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AGENCY OF THE REPUBLIC OF SLOVENIA FOR COMMODITY RESERVES ANNUAL REPORT FOR THE FINANCIAL YEAR 2017

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MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2017

INTRODUCTION

General information

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Website: <http://www.zrsbr.si>

Company ID number: 5022959000

Tax ID number: 34375848

ID number for VAT

- in Slovenia: SI34375848
- in Germany: DE815141849
- in Hungary: HU26901183

Business activity code: 52.100 Storage

Transaction account/TRR: UniCredit Banka

IBAN: SI56 2900 0005 5148 819

SWIFT: BACXSI22

SKB banka

IBAN: SI56 0310 2100 0481 961

SWIFT: SKBAS12X

Statement

In accordance with Article 21 of the Commodity Reserves Act (*Zakon o blagovnih rezervah*), it is the director's responsibility to ensure that the annual report of the Agency of the Republic of Slovenia for Commodity Reserves (hereinafter referred to as: the Agency for Commodity Reserves) is produced and published in accordance with Slovenian Accounting Standards.

The Agency has prepared the financial statements for the financial year ended as at 31 December 2017 and the Notes to the Financial Statements drawn up on the going concern basis of accounting and in accordance with the requirements of the effective legislation and Slovenian Accounting Standards.

The Director hereby confirms that for the purpose of drawing up the Agency's financial statements the appropriate accounting policies have been consistently applied, that the accounting judgements and estimates made are reasonable and prudent, and that its financial

statements give a true and fair view of the state of affairs of the Agency for Commodity Reserves and the profit or loss of the Agency for the financial year 2017.

The Director of the Agency for Commodity Reserves

The Government of the Republic of Slovenia appoints the director to manage the Agency's activities and operations and revokes his appointment. During the year under review, Mr. Anton Zakrajšek discharged the tasks of the Agency's Director and received the basic incumbent's remuneration. The details of the director's remuneration are disclosed in the Financial Report drawn up by the Agency for Commodity Reserves. By virtue of the Decision No. 01415-3/2017/7 as of 31 August 2017, the Government of the Republic of Slovenia has appointed Mr. Anton Zakrajšek the Director for the term office from 1 September 2017 to 31 August 2021.

The Administrative Board of the Agency for Commodity Reserves

The Administrative Board of the Agency for Commodity Reserves has been appointed by virtue of the decision passed by the founder of the Agency – the Republic of Slovenia. Eight members of the Administrative Board of the Agency for Commodity Reserves are appointed by the Agency's founder and one Administrative Board member is appointed by the employees of the Agency.

As at 31 December 2017, the members of the Administrative Board of the Agency for Commodity Reserves were as set out below:

- Mr. Žarko BOGUNOVIČ, the representative of the ministry responsible for procurement and industry,
- Dr. Peter VRTAČNIK, the representative of the ministry responsible for procurement of commodities and industry,
- Mr. Rok JERMAN the representative of the ministry responsible for energy,
- mag. Doroteja NOVAK GOSARIČ, the representative of the ministry responsible for health,
- Ms. Bronislava ZLATKOVIČ, the representative of the ministry responsible for finance,
- Ms. Marjeta BIZJAK, the representative of the ministry responsible for agriculture,
- Mr. Alojzij ČERNE, the representative of the Agency's employees,
- Ms. Mihaela BASTAR, the representative of the ministry responsible for transport,
- Mr. Srečko ZAJC, the representative of the ministry responsible for defence.

The Chairman of the Administrative Board as at 31 December 2017 was Mr. Žarko BOGUNOVIČ.

As of 31 August 2017, the term office expired for the Administrative Board member:

- Andrej PAGON, the representative of the ministry responsible for energy.

As of 31 August 2017, the following members of the Administrative Board were appointed for a four-year term:

- Mr. Žarko BOGUNOVIČ, the representative of the ministry responsible for procurement and industry,

- Dr. Peter VRTAČNIK, the representative of the ministry responsible for procurement and industry,
- Ms. Bronislava ZLATKOVIČ, the representative of the ministry responsible for finance,
- Ms. Marjeta BIZJAK, the representative of the ministry responsible for agriculture,
- Mr. Rok JERAM, the representative of the ministry responsible for energy,
- Mr. Alojzij ČERNE, the representative of the Agency's employees.

The powers vested in the Administrative Board in accordance with the Statute are listed below:

- to adopt the Statute of the Agency and to decide on the changes to the legal status of Agency,
- to decide based on the director's proposal the annual programme of work and the financial plan (the budget) of the Agency in accordance with the blueprint for stockpiling commodity reserves,
- to adopt the act governing the internal organisation and job classification scheme of the Agency,
- to examine the annual report and accounts of the Agency and the auditor's reports,
- to approve the financial statements,
- to appoint and revoke the appointment of the senior public officers of the Agency,
- to issue the guidelines for the work of the director and to monitor and oversee his work,
- to decide on the audit conducted at the Agency's request and on the appointment of the audit company,
- to task the director with the preparation of reports concerning particular matters,
- to decide on investing capital and to determine the volume of assets of the commodity reserves,
- to discharge other tasks determined in accordance with law, the act on setting up the Agency and the Statute of the Agency for Commodity Reserves.

The Administrative Board of the Agency for Commodity Reserves held in the course of 2017 three ordinary board meetings and two meetings by correspondence (per rollam). The Administrative Board did not set up any committee for the purpose of carrying out its oversight role and other responsibilities.

In 2017, the members of the Administrative Board were entitled to fees and expenses in relation to attendance at the Board meetings in line with the Decree on attendance fees and reimbursement of expenses at public funds, public agencies, public institutes and public utilities (*Uredba o sejninah in povračilih stroškov v javnih skladih, javnih agencijah, javnih zavodih in javnih gospodarskih zavodih* (Official Gazette of the Republic of Slovenia, No. 16/2009) and specified in detail in the financial part of the 2017 Annual Report.

Risk Management

1. The conditions influencing exposure to risks and risk management

For the ability to achieve the set performance goals, efficient risk identification and successful risk management are seen as essential. The Agency for Commodity Reserves is a public economic entity that provides the economic public service, which means that at the Agency, we are primarily bound by the laws and regulations in force in the Slovenian legislative environment and it exerts a strong impact on all categories of the identified risks.

2. Comprehensive Risk Management

A comprehensive approach to risk management – the comprehensive risk management system – is supported by the risk register in which all the key risks have been identified that may affect achieving the planned business goals of the Agency and that present strategic risk control at the Agency for Commodity Reserves.

The risk identification activity is carried out abreast with the preparation of the Agency's business plan, that is, the modification/amendment to the Five-Year Programme of Work and whenever a major business decision is taken, a project launched or a significant change occurs on the market, that is, relevant legislative act. The identified risks are analysed in detail, risk prioritisation is carried out and the necessary measures put in place for risk management and control.

By taking into consideration the appraisals of exposure to risk and the cost and benefit analysis result, at the Agency we have determined the priorities and selected the best suited approach to risk management and control. By using such an approach, we strive to ensure that once the measures to mitigate risk have been implemented, the Agency's exposure to risk will be at the desired risk exposure level. To that end, we have sought the best solution by choosing from the risk avoidance strategy, risk reduction/mitigation, transferring risk to a third party that is, accepting risk.

3. The key identified risks

By taking into account the business activity and the size of the Agency, the number of its employees, its position on the market and the legislative framework that restricts and attaches strings to the operations carried out by the Agency, we have classified the identified risks in four groups as set out below:

- strategic/business risks,
- operational risks,
- financial/market risks,
- compliance risk – legal risks.

In the text below, we elaborate on the key identified risks within the framework of the groups of risks classified as shown above for which we assess that the Agency's exposure to these risks will continue also in the forthcoming period.

4. Strategic/business risks

Strategic, that is, business risks are associated with the successful realisation of the strategy and the set strategic objectives of the Agency for Commodity Reserves, with the ability to

generate short-term and long-term operating revenues and with the preservation of the value of assets and the reputation of the Agency for Commodity Reserves. These risks are also associated with the changes in primary and secondary legislation and the impact of the environment and these effects, in turn, are reflected on the organisation set up of the Agency, the activities carried out by the Agency, and the restrictions on the business of the Agency. At the Agency, we also classify the risks inherent in capital investments and public procurement procedures under other business risks and we strive to mitigate and control these risks by ongoing improvement of quality of the preparation, execution, activation and monitoring.

During the year under review, no material deviations were identified by monitoring strategic/business risks.

5. Operational risks

Any loss caused by inadequate internal processes, employees, information technology systems, errors and substandard level of services performed by outsourced providers of services are classified under operational risks.

The identification and management of operational risks is of paramount importance for the successful operation of the Agency for Commodity Reserves, since efficient internal processes, well-trained, experienced and motivated employees are a guarantee that operational risks will be averted and that ensure correct and effective adjustment of operations in all conditions of the economy.

Of the risks associated with the information technology system, there are significant risks of possible disturbances in the functioning of application and system software, hardware and communication and network connections in the system, and particular attention is also paid to the risks associated with information security. At the Agency, we mitigate risks primarily by means of redundant independent fibre-optic connections between the head office and the storage facilities, synchronous replication, central control system and by creating back-up files.

The risks associated with human resources are particularly important for the Agency due to the fact that it engages in different activities designed to eliminate supply disturbances. Furthermore, knowing that new tasks are given to the Agency every year and seeing that there are constant changes on the market, it is clear that the employees have to cope with new challenges at work and, in turn, it means ongoing expansion of their knowledge and skills, as well as the acquisition of new knowledge and skills, flexibility and quality team work. The potentially highest risk for the Agency in the human resources area is to lose its key employees; therefore, particular attention is being paid at the Agency to social dialogue, additional occupational training of staff, motivating the employees and providing stimulating workplace conditions and the working environment.

The Agency mitigates other operational risks by putting in place clearly defined procedures, unambiguously defined roles, responsibilities and mandates given to the employees, as well as by implementing the adopted rules and instructions for work.

In the course of 2017, the monitoring of operational risks revealed no material deviations.

6. Financial/market risks

By managing financial risks, we adhere to the stable operation goals, financial expenditure control and the budgeted provisional and long-term solvency.

The risk that the other party in an agreement will default on their financial liabilities stipulated in contractual provisions is referred to counterparty risk.

Liquidity risk is defined as the ability to provide sufficient funds to meet obligations as they come due. The Agency for Commodity Reserves ensures the maximum possible financial liquidity by having at its disposal at any and all times sufficient liquid assets for the settlement of its obligations when due. The Agency plans on a daily level its short-term solvency by on-going regular monitoring of its cash flows and by thorough planning of inflows and outflows on the monthly/weekly level. At the Agency, we have also put in place a system for the management and optimisation of short-term excess liquidity by taking into consideration the principles of the diversification of financial assets/investments. At the same time, we take care of asset and liability matching, and take the timely steps to collect past due receivables. During the period under review, the Agency for Commodity Reserves was not faced with any difficulties related to the provision of funding sufficient to ensure honouring and settling liabilities on their due dates in a timely manner.

In addition to the risks described above, at the Agency we also monitor currency and interest-rate risks that have not been material so far; hence these risks have not called for any particular risk management yet. Within the framework of the Agency's cross-border operations, both payments and financial settlement of different segments of operations have been made in euro. As for interest-rate risk, it is associated with the unexpected surge in costs of financing or with falling financial revenues from the placements of surplus cash due to the changes in the interest rate on the market. Interest-rate risk was not material during the period under review.

In the course of 2017, the monitoring of financial/market risks revealed no material deviations.

7. Legal/compliance risks

Legal risk is the risk associated with changes and uncertainty of regulations on which the Agency has no influence.

At the Agency, we manage the risks associated with loss arising from the breach or incorrect observation of legislation and legislative acts primarily by on-going monitoring of and proactive participation in the preparation of regulations, and by making timely adjustments to operations. In addition, we manage legal risks also by adopting acts as precise and unambiguous as possible.

In the course of the monitoring of legal risks during the year under review, no material deviations were identified.

0 THE CONSIDERATIONS TAKEN INTO ACCOUNT FOR THE PURPOSE OF DRAFTING THE ANNUAL REPORT FOR FY 2017

Pursuant to the Decree on establishing the public economic institute for commodity reserves (*Sklep o ustanovitvi javnega gospodarskega zavoda za blagovne rezerve*) (Official Gazette of the Republic of Slovenia, Nos. 72/95 and 104/09), the Agency for Commodity Reserves is a public economic entity established by the Government of the Republic of Slovenia.

The work and the activities of the Agency for Commodity Reserves are led by the director appointed and relieved office by the Government of the Republic of Slovenia. During the year under review, the Agency for Commodity Reserves was headed by Mr. Anton ZAKRAJŠEK. The governing body of the Agency for Commodity Reserves in 2017 was the Administrative Board composed of nine representatives of the respective ministries responsible for public procurement and industry, defence, finance, agriculture, energy, health and transport, as well as one representative of the employees of the Agency for Commodity Reserves.

Pursuant to Article 4 of the Commodity Reserves Act (*Zakon o blagovnih rezervah*) (Official Gazette of the Republic of Slovenia, Nos. 96/09 – UPB and 83/12) the annual report and accounts drawn up by the Agency for Commodity Reserves first examined by the Agency's Administrative Board is submitted together with the independent auditor's report the Government of the Republic of Slovenia for approval and adoption.

The report contains the data and information about the management of the strategic commodity reserves and emergency stocks of petroleum products, the account on the implementation of the programme of the maintenance of real property and equipment, and the account on the progress achieved under the programme of disposal of immovable and moveable property of the Agency for Commodity Reserves.

The Agency for Commodity Reserves performed its tasks in the course of 2017 by observing the provisions laid down in the following legislative acts:

- The Commodity Reserves Act (*Zakon o blagovnih rezervah*) (Official Gazette of the Republic of Slovenia, Nos. 60/95, 38/99, 50/04, 98/04 UPB1, 86/09, 96/09 UPB2, 83/12), hereinafter referred to as the Commodity Reserves Act (ZBR),
- The Decree on establishing the public economic institute for commodity reserves (*Sklep o ustanovitvi javnega gospodarskega zavoda za blagovne rezerve*) (Official Gazette of the Republic of Slovenia, No. 72/95 and 104/09),
- The Companies Act (*Zakon o gospodarskih družbah – ZGD-1*) (Official Gazette of the Republic of Slovenia, Nos. 65/09 - official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 - odl. US, 82/13, 55/15 and 15/17),
- Slovenian Accounting Standards (*Slovenski računovodski standardi*) (Official Gazette of the Republic of Slovenia, Nos. 95/15, 74/16 corr.),
- The Five-Year Programme of the establishment of Slovenia's strategic commodity reserves for the period from 1 January 2015 to 31 December 2018, adopted by the Government of the Republic of Slovenia at its 36th ordinary meeting held on 5 December 2013, the modifications and amendments adopted by the Government of

the Republic of Slovenia at its 45th ordinary meeting held on 9 July 2015, the modifications and amendments adopted by the Government of the Republic of Slovenia at its 61st ordinary meeting held on 5 November 2015, the modifications and amendments adopted by the Government of the Republic of Slovenia at its 63rd ordinary meeting held on 13 November 2015, the modifications and amendments adopted by the Government of the Republic of Slovenia at its 75th ordinary meeting held on 17 February 2016, the modifications and amendments adopted by the Government of the Republic of Slovenia at its 104th ordinary meeting held on 6 October 2016, and the modifications and amendments adopted by the Government of the Republic of Slovenia at its 146th ordinary meeting held on 31 August 2017 (hereinafter referred to as: the Five-Year Programme),

- The Annual Programme of Work and the Financial Plan (Budget) of the Slovenian Agency for Commodity Reserves for the financial year 2017 (hereinafter referred to as: the Annual Programme of Work) adopted by the Administrative Board of the Slovenian Agency for Commodity Reserves at its 34th ordinary meeting held on 22 December 2016, the amendment to the budget 1 as of 28 September 2017,
- The Decree on emergency procedures in the event of disruptions and instability in the supply of oil and petroleum products (*Uredba o postopkih ravnanja v primeru motenj in nestabilnosti na trgu pri oskrbi z nafto in naftnimi derivati*) (Official Gazette of the Republic of Slovenia, Nos. 33/13, 9/15),
- The Rules on calculating and reporting on the state of oil and petroleum products reserves (Pravilnik o izračunavanju in poročanju o stanju rezerv nafte in naftnih derivatov) (Official Gazette of the Republic of Slovenia, Nos. 102/12, 11/15),
- The Decree determining the method of calculating a special fee for the provision of the public service of creating compulsory stocks of crude oil and petroleum products (*Uredba o določitvi in načinu obračunavanja posebnega nadomestila za izvrševanje gospodarske javne službe oblikovanja obveznih rezerv nafte in njenih derivatov*) (Official Gazette of the Republic of Slovenia Nos. 96/99, 29/00, 102/00, 85/01, 39/03, 55/04, 26/06, 41/08, 34/09, 22/10 and 39/15),
- Decree on the form for the transmission of data needed for determining types and quantity of compulsory stocks of crude oil and petroleum products and of data on member fee (*Pravilnik o obrazcu za posredovanje podatkov, ki so potrebni za določanje vrste in količine obveznih rezerv nafte in njenih derivatov in za prijavo o članarini*) (Official Gazette of the Republic of Slovenia, Nos. 59/04 and 57/15).
- The decisions adopted by the Government of the Republic of Slovenia:
 - Decision No.30400-1/2017/3 as of 2.3.2017,
 - Decision No. 47803-50/2017/3 as of 15.6.2017,
 - Decision No. 21400-4/2017/2 as of 29.6.2017,
 - Decision No. 47603-14/2017/3 as of 11.7.2017,
 - Decision No. 47603-3/2015/12 as of 31.8.2017,
 - Decision No. 47803-82/2017/3 as of 21.9.2017.

By adopting the Five-Year Programme of the Agency's tasks as a central stockholding entity, the Government of the Republic of Slovenia regulates the following:

- The type and the minimum quantities of particular commodities/products that have to be available at all times to guarantee security of supply when a large-scales natural or

a man-made disaster strikes and in wartime, as well as the number of days for which the stocks of the particular commodity (product) are held,

- the type of storage for the respective commodities/products,
- the territorial distribution of the stocks of commodities/products,
- the sources of financing and the funding available from particular sources,
- the method used for the rotation/replenishment of the stocked commodities/products,
- investment maintenance and selling the Agency's real estate/immoveable property, and
- the services provided by the Agency for Commodity Reserves of the Republic of Slovenia.

The Administrative Board of the Agency for Commodity Reserves adopted the Programme of Work and the Financial Plan (the Budget) of the Agency for Commodity Reserves for the financial year 2017. The Annual Programme elaborated on the performance of the tasks within the framework of the following programmes as laid down below:

- the programme for the establishment and maintenance of the strategic commodity reserves,
- the programme for the establishment and maintenance of the emergency (minimum) reserves of petroleum products,
- the programme for the maintenance of real estate/immoveable property and equipment,
- the programme for the disposal of real property and moveable property of the Agency,
- the programme of the tasks and duties discharged by the Agency's General Services Department, and
- the Financial Plan (Budget) of the Agency of the Republic of Slovenia for Commodity Reserves.

The Ministry of Economic Development and Technology performed during the observed year a supervisory review of compliance of the operations carried out by the Agency for Commodity and a review of the professional aspects of the work performed by the Agency in the course of 2017. Based on the findings made, the Ministry gave the green light to 140 contracts concluded by the Agency.

The co-operation between the Agency and the competent authorities was good.

0.1 Main developments in the economic and business environment

In 2017, the economic growth in the euro area surged to a 10-year peak. Specifically, gross domestic product (GDP) increased in the euro area by 2.5% - the fastest rate of growth after a 3.0% rise recorded back in 2007. Real GDP growth rate was 2.2% in Germany, 1.8% in France, 3.1% in Spain and the percentage of GDP change on previous year in Italy was 1.5%. (<https://www.reuters.com/article/us-eurozone-economy/euro-zone-growth-at-10-year-high-and-2017-january-sentiment-dips-idUSKBN1FJ1A6> and <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00115&plugin=1>)

The Russian economy gained momentum in the course of 2017 as shown by the rate of GDP growth of 1.5%. However, Russia's economic recovery continues to be affected by low oil prices and low oil production, as well as by the negative effects of the economic sanctions imposed against Russia.

Nevertheless, private consumption soared and even increased from 4.2% in the third quarter of the year to 4.3% in the fourth quarter. The reason for such is probably a low inflation growth rate on a quarterly basis. Government spending was stable and there was growth of 0.4% in the fourth quarter in comparison with the third quarter.

In the fourth quarter of 2017, in comparison with the same period a year earlier (year-on-year), exports also enjoyed growth and specifically by 5.2%. The price of the Urals crude oil increased throughout the observed quarter, whereas sound global economic growth also contributed to increasing oil sales to foreign countries. On the other hand, however, the rate at which imports grew slowed down in the fourth quarter to 15.4% – the figure slightly below the 17.1% rate of growth recorded in the third quarter. (<https://www.focus-economics.com/country-indicator/russia/gdp>)

In the course of 2017, China's economy posted growth of 6.9% and improved GDP growth of 6.7% a year earlier. Such expansion of the Chinese economy was in line with the objectives set by the government: to achieve growth in excess of 6.5%. (<https://tradingeconomics.com/articles/01182018075357.htm>)

The rate of growth of the U.S. economy was 2.3% in 2017 and it was more than the figure for the economic growth achieved a year earlier when the economy expanded by 1.5%. The contribution of private spending to the economic growth was considerable, and the increased volume of capital formation – company investments in fixed assets, as well as strong exports, were also favourable factors. In addition, imports also rose. (<https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>)

In the course of 2017, Slovenia's GDP increased by 5.0%. In the last quarter of 2017, domestic spending rose by 4.5%. Household spending grew by 3.3%. In the fourth quarter of the year under review, high rates of growth of both exports and imports could be observed as exports soared by 12.3% - on the annual level the rise was 10.6% - whereas imports increased by 11.1%. Thus just like a year earlier, demand from abroad remained the main driver of Slovenia's economic growth. Nevertheless, domestic demand was also on the rise as demonstrated by the growth rate of 4.0%. (<http://www.stat.si/StatWeb/News/Index/7266>)

In the course of 2017 the situation in the country's labour market improved year-on-year. The headcount of economically active population increased once more and during 2017 rose to

934,000 as opposed to 2016 when it was 920,000. (http://www.umar.gov.si/fileadmin/user_upload/publikacije/eo/2018/2-2018/EO_0218_2018.pdf)

The number of registered unemployed persons decreased in 2017 for the third year in a row only that last year this drop was more significant. At the end of the year, the number of the registered unemployed persons was 85,060, that is, 14.6% less than in December 2016. (http://www.umar.gov.si/fileadmin/user_upload/publikacije/eo/2018/1-2018/EO_0118_februar_2018.pdf)

Average gross earnings of employees in the private sector were higher by 2.7%, whereas the rise of salaries paid out in the private sector was 2.8%. (http://www.umar.gov.si/fileadmin/user_upload/publikacije/eo/2018/2-2018/EO_0218_2018.pdf).

The year under review ended with year-on-year growth in consumer prices of 1.7%. The factors that contributed mostly to the higher annual inflation rate were primarily higher commodity prices led by food prices and prices of petroleum products. Prices of goods went up in one year by 1.9%, whereas services were more expensive by 1.3%.

More expensive food and petroleum products pushed up annual inflation by 0.5 percentage point each. Tobacco added 0.2 percentage points to higher consumer prices and the rest was contributed by the rise in other goods and of services. On the other hand, annual inflation was lowered the most (by 0.2 p.p.) by 2.7% lower prices of motor cars. Measured with the harmonised index of consumer prices, in December 2017 the annual growth of consumer prices was 1.9% (in December 2016 it was 0.6%). (<http://www.stat.si/StatWeb/News/Index/7171>)

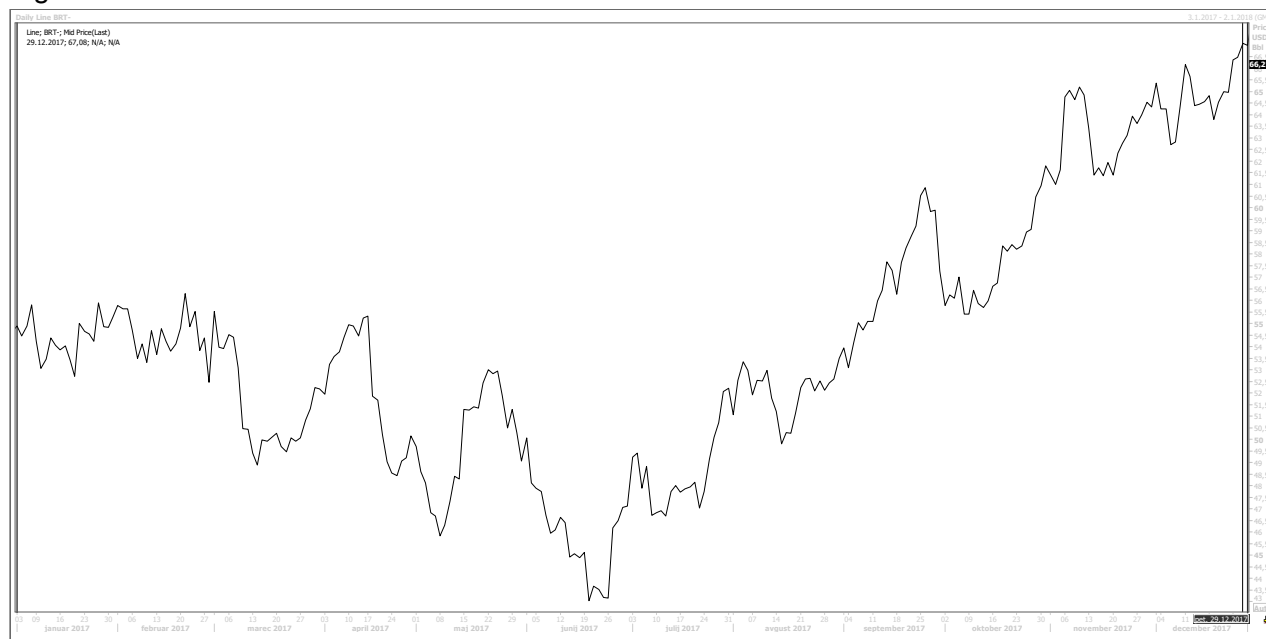
Commodity market

In the course of 2017, crude oil prices fluctuated considerably. Nevertheless, we witnessed economic recovery gain momentum at more vigorous pace than a year earlier. The rock bottom was hit at the start of the spring, but from that moment on, there was a constant growth trend. Such a positive trend is attributable to the effect of the decision taken on the supply side by the Opec members and Russia to limit oil output.

(<http://www.skladi.com/nasveti/5961-kaksna-je-pricakovana-cena-nafte-v-letu-2018>)

At the end of November 2017. The agreement to reduce output was extended for nine more months to the end of 2018. Higher oil prices were also attributable to increasing political risks in most oil producing countries. The Middle East was the oil supply area most affected by instability and unrest. Such developments were reflected on oil prices: the average price for a barrel of Brent Crude was USD 47 in June but then it soared to USD 64 in December (https://bankaslovenije.blob.core.windows.net/publication-files/gdqfKmYgahihdgh_gospodarska-and-financna-gibanja-januar-2018.pdf) The chart shown below illustrates the fluctuations in prices for crude oil in the course of 2017.

Figure 1 The movement in crude oil



Source: REUTERS, 23. 2. 2018

During the year 2017, the prices of certain petroleum products (motor gasoline RON 95 and diesel fuel) in Slovenia were set in accordance with the provisions laid down in the Decree on setting prices for petroleum products (*Uredba o oblikovanju cen določenih naftnih derivatov*) (Official Gazette of the Republic of Slovenia, No. 60/17) and other legislative acts in which the rates of various charges and levies are stipulated. In accordance with the Decree, the prices of petroleum products are set every 14 days.

