approved the financial statements on 18 March 2020.

The financial statements of Geoplin 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 (IFRIC) and by the European Union, and in accordance with the provisions of the Companies Act (ZGD-1).

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 Geoplin's Accounting Rules, 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 Company's financial statements are the same as those used for the financial statements for the financial year ended 31 December 2018. Exceptions consist in the newly adopted or amended standards and interpretations that apply for annual periods beginning on 1 January 2019 or later and are presented below.

IFRS 16: Leases

IFRS 16 replaces the international accounting standard IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, and interpretations of the Standing Interpretations Committee SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires lessees to apply a single accounting model for all leases and to recognise all leases on the balance sheet.

IFRS 16's approach to lessor accounting remains substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases in the same manner as under IAS 17, i.e. as operating or finance. In these terms, IFRS 16 has no effect on leases where the Group is the lessor.

The Group adopted IFRS 16 using a modified retrospective approach with the date of initial application of 1 January 2019. With this approach, the Company can use the standard retrospectively, recognising the cumulative effect of the transition at the date of initial application of the new standard. As at 1 January 2019 the Company used the practical expedient that allows the option not to reassess whether a contract is, or contains, a lease at the date of initial application.

Instead, the Company applied the requirements of IFRS 16 only for contracts recognised as leases prior to the transition date in accordance with the requirements of IAS 17 and IFRIC 4.

The effect of the transition to IFRS 16 as at 1 January 2019 (increase/decrease):

	EUR thousand
Assets	**Amount**
Right of use assets	+200.8
Property, plant, equipment	-25.1
Total assets	**175.7**
Lease liabilities	175.6
Interest liabilities	-0.9
Total liabilities	**175.7**

Upon the transition to IFRS 16 the Company had lease agreements for virtual servers and network transmission services, and a hardware and software lease agreement. Before the transition to IFRS 16 the Company (as the lessee) recognised lease costs under the costs of services as part of lease expense or ongoing investments. See note 2.7 Accounting policies before 1 January 2019.

Upon the transition to IFRS 16 the Company used a single accounting model to recognise and measure all leases except for short-term and low-value leases. The Company complied with the specific transition requirements of IFRS 16 and took advantage of the practical expedients available.

IFRS 9: Prepayment features with negative compensations (amendments)

The amendments allow financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation') to be measured at amortised cost or at fair value through other comprehensive income. The management assessed that using the standard would not have a significant impact on the Company's financial statements if applied on the balance sheet date.

IAS 28: Long-term interests in associates and joint ventures (amendments)

The amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture, should be governed by IFRS 9, IAS 28 or a combination of both. The amendments expressly affirm that when recognising long-term interests that are not accounted for using the equity method an entity shall apply IFRS 9 Financial Instruments before it applies IAS 28. When applying IFRS 9, the entity shall not make use of any adjustments to the carrying amount of long-term interests otherwise provided for by IAS 28. The management assessed that the amendments to IAS 28 did not lead to significant changes in Geoplin's financial statements.

IFRIC 23: Uncertainty over income tax treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes when there is uncertainty over income tax treatments under IAS 12. The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The management assessed that using the standard would not have a significant impact on the Company's financial statements if applied on the balance sheet date.

IAS 19: Plan amendment, curtailment or settlement (amendments)

The amendments require a company to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement. The amendments also clarify how the requirements for accounting for an amendment, curtailment or settlement of a plan affect the asset ceiling requirements. The management assessed that using the standard would not have a significant impact on the Company's financial statements.

The International Accounting Standards Board (IASB) published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing a series of amendments to IFRSs. The management assessed that using the improvements to standards would not have a significant impact on the Company's financial statements.

- **IFRS 3 Business combinations and IFRS 11 Joint arrangements:** The amendments to IFRS 3 clarify that when an entity gains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity gains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- **IAS 12 Income taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity must be recognised depending on where the entity originally recognised the transactions or events that generated distributable profits.

- **IAS 23: Borrowing costs:** The amendments clarify paragraph 14 of IAS 23, namely that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.

