

# Presentation for investors



Kutina, July, 2014

# Disclaimer - Statement on Management Liability

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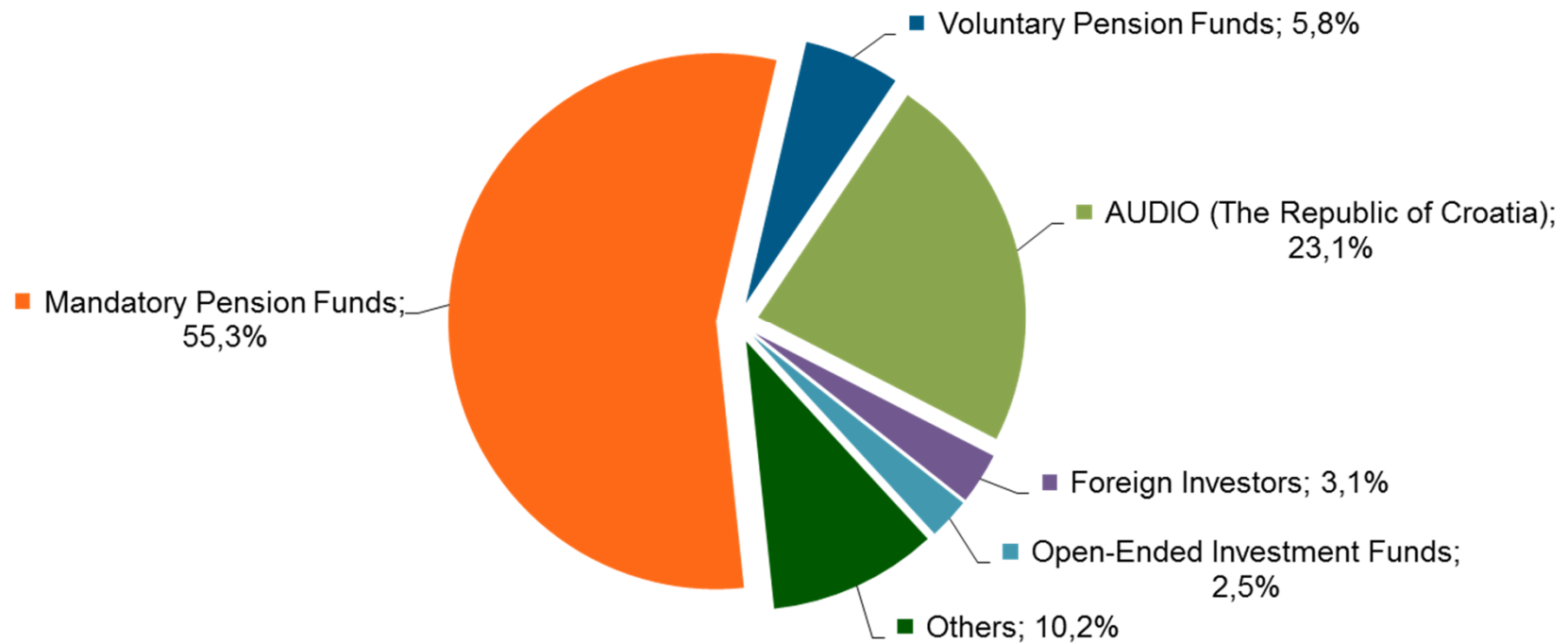
- This Presentation may contain statements relating to the future business of Petrokemija, Plc. and Petrokemija Group, their strategy, plans and intentions which express a certain degree of uncertainty.
- They reflect the current position of the Company with regard to risks, uncertainties and assumptions about the future. Currently, the results, effects and achievements of Petrokemija, Plc. or Petrokemija Group are heavily dependent on a large number of factors which may influence their being quite different from the originally set ones.

# Capital Increase in 2013



- During 2013 Petrokemija has successfully executed share capital increase by issuing new shares in the amount of **HRK 186,206,100.00**.
- **The final share price** amounted to **HRK 170.00**.
- **The share capital** has been increased from the amount of HRK 567,989,890.00 by HRK 186,206,100.00 to the amount of **HRK 754,195,990.00**.
- The structure of the investors in new shares of the Company was made up of the mandatory pension funds with 55.3%, voluntary pension funds with 5.8%, AUDIO with 23.1%, foreign investors with 3.1%, open-ended investment funds with 2.5% and others with 10.2%.
- The Republic of Croatia (AUDIO) ownership share in the Company has declined from 50.63% to 43.83%, while the ownership share of pension funds has increased.
- Proceeds were used for current investments, severance of HRK 20 mln and current liquidity.

# The Structure of Investors in the Capital Increase in 2013



Source: PBZ.

# Capital Increase in 2013 in the Media



Hrvatska radiotelevizija

Vijesti Sport Program Zabava HRT prikazuje Glazbena proizvodnja Mladi Manje

12.08.13. Starost: 28 danja

### Petrokemija s uspjehom dovršila dokapitalizaciju

Kutinska Petrokemija s uspjehom je dovršila dva kruga dokapitalizacije, u sklopu kojih su postojeći dioničari upisali i uplatili 1,095.330 novih dionica, po jedinstvenoj konačnoj cijeni jedne nove dionice od 170 kuna, priopćeno je iz tvrtke.

Postojeći dioničari tvrtke, koji su imali pravo upisa novih dionica u I. i II. krugu, ukupno su upisali i uplatili 1,095.330 novih dionica, čime je sukladno Odluci o povećanju temeljnog kapitala, ispunjen uvjet da se izdanje novih dionica smatra uspješno izvršenim ako se u utvrđenim rokovima za upis i uplatu upiše i uplati najmanje 551.285 novih dionica.

S obzirom na to da je dosegnut prag uspješnosti te da je u I. i II. krugu valjano upisano i uplaćeno 1,095.330 novih dionica, tj. 99,34 posto od ukupno maksimalno ponuđenog broja novih dionica, Uprava tvrtke ocijenila je da nije ekonomski isplativo provoditi III. krug te je uz suglasnost Nadzornog odbora odustala od toga, navodi se u priopćenju.

Nadalje, Uprava je, uz suglasnost Nadzornog odbora, utvrdila da se temeljni kapital Društva povećava izdavanjem 1,095.330 novih redovnih dionica na ime, pojedinačne nominalne vrijednosti od 170,00 kuna.

Također, odlučila je da se nove dionice izdaju po jedinstvenoj konačnoj cijeni od 170 kuna po dionici. Temeljni kapital Petrokemije povećava se tako za 186,2 milijuna kuna, na 754,2 milijuna. Temeljni kapital, koji je u cjelosti uplaćen, bit će podjeležen na 4.436.447 redovnih dionica na ime.

U strukturi ulagatelja u nove dionice Društva sudjelovali su obvezni mirovinski fondovi s 55,3 posto, dobrovoljni mirovinski fondovi s 5,8 posto, AUDIO s 23,1 posto, inozemni ulagatelji s 3,1 posto, otvoreni investicijski fondovi s 2,5 posto i ostali s 10,2 posto, zaključuje se u priopćenju, prenosi Hina.