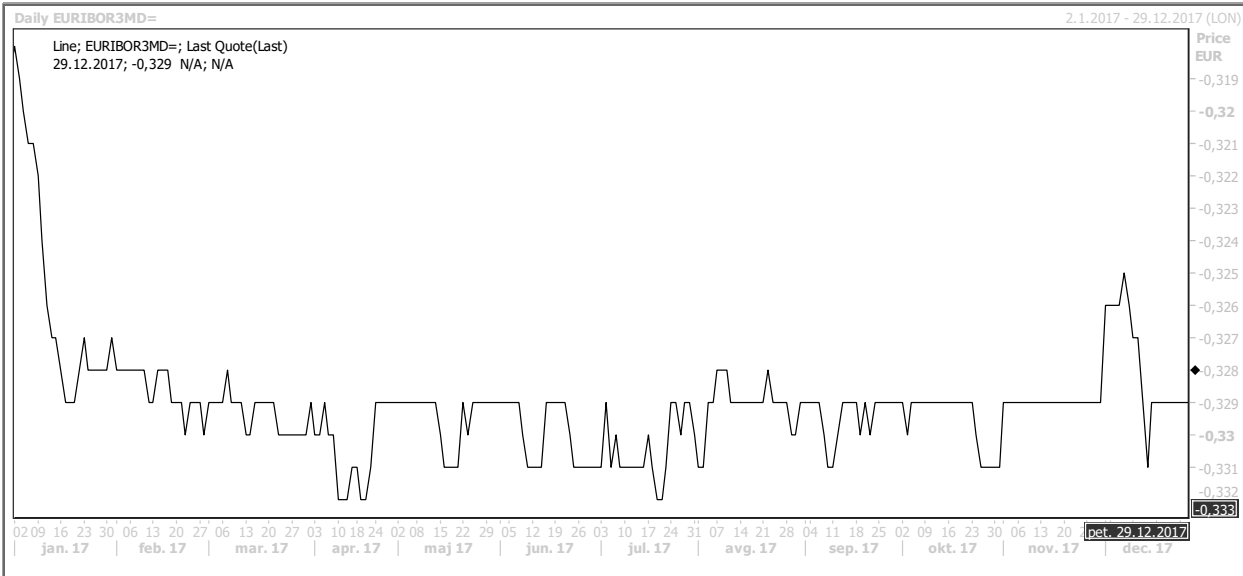
(http://www.mgrt.gov.si/si/delovna_podrocja/notranji_trg/nadzor_cen_naftnih_derivatov/cene_naftnih_derivatov/)

As regards wheat reserves, in the course of 2017, the total quantity of all wheat purchases according to the data released in the market information report of the Agency of the Republic of Slovenia for Agricultural Markets and Rural Development (ARSKTRP) drawn up on the basis of the reports of the buyers of agricultural produce was 93,213 tonnes as opposed to a year earlier when 118,738 tonnes of wheat were purchased.

Financial markets

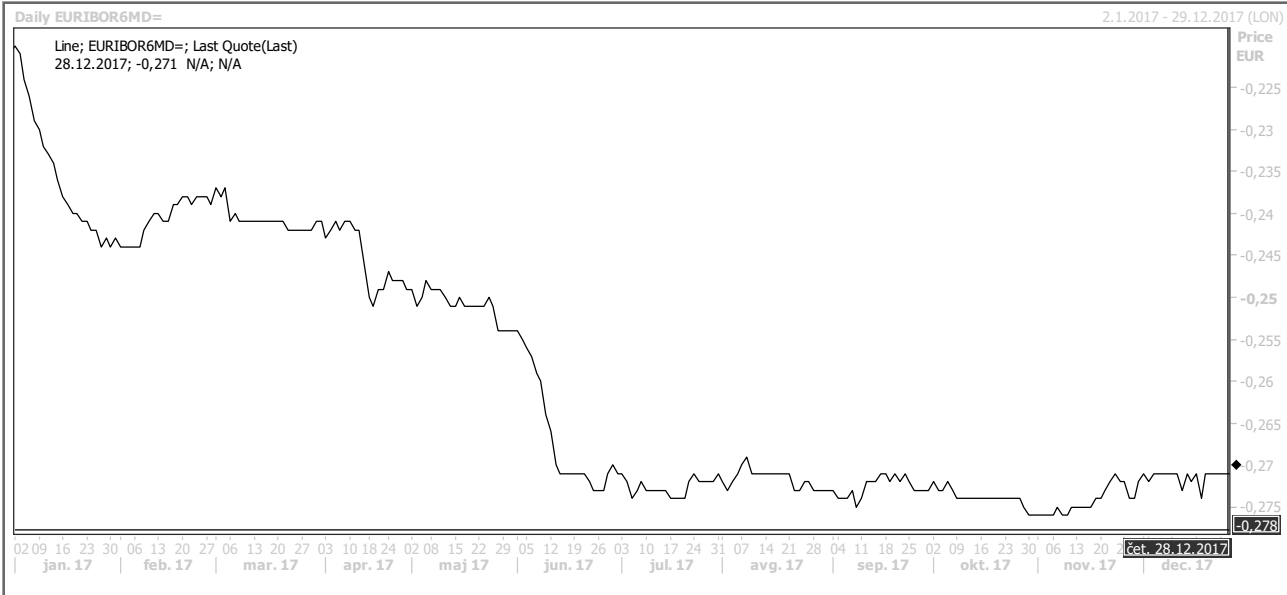
The volume of loans allocated to the borrowers in the domestic non-bank sector increased in the course of 2017 for the first time after 2010. The favourable economic situation pushed up growth in lending to households (the upward trend started in 2015) and after seven years of deleverage, also lending to corporate borrowers and non-financial institutions (NFIs) increased even though the rate of growth slightly slowed down at the end of the year. More specifically, lending to corporates and NFIs in increased December 2017 in comparison with December 2016 by 3.1%. The total volume of all loans increased by 3.7% in December 2017 in comparison with December 2016. On the liability side of bank balance sheets, deposits placed by the domestic non-bank sectors were increasingly more important as sources of funding. (http://www.umar.gov.si/fileadmin/user_upload/publikacije/EO/2018/12018/EO_0118_februar_2018.pdf)

Figure 2 The movement in 3-month EURIBOR



Source: REUTERS, 22.2. 2018

Figure 3 The movement in 6-month EURIBOR



Source: REUTERS, 22.2. 2018

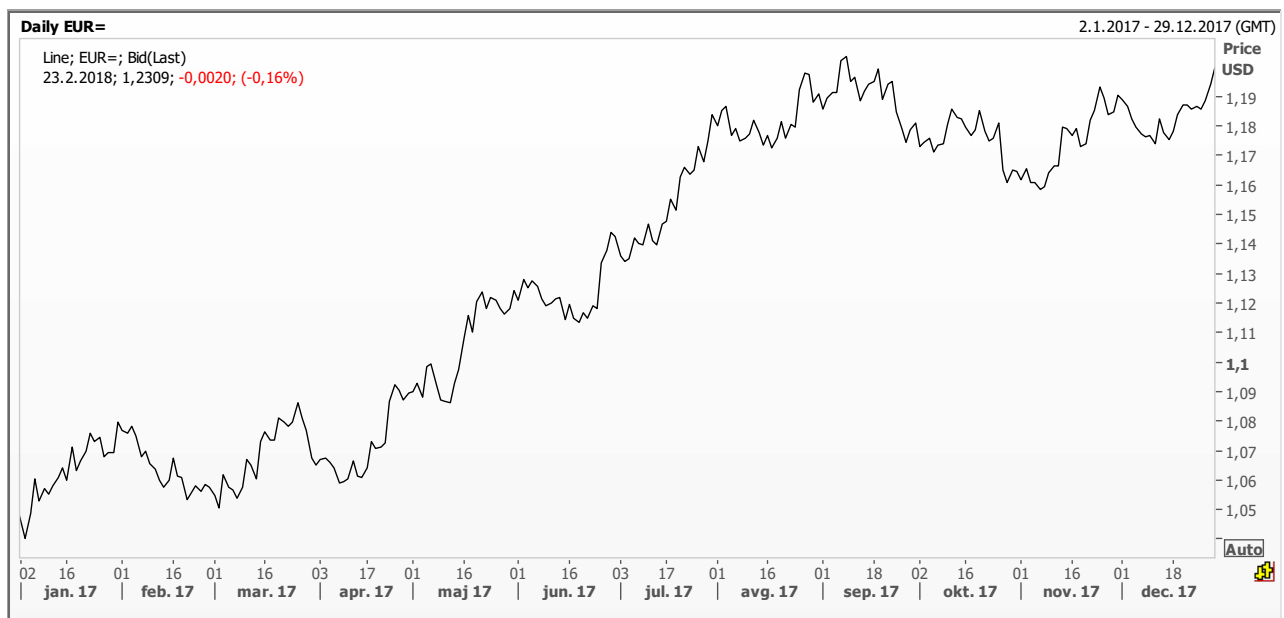
For the operations carried out by the Agency for Commodity Reserves, the movement in the reference interest rate EURIBOR was significant in general and the movements in the value of the 3-month and the 6-month EURIBOR were particularly important since they were used to calculate expenses for financing physical stocks. We can see from Figures 2 and 3 how the rates of interest of both EURIBOR key rates remained in negative territory for the whole year under review. At the beginning of 2017, the value of the 6-month EURIBOR was - 0.22%, whereas the value of the 3-month EURIBOR was -0,318%. Figures 2 and 3 also illustrate that at the end of 2017, the 6-month EURIBOR was in negative territory with -0.271%, whereas the 3-month EURIBOR was at -0.329%.

Exchange rates

In the course of 2017, divergence in monetary policy actions pursued by the European Central Bank (ECB) and the U.S. Federal Reserve (Fed) continued. Nevertheless, the exchange rate for the euro was steadily climbing after hitting the rock bottom in December 2016 until in September 2017, USD/EUR currency conversion was at a record-high level of 1.21. After the September peak, monthly appreciation stalled with the exchange rate USD/EUR fluctuating in the 1.15 to 1.20 bracket. (https://bankaslovenije.blob.core.windows.net/publication-files/qdgfKmYgahihdgh_gospodarska-and-financna-gibanja-januar-2018.pdf and Reuters).

From Figure 4 we can see how the exchange rate for the euro was growing during 2017. Specifically, the exchange rate soared from USD 1.0457 to USD 1.1996 for 1 euro at the end of the year under review.

Figure 4 The movement in the EUR/USD exchange rate



Source: REUTERS, 23. 2. 2018

1 THE IMPLEMENTATION OF THE PROGRAMME FOR THE ESTABLISHMENT, MAINTENANCE AND REPLENISHMENT OF COMMODITY RESERVES

The Programme of Work for FY 2017 pencilled in that the Agency for Commodity Reserves shall maintain, rotate, restructure and replenish the reserve items of both food and non-food products until the end of 2017. In line with its mandate and within the framework of the available funding, the Agency also took into consideration the security situation, economic trends and the quantities of the stocks of particular reserve items set out in the Five-Year Programme of Work.

The Agency for Commodity Reserves makes payments for the services of storing, replenishing and renting storage facilities and oil tank capacities on the basis of the price list of the services, taking into storage, releasing and transporting goods/oil products and rental fees (hereinafter referred to as: the Price List) approved by the Administrative Board of the Agency at its 8th ordinary meeting held on 21 December 2005.

In the course of 2017, the competent ministry gave the green light to 77 contracts made by and between the Agency for Commodity Reserves and the operators of the storage facilities stocking the strategic commodity reserves of the Republic of Slovenia and other storage facility operators.

1.1 The establishment, maintenance and replenishment of reserve items of food products

During the year under review, the Agency for Commodity Reserves discharged its tasks in line with the blueprint for maintenance, rotation and replacement of the reserve food items held as strategic commodity reserves. The Agency for Commodity Reserves was rotating food reserve items both at the storage facilities operated by its contractual partners and at the storage facilities of the Agency for Commodity Reserves.

In Table 1 there is the comparison between the planned and the realised disposals and purchases of food products in the course of the financial year 2017, including purchases and disposals for the purpose of stock rotation/replacement, that is, restructuring

To protect the integrity of the reserves, the Agency for Commodity Reserves carried out stock rotation and replacement for food products both at the storage facilities of the outsourced operators and at the storage facilities managed and operated by the Agency's staff. The reserves of food products stocked at the facilities of the outsourced operators and at the facilities managed and operated by the Agency were replenished in the planned quantities and according to the adopted time schedule.

As regards the stocks of wheat held in the storage facilities owned and managed by the Agency for Commodity Reserves, the quantities of new wheat delivered exceeded the quantities released from the reserves. The Agency for Commodity Reserves paid for the difference to the

contractor at the market price. During transport the difference between the quantity of wheat released from the reserves and the quantity delivered slightly exceeded the quantity provided for in the contract; therefore, the Agency invoiced the difference to the transport company.

Under the Five-Year Programme and the Annual Programme of Work the Agency can procure certain reserve items in quantities that may deviate from the scheduled one up to 20% in order to comply with the time schedule of stock rotation and replenishment. In line with this provision, the Agency for Commodity Reserves agreed with some storage facility operators to substitute part of corn and rye stocks with wheat due to the difficulties in procuring those types of grain.

Also in the course of 2017 live animals for meat held as reserve items decreased since a few contracts were terminated after deaths of fattening cattle and pigs. Given the fact that the stocks were still higher than planned, the Agency for Commodity Reserves did not purchase any replacement animals.

For 2017, the Agency for Commodity Reserves pencilled in its Programme of Work an increase in sugar stocks. In the second half of the year, the Agency published a call to tenderers for the supply and storage of sugar. The contract for public procurement was signed for the delivery in 2018.

The Agency for Commodity Reserves continued in 2017 to monitor the credit standing of its business partners on a regular basis and in the event that a company was downgraded, the Agency would ask such a company to provide additional collateral for the stocks held by it as Slovenia's strategic reserves.

Table 1: The comparison between the planned and the realised disposals and procurement of food products in the course of 2017

item	unit	PLAN		REALISATION					
		planned purchases (+) or sales (-) v letu 2017	estimated value (EUR)	actually supplied in 2017	actually sold in 2017	replenishment-driven purchases in 2017	replenishment-driven sales in 2017	realised purchases (+) and sales (-) TOTAL in 2017	value of purchases (-) and sales (+) TOTAL (EUR)
		1	2	3	4	5	6	7=3-4+5-6	8
1. GRAINS	tonne								
WHEAT AND WHEAT PRODUCTS	tonne								
a) Wheat	tonne	0	0	4,50	0,12	12.065	12.065	4,38	-698,00
b) Pasta/noodles	tonne	0	0	0	0	0	0	0	0
c) Flour	tonne	0	0	0	0	0	0	0	0
CORN	tonne	0	0	0	0	2.525	2.525	0	0
RICE	tonne	0	0	0	0	0	0	0	0
RYE	tonne	0	0	0	0	253	253	0	0
2. LIVE ANIMALS FOR MEAT	tonne	0	0	0	8,34	0	0	-8,34	26.830,99
3. MILK AND DAIRY PRODUCTS	000 lit								
a) Liquid milk	000 lit	0	0	0	0	0	0	0	0
b) Powder milk	tonne	0	0	0	0	0	0	0	0
c) Cheese	tonne	0	0	0	0	0	0	0	0
4. OTHER PRODUCTS									
a) Sugar	tonne	1.290	1.032.000	0	0	0	0	0	0
b) Oil	000 lit	0	0	0	0	0	0	0	0
c) Salt	tonne	0	0	0	0	0	0	0	0
d) Watter	000 lit	0	0	0	0	0	0	0	0

During the year under review, the Agency for Commodity Reserves held strategic stocks of food products at the storage facilities of 26 economic operators – business partners – on the basis of the long-term stockholding contracts and at the level of prices agreed in the past. The Agency for Commodity Reserves also concluded 144 long-term contracts with breeders of farm animals for meat.

The Agency for Commodity Reserves published in 2017 a call to tenders for the replenishment of the salt reserves stocked in the storage facilities owned by the Agency. The successful tenderer was awarded a four-year public contract.

In addition, the Agency for Commodity Reserves also discharged other tasks relating to the maintenance of the stocks of food products such as transportation of goods, quality controls of the reserve items and the protection of food reserves and the storage facilities against vermin/pest. Those activities were carried out by outsourcing the providers of respective services.

1.2 The establishment and maintenance of reserve items of non-food products

During the year under review, the Agency for Commodity Reserves planned the replenishment and the restructuring of the reserve items stocked with the aim to provide for the needs of human medicine and for veterinary use, as well as for the procurement of new items within the framework of funds allocated but not used in the previous years in line with the guidelines issued by the Ministry of Health and the Administration of the Republic of Slovenia for Food Safety, Veterinary Sector and Plant Protection. In addition, the Agency for Commodity Reserves also made plans for the maintenance of the stocked reserve items for protection, the replenishment of the stocks of petroleum products, of liquefied petroleum gas and motor oils, as well as for the replenishment of fuel stocks released under the decisions adopted by the Government of the Republic of Slovenia and it arranged for the procurement of additional quantities of technical border barriers (hereinafter referred to as: the ZTO barriers).

In Table 2 we can see a comparison between the planned and the realised procurement of the non-food reserve items during the year 2017, together with the purchases and disposals carried out for the purpose of stock rotation, that is, restructuring.

Table 2: The comparison between the planned and the realised disposals of non-food products in the course of 2017

item	unit	planned purchases (+) or sales (-) v letu 2017	estim. value of purchases (-) and sales (+) (EUR)	actual purchases in 2017	actual sales in 2017	replenishment-related purchases in 2017	replenishment-related sales in 2017	realised purchases (+) and sales (-) TOTAL in 2017	value of purchases (-) and sales (+) TOTAL (EUR)
		1	2	3	4	5	6	7=3-4+5-6	8
1. PRODUCTS FOR HUMANE MEDICINE **	€								
a) Medicinal products/drugs	€	730.810	-730.810	834	0	2.989.859	2.805.184	185.509	-185.509
b) Medicinal devices/supplies	€	0	0	0	0	361.783	361.435	348	-348
c) antivirus drugs:		0	0	0	0	0	0	0	0
- Tamiflu	€	0	0	0	0	0	0	0	0
- Oseltamivir	€	0	0	0	0	0	0	0	0
- Relenza	€	0	0	0	0	0	0	0	0
- Pandemrix	€	0	0	0	0	0	0	0	0
d) potassium iodide	€	880.000	-880.000	835.986	45.527	0	0	790.459	-790.459
2. PRODUCTS FOR VETERINARY MEDICINE **	€	210.733	-210.733	0	18.040	84.015	124.494	-58.519	58.519
3. PRODUCTS FOR PROTECTION	€								
a) Devices and equipment for the mobile health unit	€	0	0	0	0	0	0	0	0
b) Equipment for personal and collective protection	€	0	0	0	0	0	0	0	0
4. EMERGENCY (ND a do d)									0
a) Gasoline - unleaded	000 lit	0	0	0	0	0	0	0	0
b) Gasoline - LL100	000 lit	0	0	0	0	0	0	0	0
c) Gas oil - diesel fuel and fuel oil (extra light heating oil)*	'000 lit	0	0	9,98	9,98		0	0	-4.356
d) Kerosene - JET A1	000 lit	0	0	0	0	0	0	0	0
e) Motor oils	tonne	0	0	0	0	0	0	0	0
f) Liquefied petroleum gas-LPG	tonne	0	0	0	0	0	0	0	0
5. OTHER PRODUCTS									0
a) Matches	000 pcs	0	0	0	0	0	0	0	0
b) Candles	pc	0	0	0	0	0	0	0	0
c) Heating petroleum	tonne	0	0	0	0	0	0	0	0
d) Heating stoves/furnaces	pc	0	0	0	0	0	0	0	0
e) Technical border barriers -	km	0	0	0	164	0	0	-164	0
f) Technical border barriers - panel fencing*	km	11	-800.000	3	57	0	0	-54	-418.504
g) Technical border barriers other items*, **	EUR	674.000	-674.000	479.306	550.000	0	0	479.306	-479.306

* Release from the reserve without compensation – supplies to migrants.

**Due to the fact that there are various items and different packaging, the reserve items are booked in value terms.

In 2017, the Agency for Commodity Reserves collaborated with the Ministry of Health to prepare a call for tenders for the planned procurement of medicinal products and published the call in December. The evaluation of tenders and the award of the public contract for the delivery of supplies will take place in the course of 2018. The Agency for Commodity Reserves invoiced at the end of 2016 the University Medical Centre – UKC Maribor for a small quantity of medicinal products it was unable to restock as scheduled. To replenish the stock not those reserve items, the Agency for Commodity Reserves ordered at the beginning of 2017 the medicines previously released for sale.

As regards its mandate to protect the integrity of the non-food reserves, the Agency for Commodity Reserves replenished the stocks of medicinal products, medicinal devices and products for veterinary use in accordance with the Programme of Work and the prescribed time schedule for the stock replenishment. Where it was the case that the economic operators

we unable to arrange restocking where and when needed, the Agency itself replenished the stocks held as the commodity reserves by purchasing products currently in the marketplace, possible from the same ATC system group. Few non-material differences in the posted figures are primarily attributable to rounding the number of packaging units. The Slovenian Agency for Commodity Reserves either paid for those packaging units or charged them at wholesale prices. The differences between the selling and purchase value were also due to the fact that in some cases the operations of dispatching old medicinal products and medicinal devices and procuring the new ones were performed in different calendar years.

In 2017, the Agency for Commodity Reserves finalised the procurement of potassium iodide and, acting in line with the provisions of the Rules on the use of potassium iodide (*Pravilnik o uporabi tablet kalijevega jodida ob jedrski ali radiološki nesreči*) and complying with the instructions issued by the Ministry of Health, sold potassium iodide to the Krško Nuclear Power Plant (NEK). The Agency for Commodity Reserves allocated the funds for the procurement of potassium iodide from the budget item for the purchase of medicinal products. The Agency for Commodity Reserves stored the reserve items of potassium iodide held as the country's strategic reserves at the Slovenian hospitals according to the list prepared by the Ministry of Health.

The Agency for Commodity Reserves budgeted for the financial year 2017 the procurement of medicines for veterinary use. In order to prepare the tender documentation, the Agency asked the Administration of the Republic of Slovenia for Food Safety, Veterinary Sector and Plant Protection (UVHVVR) for the guidelines for that type of procurement. Given the fact that no proposals for procurement were received during the year under review, it was not possible to replenish the stocks. The Agency for Commodity Reserves will ask once again the Administration for Food Safety, Veterinary Sector and Plant Protection in 2018 for their suggestions in order to draft a call for tenders that will also include the funds obtained by releasing for sale the stocks of veterinary medicines that could not be replenished.

Acting in line with the provisions of the Decision of the Government of the Republic of Slovenia No. 22500-2/2015/6 as of 10 September 2015 and the Decision No. 22500-2/2015/17 as of 27 October 2016, as well as the decisions adopted by the competent ministers, the Agency for Commodity Reserves released from the reserves in the course of 2017 diesel fuel and heating oil for the accommodation facilities for migrants. The Agency for Commodity Reserves released those petroleum products free-of-charge; nevertheless, it had to pay the value-added tax (VAT) and other statutory charges levied on the value of the released reserve items. Purchases we also made to replenish the respective stocks.

The Agency for Commodity Reserves did not carry out all the budgeted purchases of the protective fencing – protective technical barriers (ZTO) since no allocation of funding for that purpose was made in 2017. However, the Agency took part of the panel fencing ordered in 2016 and based on the proposal of the Ministry of Internal Affairs purchased more gates and other necessary accessories so that the barriers (ZTO) could be erected.

The protective barriers were provided free-of-charge to be erected where necessary pursuant to the decisions adopted by the Government of the Republic of Slovenia No. 30400-2/2016/8 as of 16 February 2016, No. 30400-2/2016/12 as of 13 March 2016, No. 30400-2/2016/16 as of 7 April 2016, No. 22500-2/2015/6 as of 10 September 2015, No. 22500-2/2015/17 as of 27

October 2016 and the implementing decisions adopted by the competent ministry and the Ministry of Internal Affairs.

In the course of 2017, the Agency for Commodity Reserves published a call for tenders to award a public procurement contract to a most successful tenderer for the removal and destruction of the medicinal products written off since their shelf life expired (potassium iodide, Tamiflu, Relenza, Oseltamivir). The selected service provider started with the removal of the medicinal products to be destroyed in 2017 and the operation is to be completed in 2018.

As every year, the Agency for Commodity Reserves continued also in 2017 to organise training for the staff of its business partners responsible for keeping stocks of medicinal products in accordance with the requirements laid down in the legislation governing that area.

The Agency for Commodity Reserves carried out in 2017 the replenishment and maintained the stocks of non-food products that can be restocked in the planned quantities and according to the agreed time schedule both at its contractual partners and at the storage facilities operated by the Agency itself. In addition, the Agency staff carried out also other tasks connected with the maintenance of non-food products, such as, for example, control checks of the stocked products.

The reserves of non-food items held in 2017 were stocked in the storage facilities of 50 business partners of the Agency by virtue of the contracts for the storage and replenishment of non-food stocks signed with the Agency.

1.3 Revenues and expenses for the establishment, maintenance and replenishment of strategic commodity reserves

Table 3 shows the planned (budgeted) and actual revenues/inflows and expenses/outflows relating to the implementation of the programme of commodity reserves of the Republic of Slovenia. More details relating to significant reserve items that deviate from the budgeted quantities, that is, their index is below 80 and the index is above 120, are given below.

Table 3: SDBR (PI 2) – The realisation of the state commodity reserve programme in the course of 2017

description	in EUR	in EUR	in EUR	index (3/2)
	PLAN 2017 (1)	REVISION 1 2017 (2)	REALISATION 2017 (3)	
Estimate of carry forwards from previous year	14.654.879	14.654.879	19.292.474	132
REVENUES/INFLOWS	13.593.704	13.440.704	14.255.216	106
Transfers from the government budget	5.969.392	5.816.392	6.182.420	106
192410 - Rotation and replenishment of commodity reserves	4.316.392	4.316.392	4.316.392	100
160267 - the migrant flow	1.653.000	1.500.000	1.866.028	124
The Agency's earnings from other activities	7.174.312	7.174.312	7.013.565	98
Storage facility for petroleum products Ortnek - storage - interna	2.913.692	2.913.692	2.913.692	100
Storage facility for petroleum products - other - internal	743.714	743.714	645.673	87
Storage facilities other	425.099	425.099	457.398	108
Office space/premises	86.807	86.807	64.884	75
Interest earned on time deposits	4.000	4.000	4.976	124
Interest earned on account balances	1.000	1.000	0	0
Re-invoiced costs/expenses	0	0	703.520	0
Stock replenishment	3.000.000	3.000.000	2.223.423	74
Disposal of ther Agency's assets	450.000	450.000	1.059.231	235
Disposals, release from stock for sale	0	0	95.278	0
Disposals of investment properties	450.000	450.000	963.953	214
TOTAL REVENUES/INFLOWS	28.248.583	28.095.583	33.547.690	119
EXPENSES/OUTFLOWS	19.382.707	19.710.934	9.747.862	49
The Agency's activities	4.452.683	4.452.683	4.399.721	99
Activities financed from the government budget (MGRT 1924)	4.316.392	4.316.392	4.307.810	100
Storage, rotation, maintenance and replenishment of stocks	3.160.569	3.160.569	3.342.808	106
Stock maintenance	82.211	82.211	68.587	83
Ullage, evaporation	125.351	125.351	146.812	117
Transport and loading/unloading of reserve items	349.201	349.201	192.451	55
Inspection/checks of stocks	194.316	194.316	151.138	78
Insurance coverage for reserve items	404.746	404.746	406.014	100

description	in EUR	in EUR	in EUR	index (3/2)
	PLAN 2017 (1)	REVISION 1 2017 (2)	REALISATION 2017 (3)	
Activities financed from the Agency's own funds	136.291	136.291	91.911	67
Storage, rotation, maintenance and replenishment of stocks	60.500	60.500	69.469	115
Stock maintenance	15.000	15.000	1.288	9
Ullage, evaporation	34.350	34.350	9.908	29
Transport and loading/unloading of reserve items	1.500	1.500	1.115	74
Tank cleaning	3.040	3.040	0	0
Inspection/checks of stocks	21.900	21.900	1.101	5
Insurance coverage for reserve items	0	0	0	0
Removal and destruction of waste and hazardous material	0	0	66	0
Other services	0	0	8.966	0
Material costs and energy	171.813	171.813	143.527	84
Services performed	103.646	330.733	69.621	21
Other costs	614.350	614.350	594.390	97
Purchase price of procured goods (replenishment/rotation)	2.000.000	2.000.000	1.449.836	72
Purchase price - new stocks	4.506.543	4.353.543	1.849.806	42
sugar	1.032.000	1.032.000	0	0
medicines	730.810	730.810	834	0
potassium iodide from 2016	880.000	880.000	835.986	95
products for veterinary use	210.733	210.733	0	0
panel fencing and accessories	1.653.000	1.500.000	897.810	60
panel fencing and accessories from 2016	0	0	115.176	0
Investments, investment maintenance, purchase of fixed assets and small tools	7.483.760	7.737.900	1.770.537	23
Investments	1.563.000	1.413.500	207.218	15
Investment maintenance	5.091.900	5.551.500	1.118.428	20
Fixed assets and equipment and small tools	259.000	265.000	104.307	39
Current maintenance	569.860	507.900	340.584	67
Financial outflows	49.911	49.911	897.228	1.798
VAT calculated on material costs and service costs	49.911	49.911	44.186	89
VAT calculated on stocks released - migrants	0	0	853.042	0
Expense for bank borrowing	0	0	0	0
Corporate tax	0	0	23.032	0
corporate tax	0	0	23.032	0
DIFFERENCE	8.865.877	8.384.650	23.799.829	284

The Agency for Commodity Reserves budgeted the earnings generated by renting the offices in Gospodinjaska ulica in Ljubljana as the revenues of the state commodity reserves. Since according to the opinion of the technical offices such revenues are booked as the revenues of emergency reserves, the realised earnings on office rental fees are lower than budgeted.

