

Q1 2021 results

JUGOPETROL AD



Podgorica, May 2021



During first quarter of 2021, Jugopetrol AD continued realization of its strategic vision of being the leading petroleum company in Montenegro, despite challenges faced driven by corona virus pandemic.

Sales results

Total fuel sales in the Q1 of 2021 recorded a decrease of -14% compared to the same period last year as a result of the pandemic (COVID 19) impact during January and February of this year.

Sales underperformances recorded in almost all sales segments with the exception of Marine, which performed significantly better than in the same period last year. The worst result is recorded in aviation channel as a result of a bankruptcy of our major customer and still active travel restrictions.

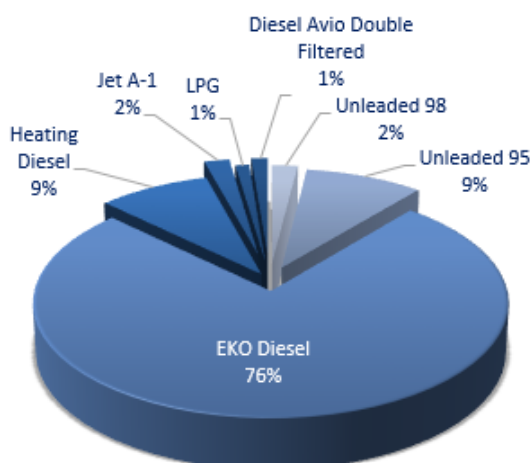
In relation to products, we introduced Diesel Avio Double Filtered fuel at EKO petrol stations starting from March 10th, following the decision of the Government to liberalize sales prices of premium products.

Diesel Avio Double Filtered fuel, with increased cetane number, ensures purity and exceptional engine performance of car. Diesel Avio Double Filtered is an ideal fuel for professional and heavy vehicles with diesel engines Euro 5 and Euro 6.

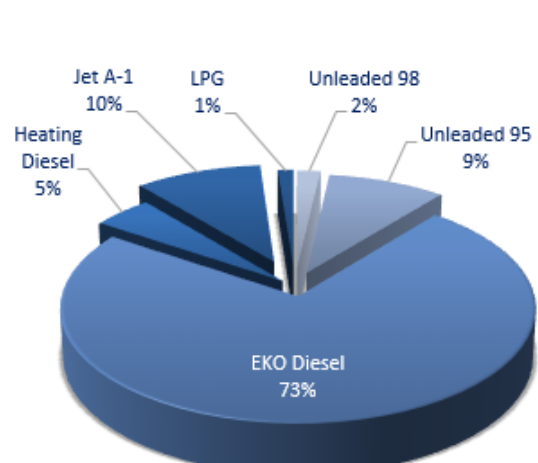
Technologically advanced euro diesel for car created by refining additives that improves engine performance and by applying the fuel filter technology used in the aircraft industry.

Eko diesel continues to be the best selling product, with 77% of total fuel sales (increase from 74% in 2020. is due to lower share of Jet this year, which suffered the most from travel restrictions).

Sales per product Q1 2021



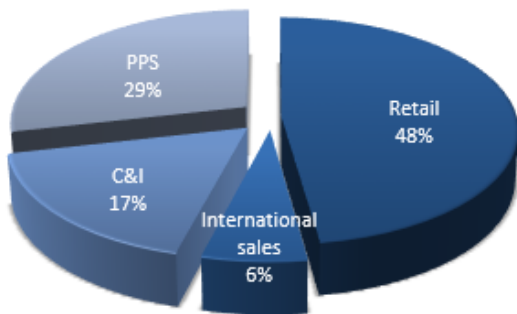
Sales per product Q1 2020



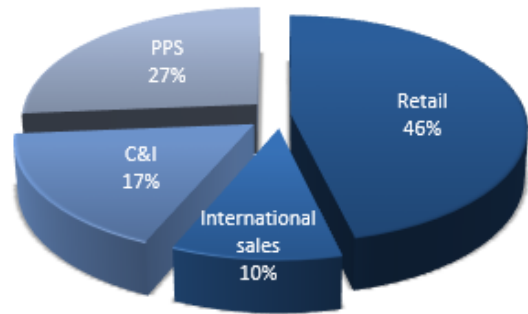


In addition to changes in total sales volumes, the distribution per channel of trade changed as following:

**Sales per distribution channel
Q1 2021**



**Sales per distribution channel
Q1 2020**



Retail Q1 volumes were by -12% lower than last year. Despite the negative impact of pandemic on retail performances, the Company is focused on completing the project of reconstruction of its retail network, which will significantly improve the appearance of stations and make the basis for future growth in sales.

Private petrol stations (PPS) Q1 sales volumes were by -7% lower compared to the same period last year. Like in most channels, this is a result of lower market consumption driven by COVID-19.

