



AOS Holding AG

Majority stake acquisition of oil refining and marketing assets in Bosnia and Herzegovina (Southeastern Europe)

Investor presentation

I. Executive Summary and Assets Overview



Executive summary

Opportunity to acquire diversified and integrated assets boasting leading market positions in Bosnia and Herzegovina. The reason for sale is the wish of majority owner to concentrate on upstream and midstream sector.

Offer
<ul style="list-style-type: none"> ▪ Brod Refinery JSC (oil refining, production of petroleum products with product capacity of 3 mil. tons p.a.) – 79.99% stake. ▪ Modriča Motor Oil Plant JSC (production of oils, paraffins, and lubricants with capacity 72 thousand tons) – 75.65% stake. ▪ Nestro Petrol JSC (retail sale of finished goods through 94 fuel stations) – 80% stake. ▪ Optima Group LLC (trading house and managing company, purchase of crude oil and oil products for motor oil production, wholesale and retail of finished goods in the domestic and export markets) – 100% stake.

Market
<p>Core Market:</p> <ul style="list-style-type: none"> ▪ Bosnia and Herzegovina (location of production sites, fuel stations). <p>Potential Expansion of fuel stations network:</p> <ul style="list-style-type: none"> ▪ Croatia; ▪ Serbia; ▪ Montenegro. <p>Finished goods are being sold to:</p> <ul style="list-style-type: none"> ▪ Slovenia; ▪ Croatia; ▪ Serbia; ▪ Montenegro; ▪ North Macedonia.

Competitors
<ul style="list-style-type: none"> ▪ Brod Refinery and Modriča Motor Oil Plant have no competitors in Bosnia and Herzegovina as they are the only oil-refinery complex / motor oil and lubricant production plant in this country. ▪ Nestro Petrol is the largest fuel stations network in Republika Srpska entity of Bosnia and Herzegovina. ▪ Optima Group's is one of the largest oil product suppliers in Bosnia and Herzegovina. Other major suppliers include: <ul style="list-style-type: none"> • INA (Croatia); • Petrol BH (Bosnia); • NIS (Serbia).

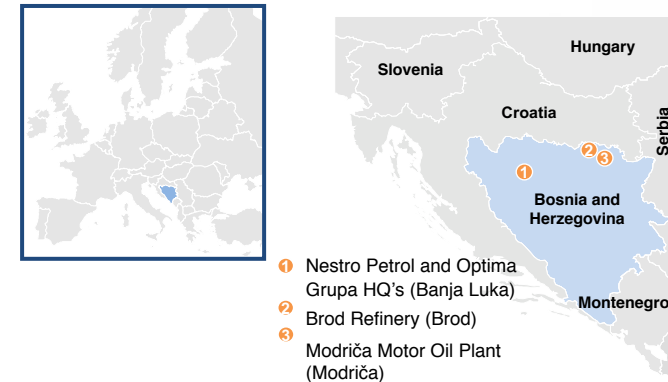
Investment
<p>Lump sum of XXX m EUR in exchange of mentioned before stakes. All assets are bsold debtless.</p> <p>Next steps:</p> <ul style="list-style-type: none"> ▪ Sales of existing assets; ▪ Creation of the SPV for share purchase; ▪ Negotiations with the minority shareholders (all of them are unconsolidated); ▪ Getting approval from Antimonopoly committee in Sarajevo (Our company is obliged to provide support).

Brief Assets Overview

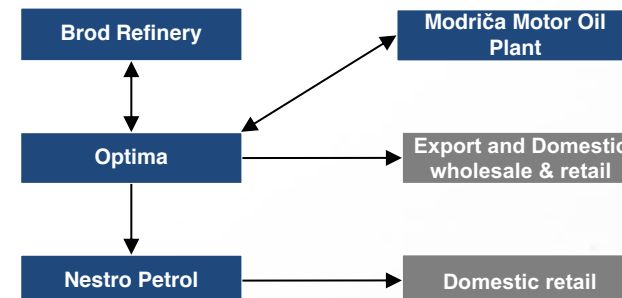
Diversified oil refining and marketing companies located in Bosnia and Herzegovina work as a single complex. Strategic location just near river, railway, motorway and border crossing points provides additional room for expansion. Attractive corporate taxes (10%) and low workforce costs compared to EU states.

