

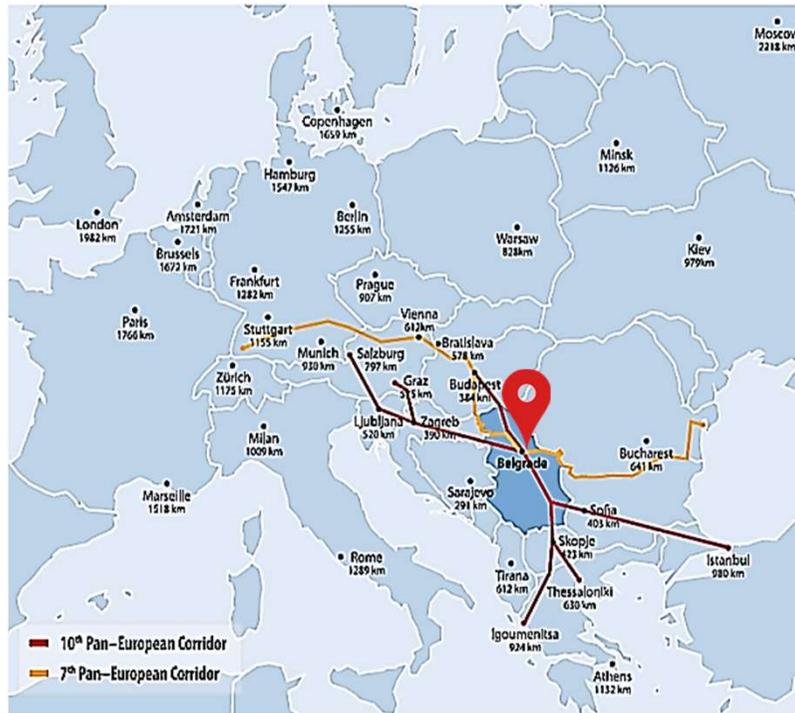
HIP-Petrohemija – Company Profile



HIP-Petrohemija d.o.o. Pančevo
Pancevo, The Republic of Serbia
February 2024

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 Complex

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)

- ▶ PANONIJA PLAST – Compound Production Plant

VODICE – Zlatibor

- ▶ Recreation Center "Lovac"



History

Ownership and Employee Structure

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 consequences (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.

2018 2020

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

2021

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

2022

Company's legal form change from joint stock to limited liability company.

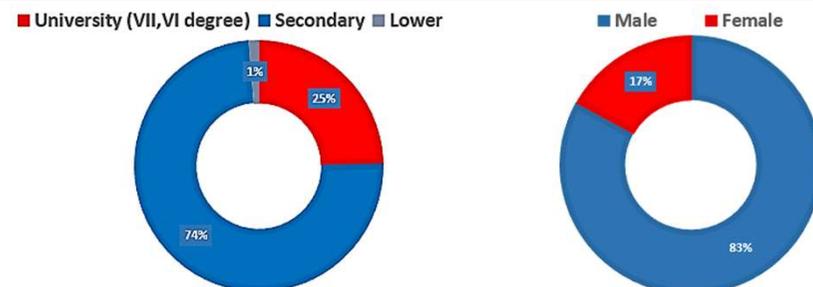
2023

Based on the Strategic Partnership Agreement, the ownership structure was changed. Members of the Company are the company NIS a.d. Novi Sad with 90.00% and the Republic of Serbia with 10.00% ownership.

