

HIP Petrohemija JSC Pančevo



General Information

Full legal name	Joint stock company for production of petrochemicals, raw material and chemicals HIP Petrohemija Pančevo
Address	No 82 Spoljnostarčevačka Street, Pančevo
Identification Number	08064300
Core activity	Manufacture of plastics in primary forms
Foundation Year	1975
Number of Employees	1.452



Capital structure (in%)

Socially-owned	2.16
Republic of Serbia	54.89
Development fund	13.63
Others	28.81
Local authorities	0.51

General Information



Distance from the Company to:

Belgrade	15 km
Regional Center	0 km
Main road	0 km
Port	0 km
Railway	0 km



Location

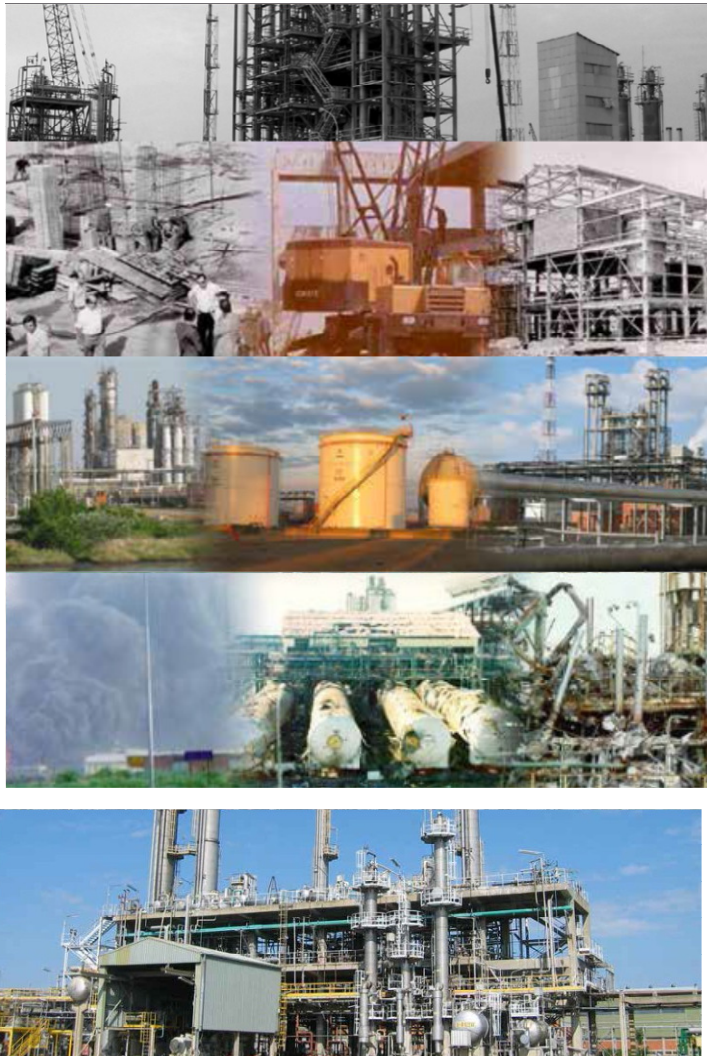


PANČEVO
Pan-European Transport Corridors

- 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
- Pancevo and HIP-Petrohemija are on the route of the existing ADRIA/ YUNA petroleum pipeline