- Optima Group LLC** is a managing company liable for crude oil, feedstock, chemical agents and additives provision for Brod Refinery and Modriča Motor Oil Plant and wholesale / retail sales of finished goods produced by Brod Refinery and Modriča Motor Oil Plant.
- Brod Refinery JSC** was commissioned in 1968 and is the only company in Bosnia and Herzegovina for petroleum processing and production of petroleum products. It undergone the large-scale modernization in 2008. This oil refinery processes EURO 5 standard petroleum products. Brod Refinery processes crude oil under allocation agreement, receiving remuneration for the refined quantities, and supplies oil products back to Optima Group. It supplies refined oil products to Optima (incl. feedstock for base oil production) while Optima partially supplies them to the Modriča motor oil plant under tolling agreement.
- Modriča Motor Oil Plant JSC** was commissioned in 1954 (undergone large-scale modernization in 2009) and is the only plant in Bosnia and Herzegovina for production of oils and wax products. It processes crude oil and produces base oils and paraffin under tolling agreement. Base oils and paraffin are supplied to Optima Group for further sale while motor oils are supplied to Optima Group for sale at both domestic and export markets.
- Nestro Petrol** currently controls 94 fuel stations with plans to expand in Croatia, Serbia and Montenegro. Each of the stations has cafes and shopping facilities. It carries out retail sales of oil products purchased from Optima Group.

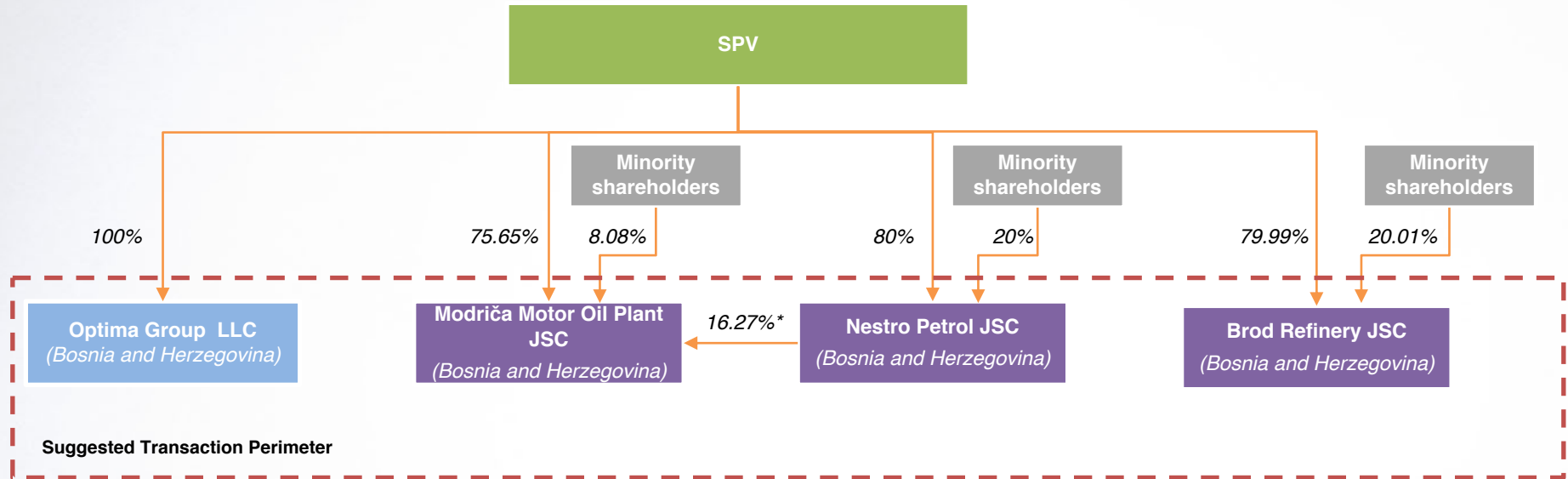
Location of assets:



Commodity flow between the companies:



Organizational Chart



* Nestro Petrol JSC finalized the acquisition of Modriča Motor Oil Plant JSC in January 2013 through the payment for deposited shares after offer of acquisition to minority shareholders in 2012. In January 2013 Nestro Petrol JSC owned 33,115,993 shares of Modriča Motor Oil Plant JSC, so the share of Nestro Petrol JSC in Modriča Motor Oil Plant JSC increased **up to 16.27%**. The deposited shares are transferred in accordance with agreement on deposited shares distribution signed on 29.08.2012 in Banja Luka between an offerer (Nestro Petrol JSC) and a former majority holder.

