



PETROHEMIJA

HIP-Petrohemija a.d.
- Company Profile -

Pancevo, Serbia

July 2010

On the Main Roads

- ▶ The petrochemical complex of 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*
- ▶ **On the route of the existing ADRIA/YUNA petroleum pipeline and on the route of planned petroleum pipeline – PanEuropean Oil Pipeline (PEOP)**



Location of the Petrochemical Complex of Pancevo

ELEMIR (near Zrenjanina) - 79 ha

- ▶ FSK – SBR Synthetic Rubber Plant

PANCEVO – main location - 158 ha

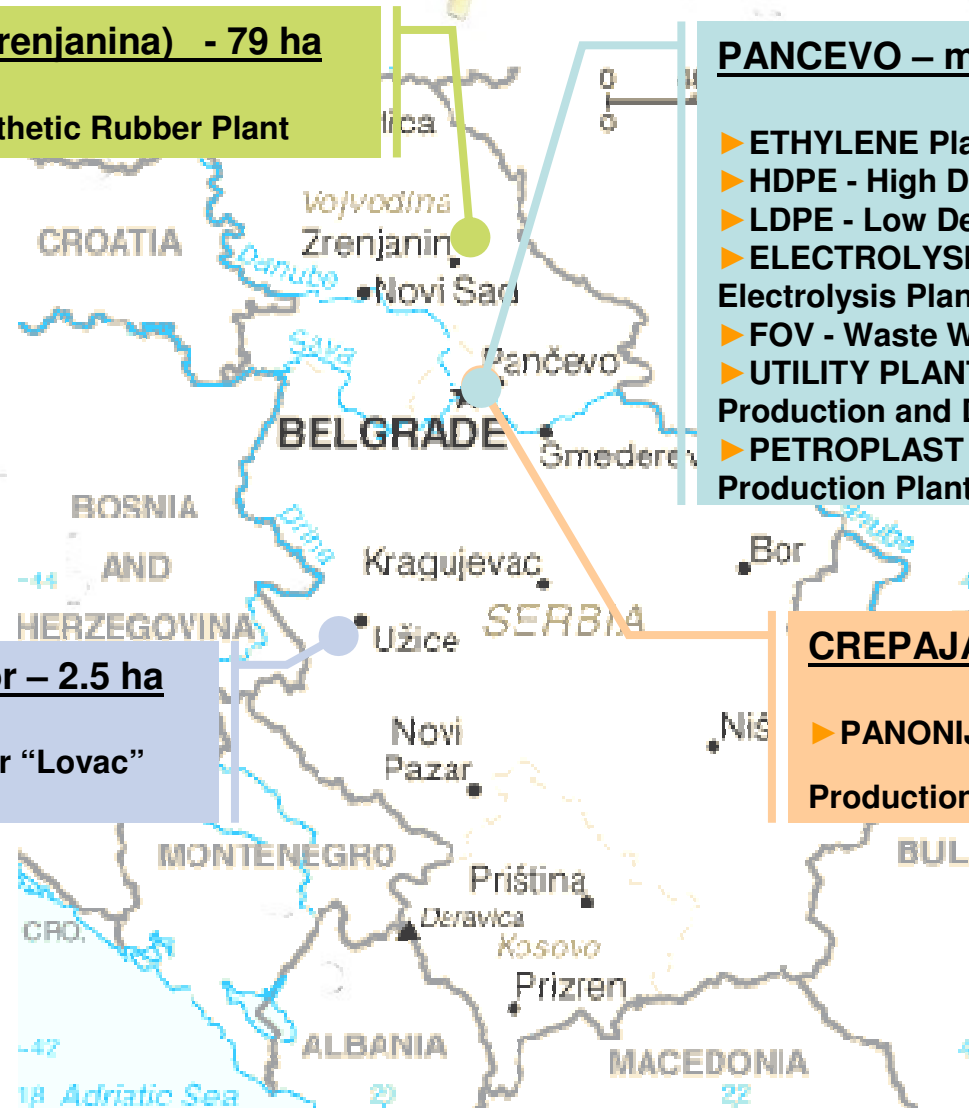
- ▶ ETHYLENE Plant
- ▶ HDPE - High Density Polyethylene Plant
- ▶ LDPE - Low Density Polyethylene Plant
- ▶ ELECTROLYSIS - Chlor-Alkali Electrolysis Plant
- ▶ FOV - Waste Water Treatment Plant
- ▶ UTILITY PLANT - Energy Fluids Production and Distribution
- ▶ PETROPLAST - PE Pipes & Fittings Production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