2.6.3. Standards not yet effective that the Company 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 a conflict between the requirements of IFRS 10 and IAS 28 in dealing with the gain or loss resulting from the sale or contribution of assets to a joint venture or associate. The amendments clarify 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. The amendments to the standard have not yet been adopted by the European Union.

- **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 for asset acquisitions that occur on or after the beginning of that period. Early application is permitted. These Amendments have not yet been endorsed by the EU.

- **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.

- **Interest Rate Benchmark Reform (IBOR) – Amendments to IFRS 9, IAS 39 and IFRS 7**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 and are to be applied retrospectively. Early application is permitted. In September 2019, the International Accounting Standards Board (IASB) published Amendments to IFRS 9, IAS 39 and IFRS 7 as an initial reaction to the potential effects the IBOR reform could have on financial reporting. In Phase 2 of the project the Board will deal with issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate. 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 replacement of an existing interest rate benchmark 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.

- **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. The amendments aim to promote consistency in applying the requirements by helping companies 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 and do not change existing requirements related to measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for liabilities which an entity may settle by issuing its own equity instruments. These amendments have not yet been endorsed by the EU.

The Company 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 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.

LEASES

At inception of a contract the Company assesses whether a contract is, or contains, a lease, i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company determines the lease term as the non-cancellable period of a lease, together with:

a. the period covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

b. the period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Company recognises and measures all leases under a single model, except for short-term and low-value leases. The Company also recognises the lease liability and the right-of-use asset representing its right to use the underlying leased asset.

The right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. The cost of the right-of-use asset comprises the amount equal to the lease liability at its initial recognition, initial direct costs and lease payments made at or before the commencement of the lease, less any lease incentives received.

Right of use assets are depreciated throughout the lease period.

The lease liability is initially recognised and measured at the present value of the lease payments during the lease term that are not yet paid. The present value of lease payments is calculated using the incremental borrowing rate, because the interest rate implicit in the lease cannot be readily determined. After commencement of the lease, the lease liability is increased by accrued interest and reduced by lease payments made. The Company recognised the lease liability under non-current liabilities (disclosure 1.9.12).

Accounting policies before 1 January 2019
Before 1 January 2019 the Company reported the cost of lease for virtual servers and transmission network services under costs of services. In financial statements 2018 these costs were reported under lease expense, and the costs of hardware and software leases were reported under ongoing investments.

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 amount recorded 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.

Loans 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 document 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 Company conducts an annual impairment review and does not record insignificant impairments in its financial statements.

The Company 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.

PROVISIONS

Provisions are created 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 made 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.

CASH FLOW STATEMENT

The cash flow statement has been compiled based on data from the profit and loss account for the period 1 January 2019 to 31 December 2019, data from the statement of financial position as at 31 December 2019 and 1 January 2019 and other required information.

2.8. SUMMARY OF NOTES TO THE 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.

2.8.1. Provisions

		in EUR
	As at 31/12/2019	**As at 31/12/2018**
Provisions for severance pay	48,106	48,106
Provisions for jubilee awards	23,870	25,838
Other provisions	15,759,399	18,609,706
Closing balance	**15,831,375**	**18,683,650**

Tables below show changes in provisions.

					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	**15,831,357**	**0**	**2,850,307**	**1,969**	**18,683,650**

					in EUR
	As at 31/12/2018	**Additions 2018**	**Reversals 2018**	**Uses 2018**	**As at 1/1/2018**
Provisions for severance pay	48,106	13,523	0	0	34,583
Provisions for jubilee awards	25,839	4,774	0	920	21,985
Other provisions	18,609,706	603,056	5,659,666	0	23,666,315
Total	**18,683,650**	**621,352**	**5,659,666**	**920**	**23,722,883**

The Company did not create new provisions for jubilee awards and severance pay in 2019, as it employs the materiality principle when forming provisions.

No additional provisions were formed for onerous contracts for transport and storage capacity leases in 2019.

Reduction in provisions in 2019 relates to utilisation or reversal of provisions for onerous contracts in 2019 and to utilisation of provisions for jubilee awards paid.