Transportation of Crude Oil to the Refinery

Most of crude oil come to the Refinery through JANAF pipeline, which is connected to the Croatian port of Omišalj. It is safely located apart from strong winds and can handle largest modern vessels.



Description:

- The **Omišalj Terminal** is located on the northern side of the island of Krk (Croatia) and serves for receipt, storage and delivery of crude oil and petroleum products to the users of **JANAF pipeline connected with Brod Refinery**.
- The area of the Omišalj Terminal comprises of two berths intended for receiving and discharging the tankers carrying crude oil or petroleum products, with related equipment. Each berth is equipped with 4x16" unloading arms for crude oil and 2x12" unloading arms for petroleum products.
- Terminal is sheltered from the outbursts of strong winds with the sea depth of approx. 30 m. Thus, the tanker port is safe for accommodating the vessels 24 hours a day all year round. **The port has a necessary area to accommodate and serve the largest tankers (VLCCs/ULCCs) with up to 500 000 deadweight tonnage.**
- Storage tank farm for **crude oil** consists of **17 tanks with total capacity of 1 400 000 m³**.
- Storage tank farm for **petroleum products** consists of **six storage tanks with total capacity of 80 000 m³**.
- Road loading facility for petroleum products, with the possibility of simultaneously loading four road tanks, equipped with vapour recovery unit and a possibility of adding additives and biofuels.

II. Brod Refinery JSC



Brod Refinery JSC – Production Site

Key asset in the group, the only oil refinery located in Bosnia and Herzegovina with the annual refining capacity of 3m tons.



Location:

- City of Brod in northern part of Bosnia and Herzegovina (Republika Srpska entity) on the banks of Sava River (one of the major rivers in ex-Yugoslavia flowing into Danube with further connections to Black Sea, Rhein-Main-Danube and Amsterdam-Rhein canals) near with the Bosnian-Croatian border with city of Slavonski Brod being on the opposite bank of the river.
- Access to the European Route E70 via Slavonski Brod (10 km).
- 2h 20 min drive from the Belgrade Nikola Tesla Airport (204 km).

Refinery site includes technological plants of old and new production lines, power-generating units, tank park, wastewater treatment plants, laboratory, tank car loading gantry and river barge terminal. **Refinery's storage facilities volume of crude oil is 100 thousand tons and 120 thousand tons for oil products.**



Brod Refinery JSC – History (1)

Originally built in 1968, Brod Refinery planned to undergo the major modernization in early 1990's. This was interrupted by Bosnian War 1992-95 which led to severe damage of the refinery complex.

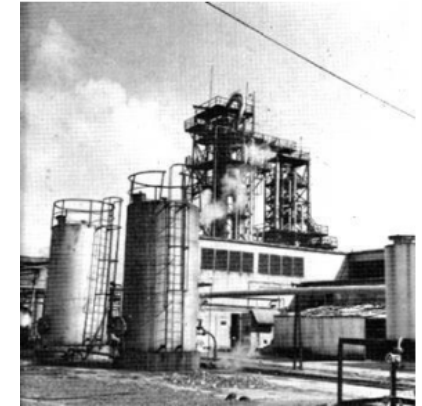
Initial production train installed in 1968 (designed by SNAM PROGETTI) included:

- **Atmospheric distillation unit (1200 thousand t/year);**
- Vacuum distillation unit (600 thousand t/year);
- Catalytic reforming unit (290 thousand t/year);
- Hydrocracker unit (ISOMAX) in combination with hydrogen generation unit (350 thousand t/year);
- Gas and gasoline treatment units.

New production train designed by TECHNIP was commissioned in 1990:

- **Atmospheric and vacuum distillation unit (3000 thousand t/year);**
- Naphta hydrotreater unit (750 thousand t/year);
- Catalytic reforming unit (530 thousand t/year);
- Kerosene hydro treater (100 thousand t/year);
- Diesel hydrotreater (480 thousand t/year);
- Gas treatment and free sulfur recovery unit (50 thousand t/year);
- Solvent deasphalter (200 thousand t/year);
- Bitumen production unit (300 thousand t/year).

Of those mentioned, only atmospheric and vacuum distillation units, naphta hydro-treating and catalytic reforming units were active for two years before the war while the rest was constructed and ready to be commissioned.