In 2017, the Agency for Commodity Reserves continued to replenish and maintain the reserve items stocked both in the storage facilities of economic operators and in the storage facilities operated and managed by the Agency. The Agency rotated and/or replenished the reserve items held at the storage facilities of economic operators and those in the Agency's own facilities in the planned quantity and in line with the time schedule made. The earnings derived from the stock rotation were lower than expected since in the cases that met the requirements set out in Article 7 of the Rules on the implementation of the Value Added Tax Act (*Pravilnik o*

izvajanju Zakona o davku na dodano vrednost) the Agency for Commodity Reserves and the storage facility operators did not issue any invoices for stock rotation/replenishment.

The disposals of immovable property items exceeded the figures pencilled in since several sales procedures started in 2016 were finalised during 2017 after the real estate manager of a site located in Celje filed for bankruptcy protection and thanks to the favourable conditions for selling real estate.

In order to replenish the stocks of wheat and sugar held in the storage facilities operated by the Agency for Commodity Reserves, the necessary transport was carried out. The transport services were provided by the transport companies awarded public procurement contracts on the basis of the call for tenders. The transport costs were lower than budgeted since the tenderers offered competitive prices and also the fuel prices were low, and also the fact that transport in one direction was financed by the storage facility operators.

In the course of 2017, the Agency for Commodity Reserves deployed in addition to the in-house experts also the services of an independent surveyor with which it entered into a contract. The costs relating to these controls were lower than budgeted mostly due to the fact that many controls and analyses were performed by the employees of the Agency for Commodity Reserves.

During the year under review, the Agency for Commodity Reserves published two calls for tenders: one for the procurement of sugar supplies and the other one for the supply of medicinal products. The tendering procedure was completed at the beginning of 2018. No medicines for the needs of veterinary treatments were procured in 2017 since the Agency for Commodity Reserves did not receive any specification for medication to be purchased from the competent body. The panel fencing and other accessories necessary to erect such fencing were purchased in smaller quantities than specified since a portion of the funds allocated to that budget item was spent on paying VAT for the items released from the reserves at the peak of the migrant flow. The reasons for the procurement costs for new supplies being lower than budgeted are described in more detail in points 1.1 and 1.2.

As regards capital investments (CAPEX), investment and current maintenance works, as well as the purchases of fixed assets – items of property, plant and equipment – the Agency for Commodity Reserves did not carry out in 2017 all the budgeted items. There is a more detailed description complete with the reasons for lower realisation and illustrations in the text below, in point 3.

1.4 Storage locations for strategic commodity reserves

The Agency for Commodity Reserves continued also in 2017 to spare no effort when it came to providing for the dispersion of the commodity reserves of the Republic of Slovenia across the national territory. To this end, the Agency took into consideration the availability of the storage capacities operated by the Agency and the facilities for replenishing stocks in the most efficient way possible.

2 THE IMPLEMENTATION OF THE PROGRAMME FOR THE ESTABLISHMENT, MAINTENANCE AND REPLENISHMENT OF EMERGENCY STOCKS OF PETROLEUM PRODUCTS

2.0 The considerations relating to the maintenance of emergency stocks of petroleum products and the key global developments affecting oil markets in 2017

The obligation imposed on Member States of the European Union regarding the maintenance of minimum emergency stocks of crude oil and/or petroleum products is regulated in Council Directive 2009/119/EC imposing an obligation on Member States to maintain emergency stocks of crude oil and/or petroleum products.

The legal basis in the area of maintenance of minimum emergency stocks of petroleum products in Slovenia comprises of the following legislative acts:

- The Commodity Reserves Act (*Zakon o blagovnih rezervah*) (Official Gazette of the Republic of Slovenia, Nos. 96/09 – UPB and 83/12), hereinafter referred to as the Commodity Reserves Act – ZBR,
- The Decree on emergency procedures in the event of disruptions and instability in the supply of oil and petroleum products (*Uredba o postopkih ravnanja v primeru motenj in nestabilnosti na trgu pri oskrbi z nafto in naftnimi derivati*) (Official Gazette of the Republic of Slovenia, Nos. 33/13 and 9/15),
- The Rules on calculating and reporting on the state of oil and petroleum products reserves (*Pravilnik o izračunavanju in poročanju o stanju rezerv nafte in naftnih derivatov*) (Official Gazette of the Republic of Slovenia, Nos. 102/12 and 11/15),
- The Decree determining the method of calculating a special fee for the provision of the public service of creating compulsory stocks of crude oil and petroleum products (*Uredba o določitvi in načinu obračunavanja posebnega nadomestila za izvrševanje gospodarske javne službe oblikovanja obveznih rezerv nafte in njenih derivatov*) (Official Gazette of the Republic of Slovenia, Nos. 96/99, 29/00, 102/00, 85/01, 39/03, 55/04, 26/06, 41/08, 34/09, 22/10 and 39/15),
- The Decree on the form for the transmission of data needed for determining types and quantity of compulsory stocks of crude oil and petroleum products and of data on member fee (*Pravilnik o obrazcu za posredovanje podatkov, ki so potrebni za določanje vrste in količine obveznih rezerv nafte in njenih derivatov in za prijavo o članarini*) (Official Gazette of the Republic of Slovenia, Nos. 59/04 and 57/15).

The objective of the Directive 2009/119/EC is to maintain a high level of security of crude oil and petroleum product supply through mechanisms deployed by Member States as set out below:

- By maintaining the minimum/emergency stocks of crude oil and/or petroleum products in the quantity of at least 90 days of net imports or 61 days of consumption, whichever

is higher, and provide for these stocks to be held within the territory of the Community on its behalf;

- By maintaining the availability and accessibility of emergency stocks at all times and by setting up a central stockholding entity for the maintenance of stocks;
- By making arrangements that allow to control emergency stocks through reporting on the balance of stocks, notifying of the measures taken by national authorities to manage availability of stocks and by developing provisions in relation to their maintenance;
- By drafting contingency plans in the event of a major supply disruption and by providing for organisational measures to be taken to allow those plans to be implemented;
- By providing fast and coordinated response to supply disruptions;
- By putting in place reliable and transparent mechanisms based on solidarity and cohesion among the EU Member States and the members of the International Energy Agency (IEA).

Against the background of the several new stockholding mechanisms introduced by the Directive that entered into force in 2009, the European Commission commissioned an independent evaluation of the functioning and implementation of Directive 2009/119 to examine whether the differences between national stockholding systems have any negative consequences on security of supply and on the EU Member States once it is in force. To improve the functioning of Directive 2009/119, the recommendations described in the report concern:

1. The shift of compliance date from 1st July to 1st April that makes the fulfilling of the obligation level more difficult, particularly when there is an increase in obligation;
2. The naphtha rule should be reviewed as small changes in the naphtha yield could lead to an impact on the volatility of the annual stockholding obligation in certain Member States;
3. The impact of the 10% deduction rule on the calculation of a country's stockholding obligation relating to technically unavailable stock (stocks in pipelines, tank bottoms...) should also be reviewed;
4. Lack of uniform rules in place at Member States relating to emergency/minimum stocks, storing emergency stocks outside the territory of the home country (cross-border stocks) and, in particular, cross-border tickets (certification, reporting...).

For the Agency for Commodity Reserves the points 1, 3 and 4 are the most important. Since the compliance date has been moved, it is not possible to precisely adjust the quantities to be held under the stockholding obligation, since the statistical data are in preparation at that time. By deducting the quantities of the maintained stocks, we have to provide for a rise of the stocks in that quantity, even though the stock storage type in Slovenia is such that it enables access to all quantities. The absence of a uniform treatment of the national institutions in certain cases averts the collaboration of other entities with certain Member States and by acting like that, the market potential is restricted. At the same time, the Agency for Commodity Reserves and the

Slovenian Government support efforts made by other Member States for the implementation of optimum solutions also for the remaining point.

Adequate and timely implementation of the decisions adopted by the International Energy Agency (IEA) is a key factor in effort to react efficiently in cases of supply disruptions. The IEA is an international organisation with 29 members, the biggest producers and consumers of energy resources and the OECD members. The IEA's task is to ensure reliable, accessible and clean energy and it pursues its task through the areas of its activity: secure supply, economic development, the environmental awareness and international activity. The requirements endorsed by the European Union regarding secure supply of petroleum products in the new Directive are aligned with the IEA's requirements. Most Member States of the European Union are also members of the IEA. Slovenia, however, is one of few EU Member States that is not the IEA member. As a rule, the IEA leads coordinated response to oil supply disruptions and the EU follows suite.

Within the framework of the European Commission, the area of secure oil markets supply is covered by the Directorate General for Energy (diesel fuel Energy) – International Energy Market – Security of Supply. By ongoing monitoring of the stock levels (commercial and emergency stocks) and by implementing contingency plans in the event of oil supply disruptions affecting the oil markets, the EU provides for constant readiness to respond to any disturbances in the oil markets. It is the only way to ensure that in the event of a disruption in the supply of the markets with petroleum products, the coordinated action of all EU Member States and the IEA members is efficient.

The entity responsible for the area of secure oil supply and indirectly also for the emergency stocks arrangements in Slovenia is the Ministry of Economic Development and Technology and, specifically, the Department for Security, Defence and Commodity reserves. The central stockholding entity on the Republic of Slovenia tasked with the establishment and maintenance of emergency stocks of crude oil and/or petroleum products is ZRSBR – the Slovenian Agency for Commodity Reserves and its Department for Emergency Stocks.

The statistical data regarding these stocks shall be submitted to the International Energy Agency (IEA) and to the statistical office of the European Union (EUROSTAT) using uniform forms – MOS tables (Monthly Oil Statistics) that enable to cross-reference the data comparison submitted by individual Member States. For emergency stocks Member States have to report separately on the quantities that Member State holds either within or outside it, as well as regarding the type of stocks, which can be own stocks or stocks held under a delegation arrangement (stockholding tickets). Through the exchange of information called »Cross Border Emergency Oil Stocks«, Member States agree in advance regarding the levels of stocks held within their respective territory as emergency stocks and it greatly reduces discrepancies in the MOS reports and, in turn, boosts confidence in them. The matter of the fact is that these reports serve as a basis for decision-making in case measures have to be taken.

The Agency for Commodity Reserves complied with its stockholding obligation in 2017 by holding emergency stocks sufficient for a minimum of 90 days of average consumption during the previous year as stipulated in national legislation and in the relevant EU Directive. The Agency's emergency stocks are somewhat higher than the stipulated minimum in order to meet the requirements for exchanging the stocks of petroleum products on a regular basis and to

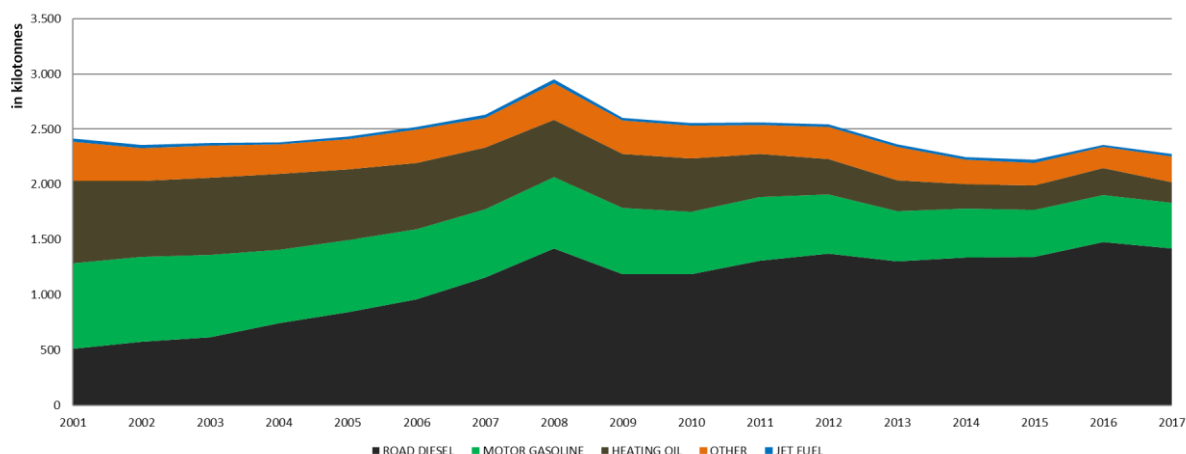
provide additional flexibility to the government to react to minor local oil supply disruptions. For the purpose of ensuring a higher level of security and stability of oil supply in the event of supply disruptions, at the Agency we spare no effort to adjust the structure of our emergency stocks as much as practicable to the actual structure of consumption (for each category of petroleum product). In the light of the fact that Slovenia does not have its own oil wells or oil refineries, it is completely dependent on the situation on the international oil market.

In the course of 2017, the price at service stations of diesel fuel that accounts for nearly two thirds of all petroleum products sold increased in Slovenia by almost 3% in comparison with the beginning of the year as a result of a price hike on the stock markets (on average up by 6%) only to decline by approximately 8% in mid-2017 in comparison with the beginning of the year. However, other factors that play a part in setting fuel prices (CO₂ emission allowance, energy savings contribution, excise duty and value-added tax) remained at the same level. There were hardly any changes relating to prices of other petroleum products. Retail prices of fuel oil for heating, octane 100 and octane 98 motor gasoline, as well as prices of diesel fuel and octane 95 motor gasoline at service stations located along expressways/highways and motorways not subject to government price regulation since 2016 remained at the price level of world oil markets also after their deregulation.

2.1 Consumption of petroleum products in the course of 2017

Regulation (EC) 1099/2008 of the European Parliament and of the Council of 22 October 2008 on energy statistics is a framework for collecting statistical data in the area of energy – a task performed by the Statistical Office of the Republic Slovenia (SORS). The collected data serve as input figures for the calculation of annual and daily net import during the preceding year, which, in turn, is the input for the calculation of the stockholding obligations of the Slovenian Agency for Commodity Reserves in the current year. The Agency's obligation has been determined as »a minimum daily average net import for 90 days« in respect of a year earlier. The level of emergency stocks have to be adjusted until 31 March every calendar year (until that date, the stocks may correspond the country's stockholding obligation for two years before). The consumption in every month of the current year shall serve as a basis for the calculation of a special fee the Agency charges to the economic operators and these revenues from the budget for the maintenance of emergency stocks.

Figure 5 The consumption of petroleum products in Slovenia in the period from 2001 to and including 2017 by main categories of petroleum products



Source: According to the data compiled by the Statistical Office of the Republic of Slovenia on sales of petroleum products in Slovenia

Figure 5 shows the fluctuations in sales of petroleum products (consumption) in Slovenia from 2001 to and including 2017. As it can be seen from the chart, sales of petroleum products declined in the course of 2017 by almost 3% in line with the trend of a gradual decrease of fuel consumption present over the past five years (with the exception of the year 2016), and totalled 2,277,183 tonnes.

In the course of 2017, the consumption of diesel fuel was lower by 4%. Nevertheless, with a 62% share, diesel fuel remains number one fuel in terms of its share in the combined fuel consumption. During the year under review, gasoline consumption declined again and namely by 2.65% and the consumption of heating oil - extra light also fell by as much as 22%. The drop in the consumption of heating oil - extra light is attributable to its comparatively high price and also to the government policy regarding energy that encourages by means of various mechanisms alternative types of heating used by households, as well as by other users of that fuel category. There was a noticeable surge in consumption of aviation fuel JET A1 by as much as 21%, as well as of other categories of fuel by as much as 22% although due to a tiny share of other fuels (1%, that is, a 10% share) in the aggregate fuel consumption in Slovenia there was no major impact on the combined fuel consumption in 2017.

The Government of the Republic of Slovenia adopted on 2 March 2017 at its ordinary 124th meeting under point 1.2 the Decision on the establishment of emergency stocks of crude oil and/or petroleum products No. 30400-1/2017/3. According to the terms set out in the Decision, the stockholding obligation of the Agency for Commodity Reserves is to provide for a minimum of 90-day emergency stocks in the quantity of 618,430 tonnes in crude oil equivalent (the calculation made on the basis of the average daily net imports for 90 days in 2016).

The Agency for Commodity Reserves has been striving to come as close as possible to the quantities in the ratio that corresponds to the consumption of a particular petroleum product, even though the stock level for certain petroleum products in that quantity is no longer laid down in effective legislation.

2.2 Petroleum products stockholding level

As at 31 December 2017, the Agency for Commodity Reserves had at its disposal 603,369 tonnes, that is, held emergency stocks of petroleum products to last 94.83 days (see the Decision adopted by the Government of the Republic of Slovenia) (Table 5). Of this quantity, the stocks owned by the Agency for Commodity Reserves added up to 522,369 tonnes or 87% and the delegated stocks (cross border tickets) totalled 81,000 tonnes or 13%. The fact is that own stocks held by the Agency for Commodity Reserves are even higher but as of the cut-off date, they were in the scheduled stock-rotation procedure (diesel fuel and heating oil – extra light) and they were released from the reserves. As a rule, these stocks are delivered /replaced by the end of February of the following year. At that time, part of option purchase contracts for cross-border stocks/tickets fall due for the stocks used to substitute fuel released from reserves. Thus as of 1 March of the following year, the actual quantities of emergency reserves and the shares of particular reserve items can be seen.

The structure of the stocks of petroleum products held as at 31 December 2017 is as follows: diesel fuel (diesel fuel) 75.6%, 95-octane unleaded motor gasoline (NMB95/RON95) 21.7%, heating oil – extra light (KOEL) 2.7% and aviation fuel JET type (JET A1) with a 0% share. As much as 67.6% of stocks was stored within the territory of the Republic of Slovenia and 32.4% was stored abroad (cross border stocks in Hungary, Germany, Slovakia, the Netherlands and Italy). The structure of stocks has been undergoing changes over the past few years – the Agency has been reducing the stocks of heating oil – extra light (KOEL) dropping from 6.3% in the year 2016 to 2.7% in the year 2017. However, the share of diesel fuel in the overall fuel structure has been increasing as shown by its share of 68.3% in the year 2016 rising to 75.6% a year later attributable to the fact that heating oil – extra light (KOEL) has been phased out and diesel fuel phased in. The reason for substituting extra light heating oil with diesel fuel is the global trend of phasing out fuel oils and, as a consequence, cutting back its production. In turn it means that the access to this category of petroleum products is shrinking, whereas demand for it is increasing and it also leads to a price hike. In effort to reduce pollution of the environment by reducing fuel consumption levels in general and of heating oil – extra light in particular, substituting fuel oil with diesel is a step in the right direction since the sulphur content of extra light heating oil is 100 x above the sulphur content of diesel fuel. By scaling down and gradually phasing out the use of extra light heating oil, fuel handling is facilitated and the infrastructure in the storage facilities is better exploited.

In the event that fuel is to be released from the reserve into the Slovenian market, diesel fuel would be used instead of extra light heating oil and diesel is stocked without adding any dyes to it. The main difference in the quality of the two categories of fuel is the sulphur content, which means that diesel fuel can also be used for heating purposes. Due to the fact that the price of the fuel oil used for heating is subsidised by the government by charging excise duty at a reduced rate, dyes would still have to be added to the gas oil to be used for heating, since in such a ways it would be possible to distinguish gas oil/diesel used for heating from gas oil/diesel used for transport. When all is said and done, discontinuing the use of extra light heating oil in the structure of emergency stocks held by of the Agency for Commodity Reserves would still bring numerous benefits and last but not least, more flexibility in case that petroleum product would have to be released from the reserve.

True as it is that fuel consumption has been steadily declining, we should step more carefully when it comes to calls for cutting back the stocks of octane 95 motor gasoline (RON 95) in the light of the fact that there has been a U-turn in consumption of road diesel in Europe in favour of octane 95 car petrol against the backdrop of growing environmental concerns. The fact that major European cities have been restricting if not banning diesel vehicles since diesel emissions of nitrogen oxides contribute to the formation of ground level ozone and fine particles approximately 250 times more than other fuels.

Table 4: The emergency stocks by the category of petroleum product, group, country and ownership as at 31 December 2017 (in tonnes)

CUMULATIVE STOCKS	Gasoline RON95	JET A1	Diesel fuel	Extra light heating oil	Diesel + Heating oil	TOTAL	Percentage of stocks
Own stocks:							
SLOVENIA	105.892	237	278.139	15.991	294.130	400.259	66,3%
EU MS:	25.318	0	96.792	0	96.792	122.110	20,2%
GERMANY	13.682	0	35.136	0	35.136	48.818	8,1%
HUNGARY	11.636	0	61.656	0	61.656	73.292	12,1%
SLOVAKIA	0	0	0	0	0	0	0,0%
ITALY	0	0	0	0	0	0	0,0%
NETHERLANDS	0	0	0	0	0	0	0,0%
Total own stocks:	131.210	237	374.931	15.991	390.922	522.369	86,6%

According to the adopted Five-Year Programme of Work (Government of RS, 5.12.2013), Slovenia should hold own stocks for app. 60 days stored on the territory of Slovenia.

Delegated stocks/tickets:							
SLOVENIA	0	0	7.500	0	7.500	7.500	1,2%
EU MS:	0	0	73.500	0	73.500	73.500	12,2%
GERMANY	0	0	0	0	0	0	0,0%
HUNGARY	0	0	31.500	0	31.500	31.500	5,2%
SLOVAKIA	0	0	0	0	0	0	0,0%
ITALY	0	0	2.000	0	2.000	2.000	0,3%
NETHERLANDS	0	0	40.000	0	40.000	40.000	6,6%
Total delegated stocks :	0	0	81.000	0	81.000	81.000	13,4%

According to the adopted Five-Year Programme of Work (Government of RS, 5.12.2013), Slovenia should hold delegated stocks for app. 10 - 15 days.

Combined stocks:							
SLOVENIA	105.892	237	285.639	15.991	301.630	407.759	67,6%
EU MS:	25.318	0	170.292	0	170.292	195.610	32,4%
GERMANY	13.682	0	35.136	0	35.136	48.818	8,1%
HUNGARY	11.636	0	93.156	0	93.156	104.792	17,4%
SLOVAKIA	0	0	0	0	0	0	0,0%
ITALY	0	0	2.000	0	2.000	2.000	0,3%
NETHERLANDS	0	0	40.000	0	40.000	40.000	6,6%
Total combined stocks:	131.210	237	455.931	15.991	471.922	603.369	100,0%
Percentage of stocks	21,7%	0,0%	75,6%	2,7%	78,2%	100,0%	

Note: According to the adopted Five-Year Programme of Work (Government of RS, 5.12.2013), Slovenia should hold combined stocks for app. 90 - 95 days.

	Petroleum product consumption in 2016 (tonnes)	consumption in 2016 (v tonah coe)	daily average consumption (tonnes)	daily average consumption (t coe)	min. 90-day stockholding obligation (tonnes)	min. 90-day stockholding obligation (t coe)	combined stocks (own+delegated) (t coe)	RS stocks (v dnevih)
Government Decision(2.3.17) relating to consumption in 2016 (min. 90 days = 618.430 t coe)	2.355.000	2.508.075	6.452	6.871	580.685	618.429	651.639	94,83
According to consumption figures supplied by SORS	2.300.000	2.449.500	6.301	6.711	567.123	603.986	651.639	97,10

Source: Data of the Slovenian Agency for Commodity Reserves

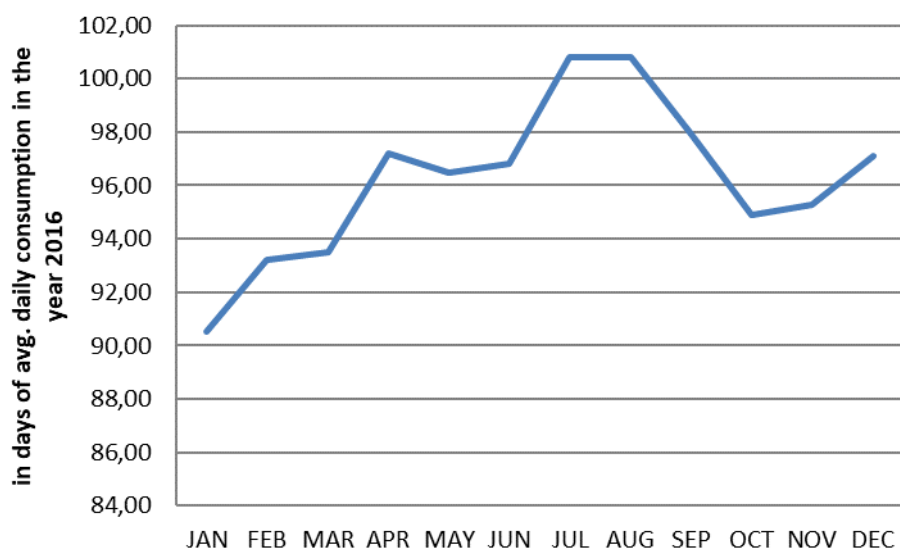
To calculate emergency stocks, two methods are available. The first method is used by the EU Member States that in addition to the main categories of petroleum products held under their obligation to hold emergency stocks also have other petroleum products. According to this method, the level of maintained stocks counted as the crude oil equivalent (COE) is calculated by multiplying the product stocks by a factor of 1.065. The second method is used in Slovenia

for the calculation since Slovenia keeps stocks only of four relevant petroleum products and their contribution to the crude oil equivalent (COE) in the calculation of the maintained emergency stocks is higher. Therefore, the maintained emergency stocks are calculated by multiplying the volume of the relevant products by a factor of 1.2. From the calculated quantity of the emergency stocks in crude oil equivalent obtained by using either method, we have to deduct 10 per cent, which accounts for inaccessible stocks in pipelines and the stocks on the storage tank bottoms.

In line with these calculations, Slovenia's emergency stocks as at 31 December 2017 in crude oil equivalent (COE) added up to **651,639 tonnes**, which expressed as the number of average consumption days in the year 2016 is **94.83 days** (considering the Decision of the Government of the Republic of Slovenia). Thus Slovenia complies with its stockholding obligation according to the EU stockholding system by holding sufficient stocks eligible as emergency stocks (its minimum stockholding obligation in crude oil equivalent (COE) was 618,429 tonnes). In the light of the fact that the Statistical Office of the Republic of Slovenia amended the fuel consumption figures for 2017 following the adoption of the Decision of the Government of the Republic of Slovenia, the actual stocks of petroleum products were slightly above the official data. Consequently, the latest figures published by the Slovenian Statistical Office relating to the consumption of petroleum products in 2016 set the minimum stockholding obligation in terms of **crude oil equivalent (COE) at 603,986 tonnes** – the stocks to satisfy consumption for **97.10 days** in 2016.

Also in the course of 2017, at the Agency we provided for the minimum (emergency) stocks in all four categories of petroleum products: (RON 95), diesel fuel, heating oil – extra light (KOEL) and JET A1. These petroleum products account for more than 93 per cent of Slovenia's consumption and from the angle of market supply in case of a crisis, maintenance of emergency stocks, as well as for logistics purposes, it is reasonable to comply with Slovenia's stockholding obligation by holding only the stocks of these petroleum products. Well-developed logistics routes and the conditions for the maintenance of emergency stocks of adequate quality and being available to users, with a well-branched network of petrol stations can be efficient in mitigating the difficulties in case of a crisis..