VODICE - Zlatibor – 2.5 ha

- ▶ Recreation Center “Lovac”

CREPAJA (near Pancevo) - 4 ha

- ▶ PANONIJAPLAST – Compound Production Plant



History

- ▶ Petrochemical complex was established in 1972, 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 and caused the financial burden
- ▶ The production 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, business-financial consolidation program was completed, approved and partially implemented. In July 2004 HIP-Petrohemija became a stock company through conversion of its obligation towards Tax Administration, Development Fund and NIS, into capital
- ▶ In October 2006 HIPP was registered as open-type stock company in accordance with the Law on Business Companies

HIP-Petrohemija - Ownership Structure

- ▶ In the period 2008/2009, unfavourable business conditions caused HIPP's debts; turnover capital was insufficient for normal operation
- ▶ There was a need for consolidation and restructuring
- ▶ Business and financial consolidations have been done by Serbian Government and Ministry for Economy and Regional Development
- ▶ First steps were debt consolidations, including contract agreements with LUKOIL and NIS (Gazprom Neft) and employees number reduction
- ▶ In July 2010 HIP-Petrohemija and NIS a.d. signed an agreement about strategic cooperation including long-term naphtha supply
- ▶ The main HIPP's shareholder is Republic of Serbia. According to Government's conclusion the ownership structure was changed in contribution to main creditors

0.5% Pancevo Municipality

2.2% Socially owned capital

4.8% Elektrovojvodina d.o.o.

12.4% NIS a.d

13.1% JP Srbijagas

13.3%
RS - Development Fund

53.7%
Republic of Serbia

Quality Assurance and Environmental Protection

- ▶ **Integrated Quality Management and Environmental Protection System** in accordance with ISO 9001:2008 and ISO 14001:2004
- ▶ **Laboratory accreditation** in accordance with ISO/IEC 17025:2006
- ▶ **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** – more than 98% of produced polymers are the first class products
- ▶ **REACH** pre-registration has done for monomers and chemicals of potential export interest (ethylene, propylene, MTBE, C4 fraction, 1,3-butadiene, py-gas); HIP-Petrohemija expresses its intention to register those substances until registration deadline at 30.11.2010



Products and Capacities

1. BASIC PRODUCTS

	Designed capacities (t/ y)
• Ethylene	200,000
• Propylene	85,000
• C4 Fraction (up to 60% of butadiene)	44,000
• Pyrolytic oil	38,000
• Pyrolytic gasoline	138,000
• 1,3-butadiene	45,000
• MTBE	35,000

2. POLYMERS

Technical Capacities (t/ y) :