KAPITAL

### Petrokemija: Smanjenje pa povećanje temeljnog kapitala

Autor/izvor: SEEBiz  
Datum objave: 07.06.2013. - 10:22:00  
Zadnja izmjena: 07.06.2013. - 13:09:38

### ZAGREB - Uprava Petrokemije predložila je Glavnoj skupštini smanjenje temeljnog kapitala s 902,1 milijun kuna na 567,9 milijuna kuna radi pokrivanja gubitaka iz prethodnih godina.

Smanjenje kapitala provelo bi se smanjenjem nominalne cijene dionice s 270 na 170 kuna, a sve troškove tog smanjenja snosit će sama kompanija.

Nakon toga Uprava predlaže povećanje temeljnog kapitala ulozima u novcu, uz djelomično isključenje prava prvenstva postojećih dioničara, za najviše 187,44 milijuna kuna do najviše 755,43 milijuna kuna. To bi se provelo izdavanjem najmanje 551.285 do najviše 1.102.569 novih redovnih dionica.

### Uspješno dokapitalizirana Petrokemija, slijedi prodaja

Očekuje se da bi Vlada uskoro trebala odabrati savjetnika za privatizaciju kutinske tvrtke.



Dobitak je u Petrokemiju ušao 43 mil. kuna. Z.L.P.P.K.

Dokapitalizacija Petrokemije je uspjela i oko 186 milijuna kuna svježeg kapitala ući će u tvrtku.

Nakon gubitka od 68 milijuna kuna ostvarenog u prvoj polovici godine tvrtku taj novac treba za stabilnost, ali prema mišljenju mnogih jedina budućnost za tvrtku je ulazak strateškog partnera. Sindikati su zadovoljni dokapitalizacijom, prije svega jer je sudjelovala država i odbijaju razgovor o prodaji tvrtke, ali iz krugova bliskih investitorima i Vladi može se čuti da je dokapitalizacija bila uvjetovana skorom i hitnom privatizacijom kutinske kompanije. U dva kruga dokapitalizacije investitori su upisali 1.095.330 dionica po cijeni od 170 kuna čime je temeljni kapital povećan s 568 milijuna kuna na 754,2 milijuna kuna.

Najveći iznos - oko 102 milijuna kuna upisali su obvezni mirovinski fondovi, a država je uložila oko 43 milijuna kuna u kupnju 23,1 posto novih dionica tvrtke. "Dokapitalizacija je izvršena u skladu s onim na čemu je sindikat inzistirao. Bilo nam je strašno važno da u njoj sudjeluje država i nakon sastanka i razgovora to se i dogodilo", komentirao je Željko Klaus sindikalni predstavnik Petrokemije. Istovremeno kaže da je o prodaji neobzibiljno govoriti. "Pustimo to. Mora se još mnogo toga dogoditi i mnogo razgovora obaviti prije same prodaje", kaže Klaus.

Ulagачi s druge strane očekuju da bi Vlada uskoro trebala odabrati savjetnika za privatizaciju Petrokemije, a već na jesen donijeti odluku o načinu privatizacije. Uz obvezne mirovinske fondove koji su upisali 55 posto novih dionica tu su i dobrovoljni mirovinski fondovi s 5,8 posto, inozemni ulagatelji s 3,1 posto te investicijski fondovi s 2,5 posto i mali dioničari koji uložili oko 18 milijuna kuna. Podsjetimo, ministar gospodarstva Ivan Vrdoljak nedavno je istaknuo da će dokapitalizacija osigurati mirnu godinu za kutinsku tvrtku, tijekom koje će država tražiti strateškog partnera. Tu država mora ostati vlasnikom barem 25 posto plus jednu dionicu kako bi mogla kontrolirati procese u Petrokemiji koji su direktno vezani za hrvatsku poljoprivredu - istaknuo je Vrdoljak nedavno.

# Starting the process of restructuring in 2014



- Implementation of the Company recapitalization is the foundation for realization of the Program of Restructuring and Financial Consolidation of Petrokemija, Plc. from 2014 - 2018.
  
- Objectives of the Program are:
  - set up the foundations for long-term profitable business and financial stability of Petrokemija, Plc.
  - advance Petrokemija, Plc. to a modern and socially responsible employer, and thereby support the existence of more than 2000 families
  - ensure a high standard of application of fertilizers as a basis for the progress of the entire agricultural sector of Croatia
  - attract investors for new investment cycle
  
- Fulfillment of Petrokemija's goal is to achieve a sustainable EBITDA margin of 10% by 2018.

# Summary of Programme of Restructuring and Financial Consolidation from 2014 to 2018



- The main challenges of Petrokemija are significant drop in prices and sales of fertilizers in their home region, the high price of gas, energy inefficiency, high costs of procurement and low productivity of business processes
- To respond to the strategic challenges it is faced with, Petrokemija has prepared Program of Restructuring and Financial Consolidation, which will have the following main features:
  - Focus on three main product groups with the optimization of the annual production volume of approximately 1,050,000 tons per year
  - Access to the open gas market with a lower average price
  - Increase productivity of business processes by approximately 35%
  - Cost reduction of procurement of strategic raw materials and other materials and services
  - Modernization of Ammonia Plant to reduce energy consumption by about 10%, or at a level achieved by most of its competitors
  - Compliance with the requirements of EU legislation through significant investment in facilities
  - Improve sales model in the domestic region
  - Outsourcing of non-core activities

# Outline of Programme of Restructuring and Financial Consolidation from 2014 to 2018



- The program anticipates refinancing of existing debt until 2018, additional financing of working capital and recapitalization (capital increase) totaling to about HRK 1.6 billion.
- **In the first phase in 2014 the refinancing of debt in the amount of about HRK 400 million is planned, as well as a capital injection of HRK 500 million**
- **The second part is planned for the end of 2015 and early 2016 when the majority of investment activities are anticipated.**
- Additional financing and capital fundraising is needed to finance the investment program (about HRK 1 billion), the cost of the redundancy program (HRK 140 million) and financing of working capital
- The Program of Restructuring and Financial Consolidation should bring Petrokemija to the EBITDA margin of 10% by 2018



## Planned investments 2014 -2018



- 
- ❑ In the observed period, Petrokemija is planning to invest a total of about HRK 1 billion, including:
  - ❑ For meeting the ecological standards and environmental permits - HRK **282** million
  - ❑ For investment maintenance of facilities - HRK **192** million
  - ❑ For new IT system - HRK **20** million
  - ❑ For modernization of Ammonia Plant - HRK **500** million

# Done so far regarding gas, banks...



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- ❑ With consumption of about 650 million m<sup>3</sup> per year, Petrokemija, Plc. is one of the biggest consumers of gas in the region (about 22% of total consumption).
  - ❑ The objective is to continue cooperation with current suppliers at similar volumes. As a result of previous negotiations, Petrokemija achieved a significantly lower gas price for the third and fourth quarter of 2014.
  - ❑ It is estimated that the average price for 2014 will be over 8% lower than in 2013.
  - ❑ Large commercial banks that support Petrokemija's business (PBZ, HPB and CBRD) expressed their support for the Program of Restructuring and Financial Consolidation, by the intention of rescheduling the total debt and maintaining low or further reducing financing costs.

