HIP-Petrohemija – Company Profile

HIP-Petrohemija a.d. Pancevo
Pancevo, The Republic of Serbia
January 2022

On the Main Roads

- The petrochemical complex HIP-Petrohemija (Pancevo) is located in the middle of the Southeast Europe region, on the crossroads of roads and waterways.
- The shortest ways for transport to the whole Europe - the Danube river and Corridor 10 enable efficient supply and dispatch of goods.
- Serbia and neighboring countries have a great economic potential especially in fields with growing polymer consumption.

Location of the Petrochemical Complex of Pancevo

ELEMIR (near Zrenjanin)

- FSK – Synthetic Rubber Plant
  - Butadiene
  - Emulsion Styrene Butadiene Rubber (E-SBR)
  - MTBE

PANCEVO – main location

- ETHYLENE Plant
- HDPE - High Density Polyethylene Plant
- LDPE - Low Density Polyethylene Plant
- FOV - Waste Water Treatment Plant
- UTILITY PLANT - Energy Fluids Production and Distribution
- PETROPLAST - PE Pipes & Fittings Production Plant

CREPAJA (near Pancevo)

- PANONIJAPLAST – Compound Production Plant

VODICE – Zlatibor

- Recreation Center "Lovac"

History

1975 – 1977

Petrochemical complex was established in 1975, and began to operate in 1977. It was designed to supply markets of the former Yugoslav and other European countries and to use benefits of its proximity to the Refinery Pancevo.

1992 – 1996

The UN economic sanctions (1992-1996) interrupted production and delivery of olefines and polymers. The production fully re-started in 1996.

1999

The NATO bombardment concequences (March/June 1999): the chlorine line partly destroyed, the total complex capacity decreased for 40%. The production re-started again in the September 1999, but in deteriorated conditions due to the disrupted production and technological integrity.

2017

Financial restructuring of the Company was completed in agreement with creditors at the end of October 2017, resulting in new ownership structure.
In 2017, conceptual phase was completed for a new unit for propylene purification and polypropylene production of nameplate capacity 160 kta (TDF-50%/+20%), the value of which amounts to EUR 170 million

2018 – 2020

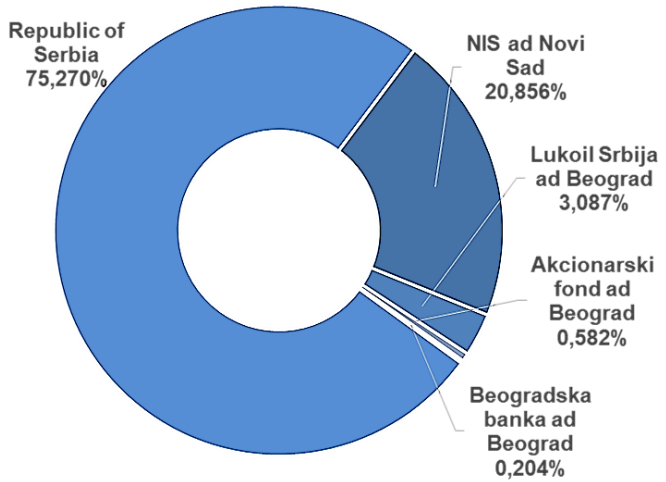
Positive financial results enabled capital investments in projects for operational effectiveness and energy efficiency improvement.

2021

Privatization process - Strategic Partnership Agreement signed between Serbian Government, NIS, and HIP-Petrohemija