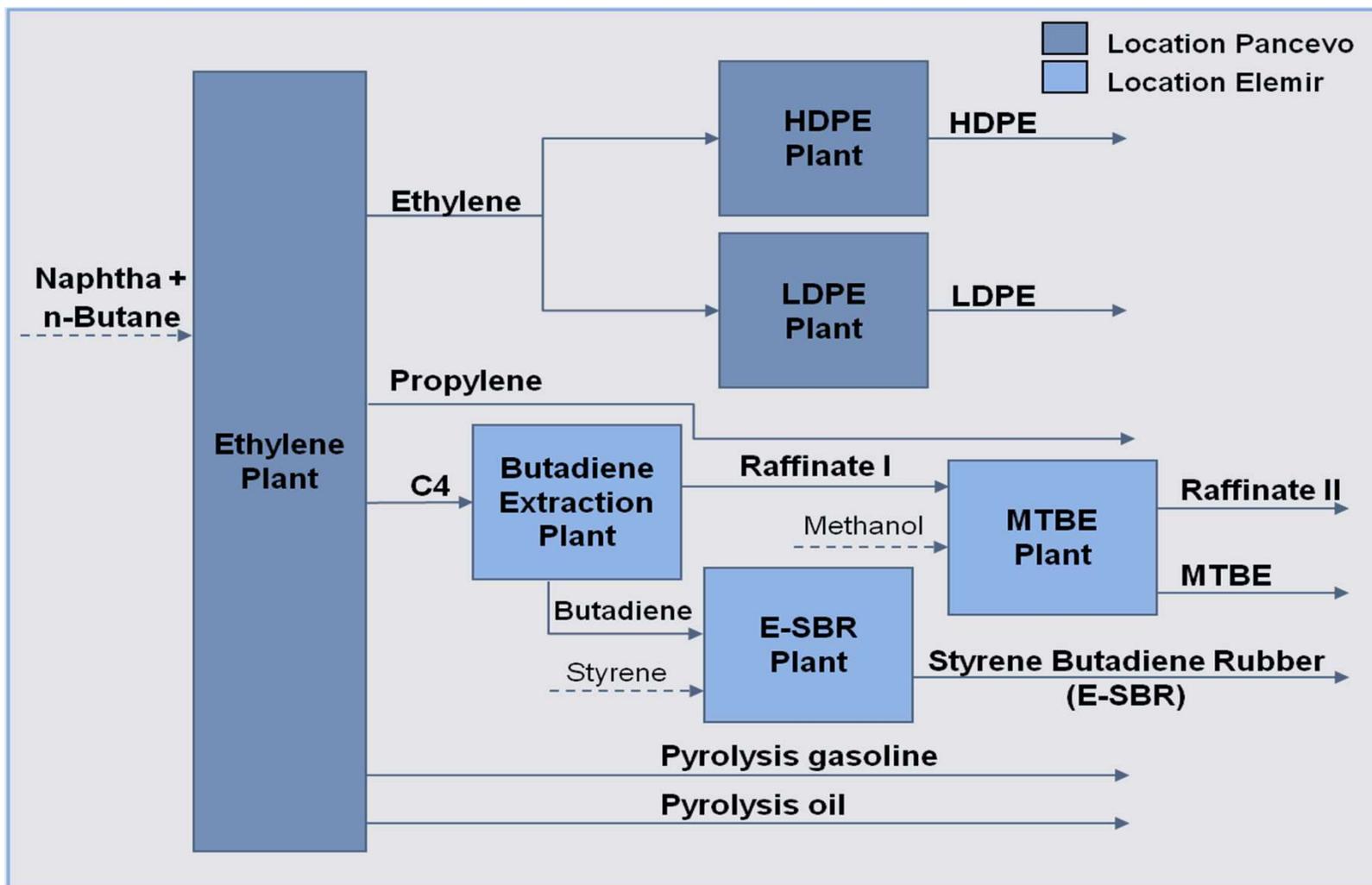


As of December 31, 2023 the number of employees is 1,243

Employee structure - education and gender



Production Lines



HIPTEN[®], HIPLEX[®], HIPREN[®] - Products Usage

HIPTEN[®] Low Density Polyethylene (LDPE)

- shopping and household bags
- food packaging films, 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 footwear 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**

> 99%  

AWARDS



Main Export Destinations 2023

COUNTRIES
28

First 10 countries
80 %
of export

Always among the
TOP-15
Serbian exporters

5% Germany



11% Hungary



5% Slovenia



5% Romania



7% France



9% Italy



9% Croatia



9% B&H



12% Bulgaria



7% Turkey



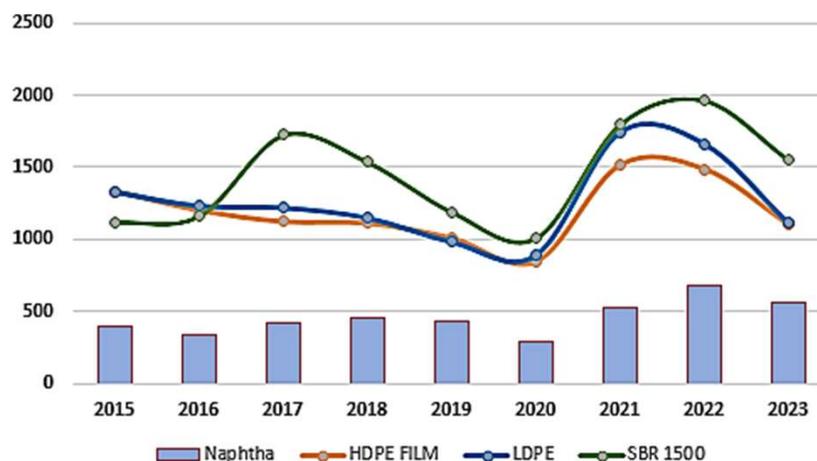
Percentages refer to the value (€)

