

**SUMMARY REPORT
TO THE SHAREHOLDERS ON SPECIAL
AUDIT OF TRANSACTIONS OF THE COMPANY
PETROL d.d., Ljubljana**

For proper understanding of conducting the transactions and conclusions thereon this summary report should be read in conjunction with the Report to the Shareholders on Special Audit of the Company Petrol d.d., Ljubljana

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Disclaimer:

This is a translation of the Summary Report in Slovene language.

Any liability regarding the accuracy or completeness of this convenience translation shall be excluded.

In the event the English convenience translation deviates from the Slovene original, the Slovene original shall prevail.



1 General information

1.1 Framework

Pursuant to the resolution of the 30th General Meeting of Petrol, Slovenska energetska družba, d.d. Ljubljana (hereinafter “Petrol” or “the Company”), dated 12 December 2019, BDO Revizija d.o.o. (hereinafter “BDO” or “special auditor”) was appointed as a special auditor for verification of conduct of individual transactions of the Company in the period from 1 January 2015 to 24 October 2019.

For this purpose, BDO and Petrol concluded an Engagement letter on Special Audit, dated 7 February 2020. COVID-19 epidemic greatly hindered the performance of the special audit in line with the agreed timeframe. Consequently, the due date to finalize the special audit was set at 15 October 2020, which was agreed with an annex to the Engagement letter.

1.2 Purpose and main objectives

The subject and purpose of the review is specified in item three of minutes of the 30th General Meeting of Petrol, dated 12 December 2019, containing the following requirements:

Pursuant to the General Meeting’s Resolution, the Special auditor shall verify the conduct of transactions of the Company in the period from 1 January 2015 to 24 October 2019; specifically the following transactions the value of which (individually or jointly, in case of related party transactions) exceed EUR 1 million:

- *transactions related to the acquisition of long-term financial investments;*
- *transactions related to the disposal of long-term financial investments;*
- *transactions related to other types of investments, other than transactions related to investments in the energy renovation of public buildings carried out in the cooperation with municipalities and financed using cohesion funds;*
- *transactions related to sponsorship agreements.*

Special auditor shall consider how the transactions were conducted in relation to the concept of acting with diligence of a conscientious and honest businessperson from the aspect of:

- *appropriateness of decision-making (from the legal aspect and aspect of economic viability);*
- *performance of the transactions (from the perspective of transparency, cost effectiveness, procedural compliance, internal rules, appropriateness of internal controls, suitability of security instruments);*
- *impact of the transaction on the Company’s operations (from the perspective of risk exposure and financial and accounting aspect).*

To ensure that the auditor’s report contains all the necessary elements (especially as regards potential liability for damages and criminal liability of the members of competent Company bodies during the period concerned), the appointed special auditor shall also engage legal and other experts as needed. In accordance with the General Meeting’s Resolution, the report shall also contain findings which, if irregularities are identified, provide:

- *legal and economic justification of unprofessional or unlawful conduct;*
- *specify the damage;*
- *identify the person in breach and*
- *his responsibility and;*
- *assessment of pursuing legal action for compensatory or other purposes and the probability of success.*

The special audit is limited to 30 transactions, yet the auditor shall ensure that all categories are taken into account as equally as possible. Where a category contains more transactions corresponding to the criterion of value that can be reviewed considering the

limited number of transactions, transactions having the highest value shall be subject to special audit, but the special auditor may also audit transactions having smaller value if they deem there is a good reason to do so.

1.3 Special audit approach and considered criteria

1.3.1 Special audit approach

Our approach was based on the following key procedures:

- a selection, acquisition of relevant documents and review of 30 transactions that meet the criteria, specified in point 1.2;
- acquisition, review and analysis of documentation related to selected transactions, prepared by responsible personnel from individual departments of the Company;
- acquisition, review and analysis of accounting data related to selected transactions, prepared by the Company's accounting department;
- exploration of internal rules, regulations and instructions linked to financial and other investments and sponsorship, valid in the period from 1 January 2015 to 24 October 2019;
- exploration of the legislation linked to financial and other investments and sponsorship, valid in the period from 1 January 2015 to 24 October 2019;
- examination of other Company's internal documents (such as financial plans, Company's and Group Company's strategies, minutes of management meetings), which represented the basis for selecting the transactions;
- reviewing available publicly data and information related to selected transactions;
- obtaining explanations to our questions directed to the Management Board, which managed the Company in the period from 1 January 2015 to 24 October 2019 (we wished to meet with the Management Board to obtain some oral explanations but only managed to obtain written answers to our questions);
- obtaining and analysing oral and written explanations by the personnel responsible for individual relevant areas;
- examination of additional Company's explanations stated in the Reaction to the Draft of special purpose auditor's Report, dated 17 August 2020.

1.3.2 Criteria

In performing the special purpose audit procedures, we complied with the International Code of Ethics for Professional Accountants (IESBA Code). We also followed the provisions of legislation, defining concepts and aspects of diligence, conscientiousness and honesty of the businessperson.

In order to act with the diligence of a conscientious and honest businessperson, we have considered:

a) Article 263 of the Company's act, which defines, inter alia,

- (1) In performing their duties on behalf of the company, members of the management or supervisory body shall act with the diligence of a conscientious and honest businessperson and safeguard the trade secrets of the company.
- (2) Members of a management or supervisory body shall be jointly and severally liable to the company for damage arising from the breach of their duties unless they can demonstrate that they fulfilled their duties honestly and conscientiously. If the company concludes an insurance contract with which members of the management or supervisory body are insured against risks stemming from carrying out their duties in the company, the insurance excess shall be in the amount of at least 10% of the damage but not greater than 1.5 times their fixed annual income.

- (3) Members of a management or supervisory body shall not be obliged to compensate the company for damage if the act by which damage was caused to the company is based on a lawful general meeting resolution. The damage liability of the members of the management shall not be excluded even though the supervisory board or the board of directors approved the act. The company may only waive or set-off claims for compensation three years after the occurrence of the claims, if the general meeting agrees, and provided that a written statement of non-objection is obtained from a minority holding at least one-tenth of the share capital and the statement is included in the minutes of the general meeting.
- (4) A compensation claim by the company against members of the management or supervisory body may also be pursued by creditors of the company if the company is unable to repay them. The waiver of compensation claims or offset referred to in the preceding paragraph shall not have legal effect against creditors, but it shall also not be possible to refer to the fact that the act is based on a general meeting resolution.

b) Article 12, 28 and 29 of the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act, which lays down basic obligations of the management and members of the Supervisory Board and the rules of the business finance profession.

Article 28 of the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act - Basic obligations of management

- (1) The management shall ensure that the company's operation complies with this Act and with the rules of the corporate finance profession.
- (2) When managing a company's operations, the management shall act with the professional due diligence of the corporate finance profession, thus endeavouring to ensure that the company is at all times liquid and solvent.
- (3) Members of the management shall be jointly and severally liable for any damages arising as a result of violations of their obligations provided for in Chapter 2 of this Act.
- (4) Members of the management shall be free from liability referred to in paragraph three of this Article if they can prove that in meeting their obligations, they were acting with the professional due diligence of the corporate finance and corporate governance profession.

Article 29 of the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act - Basic obligations of supervisory board members

- (1) When exercising its competencies and responsibilities in performing the supervision of the management of a company's operations, the supervisory board shall regularly check:
 1. the liquidity and solvency of the company, and
 2. whether the management is acting in compliance with the rules laid down in Chapter 2 of this Act.
- (2) Members of the supervisory board shall be jointly and severally liable to the company for any damages arising to the company as a result of violations of their obligations provided for in Chapter 2 of this Act.
- (3) Members of the supervisory board shall be free from the liability referred to in paragraph two of this Article if they can prove that, in meeting their obligations, they were acting with the professional due diligence of the corporate finance and corporate governance profession.