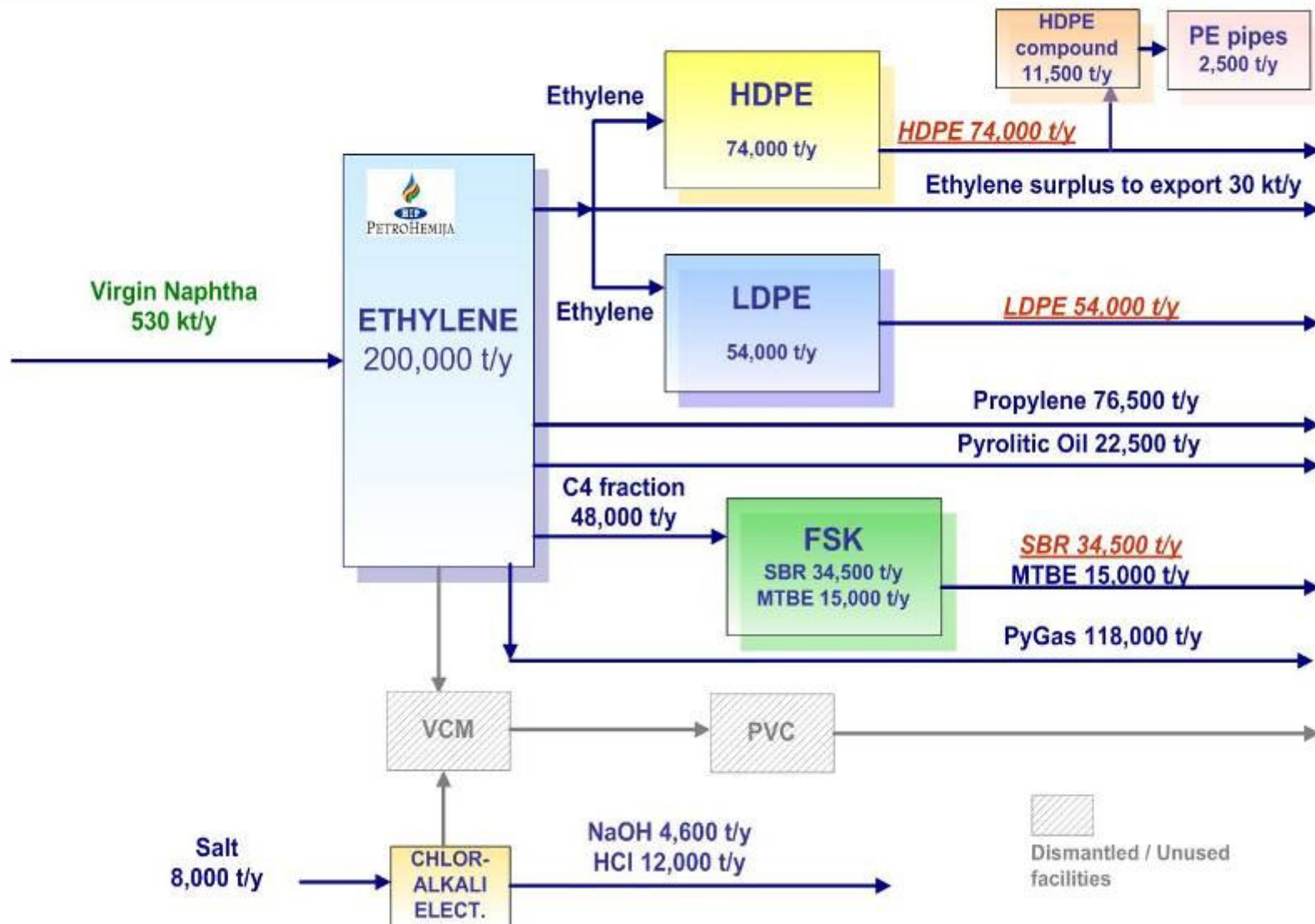
• HDPE HIPLEX [®]	60,000 *
• LDPE HIPTEN [®]	50,000 *
• SBR HIPREN [®]	36,000
• HDPE compound	10,000 t/y black and colored granulates

*Capacity utilisation is increased with technical and process improvements above mentioned data