7

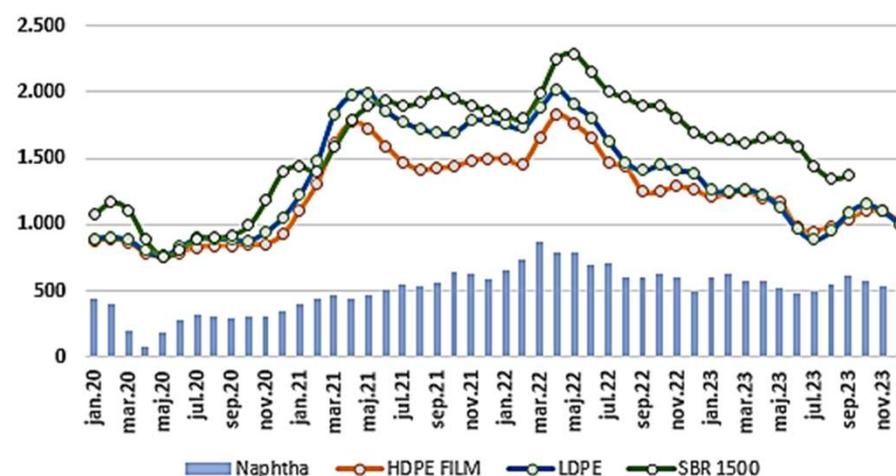
Business environment

- Recent years have seen turbulent 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 arising logistical problems/supply chain disruption and surging raw materials/energy prices
- In **2022**, the Ukraine conflict caused the enormous global instability and brought to the distinct jumps in energy and raw materials prices, along with the inflation growth and prolonged weakening of the economy/demand/prices, especially in the second half of the year.
- During **2023**, the world's geopolitical situation becomes more challenging (Israel-Hamas conflict, Houthi in Yemen continued to disrupt Red Sea shipping). Extremely high energy prices and inflation are calming down. Economic instability, the decline in demand and the price of petrochemical products still continue.

EUROPEAN ANNUAL UPSTREAM and POLYMERS PRICES (EUR/t)



EUROPEAN MONTHLY UPSTREAM and POLYMERS PRICES (EUR/t)



Investments in Maintenance, Modernization and Development

In 2023, priority was given to the projects, major overhaul and investments in fixed assets:

1. Continuation of activities related to the investment project of polypropylene production plant erection, in cooperation with the strategic partner.
2. Major overhaul of Petrohemija's plants which took place from 15.09.2023 to 30.10.2023.

During the planned major overhaul outage in 2023:

- ninety percent (90%) of the project Ethylene Plant Reinstrumentation – Phase II was completed and put into operation in accordance with the plans and contract, including: equipment in the field, DCS package and ESD package,
- planned activities for the project - Integrated System of Explosive Gas Detection, Fire Alarm, and Video Surveillance, which required the plants shutdown, were completed
- major overhaul of the Ethylene Plant compressor R1-T steam turbine was completed
- major overhaul of the LDPE Plant C-201 compressor was completed
- new packaging line including a bagging machine and palletizer was completed within the LDPE Plant

In 2023, the Group for Development and OMS was formed within the Department for Petrohemija Development. The Group's activities are directed towards the methodological support for realization of initiatives and projects which should be of help in achieving the targets set by the Company, primarily in the following fields:

1. Operational and energy efficiency increase,
2. Market position and business improvement,
3. Safety improvement and risk exposure reduction,
4. Employees commitment increase,
5. Providing conditions for creating a culture change and sustainable development of the Company.

The methodological support of OMS (Operations Management System) was to the greatest extent provided to the Ethylene Plant, through the following:

1. Application of Asset Management and Lean Six Sigma methodology tools,
2. Implementation of the world's best practice by introduction of up-to-date technologies and procedures,
3. Conduction of the project risks analysis
4. Solving problems and collecting ideas for improvements from employees at all levels
5. Creation of KPI and calculation of improvement potentials

The Ethylene Plant achieved a status of etalon facility (an example of using the best OMS practice)

FUTURE DEVELOPMENT PLAN

The planned investments in fixed assets

In the upcoming 2024, the priority will be given to the following projects and investments in fixed assets:

1. Continuation of the activities on the project of polypropylene production plant erection, and also to the following:
 1. Completion of the project "Ethylene Plant Reinstrumentation - Phase II" and implementation of the APC software package
 2. Completion of the project "Integrated System of Explosive Gas Detection, Fire Alarm, and Video Surveillance"
 3. Continuation of the activities on the project "Reconstruction of the Underground Hydrant Installation" at the location Spoljnostarčevačka 82, Pančevo

