

Press release  
Stockholm, 29 June 2020

## Zhoda Investments announces an operational update

**Ahead of today's Annual General Meeting, Zhoda Investments ("Zhoda") announces an operational update. Following the outbreak of Covid 19 earlier this year, Zhoda took swift measures to adapt the operations to the new market conditions. Lower oil prices and travel restrictions have affected sales and profits in both the oil and wine operations, but have also opened up new business opportunities.**

### **Wine operations**

Croatia is one of the countries within the EU with the lowest number of persons infected by the Corona virus. Since June citizens of all EU countries are free to enter Croatia. The restaurant and hotel sectors that were closed for a couple of months have now opened.

Zhoda's two wineries Testament Winery and Black Island Winery have continued to build their product portfolio and strengthen their brand. The first step in their sales strategies have been to focus on the local Croatian HORECA segment (hotel, restaurant, café). With increasing brand recognition, low logistics costs and no alcohol tax the home market continues to be the primary market. The company's wines are sold in over 200 Croatian restaurants, a couple of which are awarded with a star in the Michelin Guide.

Already in 2019 the company started to address the retail segment, that is supermarkets and wine boutiques. Sales in this segment has partly compensated for the Covid related decrease in HORECA. The company is happy to announce that over 100 stores in each of the nationwide retail chains Konzum and Tommy now carry the company's wines.

Export to other countries is a smaller but increasing share of sales. Establishing a network of importers is a long-term mission and it is therefore satisfying that the company has achieved exports to around 10 countries. In a separate press release published today, the company announced that it has won a tender at the Swedish state alcohol retail monopoly Systembolaget that will enable the company to sell a babic grape wine at 115 stores throughout Sweden starting December this year. Prior to this, the wines were only included in the online ordering segment. The presence on the shelf will significantly increase sales in Sweden.

The company has doubled the sales of bottles during each of the past two years. Sales during the first six months of this year amount to 21,000 bottles, which can be compared to sales of 45,000 bottles for the 12 months of 2019. Despite considerably poorer market conditions, the company has during the first six months managed to reach almost half of the volumes for the whole year 2019.

The vineyard is developing well and the company's winemakers are looking forward to the harvest later this summer.

### **Oil operations**

The world market oil price has been volatile in 2020. The average Brent price during the first six months of the year amounted to 42 dollars per barrel, compared to 66 dollars per barrel in the prior year. It is satisfying the following the lowest point at 18 dollars per barrel the price has rebounded and at least temporarily stabilized at around 40 dollars per barrel, a price level at which the company can produce oil with profitability. It is important to note that the operator's largest cost item is the variable

production tax that is directly related to the oil price, which softens the negative effect of the drop in revenue at lower oil prices.

Production during the first five months has been stable during the year and amounted to 203 barrels per day compared to 238 barrels during the same period last year. It is the company's long-term objective to increase production, but during the past few months the operator has focused on day-to-day repair works and not performed more complex workovers that will increase production in the longer term.

The operator has during the year sold oil either at the state auctions or directly to a refinery. The spread of the Corona virus has been relatively low in Ukraine, but there have still been considerable effects on the economy. Less developed market economies are often hit harder, partly due to a lack of liquid funds. To minimize credit risks, the operator sells and delivers oil only on prepayment. Due to the lack of liquidity in the market, the company has therefore built up inventory that is larger compared to last year. The company does not foresee any risks in selling the oil in the long-term.

### **New investments**

Zhoda is evaluating new investment opportunities. The new market conditions affect most nations, industries and companies negatively, but they also open up opportunities for companies that stay strong.

*For more information, please contact:*

Robert Karlsson, CEO Zhoda Investments AB  
+46 709 565 141, robert.karlsson@zhodainvestments.com  
www.zhodainvestments.com

### **About Zhoda Investments**

Zhoda Investments invests in selected unlisted European ventures and drives growth and profitability through active ownership and an entrepreneurial approach. Zhoda owns Testament Winery, an organic winery in Dalmatia with a 47-hectare state of the art vineyard mainly producing red wine from the local Babic grape. Zhoda is also the owner of Black Island Winery, a winery on the Dalmatian island of Korcula that produces white premium wines from the indigenous Posip grape under the brand Merga Victa. The group also holds a 45 per cent interest in the Lelyaki oil field in Ukraine with 2P proven and probable oil reserves of 8 million barrels net to the company. Zhoda Investments is actively pursuing new investments. For more information, visit [www.zhodainvestments.com](http://www.zhodainvestments.com).

*This is an English translation of the Swedish original. In case of discrepancies, the Swedish original shall prevail.*