3. FINISHED PRODUCTS – Pipes and Fittings

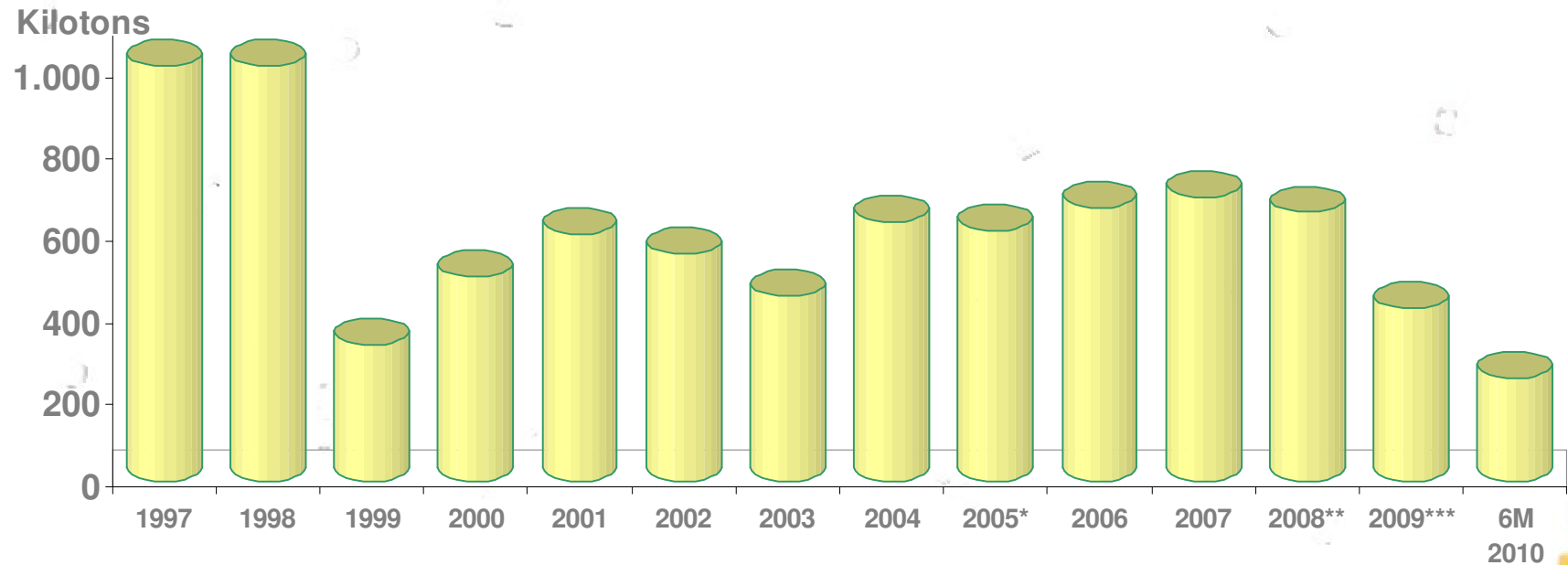
	Designed capacities
- Polyethylene Pipes for water, sewage, gas	5,000 t/y
- Corrugated electro-insulating pipes	250 t/y

Product Flow – Current Production Possibilities



Production 1997-2009 and 6M 2010

- ▶ Before 1999, more than 1,000,000 t/y of various petrochemical and polymer products