Article 12 of the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act - Rules of corporate finance and the corporate governance profession

- (1) The rules of the corporate finance profession shall be as follows:

1. the principles and standards of financial operations adopted by the Slovenian Institute of Auditors pursuant to the Act governing auditing, and
 2. other empirical rules on carrying out financial operations with due care which are generally used in the corporate finance profession.
- (2) The rules of the corporate governance profession shall be empirical rules for carrying out corporate governance with due care which are generally used in the field of corporate governance.

c) Business judgement rule, adopted in Slovenian case-law which underlies that the conduct of management can be defined as diligent if the following conditions are met:

- A decision between several options that are legally permissible i.e. matters or judgements, in which management is free to decide how to act, should be a business decision (its opposite is legally regulated decisions);
- Management must act beneficial to society. The consequences or effects of each option shall be assessed in aspect of whether the management could reasonably expect a certain consequence based on the information at its disposal (or could have if it had acted with diligence and obtained available information) at the time of the decision making;
- Management's actions must not be regulated by special interests or outside influences;
- Management's decision-making must be based on the appropriate information. It is necessary to take into account the information to which the management had access before the decision was final (or could have access to, if acting with due diligence and obtaining accessible information);
- Management must act in good faith.

d) Code of Financial Principles (in sense of Article 12 of the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act), adopted by Slovenian Institute of Auditors

e) Slovenian Corporate Governance Code (Ljubljana Stock Exchange d.d. and Slovenian Director's Association, adopted on 27 October 2016)

f) The Company's Statute, which stipulates, inter alia:

09.10. The President of the Management Board and every other member except the Executive Worker's Director, independently and individually represent the Company. The Executive Worker's Director represents the Company jointly with another member of Management Board or with its President.

The consent from the Supervisory Board is required for every acquisition or disposal of Company's own shares, acquisition, establishment or termination of companies and business units, taking out loans or giving loans, that individually exceed 5% of the total equity of the Company and for granting procuration or authorising mortgages.

g) Management Policy of Petrol d.d., Ljubljana (adopted on the basis of the code referred to in point e) above), which determines, inter alia:

In accordance with The Company's Statute, legal representatives shall need a consent of the Supervisory Board before making important decisions that could significantly affect the business, financial or legal situation of the company.

The business practice of relations between the Management Board and the Supervisory Board is that the Management Board informs the Supervisory Board about all activities that do not formally fall under The Company's Statute, since the opinion of the Supervisory Board is still relevant.

h) The M&A Concept of Petrol Group (approved by the Company's Management Board on 20 June 2016), which stipulates, inter alia:

The M&A Centre for Petrol Group is placed under Organisational unit Finance in the Business Support for Petrol d.d., Ljubljana. M&A Centre is responsible for performing tasks relating to (I) coordination of M&A corporate actions made by the parent company and other companies in the Petrol Group and (II) coordination of external M&A activities based upon business opportunities.

Corporate actions (internal and external):

- types of corporate actions:
 - establishment of a new company;
 - purchase or sale of the company;
 - merger of a company or merger of a certain activity of a company;
 - separation of companies and other;
- organization of other procedures (e.g. due diligence, evaluation...) within an individual corporate action.

The basic principle is that each project has a project owner (Management of the parent company) and each team has a project manager who is responsible for preparation of the document called Project Framework. The team from the process and business support for each business area is generally unique for all the projects in each country.

Jurisdictions and responsibilities of the M&A Centre for Petrol Group:

- coordinating;
- organizing and
- managing the process of M&A projects in one single place;
- documenting M&A projects for the Management Board meeting and archiving.

The M&A coordinator must be informed about all of the M&A projects.

1.4 Management of the Company in the period from 1 January 2015 to 24 October 2019

According to the Founding Act, the Company is managed by the director or if not appointed, by a representative. During the period under review, the Company was managed by the following directors or representatives:

Name	Function and type of representation	Time period
Tomaž Berločnik	Chairman of the Management Board, independent representation	1 February 2011 - 24 October 2019
Igor Stebernak	Member of the Management Board, independent representation	1 May 2015 - 24 October 2019
Rok Vodnik	Member of the Management Board, independent representation	30 August 2009 - 24 October 2019
Janez Živko	Member of the Management Board, independent representation	30 August 2009 - 1 March 2015
Ika Krevzel-Panič	Member of the Management Board (Worker's Director), joint representation	18 April 2017 - ongoing

Source: www.ajpes.si

1.5 Supervisory Board in the period from 1 January 2015 to 24 October 2019

During the period under review, the Supervisory Board had following members:

Name	Function	Time period
Tomaž Kuntarič	Chairman of Supervisory Board	22 April 2013 - 7 April 2017
Irena Prijović	Deputy Chairperson of Supervisory Board	22 April 2013 - 7 April 2017
Igo Gruden	Member of Supervisory Board	7 April 2013 - 7 April 2017 11 April 2017 - 11 February 2020
Klemen Ferjančič	Member of Supervisory Board	7 April 2013 - 7 April 2017
Matija Blažič	Member of Supervisory Board	7 April 2013 - 7 April 2017
Mladen Kaliterna	Member of Supervisory Board	16 July 2013 - ongoing
Andrej Tomplak	Member of Supervisory Board, Employee representative	22 February 2013 - 21 February 2017
Zoran Gračner	Member of Supervisory Board, Employee representative	22 February 2013 - ongoing
Damjan Legan	Member of Supervisory Board, Employee representative	28 January 2016 - 21 February 2017
Ika Krevzel Panič	Member of Supervisory Board, Employee representative	22 February 2013 - 10 December 2015
Nada Drobne Popović	Member of Supervisory Board Chairman of Supervisory Board	11 April 2017 - 20 April 2017 20 April 2017 - 11 February 2020*
Sašo Berger	Member of Supervisory Board Deputy Chairperson of Supervisory Board	11 April 2017 - 20 April 2017 20 April 2017 - 11 February 2020
Metod Podkrižnik	Member of Supervisory Board	11 April 2017 - ongoing
Sergij Goriup	Member of Supervisory Board	11 April 2017 - ongoing
Alen Mihelčič	Member of Supervisory Board, Employee representative	22 February 2017 - ongoing
Robert Ravnikar	Member of Supervisory Board, Employee representative	22 February 2017 - ongoing

Source: www.ajpes.si

*In the period from 25 October 2019 to 11 February 2020, Chairman of Supervisory Board by the Decision of Supervisory Board

1.6 Sources of information

The documents were uploaded to a virtual data room in electronic form. Through the virtual data room, we were also able to communicate on additional matters. On a selected sample, we verified that obtained documents correspond to the originals.

On the bellow listed dates, we have performed interviews with personnel, responsible for following areas:

Area	Date
Introductory meeting	28 January 2020
General meeting about work procedures and progress	4 March 2020
Investments in fixed assets and financial investments	1 March 2020
Sponsorship	14 May 2020
IT	9 June 2020
Retail	15 June 2020
M&A	16 June 2020
Investments in fixed assets	16 June 2020
Controlling	18 June 2020

Relating to the documents reviewed and explanations obtained, we draw attention to the limitations listed below.