# Done so far in human resources, savings...



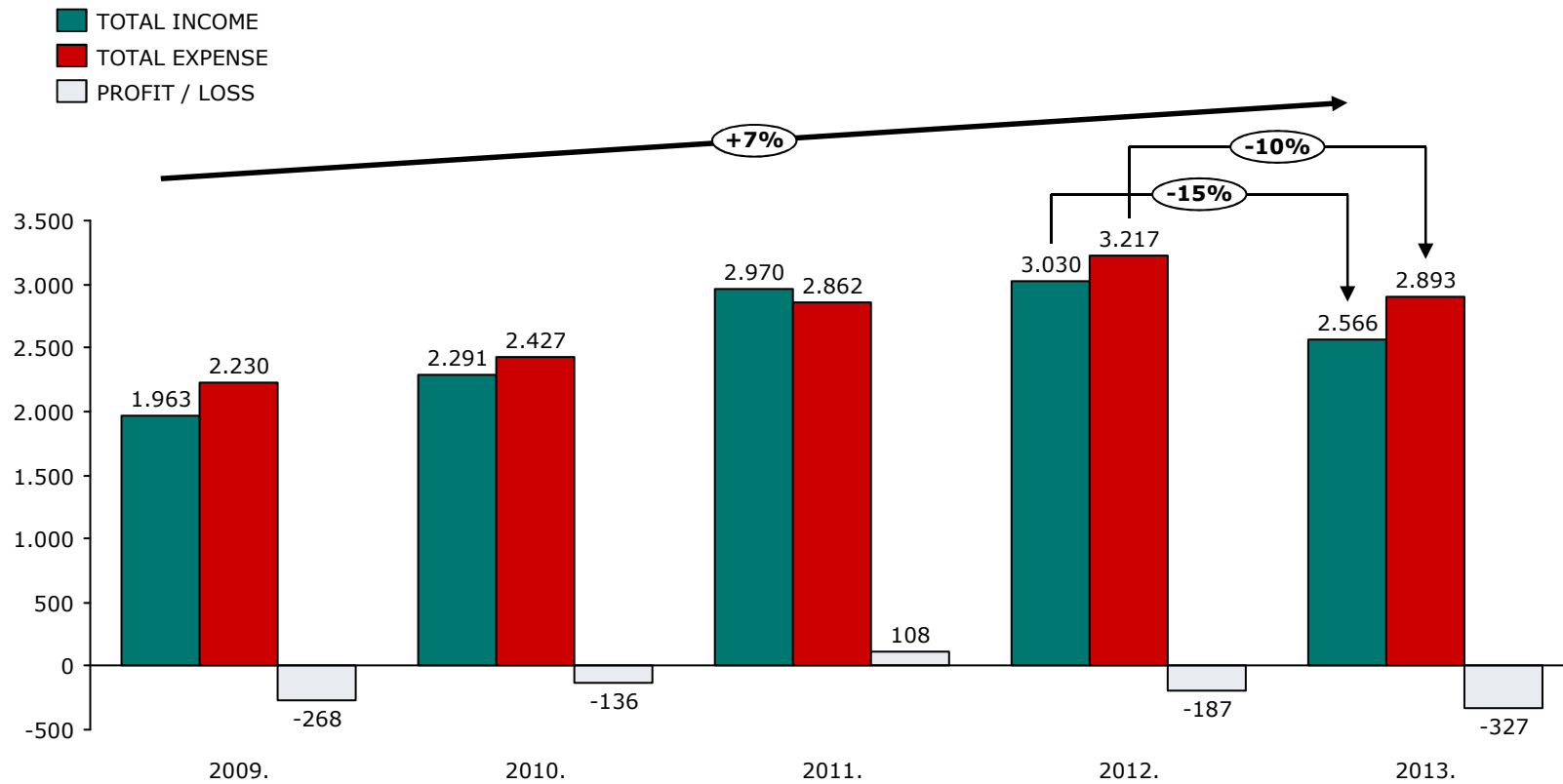
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- With the Letter of Intent, Unions supported measures undertaken by the Management Board in restructuring the Company
  - 450-500 employees expressed their intention for early retirement
  - With the realization of the Program, personnel costs will be reduced by 40%
  - The cost of severance pay under the Program over the years amounts to a total of HRK 161 million:
    - in 2013           HRK 20 million,
    - in 2014           HRK 100 million,
    - in 2015           HRK 41 million.
  - Around HRK 40 million savings for procurement of raw materials has either been achieved or is in the process of preparing and negotiating