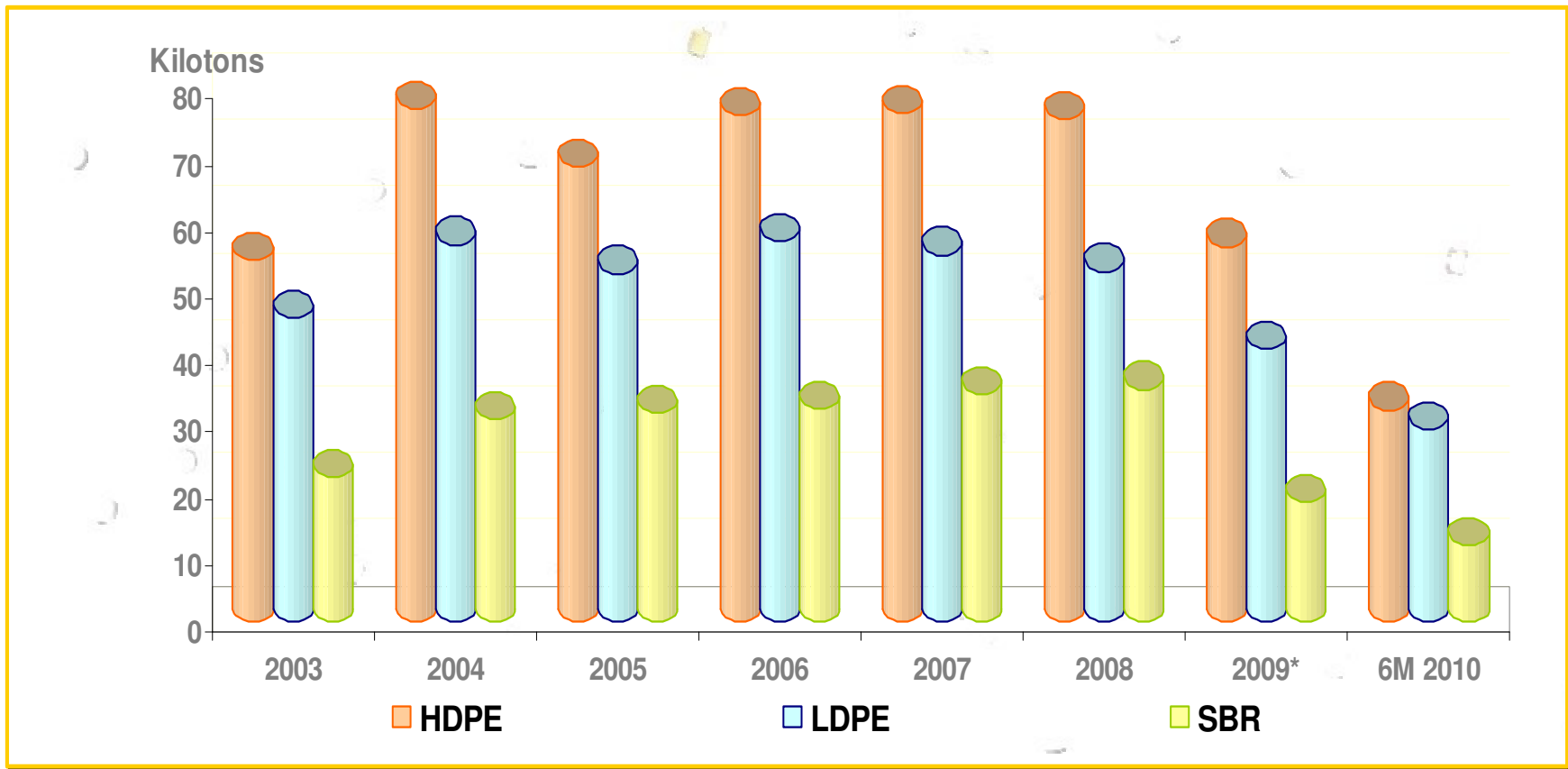
- ▶ Total complex capacity is 40% smaller than before the NATO bombardment
- ▶ Total capacity utilisation is limited by ethylene production and consumption capabilities

* 2005 June - One month general overhaul

** 2008 September/ October – three weeks general overhaul

*** 2009 Production was stopped from the end of June to the second half of September

Polymer Production 2003 – 2009 and 6M 2010



▶ Excellent polymer quality and high capacity utilisation in recent years (HDPE - **HIPLEX**[®], LDPE- **HIPTEN**[®], SBR-**HIPREN**[®])

*In 2009 production was stopped from the end of June to the second half of September 2009

