

# H1 2018 results

## JUGOPETROL AD



**Podgorica, July 2018.**

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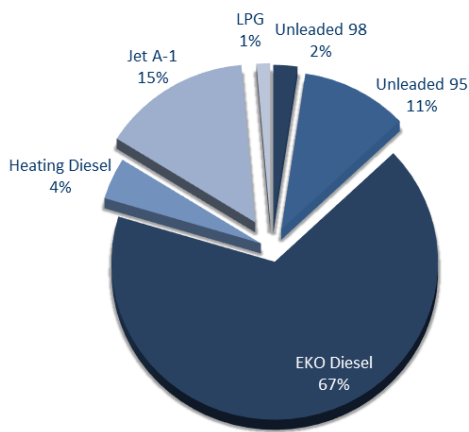


During the first half of 2018, Jugopetrol continued to realize its strategic vision of being the leading petroleum company in Montenegro, despite being faced with increasing competition and a flat fuel market in Montenegro.

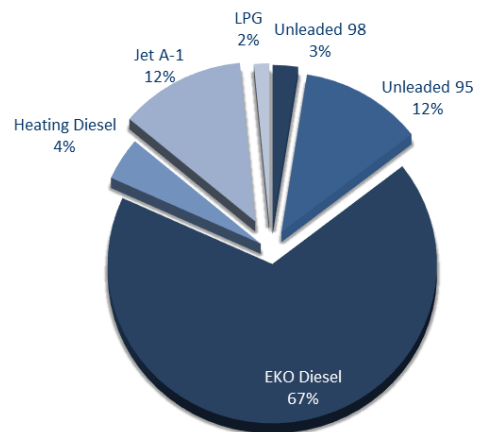
### Sales results

Total fuel sales in the first half of 2018 were in line with H1 of last year. Eko diesel continues to be the leading product with 67% of total fuel sales.

**Sales per product H1 2018**

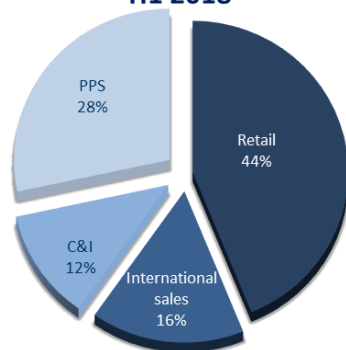


**Sales per product H1 2017**

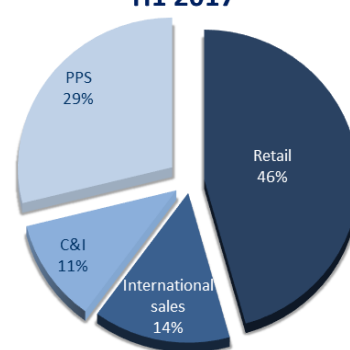


Even though total sales volumes remained flat, the distribution per channel of trade changed as following:

**Sales per distribution channel H1 2018**



**Sales per distribution channel H1 2017**





Retail H1 volumes were -4% lower than LY. Drop in Retail was strongly influenced by ongoing reconstructions as several petrol stations were temporarily closed. Retail volumes were further reduced because of increased competition.

These short-term drops in volumes due to petrol stations reconstruction closures were expected, as the company is determined to complete the project, which will significantly improve the appeal of its retail network and make the basis for future growth in sales.

International sales (Bunkering & Aviation) continued growth from the last year (+11%), fueled by higher number of flights in Montenegro and changes in buying patterns of key airliners. Sales to yachts and other vessels were lower than in H1 last year, but are subject to high seasonality. Sales in off-season are erratic and very difficult to predict. Intensification of sales is expected in the coming months, with July and August being the peak months. Jugopetrol continues to be in a position to benefit from the growth of tourism and higher number of flights expected in the future.

Commercial & Industry (C&I) H1 sales volumes were 7% higher than last year. Jugopetrol continues to be the first choice for fuel in the C&I segment with consistency and reliability of supply that characterizes the largest fuel company in the Montenegro market. Knowing the customer needs for many years, Jugopetrol can ensure excellent quality of products delivered, the speed of loading and technical excellence of the offered solutions.

Private petrol stations (PPS) sales decreased -1% compared to H1 2017, mostly because of intensified competition from other traders. Several of our customers are experiencing a significant drop in sales, especially in petrol stations near borders due to prices comparisons to neighboring countries.

## Financial results

Profitability	H1 2018	H1 2017	H1 2016	H1 2015
Net Profit Margin %	4,80%	4,45%	4,84%	2,34%
EBITDA Margin %	6,83%	6,72%	7,83%	4,93%
Gross Profit Margin %	16,23%	17,29%	21,10%	16,18%

Profitability has improved compared to H1 2017, despite flat volumes. Gross profit has increased by 6%, driven mostly by growth in Aviation segment. Overall, long-term trend is positive with profitability significantly better compared to the same period of 2015.

Operating expenses were slightly lower than in the first half of last year (-1%).



Liquidity has been at a very high level at the end of H1, with current ratio above 3. High values of liquidity ratios mean that the company has consistently been able to meet its short-term liabilities without any issues.

Jugopetrol has an extremely strong financial position emphasized by its low gearing ratio and the fact that it does not have any long-term debt.

### **Operational update**

Jugopetrol embarked upon a project that involves the reconstruction of the majority of its petrol stations in order to upgrade them and to ensure they meet the increasing compliance requirements. After reconstructing three stations in 2017, works continued in 2018, with reconstruction of four stations completed and another one ongoing.

Jugopetrol is the only petrol company in Montenegro that has a retail network covering the entire country. In order to keep its position as market leader and further improve its offering the company is planning moderate expansion of its network in the coming years. In this respect, a new petrol station in Lapcici started operations in June 2018, while another one is expected by the end of the year.

On June 1st, Jugopetrol launched the Economy fuel platform holding a press conference for the media and advertising the benefits of additivated fuels. At the same time, an advertising campaign started through various communication channels (TV, radio, internet).

At the end of first half of 2018, Jugopetrol had 105 employees, compared to 111 for the same period last year. Jugopetrol remains committed to the well-being and development of its employees and continues to invest in their education and training.

As well as in previous years, Jugopetrol is participating in the Government sponsored Internship program. A total of 12 trainees have been employed in 2018.

### **CSR update**

Recognizing importance of CSR, Jugopetrol has been making great strides in recent years to expand its connection with its stakeholders, both internal and external. It has become recognized in the eyes of the public by its willingness to give back to society and accommodate various stakeholders' needs.

Regarding its activities, the focus in 2018 will be on the road safety campaign, whose goal is to educate the public and raise awareness of the benefits of safe driving.

Continuing its practice from last year, Jugopetrol is supporting education of young people by granting scholarships for Master studies in Greece.



## Investor update

Jugopetrol's stock is one of the most traded stocks in Montenegro. During the first half of 2018 share price fluctuated in the range of 11-12€. The number of shares remained constant, while Earnings per share (EPS) increased compared to previous year because of higher profitability, mostly in Aviation segment.