Figure 6 The overview of monthly fluctuations of the level of the Agency's emergency stocks in the course of 2017 in the number of days of average daily consumption in 2016 (i.e. 2015 until and including 31.3.2017) according to the data compiled by the Statistical Office of the Republic of Slovenia



Source: Data of the Slovenian Agency for Commodity Reserves

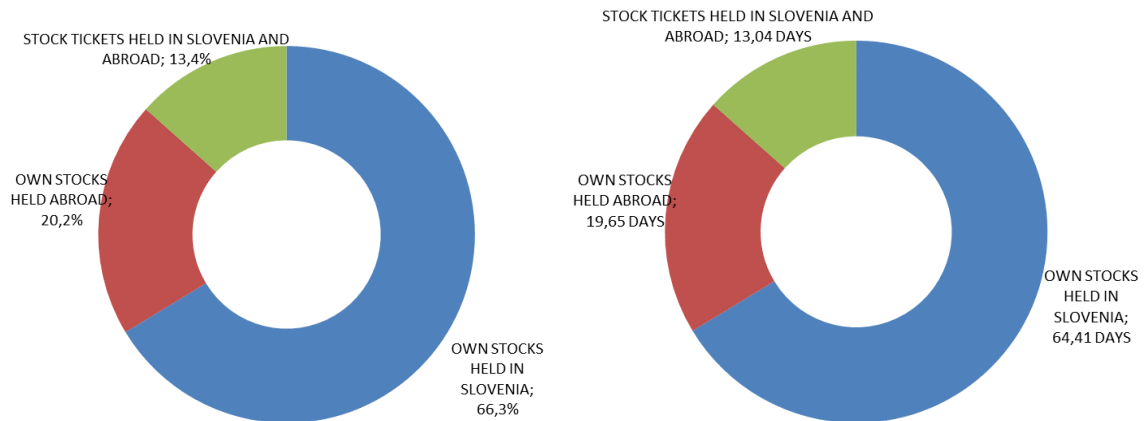
We can from Figure 6 that at the Agency, we maintained during the year under review the mandatory level of minimum (emergency) stocks in accordance with legislation and the Decision adopted by the Government of the Republic of Slovenia.

The tentative goals identified in the Five-Year Programme Work and the Financial Plan (Budget) of the Agency for the period 2015–2018 relating to the level of stocks held under the country's stockholding obligation, the type of stock ownership and the storage location that also determine the structure of the country's emergency stocks are shown below:

- The aggregate emergency stocks for a period of 90 to 95 days;
- The Agency's own stocks for 80–85 days, of which stocks for at least 60 days are stored within the territory of the Republic of Slovenia;
- The Agency has delegated (optional) stocks for 10 to 15 days.

At the Agency, we are committed to achieving the set goals to the highest possible extent. There are deviations from the pencilled in figures only when it comes to the share of the Agency's own stocks vis-à-vis- the delegated stocks in favour of own stocks – a solution that adds to security and reputation of Slovenia even though it has a downside in terms of short-term financing needs. The reason is attributable to several years of constantly declining consumption of petroleum products that has forced the Agency to reduce the quantities of delegated stocks. It would not make any sense to adapt to the decreasing consumption of petroleum products by putting the Agency's own stocks on the selling block given the fact that the prices of petroleum products have been low, the storage contracts have been signed and in force, and to terminate these contracts would take time.

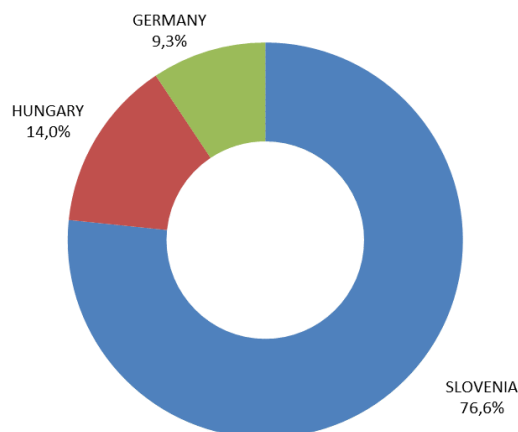
Figure 7 The structure of Slovenia's emergency stocks by type of ownership and their location (in % and in the number of days of average daily consumption) as at 31 December 2017



Source: Data of the Slovenian Agency for Commodity Reserves

Even though the objective set by the Agency for Commodity Reserves is to stock as much refined oil product on the Slovenian territory, the share of the country's stored within the territory of Slovenia declined slightly in the course of 2017 in comparison with FY 2016. Despite the activities undertaken with the aim to gradually expand the storage capacities for petroleum products located within the territory of Slovenia, launching certain projects failed and the Agency for Commodity Reserves rented additional cross-border storage capacities. From Figure 7 we can see the structure of emergency stocks on terms of ownership and the location of tank farms as at 31 December 2017, when Slovenia's combined stocks reached 651,639 tonnes in crude oil equivalent (COE), that is, the stocks equal to 97.10 days of the average daily net importation in the previous year.

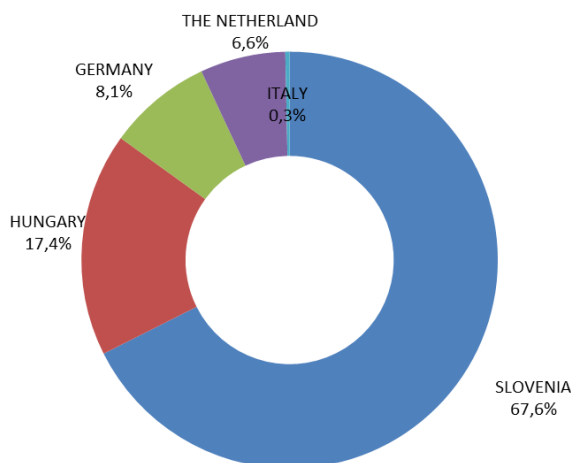
Figure 8 The shares of the Agency's own stocks by country (in %) as at 31 December 2017



Source: Data of the Slovenian Agency for Commodity Reserves

Figure 8 shows the shares of the Agency's own stocks of petroleum products by country in which the stocks are stored.

Figure 9 The shares of the co-mingled stocks by country (in %) as at 31 December 2017



Source: Data of the Slovenian Agency for Commodity Reserves

Figure 9 illustrates the geographical distribution of Slovenia's emergency stocks (own and delegated stocks) by country in which the stocks are stored.

2.3 Storage of petroleum products

Over the years, the Agency for Commodity Reserves has created a stable portfolio of time-tested operators of storage facilities (tank farms) for petroleum products located across Slovenia's borders. The terms and conditions for cross-border emergency stocks have basically remained the unchanged in terms of pricing, quality assurance, exposure to risk and good business relationships. Slovenia's cross-border emergency stocks of petroleum products are held in co-mingled oil tanks, which means that the storage facility operator is responsible for the ongoing replacement of fuel stocks and the Agency does not have to deal with the issue of ullage. Consequently, apart from the agreed monthly stockholding fee for the storage and replenishment/rotation of stocks, there are no additional costs/expenses, which means that given the lower average price for stockholding in comparison with Slovenia, the costs of holding emergency stocks outside the territory of Slovenia are lower.

In the course of 2017, the Agency for Commodity Reserves rented additional 20,000 m³ of storage capacity in Germany. The reason for the decision to rent additional storage capacity was relatively favourable pricing on the world oil market, availability of funding for increasing stocks and good borrowing terms to finance additional quantities of refined oil products purchased in January 2018.

Contrary to cross-border stocks/cross-border tickets, the Agency for Commodity Reserves as the owner or the co-owner of the storage facilities/tank farms for petroleum products located in Slovenia has numerous obligations relating to the maintenance of these storage facilities and carrying out both current and preventive maintenance works, since it is the responsibility of the Agency for Commodity Reserves to cater to the condition-based and corrective maintenance of the facilities so as to maintain them at all times in a condition that ensures a top notch safety and security level. The Agency for Commodity Reserves constantly keeps

abreast with regulatory requirements and fulfils statutory obligations from the area of technical, environmental and safety matters. In line with its due diligence responsibilities, the Agency is committed to carrying out the activities aimed at reducing environment-related and security risks associated with its operations and considered as potentially highly hazardous. Furthermore, the Agency for Commodity Reserves also supports the operators of the storage facilities it uses under rental contracts to undertake both preventive and corrective maintenance works. To that end, the Agency schedules rotation and/or replacement of fuel stocks so as to enable safe performance of the necessary works both on the oil tanks and on the related infrastructure. At the Agency for Commodity Reserves, we are fully aware that 'safe and sound' storage provided by a qualified tank farm operator is possible only when the facility is properly serviced and maintained.

There are ongoing activities carried out also at the storage facility for petroleum products Lendava where due to a number of factors the scope and scale of the necessary works is considerable. Specifically, the original purpose of the tank farm was to hold crude oil for the oil refinery, the age of the tanks and poor maintenance over the past few years call for an overhaul if the facility is to comply with the relevant technical, as well as the environmental and safety requirements. In that area the Agency for Commodity Reserves works hand-in-hand with the co-owner and the operator of the tank farm – the energy company Petrol. At present, the biggest difficulty is the limited capacity to move the fuel stocks to another tank farm. The existing rail siding cannot be used since the track is too old and the capacity to transport fuel by tanker trucks is limited to one truck a day as filling up and unloading is three times the standard for such an operation. Since it is not up to the Agency for Commodity Reserves, that is, the tank farm operator to take the necessary steps in order to resolve the problem, the stakeholders that are in a position to untangle this problem have been approached. However, due to the complexity of the problem, many parties involved and a myriad of interests, it is difficult to say when we could expect the problem to be resolved.

Within the framework of the rotation, that is, replacement of the stocked fuel, the Agency has published several calls for tenders for the operation of cleaning and draining the oil tanks, as well as for disposing of the degraded fuel and of dirty water after sludge cleaning by awarding a framework contract for a four-year period (service-level agreement).

2.4 Fuel procurement, disposals and replenishment

Within the framework of the inspection checks laid down in law, oil level gauge certification, minor repairs of the oil tanks and the measurement of the tank geometry, we scheduled fuel rotation/exchange in agreement with Petrol so as to enable to empty the tanks on which the works had to be done. The fuel stocks were rotated/exchanged between the tank farms Lendava, Rače, Celje and Sermin Petrol.

At the start of the year under review, the Agency supplied fresh fuel stocks to TE Brestanica (thermal power plant) and filled one of the three oil tanks with diesel oil.

As stipulated in the respective storage contract, the operator of the storage facility of Instalacija replaced at own expense 59,000 m³ of motor gasoline having the minimum research octane

number (RON) of 95, held at the storage facility for petroleum products Sermin, tank R 19 (TS Sermin).

At the Agency, we carried out the stock rotation by exchanging 9,300 m³ of heating oil – extra light (KOEL) for diesel fuel at the TE Trbovlje (Thermal Power Plant Trbovlje). Within the framework of the stock rotation when the stocks of heating oil – extra light were replaced by diesel fuel and 20,000 m³ of diesel fuel was delivered to the tanks located in Lendava. The operation of stock rotation to obtain fresh fuel stocks was completed in February with the replacement of 20,000 m³ of diesel fuel at the storage facility Eko-Nafta.

In the second half of the year, we carried out the replacement of 4,000 m³ of heating oil – extra light (KOEL) stocked at Energetika Maribor and the replacement of 23,100 m³ of diesel fuel held at Ortnek. Moreover, we also started to release heating oil – extra light from the tank E2 located in Lendava.

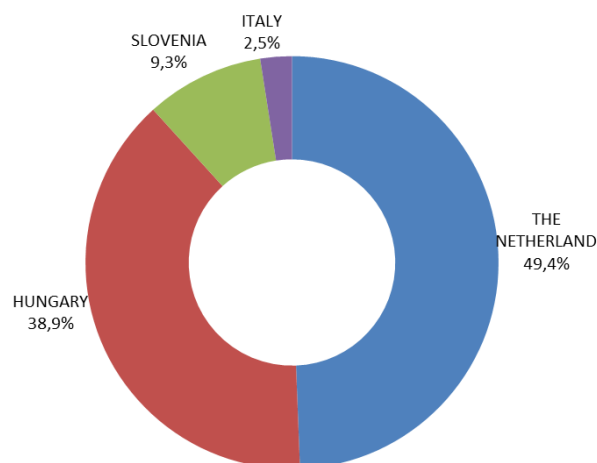
There were no new purchases and no disposals in the course of 2017.

2.5 Delegation of stockholding obligation

The stocks held on the basis of contractual rights to purchase certain quantities of stocks are called delegated stocks (»tickets«). These are the quantities reserved by virtue of a contract whose owner is the entity that undertakes to deliver the stocks on our call under the terms and conditions stipulated in the contract in force at that time. The stockholder/actor is bound to sell them to the Agency for Commodity Reserves or to another beneficiary designated by the Agency. In the light of the fact that the Agency for Commodity Reserves is not the owner of those stocks, they are considered as less safe in comparison with own stocks in the sense of their actual accessibility in the case of major disruptions in the supply of petroleum products.

A positive characteristic of stocks held under delegation arrangements is that it enables fast adjustments to be made in order to cover 90-day emergency stocks and, at the same time, they cost less in certain periods (by considering the price of quantity stock procurement) and more appropriate to be released. By entering into delegation arrangement, we were able to balance the difference/deficit between the Agency's own stocks and fluctuations in the quantities due to the activities for scheduled restocking/stock replenishment.

Figure 10 The shares of the delegated stocks by country (in %) as at 31 December 2017



Source: Data of the Slovenian Agency for Commodity Reserves

At the cut-off date, the Agency had approximately most of its emergency stocks abroad held under delegation arrangements (tickets) – 31,500 tonnes in Hungary, 2,000 tonnes in Italy and 40,000 tonnes in the Netherlands. The stock held in Slovenia totalled 7,500 tonnes. Figure 10 also illustrates the distribution in percentage by country in comparison with the total quantity of stocks held under delegation arrangements (tickets) that totalled 81,000 tonnes.

2.6 The quantity and quality control of stocks of petroleum product

The Agency carried out the scheduled annual controls of the quality and the quantity of the commodity reserves both in Slovenia and abroad. The Agency worked together with the Financial Administration of the Republic of Slovenia, Excise Department, on the occasion of the scheduled annual stock-taking of fuels in Slovenia. When commodity reserves had to be renewed (replenished), also the controls of the quality and quantity of the stocks were performed before, during and after the goods/commodities were released and taken into stock. Furthermore, the controls of degraded fuels were carried out – ullage (sludge deposited in an oil tank after oil was pumped out) prior to the cleaning of individual tank. Monitoring quality is performed by using the computer program ProQuality.

Stock-taking deficits / surpluses and write-offs of the stocked products held as emergency stocks

Within the framework of the regular annual stock taking operations, the Agency recorded in the organisation of the Financial Administration of the Republic of Slovenia (FURS) stock-taking surpluses and deficits that proved to be irrelevant and far below the limits allowed by law. The Agency recorded surpluses / deficits only for the storage facilities under its management - Storage facility for petroleum products Ornek and in the storage facility of Eko-Nafta where excise approval/authorisation was taken away from the storage facility operator. For all other storage facilities stock-taking of surpluses / deficits is performed by the storage facility operator.

The write offs were carried out in accordance with the Rules on the maximum allowed rates for writing off products held in the government (strategic) reserves (weight loss/ullage, dissipation, breakage, failure) on the basis of the record sheets attesting to the destruction of the product.

2.7 General activities in the area of the establishment and maintenance of the emergency stocks of petroleum products

In the course of 2017, the representatives of the Slovenian central stockholding entity participated in the ACOMES coordinating meeting of entity stockholders and ACOMES – BMG / BPG conferences twice and on one occasion respectively every year gathering the representatives of the central stockholding entities from approximately 25 countries from all over the world. Such meetings help to build up the cooperation among the stock-holding entities; they are a pool of information and a platform for sharing experience and knowledge used in practice. The role of the stockholding entities in the implementation of stock release arrangements in the event of a supply crisis will be crucial and good relations among them could be a decisive factor for a more efficient and faster release of stocks onto the market. The Slovenian Agency also had its representative at the ELABCO conference (Expert Laboratory Coordination) where participants exchange hands-on experience and information relevant to monitoring the quality of fuel.

The ACOMES - BMG (Benchmarking Group) and BPG (Bestpractices Group) gatherings were very special occasions for the Agency for Commodity Reserves in 2017, since both events were organised by the Agency for Commodity Reserves in Ljubljana. As many as 31 representatives of the stockholding entities responsible for maintaining emergency stocks of crude oil and/or petroleum products from 20 countries from all over the world attended these events. For the Agency for Commodity Reserves the event was also a major challenge calling for huge organisational and financial efforts, as well as being time consuming, but all was carried out within the set financial limits. The participants of the event were very satisfied both by the organisation of the meetings and also by the unofficial part of the programme. By hosting such a high-profile event, the Agency for Commodity Reserves increased not only its visibility but also boosted the positive perception of Slovenia. The response of all the participants to the entire event was delightful as conformed also by numerous thank-you letters the Agency for Commodity Reserves received in the aftermath of the event.

The representatives of the Agency for Commodity Reserves also take part in in the work of working bodies of the Slovenian Institute for Standardization (SIST) that engages in establish harmonized rules and provisions for repeated use. The Agency is a pro-active participant in its technical body for liquid fuels and in the Technical Committee for alternative fuels obtained from waste.

The representatives of the Agency attended together with the representative of the Ministry of Economic Development and Technology two ordinary meetings of the OCG (Oil Coordination Group), a consultative body of the European Commission headquartered in Brussels, as a rule convened three times a year, and one consultative meeting with the staff of Trinomics engaged

by the European Commission to prepare a study with the evaluation of the functioning and implementation of Council Directive 2009/119/EC and recommendations for its modifications.

2.8 Financing the Agency's operations

Table 5 illustrates the realisation of the stockholding programme for compulsory reserves in 2017.

The explanations of material deviations from the items laid down in the financial plan (the budget):

- A budget variance relating to the assessment of the assets carried forwards from the previous year due to the decreased borrowing due to uncommitted monetary assets.
- A material budget variance relating to income generated by disposals, that is releases for sale of reserve items and expenditure – outflows due to stock replenishment arises from the stock replenishment/rotation to a lesser degree due to the difference between the asking price and actual sales proceeds and to a higher degree is attributable to the stock replenishment/rotation by the energy company Petrol under the effective storage contracts and due to technical maintenance interventions (statutory inspection/audit, maintenance works, break-down...) carried out at the storage facilities without financial outflows.
- There were also variances relating to higher income from depositing funds with credit institutions during stock replenishment operations since as performance security, contractors have to place cash deposits with the Agency for Commodity Reserves and such transactions were particularly significant in FY 2017.
- The inflows derived from the revolving credit facilities declined in FY 2017 after the Agency repaid 10 million euros from current liquidity.
- A budget variance relating to new purchases refers to the reserve items purchased in January 2018 already planned in the budget revision for FY 2017 since public tender procedures were commenced at that time.

Table 5: SORD (PI 3) - The realisation of the stockholding programme for emergency reserves in 2017

description	PLAN 2017 (1)	BUDGET REVISION 1 2017 (2)	REALISATION 2017 (3)	Index (3/2)
	v EUR	v EUR	v EUR	
Estimated carry overs from the previous year***	33.306.202	33.306.202	18.400.426	55
REVENUES/INFLOWS	77.983.769	77.983.769	124.151.124	159
Earnings of the Agency	51.287.599	51.287.599	107.425.599	209
Fee - SORD	30.392.515	30.392.515	31.713.222	104
Sales, goods released	20.895.084	20.895.084	75.712.377	362
<i>Sales, goods released-domestic market</i>	<i>20.895.084</i>	<i>20.895.084</i>	<i>75.712.377</i>	<i>362</i>
<i>Sales, goods released-foreign market</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Stock replenishment</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Other inflows	26.696.170	26.696.170	16.725.526	63
Interest – time deposits and other income	3.600	3.600	32.956	915
New borrowings	0	0	0	
Revolving credit replacement	26.692.570	26.692.570	16.692.570	63
EXPENSES/OUTFLOWS	69.132.377	79.142.377	140.450.580	177
The Agency's activities	17.224.486	17.234.486	15.949.904	93
Storage, rotation, maintenance and replenishment of stocks	11.162.783	11.162.783	11.129.127	100
SND Ortnek - internal *	2.913.692	2.913.692	2.913.692	100
SND druga - internal *	590.062	590.062	548.113	93
SND Eko-Nafta - internal**	195.601	195.601	97.560	50
Delegation/tickets	1.412.250	1.412.250	704.850	50
Ullage, evaporation	28.414	28.414	30.834	109
Transport and loading of goods	64.534	64.534	20.920	32
Data transmission (PLATTS, REUTERS)	85.400	85.400	67.542	79
Tank cleaning	40.810	50.810	21.966	43
Removal and destruction of waste and hazardous substances	35.730	35.730	6.695	19
Stock insurance coverage	299.710	299.710	239.637	80
Stock control (quality, quantity)	315.500	315.500	128.026	41
Other services	80.000	80.000	40.940	51
Expenses arising from bank loans	1.012.736	1.012.736	649.737	64
Interest charged on borrowings	965.227	965.227	640.157	66
Fees charged on new bank loans	47.509	47.509	9.580	20
Other outflows	45.236.236	55.236.236	119.774.662	217
Stock replenishment (diesel fuel)	18.543.666	18.543.666	85.290.946	460
New stock purchases	0	10.000.000	3.941.306	39
Revolving credit replacement	26.692.570	26.692.570	30.542.410	114
The Agency's obligations in 2018 arising from the activities performed in 2017	5.658.920	5.658.920	4.076.278	72
DIFFERENCE	42.157.594	32.147.594	2.100.970	7

3 THE PROGRAMME OF CAPITAL INVESTMENT, INVESTMENT IN CURRENT MAINTENANCE AND THE PURCHASE OF FIXED ASSETS

In its programme of work and the financial plan for FY 2017 adopted within the framework of the Five-Year Plan and the unrealised, that is, partly realised projects undertaken in the previous years, the Agency for Commodity Reserves pencilled in the funding in the total amounts of 7,486,800 euros. Of the total budget the amount of 1,563,000 euros was earmarked to the item “capital investments” (CAPEX), the amount of 5,091,900 euros was allocated to investment maintenance and the amount of 572,900 euros to current maintenance, while the amount of 259,000 euros was allocated to the purchase of fixed assets. In the second half of the year, the first revision of the financial plan/budget was approved on 28 September 2017 under which the allocation of funds originally allocated to investments, investment maintenance and current maintenance works, as well as the purchase of fixed assets in the combined amount of 7,737,900 euros. Of the total budget for the aforementioned items, the amount of 1,413,500 euros was envisaged for capital investments (CAPEX) under the revised financial plan, the amount of 5,551,500 euros was envisaged for investment maintenance and the amount of 507,900 euros was envisaged for current maintenance, while the amount for the purchase of fixed assets was 265,000 euros. The works were performed mostly on the commercial property the Agency for Commodity Reserves used for its business activities, whereas only condition-based, repair works were carried out on the real estate not used by the Agency for its business to keep the structures standing and prevent major defects and consequently damage and loss.

The allocated funds were used as follows:

- To carry out major reconstruction works to modernise the existing obsolete transport, technology and safety machinery and equipment, the installed/built-in devices and systems with focus on being compliant with legislative requirements in the field of safety at work, fire safety, the environment stewardship and explosion protection, as well as other regulatory requirements;
- To conduct periodic statutory inspections of devices in equipment, maintenance of devices and equipment and carrying out repairs where necessary, urgent repairs for the purpose of maintaining the existing storage capacities in accordance with effective technical regulations, norms, legislation and the situation in the storage facilities;
- For the preparation of different types of documentation (the project documentation for the project documentation concept (IDZ), the project for acquisition of building permit (PGD) and the project for execution (PZI), and safety reports and studies.

In order to facilitate monitoring expenditure on capital investments, investment and current maintenance, and the purchase of fixed assets/plant and equipment, capital expenditure (CAPEX) was divided in two parts based on the operator/owner of the storage facility as follows:

- The storage facilities managed and operated by the Agency for Commodity Reserves (green colour in the table below), and
- The storage facilities managed and operated by economic operators (blue colour in the table below).

There is a more detailed description of the activities carried out in the area of capital investment, investment and current maintenance, and the purchase of fixed assets in the text below.

3.1 Capital investments (CAPEX)

The funds allocated to capital investments (capital expenditure or CAPEX) totalled 207,218 euros. The funds allocated to this item were used on major improvement works performed at the storage facility for grain Zalog and at the storage facility for petroleum products EKO-NAFTA, and at the storage facility for liquefied petroleum gas (LPG) – UNP Celje. In addition, at selected locations, expenditure on minor capital investments of up to 20,000 euros was made to purchase the goods and services, that is, up to 40,000 euros for construction works identified in the course of the year as urgently necessary.

As regards the storage facility Zalog, the necessary documentation was prepared (the project documentation concept (IDZ) and the project for acquisition of building permit (PGD)) for the construction of the grain pit for inbound trucks. The rest of the documentation (the project for execution (PZI)) and the execution of the construction works are scheduled to take place during 2018. In addition, two capital investment projects were successfully completed in 2017: the supply and installation of a new diesel electric aggregate (DEA) and the supply and installation of the low-voltage terminal blocks NN1 and NN2.

As for the storage facility Zbelovo, the project documentation for the reconstruction of the warehouse was not completed; hence no works on the elements for receiving grain could start. The revision of the project documentation is scheduled to take place in 2018.

At the storage facility EKO-NAFTA, the works on the erection of fencing along the perimeter of the storage facility were successfully completed. Since no decision was taken regarding the treatment of wastewater and precipitations for the storage facility, (industrial wastewater treatment plant, a separate spill catchment basin, a connection to the spill catchment basin of Petrol), the Agency could not take any concrete steps regarding that issue.

For the storage facility for liquefied petroleum gas (LPG) Celje the activities on the project to relocate the basin/reservoir with water for fire fighting kick-started in 2017 (the project for execution documentation and the environment consent granted by the Slovenian Environment Agency – ARSO) should be wrapped up in 2018. The works on the construction of a new basin/reservoir with water are envisaged to start once the paperwork is complete.

The planned purchase of land for a grain-storage facility in Celje was not carried out after the Agency for Commodity Reserves had sold its title to the real estate at that location.

The procedures initiated before competent authorities with the aim to transfer the ownership of the Agency for Commodity Reserves on the storage facility for petroleum products Rače to the storage facility for petroleum products Celje were not completed in 2017. Once the necessary procedures are completed, the Agency for Commodity Reserves will be the sole owner of the storage facility in Celje with a 100% ownership and the Agency's ownership of the facility in Rače would be proportionately reduced. In the absence of the mandatory paperwork, no work on the preparation of the documentation for the reconstruction of the storage facility for petroleum products in Celje could commence.

At the storage facility for petroleum products Lendava, the works on the automated fire-alarm system were not performed due to the fact that the work on a design for complete renovation of the storage facility already started (the project is managed by the energy company Petrol) and the project will also address the issue related to a fire-alarm system within the framework of one of the phases of the facility renovation.

3.2 Investment maintenance

In 2017, the expenditure on investment maintenance amounted to 1,093,655 euros. The funds were spent on major preventive and condition-based works on the following buildings: the head office, the storage of Health Centre Kočevje, grain-storage facilities Podgora, Straža, Zalog and Brežice and the storage facility for petroleum products Lendava. In addition, at selected sites minor preventive maintenance works were carried out up to the amount of 20,000 euros for the supply of goods and/or the provision of services, that is, up to 40,000 euros for repair building works identified in the course of the year as urgent.

The windows on the 7th and on the 8th floor of the head office building were successfully replaced. A project concept was prepared for the renovation of the installed air-conditioning systems. The work on the project is scheduled to continue in 2018.

At the storage facility Dolenja vas the planned replacement of the conveyors and elevators was not executed since it was established that the study of exposure to explosion hazard (explosive atmosphere – AMEX) for the storage facility should be revised first following the regulatory requirements introduced in the meantime in relation to explosion safety. Consequently, the works were rescheduled for execution in 2018.

At the storage facility Kočevje the planned intervention on the warehouse roofing was not carried out since it was concluded that it was not a matter of urgency and the works were rescheduled for execution in 2018. On the other hand, the condition-based works on the roofing of the warehouse of Health Centre Kočevje had to be executed as a matter of priority.

Several minor maintenance works were performed at the storage facility Ornek as follows: a door placed on the base on which the above-ground tanks stand to prevent unauthorised access to the tanks, a panel lift door fitted on the below-ground storage spaces, the rehabilitation/stabilisation of the sliding slope behind the tank R16 and other minor works. The Agency's staff also embarked on a project to design a system for blending components into

fuels (biodiesel, additives and colour additives) and worked on a design that should solve stability problems of the slope above the evacuation road and the tanks R12 - R15.