# Key indicators for Petrokemija, Plc. in 2013

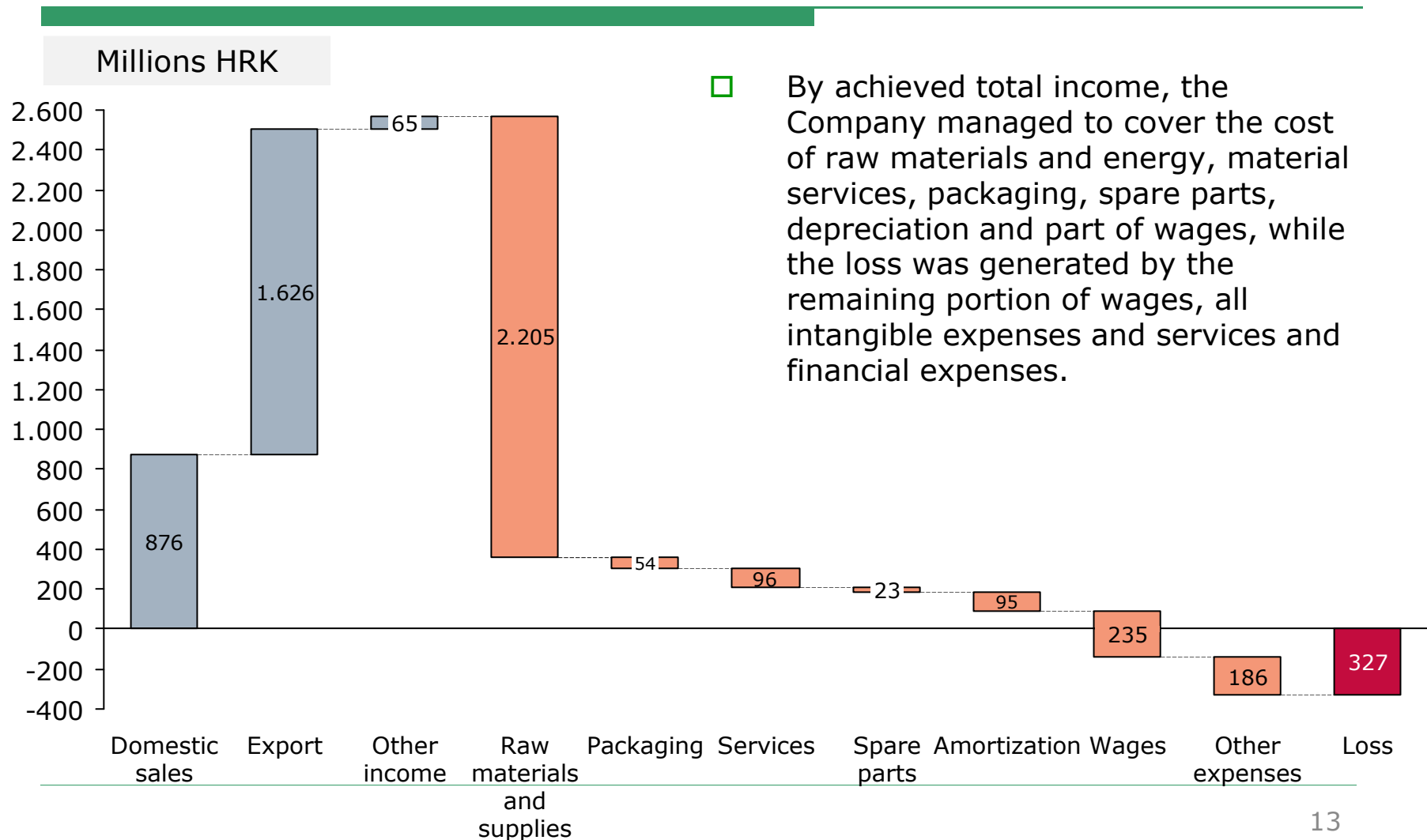


- ❑ Produced fertilizers: 1,078 thousand tons
- ❑ Yield of currently installed plant capacities: up to 80%
- ❑ Sales of fertilizers: 1,102 thousand tons
- ❑ Domestic sales: 312 thousand tons
- ❑ Export: 790 thousand tons
- ❑ Actual total revenues of Petrokemija, Plc.: HRK 2,565.9 million
- ❑ Actual loss of Petrokemija, Plc.: HRK 327.4 million
- ❑ EBITDA for Petrokemija, Plc.: HRK -200.9 million
- ❑ Equity at 31 December 2013 for Petrokemija, Plc.: HRK 434.8 million
- ❑ Invested in Petrokemija, Plc.: HRK 64.9 million
- ❑ Number of employees at 31 Dec 2013: Petrokemija, Plc.: 2,119,  
Petrokemija Group: 2,294
- ❑ 4<sup>th</sup> exporter in Croatia in 2013
- ❑ Petrokemija has successfully implemented Product Management System - Product Stewardship, as a permanent member of Fertilizers Europe

# Profit and Loss 2009-2013

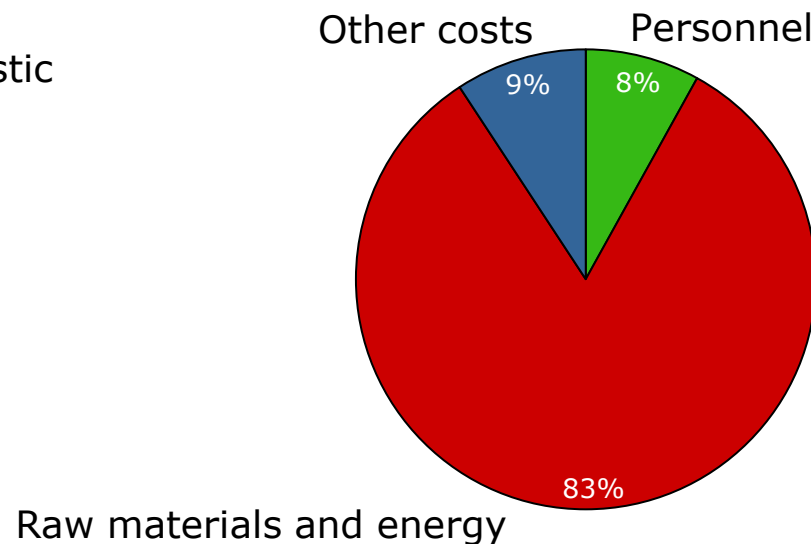
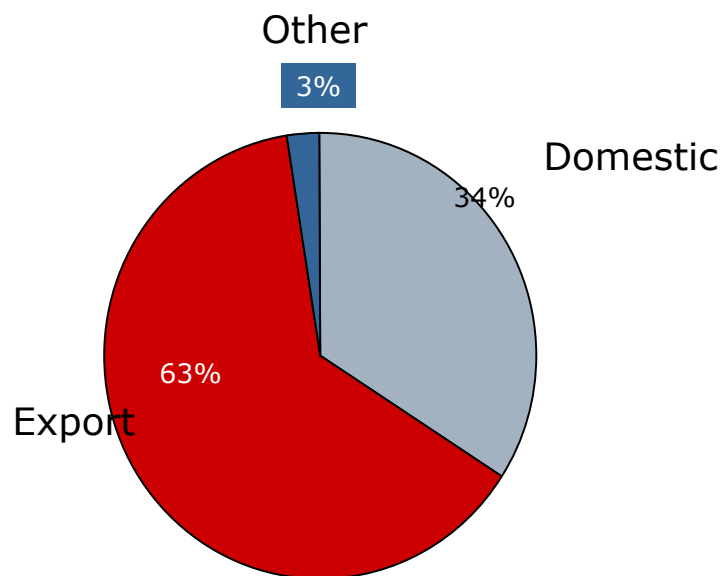


# Structure of Profit and Loss in 2013



# Structure of income and expenses in 2013

- In 2013 Petrokemija achieved 34% income at domestic market, 63% in export and financial and other income was 3.0% of total income.
- In the structure of total expenses, dominant 83% is the cost of raw materials and energy, personnel accounts for 8%, while all other costs account for 9%.



# Key financial indicators



(in HRK 000)

	<b>I-XII 2013.</b>	<b>I-XII 2012.</b>	Difference	% changes
Operating income	2.548.508	3.004.901	-456.393	-15,19%
Operating expense	2.844.108	3.157.005	-312.897	-9,91%
EBITDA *	-200.966	-53.310	-147.656	-276,98%
Amortization	94.634	98.794	-4.160	-4,21%
Net financial income (expenses)	-31.783	-35.068	3.285	9,37%
Net extraordinary income (expenses)	0	0	0	
Profit / loss / before taxation	-327.383	-187.172	-140.211	-74,91%
	<b>31. XII 2013.</b>	<b>31. XII 2012.</b>		
Fixed assets	738.156	767.586	-29.430	-3,83%
Current assets	856.005	1.162.341	-306.336	-26,36%
Capital and reserves	434.780	577.938	-143.158	-24,77%
Long-term liabilities + provisions	75.210	138.410	-63.200	-45,66%
Current liabilities + provisions	1.096.407	1.216.244	-119.837	-9,85%