Further operations at the plant were cancelled due to military activities. During the war the plant was in the direct combat zone and significantly destroyed.

Brod Refinery JSC – History (2)

In late 2007 Russian private company active in oil sector acquired the majority stake in the Refinery. Starting from 2008 the enterprise has undergone large scale rehabilitation and modernization of production facilities.



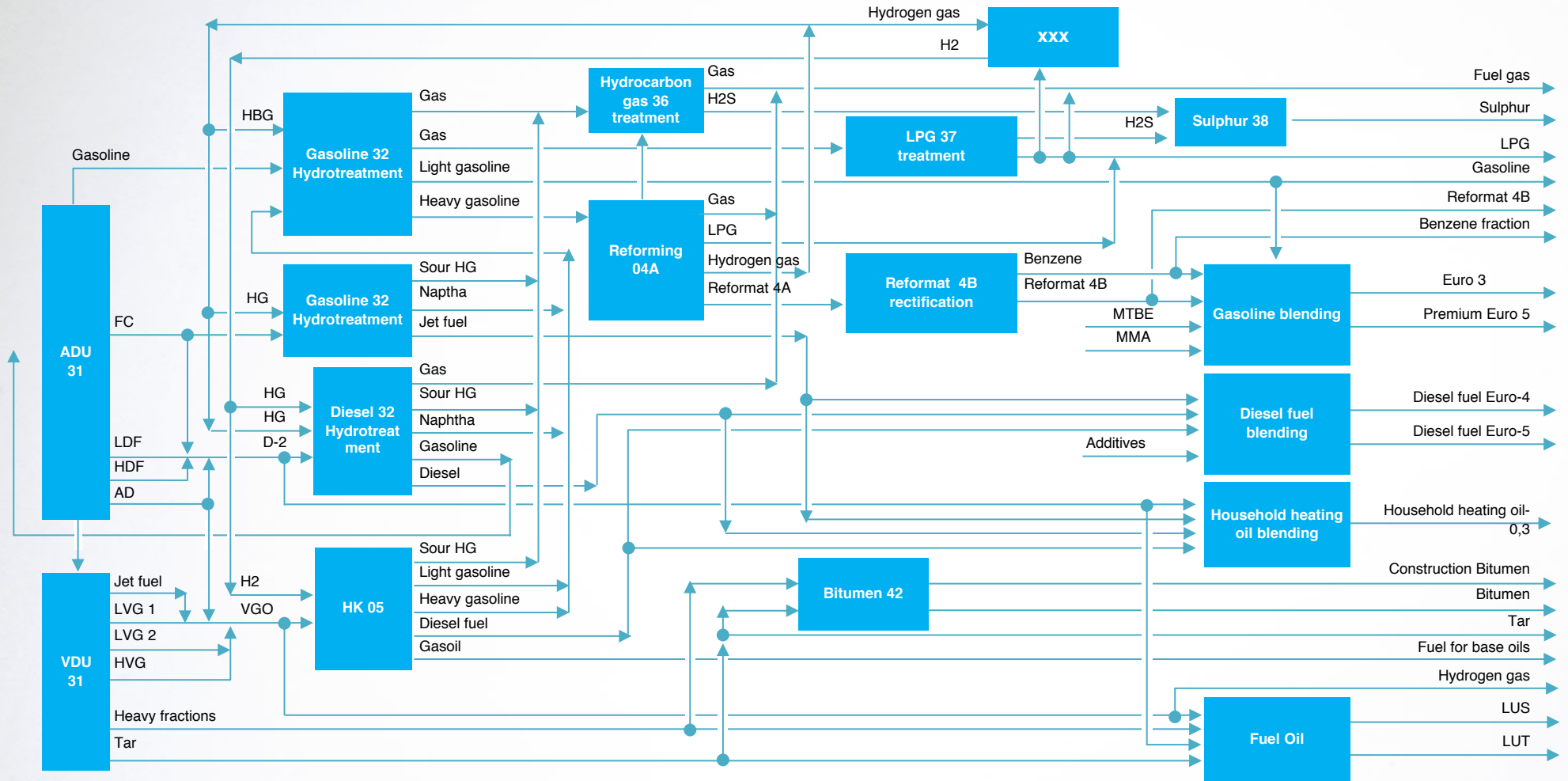
Timeline after acquisition:

- November 2008 – commissioning of production train with capacity of 3000 thousand t/year. Modernization of waste disposal plant and installation of sewage water biological treatment unit.
- April 2009 – completion of rehabilitation of diesel hydro-treating unit, enabling production of commercial diesel fuels with sulfur content less than 50 ppm (EURO 4).
- April 2009 – commissioning of bitumen production unit.
- May 2009 – bringing the production train to the full capacity.
- October 2009 – commencing production of diesel fuel with sulfur content less than 10 ppm (EURO 5) at ISOMAX hydro-cracking unit.
- October 2009 – commissioning of free sulfur production unit.
- 2010 – 2015 – implementation of Brod Refinery rehabilitation program: restoring and putting into operation old and new production trains, building new processing units.

Brod Refinery JSC – Current Technical Equipment

Name	Designed by	Capacity (ths tons)	Commissioned	Utilization rate (2014, %)
Atmospheric distillation unit (Unit 31)	IFP	3 000	1990	32%
Gasoline hydrotreatment unit with stab and frac blocks (Unit 32)	IFP	750	1991	25%
Catalytic cracking unit with fixed bed catalyst	UOP	290	1968	45%
Catalytic reforming unit (Unit 04)	JSC Petrochim Engineering	290	2011	31%
“Isomax” Hydrocracking (Unit 05)	UOP	350	1970	59%
Hydrogen production unit (Unit 06)	SNAM PROGETI	12	1970	69%
Jet fuel hydrotreatment unit (Unit 34)	IFP	100	1991	62%
Diesel hydrotreatment unit (Unit 35)	IFP	400	2010	65%
Amine treatment of dry gas (Unit 36)	IFP	21/5	1990	90%
Amine treatment of LPG (Unit 37)	IFP	60.4	1990	78%
“Claus” Sulfur production unit (Unit 38)	Societe nationale elf Aquitaine	14/1	2010	40%
Gas cleaning unit	IFP	36.8	-	-
Bitumen production unit (Unit 42)	IFP	300	1989	38%

Brod Refinery JSC – Technological Scheme



Brod Refinery JSC – Production Volume and Operational Performance

The products produced by the Refinery include motor gasoline, diesel fuel, bitumen, fuel oil, heating oil, liquefied gas and materials for base oils and paraffin production.

Product	Actual Volume (thousand t), 2017
Sour diesel	314.49
Diesel EURO 4 (Unit 35)	290.48
Tar	202.21
Vacuum gasoil	184.83
Bitumen	151.29
Heavy gasoline	119.12
Platformate	85.53
Diesel EURO 5 (Unit 05)	77.01
Lube fraction (BUS)	41.72
Light gasoline	37.29
VAC (darken fraction)	24.35
Liquefied gas (Units 04,32)	20.08
Fuel gas	14.06
Benzol containing fraction	6.74
Sulfur	4.55
TOTAL	1 573.74

Brief operational results:

- The decrease in oil refining in 2018 was stipulated by changes in the plant production program due to an emergency shutdown in early October 2018 (hydrotreater failure).
- Light oil products output yield was 59.0% in 2018 or 1.4% lower compared to 2017 due to a decrease in the actual volume of oil refining, and a high density of oil grades processed at the plant.



Brod Refinery JSC – Further Technological Development

The refinery continues to implement its modernization investment program. One of the key activities was the power supply transition from straight run fuel for heating to the natural gas in late 2019 which improved the ecological situation in the neighborhood and increased processing depth to 95%.

Brod Refinery is not working at the moment as the hydrotreater is not functioning. A renovation needs 3-6 months with the related costs of 30-50 mil EUR. With the renovation and new additional units of hydrogen production, the Refinery can reach its design capacity of 3 000 thousand tons per annum and produce light oil products.

Activities as per 2018 investment program and status:

- Burners replacement at oil refinery furnaces program was completed for Unit 06, tender procedures started for burners in Units 31 and 04,
- Modernization of the crude oil supply system at the vacuum gasoil hydro cracking plant (Unit 05) completed with charging pump being delivered,
- Replacement the internal devices of 31C07 column on Unit 31 - an advance payment has been made,
- Completed construction of fencing and pallets for tank basin (B-27, T-01);
- Completed Design of “System of Drainage from Reservoirs”, “Modernization of a floating boom of the quay on the Sava river”, “Installation of a backup pump at Unit 61” facilities - completed;
- Initiation of modernization of oil sludge treatment unit at Unit 65; equipment for the Mineral Fertilizer Plant was procured and refinery technological plants and auxiliary facilities were repaired as per the production program;
- Regeneration of catalysts at units of sections 05 and 35, Purchase of the main catalyst for the plant of section 35.