At the storage facility Podgora a pit for inbound trucks to unload grain was constructed by transforming the machinery in the pit and the paved surfaces were repaired. The application for the issuance of operating authorisation for the constructed storage shed was filed. The supply and installation of the wheat cleaning equipment was suspended. Before resuming the activities, the ATEX study that covers equipment and protective systems intended for use in potentially explosive atmospheres shall be revised. Therefore, there will be no supply and installation of such equipment in 2018.

At the storage facility Straža, the reconstruction of the canopy above the grain pit was successfully completed. Within the framework of the planned rehabilitation of the basement, the tender documentation was prepared, a call to tenderers published and the public procurement contract awarded to the most successful tenderer. The signing of the contract for the execution of works and the commencement of the works is scheduled for the beginning of 2018. It was eventually determined that reconstruction of the machinery installations in the engine room was not as urgent as it appeared at first; hence the works were rescheduled for execution in 2018.

The reconstruction of the sub-station at the storage facility Zalog was successfully completed. Within the framework of the works on the structures of the sub-station and the workshop where the new diesel electric aggregate was installed, minor maintenance works had to be performed. The entire floor area of the multi-purpose storage facility was converted into a warehouse space with the open shelving system.

At the storage facility EKO-NAFTA, a number of minor, urgent investment maintenance works was performed. Specifically: urgent works on the electrical and mechanical installations, building works on the storage facility, modernisation of the video-surveillance system, upgrading the computerised storage management system, and the purchase of new chemical pumps and tape tank gauging devices when receiving fuel into the tanks.

As a consequence of the fact that the issue of the legal title to the property – the storage facility for petroleum products Celje and the storage facility for petroleum products Rače – between the Agency for Commodity Reserves and Petrol remains to be resolved, no major works were undertaken pending the outcome of the dispute. At the storage facility for petroleum products Celje, the Agency upgraded the equipment and the programs for the surveillance system. At the storage facility for petroleum products Rače, the Agency only started to work on the preparation of the documentation for anti-corrosion protection of the tanks of the Agency for Commodity Reserves and on the rehabilitation of the spill catchment basin for the tank R5. The investment maintenance works on both tanks were rescheduled for execution in 2018.

The reconstruction of the 4th silos cells assembly for C16-C20 was undertaken at the storage facility Brežice. The reconstruction of the conveyor for the conveyor of the grain pit was rescheduled for execution in 2018 following the wish of the owner and the operator of the storage facility Skala d.o.o. Moreover, as requested by the owner and the operator of the storage facility, the work on the project documentation for the reconstruction of the canopy above the grain pit was also suspended.

At the storage facility for petroleum products Lendava the works on the reconstruction of the tanks C2 and C3 were completed. However, the investment-maintenance works on the reconstruction of the tank E2, repair of the bottom flooring of the tank E1, rehabilitation of the rail siding, the pipe connections and rehabilitation of the spill catchment basin of field C had to be postponed. Since the work on a design for complete renovation of the storage facility already started (the project is managed by the energy company Petrol) due to the very bad technical condition of the facility, it will be necessary to obtain all permits prescribed by law. As long as certain works are not executed, no building permit for the reconstruction of the tank E2 will be possible. The planned repair of the tank bottom of the tank E1 was shelved since due to the works on the reconstruction of the tank E2, the rehabilitation of the rail siding could not commence because the title to the property is unclear. The rehabilitation of spill catchment basin of the C field was not carried out due to the fact that in order to identify the most appropriate rehabilitation method, more time was needed.

3.3 Current maintenance

The costs for the works performed in the course of 2017 in order to prevent the normal deterioration of existing structures or to maintain them in a normal functional state totalled 340,583 euros. In the area current maintenance (immoveable property and equipment) the Agency for Commodity Reserves took the necessary steps to provide for smooth functioning of the installed plant and equipment, as well as to make sure that the plant equipment complied with the technical and regulatory requirements. Therefore, the Agency for Commodity Reserves continued to carry out together with its contractors the scheduled servicing and maintenance works, and also to perform condition-based maintenance works and emergency repairs. The scheduled periodic inspections and checks were performed, that is, are performed according to legislative requirements (monthly inspections/checks: railway sidings, elevators, etc.; annual inspections and checks: elevators, inspection of work equipment, etc.; technical, anti-burglar and fire protection, lightning conductor installations and cathodic protection, Ex electrical and non-electrical devices, audits of the sub-stations, scales, electrical installations and machinery for loading/unloading grain, etc.; inspections and checks performed at three- to five-year intervals; inspection checks performed at maximum ten-year intervals: calibration of tanks for petroleum products, inspection of tanks for petroleum products and liquefied petroleum gas (LPG) complete with associated equipment, inspection of all work equipment, ...).

The Agency for Commodity Reserves focused resources to carry out only the urgent works and the mandatory works according to legislation, and it has limited the works not absolutely necessary and without any impact on the quality of the services provided by the Agency. The Agency performed certain minor maintenance works, that is, repairs with its employees.

The current maintenance works and intervention repairs were performed as follows:

- On the storage facility constructions (roofs, gutters, storage facility doors, automated entrance doors, lightening conductors...),
- On the engineering and technological devices and equipment,
- On the electrical installations and equipment,
- On the electrical and non-electrical Ex equipment and devices,

- On the technology and information technology systems,
- On the fork lifts,
- On the generators,
- On the cooling and ventilation equipment,
- On the air dehumidifiers,
- On the scales (for trucks and railcars/wagons),
- On the elevators,
- On the rail tracks and point machines/switching devices,
- On the sub-stations,
- On the fire systems and anti-burglar systems,
- On the video surveillance systems,
- On the measuring systems and measuring equipment for the measurement of temperature and level systems
- On the fire hydrant systems and fire-extinguishers, and other security and safety equipment,
- On the outdoor lighting,
- To perform regular measurements and other services, and
- To perform other necessary works that appeared in the course of the reporting year (contingencies).

3.4 The purchase of fixed assets (fixed capital formation)

The purchases of fixed assets in 2017 amounted to 129,081 euros. It emerged in the course of the year that certain items of plant and equipment had to be supplied both to the storage facilities owned and operated by the Agency for Commodity Reserves and the storage facilities of economic operators. What had to be purchased was mainly equipment serving to ensure proper functioning of the respective storage facility (computer and communication equipment, furniture, high-pressure cleaners, etc.) and equipment serving to ensure compliance with relevant legislation in force (a meter for explosive mixture, fire extinguishers, safety valves, etc.).

In the table below there are the details of the planned activities and the estimates of funds to carry out those activities, as well as the works actually performed and the funds spent on those works in the course of 2017.

Table 6: Capital investments (CAPEX), investment and current maintenance, and the purchase of items of property, plant and equipment for the storage facilities operated by the Agency and by economic operators in the course of 2017

Item	Procurement phase						Realisation JAN-DEC (EUR)
	PLAN 2017 (EUR)	REVISION 1 2017 (EUR)	CALL FOR TENDERS PUBLISHED	PUBLIC CONTRACT AWARDED	WORK IN PROGRESS	COMPLETED	
Investments, investment and current maintenance, purchase of fixed assets/property, plant and equipment and small tools/fittings & fixtures	7.486.800	7.737.900					1.770.862
Investments	1.563.000	1.413.500					207.218
Investments in excess of 20.000 EUR B,S i.e. in excess of 40.000 EUR G	1.320.000	1.244.000					104.355
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	243.000	169.500					102.863
Investment maintenance works	5.091.900	5.551.500					1.093.655
Investment maintenance in excess of 20.000 EUR B,S i.e. in excess of 40.000 EUR G	3.736.000	3.991.000					672.424
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	1.355.900	1.560.500					421.231
Current maintenance	572.900	507.900					340.908
Current maintenance - buildings	260.500	210.500					123.214
Current maintenance - plant & equipment	312.400	297.400					217.694
Fixed assets/property, plant and equipment and small tools/fittings & fixtures	259.000	265.000					129.081
in excess of 500 EUR	224.000	230.000					117.916
less than 500 EUR	35.000	35.000					11.165
B = goods; S = services; G = construction							
HEAD OFFICE	292.000	374.000					219.365
Investments	0	12.000					7.883
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	12.000	-	x	x	x	7.883
							0
Investment maintenance	150.000	220.000					130.176
Replacing windows on 7th and on 8th floor of the head office building	100.000	120.000	x	x	x	x	127.946
							0
Rehabilitation of the installed air-conditioning systems	50.000	100.000					980
							0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	10.000	15.000	-	x	x	x	1.250
							0
Current maintenance	27.000	27.000					13.947
Current maintenance works - buildings	10.000	10.000					2.483
							0
Current maintenance works - plant & equipment	17.000	17.000					11.464
							0
Fixed assets/property, plant and equipment	115.000	115.000					67.360
in excess of 500 EUR	105.000	105.000					64.617
							0
below 500 EUR	10.000	10.000					2.743
							0
DOLENJA VAS	153.000	153.000					33.885
Investments	5.000	5.000					1.037
Investments of up to 20.000 EUR B,S i.e. up to 40.000 EUR G	5.000	5.000	-	x	x	x	1.037
							0
Investment maintenance	128.000	128.000					21.248
Replacement of the conveyor and of the elevator	60.000	60.000					0
							0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	68.000	68.000	-	x	x	x	21.248
							0
Current maintenance	10.000	10.000					6.540
Current maintenance works - buildings	3.000	3.000					1.402
							0
Current maintenance works - plant & equipment	7.000	7.000					5.138
							0
Fixed assets/property, plant and equipment	10.000	10.000					5.061
in excess of 500 EUR	5.000	5.000					5.046
							0
less than 500 EUR	5.000	5.000					14
							0
KOČEVJE	134.500	134.500					27.290
Investments	0	0					74
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0	-	x	x	x	74
							0
Investment maintenance	113.500	113.500					16.949
Rehabilitation of the roofing on the storage halls	70.000	70.000					0
							0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	43.500	43.500	-	x	x	x	16.949
							0
Current maintenance	11.000	11.000					9.451
Current maintenance works - buildings	3.000	3.000					5.765
							0
Current maintenance works - plant & equipment	8.000	8.000					3.686
							0
Fixed assets/property, plant and equipment	10.000	10.000					817
in excess of 500 EUR	5.000	5.000					621
							0
less than 500 EUR	5.000	5.000					196
							0

Item	PLAN 2017 (EUR)	REVISION 1 2017 (EUR)	Procurement phase				Realisation JAN-DEC (EUR)
			CALL FOR TENDERS PUBLISHED	PUBLIC CONTRACT AWARDED	WORK IN PROGRESS COMPLETED		
KOČEVJE ZD	107.600	107.600					49.374
Investments	5.000	5.000					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	5.000	5.000					0
Investment maintenance	89.400	89.400					44.314
Rehabilitation of the roofing on the storage facility	60.000	60.000	-	x	x	x	37.819
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	29.400	29.400					6.495
Current maintenance	8.200	8.200					5.060
Current maintenance works - buildings	2.000	2.000					1.666
Current maintenance works - plant & equipment	6.200	6.200					3.394
Fixed assets/property, plant and equipment	5.000	5.000					0
in excess of 500 EUR	4.000	4.000					0
less than 500 EUR	1.000	1.000					0
Storage facility for petroleum products ORTNEK	533.000	348.500					164.960
Investments	15.000	0					5.566
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	15.000	0	-	x	x	x	5.566
Investment maintenance	140.000	125.500					74.131
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	140.000	125.500	-	x	x		74.131
Current maintenance	340.000	185.000					84.345
Current maintenance works - buildings	130.000	80.000					18.080
Current maintenance works - plant & equipment	210.000	105.000					66.265
Fixed assets/property, plant and equipment	38.000	38.000					918
in excess of 500 EUR	35.000	35.000					522
less than 500 EUR	3.000	3.000					396
PODGORA	378.000	378.500					201.509
Investments	0	500					727
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	500	-	x	x	x	727
Investment maintenance	352.000	352.000					167.961
The construction of the grain pit complete with the adaptation of machinery and rehabilitation of concrete surfaces	150.000	150.000	x	x	x		128.102
Supply and installation of wheat cleaning equipment	100.000	100.000					0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	102.000	102.000	-	x	x	x	39.859
Current maintenance	18.000	18.000					29.762
Current maintenance works - buildings	3.000	3.000					3.192
Current maintenance works - plant & equipment	15.000	15.000					26.570
Fixed assets/property, plant and equipment	8.000	8.000					3.059
in excess of 500 EUR	5.000	5.000					2.255
less than 500 EUR	3.000	3.000					804
PRESTRANEK	89.000	79.500					8.789
Investments	10.000	500					74
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	10.000	500	-	x	x	x	74
Investment maintenance	66.000	66.000					1.641
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	66.000	66.000	-	x	x	x	1.641
Current maintenance	10.000	10.000					6.340
Current maintenance works - buildings	1.300	1.300					932
Current maintenance works - plant & equipment	8.700	8.700					5.408
Fixed assets/property, plant and equipment	3.000	3.000					735
in excess of 500 EUR	2.000	2.000					0
less than 500 EUR	1.000	1.000					735

Item	PLAN 2017 (EUR)	REVISION 1 2017 (EUR)	Procurement phase				Realisation JAN-DEC (EUR)
			CALL FOR TENDERS PUBLISHED	PUBLIC CONTRACT AWARDED	WORK IN PROGRESS	COMPLETED	
STRAŽA	383.300	531.800					173.815
Investments	2.000	500					111
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	2.000	500	-	x	x	x	111
							0
Investment maintenance	355.000	505.000					139.034
Reconstruction of plant and machinery in the plant room	40.000	40.000					0
							0
Rehabilitation of basement space in the old silo	100.000	250.000	x				9.440
							0
Reconstruction of the canopy above the grain pit	80.000	80.000	x	x	x	x	81.630
							0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	135.000	135.000	-	x	x	x	47.964
							0
Current maintenance	20.300	20.300					32.459
Current maintenance works - buildings	3.000	3.000					10.102
							0
Current maintenance works - plant & equipment	17.300	17.300					22.357
							0
Fixed assets/property, plant and equipment	6.000	6.000					2.212
in excess of 500 EUR	5.000	5.000					1.430
							0
less than 500 EUR	1.000	1.000					781
							0
ZALOG	329.400	354.400					187.805
Investments	180.000	185.000					68.090
Construction of the grain pit for inbound trucks	150.000	150.000					3.827
							0
Supply and installation of the new diesel electric aggregate - DEA	30.000	30.000	-	x	x	x	34.355
							0
Supply and installation of the NN1 and NN2 blocks	0	40.000	-	x	x	x	25.335
							0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0,00	5.000,00	-	x	x	x	4.574
							0
Investment maintenance	116.000	136.000					52.350
Reconstruction of the substation (TP)	20.000	40.000	-	x	x	x	25.944
							0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	96.000	96.000	-	x	x		26.406
							0
Current maintenance	26.400	26.400					46.371
Current maintenance works - buildings	3.000	3.000					18.648
							0
Current maintenance works - plant & equipment	23.400	23.400					27.724
							0
Fixed assets/property, plant and equipment	7.000	7.000					20.993
in excess of 500 EUR	5.000	5.000					19.850
							0
less than 500 EUR	2.000	2.000					1.143
							0
ZBELOVO	180.000	180.000					36.047
Investments	107.000	107.000					1.616
Revision of the project documentation for the reconstruction of the storage facility and the start of the renovation of the grain pit	100.000	100.000					0
							0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	7.000	7.000	-	x	x	x	1.616
							0
Investment maintenance	58.000	58.000					21.252
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	58.000	58.000	-	x	x	x	21.252
							0
Current maintenance	11.000	11.000					8.978
Current maintenance works - buildings	2.200	2.200					2.885
							0
Current maintenance works - plant & equipment	8.800	8.800					6.092
							0
Fixed assets/property, plant and equipment	4.000	4.000					4.201
in excess of 500 EUR	3.000	3.000					0
							0
less than 500 EUR	1.000	1.000					4.201
							0

Item	PLAN 2017 (EUR)	REVISION 1 2017 (EUR)	Procurement phase				Realisation JAN-DEC (EUR)
			CALL FOR TENDERS PUBLISHED	PUBLIC CONTRACT AWARDED	WORK IN PROGRESS	COMPLETED	
LABORATORIJ ZALOG	44.000	44.000					7.957
Investments	0	0					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Investment maintenance	0	0					0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Current maintenance	11.000	11.000					2.664
Current maintenance works - buildings	10.000	10.000					2.050
Current maintenance works - plant & equipment	1.000	1.000					614
Fixed assets/property, plant and equipment	33.000	33.000					5.293
in excess of 500 EUR	30.000	30.000					5.293
Portable printer HP 202			-	x	x	x	233
less than 500 EUR	3.000	3.000					0
EKO-NAFTA	230.000	218.100					153.246
Investments	155.000	44.000					80.662
Erecting the fencing around the storage facility	60.000	44.000	x	x	x	x	38.288
Construction of connecting piping from the effluent sewage system to the spill catchment basin of the company PETROL	60.000	0					0
Connecting the storage facilities of Eko Nafta to the Lendava storage facility for petroleum products (piping connections, access roads, fencing, PPZ, connection to ČN, power connection...)							2.570
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	35.000	0	-	x	x	x	39.824
Investment maintenance	30.000	144.100					38.979
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	30.000	144.100					38.979
Current maintenance	45.000	30.000					33.604
Current maintenance works - buildings	20.000	20.000					20.375
Current maintenance works - plant & equipment	25.000	10.000					13.229
Fixed assets/property, plant and equipment	0	6.000					0
in excess of 500 EUR	0	6.000					0
pod 500 EUR	0	0					0
LPG storage facility TRBOVLJE	15.000	15.000					1.827
Investments	0	0					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Investment maintenance	0	0					0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Current maintenance	15.000	15.000					1.674
Current maintenance works - buildings	5.000	5.000					0
Current maintenance works - plant & equipment	10.000	10.000					1.674
Fixed assets/property, plant and equipment	0	0					153
in excess of 500 EUR	0	0					0
less than 500 EUR	0	0					153
AERO KLUB POSTOJNA (service station)	10.000	10.000					0
Investments	0	0					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Investment maintenance	0	0					0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Current maintenance	10.000	10.000					0
Current maintenance works - buildings	5.000	5.000					0
Current maintenance works - plant & equipment	5.000	5.000					0
Fixed assets/property, plant and equipment	0	0					0
in excess of 500 EUR	0	0					0
less than 500 EUR	0	0					0

Item	PLAN 2017 (EUR)	REVISION 1 2017 (EUR)	Procurement phase				Realisation JAN-DEC (EUR)
			CALL FOR TENDERS PUBLISHED	PUBLIC CONTRACT AWARDED	WORK IN PROGRESS	COMPLETED	
LPG storage facility LJUBLJANA (BUTAN PLIN)	50.000	50.000					3.600
Investments	0	0					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Investment maintenance	40.000	40.000					0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	40.000	40.000					0
Current maintenance	10.000	10.000					3.600
Current maintenance works - buildings	5.000	5.000					0
Current maintenance works - plant & equipment	5.000	5.000					3.600
Fixed assets/property, plant and equipment	0	0					0
in excess of 500 EUR	0	0					0
less than 500 EUR	0	0					0
LPG storage facility RAČJE SELO (BUTAN PLIN)	20.000	38.000					10.550
Investments	0	0					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Investment maintenance	0	0					0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Current maintenance	20.000	38.000					10.550
Current maintenance works - buildings	5.000	5.000					0
Current maintenance - equipment	15.000	33.000					10.550
Fixed assets/property, plant and equipment	0	0					0
in excess of 500 EUR	0	0					0
less than 500 EUR	0	0					0
Storage facility for petroleum products SERMIN (PETROL)	0	0					0
Investments	0	0					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Investment maintenance	0	0					0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Current maintenance	0	0					0
Current maintenance works - buildings	0	0					0
Current maintenance works - plant & equipment	0	0					0
Fixed assets/property, plant and equipment	0	0					0
in excess of 500 EUR	0	0					0
less than 500 EUR	0	0					0
LPG storage facility CELJE (ISTRABENZ PLINI)	280.000	280.000					57.892
Investments	110.000	110.000					39.998
Preparation of the project to relocate the fire water basin and for the construction of a new reservoir for fire water	70.000	70.000					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	40.000	40.000	-	x	x	x	39.998
Investment maintenance	160.000	160.000					17.895
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	160.000	160.000	-	x	x	x	17.895
Current maintenance	10.000	10.000					0
Current maintenance works - buildings	5.000	5.000					0
Current maintenance works - plant & equipment	5.000	5.000					0
Fixed assets/property, plant and equipment	0	0					0
in excess of 500 EUR	0	0					0
less than 500 EUR	0	0					0

Item	PLAN 2017 (EUR)	REVISION 1 2017 (EUR)	Procurement phase				Realisation JAN-DEC (EUR)
			CALL FOR TENDERS PUBLISHED	PUBLIC CONTRACT AWARDED	WORK IN PROGRESS COMPLETED		
KLASJE CELJE	350.000	350.000					0
Investments	300.000	300.000					0
The purchase of the land parcel in joint ownership	300.000	300.000					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	0	0					0
Investment maintenance	50.000	50.000					0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	50.000	50.000					0
Current maintenance	0	0					0
Current maintenance works - buildings	0	0					0
Current maintenance works - plant & equipment	0	0					0
Fixed assets/property, plant and equipment	0	0					0
in excess of 500 EUR	0	0					0
less than 500 EUR	0	0					0
Storage facility for petroleum products CELJE (PETROL)	707.000	707.000					22.013
Investments	520.000	520.000					0
Reconstruction of the Celje storage facility for petroleum products (administrative procedures, appraisals, costs referring to splitting the tank farm, design work)	500.000	500.000					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	20.000	20.000					0
Investment maintenance	177.000	177.000					11.212
Replacement of the piping for extinguishing fire on the tanks R5, R6 and R7	56.000	56.000					0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	121.000	121.000	-	x	x		11.212
Current maintenance	10.000	10.000					10.801
Current maintenance works - buildings	5.000	5.000					5.553
Current maintenance works - plant & equipment	5.000	5.000					5.248
Fixed assets/property, plant and equipment	0	0					0
in excess of 500 EUR	0	0					0
less than 500 EUR	0	0					0
Storage facility for petroleum products RAČE (PETROL)	597.000	597.000					25.615
Investments	32.000	32.000					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	32.000	32.000					0
Investment maintenance	545.000	545.000					12.259
Painting technological and fire installations	50.000	50.000					0
Rehabilitation of concrete when receiving fuel from AC	40.000	40.000					0
Installation of the devices for extinguishing fire and cooling down the railcar loading station	120.000	120.000					0
Installation of volume meters at the railcar loading station	0,00	0,00	x	x	x	x	4.954
Anti-corrosion protection of the tanks owned by the Agency	180.000	180.000					0
Rehabilitation of the spill catchment basis for the R5 tank	70.000	70.000					0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	85.000	85.000	-	x	x	x	7.305
Current maintenance	20.000	20.000					13.356
Current maintenance works - buildings	10.000	10.000					12.739
Current maintenance works - plant & equipment	10.000	10.000					617
Fixed assets/property, plant and equipment	0	0					0
in excess of 500 EUR	0	0					0
less than 500 EUR	0	0					0

Item	PLAN 2017 (EUR)	REVISION 1 2017 (EUR)	Procurement phase				Realisation JAN-DEC (EUR)
			CALL FOR TENDERS PUBLISHED	PUBLIC CONTRACT AWARDED	WORK IN PROGRESS	COMPLETED	
BREŽICE (SKALA)	360.000	354.000					241.181
Investments	30.000	0					1.380
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	30.000	0	-	x	x	x	1.380
							0
Investment maintenance	300.000	320.000					210.058
Reconstruction of the 4th group of silo cells C16-C20	200.000	200.000	x	x	x	x	178.940
							0
Reconstruction of the grain it conveyor/elevator	40.000	40.000					0
							0
Preparation of project documentation for the reconstruction of the grain pit canopy	20.000	20.000					0
							0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	40.000	60.000	-	x	x		31.119
							0
Current maintenance	10.000	14.000					12.097
Current maintenance works - buildings	5.000	9.000					11.622
							0
Current maintenance works - plant & equipment	5.000	5.000					475
							0
Fixed assets/property, plant and equipment	20.000	20.000					17.645
in excess of 500 EUR	20.000	20.000					17.645
							0
less than 500 EUR	0	0					0
							0
Storage facility for petroleum products LENDAVA (PETROL)	2.202.000	2.302.000					126.854
Investments	82.000	82.000					0
Automated fire alarm system	50.000	50.000					0
							0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	32.000	32.000					0
							0
Investment maintenance	2.100.000	2.200.000					122.197
Reconstruction of the tank E2	1.400.000	1.650.000					0
							0
Tank bootom repair on tank E1	0	200.000					0
							0
Rail siding rehabilitation	300.000	300.000					0
							0
Piping provided separately for fuel acceptance and release by tank groups	300.000	0					0
							0
Rehabilitation of catchment basins for field C	30.000	100.000					0
							0
Replacement of the tank bottom on the tanks C2 and C3	0,00	0,00	x	x	x	x	76.671
							0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	70.000	150.000	-	x	x		45.527
							0
Current maintenance	20.000	20.000					4.657
Current maintenance works - buildings	15.000	15.000					3.377
							0
Current maintenance works - plant & equipment	5.000	5.000					1.280
							0
Fixed assets/property, plant and equipment	0	0					0
in excess of 500 EUR	0	0					0
							0
less than 500 EUR	0	0					0
							0
OTHER STORAGE FACILITIES OPERATED BY ECONOMIC OPERATORS	147.000	147.000					17.288
Investments	10.000	10.000					0
Investments up to 20.000 EUR B,S i.e. up to 40.000 EUR G	10.000	10.000					0
							0
Investment maintenance	122.000	122.000					12.000
Rehabilitation of roofs on the storage hall of Intereuropa Celje	110.000	110.000					0
							0
Investment maintenance up to 20.000 EUR B,S i.e. up to 40.000 EUR G	12.000	12.000	-	x	x	x	12.000
							0
Current maintenance	15.000	15.000					4.653
Current maintenance works - buildings	10.000	10.000					2.344
							0
Current maintenance works - plant & equipment	5.000	5.000					2.309
							0
Fixed assets/property, plant and equipment	0	0					635
in excess of 500 EUR	0	0					635
							0
less than 500 EUR	0	0					0
							0

4 THE IMPLEMENTATION OF THE PROGRAMME OF DISPOSALS FOR IMMOVEABLE AND MOVEABLE PROPERTY OF THE AGENCY FOR COMMODITY RESERVES

The Agency for Commodity Reserves has at its disposal more storage capacity than it actually needs in order to maintain the level of reserve items sufficient to meet a surging demand after an emergency. Therefore, the Agency rents excess storage capacities (leasehold) or concludes contracts to set up so-called superficies as a right in rem for a determined period of time, while other items of real property assessed as redundant and a perspective to be sold later on at profit, are gradually disposed of. Real estate is sold depending on the expressed interest with the assistance of the potential buyers and in the volume of financial inflows determined with the Agency's Financial Plan (Budget).

4.1 Disposals of immoveable property

In line with good property management, the Agency for Commodity Reserves pencilled in also for the financial year 2017 building and/or land assets that do not directly support its core service delivery considered for disposal. To that end, the Agency provided for a variance, that is, the difference between what is expected and what is actually accomplished since asset disposal may vary from the plan depending on the situation on the Slovenian market, on the market conditions prevailing in Slovenia, interest shown by potential buyers, approvals to the proposed sales to be granted by the Government of the Republic of Slovenia and the liquidity position of the Agency for Commodity Reserves.

The immoveable property items classified as unnecessary, that is, unfit for the needs associated with stocking commodity reserves are comprised in the programme for disposal in line with the provisions of the Five-Year Programme and the Annual Programme.

Table 7: Disposals of immoveable property items in the course of 2017

Ser. No.	Location	Plan 2017 - budget revision	Realisation of the plan/budget in 2017
	PLAN 2014 - 2018	450,000	
	Immoveable properties (I.+II.+III.+IV.+V.+VI.)	815,061	963,953
I.	Floor-level storage facilities	570,151	35,100
1.	Celje / Intereuropa	417,414	0
2.	Maribor / Unikum trend d.o.o.	20,000	35,100
3.	Gornja Radgona / Sejem (trade fair)	132,737	0
II.	Grain silos	25,020	705,000
1.	Imeno / KZ Šmarje	25,020	0
2.	Celje/Klasje		705,000
III.	Tanks for petroleum products and service stations	71,834	105,797

1.	Vavta vas / Gorjanci - service station		5,158
2.	Stari trg / Petrol - service station	3,227	0
3.	Planina / Petrol - service station	8,927	0
4.	Metlika / Petrol -BS	13,479	0
5.	Zadvor / Petrol - service station	5,012	0
6.	Lovrenc / Petrol - service station	7,001	0
7.	Tržišče / Petrol - service station	11,632	0
8.	Nova vas / OMV Slovenija - service station	0	100,639
9.	Ponikva / Petrol - service station	9,403	0
10.	Otiški vrh	13,153	0
IV.	Cool/refrigerated storage facilities	118,056	118,056
1.	Celje / CMI	118,056	118,056
V.	Edible oil containers	30,000	0
1.	Slovenska Bistrica / Tovarna olja GEA d.d. (edible oil production)	30,000	0

The Agency sold more items of immovable property than planned since in the course of 2017 several legal actions initiated in 2016 were finalised, the economic operator of the storage facility at the location Celje filed for bankruptcy, and the situation on the real estate market was favourable to sell property.