1.7 Limitations

- We performed the review as accounting professionals. In accordance with the Proposal and the Engagement Letter, we have included legal and other experts in the review. The Law Office Zaman and Partners d.o.o. defined the compensation aspect and lawyer Blaž Kovačič Mlinar (Ph.D.) defined the criminal aspect of the transactions. Certified appraisers from BDO Svetovanje d.o.o. participated in reviewing the valuation reports.
- In accordance with the Engagement Letter, dated 7 February 2020, special purpose audit was limited to the procedures related to transactions defined in the resolution of the 30th General Meeting of Shareholders of Petrol d.d., namely to the business events that occurred in the period from 1 January 2015 to 24 October 2019. The subject of the review were also business events related to each transaction, but occurred before or after the relevant period. We are only listing those events for better understanding of the transactions and we are not taking any stand on those.
- In accordance with the General Meeting decision, we verified the conduct of affairs related to selected transactions, for which the Management Board of the Company was responsible.
- We did not independently verify accuracy and completeness of the data, documents and other information provided by the Company. Consequently, we do not guarantee the accuracy and completeness of any data the Report contains (or any other information available to us in further inquiries). We also did not enquire the contract counterparties.
- The content and time scope of our work was determined by the Engagement Letter but was limited to the documentation, available in the period from the date the Engagement Letter was signed, to 15 October 2020, and to the explanations of the interviewees). We express no assurance on the adequacy of the procedures performed or the suitability of our Report for any other purpose other than specified in point 1.2. We cannot rule out the possibility that additional information and documents could lead to additional or different conclusions.
- According to the General Meeting Decision, we substantively defined the damage for the transactions where we detected that damage may have been caused. However, we did not calculate the damage amount since the calculation was not the subject of the Decision. Furthermore, the precise calculation is not possible based only on obtained documents. In order to quantify the damage, additional procedures would need to be performed (i.e. careful further inspections or due diligence procedures in case these have not already been performed or have not been performed sufficiently), additional information regarding business plans obtained and information regarding the subject of valuations in order to assess the correct (i.e. fair) value and consequently define the basis for calculating the damage. In some cases, technical and construction experts would need to be included in the assessment.
- The special purpose audit procedures performed do not constitute an audit as defined in the Auditing Act or the International Federation of Accountants (IFAC) International Auditing, Review, Other Assurance and Related Services Pronouncements. Consequently, we do not express any opinion or assurance regarding the financial statements of Petrol d.d., Ljubljana.
- BDO Revizija d.o.o. is not obliged to supplement the Report with any events or other circumstances that occur after the date of this Report.
- We are not obligated to accept any possible damage, either direct or consequential, arising out or linked with this Report or any other written or orally-given information for that matter.

This Summary Report is intended for shareholders, Supervisory Board and Management Board of Petrol d.d., Ljubljana.

2 The selection criteria and list of selected transactions

2.1 The criteria for selecting the transactions

We received the following lists from Petrol:

- transactions related to acquisition of long-term financial investments - shares and stocks in the relevant period;
- transactions related to acquisition of long-term financial investments - loans in the relevant period;
- transactions related to disposal of long-term financial investments in the relevant period;
- transactions related to other investment types (other than cohesion) during the relevant period;
- transactions related to sponsorship agreements during the relevant period.

Petrol prepares financial statements in accordance with International Financial Reporting Standards, as adopted in the EU (IFRS). The Standards do not explicitly define the concept of long-term financial investments. For the purpose of precise selection of transactions related to long-term financial investments, we therefore assumed that long-term financial investments include the following non-current assets from the Statement of Financial Position of Petrol (separate financial statements):

- investments in subsidiaries;
- investments in jointly controlled companies;
- investments in associates;
- financial assets at fair value through other comprehensive income;
- financial receivables.

The completeness of the data obtained was verified by comparison of the above-mentioned amounts, as recorded in the trial balances, to audited annual reports for the periods ending as at 31 December 2015, 31 December 2016, 31 December 2017, 31 December 2018.

30 transactions with a value exceeding EUR 1 million were subject of the review. In accordance with General Meeting's Decision we ensured an even representation of different categories as follows:

- of all sponsorship transactions, only two exceeded the value of EUR 1 million and were both selected for the review;
- of all transactions related to disposal of long-term financial investments, only three exceeded the value of EUR 1 million and were all selected for the review;
- the remaining 26 transactions refer to (a) transactions, relating to acquisition of long-term financial investments - whereby 15 transactions amount from (1) the increase of capital of the Petrol Beograd subsidiary intended for the purchase of service stations in Serbia and (2) from the establishment of service stations in Banja Luka in Bosna and Herzegovina and (b) other 11 investment transaction. The criteria for selection were: the largest transactions in value and/or transactions that were determined as more important in regard to the impact on financial statements. The selection was based on reviewing annual reports, other publicly available data in interviews with the Company's new management.

2.2 List of selected and reviewed transactions

No.	Acquisition of long-term financial investments - investments in companies	EUR	Brief description
1	GEOPLIN d.o.o.	34,785,968	Exchange and purchase of shares
2	MBILLS d.o.o.	11,039,000	Purchase of shares and increase of capital
3	ZAGORSKI METALAC d.o.o.	8,414,665	Purchase of a share
4	INTRADE ENERGIJA d.o.o.	8,032,844	Acquisition of a share through increase of capital
5-8	PETROL d.o.o., BEOGRAD	7,330,000	Increase of capital to purchase 4 service stations
9	VJETROELEKTRARNE GLUNČA d.o.o., ŠIBENIK	7,023,482	Purchase of a share and increase of capital
10	PETROL HIDROENERGIJA d.o.o. Teslič	5,000,409	Company establishment and increase of capital
11	ATET d.o.o.	4,044,396	Purchase of a share
12	BRANH ESTABLISHMENT AND PURCHASE OF SS MALTA	3,498,501	Branch establishment and purchase of Malta service station
13	MEGAENERGIJA d.o.o.	3,293,949	Purchase of shares
14	BRANCH ESTABLISHMENT AND PURCHASE OF SS VJENAC	2,488,594	Branch establishment and purchase of Vjenac service station
15	ABCITI d.o.o.	1,202,596	Purchase of a share

Part of 9	Acquisition of long-term financial investments - loans granted	EUR	Brief description
	VJETROELEKTRARNE GLUNČA	23,400,000	A loan that belongs to an investment no. 9 and is therefore considered as 1 transaction

Part of 1	Disposal of long-term financial investments	EUR	Brief description
	PLINHOLD d.o.o.	10,194,784	An exchange that belongs to investment no. 1 and is therefore considered as 1 transaction
16	MARCHE GOSTINSTVO d.o.o.	2,850,000	Disposal of share
17	POKOJNINSKA DRUŽBA A, d.d.	1,451,008	Purchase and disposal of shares

	Other investments	EUR	Brief description
18	SAP - NEW IT SYSTEM	6,488,073	Investments in new ERP SAP
19	BS PODLEHNIK Z - NEW	4,101,171	Investment in service station
20	CONSESSION ZP ŠKOFJA LOKA	4,072,787	Purchase of concession
21	SS MARIBOR - EAST	4,062,180	Investment in service station
22	SS MARIBOR - WEST	3,863,219	Investment in service station
23	SS PODLEHNIK V - NEW	2,851,744	Investment in service station
24	IT EQUIPMENT	2,727,333	Investment in IT of which SUNESIS d.o.o. EUR 1.089.849
25	SS IV - NORTH BYPASS	2,537,271	Investment in service station
26	PURCHASE OF BUSINESS PREMISES SLOVENSKA 54, LJUBLJANA	2,274,053	Purchase and reconstruction of business premises at Slovenska 54, Ljubljana
27	DATA CENTRE	2,139,893	Investment in IT, of which vendor IBM 1.797.860 EUR
28	SND LENDAVALA	1,915,118	Pipeline renovation

	Sponsorships	EUR	Brief description
29	KOŠARKARSKI KLUB OLIMPIJA	2,030,000	Sponsorship contract
30	SMUČARSKA ZVEZA SLOVENIJE	1,067,000	Sponsorship contract

Source: Petrol d.d., Ljubljana

3 Summary of findings

3.1 Transactions where no deficiencies were found

In conducting the transactions listed below, we did not identify deficiencies with respect to the diligence of a conscientious and honest businessman (i.e. from the point of view of adequacy of decision-making, from the point of view of execution of the transaction and from the point of view of impact of the transaction on the Company's operations) which could lead to liability of the Management Board.