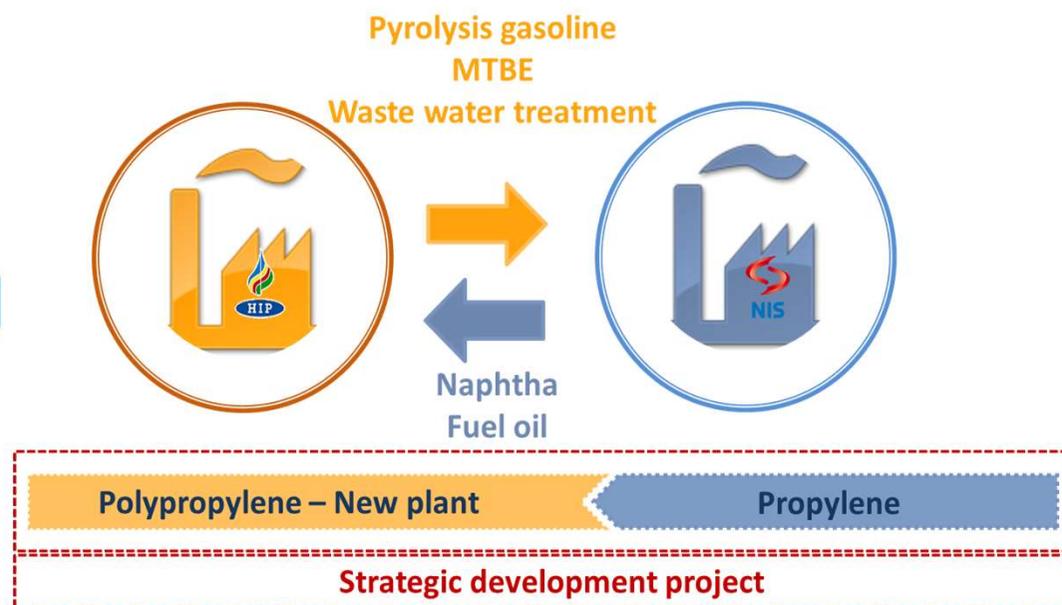
The OMS goal for 2024 includes a continuation of the culture change in the Company.

The methodological support will be provided first of all to the LDPE and HDPE plants, since it is planned to have them achieved the status of etalon facilities.

The Government of the Republic of Serbia and HIP-Petrohemija

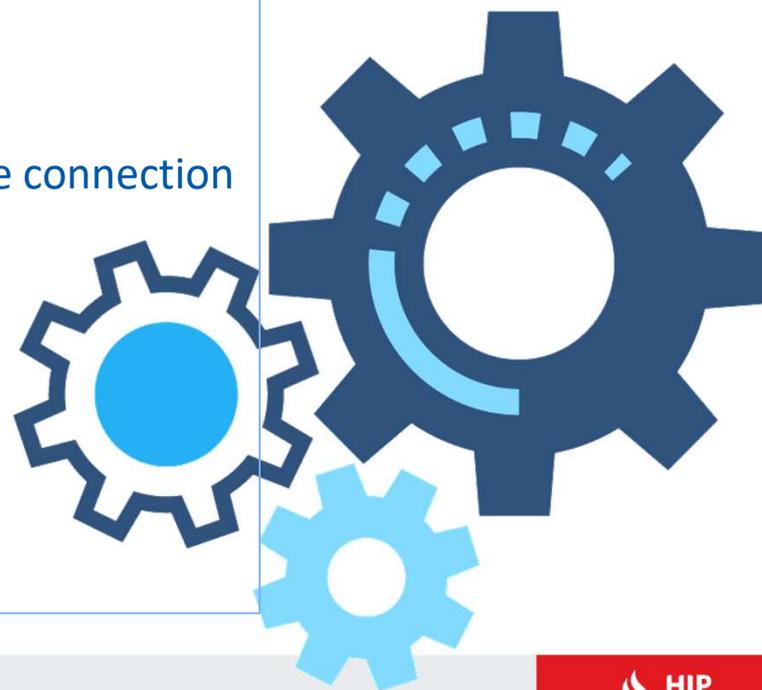
The goal of the Republic of Serbia, the majority owner of HIP-Petrohemija, is the long-term sustainability in operation

- In December 2021, Strategic Partnership Agreement signed between Serbian Government, NIS a.d. Novi Sad and HIP-Petrohemija
- NIS a.d. Novi Sad is the owner of the Pančevo Oil Refinery, which is located in close proximity of HIP-Petrohemija and the two companies are functionally connected
- In June 2023, NIS a.d. became a partner with a 90.00% ownership share, in addition to the Republic of Serbia with a 10.00% share.



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



Contact



HIP-Petrohemija d.o.o. Pancevo

Spoljnostarcevacka 82

26000 Pancevo

The Republic of Serbia



www.hip-petrohemija.com



+ 381 13 307 000



posta@hip-petrohemija.rs