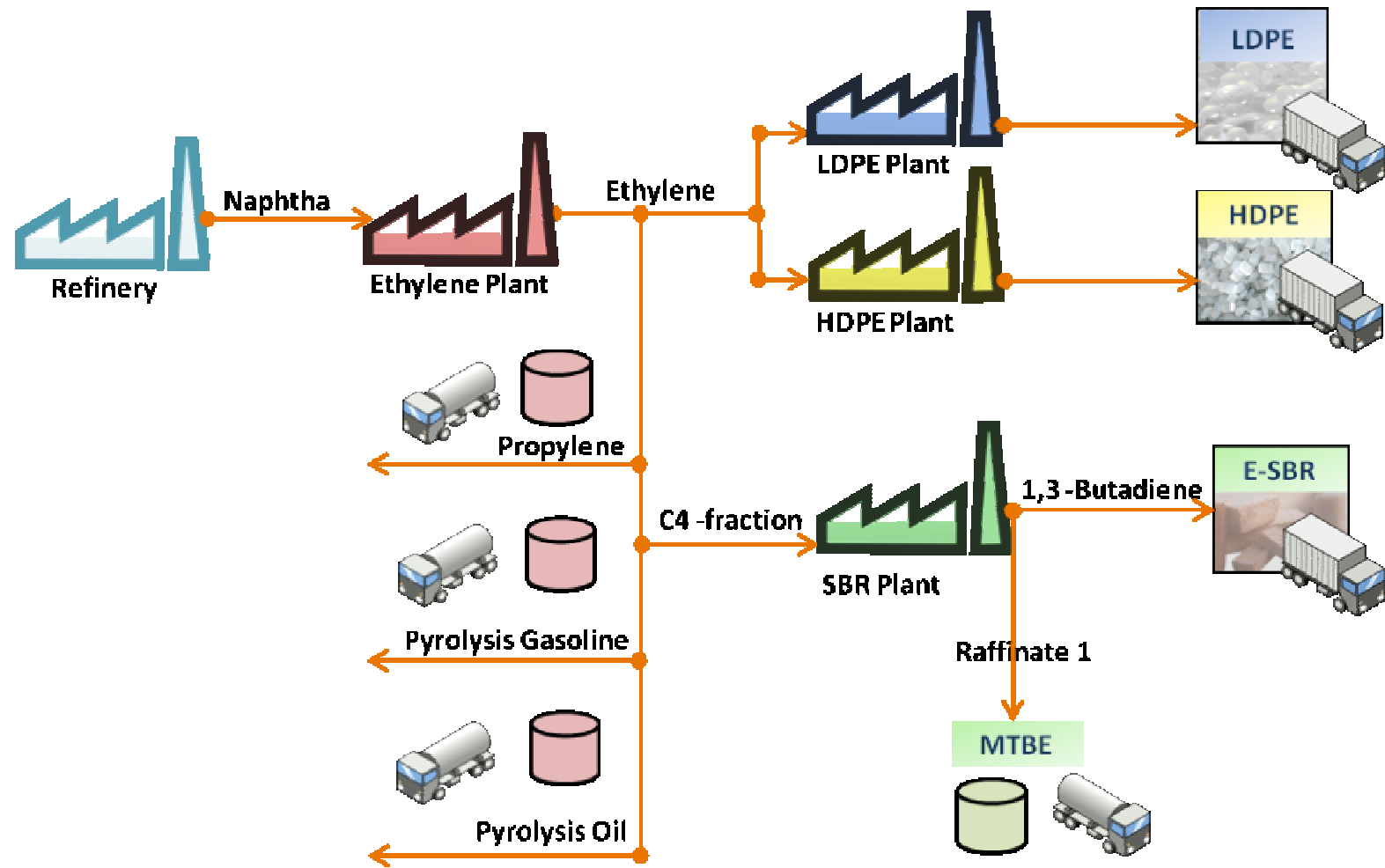


History of the Company



- Petrochemical complex was established in 1975, and began to operate in 1977
- It was designed to supply markets of the former Yugoslavia and other European countries
- Credit lines used for the construction of HIP Petrohemija were fully repaid in 1988
- The UN economic sanctions (1992-1996) interrupted production and delivery of ethylene and propylene to Romania. The production fully re-started in 1996
- The NATO bombardment consequences (1999): the chlorine line partly destroyed, the total complex capacity decreased for 40%. The production re-started in the same year.
- In 2004, after implementation of consolidation program, HIP-Petrohemija became a stock company
- The ownership structure was changed in contribution to main creditors from the July 2010, according to Government 's conclusion
- In July 2010 HIP-Petrohemija and NIS a.d. (Gazprom Neft-Serbian oil company) signed an agreement regarding strategic cooperation in long-term naphtha supply
- Agreement on strategic cooperation with the NIS a.d. was signed in November 2011, concerning production efficiency increase and financial stability of the company
- The investments provided for in this agreement are a condition for a stable future of HIP-Petrohemija