Results 2005-2009 and 6M 2010

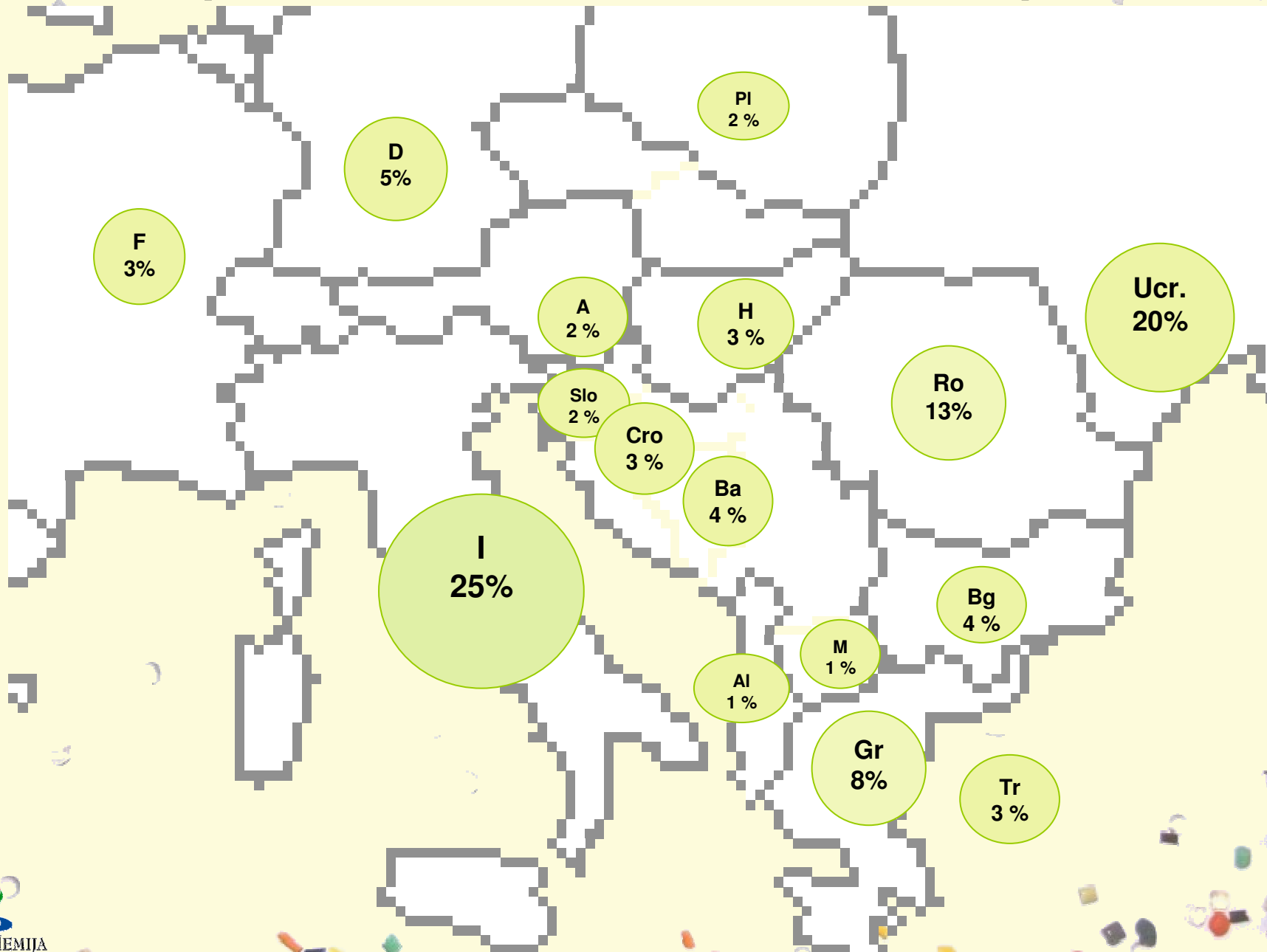
	2005*	2006	2007	2008**	2009***	6M 2010
Production, kt	612	669	694	656	423	254
Total sale, € mil.	255	319	357	359	141	126
<i>Export, € mil.</i>	163	206	214	205	107	103
<i>Domestic, € mil.</i>	92	113	143	154	34	23
HIPP's share in total Serbian export	4.5%	4.1%	3.3%	2.76%	1.8%	3M 3.5%