3.1.1 Geoplin d.o.o. (exchange and purchase of shares) and Plinhold (exchange of shares)

Geoplin d.o.o. (Geoplin) as the only shareholder of the company Plinovodi d.o.o. (Plinovodi), transferred the shares in Plinovodi in 2017 into a new company Plinhold d.o.o. (Plinhold). Republic of Slovenia (RS) wanted to obtain a majority share of ownership in Plinhold while Petrol's strategic interest was to become a majority shareholder of Geoplin. In 2017 Petrol and RS concluded an exchange agreement whereas RS transferred to Petrol 16 % of basic share capital of Geoplin and Petrol transferred to RS 11 % of basic share capital of Plinhold (only shareholder of Plinovodi). After this exchange of shares, Geoplin became a subsidiary and Plinhold an associate of the Petrol Group. The share exchange ratio was based on due diligence procedures and valuations, carried out by external experts. In 2018 and 2019, Petrol purchased shares of Geoplin from companies controlled by RS and from other seller.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.2 Intrade Energija d.o.o. (acquisition of shares through payment of additional share capital)

Intrade Energija d.o.o. Sarajevo (Intrade Energija) became a directly owned subsidiary of Petrol in 2013 through the merger of IG investicijski inženiring d.o.o. to Petrol. Petrol held a 51 % share in the basic capital, the carrying value of the investment was 0 EUR due to the poor performance of Intrade Energije. As at 31. 12. 2018 Petrol also had a receivable from a loan in the amount of 11,952,981 EUR. Due to poor performance and high negative equity, there was a risk that Intrade Energija would lose its electricity generation concession and cease operations. In this case, Petrol would irreversibly lose the possibility of recovering the loan. In March and April 2019, Petrol increased the equity of the company by paying in additional share capital in the amount of EUR 8,032,844 and became the owner of 99.75 % of the share capital. In December 2019, Intrade Energija repaid the entire amount to Petrol as repayment of the loan. By paying additional share capital and taking over almost the entire ownership, Petrol did not assume additional risk, but improved its ability to manage and improve the business performance of Intrade Energija.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.3 Megaenergija d.o.o. (purchase of equity share)

Based on the contract concluded in March 2018, Petrol acquired a 100 % equity share of Megaenergija d.o.o. Maribor for the purchase price in the amount of EUR 3,293,949, which owned 24 production plants for cogeneration of heat and electricity with sales contracts valid for another 5 to 7 years. In April 2018, Petrol and Megaenergija concluded the Merger Agreement with the effective date of the merger being 31 December 2017, and Megaenergija was deleted from the court register on 1 June 2018.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.4 Marche Gostinstvo d.o.o. (disposal of share)

Prior to the sale, Petrol owned a 25% equity share in Marche Gostinstvo d.o.o. Procedures for making a decision on the sale of this share have started in the beginning of 2013. The Management Board kept the Supervisory Board informed on the progress of the sale. In the period from the beginning of the sales process to 18 .4. 2016, when the Management Board made a decision on the sale for the price of EUR 2,850,000, negotiations took place. The price was based on an internal valuation prepared as at 31 December 2012. The valuation was not updated before the sale took place, however the publicly available financial statements of Marche Gostinstvo d.o.o. showed that the actual business was worse than planned, which was the basis for calculating the sales price. The purchase contract with the buyer Marche International AG was signed on 21 April 2016 for the price of EUR 2,850,000. Petrol realized profit in the amount of EUR 2,496,198 EUR.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.5 Pokojninska družba A d.d. (purchase and disposal of shares)

Pokojninska družba A, d.d. addressed an offer to Petrol to participate in the purchase of 9,391 shares of Pokojninska družba A, d.d. (named PDAR) at a price of EUR 162.16, which were owned by Mercator, d.d. On 9 November 2015, the Management Board confirmed that a sales contract shall be concluded with Mercator, d.d. for the purchase of 8,470 PDAR shares, a sales contract with Mercator, d.d. for the purchase of 921 PDAR shares, both at a price of EUR 162.16 and also the Agreement with Pokojninska družba A, d.d. on the sale of shares after its General Meeting obtains a resolution on the purchase of treasury shares and which stipulates that in the event that the relevant resolution of the General Meeting is adopted, Pokojninska družba A, d.d. will immediately repurchase 8,948 PDAR shares at a price, which will at least equal Petrol's purchase price, increased by 3 % p.a. Purchase agreements with Mercator, d.d. were concluded on 23 November 2015, and the purchase price was paid in accordance with the sales contract. On 23 December 2015, Petrol and Pokojninska družba A, d.d. concluded a purchase agreement for 8,470 PDAR shares at a price of EUR 162.51 which equals the total price of EUR 1,376,459,70. On 27 January 2016 both parties concluded another purchase agreement for the purchase of 478 PDAR shares at the price of EUR 162.44 which equals a total price of EUR 77,646.32. With this transaction Petrol recognized a profit of EUR 3,098.34.

When reviewing the transaction, we found that in accordance with the provisions of the Company's Statute regarding the acquisition of shares, the Management Board should have obtained the consent of the Supervisory Board, which has not been obtained, but this irregularity does not constitute reasons for liability of the Company's management. We did not find any other shortcomings.

3.1.6 SAP d.d. (investment in IT system)

The purchase of the new ERP was included in the investment plan for 2017 and in all the subsequent years. Investments in IT were included also in the document Business plans and key objectives of Petrol Group for the year 2018 and also for the year 2019, which were both approved by the Supervisory Board. In accordance with the internal Instructions on the purchase of IT equipment and services, Petrol obtained several offers for the purchase of new ERP. The selection process was carried out transparently and economically. From the content point of view and legal point of view two external consultants assisted in the selection process.

On the basis of pre-defined criteria SAP d.o.o. was selected as a supplier of licenses and support for standard software, namely for the software solution SAP S / 4 HANA. Saphir management consulting d.o.o. was selected as the implementer. The project team, which led the procurement process, regularly reported on the status of the process to the Management Board. In the implementation contract, the Management Board adequately insured the Company against any risks related to the implementation.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.7 Service station Podlehnik Zahod (West) (investment in service station)

The construction design and administrative procedure for service station Podlehnik Zahod (hereinafter Podlehnik Z) began in February 2016. The total planned value of the investment, including municipal contribution, amounted to EUR 4,996,000, out of which EUR 120,000 was planned for the year 2016, and the difference was included in the investment plan of the Petrol Group for the upcoming years. In the period from 1 February 2016 to 4 February 2019, the Management Board consistently approved each year's investment plan in four separate meetings. Petrol obtained a construction license for service station Podlehnik Z on 16 August 2018, while on 21 December 2018, Petrol finally took over the service station and obtained the use permit.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.8 Concession in Municipality of Škofja Loka (purchase of concession)

In September 2014, the Management Board of Petrol agreed to submit an application for interest in obtaining a concession for the distribution of natural gas in the Municipality of Škofja Loka. On 4 November 2014 the Management Board was acquainted with the application for qualification to obtain a concession and confirmed it. On 5 December 2014, Petrol issued an initial offer in the amount of EUR 2,900,000, the second bidder offered a slightly lower price. Following the invitation of the Municipality of Škofja Loka to submit the final bid, Petrol submitted a bid in the amount of EUR 3,093,000. The second bidder resigned after the first phase of negotiations.

The calculation of internal rate of return was also submitted as part of the decision of the Management Board to sign the concession contract, which showed that the project is economically justified, as IRR is more than WACC. The purchase was made in accordance with the then valid internal Rules on the provision of funds for the implementation of investments and on the procedure for approving investments. Petrol recorded the concession as an intangible asset with a useful life of 35 years.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.9 Service station Maribor Vzhod (East) (investment in service station)

The investment proposal and the construction design for the service station Maribor Vzhod (hereinafter Maribor V) dates back to 2011, as a result of the construction of the new Pesnica-Slivnica highway section, which redirected a large part of transit traffic to this area. Petrol started the project in 2015 after receiving the construction permit on 18 May 2015. The investment proposal was included in the Petrol Group's investment plan for the year 2015 and was partially transferred to the investment plan for 2016. The construction of service station Maribor V took place between July and December 2015, while the use permit was obtained on 23 December 2015.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.10 Service station Maribor Zahod (West) (investment in service station)

Similar to the investment in service station Maribor V, the construction design process for the service station Maribor Zahod (hereinafter Maribor Z) began in April 2011. The decision to build a new service station was adopted by the Management Board in 2016, with resolution no. 19/2016-9/16. A proposal for additional investment in a service station was included in the investment plan for 2017 and was fully approved by the Management Board on its meeting on 31 January 2017. The Company obtained a construction permit for both investment proposals - that is on 18 May 2015 for the first one and on 17 February 2017 for the second one. The construction of service station Maribor Z took place between October 2016 and February 2017, whereas the use permit was obtained on 6 March 2017.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.11 Service station Podlehnik Vzhod (East) (investment in service station)

The construction concept for service station Podlehnik Vzhod (hereinafter Podlehnik V) was created after the construction of the new Draženci - Gruškovje highway section, due to which two existing Petrol service stations were demolished. In agreements with DARS, Petrol acquired the priority right to lease rest areas of a service station, upon compliance with the contractual requirements of DARS and municipal spatial plan. The investment was partially included in the investment plan for the year 2016, while the predominant value of the investment was transferred to the investment plan for 2017. The investment plan for 2017 was adopted by the Management Board on 5 September 2016, with resolution no. 41/2016-2/16. Petrol obtained a construction permit on 28 August 2017 and completed the construction works in November 2017. On 22 November 2017, service station Podlehnik V obtained a use permit and started operating.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.12 Software (investment in IT, related to the supplier Sunesis d.o.o.)