Production Lines

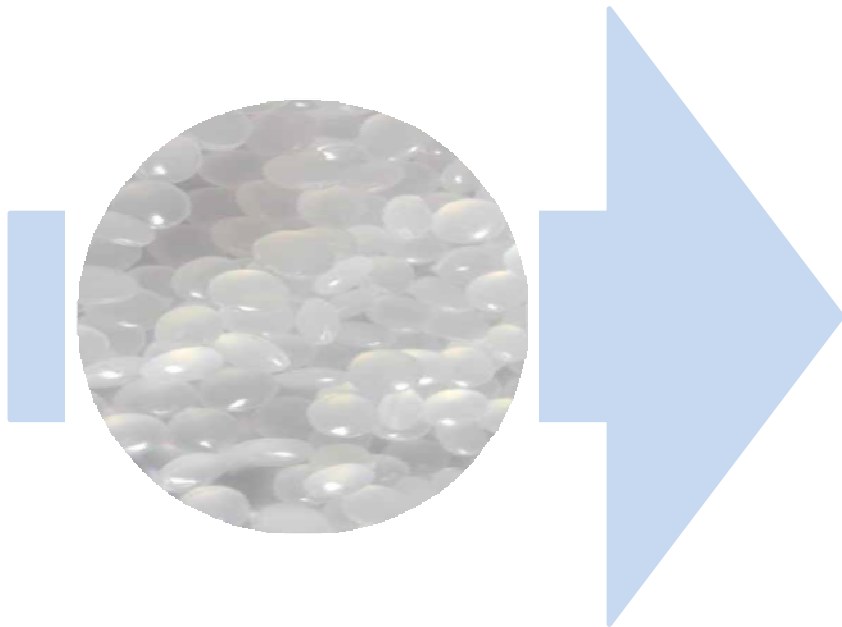


Product portfolio



HIPTEN®- Low Density Polyethylene

Low density polyethylene (LDPE) is mostly used for production of shopping and household bags, milk and water packaging foils, industrial bags, shrink and agricultural foils, insulation of electric conductors and cardboard lining

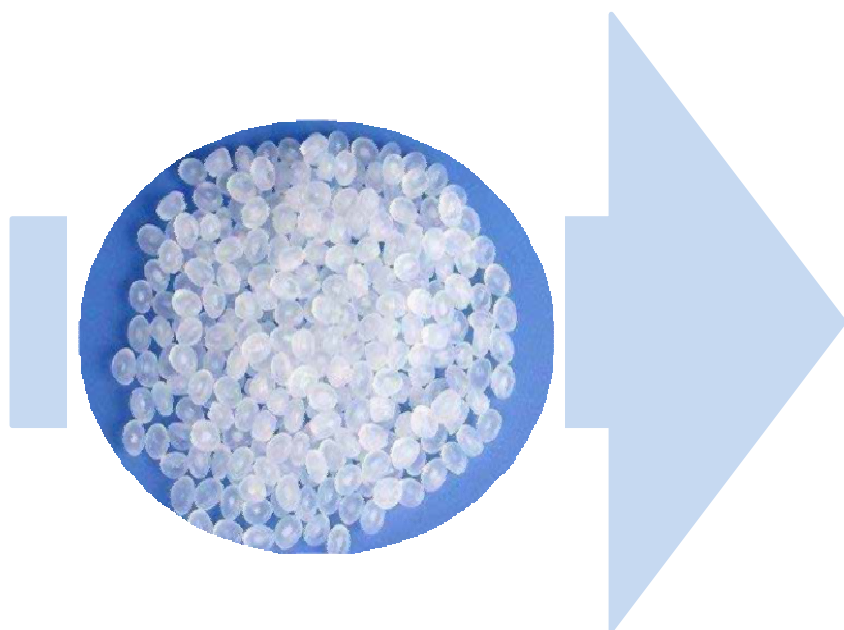


Product portfolio



HIPLEX® High Density Polyethylene

High density polyethylene (HDPE) is used for production of bottles for food, pharmaceutical and chemical products, for pipes, barrels, tanks, boxes, carriers, packaging films and foils, shopping and household bags, toys and consumer goods.