* 2005 June - One month general overhaul

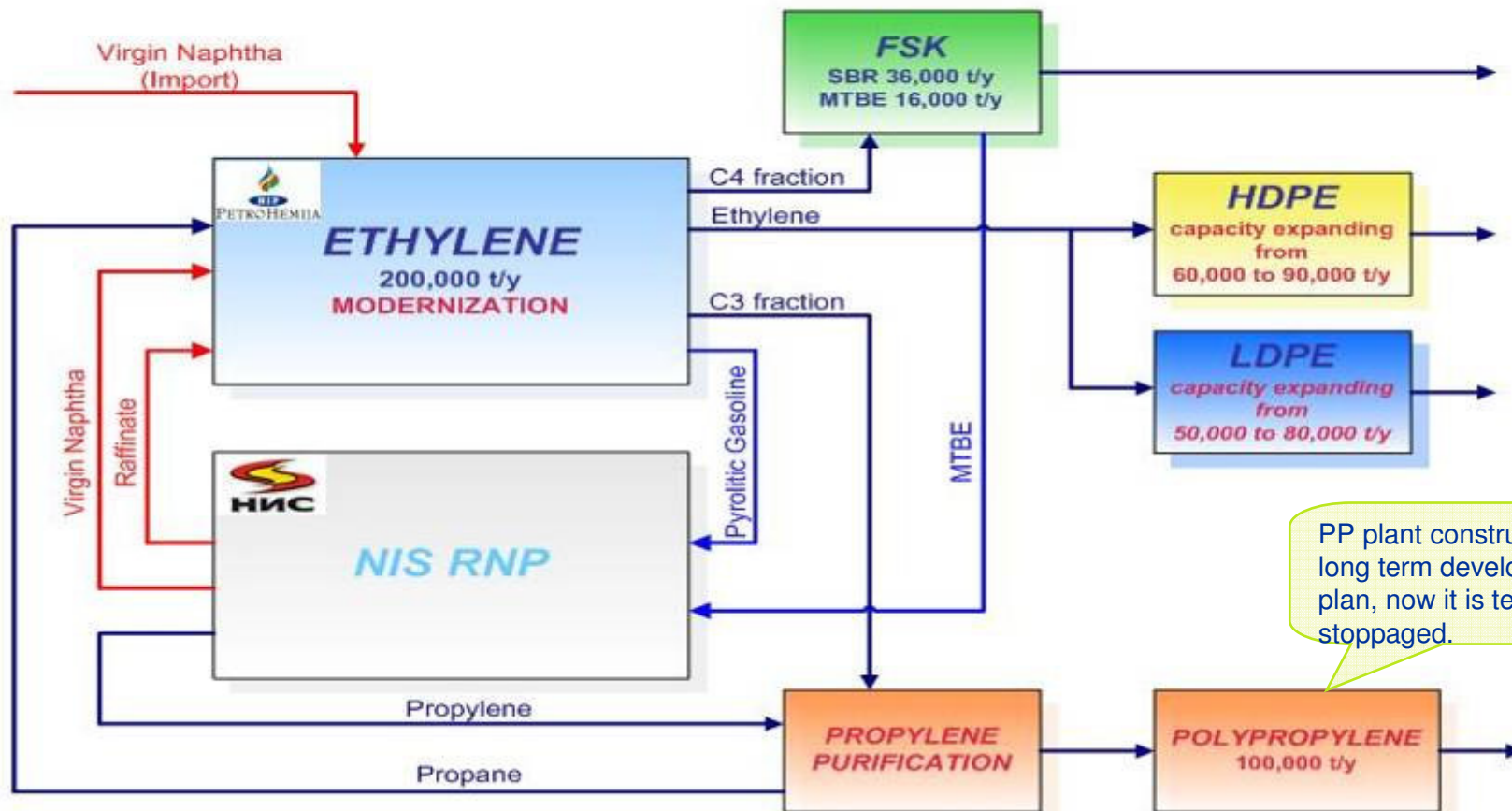
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Main Export Destination 6M 2010 (% of export value)



Development Plans 2008 - 2012



PP plant construction is long term developing plan, now it is temporary stoppaged.

Plant	Capacity, t /y	Investment cost, Eur Mill.
HDPE	90,000	8.0
LDPE	80,000	18.0
Ethylene-modernization	200,000	37.4
Other		1.2
Total		64.6

Disposition of HIP-Petrohemija



Environmental Protection – Obligatory Programme and Investment 2009

Activity Description	Status / Results
Measurement of air quality - Emissions of high emitters	Realized as planned no exceedance of legal limits for high emitters
Measurement of imissions in the impact zone	Realized as planned specific pollutants were continually bellow the legal limits
Measurement and monitoring of water quality at the WWTP discharge	Realized as planned quality of released water into recipient was in accordance with legal regulations
Monitoring of underground waters quality	Realized as planned
Waste disposal	Realized as planned hazardous industrial wastes were controlled and maintained in accordance with legal regulations
<ul style="list-style-type: none"> ▶ Storage tank Tk-1101B reconstruction ▶ Reconstruction of Bio-filter and Egalisation basen in the Waste Water Treatment Plant ▶ EDC-remediation in shallow aquifer at VCM/PVC plant area 	Investment in progress

Instead of Conclusion -

Advantages for Investments in HIP-Petrohemija

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



HIP-Petrohemija a.d. Pancevo - in restructuring

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