Commercial & Industry (C&I) sales volumes were by -14% lower than Q1 2020.

Aviation was hit the most by corona pandemic and in Q1 we sold -47% less than last year.

Sales to yachts and other vessels in the Q1 increased as compared to the same period last year, due to the fact that in the first two months of last year there were no sales in this distribution channel.

Financial results

Profitability	Q1 2021	Q1 2020	Q1 2019	Q1 2018
Net Profit Margin %	-1,1%	-0,3%	-3,9%	3,0%
EBITDA Margin %	3,0%	2,5%	-1,5%	5,2%
Gross Profit Margin %	18,1%	14,1%	9,0%	16,5%

Gross Profit Margin improved compared to Q1 2021. despite this year's profitability was adversely affected by pandemic outbreak, after which we lost -14% of our total volumes as compared to the same period last year.

Concerning expenses, Company's operating expenses in Q1 were lower compared to last year.



The cost of depreciation was higher compared to the same period last year, mainly due to investments in retail network.

The Company has a solid organizational structure basis to address any challenge, a solid balance sheet structure, and high liquidity, which create an additional shielding during this difficult and uncertain environment. Based on our analysis no material uncertainty exist to the Company's ability to continue as a going concern. Policy makers' actions and implementations at European and local level that will mitigate the impact of unprecedented crisis, during and after it, is extremely important.

Liquidity	Q1 2021	Q1 2020	Q1 2019	Q1 2018
Current ratio	4,09	4,29	3,12	5,19
Quick ratio	2,98	3,23	2,12	3,28
Cash ratio	1,83	2,12	1,06	1,58

Liquidity has continuously been at a high level. High values of liquidity ratios mean that the Company was always able to meet its short-term liabilities.

Jugopetrol AD has a remarkably strong financial position, emphasized by its low gearing ratio. The Company does not bear any debt, long or short term.

Operational update

Jugopetrol AD started the project of reconstruction or adaptation of most of its petrol stations in 2017, aiming to upgrade the network by the end of 2021. In previous period, up to the end of Q1 2021, reconstruction or adaptation works of a total of 25 petrol stations were completed and reconstruction of six petrol station is in progress.

In addition, construction of a new petrol station Podgorica 11 was completed and station started sales on March 27th.

Also, long term lease agreement is signed for a station in Tuzi. The construction of this station is planned to start in Q2, estimated start of sales is october 2021.

At Bar terminal, extensive preparation works for construction of the new truck bottom loading island are in progress, which will upgrade Bar terminal in accordance with latest technical, safety and environmental standards. The automatization level on terminal has been increased through installation of new motor valves that are remotely operated from the control room.

In Fuels transport unit, process of upgrading first three road tankers is in progress. The upgrade will improve functionality of the trucks and ensure compliance with truck bottom loading facility at Bar Terminal, and will continue with rest of the fleet by the end of the year.

In air services Tivat and Podgorica, regular maintenance activities are in place, adjusted to decreased volume of air traffic, due to virus pandemic.



Jugopetrol AD is the only oil trade company in Montenegro whose retail network covers the entire country. To retain its market leading position and further develop its services, the Company is planning to moderately expand its network in the coming years.

At the end of Q1 2021, Jugopetrol AD had 99 employees, which is by 2 employees more compared to the same period last year. Jugopetrol AD remains committed to the well-being and development of its employees and continues to invest in their education and training. As in the previous years, Jugopetrol AD is participating in the Government sponsored Internship program. Seven trainees were engaged during 2021.