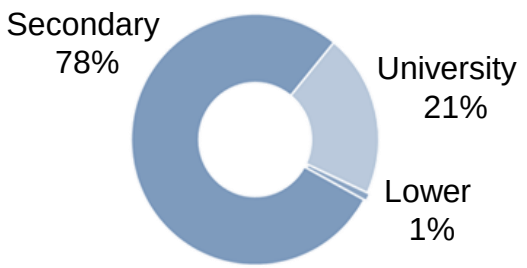
Ownership and Employee Structure

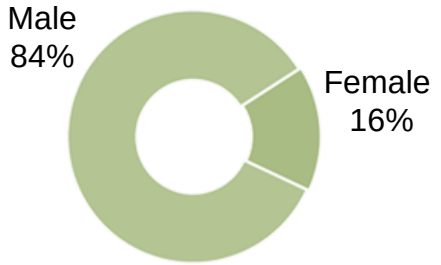
- Since the end of April 2021 there has been 5 shareholders
- The major shareholders are the Republic of Serbia (75%), then oil companies NIS a.d. Novi Sad (21%) and Lukoil Srbija a.d. Beograd (3%). The other two shareholders own less than 1% of the shares.



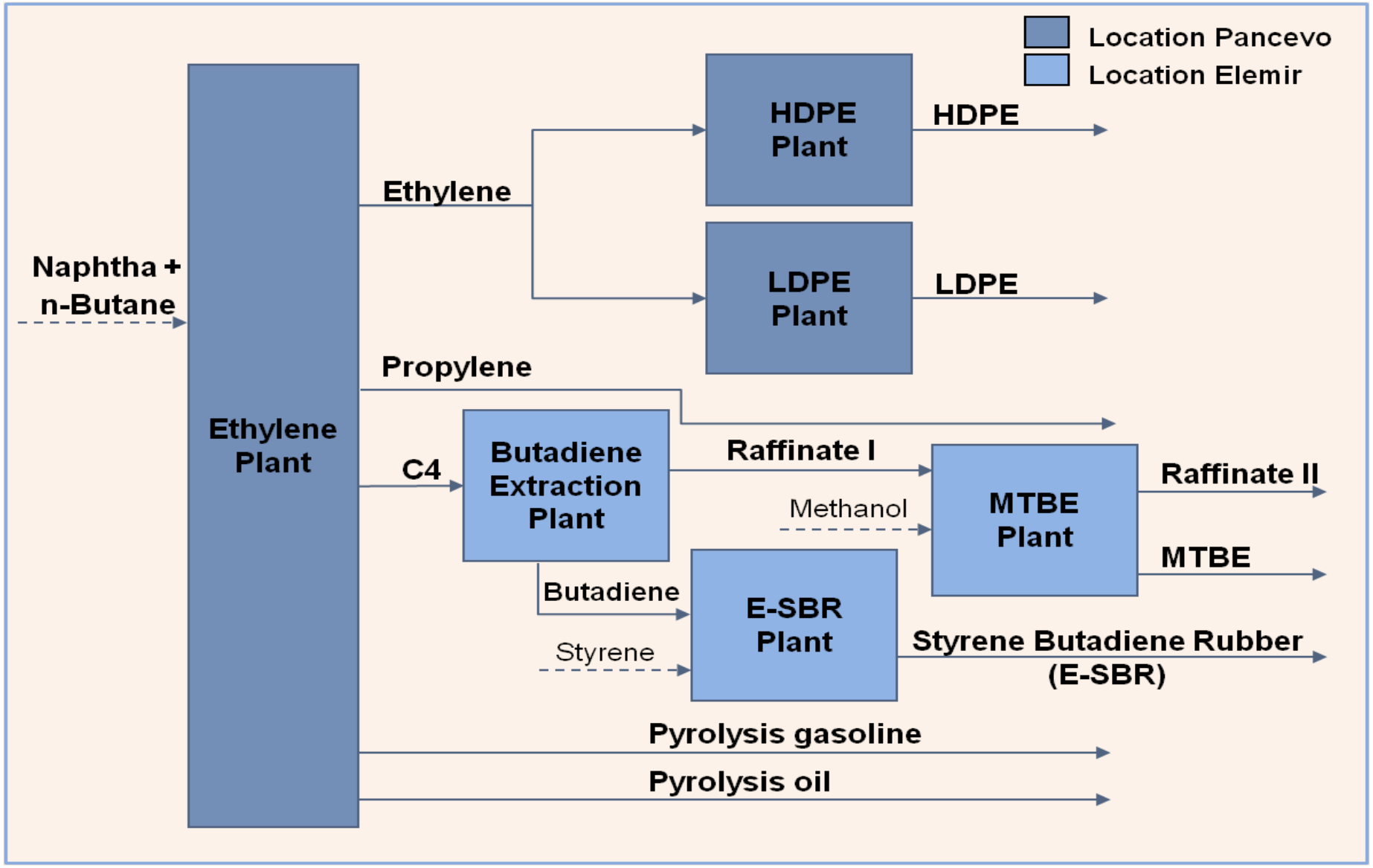
At the end of December 2021 the number of employees is 1175