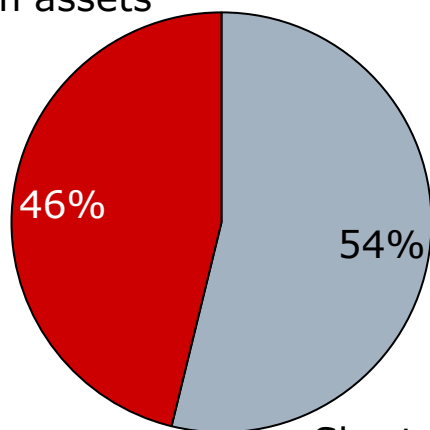
\*EBITDA = profit before interest, taxation, depreciation and amortization



# Structure of assets and liabilities at 31 December 2013

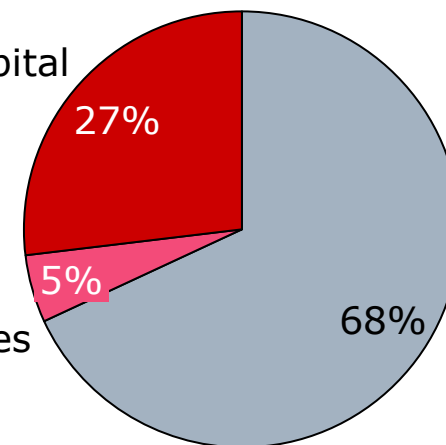
- At 31.Dec 2013, Petrokemija, Plc. had 54% in value of short-term and 46% in long-term assets, which can be attributed to relatively high depreciation and the age of production and auxiliary facilities.
- The level of capital is the result of capital increase in 2013 of HRK 186.2 million, and the liabilities structure is dominated by short-term debts, due to impossibility to obtain long-term loans in the domestic financial market (the global crisis, losses, ownership structure).