Geoplin 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.

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

The Company 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.

2.8.2. Non-current financial liabilities

Non-current financial liabilities as at 31 December 2019 include liabilities for the lease of hardware totalling EUR 160,748 (2018: EUR 606,667). In accordance with IFRS 16 the Company recognised the right-of-use assets and lease liabilities.

The table below shows the structure of non-current liabilities as at 31 December.

		in EUR
	As at 31/12/2019	**As at 31/12/2018**
Non-current financial liabilities	0	606,667
Non-current lease liabilities	160,748	0
Total	**160,748**	**606,667**

The table below shows the maturity of non-current lease liabilities as at 31 December.

		in EUR
	As at 31/12/2019	**As at 31/12/2018**
Between 1 and 5 years	160,748	0
Total	**160,748**	**0**

Changes in financial liabilities are shown in the table below.

				in EUR
	As at 1/1/2019	**Increase**	**Repayments**	**As at 31/12/2019**
Non-current financial liabilities	606,667	0	606,667	0
Non-current lease liabilities	0	201,998	41,249	160,748
Total	**606,667**	**201,998**	**647,916**	**160,748**

2.8.3. Current liabilities

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

		in EUR
	As at 31/12/2019	**As at 31/12/2018**
Current financial liabilities	1,546	104,888
Current operating liabilities	57,401,438	39,492,326
Total	**57,402,984**	**39,597,214**

Current financial liabilities as at 31 December 2019 consist of the December liability for the lease of hardware.

Current operating liabilities consist of:

		in EUR
	As at 31/12/2019	**As at 31/12/2018**
Trade payables	46,022,658	31,483,191
Corporate income tax liabilities	1,607,061	0
Contract liabilities	464,172	1,400,555
Other current liabilities	9,307,547	6,608,581
Total	**57,401,438**	**39,492,326**

The Company's trade payables in the domestic and foreign markets consist of not past due and unpaid liabilities for delivered natural gas and costs relating to the supply of natural gas to the Slovenian border as well as the supply of other material and services for ongoing business operations.

As at 31 December 2019 current trade payables represent 80% of all current operating liabilities (31 December 2018: 80%) and represent liabilities for natural gas supplies and costs related to the supply of natural gas and other material and services for ongoing business operations.

Liabilities arising from contracts – IFRS 15 liabilities as at 31 December:

		in EUR
	As at 31/12/2019	**As at 31/12/2018**
Liabilities for payments and deposits received in advance	464,172	1,400,555
Total	**464,172**	**1,400,555**

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

Other current operating liabilities as at 31 December:

		in EUR
	As at 31/12/2019	**As at 31/12/2018**
Liabilities to employees	195,529	193,087
Liabilities to the state	8,568,060	6,017,968
Accrued costs and expenses	301,226	145,355
Other current liabilities	242,732	252,171
Total	**9,307,547**	**6,608,581**

Liabilities to employees comprise gross salaries and related contributions, supplementary pension insurance premiums and other labour costs for December 2019 paid in January 2020.

Liabilities to the state totalling EUR 8,568,060 (2018: EUR 6,017,968) represent liabilities for VAT, excise duty, ecotax and contributions for ensuring support for the production of electricity from renewable energy sources and CHP.

As at 31 December 2019 accrued costs and liabilities represented 3% of all current operating liabilities (31 December 2018: 2%) and 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 2019 Geoplin does not record operating liabilities to members of the supervisory and management boards.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Owners of Geoplin d.o.o. Ljubljana

Opinion

The summary financial statements, which comprise the summary balance sheet as at 31 December 2019, the summary income statement, the summary statement of other comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the complete audited financial statements of Geoplin d.o.o. Ljubljana for the year then ended.

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

Summary financial statements

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

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 18 March 2020. The audited financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date our report on the audited financial statements.

Ljubljana, 5 June 2020

Sanja Košir Nikašinović
Director, Certified auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified auditor

SUMMARY ANNUAL REPORT 2019

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Ljubljana, June 2020

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