Employee structure – education and gender





Production Lines



HIPTEN®, HIPLEX®, HIPREN® - Products Usage

HIPTEN®
Low Density Polyethylene (LDPE)

- shopping and household bags
- milk and water packaging foils
- industrial bags and shrink foils
- agricultural foils
- insulation of electric conductors
- cardboard lining

HIPLEX®
High Density Polyethylene (HDPE)

- bottles for food, pharmaceutical and chemical products
- packaging films and foils
- shopping and household bags
- pipes
- barrels, tanks, boxes, carriers
- toys and consumer goods

HIPREN®
Emulsion Styrene Butadiene Rubber

- vehicle tires
- technical rubber products (conveyer and transmission belts, tubes and hoses, seals, technical parts for various industries)
- flooring and door mats, rubber footware and soles
- cable insulation
- adhesives, toys

Integrated Management System

STANDARDS			
ISO 9001:2015 ✓	ISO 14001:2015 ✓	ISO 45001:2018 ✓	ISO 50001:2018 ✓

REACH REGISTRATION						
Ethylene ✓	Propylene ✓	C4-Fraction ✓	1,3-Butadiene ✓	MTBE ✓	Pyrolysis Gasoline ✓	Raffinate 1 ✓

POLYMERS – CONTACT WITH FOOD - STATEMENT OF CONFORMITY (EU) ✓

LABORATORY ACCREDITATION - ISO/IEC 17025:2017 ✓

PRODUCTS QUALITY -
PRIME QUALITY
> 98% ✓

AWARDS

НАЈБОЉЕ ИЗ СРБИЈЕ
BEST OF SERBIA

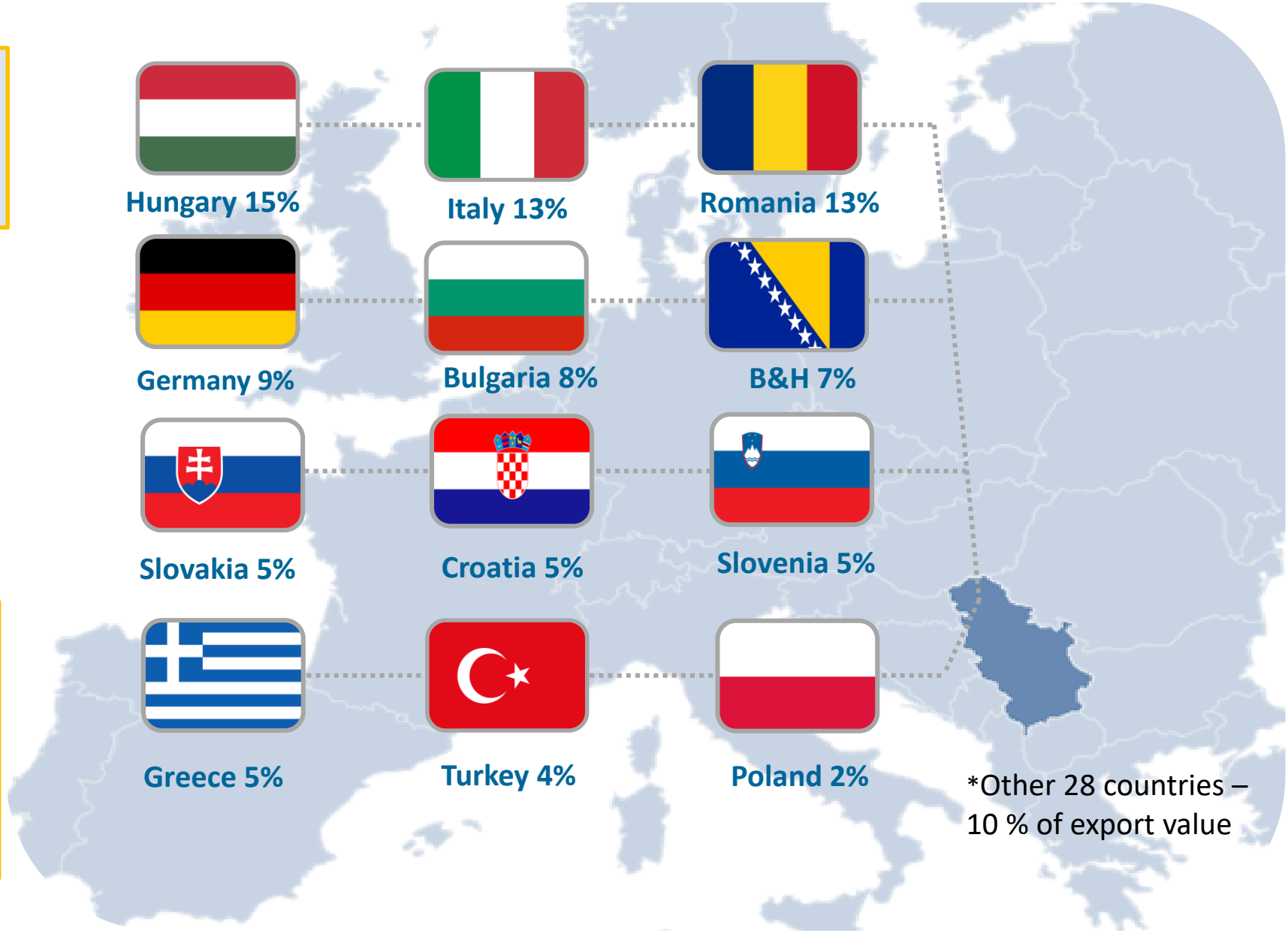
AWARDED
CORPORATE Superbrands
2012 - 2013
Serbia's Choice