4.2 Renting storage facilities

Also in the course of 2017, the Agency for Commodity Reserves spared no effort to rent the vacant storage facilities not needed for the time being or to store goods of third parties. This at the end of 2017, the Agency had 37 signed rental/leasehold contracts, that is, contracts concluded with different companies – mostly for the ground-level storage facilities and the cool/refrigerated storage facilities.

5 THE IMPLEMENTATION OF THE PROGRAMME OF WORK OF THE GENERAL AFFAIRS DEPARTMENT

The financing of the provision of the services mandated to the Agency for Commodity Reserves in 2017 was provided in accordance with the contract signed to that effect with the Republic of Slovenia, Ministry of Economic Development and Technology. The budget resources were allocated to cover salaries and contributions and other personal income, for education, professional training, safety at work and fire safety, as well as for the costs of materials and other services for the operation of the Agency for Commodity Reserves.

The Administrative Board of the Agency for Commodity Reserves held in 2017 three ordinary meetings and two meetings with voting by correspondence. The Administrative Board issued operating guidelines to the Agency's director and supervised and monitored his work and the Agency's operating activities and discharged other duties in accordance with legislation and the Statute of the Agency for Commodity Reserves.

In the course of 2017, the Agency for Commodity Reserves continued to compile the documentation serving to obtain the title to the items of real property in its possession and continued to file the applications with competent courts to register its titles in the Land Register.

5.1 Human resource management area

At the storage facility for petroleum products Ortnek three full-time career firefighters and three entry-level firefighters got jobs with the Agency as of 1 January 2017 and thus as of the start of the year, there were 60 employees in public service working at the Agency for Commodity Reserves.

During the year under review, employment relationship with the Agency for Commodity Reserves was terminated for two employees – public servants – working at the head office. One employee went out of service and retired, while the other terminated the employment relationship by mutual agreement between the employer and the employee. Two new employees – public servants – filled the vacancies at the Agency's head office in the course of 2017.

The Agency for Commodity Reserves ended the year with 60 employees in public service as at 31 December 2017.

5.2 Staff development and training

During the year under review, the Agency for Commodity Reserves continued to carry out the activities that fall within the scope of professional education and work-place training, as well as other activities in relation to human resources and general operational matters in the planned scope by observing the legislation governing the area intervention and cost-cutting measures, the collective contracts and other relevant regulations.

5.3 The Integrated Management System

The Agency of the Republic of Slovenia for Commodity Reserves continued during 2017 to carry out the measures serving to facilitate further integration and improvement of the management systems in place. The results of both internal and external assessments (audit) of the management systems show that the goals have been achieved.

In June 2017, the internal assessment audits of the management systems for the areas of quality management, environmental stewardship and safe food provision were carried out.

The external audits of the quality management system were conducted in September for all three management systems as shown below:

- The Integrated Quality Management System
 - Bureau Veritas Certification – June 2017 (4th re-certification audit)
- the environment management system
 - Bureau Veritas Certification – June 2017 (4th re-certification audit)
- the safe food management system
 - Bureau Veritas Certification – September 2017 (9th control audit)

5.3.1 The Quality Management System (QMS) in conformity with ISO 9001:2008

The Agency for Commodity Reserves was awarded the quality management system certificate in 2005. An independent certification body conducts the annual audit every year. Each re-certification audit is followed by two control QMS assessments. In 2016, the second audit was performed following the third recertification audit. The QMS is a tool that assists the Agency in its continuing effort to improve its procedures and processes in all segments of the Agency's operations.

5.3.2 The Environment Management System (SRO) in conformity with ISO 14001:2004

The Agency for Commodity Reserves was awarded the certificate attesting to its compliance with the environmental management system ISO 14001:2004 back in 2005.

Also during the year under review, the Agency for Commodity Reserves remained committed to observing legislative and other requirements and continued to make its employees ever more aware of the environment. Steps were taken to encourage sustainable water and energy consumption and the duty of care was demonstrated in the area of waste collection and disposal so as to make it environment friendly. The Agency included in the contracts awarded to suppliers, carriers/hauliers and storage operators for the products being part of the state commodity reserves and with other business partners the covenants citing environmental stewardship.

5.3.3 The Occupational Safety and Health System (SHS) in conformity with OHSAS 18001:2007

The Agency for Commodity Reserves continued also during the year under review to apply the measures designed to deliver a high level of safety across its storage facilities and tank farms by performing the scheduled reviews and other activities considered necessary in order to provide for the safety and health of people at work.

5.3.4 The Safe Food System (SFS) in conformity with HACCP Codex Alimentarius CAC/RCP 1-1969, Rev. 4-2003

The Agency for Commodity Reserves complies with legislation and has in place the Hazard Analysis and Critical Control Point – HACCP system serving to provide for the safe establishment and maintenance of the stocks of food products. The Agency of the Republic of Slovenia for Commodity Reserves was awarded in 2009 the certificate Codex Alimentarius CAC/RCP 1-1969, Rev. 4-2003, applied to conduct the external assessment process serving to prove that the HACCP system is operational. Every year the recertification process under the Codex Alimentarius CAC/RCP 1-1969, Rev. 4-2003 was conducted. In the first half of 2017, the last certification audit was carried out and its result was the finding that the implemented HACCP system complies with the requirements set out in the standard. Consequently, the Agency for Commodity Reserves has demonstrated that it has been acting in accordance with the requirements laid down in legislation and that it has in place adequately arranged surveillance over the establishment and maintenance of the stocks of food products.

5.3.5 The Information Security Management System (ISMS) in conformity with ISO/IEC 27001:2005

In line with best practice, the Agency for Commodity Reserves continues to upgrade its security policy, supplements the critical areas and takes the necessary steps to improve the information protection system in accordance with the ISO/IEC 27001 standard. On the basis of the Classified Information Act (ZTP) and secondary legislation adopted on the basis of the act, the Agency has carried out the measures for the improvement of the information security management system at critical points. Due to the ongoing escalation of external threats in the area of information security management, the information security area is becoming increasingly complex. In the course of 2017 the following documents referring to the area of information security management were revised:

- risk assessment,
- information protection plan, and
- instructions for work.

5.3.6 The Fire Protection System

The Agency for Commodity Reserves pays attention that the statutory organisational and other measures serving to ensure a high level fire protection at the storage facilities and tank farms operated by the Agency and those operated by the Agency's business partners are implemented.

5.3.7 The Safe Medicinal Products System

In 2017, the Agency of the Republic of Slovenia for Medicinal Products and Medical Devices (JAZMP) issued two new decisions with the authorisation for wholesale trade in medicinal products and to designate persons responsible at two economic operators – the Agency's contractual partners.

5.4 Realisation of financing

The table below illustrates the realised items of income and expense relating to the services provided by the Agency.

Table 8: THE SERVICES PROVIDED BY THE AGENCY (PI 1) - Realisation of the programme of the services provided by the Agency during the year under review,

description	plan 2017 (2)	realisation 2017 (3)	index (3/2)
INFLOWS	1.841.870	1.846.293	100
Other income related to business effects (subsidies, grants, discounts)	1.841.870	1.846.293	100
190210 - ZRSBR-SERVICES - mat.costs/expenses and salaries/current year	1.841.870	1.846.293	100
190210 - ZRSBR-SERVICES - mat.costs/expenses/current year	226.870	240.084	106
190210 - ZRSBR-SERVICES - salaries/current year	1.615.000	1.606.209	99
OUTFLOWS	1.841.870	1.846.293	100
The Agency's activity	1.841.870	1.846.293	100
Costs/expenses	226.870	240.084	106
Costs/expenses for material	40.220	43.130	107
Costs/expenses for energy	25.600	26.247	103
Electric power	5.200	5.854	113
Heating material and costs for heating	12.000	10.868	91
Fuel and lubricants/oil for the means of transport	8.400	9.525	113
Costs/expenses for spare parts for fixed assets/property, plant and equipment and for material for maintenance of fixed assets	20	72	358
Small tools and devices	20	72	358
			0
Costs/expenses arising from writing off small tools	0	0	0
Writing off small tools	0	0	0
Costs/expenses of office supplies and professional literature	11.000	13.378	122
Magazines, journals and professional literature	3.000	3.229	108
Office supplies	8.000	10.148	127
Other costs/expenses of material	3.600	3.434	95
Cleaning material	2.300	2.770	120
Other material - sundries	600	342	57
Other general material	700	322	46
Costs/expenses for services	186.650	196.954	106
Costs/expenses for transport services	17.750	16.353	92
RTV (TV&radio)	1.550	1.409	91
Telephone, telex, fax, electronic mail	12.500	10.491	84
Postage and courier services	3.700	4.454	120
Costs/expenses for maintenance-related services	34.770	38.596	111
Other - buildings	9.100	7.981	88
Other - equipment	300	769	256
Inspection of work equipment	100	0	0
Inspection of active fire protection systems	250	0	0
Inspection of electrical installations and equipment	120	0	0
Inspection of security lighting	200	0	0
Company vehicles	6.000	7.724	129
Communication equipment and computers	18.700	22.123	118

description	plan 2017 (2)	realisation 2017 (3)	index (3/2)
Reimbursements to employees in relation to work	9.800	15.579	159
Daily allowance (per diem) for business trips in Slovenia	500	883	177
Hotel and restaurant services in Slovenia	800	1.557	195
Transport in Slovenia	1.200	1.746	146
Daily allowance (per diem) for business trips abroad	1.600	2.441	153
Hotel and restaurant services abroad	3.000	5.111	170
Transport abroad	2.600	3.840	148
Other expenditure for business trips	100	0	0
Costs/expenses of payment transactions and bank services and insurance premiums	2.450	2.542	104
Business services with payment card (magna, EK)	150	508	339
Bank services	2.300	2.034	88
Costs/expenses for intellectual and personal services	80.430	78.770	98
Translation services	2.600	2.575	99
Accounting, auditing and consulting services	29.760	26.401	89
Court proceedings, services of attorneys, notaries , etc.	20.500	20.748	101
Software services	11.600	10.500	91
Health service	2.670	3.399	127
Professional/job-related education and training of employees	13.300	15.147	114
Costs/expenses of trade fairs, advertising and corporate entertainment	7.000	7.255	104
Corporate entertainment	7.000	7.255	104
Costs/expenses for private individuals not engaged in economic activity	2.800	2.079	74
Copyright contracts	0	0	0
Service contracts	0	0	0
Meeting attendance fees	2.800	2.079	74
Costs/expenses for other services	28.250	32.123	114
Publishing and printing services	800	700	87
Advertising services	1.500	341	23
Certification (ISO,...)	5.000	9.968	199
Physical protection of buildings and premises	6.300	8.798	140
Technical protection of buildings and premises	4.000	1.200	30
Utility services (garbage disposal, snow ploughing)	950	1.027	108
Cleaning services - premises	9.600	10.090	105
Other services	100	0	0
Other costs/expenses	0	0	0
Fund of the Republic of Slovenia for the Promotion of Employment of Disabled Persons (VZI)	0	0	0
Other costs/expenses	3.400	3.657	108
Court fees	100	0	0
Administrative fees	100	0	0
Vehicle registration fees	1.100	1.182	107
Membership fees for domestic and non-profit institutions	2.100	2.433	116
Other membership/subscription fees	0	41,13	0

description	plan 2017 (2)	realisation 2017 (3)	index (3/2)
Labour costs	1.615.000	1.606.209	99
Salaries of employees	1.040.000	993.082	95
Gross salaries			
Basic salaries	1.040.000	993.082	95
Increased workload/scope of work	0	0	0
Salary compensations for employees	197.000	212.152	108
Salary compensations for sick leave up to 30 days	10.000	19.733	197
Salary compensations for annual leave	150.000	147.497	98
Salary compensations for holidays	37.000	44.921	121
Employer's contributions on salaries, salary compensations, bonuses, reimbursements and other income	199.157	194.713	98
Employer's contributions for pension and disability insurance (PIZ)	109.475	107.032	98
Employer's contributions for health insurance	87.703	85.746	98
Employer's contributions for employment	741	725	98
Employer's contributions for parental protection	1.237	1.209	98
Costs/expenses for supplementary pension insurance of employees	3.200	38.188	1193
Costs/expenses for supplementary pension insurance	3.200	10.509	328
Costs/expenses for compulsory supplementary pension insurance for firefighters	0	27.678	0
Allowance for annual leave, bonuses, reimbursements and other employee income	175.643	168.075	96
Allowance for annual leave	40.700	44.767	110
Reimbursement costs for travel to and from work	65.500	61.231	93
Reimbursement for meals at work	47.300	45.293	96
Jubilee benefits	2.243	1.964	88
Termination/severance benefits	19.900	14.820	74
Solidarity aid			0

FINANCIAL REPORT FOR THE FINANCIAL YEAR 2017

6 ACCOUNTING POLICIES

The financial statements of the Agency of the Republic of Slovenia for Commodity Reserves have been drawn up in accordance with the accounting and reporting requirements laid down in Slovenian Accounting Standards. The Agency discloses its financial position in conformity with Slovenian Accounting Standard 32: Accounting treatments in public enterprises, which applies also to the entities with a public service role (*javni gospodarski zavodi*). The Agency produces and keeps the books of account and represents the recording of the actual economic categories in accordance with the following laws and regulations:

- The Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (*Zakon o finančnem poslovanju, postopkih zaradi insolventnosti in prisilnem prenehanju*) (Official Gazette of the Republic of Slovenia, Nos. 13/14 – official consolidated text, 10/15 – popr., 27/16, 31/16 – odl. US, 38/16 – odl. US and 63/16 – ZD-C),
- The Companies Act (*Zakon o gospodarskih družbah*) (Official Gazette of the Republic of Slovenia, Nos. 65/09 – official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 – odl. US, 82/13, 55/15 and 15/17),
- The Unified Chart of Accounts for companies, sole proprietors, cooperatives, non-profit organisations – legal entities of private law and societies and enterprises employing people with disabilities (*Enotni kontni okvir za gospodarske, samostojne podjetnike posameznike, zadruge, nepridobitne organizacije – pravne osebe zasebnega prava in društva in invalidske organizacije*) (Official Gazette of the Republic of Slovenia, Nos. 107/15 and 1/16),
- Slovenian Accounting Standards (2016) (*Slovenski računovodski standardi*) (Official Gazette of the Republic of Slovenia, No. 95/15, 74/16 – corr. and 23/17),
- The Rules on the accounting and financial operations.

6.1 General accounting policies

The selected balance sheet layout is described in Slovenian Accounting Standard SAS 20. The items posted in the balance sheet are shown at their carrying amounts as a difference between the entire value and the value adjustment. The selected option of the income statement (profit and loss account) is defined in Slovenian Accounting Standard SAS 21 as format II, whereas the selected statement of cash flows is specified in SAS 22 as format II, drawn up by applying the indirect method and shown in the report (step) form of the cash flow statement. The data used for the statement of cash flows are derived from the balance sheet and from the income statement and additional accounting data.

The financial/fiscal year (FY) of the Agency is equal to the calendar year.

Receivables and liabilities denominated in a foreign currency have been translated into the euro by applying the Bank of Slovenia Exchange Rates List – the reference rates of the European Central Bank (ECB) effective on the balance-sheet date. Foreign exchange gains or losses (currency translation differences) have been included in the income statement as

financial revenues or financial expenses. As regards the costs (in euros) initially denominated in a foreign currency, the Bank of Slovenia Exchange Rates List – the ECB reference rates effective on the date of the invoice shall be applied.

6.2 Individual accounting policies

6.2.1 Intangible assets and long-term deferred expenses and accrued revenues

Intangible assets and long-term deferred expenses and accrued revenues are investments in long-term industrial property rights and present investments in the acquisition of concessions, patents, licences, brands and similar rights. Intangible assets are measured at cost, and an intangible asset shall be carried separately at its cost, while any accumulated amortisation of industrial property are recorded separately as long-term industrial property rights. The carrying amount of the intangible assets is decreased through the straight-line amortisation method.

6.2.2 Property, plant and equipment

Property, plant and equipment (fixed tangible assets) are measured at cost. The cost of an item of property, plant and equipment comprises its purchase price and all directly attributable costs for bringing the asset to the condition necessary for the intended use, except interest costs. Subsequent expenditure on an item of property, plant and equipment increases its cost if it increases its future economic benefits in excess of the originally assessed.

Any accumulated depreciation of an item of property, plant and equipment is recorded separately. The base for the allocation of the depreciable amount of an asset on a systematic basis over its useful life is its cost. The depreciation method used is the straight-line method.

The Administrative Board of the Agency of the Republic of Slovenia for Commodity Reserves adopted at its 7th ordinary meeting held on 7 October 2010 the Rules amending the Rules on accounting and financial operations that change the rates of depreciation when the items of property, plant and equipment are addressed both for the purpose of making records and deciding about the useful lives of these items by taking into account their actual useful lives.

The Agency of the Republic of Slovenia for Commodity Reserves applied in 2017 the following rates to calculate depreciation and amortisation:

Item of property, plant and equipment	Depreciation/amortisation rate per annum ('LAMS')
Buildings including investment properties	2.00% – 6.00% (the aggregate LAMS for a building does not exceed 3%)
Functional buildings	2.22% – 3.00%
Parts of buildings including investment properties	3.33% – 5.00%
Equipment	5.00% – 20.00%
Vehicles	5.00% – 15.00%
Small tools/fittings & fixtures	20.00%
Computer hardware	12.50% – 25.00%

Computer software	10.00% – 25.00%
Permanent crops and crops lasting several years and other investments	10.00%
Other investments (studies, scientific papers, expert opinions)	10.00%

The revaluation of property, plant and equipment is the recognition of an adjustment to their carrying amount due to the applied revaluation model, and a decrease in their carrying amount resulting from their impairment.

The carrying amounts of items of property, plant and equipment can be revalued due to their increase in value, if their evidenced fair value exceeds their carrying amount. The revalued difference increases the carrying amount of those items of property, plant and equipment and the revaluation surplus associated with the items of property, plant and equipment. An asset's carrying amount is increased as a result of a revaluation and a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expenses. The need for impairment of assets is determined once a year.

If the carrying amount of an asset will be assured principally through sale rather than through continuing use, such asset shall be classified as a non-current asset held for sale or as disposal group held for sale. As soon as an asset is defined as a non-current asset held for sale or becomes part of a disposal group held for sale, or upon reversal of recognition, whichever is first, it shall no longer be depreciated. Such non-current asset or disposal group held for sale shall be measured at the lower of its carrying amount or fair value, less costs to sell.

6.2.3 Investment properties

An item of investment property is different from an item of real property such as an item of property, plant and equipment since it is not used in the production or supply of goods or services or for administrative purposes. Land and buildings held by the owner to earn rentals is treated as investment property.

An investment property is measured using the cost model where its cost is reduced by the amount of accumulated depreciation/accumulated impairment losses calculated on a straight-line basis. The depreciation of an investment property is recognised as expenses. An investment property is recognised in the balance sheet at its carrying amount which is a difference between the acquisition cost and the written off value.

An adjustment to the carrying amount of an investment property is calculated for that particular item. The base for calculating depreciation is cost. The straight-line method is used.

The items of investment property are revalued due to impairment, if their carrying amount exceeds their recoverable amount. If the recoverable amount of the assets is lower than their carrying amount, the carrying amount is decreased. Such a decrease is a loss due to impairment and it is recognised as revaluation operating expenses. In case that the increase also increases the revaluation surplus associated with the items of investment property, it has

to be used before revaluation operating expenses is increased by the amount of the difference. The need for impairment of assets is determined once a year.

6.2.4 Financial investments

Financial investments are recognised at the value corresponding to the monetary or other assets. Adjustments to the carrying amounts of short-term investments are recognised separately. Adjustments to the carrying amounts of investments are charged against financial expenses.

Interest accrued and other returns from investments are treated as independent receivables.

The portion of the long-term investments, which falls due within a period shorter than one year from the balance-sheet date, is recognised as current financial investment.

6.2.5 Operating receivables

Non-current and current operating receivables are initially recognised at amounts recorded in the relevant documents under the assumption that they will be recovered.

Interest is accrued on the receivables in accordance with the contract from their due date. The agreed revaluation of current receivables shall be treated as interest accrued.

The receivables believed not to be settled by their due date or which are past the due date, and the receivables believed not to be settled in their full amount, are considered as doubtful receivables. The receivables for which a legal action has been instigated before court are considered as disputable receivables. The carrying amount of doubtful and disputable receivables due from buyers shall be decreased through the allowance account and the full amount of loss charged against revaluation operating expenses in relation to the receivables.

Whether the posted receivables are adequate is checked at least once a year and namely before the annual accounts are made at the latest.

6.2.6 Inventories

Inventories are stocks of merchandise. Inventories are measured at cost of purchase comprising the purchase price, import duties and direct costs of purchase reduced by trade discounts and rebates received.

The Agency of the Republic of Slovenia for Commodity Reserves reconciles once a year the stocks of goods held in the storage facilities with the commodity book-keeping and the general ledger. Once a year, the net realisable value of merchandise is determined. In case that it is lower, the value of inventories is decreased to their net realisable value, charged against revaluation operating expenses. The Agency for Commodity Reserves books the value of the inventories based on the moving average price method whenever inventories are acquired.

6.2.7 Accrued and deferred items

Accrued revenues and deferred expenses comprise deferred expenses or deferred expenses arising from prepaid costs/expenses and current deferred revenues expected to arise within 12 months that cannot be charged against the entity's activities for the period in which they were actually incurred.

Accrued expenses and deferred revenues comprise prepaid costs, i.e. expenses and current deferred revenues, which refer to the following accounting period expected to arise within 12 months.

6.2.8 Cash and cash equivalents

The Agency of the Republic of Slovenia for Commodity Reserves recognises and measures cash and cash equivalents in accordance with Slovenian Accounting Standard 7 and effective regulations. Cash comprises cash on hand, bank balances and cash in transit. Cash and cash equivalents denominated in local and foreign currency, cash on hand and the balances held in bank accounts are carried separately.

6.2.9 Equity

Total shareholder's equity consists of share capital, capital reserves/share premium, retained net profit or loss for the previous financial year and net profit or loss for the financial year.

6.2.10 Provisions and long-term accrued expenses and deferred revenues

Provisions are formed by the reporting entity for its present obligations that arise from obligating past events and are expected to be settled in the period that cannot be defined with certainty, but a reliable estimate can be made of the amount of the obligations. They may be recognised as liabilities in broader sense because they differ from equity as liability to owners.

The purpose forming provisions is to accumulate in the form of accrued expenses or expenses the amounts, what will in the future be available to cover the then incurred costs or expenses. Provisions for future costs or expenses expected to be incurred in the future are earmarked by one or more amounts charged against the relevant costs or expenses.

The recognition of provisions in the books of account and in the balance sheet is reversed when the possible obligations for which the provisions were made no longer exist or such provisions are no longer needed. The amounts of provisions for accrued expenses or accrued expenses are gradually decreased by amounts of costs or expenses for which they were made. This means that those costs or expenses are no longer recognised in the income statement of the relevant financial year and the provisions made and used to cover them are not included in the income statement either. Provisions and short-term accrued expenses and deferred revenues are not adjusted for revaluation.

6.2.11 Financial liabilities and operating liabilities

Non-current liabilities and current liabilities of all kinds are initially recognised at the amounts arising from the relevant documents under the assumption that creditors demand their repayment.

Non-current liabilities due to legal or natural persons from outside Slovenia are translated into the national currency as of the date of their inception. The foreign exchange gains or losses incurred until the day of the settlement of such liabilities, i.e. until the balance-sheet date, comprises revaluation expenses or revenues.

Non-current liabilities are recognised as non-current financial liabilities and non-current operating liabilities. Non-current liabilities are increased by accrued interest and reduced by the paid amounts and by possible other ways of settlement if so agreed with the creditor. The

carrying amount of non-current liabilities is equal to their initial cost, reduced by the repayment of principal and transfers to non-current liabilities, until a need for revaluation appears. Interest accrued on non-current liabilities is recognised as financial expenses.

As regards current liabilities, current financial liabilities and current operating liabilities are recognised separately. Current financial liabilities are short-term borrowings. Current operating liabilities are short-term supplier credits for goods or services purchased, advances and guarantees (collateral) provided by the buyers, liabilities to suppliers in Slovenia and abroad, liabilities for accruals of goods and services, payables to employees for their work performed, liabilities to the government institutions and other liabilities.

6.2.12 Revenues

Revenues are inflows of economic benefits during the accounting period in the form of enhancements of assets (for example, cash or receivables arising from services and goods sold) or decreases in liabilities. Sales revenues comprise revenues generated by sales of products/merchandise, sales revenues arising from the services provided, and sales revenues from rental fees during the accounting period.

Revenues are recognised on the basis of issued invoices. Revenues are recognised when it can be expected reliably that cash receipts will flow from them to the reporting entity, unless such receipts were finalised on the incurrence of revenues.

Revenues comprise net sales revenues, subsidies, grants, allowances, compensations and other revenues associated with business effects, other operating revenues, financial revenues and other revenues.

6.2.13 Costs and expenses

Costs are classified by primary types into costs of materials, costs of services, depreciation or amortisation, provisions, labour cost and other costs.

Expenses are classified as operating expenses, financial expenses and other expenses. Operating expenses are classified as production costs of products sold, cost of material used, cost of services, labour cost, revaluation operating expenses, which are not costs and other operating expenses. Revaluation operating expenses arise from the impairment of property, plant and equipment, intangible assets and operating current assets. Financial expenses include financing expenses and investing expenses. Other expenses comprise unusual items arising from events, which do not occur in the course of normal operations. They are recognised in the actually incurred amounts.

6.2.14 Statement of cash flows

The statement of cash flows has been prepared on the basis of the indirect method in a sequential layout under the format II of the cash-flow statement. The basis for the preparation of the cash-flow statement is the data presented in the balance sheet, the income statement and other records.