Cooperation with the company Sunesis d.o.o. is related to the involvement of external contractors in the process of developing Petrol's digital platform, in the process of developing the implementation of projects in accordance with the digital strategy and in the process of introducing changes in the way IT works. Cooperation with external contractors was confirmed at the Management Board meeting. Planned amount for external contractors was included in the investment plan of Petrol Group for the year 2017 and for subsequent years as well. Investment plan was approved by the Management Board.

The Management Board granted authorization for the selection of the contractors to the group, which consisted of the IT Director, the Head of Development and an IT expert.

Cooperation agreement between Petrol and Sunesis d.o.o. was signed on 9 March 2017. The manner and scope of participation was being determined on the basis of an individual order, defined by Petrol. Petrol was adequately insured in the event of termination of the contract and in case of delays in performing the work.

Appropriate supervision over the work of external contractors was established by Petrol. During the process of confirming the invoices Petrol acted in accordance with the Rules on authorizations and signing in the company Petrol d.d., Ljubljana. Invoices received were recognized as intangible assets.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.13 Service station Bled Severna obvoznica (Northern ring road) (investment in service station)

Petrol had an existing operating service station in Bled at Ljubljanska cesta Sever, which was later purchased by the Municipality of Bled due to its spatial plan requirements. Consequently, Petrol sought a new location on the northern ring road of Bled. The acquisition of new land was discussed at the 40th meeting of the Management Board in 2015, where the Management Board confirmed the assessment of the economic viability for service station Bled Severna obvoznica (hereinafter Bled IV), prepared on 16 July 2015, and adopted a decision to purchase land in the amount of EUR 740,037 (excluding VAT). The Management Board decided that the existing service station Bled on Ljubljanska cesta Sever, would stop operating only after the construction of the new service station Bled IV is completed. Therefore, the Management Board concluded a lease agreement with the Municipality of Bled for a period of 3 years with an annual rent of EUR 20,000 excluding VAT. The investment in the construction of service station Bled IV was included in the investment plans for the years 2018 and 2019, which were approved by the Management Board on 3 September 2018. Petrol obtained a construction permit for the service station in December 2018 and began with construction works in February 2019. Service station Bled IV started operating on 17 June 2019.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.14 Data center IBM (investment in IT equipment)

The purchase of central server infrastructure was included in the investment plan for the year 2019, which was approved by the Management Board. The reason for the purchase was the fact that the capacity of the existing system was filling up extremely quickly due to the increased volume of business. The purchase of the central computer was confirmed by the Management Board at the meeting on 10 December 2018. Petrol did not receive offers from other bidders, as the existing information system was entirely based on the IBM central computer. Such a purchase is in accordance with the provisions of the Instructions on the procurement of IT equipment and services.

The purchase price for the IBM Z14 central computer, for the disk arrays and including the sale of the existing disk drive was EUR 1,730,000. The amount was settled in four installment payments. Petrol recognized the equipment among fixed assets, which is in accordance with IFRS.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.15 Investment in the Lendava storage facility (pipeline renovation)

The Lendava storage facility is part of the former Lendava crude oil refinery, which was originally designed and built as a terminal. Due to the obsolescence of facilities, equipment, and the technological inadequacy of the installations, the Management Board, on 5 December 2016, adopted a decision on the complete renovation of technological and fire part of the Lendava storage facility.

The entire investment included the renovation of the truck tank filling station, replacement of technological and fire pipelines on the pipe bridge next to the truck tank filling station, construction of a stable system for extinguishing and cooling the tank truck filling station and railway transfer station, and complete rehabilitation of two biodiesel storage tanks. Petrol began with the renovation of the warehouse on 29 June 2018, while the facility was taken into use on 17 April 2019.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.16 Olimpija basketball club (sponsorship contracts)

Petrol allocated EUR 2,030,000 for sponsoring basketball club Olimpija in the period from 1 January 2015 to 24 October 2019. The amounts are supported by sponsorship agreements signed by the Management Board of Petrol. The sponsorship approval process was transparent.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.17 Ski Association of Slovenia (sponsorship contracts)

In the period from 1 January 2015 to 24 October 2019, Petrol allocated a total of EUR 1,067,000 for sponsoring Ski Association of Slovenia, and the amount was intended for sponsoring the following seasons: 2015/2016 to 2018/2019 (some contracts are still in progress), namely the alpine skiing discipline. and biathlon discipline. The amounts are supported by sponsorship agreements signed by the Management Board of Petrol. The sponsorship approval process was transparent.

Throughout our review of the respective transaction, we could not establish any shortcomings and/or deficiencies which could lead to liability of the Company's management.

3.1.18 Business premises on Slovenska 54, Ljubljana (acquisition of business premises)

The Management Board adopted the decision to expand Petrol's points of sale network to convenience stores (i.e., HopIN shops) with resolution no. 39/2016-3/16. Based on that decision, the Management Board prepared an investment proposal for the acquisition of business premises and convenience store on Slovenska 54, Ljubljana, which were located on the ground floor of the building, measuring a total of 1,081 m², of which the store measured 350 m².

On 30 May 2017, the Management Board, with resolution no. 31/2017(correspondent)-1/17, approved the submission of a purchase proposal for the acquisition of business premises from the owner, i.e., the Bank Assets Management Company, d.d. (hereinafter BAMC), at the aforementioned location, in the amount of EUR 1,590,000 excluding VAT, and under the conditions announced by BAMC. The purchase of the premises was realized in accordance with the given offer.

Summary of findings:

The Management Board adopted its decision based on insufficient information, namely: The Company ordered a real estate appraisal, which confirmed that the market value of the real estate is higher than the purchase price. However, it is not known whether the Company had obtained the appraisal before 30 May 2017, when the resolution no. 31/2017 (correspondent)-1/17 was adopted and the submission of a purchase proposal for the acquisition of business premises was approved. Upon the adoption of the decision to purchase business premises, on 30 May 2017, Petrol prepared an assessment of economic viability only for the HopiN shop on the ground floor. When deciding to purchase real estate, the Management Board did not respect the general business principles, namely to invest in those transactions where the highest net present value is achieved, which enables the highest (maximum) growth in the unit value of common ordinary equity.

The purchase of real estate on Slovenska 54 represents a property that has a market value but does not meet the return. The Company is exposed to the risk of changes in the market value of the real estate in the city centre of Ljubljana, and at the same time, the purpose of using business premises is questioned.

Nevertheless these deficiencies do not constitute a basis for liability of the Company's management.

3.2 Transactions where deficiencies were found

3.2.1 mBills d.o.o. (purchase of shares and increase of capital)

The transaction relates to the acquisition and increase of equity of mBills d.o.o. (mBills), which is engaged in the activity of issuing electronic money and developing applications for the provision of payment services. In November 2017, the Management Board entered into an agreement to purchase a 76 % share of capital and established a call option in favour of Petrol and a put option in favour of the seller Albomo d.o.o. for the remaining 24 % share. The purchase price for the 76 % share amounted to EUR 1.919.000, and the purchase price for the call option was EUR 606.000. The agreed suspensive conditions were met on 6 February 2018, the proposal for the transfer of 76 % of the equity share was submitted to the Business Register of Slovenia on 2 February 2018. In the same month, the basic capital of MBills was increased in the total amount of EUR 2.000.000 (of which Petrol contributed EUR 1.520.000) and the purchase price of the call option increased by EUR 480.000 to EUR 1.086.000. In May 2019, only Petrol carried out a capital increase in the amount of EUR 7.600,000 and increased its ownership share to 91,04 %. In March 2020, Petrol exercised the call option and, for the agreed purchase price of EUR 1.086.000, took over the remaining 8.96 % share in the equity and became the sole shareholder of mBills.