Main Export Destinations 2021

COUNTRIES
40

EURO MILLION
231

Always among the
TOP-15
Serbian exporters

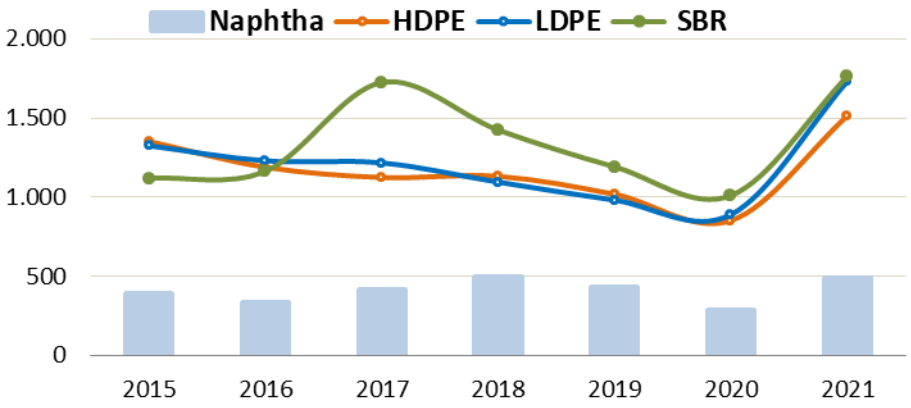


*Other 28 countries – 10 % of export value

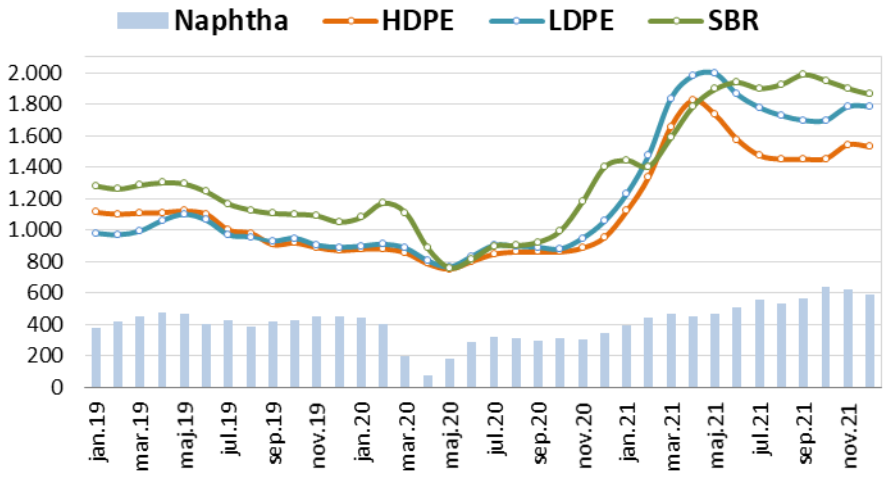
Business Performances

- Business indicators are the results of the company's operational efficiency, amid the constant changes in global market, geopolitical and social conditions.
- Good business results were achieved during a period 2015-2018, despite gradually worsening market environment, especially in the second half of 2018
- In 2019, continual upstream instability with global demand stagnation and drop in polymer prices had negative business impact
- In the first half of 2020, the development of the pandemic COVID-19 further intensified upstream instability and demand/product prices downtrend
- At the end of 2020 and in 2021, the partial pandemic mitigation and the gradual global economic recovery contributed to better business environment and results, but with rising raw materials and energy prices

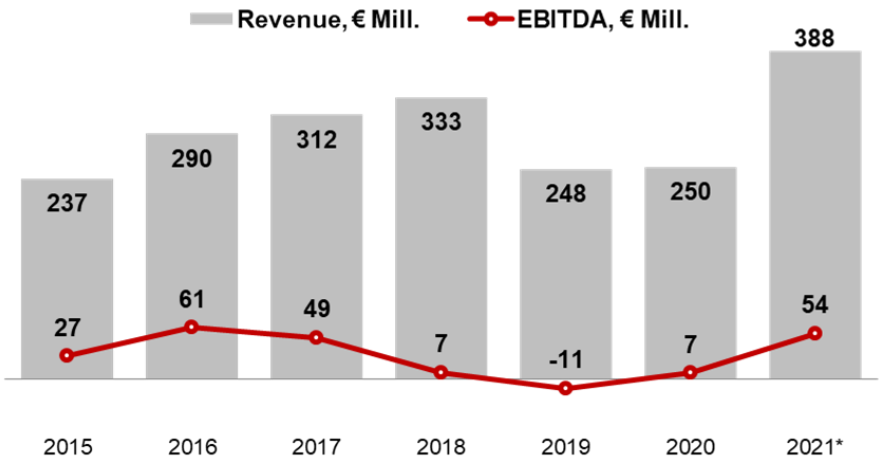
ANNUAL UPSTREAM and POLYMERS PRICES (EUR/t)



MONTHLY UPSTREAM and POLYMERS PRICES (EUR/t)



REVENUE and EBITDA, EUR million



*preliminary results

IMPROVEMENTS and INVESTMENT

- Plants turnarounds were performed in March-April 2021
- During the overhaul, investments related to operational and energy efficiency improvements were realized
- Plants turnarounds and investmens have been completely financed from own funds

Investments in Maintenance, Modernization and Development

HIP-Petrohemija is continually dedicated to

- **Production capacity increase and their intensive use**
- **Replacement of older production equipment with modern, more efficient equipment and devices**
- **Efficient use of energy**
- **Providing necessary conditions and equipment for environmental protection and people's health**
- **Improvement of working conditions and occupational safety**