Long-term assets



Short-term assets

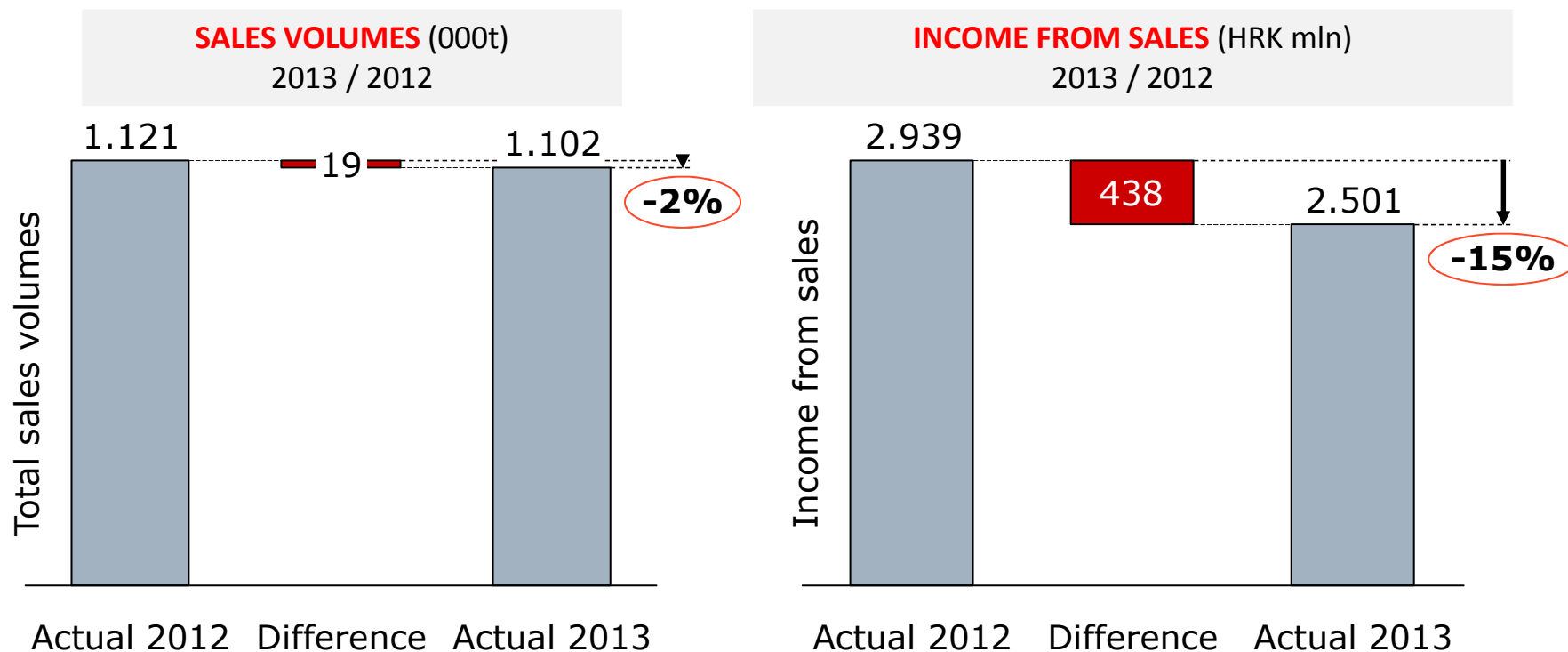
Capital



Long-term liabilities

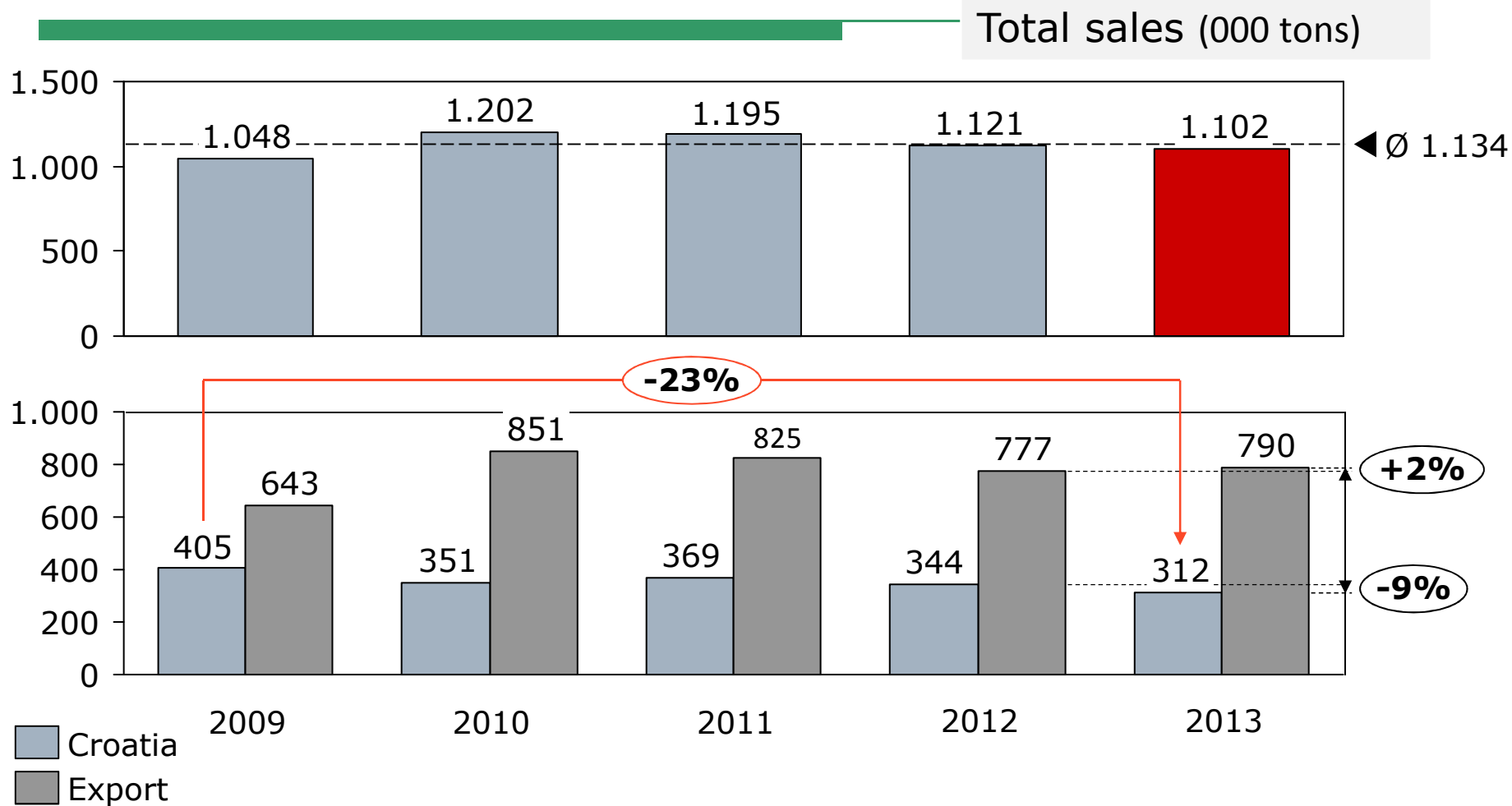
Short-term liabilities

# Total fertilizer sales



- Actual fall in sales volumes of 2% influenced the fall of income from sales by 15%, which indicates significant fall in average sales prices.

# Actual fertilizer sales in 2013



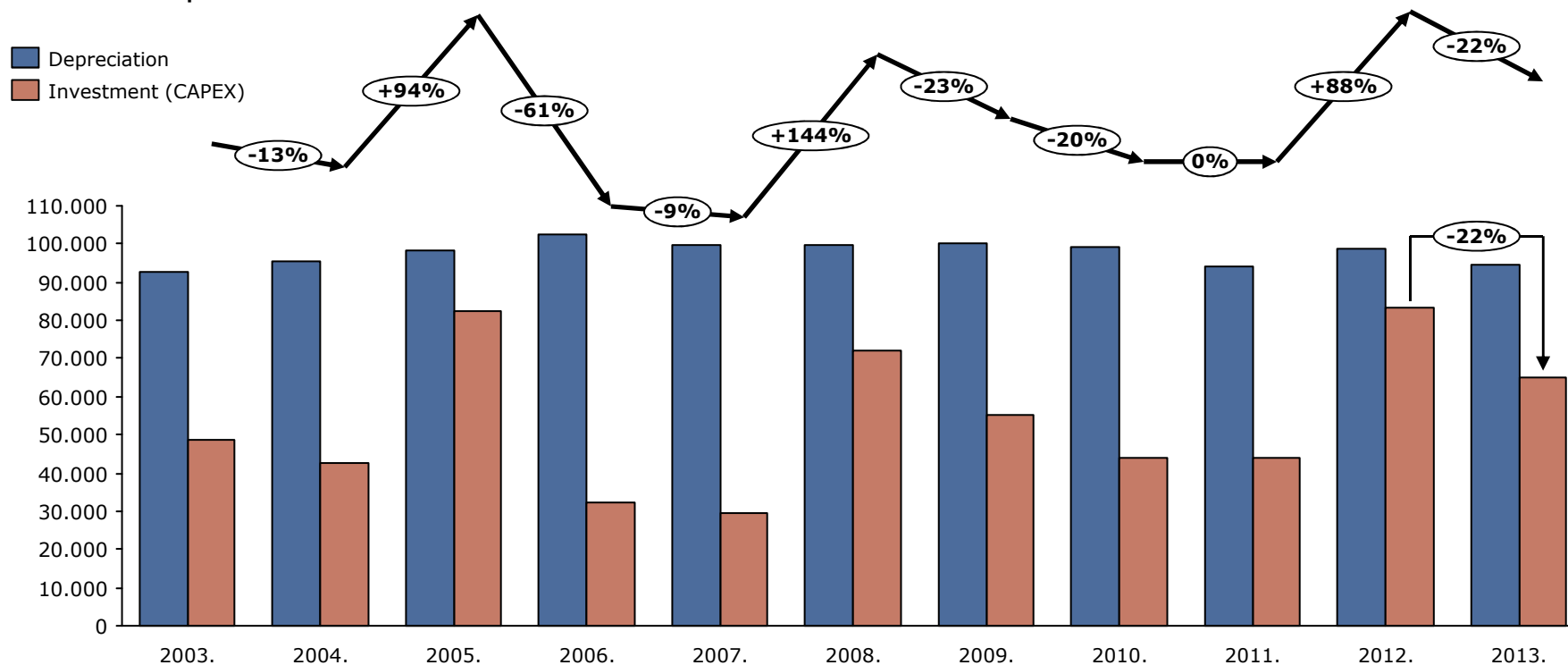
# Business results of Petrokemija Group for Jan-Dec 2013



- After the consolidation of financial results of Petrokemija, Plc. and its subsidiaries - Restaurant Petrokemija, Ltd. Kutina, Petrokemija, Ltd. Novi Sad, Petrokemija, Ltd. Novo Mesto and Luka Šibenik, Ltd.- the financial results for the period January-December 2013 for Petrokemija Group were as follows:
  - Total revenues HRK 2,584.7 million,
  - Total expenses HRK 2,914.9 million,
  - Loss before tax HRK -330.2 million.
  
- EBITDA (earnings before interest, taxes and depreciation) was HRK 202.7 million in the negative.
- In the reporting period, one subsidiary operated at a loss – Luka Šibenik, Ltd. with HRK 3.4 million. Luka Šibenik reported loss due to the small volume of traffic and high fixed costs
- In February 2014, the subsidiary Petrokemija, Ltd. Novo Mesto was closed.
- The report on the Petrokemija Group's business includes detailed information on the operations of the subsidiaries.

# Realized investment

Investment realized in the period January-December 2013 amounted to EUR 64.9 million - 18.2 million or 22% lower than in the previous year. Despite the high loss and limited funding sources, in 2013 necessary investment was made partly by funds from the recapitalization.



# Reduction of the Share Capital



- Share capital of the Company before the reduction amounted to **HRK 754,195,990.00** and was divided in **4,436,447** ordinary registered shares, each with nominal value of **HRK 170.00**.
- The reduction of the Company share capital was carried out by reducing the nominal amount of the Company's share of HRK 170.00 by the amount of HRK 140.00 to HRK 30.00.