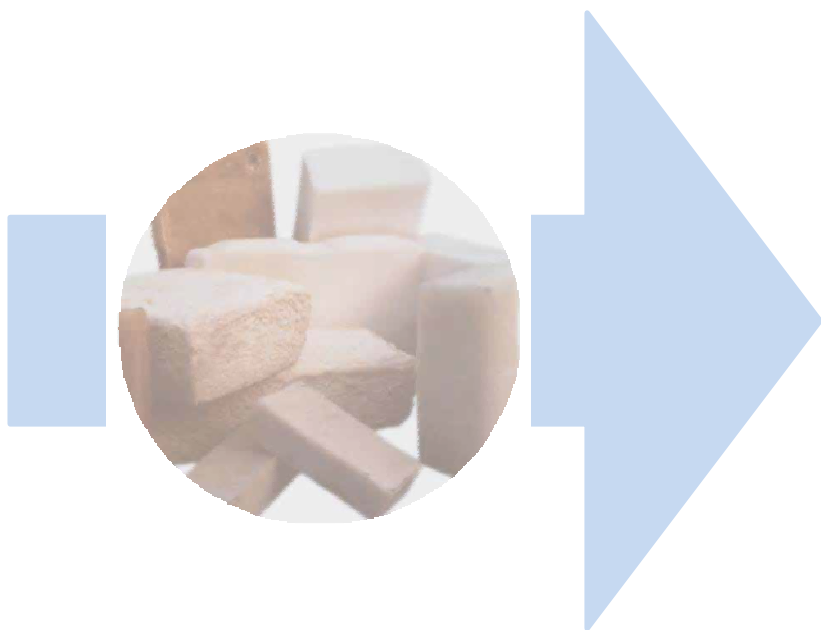


Product portfolio

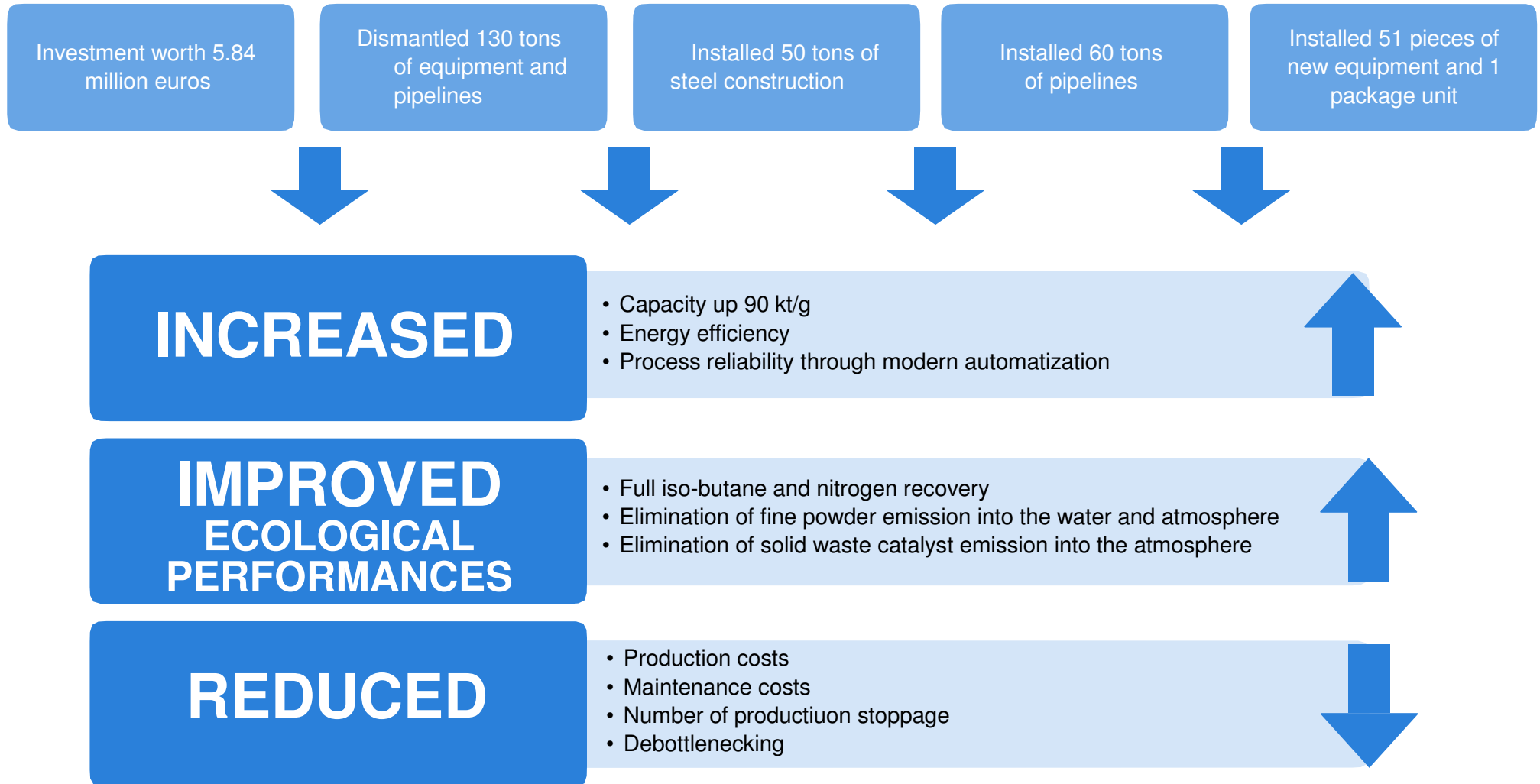


HIPREN® Emulsion Styrene Butadiene Rubber

The largest quantities of E-SBR are used for production of automotive tires, but there is also a wide range of products in which E-SBR is irreplaceable. These are rubber-technical products – conveyer and transmission belts, tubes and hoses, seals, technical parts and products for various industries (machine, pharmaceutical), flooring and door mats, rubber footwear and soles, cable insulation, adhesives, toys.



HDPE Plant Reconstruction



Certificates



- Integrated Quality, Environmental Protection and Occupational Health and Safety Management System in accordance with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007
- Laboratory accreditation in accordance with ISO/IEC 17025:2006
- REACH registrations for monomers and chemicals of potential export interest (ethylene, propylene, MTBE, C4 fraction, 1,3-butadiene, py-gas, raffinate 1) are the prerequisite for export continuation to EU
- Statement of Conformity issued within EU, which declares conformity of HIPP's polymers with the European norms for materials intended to come into contact with foodstuffs
- Products Quality – 98% of produced polymers are prime quality material

Quality assurance certificate ISO 9001

Company owns quality assurance certificate ISO 9001.