Over the 2015-2021 period more than EUR 89 million of own resources was spent for capacity increase, improvement of operational/energy efficiency, and steady and safe operation of the equipment

The most important capital projects were completed in the following plants:

Ethylene Plant - ***Operational and energy efficiency improvement*** - Gasoline tank reconstruction, Propylene tank insulation restoration, Compressors retrofit, Reinstrumentation Phase 1, Reinstrumentation Phase 2 (project preparation)
HDPE Plant - ***Capacity increase*** - New extrusion and packaging trains, New catalyst activator
LDPE Plant - ***Operational efficiency improvement*** - Overhaul of hyper compressor and equipment, Extruder overhaul, New shrink packaging machine
SBR Plant - ***Operational efficiency improvement*** - New air purification unit, Use of gaseous hydrocarbons
Utility Plant - ***Energy efficiency improvement*** - Cooling towers reconstruction
Power Supply – ***Operational and energy efficiency improvement*** - SCADA/DCS/ Energy managment in electric energy system

Investments in capital projects and investment maintenance (1) , operational maintenance (2) and turnarounds (3) over the 2015-2021 period (EUR mill.):

	2015	2016	2017	2018	2019	2020	2021	2015-2021
Investments (1)	**3.716**	**2.337**	**11.907**	**9.489**	**12,097**	**5.397**	**3.994**	**48.935**
Operational maintenance (2)	3.377	3.771	4.469	4.773	5.222	4.947	4.495	31.053
Turnaround (3)	1.074			2.242	2.878		2.902	9.096
Maintenance (2 +3)	**4.451**	**3.771**	**4.469**	**7.014**	**8.099**	**4.947**	**7.397**	**40.149**
Total (1+2+3)	**8.167**	**6.108**	**16.376**	**16.503**	**20.196**	**10.343**	**11.391**	**89.084**

Strategic devolepment project

Planned are

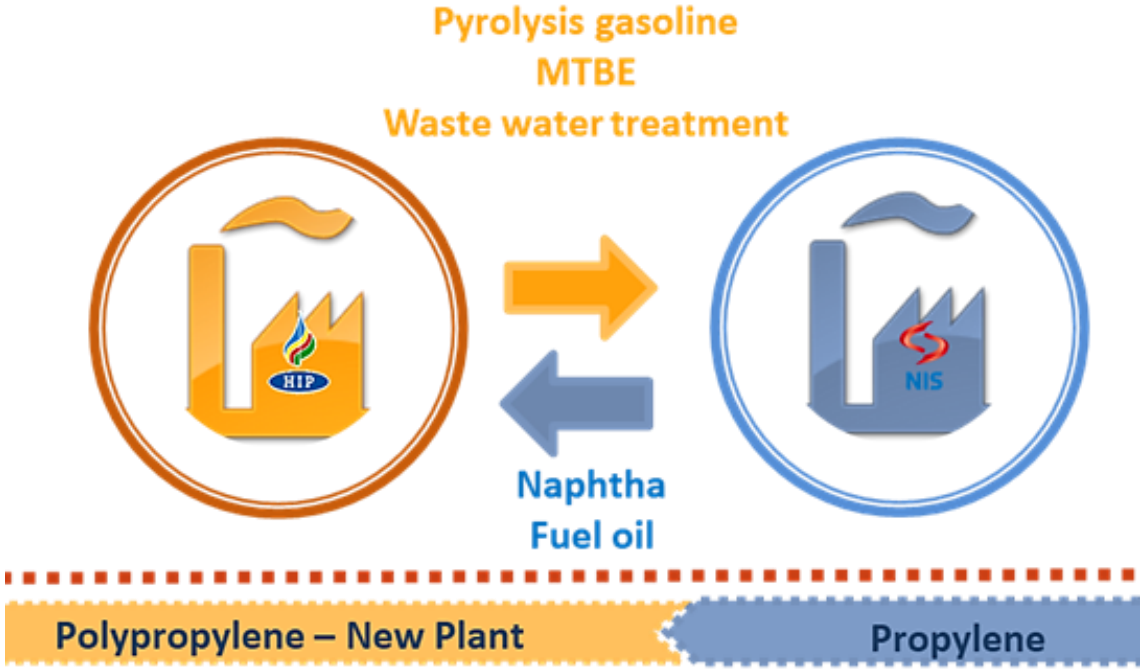
- **New propylene purification unit**
- **Polypropylene production plant of 160 kta, TDF - 50%/+20%**