CSR update

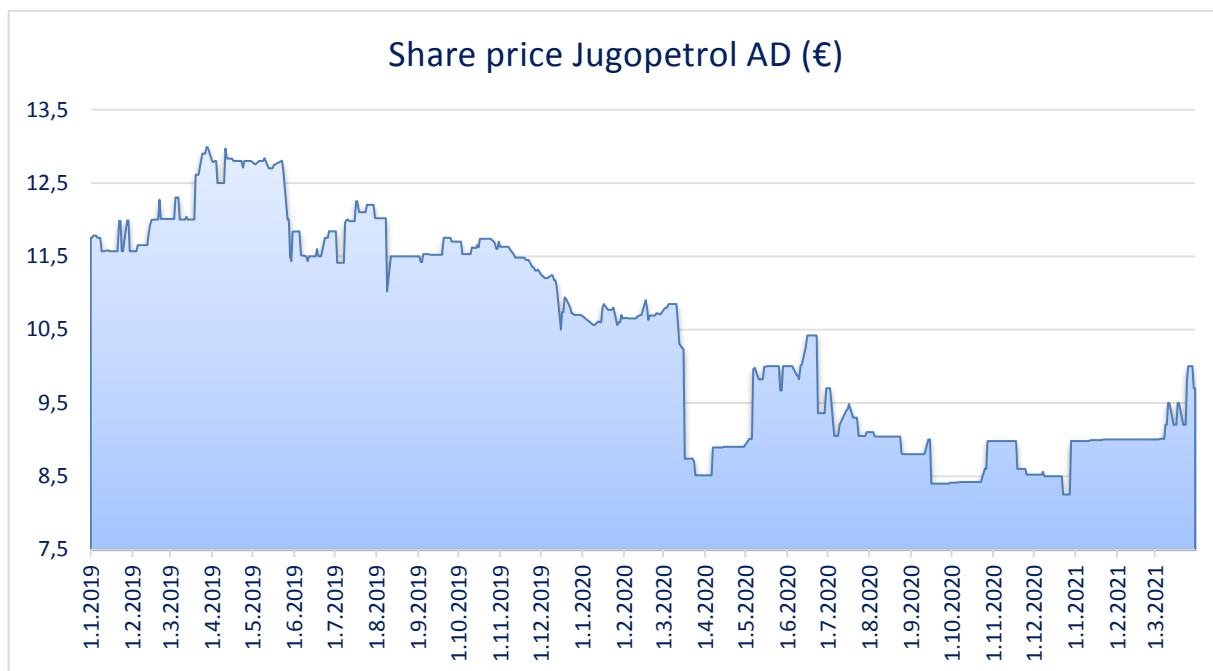
Corporate social responsibility alongside with the care for its employees is an integral part of the business of Jugopetrol AD that continuously strives to contribute to the development of the community in which it operates. The company continues to invest in recognizing its strategy as a socially responsible company towards its employees, all stakeholders, as well as the general public.

Planned activities for 2021 aim to contribute to the development of education, sports and culture. Bigger activities that are planned for 2021 are supports to primary schools in the country, children from the Children's Home "Mladost" Bijela, EKO Mini Volleyball and many other. Additional planned activities aim to support the health sector in the fight against the new corona virus.

Investor update

Jugopetrol's AD stock is one of the most traded stocks in Montenegro. As of Q1 2021 share price fluctuated in the range of 9-10€. The number of shares remained constant.

On AGM meeting held on March 30th, a Resolution on the second part of net profit appropriation for the year 2019 was passed. Pursuant to the Resolution, a gross amount of dividend which will be distributed to shareholders is €1.396.191,30. Gross dividend per share is €0,30. Net dividend per share is €0,273. The pay out commenced on April 16th.



RISK MANAGEMENT

Main risk factors and mitigating measures

The Company is exposed to a variety of macroeconomic (foreign exchange, oil price), financial (market risk, credit risk, liquidity risk), as well as operational risks. In line with international best practices and within the context of the local market and regulatory framework, the Company's overall risk management policies aim at reducing possible exposure to market volatility and / or mitigating its adverse effects on the financial position of the Company to the extent possible.

The Company's overall risk management program focuses on individual risk areas by addressing each class of risk individually. The main risks faced by the Company, as well as the corresponding mitigating measures are described below:

Main risks	Assesment/Mitigating measures
Macroeconomic environment	
Foreign exchange risk	<ul style="list-style-type: none"> - Functional currency of the Company is EUR and sales and purchases are denominated in EUR, Management assessed exposure to foreign currency fluctuations as immaterial. - Minor number of transactions in other currencies are converted into EUR on the transaction date.
Oil price	<ul style="list-style-type: none"> - The Company has exposure to the risk of commodity prices of oil. However, taken into consideration the fact that selling prices are set by the State Decree following market prices of oil, exposure to price risk is not material for the local market, although there is no 100% safeguard against the international fuel prices fluctuations.



Financial risks	
Market risk: - Cash flow and fair value interest rate risk	- The Company's exposure to market risk for changes in interest rates relates primarily to the Company's short-term deposits included within cash and cash equivalents. Given current market interest rates cash flow risk is assessed as not material.
Credit risk	- Differentiation of customers' mix - Faster collection of receivables (DSO reduction) - Review of customers' rating status and limits - Increased collateralisation.
Liquidity risk	- Maintaining sufficient cash - Improving rate of collection of receivables - Adjusting the amount of dividends paid to shareholders - Phase capex - Monitoring capital on the basis of the gearing ratio. In 2021. the Company did not use any borrowings from the banks.
Operational risk	
Safety & Environment	- Application of safety processes and regular inspection of all facilities. - Investments to improve levels of safety and environmental protection.
Compliance in terms of operational and product quality	- Implementation of necessary measures for full compliance with the existing specifications both on supply chain level and product quality. - Investments for adjustment of equipment configuration, in accordance with the local framework.
Property and liability risk	- Insurance coverage for a number of risks, including damage of physical assets, personal injuries, business interruption, product or other liability.