Ecology

According to applicable regulations, the requirements for environment protection are fulfilled.

Buildings



Pančevo – main locations

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



Elemir – near Zrenjanin

- FSK – SBR – Synthetic Rubber Plant

Crepaja – near Pančevo

- Panonijaplast – Compound Production Plant

Vodice – Zlatibor

- Recreation Center “Lovac”

Production and Capacity



Product	Unit	Quantity			value in EUR		
		2011	2012	2013	2011	2012	2013
Ethylene	t	129.921	45.361	151.978	966.439	0	73.743
Propylene	t	60.052	19.738	67.711	24.569.905	7.514.103	62.653.894
C-4 fraction	t	34.316	11.104	38.524	0	0	1.870.194
Py-gas	t	85.616	30.504	119.365	53.445.144	23.827.792	77.507.565
Py-oil	t	21.879	9.621	37.622	0	0	0
High Density Polyethylene Plant	t	68.225	21.483	89.137	76.817.153	24.649.551	94.008.187
Low Density Polyethylene Plant	t	58.031	21.612	61.489	70.766.106	22.952.031	75.666.941
Synthetic Rubber Plant	t	24.387	9.518	20.683	61.264.859	22.015.208	26.571.155
Butadiene	t	17.531	7.071	21.771	0	0	6.387.418
MTBE	t	12.245	4.533	14.571	10.152.589	4.315.163	12.518.045
Raffinate II	t	7.365	2.415	8.318	668.104	0	0
NaOH 100%	t	4.101	1.729	1.459	1.040.501	429.614	198.295
NaOCl	t	1.831	1.254	493	163.397	95.262	30.163
HCl	t	11.288	3.866	3.943	984.099	210.212	215.785
Petroplast Pipes & Fittings	t	2.274	1.729	2.275	4.036.873	3.670.342	4.274.486