Summary of findings:

During the review of the subject transaction, we discovered significant deficiencies, which in our opinion represent the basis for liability for damages of members of the Management Board:

- a) *violation of the provisions of the Statute regarding the obligatory consent of the Supervisory Board*

The Management Board obtained the consent of the Supervisory Board in connection with the subject transaction only in the process of purchasing the original business share, i.e. business share in the nominal value of EUR 1.919.000.00, which (at the time of purchase) represented 76% of the share capital of mBills. Notwithstanding the provisions of the Company's Statute and the Supervisory Board's request that the Management Board inform it about the development of the "mBills project", the Management Board did not inform the Supervisory Board about any of the two subsequent capital increase procedures, nor did it obtain the

necessary prior consent from the Supervisory Board for Petrol's participation in connection with these proceedings

b) the Management Board did not act with the required level of diligence of a good businessperson in managing the transaction

The Management Board did not assess the economic viability of the planned transaction either at the time of the purchase or at the time of the two mBills capital increase procedures, as it did not obtain all relevant information necessary for the decision regarding the investment and perform the usually expected review of the non-monetary and monetary aspects of the investment (no assessments of return on investment, assessments of synergies and risks of the investment, development goals and methods of financing further development were prepared in the pre-decision procedure).

It should also be noted that the documentation received during the our review did not indicate the reason for the Management Board's decision to agree to a contractual price for (a) the purchase of a shareholding of 76 % of mBills' share capital; as well as (b) for the purchase of the remaining 24 % of mBills share capital under a call option, in an amount exactly equal to the nominal amount of mBills share capital actually represented by those shares, in particular taking into account the fact that (a)) mBills was operating at a loss at all times, and future cash flow projections were also negative; and (b) that mBills was a start-up and therefore there was a high degree of uncertainty about the future performance of its business. We estimate that the Company very likely overpaid its investment in mBills, and then carried out two more capital increases of mBills without proper economic assessments and analyses, whereby the Management Board never judged whether and if at all - when, how and to which extent Petrol will obtain a return on these investments.

We estimate that there is a significant probability that the Management Board, through its decisions on: (a) the method of entering the ownership structure of mBills; (b) the share price of mBills; and (c) carrying out both capital increase procedures, caused damage to the Company.

In our opinion, the damage incurred by the Company in connection with the acquisition of business shares in mBills and the implementation of capital increase procedures represents: (a) the amount of the difference between the purchase price actually paid and the "true" (ie market / fair) value of both purchased shares); and (b) the amount of "overpaid" new contributions in both recapitalization procedures (i.e. the amount of the difference between the actual amounts of share capital payments and the amounts that would be economically viable). The Company will have to prove the damage in any proceedings against the members of the Management Board with relevant expert opinion(s), whereby the extent of the damage and thus the Company's success in such proceedings depends entirely on the findings of the experts.

3.2.2 Zagorski metalac d.o.o. (purchase of share)

Transaction relates to the purchase of 81 % stake in the company Zagorski metalac d.o.o. (hereinafter: Zagorski metalac), carried out by Petrol and Geoplin d.o.o. The company Zagorski metalac operates in the field of distribution and sale of natural gas in Croatia. The stake was purchased in the year 2018.

Petrol and the seller agreed on a purchase price of EUR 8.500.000 assuming net working capital of EUR 2.000.000. If working capital is higher, the purchase price increases by 81% x EUR 2.000.000, and if it is lower, the purchase price decreases by EUR 2.000.000 minus net working capital. The final purchase price amounted to EUR 10.240.447 and was settled in accordance with the sales contract.

Summary of findings:

From a legal-formal point of view the adoption of the decision on the execution of the transaction was appropriate. From economic justification point of view, we found out the following:

- from the documentation, presented to us, the calculation of final purchase price of EUR 8.500.000 was not evident; it was also not evident if the investment will achieve targeted rate of return at such purchase price;*
- from the documentation, presented to us, it is not clear, if EUR 2.000.000 relates to excess assets of Zagorski metalac and if it as such fully justified as part of the purchase price;*
- Petrol prepared the calculation as a starting point for justifying the amount of investment. In the calculation of residual value, prepared for the distribution services, outflows for investments are taken into account only in the amount of 30% of depreciation. In our opinion, this assumption is conceptually incorrect, as it does not provide for the renewal or replacement of assets that are subject to depreciation. If the investments in the calculation of the residual value were equal to the amount of depreciation, this would affect the lower estimated value.*

The exposed shortcomings / inconsistencies represent the risk that a purchase price has been paid, which does not reflect its true value or it exceeds it (the damage would therefore be the difference between the purchase price and the "true" value of the company).

3.2.3 Petrol d.o.o. Beograd (increase of share capital and acquisition of service stations)

The reviewed transaction relates to the increase of share capital of Petrol d.o.o. Beograd (hereinafter Petrol BG), which was established to sell goods and services in Serbia. In the period between 2015 and 2019, Petrol additionally increased the share capital of Petrol BG in the amount of EUR 7,330,000 to facilitate its investment activity. These funds were provided for the acquisition or construction of service stations:

- BS Leštane in the amount of EUR 1,500,000;
- BS Blok 41A for the purchase of land and construction work in the amount of EUR 2,500,000;
- BS Ada for the purchase of land and construction work in the amount of EUR 3,330,000.

In 2017, Petrol BG additionally invested in the construction of BS Subotica, which was partly financed from the abovementioned increases of share capital and partly from Petrol BG's own funds.

Summary of findings:

Based on the available and reviewed documentation, we conclude that the Company has legally and formally adopted decisions regarding the increase of share capital of Petrol BG and has controlled the earmarked use of funds for the construction of four service stations: VUK Leštane, Beograd blok 41a, Beograd ADA and Subotica.

We emphasize that the aspect of economic viability of the investment has been undervalued. After the launch of service stations, it became evident that the planned/estimated sales included in the study regarding viability of the investment were significantly overestimated. We especially point out the conceptual shortcomings in the calculation part of viability of the investment or/ in the valuation model of investments:

- in all documents regarding economic viability of the investments, Petrol calculates the residual value based on the assumption that future investments represent 40 % of*

calculated depreciation of fixed assets (capital expenditures). This means that it is indefinitely assumed that not all depreciable assets will be recovered. Such an assumption is, in our view, incorrect. The effect on the value of the initially estimated maximum investment varies from, e.g. 5 % up to just under 10 %. This means that the maximum possible values of investments can be overestimated by 5 % to just under 10 %, which in certain cases could mean an unjustified investment from economic viability point of view;

- the parameter of long-term growth rate (g), which is a parameter in Gordon's growth model or capitalization measure (i.e., capitalization rate (c) = $WACC - g$) is used inconsistently in calculations of residual value. In certain cases, Petrol uses 1 % (or less) as g parameter, but in others, it takes into account the assumption that g equals 0 %. Since the parameter g that is greater than 0 has a positive effect on the assessment of the maximum investment, such an approach (without additional written substantive explanations) may cast doubt on the impartiality of the calculation;
- Petrol's discount rate, which is taken into account in economic viability of the investment (i.e., WACC), is based on the internal methodology, which is conceptually appropriate. However, we point out that when assessing the viability of the investment, the forecasted cash flows (taking into account the risks embedded in such a forecast) must be discounted at a risk-adjusted discount rate. We note that there are situations when Petrol could/should have adjusted the applied discount rate for possible additional risks, arising from the forecast (e.g. a highly optimistic forecast based on commercial data prepared by sales managers).