Overview of Internal Audit System and Risk Management

In the same context, the Company's Internal Audit System and Risk Management include safeguards and monitoring mechanisms at various levels within the organization, as described below:

Risk Identification, Assessment, Measurement and Management

The identification and assessment of risks takes place mainly during the strategic planning and the annual preparation of the business and audit plan. The benefits and opportunities are examined in the context of the company's activities, but also in relation to the several and different stakeholders who may be affected.

Planning and Monitoring/ Budget

Company's performance is monitored through a detailed budget per operating sector and market.



The budget shall be adjusted systematically and Management monitors the development of the Company's financial performance through regularly issued reports and budget comparisons with the actual results.

Adequacy of the Internal Control System

The Internal Control System consists of the policies, procedures and tasks which have been designed and implemented by the Management Team of the Company and Internal Audit Department for the purpose of the effective management of risks, the achievement of business objectives, the reliability of financial and administrative information and compliance with the laws and regulations.

The Independent Internal Audit Department, by means of periodic assessments, field and administrative audits, ensures that the identification procedures and risk management applied by Management are sufficient, that the Internal Control System operates effectively and that information provided to the BoD relative to the Internal Control System, is reliable and of good quality. In addition, the Internal Audit Department acts in line with the recommendations provided by the HP Group Internal Audit Department and is responsible for their implementation.

In the first quarter, the Internal Audit Department continued to fulfil the obligations in the field of the Annual Audit Plan i.e. the audit of processes and compliance with internal procedures at Bar Terminal and Air Fuel Depot Tivat, audit of deliveries and compliance with contractual obligations by LPG suppliers, audits of pre-invoicing processes, as well as audits of COMO contracts.

The Internal Audit Department also implemented follow-up audits of the NFR contracts, compliance with internal procedures regarding employee housing loans, as well as follow-up sales audits of aircraft bunkering processes.

In the first quarter of 2021, the Internal Audit Department conducted 19 field audits of petrol station operations, 17 audits of monitoring processes for the supply of petroleum products to petrol stations, as well as 16 field audits of petroleum product deliveries to commercial customers and a continuous reporting on possible discrepancies based on such monitoring.

In the first quarter of 2021, the Internal Audit Department continued to monitor fuel differences in each business segment, including retail operations, terminals and secondary transport, based on which it addressed exact recommendations in terms of improving internal controls, including in the first place establishing of a second level of monitoring, possible corrections of measuring devices and regular reporting by relevant departments.

Roles and responsibilities of the BoD

The role and responsibilities of the BoD are described in the Internal Procedures Manual of the Company, which is approved by the BoD.



Prevention and Suppression of financial fraud

The areas that are considered to be of high risk for financial fraud are monitored through appropriate internal controls and enhanced security measures. In addition to the internal controls applied by each department, all Company activities are subject to audits from the Internal Audit Department, the results of which are presented to the BoD.

Internal Operating Regulation

The Company has compiled relevant internal regulations approved by the BoD. Within the framework of the Regulations, powers and responsibilities are defined which promote the adequate segregation of duties within the Company.

The Company's Code of Conduct

The Company in the context of the fundamental obligation of good corporate governance, it has drafted and adopted the Code of Conduct, approved by the BoD of the company. The Code of Conduct summarizes the principles according to which any person, employee or third party involved in the operation of the Company, as well as collective body, should act within the framework of their duties. For this reason, the Code constitutes a practical guide of the day-to-day tasks of all employees of the Company, but also of third parties who cooperate with it.

Safeguards in Information Technology Systems

The Group's IT Department is responsible for developing the IT strategy and for staff training to cover any arising needs and the IT department is also responsible for the support of IT systems and applications through the drafting and updating of operation manuals, in cooperation with external consultant where this is necessary. The Company has developed a sufficient framework to monitor and control its IT systems, which is defined by a set of internal controls, policies and procedures.

Safeguards for Financial Statements and Financial Reporting

The Company applies common policies and monitoring procedures of accounting department which include, amongst others, definitions, accounting principles adopted by the Company, guidelines for the preparation of financial statements and consolidation. Furthermore, it also runs automatic checks and validations between different transactional and reporting systems. In cases of nonrecurring transactions special approval is required. In this regard, the Internal Audit Department performs additional sampling-based checks in the observed period. The Internal Audit Department monitors the compliance of the Accounting Policies Rulebook with the applicable provisions of the Law on Accounting and relevant international accounting standards.

Chart of Authorities

Existence of a chart of authorities, which depicts assigned authorities to various Company executives, in order to complete certain transactions or actions (e.g. payments, receipts, contracts, etc.).