Production and Capacity



Capacity utilization

Machine (Production line)	Unit	Installed capacity	Real capacity	% of utilization		
				2011	2012	2013
Ethylene plant	t	505000	505000	66.00	23.00	82.00
High Density Polyethylene Plant	t	50000	50000	100.00	43.00	99.00
Low Density Polyethylene Plant	t	45000	45000	100.00	48.00	100.00
Synthetic Rubber Plant	t	143000	143000	43.00	16.00	46.00
Electrolysis plant	t	206800	14380	100.00	48.00	37.00
Petroplast Pipes & Fittings	t	2954	2954	77.00	59.00	78.00
Panonijaplast Compound Production plant	t	23600	10000			51.00
VCM Factory	t	100000	0			
PVC Factory	t	40000	0			

Realization



Movement in sale volume

Product/service	Unit	Quantity sold			value in EUR		
		2011	2012	2013	2011	2012	2013
High Density Polyethylene Plant (powder and compound)	t	68.415	21.382	83.248	76.817.153	24.649.551	94.008.187
Low Density Polyethylene Plant	t	59.396	20.242	61.505	70.766.106	22.952.031	75.666.941
Synthetic Rubber Plant	t	24.280	9.591	18.541	61.264.859	22.015.208	26.571.155
Ethylene	t	957	0	68	966.439	0	73.743
Propylene	t	26.852	8.411	69.882	24.569.905	7.514.103	62.653.894
Py-gas	t	87.375	34.670	118.215	53.445.144	23.827.792	77.507.565
Other products	t	27.718	8.907	26.546	13.173.023	5.050.251	21.219.910
Final goods PIPES	t	2.226	1.882	2.170	4.036.873	3.670.342	4.274.486
Polypropylene	t	31.031	8.754	0	35.415.282	9.761.191	0
TOTAL					340.454.784	119.440.468	361.975.880

Realization



Sales structure

Sales structure in %	2011	2012	2013
Domestic market	27.00	49.00	37.00
Foreign market	73.00	51.00	63.00
TOTAL	100.00	100.00	100.00

Distribution channels

Distribution channels	% of share
Direct sale	0
Wholesale	100
Retail	0
Intermediaries	0



Organization



EMPLOYEES



Number of employees

Working	1.446
Paid leave	0
Unpaid leave	6
Other (sick leave, vacation, etc.)	0
TOTAL NUMBER OF EMPLOYEES	1.452

Age structure of employees

Age	-25	25-35	35-40	40-45	45-50	50-55	55+
Number	11	187	157	132	190	345	430

Average salaries in Eur

(gross and net) in 2011, 2012 and 2013

Year	Gross	Net
2011	846	601
2012	755	538
2013	777	554



Assets Overview



IN EUR

	31/12/2011	31/12/2012	31/12/2013
FIXED ASSETS	90.016.829	73.324.777	80.712.801
CURRENT ASSETS	55.585.885	62.520.412	68.117.803



A) Information contain in this document is based on the data recieved from the company, and as such has not been verified by the Privatization Agency. Accordingly, the Privatization Agency shall have no liability with respect to the accuracy and validity of the information contained here in.

B) Pursuant to the law, enterprises from the Republic of Serbia were obliged as of 2004 to prepare Financial Statements in accordance with the International Standards of Financial Reports (ISFR).

SWOT Analysys

STRENGTHS:

High quality products, Well established position at domestic and foreign markets, Integration from raw material (ethylene) to plastics compounding, Excellent polymer plants capacity utilisation, Developed infrastructure and existing utilities supply, Educated and experienced staff.



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WEEANESS:

Lack of working capital, monopolistic material supply, limited available quantities, a limited range of products.



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OPPORTUNITIES:

Excellent position in a growing SEE region and proximity to EU markets; The only manufacturer in Serbia; Tax exemptions for investors in Serbia (lower tax rates), Benefit from proximity to pipeline connection and product / service exchange with the NIS Petrol Oil Refinery Pancevo, Continual improvement of processes and products, Improved regional political stability, Access to European Union.