<b>Number of shares</b>		<b>Nominal value</b>		<b>Share capital</b>
<b>4,436,447</b>	<b>×</b>	HRK 170.00		HRK 754,195,990.00
		-		-
		HRK 140.00	<b>=</b>	HRK 621,102,580.00
		=		=
		<b>HRK 30.00</b>		<b>HRK 133,093,410.00</b>

# Reduction of the Share Capital (cont.)



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- The amount obtained by reducing the share capital will be used to cover the Company uncovered losses in 2013 in the total amount of HRK 319,415,575.30, and the difference of HRK 301,687,004.70, obtained after the Company loss coverage shall be entered in the Company capital reserves.
  - After the completed share capital reduction, the Company share capital amounts to **HRK 133,093,410.00** and is divided into **4,436,447** ordinary registered shares, of **HRK 30.00** nominal value each.

# Increase of the Share Capital

- The Company share capital could be increased **from the amount of HRK 133,093,410.00 by a maximum amount of HRK 499,999,980.00 to the amount of up to HRK 633,093,390.00.**
- The share capital increase will be implemented by payment in cash by issuing **a minimum of 8,333,333 up to a maximum of 16,666,666 new ordinary registered shares, with a nominal value of HRK 30.00 each.**

Number of shares	Nominal value	Share capital
4,436,447 + 8,333,333-16,666,666 = <b>12,769,780-21,103,113</b>	<b>HRK 30.00</b>	HRK 133,093,410.00 + HRK 249,999,990.00 - HRK 499,999,980.00 = <b>HRK 383,093,400.00 - HRK 633,093,390.00</b>



## Increase of the Share Capital (cont.)



- The final amount of the share capital increase will depend on the success of the issue, i.e. the number of shares subscribed and paid for.
- The issue of shares shall be **successfully completed** if in the set deadlines for subscription and payment **at least 50 % of the total issue amount, or at least 8,333,333 shares are subscribed and paid for.**
- The Company share capital increase is implemented with the partial exclusion of pre-emptive rights of the existing Company shareholders on condition of payment for subscribed shares that is not less than EUR 100,000.00 in Kuna equivalent per Company shareholder at the middle exchange rate of the Croatian National Bank.
- In accordance with Article 351, Paragraph 1, Item 3 of the Capital Market Act, the Company is issuing shares with the use of exception to the prospectus publication, and therefore will not publish the prospectus for the public offering of shares. However, before the listing of the new shares on the Official Market of the Zagreb Stock Exchange, the Company will submit the prospectus to HANFA for approval and will publish the prospectus.

# Use of proceeds from the Capital Increase

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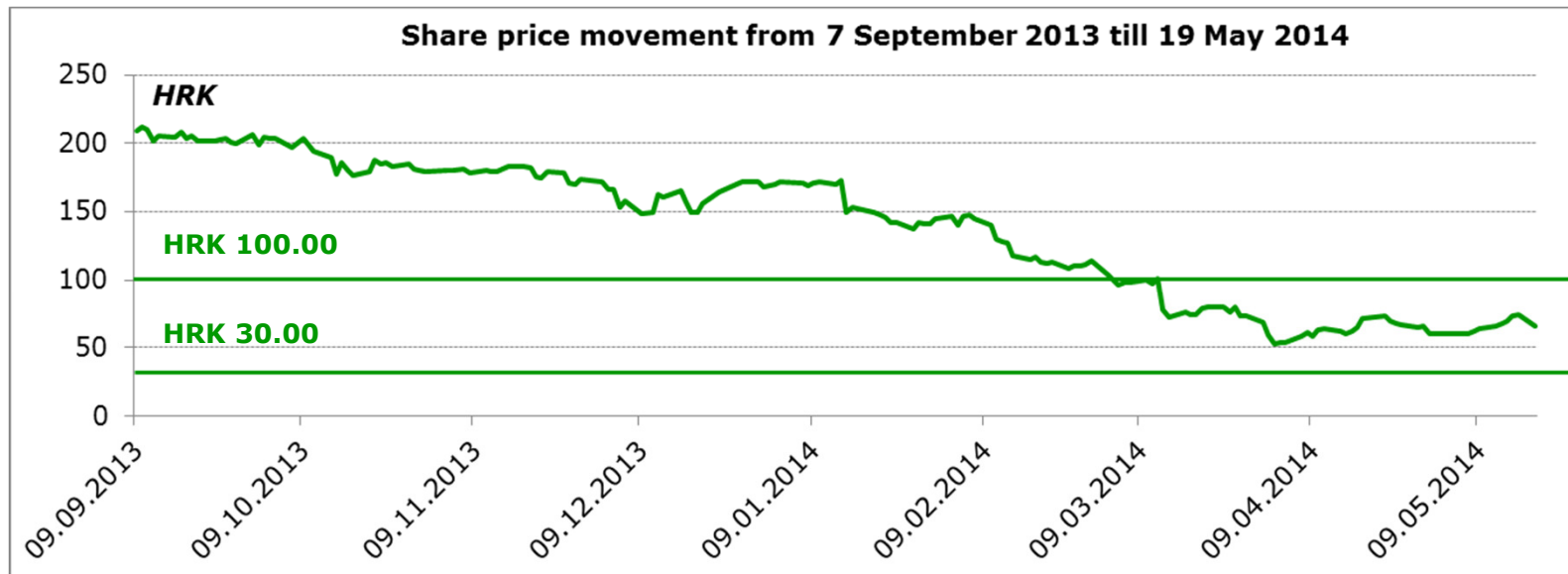


- The Company intends to use proceeds from the issuance of new shares as follows:
  - for optimizing the operating expenses of employees, the Company intends to use the amount of HRK 100 mln in 2014 for incentive severance package for the employees who are leaving the Company on 1 August 2014;
  - for current investments and preparation of overhaul - HRK 100 mln in 2015;
  - for financing current operations and liquidity - HRK 300 mln.

# Share Price



- New shares will be offered for sale within the price range from **HRK 30.00 to HRK 100.00 per share.**
- After the bids for subscription and payment of shares in the first and second round have been collected, the Management Board will, with the consent of the Supervisory Board, determine the final share price within the said price range.
- The lower limit of the price range amounts to HRK 30.00 per share which equals the nominal share price.
- The upper limit of the price range amounts to HRK 100.00 per share which is the average trading price on the Zagreb Stock Exchange for the period of eight months, starting with the appointment of the new Management Board, the restructuring process and the process of finding a strategic partner.



Source: ZSE.

# Share Capital Increase – 1<sup>st</sup> Round



- In the first round, **the right of subscription** for shares will be with the existing shareholders who have their **shares registered** in their dematerialized securities account with the Central Depository and Clearing Company Inc. (CDCC) on the date of publishing the Invitation to the General Meeting in the Official Gazette (**i.e. 11 April 2014**).
- In the first round the shares are subscribed for **14 days from the date of the Public Invitation** to Subscribe for Shares in the first round.
- The existing shareholders of the Company will be allowed to subscribe and pay for **a maximum of 100 % of the offered shares, i.e. up to 16,666,666 shares**.
- **The minimum number of shares** that each existing shareholder can subscribe and pay for is obtained by dividing EUR 100,000.00 in Kuna equivalent by the lower limit of the new share price range and rounding up the number to the next greater multiple of 100 (Minimum Subscription).
- **The maximum number of shares** that each existing shareholder can subscribe for in the first round (Maximum Subscription Right) is obtained by dividing 16,666,666 by 4,436,447 and multiplying by the number of shares that the existing shareholder had on 11 April 2014, rounded down to the closest integer. In the event that such Maximum Subscription Right is less than the Minimum Subscription, the Maximum Subscription Right will be equal to the Minimum Subscription.