We also highlight the findings regarding the sales plan for service station Beograd ADA, which was forecasted in economic viability of the investment in an amount that was significantly higher than the estimated sales for other service stations in Serbia. Based on the received documentation on the annual sales of Petrol service stations in Serbia between 2011 and 2019, we observed that in this period no Petrol station achieved motor fuel sales as high as forecasted. Considering the fact that the aforementioned investment was in the designing/administrative phase until 2015, we believe that the assessment of the economic viability of the investment should not be based on commercial sales data from 2011. We additionally point out that for other service stations in Serbia, which were subject of the review, we obtained the bases that were used for the assessment of the expected sales volume. Generally, the expected sales volume was based on the actual sales of comparable Petrol service stations in Serbia and was possibly adjusted according to the location. We note that the estimated sales volume for service station Beograd ADA was based on actual sales of service station Beograd Banovo Brdo from 2006 on. Comparable service station Beograd Banovo Brdo only achieved sales comparable to the estimated sales volume of service station Beograd ADA in the years 2009 to 2011, whereas in the following years, sales dropped significantly.

Due to the deficiencies in valuation model and model for evaluation of sales volume and other parameters, the Management Board did not adequately respond to mitigate the consequences of wrong decisions or to improve the valuation model that would prevent wrong decisions regarding future investments.

As these are investments of the subsidiary that can potentially affect its performance, there is a risk of changes in the value of investments in a subsidiary. Thus, Petrol is exposed to the risk of a possible impairment of investments in a subsidiary, if the subsidiary does not operate within the set financial plan/framework.

We did not specifically check the financial and accounting aspect, as these transactions are recognized in the financial statements of the subsidiary.

All these transactions are related to significant deficiencies, which in our opinion represent the basis for liability of the members of the Management Board. In all of the above investments business analyses of service stations showed significant deviations between realized/actual motor fuel sales and estimated sale after their acquisition by the Company

(or relevant subsidiaries). Particularly, in none of these cases, the realization reaches the planned sales volume (the deviation ranges between 30% and 56%). The report further notes that Petrol had an established system that enabled the Management Board to monitor the post-efficiency of realized long-term investments. Nevertheless, the Management Board has never taken any measures relating to SE Europe markets, which would prevent excessive investments in long-term assets. Management Board should have taken timely actions to manage identified discrepancies between planning data and implemented ones.

In order to determine the amount of actual damage, the special auditor recommends the Company to hire a certified appraiser to determine the actual value of the aforementioned/reviewed service stations.

3.2.4 Vjetroelektrarne Glunča d.o.o. (purchase of shares and capital increase)

The transaction relates to the construction of a wind farm. In June 2015, the Management Board started considering the investment project in the Glunča wind farm and in February 2016 signed a contract for the purchase of 100 % of the share capital of Vjetroelektrarna Glunča d.o.o, Croatia, from a seller who developed the wind farm project and was looking for a buyer who would purchase the project while the seller would build the wind farm and then maintain it. The value of the project was estimated at EUR 29.2 million. Petrol bought the company for EUR 2,618, then increased the share capital twice in 2016 in the total amount of EUR 6,521,004. In 2019 Petrol paid the seller the agreed conditional part of the purchase price in the amount of EUR 499,859. The wind farm started trial operation in November 2016, and since 31 January 2017 has been operating and selling electricity on a regular basis.

Summary of findings:

During the review of the subject transaction, we discovered deficiencies which, in our opinion, represent the basis for the liability for damages of the members of the Management Board, namely:

- a) The Management Board did not act with the required level of diligence of a good businessperson in managing the transaction*

It is not possible to confirm from the reviewed documentation that the Management Board, before making a final decision, performed a thorough assessment of the economic viability of the investment from the point of view of project profitability. The calculation of the value of equity does not in itself constitute a confirmation of economic viability, and the business projections used in the valuation and for the internal calculation of the viability of different scenarios, were prepared taking into account optimistic estimates of electricity production. In most internal scenarios, as well as in the valuation prepared by a certified appraiser, and the additional negative impact of the introduction of compensation for offsets, the internal rate of return was lower than 10.6%, which the Management Board set as the target return for investments in Croatia.

We estimate that there is a probability that the Management Board caused damage to the Company with its decision to enter into this transaction, but we cannot estimate the amount of alleged damage, based on the documentation submitted by the Company during our review. The definition of (possible) damage to the Company will thus be possible only on the basis of obtaining appropriate expert opinions, the content of which will be the assessment and evaluation of the economic feasibility of the implemented investment (compared to otherwise comparable projects).

3.2.5 Petrol Hidroenergija d.o.o. (establishing of company and capital increase)

The transaction relates to a project to build a small hydropower plant. In 2015, Petrol co-founded Petrol Hidroenergija d.o.o. in Bosnia and Herzegovina with an 80% share in the

legally prescribed minimum share capital with the purpose of building a small hydropower plant Jeleč (SHPP Jeleč). The SHPP was built by the second shareholder Eling Inžinjering in accordance with a turnkey construction contract for the amount of EUR 5,870,000, and the construction was financed by five increases of share capital in which Petrol's share amounted to EUR 5,000,000, which Petrol paid between March 2016 and June 2017. The construction of SHPP Jeleč was completed in March 2018.

Summary of findings:

During the review of the subject transaction, we discovered deficiencies which, in our opinion, represent the basis for the liability for damages of the members of the Management Board, namely:

- a) violation of the provisions of the Company's Statute regarding the obligatory consent of the Supervisory Board*

In accordance with the Company's Statute, the Management Board obtained the appropriate consent of the Supervisory Board for the establishment of the subsidiary Petrol Hidroenergija, but this consent referred only to the establishment of the company and not to the entire investment in the construction of SHPP Jeleč. Regarding the implementation of subsequent capital increases in the new company, the Management Board did not obtain the special consent of the Supervisory Board for their implementation, nor did it inform it about the implementation of payments of share capital.

- b) The Management Board did not act with the required level of diligence of a good businessperson in managing the transaction*

It is not evident from the reviewed documentation that the Management Board would carry out a due diligence of (a) the construction value of the SHPP Jeleč project; (b) the expected operating costs, nor did it address the sensitivity analysis of the investment regarding possible changes in the expected selling price of electricity and take into account the issues of (in) capacity of the actual transmission of all produced electricity to the electricity grid.

We estimate that there is a probability that the Management Board caused damage to the Company with its decision to carry out this transaction, but, based on the documentation presented to us during our review, we cannot estimate the amount of alleged damage to the Company. The definition of (possible) damage to the Company (and thus also the chances for success of the Company with a claim against the Management Board) will thus be possible only on the basis of obtaining appropriate expert opinions, the content of which will be assessment and evaluation of possible overpayments of construction works and equipment in SHPP Jeleč.

3.2.6 Atet d.o.o. (purchase of share)

Transaction relates to the purchase of 100 % equity share in the company Atet d.o.o., which operates in the field of mobility (rent-a-car, car sharing...). The deal was concluded in the year 2019, where as in July 2019 the purchase agreement for the purchase of 76 % share was signed for the agreed amount. The agreement included deferred conditions, which were met in December 2019. In December 2019 an option contract on the sale of the remaining 24 % share was signed along with other documents related to the sale. The content of the option contract was agreed already within the signing of the contract on the purchase of 76 % share.