III. Modriča Motor Oil Plant JSC



Modriča Motor Oil Plant JSC – Production Site

This asset is engaged in oil distillate processing and motor oil and lubricant production. Modriča Motor Oil Plant JSC is the only oil and lubricant production plant in Bosnia and Herzegovina.



- Motor oil and wax products plant was built in 1954.
- During 2009 the following main and auxiliary production facilities has been put into operation and brought up to the regular technological mode.
- The plant is one of the 76 plants in the world producing base mineral oils and is among 9 plants which produce batch of Type III motor oils.
- The range of the plant's products amounts to over 300 items certified by major motor vehicle and industrial machinery producers such as Audi, Volkswagen, BMW, Daimler-Chrysler, Opel, Hyundai, KIA, Scania, Volvo, MAN, Caterpillar, John Deere etc.

Location:

- City of Modriča in northern part of Bosnia and Herzegovina (Republika Srpska entity), 40 km far from Brod.
- Own access to the electrified railway connecting Croatian port of Ploče, Mostar, Sarajevo, Doboj, Šamac (border crossing point between Bosnia and Croatia) and a major railway junction at Vinkovci (further connections to Austria via Croatia and Slovenia, Hungary and Serbia).

Production site includes brand new blending unit, oils refining unit (vacuum unit), oils dewaxing unit, wax grassing unit, lubes preparation block, oils automated packing line, tank farm for storage of feed, stock (base oil) and market products and offsite facilities. **There is an additional space for new production and storage sites.**

Production Capacity:

- 72 thousand tons of production per annum.



Modriča Motor Oil Plant JSC – Current Technological Equipment

The company implemented full construction and launch of blending center (40 000 tons capacity) for lubricants production, one of the most modern in Europe. This investment cost over 14 million Euros while the major part of equipment is produced by ABB, the world-known French manufacturer.

Plant uses wide hydrocracked oil fraction (BUS), produced in Brod. Technological train for production of base oil and wax products from BUS includes:

- Vacuum flasher unit (design feed rate 80 000 t/year),
- Dewaxing unit Di-Me (design capacity 78 400 t/year),
- Oils and wax products blanching unit using treated clay (design capacity 50 000 t/year),
- Hard wax molding and packing unit (designed capacity 12 384 t/year).

New blending facility by ABB includes:

- **Full-cycle modern technology production line** which includes production of hydrocracked base oils of groups II and III, fully automatized modern blending with large capacity and top quality and accredited testing laboratory, which enables control of crude oil and end product.
- The main advantages of the new blending center are high quality of finished goods, shortened production process, optimized production efficiency, automation and flexibility of production process and high degree of environmental protection.
- Modern blending center allows production of special products at buyer's request in smaller or requested quantities. This provides an opportunity to additionally develop Modriča refinery's product range, which already includes over 300 different products.



Modriča Motor Oil Plant JSC – Current Production

Products pool of the plant includes more than 300 items, among them base oils, wax products, lubes and fluids for cars and motor oils for gasoline and diesel engines. The products are certified according to ISO 9001, ISO 14001, OHSAS 18001 and other standards. Products are being sold to all ex-Yugoslavia markets.

Products	Actual Volume (thousand t), 2017
Base oil	31.12
Motor oils and lubes	13.03
Motor oils and lubes, packed	7.71
Wax products	7.34
Soft wax	5.02
Motor oils in tanks	3.92
Hard wax	2.32
Utilities products for cars	1.40
TOTAL	71.87

Packaging:

- All commercial products are supplied to the customers packed: 1 ton containers, steel barrels of 216.5 liters, polyethylene containers of 0.2-10 liters.
- The plant has a packing block, equipped with automated and semi-automated packing lines.



Modrica Motor Oil Plant JSC – Further Technological Development

The Company continued the implementation of measures aimed at improving the reliability of equipment operation and the efficiency of production activities, particularly replacing vacuum filters on the base oil dewaxing plant and repairing three filling and packaging lines.