# Share Capital Increase – 2<sup>nd</sup> Round



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- In the second round, the right to subscribe for all remaining shares not subscribed and paid for in the first round (Shares Offered in the Second Round) is with the **existing shareholders who have already subscribed for the shares in the first round.**
  - The Subscription of shares in the second round shall last **5 working days from the date of the Public Invitation** to Subscribe for Shares in the second round.
  - **The minimum number of shares** that an individual shareholder can subscribe and pay for is obtained by dividing EUR 100,000.00 in Kuna equivalent by the lower limit of the newly issued shares price range and rounding up the number to the next greater multiple of 100.
  - **The Maximum Subscription Right** in the second round is limited to the number of shares offered in that round.

# Share Capital Increase – 3<sup>rd</sup> Round



- ❑ In the third round, the right to subscribe for all remaining shares not subscribed and paid for in the first and the second rounds (Shares Offered in the Third Round) is with **all investors**.
- ❑ The Subscription of shares in the third round shall last **8 days from the date of the Public Invitation** to Subscribe for Shares in the third round.
- ❑ **The minimum number of shares** that an individual investor can subscribe and pay for is obtained by dividing EUR 100,000.00 in Kuna equivalent by the lower limit of the newly issued shares price range and rounding up the number to the next greater multiple of 100.
- ❑ **The Maximum Subscription Right** in the third round is limited to the number of shares offered in that round.
- ❑ If the success threshold of 8,333,333 subscribed and paid for shares is reached in the first and second rounds, and it is deemed economically nonviable to proceed with the third round, the Management Board may, with the consent of the Supervisory Board decide to abandon the third round altogether.



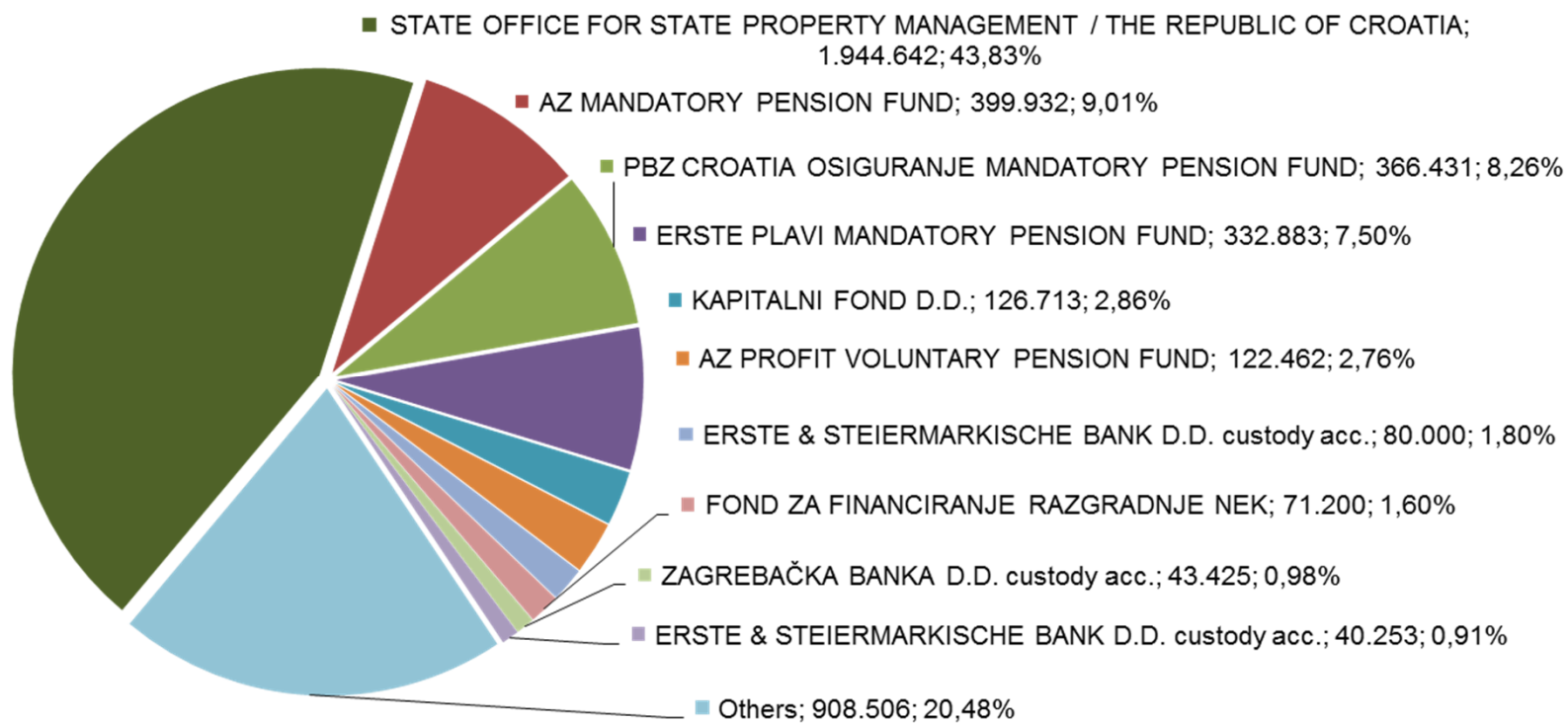
# Authorized Share Capital



- The Company Management Board is authorized, with the approval of the Supervisory Board, to pass one or more decisions to increase the share capital by issuing new shares, over a period of five years from the date of incorporation of the amendments into the Articles of Association pursuant to the decision of the General Meeting of 20 May 2014, provided that the aggregate amount of such Company share capital increase does not exceed 10% of the nominal amount of the share capital on the date of adoption of the amendments (authorized capital).
- The Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' pre-emptive right to subscribe for new shares.
- The rights of the new shares to be issued are decided on by the Company Management Board with the consent of the Supervisory Board.



# Ownership Structure (11 April 2014)



Source: CDCC

# Indicative Timetable



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	<b>Date and time</b>
<b>Supervisory Board Meeting</b>	<b>9 April 2014</b>
<b>Record date of participation in share capital increase</b>	<b>11 April 2014</b>
<b>General Meeting</b>	<b>20 May 2014 / 12:00</b>
<b>1<sup>st</sup> Round</b>	<b>7 July 2014 / 12:00 noon – 21 July 2014 / 12:00 noon</b>
<b>2<sup>nd</sup> Round</b>	<b>will be determined later</b>
<b>3<sup>rd</sup> Round</b>	<b>will be determined later</b>

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