Summary of findings:

The following irregularities indicate that the Management Board did not comply with the required level of diligence.:

- Purchase price for the share is variable, whereby purchase price for 24 % share depends on future operations of Atet d.o.o. Petrol has not prepared any scenarios in*

order to check the impact of the changes in EBITDA (which was determined as the basis for the purchase price) on the variable part of the purchase price. Consequently it is not evident if the price, which has been / will be paid, is still acceptable in terms of required rate of return;

- Based on documentation additional investments will be required for the expansion of activities, but no business projections have been prepared, which would include the necessary additional investments or additional capital contribution that will be needed to finance the expansion of activities. We believe this should have been prepared as part of economic justification for the purchase and which is also defined in point 12.44 of the Code of Business and Financial Principles;
- the Management Board did not assess any synergy effects on the Group's future operations prior to concluding the transaction;
- from the documentation, presented to us, EBITDA multiplier of 5,6 (when purchasing 76 % share) and EBITDA multiplier of 5 (when purchasing 24 % of share) is not justified;
- the option contract stipulates the purchase price for a 24 % share of voting rights, which shows, among other things, that the purchase price at the time of exercising the option (that can be exercised in 2022) will not be less than the product of the purchase price from the sales contract for 76 % voting rights (purchase price for this share was agreed in July 2019) times 24 %, and is reduced only in the case of certain unlikely events. This means that Petrol has fully assumed the risk of paying an excessive purchase price in the event that the business plans that were the basis for determining the purchase price will not be met.

Based on the reviewed transaction, we found that the Management Board did not act with all requested diligence, therefore there is a basis for its potential liability that relates to excessive purchase price for the purchased business share. However, based on the documentation submitted by the Company during the review and the fact that some important events or situations will occur only in the future (e.g. with the potential exercise of options), the occurrence (and amount) of damage from this title cannot yet be concluded.

3.2.7 Establishment of a branch and acquisition of service stations Malta and Vjenac d.o.o.

The transaction relates to the establishment and financing of branches of Petrol BH Oil Company d.o.o., which was founded to sell oil products, merchandise, and services in the market of Bosnia and Herzegovina. In compliance with legal requirements in Bosnia and Herzegovina, it is necessary to open a branch for each service station.

The establishment of the Banja Luka - Vijenac and Banja Luka - Malta branches was approved by the Petrol Management Board on 14 January 2019. On 15 January 2019, the subsidiary Petrol BH Oil Company d.o.o established two branches, namely the Banja Luka - Vijenac Branch and the Banja Luka - Malta Branch. With the decree of establishment is stipulated that branches do not have the status of a legal entity and that shall operate within the company and in accordance with the general acts of the company, however, they can perform business operations within the scope of activities entered in the register, and acquire rights and assume obligations in the name and on behalf of the parent company.

Summary of findings:

We point out that the aspect of economic viability was neglected or was not performed carefully and in accordance with the general business and financial principles. In this regard, there are also conceptual shortcomings in the calculation of the economic viability or in the valuation model of investments, which are described more in detail in the section Petrol d.o.o. Belgrade and which also apply to both service stations Malta and Vijenac.

We also note that the assessment of the economic viability of the investment in service station Malta and Vijenac was performed three times, on 28 June 2017, 12 December 2017, and 14 December 2018, whereby service station Malta has not even been built yet. When reviewing the data, we found out that the higher assessment of value for both service stations was mainly due to new input data on sales volume, which were not properly justified and substantiated.

In addition, the Management Board did not carry out any due diligence (technical and legal) when deciding on the purchase of two specific service stations. The first technical inspection of both service stations was carried out on 15 and 16 January 2019, i.e. after Petrol had already submitted a binding offer to purchase service stations.

With resolution no. 61/2018-8/18, on 24 December 2018, the Management Board adopted the decision to purchase both service stations for the total amount of EUR 5,995,000. However, from the received and reviewed documentation it cannot be seen that the Management Board would have requested explanations regarding the purchase procedures or obtained all relevant purchase information before making a decision.

In this particular case, the Management Board did not put in place an effective control system over the preparation of data and information that form the basis for investments. Additionally, in this case the business monitoring and current analyses of viability of service station performance are incorrect/inaccurate, as they take into account only the current sales, whereas the future estimated sales remain unchanged. In this way, the performance of the service stations and the achievement of the required internal rates of return (IRR) are incorrectly displayed.

As Banja Luka - Vijenac and Banja Luka - Malta branches are investments of the subsidiary Petrol BH Oil Company d.o.o. that can potentially affect its performance, there is a risk of changes in the value of investments in a subsidiary. Thus, Petrol is exposed to the risk of a possible impairment of investments in its subsidiary, if the subsidiary does not operate within the required set of financial plan/framework.

We did not specifically check the financial and accounting aspect, as these transactions are recognized in the financial statements of the subsidiary.

When reviewing the purchase of service stations Malta and Vijenac, we found out significant deficiencies, which in our opinion represent the basis for liability of the members of the Management Board. Business analyses of service stations after their acquisition by the Company showed significant deviations between realized/actual motor fuel sales and estimated sales. Particularly, in none of these cases, the realization reaches the planned sales volume (the deviation ranges between 30% and 56%). The Report further notes that Petrol had an established system that enabled the Management Board to monitor the post-efficiency of realized long-term investments. Nevertheless, the Management Board has never taken any measures relating to SE Europe markets, which would prevent excessive investments in long-term assets. If the Management Board would react on timely bases on identified discrepancies between planning data and implemented ones, e.g. the investment in service station Banja Luka Malta should not be carried out, as the investment would not reach the required internal rate of return.

In order to determine the amount of actual damage, the special purpose auditor recommends the Company to hire a certified appraiser to determine the actual value of the aforementioned/ reviewed service stations.

3.2.8 Abciti d.o.o. (purchase of share and increase of capital)

Transaction relates to the purchase of share and further increase of capital of the company Abciti d.o.o., which is a business accelerator. Petrol entered into the ownership of the company in the year 2016. In the same year a loan has been approved to this company, while as in the year 2018 additional increase of capital was realized. Carrying amount of the investment as at 24 October 2019 was EUR 191.300. From the date, when Petrol entered into the ownership of the company until 24 October 2019, Petrol recognized impairment loss in the amount of EUR 1.176.765.

Key findings:

We found the following irregularities in the decision-making process:

- a) *violation of the provisions of the Company's Statute regarding the obligatory consent of the Supervisory Board*

The Management Board did not obtain the consent of the Supervisory Board to acquire a 10% stake (and for further capital contribution), although in our understanding the provisions of point 9.10 of the Petrol's Statute the consent should have been obtained;

- b) *the Management Board did not act with the required level of diligence in managing the transaction*

Based on documentation submitted it follows that the Management Board justified and defined the purchase of this investment from a business point of view, but not from a financial point of view. Namely, we did not find any calculations that would prove the justification of the investment such as e.g. (i) what is the marginal (minimum) required rate of return for this type of investment; (ii) when and how the investment will be repaid; (iii) whether the amount of the initial investment is acceptable in relation to the return expected by the Company and (iv) whether the investment will increase the value of the assets of the Company's shareholders.

We believe that there is a basis for potential liability of the Management Board due to excessive purchase price for purchased / acquired shares, but the amount of alleged damage to the Company can not be estimated based on the documentation submitted by the Company at the time of the review. An assessment of the amount of damage (and thus the chances of success of the Company with a claim against the Management Board) will be possible only after obtaining the expert opinion of an expert in the relevant economic field, who will review the investment and determine the fair / market value of acquired share and thus also possible overpayments of purchased share.

3.3 General findings related to corporate governance

In our Report we find that certain areas of the Company's operations were subject to insufficient system of rules during the period covered by our review (such as the absence of internal policies that would regulate the area of procurement of financial investments, their disposal, etc.) or the adopted internal policies were not actually followed. Inadequate standardization, documentation and transparency of the decision-making process do not in themselves constitute a reason for liability of members of the Management Board, but will be relevant in possible compensation proceedings, as the probability of success in a potential claim is greater the more difficult it is to understand processes and reasonings applied by the Management while making a particular decision.

3.4 Assessment of the criminal liability of the Management Board

During the review and analysis of some transactions that were the subject of the special audit, issues were identified that could also justify the possible criminal liability of the Management Board. Due to the interests of possible legal proceedings, the circumstances surrounding this review are not specifically disclosed.

4 Conclusion

This summary report presents, in an abbreviated form, the material findings presented in the Report to the shareholders concerning the special audit of transactions of Petrol d.d., Ljubljana

In order to properly understand the review of business management and conclusions, it is necessary to read it together with the Shareholder Report on the special audit of transactions of the company Petrol d.d., Ljubljana.

Ljubljana, 15 October 2020

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