Implementation of two large projects aimed at optimizing costs and reducing emissions in 2015-2016:

- A new lubricant oil mixture complex - modern high-tech complex for oil mixing with process automation functions and minimization of losses and emissions features;
- Heat pump for heating of administrative buildings in the territory of the plant - reduction in heating oil consumption (emissions from the boiler house) due to the use of heat from the low-temperature.

Investment Program implementation in 2018 included:

- Replacement of vacuum filters on the oil dewaxing;
- Replacement of worn-out equipment on three packing lines (in 1 L bottles and 4 L cans);
- Regular replacement of worn-out equipment at production facilities.



IV. Nestro Petrol JSC



Nestro Petrol JSC – Asset Description and Brief Operational Indicators



About the Company:

- Nestro Petrol is engaged in the retail sale of basic types of products produced by the Brod Refinery and the Modriča Refinery.
- The company cooperates with more than 350 state organizations and their branches. The major clients are city counsels of Republika Srpska, forest sector, energy company “Elektrokraina”, RS Telecommunications and other enterprises.
- As of 2018, the network consisted of 94 fuel stations, of which 86 were operating and the rest was on lease. Almost all of them are located in Republika Srpska entity of Bosnia and Herzegovina.
- As of 2017, Nestro Petrol’s market share in Republika Srpska in terms of number of fuel stations was 26% while the sales volume was 35%.
- **It is worth noting that the rest of fuel stations in Republika Srpska is not affiliated with any of large petrol networks (most of them are family businesses), so there is no major direct competitor on the market.**

Operational Indicators:

- Oil product retail sales – 97.4 thousand tons (2018, down 1% compared to 2017);
- Average daily sales volume per station – 2.9 tons (2018, equal to 2017 figures);
- Sales Revenue – 128.9 mil. EUR (2018, up 15% compared to 2017);
- OPEX – 7.2 mil. EUR (2018, up 2% compared to 2017).



Nestro Petrol – Future Development

Current main undergoing investment activity is fuel station rebranding from green to orange color.



V. Development Strategy



Suggested Future Development Strategy of the Assets

Brod Refinery:

- A product pipeline between Brod and Modriča (approx. 40 km, 12 mil. EUR investment) is needed to increase the production and sale of oil products. Alternatively, it is possible to construct the product pipeline between the Refinery and Slavonski Brod in Croatia (10 km).
- **Current export of petroleum products is carried out by trucks only, with the limit of 1.5 million tons per annum. The product pipeline is necessary to increase the processing volume to 3 million tons per annum.**
- Apart from building a product line, new hydrocracking unit shall be built to increase the production volume to 3 million tons. Current unit can produce 1.5 million tons. New unit for production of hydrogen is also needed.
- Originally, Brod Refinery was designed for light crude oil from the Middle East Region. After the breakup of Yugoslavia, supplies of this oil were cut off, and the refinery switched to Russian oil REBCO, that is heavier than Middle East oil (particularly, Kirkuk or Iran Light). This resulted in production output decrease. It is recommended to switch back to Middle East oil.

Nestro Petrol:

- It is necessary to increase a chain of fuel stations. For this, Nestro Petrol shall have minimum 100 fuel stations in Bosnia and Herzegovina and about 50 in both Croatia and Montenegro. This chain can distribute 500k -1 mil tons per year. In addition, 100 fuel stations in Serbia can be purchased and franchised.
- The Serbian market is of great importance due to its proximity to the Brod Refinery and a large volume compared to the rest of countries in the region. Worth mentioning that Serbia, apart from own production, imports around 1 million tons of oil products from Greece and around 2 million tons from Hungarian MOL group. It is clear that the market is huge and it is worth entering into competition. Consider signing agreement with the Serbian port of Smederevo to begin expansion in this country.
- Retail chain is important because it generates profit and cash every day. All fuel stations are equipped with shops and cafes that can generate additional profit and cash.

Modriča Motor Oil Plant:

- The refinery has an electrified railway branch and connection with Croatian port of Ploče (annual cargo tonnage of 4.5 million tons in 2010) and with the EU countries through Šamac border point. It is necessary to sign the agreement with the port of Ploče as it provides opportunity to export oil products to Mediterranean countries. There is a possibility to rent the part of the port territory and construct a tank farm.
- It is necessary to improve the marketing system and to negotiate with such potential partners like public transport companies, large industrial and transport companies, electric distribution companies etc. This will increase the processing volume up to 65 thousand tons.



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