The Government of the Republic of Serbia and HIPP - Privatization

- In September 2021, the Ministry of Economy of the Republic of Serbia announced the public invitation for electing the strategic investor for HIP-Petrohemija
- In December 2021, Strategic Partnership Agreement signed between Serbian Government, NIS a.d. and HIP-Petrohemija
- The elected investor NIS a.d. should inject EUR 150 million in new PP production units, thus acquiring a stake of up to 90% in the company's capital

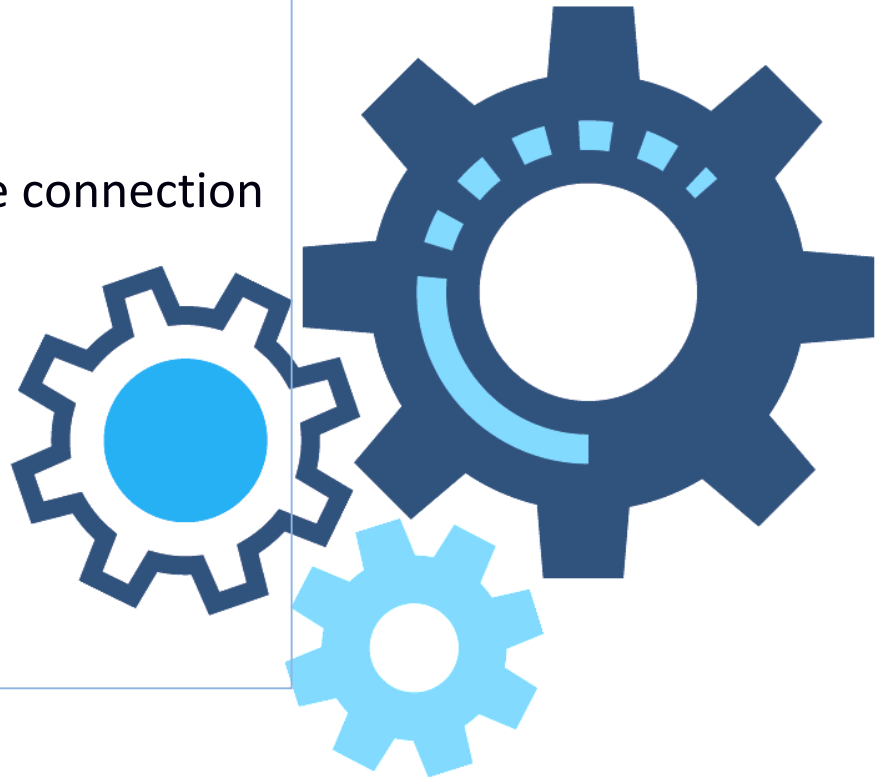
The goal of privatization is providing a long-term sustainability in operation

NIS a.d. is the owner of the Pančevo Oil Refinery, which is located in close proximity of HIP-Petrohemija and the two companies are functionally connected



Instead of Conclusion - Advantages of Cooperation and Investments in HIP-Petrohemija

- Excellent position in a growing SEE region and proximity to EU markets
- Well established position on domestic and foreign markets
- Integrated process from raw material (ethylene) to plastics compounding
- Excellent polymer plants capacity utilisation
- High quality products
- Continual improvement of processes and products
- Benefit of the proximity to NIS Oil Refinery Pancevo, pipeline connection and product /service exchange
- Developed infrastructure and existing utilities supply
- Educated, experienced staff
- Lower tax rates for investors in Serbia
- Improved regional political stability
- Access to European Union



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