7 FINANCIAL STATEMENTS

7.1 Balance sheet as at 31 December 2017 drawn up in accordance with Slovenian Accounting Standards

		In EUR as at 31 December 2017	In EUR as at 31 December 2016
A.	Non-current assets	56,299,018	51,887,757
I.	Intangible assets and non-current deferred expenses and accrued revenues	255,451	216,517
	1. Concessions, patents, licences, trademarks and similar rights	204,032	175,415
	2. Goodwill	0	0
	3. Advances for intangible assets	0	0
	4. Non-current deferred development costs	0	0
	5. Other non-current deferred expenses and accrued revenues	51,419	41,102
II.	Property, plant and equipment	47,468,925	49,601,863
	1. Land and buildings	41,487,977	43,000,185
	a) Land	10,396,455	10,396,455
	b) Buildings	31,091,522	32,603,730
	2. Manufacturing plant and equipment	5,769,867	5,595,110
	3. Other plant and equipment	17,327	18,059
	4. Property, plant and equipment being acquired	193,754	988,509
	a) Property, plant and equipment in the course of construction	193,754	988,509
	b) Advances for acquisition of property, plant and equipment	0	0
III.	Investment properties	1,949,613	2,069,377
IV.	Non-current financial investments	0	0
	1. Non-current financial investments, excluding loans	0	0
	a) Shares and interests in group companies	0	0
	b) Shares and interests in associates	0	0
	c) Other shares and interests	0	0
	č) Other non-current financial investments	0	0
	2. Long-term loans	0	0
	a) Long-term loans to group companies	0	0
	b) Long-term loans to others	0	0
	c) Long-term unpaid called up capital	0	0
V.	Non-current operating receivables	6,625,029	0
	1. Non-current operating receivables due from group companies	0	0
	2. Non-current operating/trade receivables	6,625,029	0
	3. Non-current operating receivables due from others	0	0
VI.	Deferred tax assets	0	0
B.	Current assets	331,903,317	352,773,575
I.	Assets (disposal groups) held for sale	559,500	559,500
II.	Inventories	294,800,411	279,388,976
	1. Material	54,585	54,585
	2. Work in progress	0	0
	3. Products and merchandise	294,745,826	279,334,391
	4. Advances for inventories	0	0
III.	Current financial investments	0	0
	1. Current financial investments, excluding loans	0	0
	a) Shares and interests in group companies	0	0
	b) Other shares and interests	0	0
	c) Other current financial investments	0	0
	2. Short-term loans	0	0
	a) Short-term loans to group companies	0	0

		In EUR as at 31 December 2017	In EUR as at 31 December 2016
	b) Short-term loans to others	0	0
	c) Short-term unpaid called-up capital	0	0
IV.	Current operating receivables	12,699,402	39,996,045
	1. Current operating receivables due from group companies	0	0
	2. Current operating/trade receivables	8,712,200	39,351,074
	3. Current operating receivables due from others	3,987,202	644,971
V.	Cash and cash equivalents	23,844,004	32,829,054
C.	Current differed costs and accrued revenues	13,274	15,874
	TOTAL ASSETS	388,215,609	404,677,206
	Off-balance sheet assets	21,328,672	32,927,858
A	Called-up capital	304,557,100	286,822,035
I.	Called-up capital	145,080,308	148,344,730
	1. Share capital	145,080,308	148,344,730
	2. Uncalled capital	0	0
II.	Capital surplus (share premium)	0	0
III.	Revenues reserves	139,527,280	117,439,458
	1. Legal reserves	10,139,242	9,089,267
	2. Reserves for own (treasury) shares and interests	0	0
	3. Own (treasury) shares and interests (as a deduction item)	0	0
	4. Statutory reserves	0	0
	5. Other revenues reserves	129,388,038	108,350,191
IV.	Revaluation surplus (reserve)	0	0
V.	Fair value reserve	0	0
VI.	Retained net profit or loss		
VII.	Net profit or loss for the period brought forward	19,949,512	21,037,847
VIII.	Net loss for the period	0	0
B.	Provisions and long-term accrued expenses and deferred revenues	294,962	1,384,564
	1. Provisions for pensions and similar liabilities	0	0
	2. Other provisions	208,099	274,069
	3. Short-term accrued expenses and deferred revenues	86,863	1,110,495
C.	Non-current liabilities	34,692,570	64,645,838
I.	Non-current financial liabilities	34,692,570	64,645,838
	1. Non-current financial liabilities to group companies	0	0
	2. Non-current financial liabilities to banks	34,692,570	64,645,838
	3. Non-current financial liabilities from bonds	0	0
	4. Other non-current financial liabilities	0	0
II.	Non-current operating liabilities	0	0
	1. Non-current operating liabilities from group companies	0	0
	2. Non-current trade payables	0	0
	3. Non-current bills payable	0	0
	4. Non-current operating liabilities from advances	0	0
	5. Other non-current operating liabilities	0	0
III.	Deferred tax liabilities	0	0
Ĉ.	Current liabilities	48,640,047	51,798,596
I.	Liabilities of disposal groups	0	0
II.	Current financial liabilities	42,795,998	26,775,761
	1. Current financial liabilities to group companies	0	0
	2. Current financial liabilities to banks	42,795,998	26,692,570
	3. Current financial liabilities from bonds	0	0
	4. Other current financial liabilities	0	83,191
III.	Current operating liabilities	5,844,049	25,022,835
	1. Current operating liabilities to group companies	0	0
	2. Current trade payables	5,526,969	24,133,899
	3. Current bills payable	0	0
	4. Current operating liabilities from advances	0	0

		In EUR as at 31 December 2017	In EUR as at 31 December 2016
	5. Other current operating liabilities	317,080	888,936
D.	Short-term accrued expenses and deferred revenues	30,931	26,173
	TOTAL EQUITY AND LIABILITIES	388,215,609	404,677,206
	Off-balance sheet liabilities	21,328,672	32,927,858

7.2 Income statement for the year ended 31 December 2017

		(in EUR) FY 2017	(in EUR) FY 2016
1.	Net sales	110,306,190	99,053,778
a.	Net revenues from sales in domestic market	110,306,190	95,110,817
	1. Net revenues from sales of goods and services	32,275,112	32,599,110
	2. Net revenues from sales of merchandise and material	78,031,078	62,511,707
b.	Net revenues from sales in foreign markets	0	3,942,961
	1. Net revenues from sales of goods and services	0	0
	2. Net revenues from sales of merchandise and material	0	3,942,961
2.	Production costs of goods sold (including depreciation and amortisation), that is, cost of goods sold	71,896,385	62,097,018
3.	Gross profit or loss from sales (1-2)	38,409,805	36,956,760
4.	Selling costs (including depreciation and amortisation)	0	0
5.	General and administrative costs (including depreciation and amortisation)	24,649,865	25,007,084
a.	General and administrative costs	23,513,109	23,683,840
	1. costs of material and services	18,884,082	19,298,977
	2. labour costs	1,606,209	1,407,610
	3. depreciation and amortisation	2,877,499	2,748,438
	4. other operating expenses	145,319	228,815
b.	Revaluation operating expenses associated with intangible assets and property, plant and equipment	10,742	425,665
c.	Revaluation operating expenses associated with current operating assets	1,126,014	897,579
6.	Other operating revenues (including revaluation operating revenues)	7,539,618	11,156,767
7.	Financial revenues from shares and interests	0	0
8.	Financial revenues from given loans	2,866	7,376
c.	Financial revenues from loans given to others	2,866	7,376
9.	Financial revenues from operating receivables	11,872	16,273
c.	Financial revenues from operating receivables due from others	11,872	16,273
10.	Financial expenses due to impairment and write offs of investments	0	0
11.	Financial expenses for financial liabilities	640,157	1,091,451
c.	Financial expenses for loans, received from banks	640,157	1,091,451
č.	Financial expenses for other financial liabilities	0	0
12.	Financial expenses for operating liabilities	11,801	14,463
b.	Financial expenses for trade payables and bills payable	0	0
c.	Financial expenses for other operating liabilities	11,801	14,463
13.	Other revenues	362,263	210,069
14.	Other expenses	914	491
15.	Corporate income tax	24,200	88,654
16.	Deferred taxes	0	0
17.	Net profit or loss for the period	20,999,487	22,145,102

7.3 Statement of other comprehensive income for the year ended 31 December 2017

(in EUR)

	FY 2017	FY 2016
18. Net profit or loss for the period	20,999,487	22,145,102
19. Total comprehensive income for the period	20,999,487	22,145,102

7.4 Statement of cash flows for the year ended 31 December 2017

		euros	EUROS
A.	CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
a)	Items of income statement	24,345,194	23,351,070
	Operating revenues (except from revaluation) and financial revenues from operating receivables	118,030,582	107,010,284
	Operating expenses excluding depreciation or amortisation (except from revaluation) and financial expenses from operating liabilities	-93,661,189	-83,570,560
	Corporate income tax and other taxes not included in operating expenses	-24,200	-88,654
b)	Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	-15,093,476	5,334,012
	Opening less closing operating receivables	20,738,783	-397,163
	Opening less closing differed costs and accrued revenues	-7,717	326,829
	Opening less closing deferred tax assets		
	Opening less closing assets (disposal groups) held for sale	0	0
	Opening less closing inventories	-15,411,435	-4,731,767
	Closing less opening operating liabilities	-19,328,262	10,228,270
	Closing less opening accrued expenses and deferred revenues, and provisions	-1,084,845	-92,157
	Closing less opening deferred tax liabilities	0	0
c)	Net cash from operating activities (a+b)	9,251,718	28,685,083
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
a)	Cash receipts from investing activities	961,661	633,979
	Interest and dividends received from investing activities	2,866	7,376
	Cash receipts from disposal of intangible assets	0	0
	Cash receipts from disposal of property, plant and equipment	823,057	418,582
	Cash receipts from disposal of investment properties	135,739	208,021
	Cash receipts from disposal of financial investments		
b)	Cash disbursements from investing activities	-1,434,432	-7,733,323
	Cash disbursements to acquire intangible assets	-88,535	-111,724
	Cash disbursements to acquire property, plant and equipment	-1,333,897	-7,621,599
	Cash disbursements to acquire investment properties	-12,000	
	Cash disbursements to acquire financial investments		
c)	Net cash from investing activities (a+b)	-472,771	-7,099,344
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
a)	Cash receipts from financing activities	17,545,612	27,257,636
	Cash proceeds from paid-in capital	853,042	9,257,636
	Cash proceeds from increase in financial liabilities	16,692,570	18,000,000
b)	Cash disbursements from financing activities	-35,309,610	-28,331,323
	Interest paid on financing activities	-649,737	-1,091,451
	Cash repayments of equity	-4,117,463	0
	Cash repayments of financial liabilities	-30,542,410	-27,239,872
	Dividends and other profit shares paid		
c)	Net cash from financing activities (a+b)	-17,763,998	-1,073,687
Ĉ.	Closing balance of cash and cash equivalents	23,844,003	32,829,054
x)	Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)	-8,985,051	20,512,052
y)	Opening balance of cash and cash equivalents	32,829,054	12,317,003

7.5 Statement of changes in equity in 2017

		Called up capital		Capital reserves	Revenue reserves		Retained net profit or loss		Profit or loss for the period		Total equity
		Share capital	Uncalled capital		Legal reserves	Other revenue reserves	Retained net profit	Retained net loss	Net profit for the financial year	Net loss for the financial year	
	Closing balance as at 31 December 2016	148,344,730	0	0	9,089,267	108,350,191	0	0	21,037,847	0	286,822,035
A.	Balance as at 1 January 2017	148,344,730	0	0	9,089,267	108,350,191	0	0	21,037,847	0	286,822,035
B.1	Changes in equity – transactions with shareholders	-3,264,421	0	0	0	0	0	0	0	0	-3,264,421
a)	Decrease in equity – stocks released	-4,117,463									-4,117,463
b)	Additional paid-in equity – new procurement of stocks	853,042									853,042
B.2	Total comprehensive income for the reporting period	0	0	0	0	0	0	0	20,999,487	0	20,999,487
a)	Net profit or loss for the reporting period	0	0	0	0	0	0	0	20,999,487	0	20,999,487
B.3	Changes in equity	0	0	0	1,049,975	21,037,847	0	0	-22,087,821	0	0
b)	Allocation of the remaining portion of net profit the comparative for the reporting period to other components of equity	0	0	0	0	0	0	0	0	0	0
c)	Allocation of a portion of net profit for the reporting period to other components of equity based on a decision of the corporate governance body	0	0	0	1,049,975	0	0	0	-1,049,975	0	0
d)	Allocation of a portion of net profit for the establishment of additional Reserves based on the decision of the Government	0	0	0	0	21,037,847 ¹	0	0	-	0	0
f)	Other changes in equity	0	0	0	0	0	0	0	0	0	0
C.	Closing balance as at 31 December 2017	145,080,309	0	0	10,139,242	129,388,038	0	0	19,949,512	0	304,557,100

¹ Carry forward of the accumulated profit for the financial year 2016 pursuant to the Decision of the Government of the Republic of Slovenia No. 47603–14/2017/3 as of 11 July 2017.

7.6 Statement of changes in equity in 2016

		Called-up capital		Capital reserves	Revenue reserves		Capital surplus (share premium)	Retained net profit or loss		Profit or loss for the period		Total equity
		Share capital	Uncalled capital		Legal reserves	Other revenue reserves		preneseni net dobiček	prenesena čista izguba	Net profit for the financial year	Net loss for the financial year	
	Closing balance as at 31 December 2015	139,087,094	0	0	7,982,012	205,231,417	0	0	0	0	96,881,226	255,419,297
A.	Balance as at 1 January 2016	139,087,094	0	0	7,982,012	205,231,417	0	0	0	0	96,881,226	255,419,297
B.1	Changes in equity – transactions with shareholders	9,257,636	0	0	0	0	0	0	0	0	0	9,257,636
	Additional paid-in capital	9,257,636	0	0	0	0	0	0	0	0	0	9,257,636
B.2	Total comprehensive income for the reporting period	0	0	0	0	0	0	0	0	22,145,102	0	22,145,102
a)	Net profit or loss for the reporting period	0	0	0	0	0	0	0	0	22,145,102	0	22,145,102
č)	Change in capital surplus (share premium) from revaluation of financial investments	0	0	0	0	0	0	0	0	0	0	0
e)	Other increase of components of equity		0	0	0	0	0	0	0	0		
B.3	Changes in equity	0	0	0	1,107,255	-96,881,226	0	0	0	-1,107,255	-96,881,226	0
b)	Allocation of the remaining portion of net profit the comparative for the reporting period to other components of equity	0	0	0	0	0	0	0	0	0	0	0
c)	Allocation of a portion of net profit for the reporting period to other components of equity based on a decision of the management board and of the supervisory board	0	0	0	1,107,255	0	0	0	0	-1,107,255	0	0
d)	Allocation of a portion of net profit for the establishment of additional Reserves based on the decision of the Government	0	0	0	0	-96,881,226 ₁	0	0	0	0	-96,881,226 ₁	0
f)	Other changes in equity	0	0	0	0	0	0	0	0	0	0	0
C.	As at 31 December 2016	148,344,730	0	0	9,089,267	108,350,191	0	0	0	21,037,847	0	286,822,035

₁ Carry forward of accumulated loss for the financial year 2015 pursuant to the Decision of the Government of the Republic of Slovenia No. 47603–10/2016/3 as of 19 July 2016.

7.7 Statement of accumulated profit or accumulated loss for the financial year 2017

		(in EUR)
A.	NET PROFIT OR LOSS FOR THE PERIOD	20,999,487
B.	RETAINED EARNINGS	0
C.	DECREASE IN REVENUE RESERVES	0
Č.	INCREASE IN REVENUE RESERVES *	-1,049,975
	a.) allocation to legal reserves of other commodity reserves of the Agency for Commodity Reserves	-29,415
	b.) allocation to legal reserves of emergency (minimum) stocks of crude oil and petroleum products	-1,020,560
D.	INCREASE IN REVENUE RESERVES IN ACCORDANCE WITH THE DECISION OF THE CORPORATE GOVERNANCE BODY	0
	- other revenue reserves	0
E.	ACCUMULATED PROFIT AVAILABLE FOR APPROPRIATION BY THE FOUNDER	19,949,512

* Legal reserves have been formed when drawing up the balance sheet in accordance with the provision set out in paragraph 4 of Article 64 of the Slovenian Companies Act (ZGD-1).

7.8 Proposal for the appropriation of accumulated/distributable profit for the financial year 2017

	(in EUR)
PROPOSAL FOR THE APPROPRIATION OF ACCUMULATED/DISTRIBUTABLE PROFIT :	19,949,512
- allocation to other revenue reserves	0
a.) allocation to other revenue reserves generated by other commodity reserves	558,876
b) allocation to other revenue reserves of emergency stocks of crude oil and petroleum products	19,390,636

8 NOTES TO THE FINANCIAL STATEMENTS– BALANCE SHEET AS AT 31 DECEMBER 2017 DRAWN UP IN ACCORDANCE WITH SLOVENIAN ACCOUNTING STANDARDS

8.1 Intangible assets

Table 9: The balance and movement in intangible assets (in EUR)

	long-term intellectual property rights	assets under construction	other long-term accrued revenues and deferred expenses	total
At cost				
Balance as at 1 January 2017	377,530	0	41,102	418,632
increases	88,535	0	12,992	101,527
decreases	-7,171	0	-2,675	-9,846
Balance as at 31 December 2017	458,894	0	51,419	510,313
Value adjustments				
Balance as at 1 January 2017	202,115	0	0	202,115
amortisation	59,918	0	0	59,918
decreases	-7,171	0	0	-7,171
Balance as at 31 December 2017	254,862	0	0	254,862
Carrying amount				
Balance as at 1 January 2017	175,415	0	41,102	216,517
Balance as at 31 December 2017	204,032	0	51,419	255,451

Long-term intellectual property rights consist of the licences for the use of computer software and other long-term deferred expenses and accrued revenues; the reserve fund for the maintenance of the office buildings at 106 Dunajska cesta and at 28 Kotnikova ulica, both in Ljubljana.

The decreases in the items carrying intangible assets refer to the computer program licences written off by the Agency for Commodity Reserves in the course of the ordinary annual stock-taking for the financial year 2017 in their carrying amount of 0 euro.

8.2 Property, plant and equipment and investment properties

Table 10: The balance and movement in items of property, plant and equipment (in EUR)

	land	buildings	plant&equipment and small tools/fitings&fixtures	assets under construction	Total
At cost					
Balance as at 1 January 2017	10,396,455	70,670,248	11,674,244	988,509	93,689,456
direct increases	0	135,310	221,235	1,029,685	1,386,230
decreases	-0	-4,821,716	-75,741	0	-4,897,457
transfers from ongoing investments	0	1,187,489	584,620	-1,824,440	-52,331
transfers between other categories	0	0	0	-0	0
reallocation	0	0	0	0	0
Balance as at 31 December 2017	10,396,455	67,171,331	12,404,358	193,754	90,165,898
					0
Value adjustments					0
Balance as at 1 January 2017	0	38,066,518	6,061,075	0	44,127,593
depreciation	0	2,128,446	610,880	0	2,739,326
decreases	0	-4,115,155	-54,791	0	-4,169,946
transfers between other categories	0	0	0	0	0
reallocation	0	0	0	0	0
Balance as at 31 December 2017	0	36,079,809	6,617,164	0	42,696,973
					0
Carrying amount					0
Balance as at 1 January 2017	10,396,455	32,603,730	5,613,169	988,509	49,601,863
Balance as at 31 December 2017	10,396,455	31,091,522	5,787,194	193,754	47,468,925

The decreases in the fixed assets – the items referring to property, plant and equipment stated at their residual value during the year under review refer to the following:

	(in EUR)
The disposal of the cold storage facility at Celjske mesnine d.d; Cesta v Trnovlje 17, Celje	142,209
The disposal of the grain silo at Klasje Celje d.d.; Resljeva cesta 16, Celje	564,352
Total	706,561

Table 11: The balance and movement in investment property items (in EUR)

	Investment properties	Total (in EUR)
At cost		
Balance as at 1 January 2017	5,291,671	5,291,671
increases	12,000	0
decreases	-117,538	-105,538
transfers	0	0
Balance as at 31 December 2016	5,186,133	5,186,133
Value adjustments		
Balance as at 1 January 2016	3,222,294	3,222,294
depreciation	78,256	78,256
decreases	-64,030	-64,030
transfers	0	0
Balance as at 31 December 2016	3,236,520	3,236,520
Carrying amount		
Balance as at 1 January 2017	2,069,377	2,069,377
Balance as at 31 December 2017	1,949,613	1,949,613

The Agency of the Republic of Slovenia for Commodity Reserves discloses under the item carrying its investments in immovable property the commercial real estate rentals. The earnings derived from charging rental fees amounted to 275,167 euros, whereas depreciation accumulated on those items added up to 78,256 euros.

During the year under review, the Agency for Commodity Reserves repaired the roof on the floor-level storage facility at 13 Podgrad 13, 6244 Podgrad.

The decreases in investment property items at their carrying amount in the course of 2017 include:

	(in EUR)
The disposal of the service station OMV Slovenija at Nova vas na Blokah	28,871
The disposal of the floor-level storage facility in Maribor, Partizanska cesta 3-5	24,637
Total	53,508

8.3 Non-current operating receivables

Table 12: Non-current operating receivables (in EUR)

type of receivables	as at 31 December 2017	structure as at 31 December 2017	as at 31 December 2016	structure as at 31 December 2016
Non-current operating receivables due from customers	6,625,029	100,00%	0	0,00%
Total non-current operating receivables	6,625,029	100,00%	0	0,00%

The item 'non-current operating receivables' refers to the commodities released from the reserves within the framework of stock exchange/replacement. The non-current operating (trade) receivables have been secured.

8.4 Available-for-sales assets

Table 13: Available-for-sales assets (in EUR)

	FY 2017	FY 2016
Balance as at 31 December 2015	559,500	559,500
The amounts of fixed assets (property, plant and equipment) and investment property items as at 1 January 2016	0	0
Balance as at 1 January 2016	559,500	559,500
transfers	0	0
decreases	0	0
impairments	0	0
Balance as at 31 December 2017	559,500	559,500

Available-for-sales assets (AFS) are stated at current value and specifically at the lower of the carrying amount or fair value.

8.5 Inventories

Table 14: Inventories (in EUR)

Inventories	as at 31 December 2017	as at 31 December 2016
Inventories of merchandise	294,745,826	279,334,391
Inventories of material	54,585	54,585
Total inventories	294,800,411	279,388,976

The additions to these reserve stocks realised in the course of 2017 refer to the purchases of new stocks of medicinal products, unleaded motor fuel, gas oil and heating oil, as well as the equipment for personal and collective protection.

The decreases in these stocks refer to the disposal of the stocks of meat, medicinal products, gas oil and heating oil, and the equipment for personal and collective protection.

The inventories are carried at average cost of purchase that does not exceed their net realisable value.

As at 31 December 2017, the carrying amounts of the inventories declined by 2,230,146 euros attributable to the following:

- The revaluation of carrying amounts by applying market prices in the amount of 580,726 euros (the impact on operating expenses revaluation of working capital) and namely as shown below:
 - medicinal products in the amount of 173,005 euros,
 - sugar in the amount of 246,406 euros,
 - cheese in the amount of 104,808 euros,
 - liquid milk in the amount of 27,246 euros,
 - rye in the amount of 22,264 euros and
 - wheat in the amount of 6,997 euros.
- The adjustments for provisions for impairment of reserve stocks with finite useful life in the amount of 542,238 euros (the impact on operating expenses revaluation of working capital) and namely as shown below:
 - the equipment for personal and collective protection in the amount of 317,777 euros,
 - the mobile health unit in the amount of 86,048 euros,
 - the stoves/heaters in the amount of 8,575 euros,
 - the medicinal products in the amount of 50,843 euros,
 - the potassium iodide in the amount of 78,765 euros, and
 - the candles and matches in the amount of 230 euros,
- Inventory write off in the amount of 919,628 euros and sicer:

- the damaged palettes in the amount of 3,452 euros,
- the anti-viral medicinal products (shelf life expired) in the amount of 916,062 euros (provisions formed), and
- the medicinal devices in the amount of 114 euros,
- the calculated ullage and calculated evaporation in the amount of 187,554 euros.

8.6 Current operating receivables

Table 15: Current operating receivables (in EUR)

Type of receivables	as at 31 December 2017	structure as at 31 December 2017	as at 31 December 2016	structure as at 31 December 2016
Current operating receivables due from customers	8,712,200	68.97%	39,351,074	98.39%
Short-term advances	0	0.00%	118,271	0.29%
Current receivables for accrued interest	374	0.00%	90	0.00%
Other current receivables	3,986,828	31.03%	526,610	1.32%
Total current operating receivables	12,699,402	100.00%	39,996,045	100.00%

Out of the total of 8,712,200 euros in net receivables due from customers (trade receivables less doubtful and disputable receivables), the receivables in the amount of 278,343 euros are the receivables that are already due. The maturity structure of these receivables is shown in the table below:

The maturity structure of net receivables overdue as at 31 December 2017	(in EUR)
from 1 to 30 days after due date	103,454
from 31 to 60 days after due date	174,889
from 61 to 90 days after due date	0
from 91 to 120 days after due date	0
over 121 days after due date	0
As at 31 December 2017	278,343

In accordance with Slovenian Accounting Standard SRS 5.50, the Agency made adjustments in the amount of the receivables that cannot be recovered on the basis of experience of previous years and expectations in the future. Current operating receivables are current receivables to due from customers in the home country in the amount of 9,159,865 euros, for which value adjustments in the amount of 447,665 euros were formed. The main reason

for the allowances set aside as provisions by the Agency for the current operating (trade) receivables are the bankruptcy proceedings and compulsory settlement procedures of the Agency's debtors.

The movement in the adjustments in doubtful and disputable receivables made in the course of 2017:

Doubtful and disputable receivables	(in EUR)
Balance as at 1 January 2017	445,634
increases	18,519
decreases	-16,488
Balance as at 31 December 2017	447,665

The current receivables due from customers in the amount of 8,712,200 euros refer to the receivables for the charged special fee for discharging the service of the central stockholding entity for minimum (emergency) stocks of crude oil and/or petroleum products in the amount of 5,914,072 euros, the receivables for the minimum (emergency) stocks of petroleum products in the amount of 2,424,321 euros, the receivables for the reserve items of commodity reserves in the amount of 329,182 euros, the receivables for the services provided by the Agency, the re-invoiced expenditure and the rental fees in the amount of 36,831 euros, and well as the calculated default (late payment) interest in the amount of 7,794 euros. In the course of the process for the rotation of reserve items, the Agency's level of exposure to buyers increases and it is mitigated by requesting bank guarantees as security that the payment due will also be made.

The larger portion of the current operating (trade) receivables due from others in the amount of 3,920,576 euros is composed of the following receivables:

- for interest earned on short-term deposits in the amount of 374 euros,
- for the input value-added tax (VAT) paid in the Republic of Slovenia in the amount of 3,735,111 euros,
- for the input value-added tax (VAT) paid abroad in the amount of 125,745 euros,
- do the Health Insurance for the refund of sick-leave allowances in excess of 30 days and for taking care of a sick family member in the amount of 1,447 euros,
- do the budget for the Agency's expenditure incurred in December 2017 in the amount of 55,644 euros,
- for compensations and benefits under insurance policies 1,450 euros, and
- other receivables in the amount of 805 euros.

8.7 Cash and cash equivalents

Table 16: Cash and cash equivalents (in EUR)

Type of asset	As at 31 December 2017	Structure as at 31 December 2017	As at 31 December 2016	Structure as at 31 December 2016
Cash and cash at hand	0	0.00%	0	0.00%
Credit balances held at banks and other financial institutions	23,844,004	100.00%	32,829,054	100.00%
Total cash and cash equivalents	23,844,004	100.00%	32,829,054	100.00%

Bank accounts	As at 31 December 2017	As at 31 December 2016
Credit balances on the transaction account/TRR	2,022,517	15,309,153
Deposits placed with commercial banks	21,821,487	17,519,901
Total	23,844,004	32,829,054

The credit balances placed with banks and other financial institutions present cash and cash equivalents on the transaction account of the Agency in the amount of 2,022,517 euros and the funds on the deposit accounts kept at commercial banks in the amount of 21,821,487 euros. The annual interest rates earned on the Agency's deposits are in the range from 0.01 per cent to 0.10 per cent. The funds on the deposit accounts are used for the realisation of the Programme of Work in the financial year 2018, and, specifically, for investment maintenance, the purchase of goods/products, and for the settlement of the liabilities with the due dates in 2018.

8.8 Accrued revenues and deferred expenses

Table 17: Accrued revenues and deferred expenses (in EUR)

Type of accrued/deferred item	As at 31 December 2017	As at 31 December 2016
Prepaid costs/expenses	13,274	15,874
Accrued revenues and deferred expenses	13,274	15,874

The item 'accrued revenues and deferred expenses' refers to the prepaid books and periodicals.

8.9 The role of the Republic of Slovenia in the Agency of the Republic of Slovenia for Commodity Reserves

Table 18: The role of the Republic of Slovenia in the Agency of the Republic of Slovenia for Commodity Reserves (in EUR)

Type of equity	As at 31 December 2017	Structure as at 31 December 2017	As at 31 December 2016	Structure as at 31 December 2016
A. Called-up capital	145,080,308	47.64%	148,344,730	51.72%
1. share capital	145,080,308	47.64%	148,344,730	51.72%
2. uncalled capital	0	0.00%	0	0.00%
B. Capital reserves (share premium)	0	0.00%	0	0.00%
C. Revenue reserves	139,527,280	45.81%	117,439,458	40.95%
1. legal reserves	10,139,242	3.33%	9,089,267	3.17%
2. other revenue reserves	129,388,038	42.48%	108,350,191	37.78%
D. Retained net profit or loss	0	0.00%	0	0.00%
1. retained net profit or loss	0	0.00%	0	0.00%
E. Net profit or loss for the period	19,949,512	6.55%	21,037,847	7.33%
1. net profit for the period	19,949,512	6.55%	21,037,847	7.33%
2. net loss for the period	0	0%	0	0%
The role of the Republic of Slovenia in the Agency for Commodity Reserves - total	304,557,100	100.00%	286,822,035	100.00%

Pursuant to the Decision No. 22500-2/2015/6 as of 10 September, the Government of the Republic of Slovenia gave a special mandate to the Agency of the Republic of Slovenia for Commodity Reserves that by referring to the same decision number on the release of the strategic reserves use tangible assets items with the aim to set up temporary accommodation facilities for migrants on the territory of the Republic of Slovenia and devices for the protection of the country's southern border. To that end, the Agency for Commodity Reserves released during the year under review part of the commodity reserves of the Republic of Slovenia in the amount of 3,264,422 euros and reduced the shareholding of the Republic of Slovenia in the Agency in the same amount.