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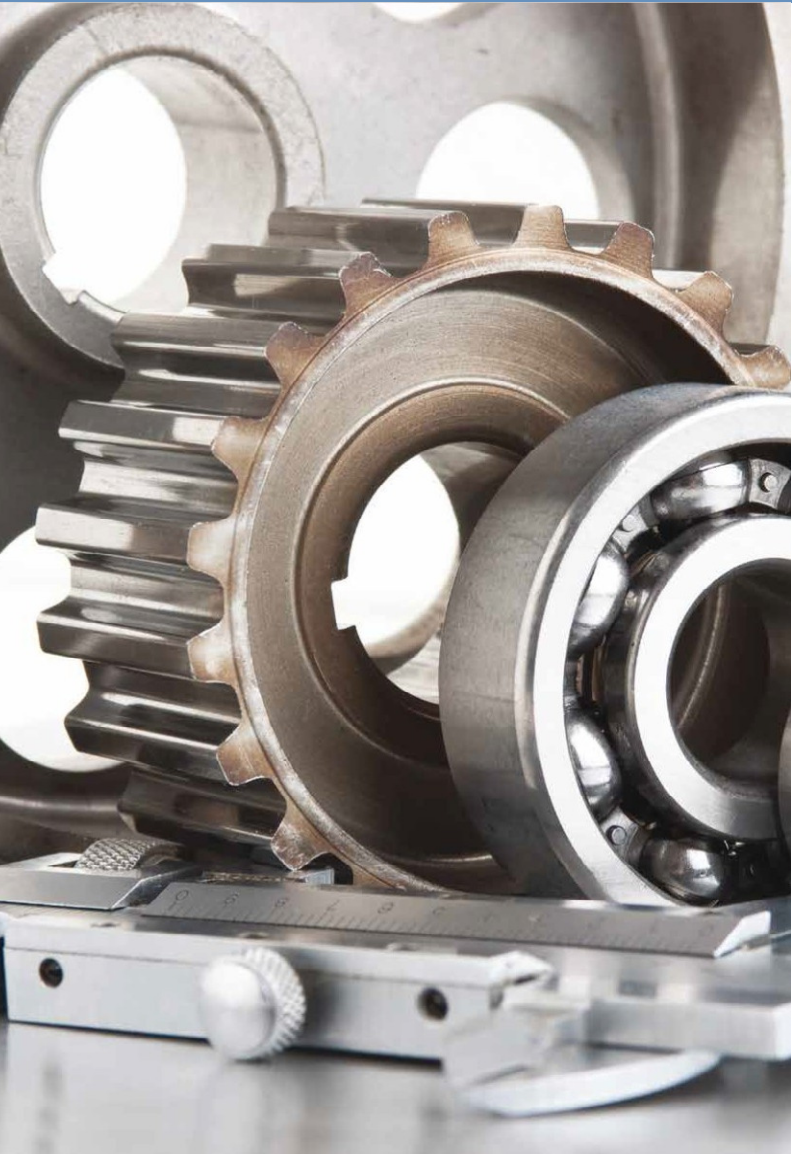
THREATS:

Increasing and enlarging of capacities of countries in the region, the export orientation of regional producers, inability to convey the rising prices of raw materials in the product price, the uncontrolled import of goods of poor quality.



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Advantages of Investing in Serbia



Favorable geographic position, owing to which any shipment can reach any location in Europe within 24 hours

Highly educated and cheap labor force Restructured and stable financial system

Simple procedures for a company start-up and registration

Simple procedures for foreign trade transactions and foreign investments Several free trade agreements have been signed, ensuring supply of goods to nearly 800 million consumers:

- In March 2012 Serbia was granted the candidates status by the EC
- CEFTA
- Agreement with the EFTA members
- Autonomous trade preferences granted by the EU in December 2000, and implementation of the Interim Trade Agreement with the EU started in February 2010
- Agreement with the Russian Federation, Belarus and Kazakhstan
- Agreement with Turkey

Contact



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