According to the Decision adopted by the Government of the Republic of Slovenia No. 47603-14/2017/3 as of 11 July 2017, the accumulated (distributable) profit posted as at 31 December 2016 in the amount of 21,037,847 euros was allocated to other reserves from profit (revenue reserves).

The Agency of the Republic of Slovenia for Commodity Reserves posted for the financial year 2017 profit after tax in the amount of 20,999,487 euros.

In accordance with the provisions set out in the Companies Act (*Zakon o gospodarskih družbah – ZGD-1*), the Agency formed legal reserves in the amount of 1,048,935 euros when drawing up its annual report for the financial year 2017 and kept the residual portion of profit unappropriated. The legal reserves shall be used as stipulated in the provisions of the Companies Act (ZGD-1).

8.10 Provisions and long-term accrued expenses and deferred revenues

Table 19: The movement in provisions in the course of 2017 (in EUR)

Provisions	As 31 December 2017	Changes in FY 2017	As at 31 December 2016
The provisions formed for the claims of the Agency for Commodity Reserves as plaintiff	208,099	- 65,971	274,070
Total other provisions	208,099	- 65,971	274,070

The provisions stated in the annual accounts as at 31 December 2017 refer to the following:

- the provisions formed for the claims under the lawsuits instigated by the Agency for Commodity Reserves for:
 - the corn (maize) stored at the company TMK Črnci in the amount of 91,566 euros, and
 - the land parcel on which the Agency's real property stands in the storage and transport zone STC Celje in the amount of 116,534 euros.

During the year under review, the Agency of the Republic of Slovenia for Commodity Reserves did not form any new provisions, it brought forward the provisions stated as at 31 December 2016 in the amount of 208,099 euros, and reversed the provisions booked for the damage claims for the corn silos located at the storage facility Perutninarstvo Pivka in the amount of 65,971 euros.

Table 20: The movement in long-term accrued expenses and deferred revenues (in EUR)

Long-term accrued expenses and deferred revenue	As at 31 December 2017	Changes in FY 2017	As at 31 December 2016
long-term accrued expenses and deferred revenue items for the stock of the medicinal products Tamiflu	0	- 916,063	916,063
long-term accrued expenses and deferred revenue items for the costs for storing and destroying the stock of the medicinal product Tamiflu	57,169	0	57,169
other long-term accrued and deferred items for the commodity reserve items	29,694	- 107,569	137,263
Total long-term accrued expenses and deferred revenue	86,863	- 1,023,632	1,110,495

During the year under review, the shelf life of the active ingredient of the Tamiflu antiviral medication expired for which the Agency for Commodity Reserves had provisioned for the Tamiflu stock to be replenished/rotated in the amount of 916,063 euros. The provision for the costs to be incurred in order to destroy Tamiflu in the amount of 57,169 euros was not reversed.

In the course of 2017, the Agency of the Republic of Slovenia for Commodity Reserves decreased the item 'long-term accrued expenses and deferred revenue' formed over the past years in the amounts shown below:

- the stock of live animals for meat held at the agricultural cooperative Zgornjesavinjska kmetijska zadruga Mozirje, Mozirje in the amount of 24,265 euros.

The following provisions formed in the previous years were reversed:

- the stock of corn stored in the storage facility of Univit, Žalec in the amount of 73,503 euros, and
- the stock of potassium iodide in the amount of 9,800 euros past its useful life (the Agency asked the Agency of the Republic of Slovenia for Medicines and Medical Devices (JAZMP) for an expert opinion regarding the quality of the potassium iodide held as strategic commodity reserves and has received the opinion saying that it was suitable for use at least until the end of 2017).

8.11 Non-current financial liabilities

Table 21: Non-current financial liabilities with respective maturity dates (in EUR)

Maturity date	
until 31 May 2019	9,000,000
until 01 July 2019	9,000,000
until 31 December 2020	16,692,570
Total	34,692,570

The larger portion of the loans denominated (in euros) have been taken with the variable three-month EURIBOR+margin in the range between 0.32 and 0.82%. All liabilities shall fall due within a three-year period. These loans are secured by the bills of exchange. The Agency of the Republic of Slovenia for Commodity Reserves is exposed to the risk of a change in three-month EURIBOR, which is not hedged.

The loans taken do not contain any covenants other than standard contractual provisions/covenants. All loan agreements contain a pre-payment clause.

8.12 Current liabilities

Table 22: Current liabilities (in EUR)

Type of liabilities	As at 31 December 2017	Structure as at 31 December 2017	As at 31 December 2016	Structure as at 31 December 2016
Current trade liabilities	5,526,969	46.59%	24,133,899	46.59%
Current liabilities for guarantees received	109,291	0.56%	288,357	0.56%
Current liabilities to the employees	117,127	0.23%	117,442	0.23%
Current liabilities to the Republic of Slovenia	37,436	0.93%	483,137	0.93%
Current liabilities for bank borrowings	42,795,998	51.53%	26,692,570	51.53%
Other current liabilities arising from financing	53,226	0.16%	83,191	0.16%
Total current liabilities from operations and financing	48,640,047	100.00%	51,798,596	100.00%

The bigger portion of the liabilities, which have not yet fallen due comprises the following items:

- accounts payable/liabilities to suppliers from Slovenia in the amount of 5,212,728 euros,

- accounts payable/liabilities to foreign suppliers in the amount of 314,241 euros,
- liabilities for advances received in the amount of 3,331 euros,
- liabilities for performance guarantees received in the amount of 105,960 euros,
- liabilities for calculated gross salary for December 2017 in the amount of 99,254 euros,
- liabilities for other benefits arising from employment relationship (travel to and from work, meals during working hours, jubilee bonuses and termination benefits/severance payments) in the amount of 12,628 euros,
- other liabilities vis-à-vis the employees for the payment of labour costs in the amount of 1,563 euros,
- liabilities for the calculated employer's contributions on the gross salary in December 2017 in the amount of 17,487 euros,
- liabilities for the calculated exit value-added tax (VAT) in the amount of 11,158 euros,
- liabilities for the calculated corporate income tax for the financial year 2017 in the amount of (45,826) euros,
- other liabilities vis-à-vis the Republic of Slovenia in the amount of 8,791 euros,
- liabilities for the repayment of long-term loans with maturity in the course of 2017 in the amount of 42,795,998 euros,
- liabilities for interest charged on long-term loans in the amount of 52,904 euros,
- liabilities for the calculated administrative wage garnishment to withhold a certain percentage of the gross salaries for December 2017 in the amount of 3,611 euros,
- liabilities for the calculated employer's contribution for supplementary pension insurance for December 2017 in the amount of 71 euros,
- liabilities for the received compensations paid out by the insurance company for the dead (fallen) animals in the amount of 322 euros.

Table 23: Current financial liabilities to banks with respective maturity dates (in EUR)

Current financial liabilities to banks for loans taken for	
Maturity/due date: until 03.01.2018	10,000,000
Maturity/due date: until 29.06.2018	12,968,941
Maturity/due date: until 31 December 2018	19,827,057
Total	42,795,998

The Agency's borrowings are denominated in euro (EUR) and calculated by applying a variable 3-month EURIBOR+margin that varies between 0.70 per cent and 1.45 per cent. These loans are secured by the bills of exchange. The Agency for Commodity Reserves is exposed to the risk of a change in three-month EURIBOR, which is not hedged.

The loans taken by the Agency do not contain any covenants other than standard contractual provisions. All loan contracts contain a pre-payment clause.

8.13 Accrued expenses and deferred revenue

Table 24: The movement in accrued expenses and deferred revenues (in EUR)

Type of accrued and deferred items	As at 31 December 2017	As at 31 December 2016
Short-term deferred revenues – advance payments of subscription fees	984	1,384
Short-term deferred revenues – advance payments of consideration for the purchase of real estate	5,158	0
Short-term deferred revenues – payment made from the budget item 1924	0	0
Other accrued expenses and deferred revenue	24,789	24,789
Total accrued expenses and deferred revenues	30,931	26,173

The item 'Other accrued expenses and deferred revenues' refer to the liabilities of the Agency of the Republic of Slovenia for Commodity Reserves vis-à-vis its employees as payment for the increased work load in the public sector in accordance with Article 3 of the Decree on laying down the conditions and the share of salary to be paid for the increased work load (*Uredba o določitvi pogojev in obsega dela plače za plačilo povečanega obsega dela v javnem sektorju*) (Official Gazette of the Republic of Slovenia, No. 121/06) that provides the legal basis to the Agency to allocate a portion of the salary generated by the savings made on the salaries and has been accumulated due to the absence from work due to sickness or a leave to take care of a child, that is, parent leave or due to unrealised replacement employments within the framework of the approved plan of the Agency to pay for the increased work load and the calculated funds for the performance of the employees.

8.14 Off-balance sheet items

Table 25: Off-balance sheet items (in EUR)

Off-balance-sheet items	As at 31 December 2017	Structure as at 31 December 2017	As at 31 December 2016	Structure as at 31 December 2016
Payment guarantees submitted to the Agency for Commodity Reserves as collateral	21,164,875	99.23%	32,432,144	98.49%
Payment guarantees issued by the Agency for Commodity Reserves as collateral	32,131	0.15%	32,131	0.10%

the goods of the contracting parties stored in the Agency's storage facilities	131,666	0.62%	463,583	1.41%
Total off-balance sheet items	21,328,672	100.00%	32,927,858	100.00%

The following off-balance-sheet items are carried in the books of account:

- the guarantees submitted to the Agency of the Republic of Slovenia for Commodity Reserves as collateral that any and all defects will be corrected during the warranty period, performance guarantees/bonds to ensure that all requirements will be performed, and insurance taken out for commodity reserves,
- the guarantees issued by the Agency for Commodity Reserves as collateral that its liabilities shall be duly settled, and
- the market value of the commodities/products of the contracting parties stored in the storage facilities operated by the Agency for Commodity Reserves.

9 NOTES TO THE FINANCIAL STATEMENTS – INCOME STATEMENT FOR THE PERIOD ENDED 31 December 2017

9.1 Net sales

Table 26: Net sales (in EUR)

Net sales	FY 2017	structure in FY 2017	FY 2016	structure in FY 2016
net sales of services	31,206,860	28.29%	31,608,994	31.91%
net rental income	1,068,252	0.97%	990,115	1.00%
net sales of material in the domestic market	0	0.00%	0	0.00%
net sales of goods in the domestic market	78,031,078	70.74%	62,511,708	63.11%
net sales of goods in the foreign market	0	0.00%	3,942,961	3.98%
Total net sales	110,306,190	100.00%	99,053,778	100.00%

Net sales of services in the domestic market consist of the following:

- income generated by the provision of storage services in the amount of 3,036,588 euros,
- the fees charged for the provision of the public economic service in the amount of 28,153,857 euros,
- income generated by taking into storage and dispatching the commodities/products, weighing the commodities/products, etc. in the amount of 16,415 euros, and
- rental income generated renting the temporarily unoccupied space/vacant capacities in the storage facilities in the amount of 1,068,752 euros.

Net revenues generated by the sales of commodities/products refer to the following:

- the revenues from the disposal of commodities/products due to the restructuring and replenishment of the stocks on the domestic market in the amount of 78,014,578 euros, and
- the revenues from the sale of commodities/products on the domestic market in the amount of 16,500 euros (death of animals and termination of contracts with animal breeders, sales of milk, bottled water, medicinal products, medicinal devices, equipment for personal and collective protection and gas oil).

9.2 Other operating revenues

Table 27: Other operating revenues (in EUR)

Other operating revenues	FY 2017	structure in FY 2017	FY 2016	structure in FY 2016
revenues generated under the contracts	7,177,055	95.19%	7,355,036	65.92%
- of which for the services under the Contract 190210-17-1-SG and the Contract 190210-16-1-SG	1,847,677	24.51%	1,677,318	15.03%
- of which for the activity under the Contract No. 192410-17-1-SG and the annex to the Contract No. 160267-17-1-SG	5,329,378	70.68%	5,677,718	50.89%
disposal of immoveable property and equipment	189,045	2.51%	624,104	5.60%
revenues arising from the reversal of long-term provisions	173,518	2.30%	3,177,627	28.48%
Total other operating revenues	7,539,618	100.00%	11,156,767	100.00%

Other operating revenues comprise the following items:

- funding for financing the activity carried out by the Agency for Commodity Reserves in FY 2017 in the amount of 1,847,677 euros,
- funding for financing the establishment, maintenance and deployment of the state strategic commodity reserves in the course of 2017 in the amount of 5,329,378 euros,
- net earnings generated by the disposal of the items of immoveable property (the sales price less the carrying amount of the immoveable property item) and namely by selling the following:
 - the floor-level storage facility in Maribor - 10,463 euros,
 - the co-owner share in the service station OMV Slovenija Nova vas na Blokah - 80,313 euros, and
 - the storage facility for grain stocks at Klasje, Celje - 122,422 euros,
 less net expenditure (the present value of the immoveable property was higher than its sales price) incurred when the cold storage of Celjske mesnine in Celje fetched the price in the amount of 24,153 euros.
- Income arising from the reversal of the long-term provisions as set out below:

- for the entry of the buildings of Perutnina Pivka, Pivka in to the Land Register in the amount of 65,970 euros,
- for the reversal of the long-term provisions formed for the reserve items of potassium iodide in the amount of 9,779 euros,
- for the shortage of the corn stock stored in the storage facility of Univit, Žalec v stečaju (in bankruptcy) in the amount of 73,504 euros, and
- the deficit in live animals for meat held at the agricultural cooperative in the Zgornje Savinjska Region – kmetijska zadruga Mozirje v stečaju (in bankruptcy) in the amount of 24,265 euros.

9.3 Financial revenues

Table 28: Financial revenues (in EUR)

Financial revenues	FY 2017	structure In FY 2017	FY 2016	structure in FY 2016
financial revenues arising from loans to others (deposits placed)	2,866	19.45%	7,376	31.19%
financial revenues from operating receivables	11,872	80.55%	16,273	68.81%
Total	14,738	100.00%	23,649	100.00%

Financial revenues generated from the loans given to others comprise interest earned on the deposits placed with the commercial banks in the amount of 2,966 euros.

Financial revenues from operating (trade) receivables in the amount of 11,872 euros represent income arising from the calculated late payment/default interest charged on the sales and purchase contracts in the amount of 2,986 euros, interest earned on the deposits repayable on demand (sight deposits) in the amount of 890 euros, the foreign exchange gains in the amount of 6,871 euros and the discounts received in the amount of 1,125 euros.

9.4 Other revenues

Table 29: Other revenues (in EUR)

Other revenues	FY 2017	structure in FY 2017	FY 2016	structure in FY 2016
Other revenues	362,263	100.00%	210,068	100.00%
Total	362,263	100.00%	210,068	100.00%

Other revenues arise from:

- the billing costs re-invoiced to the tenants of the storage facilities for water and electricity, and for insurance premiums in the amount of 25,969 euros,
- the payments received under the penalty clauses in the contracts in the amount of 4,071 euros,
- the payments received from the insurance companies for damage claims in the amount of 24,936 euros,
- the revenues from the claims paid within the framework of the legal action instigated against the pig farm Prašičereja Podgrad in the amount of 102,000 euros,
- the revenues arising from the collected claims written off in the previous years in the amount of 203,487 euros,
- the revenues arising from the written off liabilities in the amount of 323 euros,
- the earnings made on the sale of the pallets and medicinal devices obtained free-of-charge in the amount of 1,248 euros, and
- miscellaneous other revenues in the amount of 229 euros.

9.5 Costs by functional groups

Table 30: Costs by functional groups (in EUR)

Costs by functional groups	FY 2017	structure in FY 2017	FY 2016	structure in FY 2016
general administrative costs/expenses	24,649,865	25.53%	25,007,084	28.71%
production costs, that is, costs of goods sold	71,896,385	74.47%	62,097,018	71.29%
selling costs	0	0.00%	0	0.00%
Total costs by functional groups	96,546,250	100.00%	87,104,102	100.00%

The Agency of the Republic of Slovenia for Commodity Reserves presents under production costs the purchase price of the goods sold and the carrying amounts (net realisable value) of the items of immovable property and equipment, whereas all other costs/expenses incurred during the reporting period are stated under administrative costs/expenses (overhead).

The production costs incurred in the course of 2017 were higher year-on-year due to the higher volume of stock rotation.

During the year under review, the expenditures associated with the Agency's day-to-day operations were below the figure for 2016 thanks to lower costs of material, costs of services, and lower costs of other business expenditure.

9.6 Costs by primary group

Table 31: Costs of goods, material and services (in EUR)

Costs by primary group	FY 2017	structure In FY 2017	FY 2016	structure In FY 2016
costs of goods sold	71,896,385		62,097,018	
costs of material	384,408		422,894	
costs of services	18,499,675		18,876,083	
Total costs of goods, material and services	90,780,468	94.03%	81,395,995	93.45%
Labour costs	1,606,209	1.66%	1,407,610	1.62%
Write-downs	4,014,254	4.16%	4,071,682	4.67%
Other operating expenses	145,319	0.15%	228,815	0.26%
Total costs by primary group	96,546,250	100.00%	87,104,102	100.00%

The most significant cost items carried under the costs of material are as follows:

- Costs of material (office supplies, subscription fees, material for maintenance, service uniforms) in the amount of 90,092 euros,
- energy consumption (electrical energy, heating energy, fuel for company cars and working vehicles/machinery) in the amount of 106,762 euros,
- weight losses of goods and evaporation losses (ullage) of the stocked of petroleum products in the amount of 187,554 euros.

The most significant cost items carried under the costs/expenses of services are the following:

- storage and rotation/replenishment of stocks in the amount of 14,541,404 euros,
- delegating stocks (tickets) in the amount of 704,850 euros,
- maintenance of the quality of goods/stocks in the amount of 69,874 euros,
- transport of goods/products in the amount of 214,486 euros,
- inspections of the quality of reserve items/stocks in the amount of 280,265 euros,
- insurance taken out for reserve items and general liability insurance in the amount of 668,485 euros,
- insurance taken out for items of immoveable property and equipment in the amount of 120,225 euros,
- physical security of buildings and other facilities in the amount of 136,603 euros,
- provision of intellectual services in the amount of 102,244 euros,
- provision of other transport services in the amount of 1,127,432 euros,
- fees for obtaining the certificates ISO 9001 and ISO 14001 in the amount of 12,160 euros,
- fees in relation to attendance at Board meetings in the amount of 2,079 euros,
- maintenance of buildings and facilities in the amount of 205,090 euros,

- maintenance of machinery and equipment in the amount of 204,736 euros,
- bank interest and charges and fees and charges for the provision of payment services in the amount of 2,044 euros,
- advertising, promotion and corporate entertainment in the amount of 11,034 euros,
- costs/expenses in connection with the Agency's employees in the amount of 20,061 euros and
- other costs (cleaning, utility services) in the total amount of 76,602 euros.

The fees for audit services provided in the financial year 2017 and invoiced by the audit firm totalled 13,847 euros including value-added tax (11,350 euros net).

Table 32: Labour costs (in EUR)

Labour costs	FY 2017	structure in FY 2017	FY 2016	structure in FY 2016
Net salaries and personal income tax	937,105	58.34%	839,437	59.64%
Pension insurance costs	333,528	20.76%	267,231	18.98%
Other social insurance costs	167,501	10.43%	150,131	10.67%
Allowance for annual leave	44,767	2.79%	36,052	2.56%
Termination benefits, jubilee benefits, company assistance fund	16,784	1.05%	17,669	1.26%
Reimbursement of costs for meals and travel to and from work	106,524	6.63%	97,090	6.89%
Total labour costs	1,606,209	100.00%	1,407,610	100.00%

Labour costs posted for the financial year 2017 amounted to 1,606,209 euros. The number of employees at the end of the year was 60 and the average headcount during 2017 calculated on the basis of the actually worked hours (AWU) was 58.20.

Table 33: Write-downs (in EUR)

Write-downs (amortisation&depreciation)	FY 2017	structure in FY 2017	FY 2016	structure in FY 2016
Amortisation of intangible assets	59,917	1.49%	49,091	1.21%
Depreciation of real/immoveable property	2,206,703	54.97%	2,232,406	54.83%
Depreciation of plant and equipment	610,879	15.22%	466,942	11.47%
Operating expenses from revaluation of intangible assets, tangible assets/property, plant and equipment and investment properties	10,742	0.27%	425,665	10.45%

Operating expenses from revaluation of working capital – inventories of commodities	1,123,375	27.98%	861,129	21.15%
Operating expenses from revaluation of working capital – receivables	2,639	0.07%	36,450	0.99%
Total write downs	4,014,255	100.00%	4,071,683	100.00%

The item 'operating expenses from revaluation of fixed intangible assets, fixed tangible assets (property, plant and equipment) and investment properties refer to the expenditure for

- writing off assets on the basis of the stock-taking for FY 2017 in the amount of 10,742 euros.

The item 'operating expenses' from revaluation of working capital for the reserve items refers to the expenditure for:

- the revaluation of the stocks of medicinal products in the amount of 173,005 euros, sugar stocks in the amount of 246,406 euros, cheese stocks in the amount of 104,808 euros, liquid milk stocks in the amount of 27,246 euros, and rye stocks in the amount of 22,264 euros and wheat stocks in the amount of 6,996 euros,
- the ordinary write offs of equipment for personal and collective protection in the amount of 317,778 euros, of the mobile health unit in the amount of 86,048 euros, of the heaters/furnaces in the amount of 8,575 euros, of the potassium iodide reserve in the amount of 78,765 euros, of the medicinal devices reserve in the amount of 50,843 euros and of the stocks of matches and candles in the amount of 230 euros, and
- the reserve items written off on the basis of the stock-taking for FY 2017 in the amount of 411 euros.

The operating expenses from revaluation of working capital – receivables refer to the newly adjustments for doubtful and disputable receivables formed in the course of 2017 in the amount of 2,639 euros.

Table 34: Other operating expenses (in EUR)

Other operating expenses	FY 2017	structure 2017	FY 2016	structure 2016
Other expenses				
- rates for the use of land for development	135,155	54.35%	124,363	54.35%
- utility service rate/fees	0	41.39%	94,709	41.39%
- membership fees	2,882	1.16%	2,650	1.16%
- court and administrative fees	4,342	1.96%	4,485	1.96%
- fees for registration of land motor vehicles	2,340	0.88%	2,008	0.88%
- other costs/expenses	600	0.26%	600	0.26%
Total other operating expenses	145,319	100.00%	228,815	100.00%

9.7 Financial expenses

Table 35: Financial expenses (in EUR)

Financial expenses	FY 2017	Structure in FY 2017	FY 2016	structure in FY 2016
Financial expenses relating to bank borrowings	640,157	99.66%	1,091,451	98.69%
Financial expenses arising from other operating liabilities	11,801	0.34%	14,463	1.31%
Total financial expenses	651,958	100.00%	1,105,914	100.00%

The item 'financial expenses relating to bank borrowings' comprises accrued interest in the amount of 640,157 euros, financial expenses arising from other operating liabilities; foreign exchange losses for input value-added tax charged in Hungary in the amount of 2,185 euros, fees and commissions charged on bank borrowings totalling 9,580 euros, and the default interest charge in the amount of 36 euros.

9.8 Other expenses

Table 36: Other expenses (in EUR)

Other expenses	FY 2017	structure in FY 2017	FY 2016	structure in FY 2016
Other expenses	914	100.00%	491	100.00%
Total other expenses	914	100.00%	491	100.00%

The item that refers to other expenses comprises the following expenditure:

- the default interest paid to the Financial Administration of the Republic of Slovenia (FURS) in the amount of 846 euros,
- the penalty payments in the amount of 8 euros, and
- the negative euros translation differences (foreign exchange losses) in the amount of 60 euros.

9.9 Information regarding the special groups of employees

The gross amount of the remuneration paid out to the Director in 2017 totalled 52,769 euros, that is, 29,188 euros net. The members of the Administrative Board of the Agency of the Republic of Slovenia for Commodity Reserves received the gross amount of 2,079 euros in 2017 in relation to attendance at the Board meetings, that is, 1,382 euros net.

10 EVENTS AFTER THE BALANCE-SHEET DATE

No events occurred after the reporting date which could influence the economic decisions of users taken on the basis of the assets, liabilities and profit or loss for the period disclosed in the financial report.

11 INDEPENDENT AUDITOR'S REPORT TO THE GOVERNMENT OF THE REPUBLIC OF SLOVENIA AND TO THE ADMINISTRATIVE BOARD OF THE AGENCY OF THE REPUBLIC OF SLOVENIA FOR COMMODITY RESERVES



Independent Auditor's Report

To the Government of the Republic of Slovenia and to the Administrative Board of the Agency the Republic of Slovenia for Commodity Reserves

Opinion

We have audited the financial statements of the Agency the Republic of Slovenia for Commodity Reserves, which comprise the statement of balance sheet as at December 31 2017, the income statement, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information..

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency the Republic of Slovenia for Commodity Reserves as at December 31 2017, and of its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the both the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. Other information comprises the information included in the Annual Report other than financial statements and auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The knowledge and understanding of the Company we have obtained during the audit compel us to report whether this other information contains any material misstatements of fact.

Based on the procedures conducted and to the extent that we can assess, we report the following:

- The other information describing facts also presented in financial statements is in all material respects compliant with the financial statements.
- The other information has been prepared in accordance with the applicable legislation and regulations.
- On the basis of the procedures conducted related to the other information we have obtained, we have not detected any material misstatements of fact.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Slovene Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Realinea d.o.o.
Partizanska cesta 8, Grosuplje

REalinea
d.o.o. Grosuplje

Janez Smolič
certified auditor

Grosuplje, May 14 2018



12 THE DECISION ADOPTED BY THE GOVERNMENT OF THE REPUBLIC OF SLOVENIA ON THE APPROVAL OF THE ANNUAL REPORT OF THE AGENCY OF THE REPUBLIC OF SLOVENIA FOR COMMODITY RESERVES FOR THE FINANCIAL YEAR 2017

THE REPUBLIC OF SLOVENIA

THE GOVERNMENT OF THE REPUBLIC OF SLOVENIA

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<http://www.vlada.si/>

Number: 47603-14/2018/2

Date: 26 July 2018

Pursuant to the seventh indent of Article 4 of the Commodity Reserves Act (Official Gazette of the Republic of Slovenia, Nos. 96/2009 – official consolidated text and 83/2012) in connection with Article 66 of the Services of General Economic Interest Act (Official Gazette of the Republic of Slovenia, Nos. 32/93, 30/98 – ZZLPPO, 127/06 – ZJZP, 38/10 – ZUKN and 57/11 – ORZGJS40) and Article 230 of the Companies Act (Official Gazette of the Republic of Slovenia, Nos. 65/09 – official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 – odl. US 82/13 and 15/17) and Article 9i of the Public Finance Act (Official Gazette of the Republic of Slovenia, Nos. 11/11- official consolidated text, 14/13 – amended, 101/13, 55/15 – ZfisP, 96/15 – ZIPRS1617 and 13/18) the Government of the Republic of Slovenia adopted at its 185th ordinary session held on 26th July 2018 under point 3B the following

DECISION

1. The Government of the Republic of Slovenia has approved the Annual Report prepared by the Agency of the Republic of Slovenia for Commodity Reserves for the financial year 2017 examined by the Administrative Board of the Agency of the Republic of Slovenia for Commodity Reserves at its 37th ordinary meeting held on 7 June 2018.

2. The Government of the Republic of Slovenia has decided that the accumulated profit for distribution that amounts as at 31 December 2017 to 19,949,512 euros shall be allocated to other revenue reserves, of which 279,438 euros shall be allocated for the provision of the public economic service of establishing and using commodity reserves, 9,695,318 euros shall be allocated for the provision of the public economic service of establishing minimum stocks of crude oil and petroleum products to other revenue reserves of other commodity and 9,974,756 euros is the surplus of the institutional unit of the state sector in accordance with the Fiscal Rule Act calculated pursuant to the Public Finance Act.

Mag. Lilijana Kozlovič
Secretary General

Delivered to:

Agency of the Republic of Slovenia for Commodity Reserves

Copy to:

- Ministry of Economic Development and Technology
- Ministry of Finance
- Republic of Slovenia, Government Legislation Office
- Republic of Slovenia, Government Communication Office