



OJSC Krión Investment opportunity

September 2018

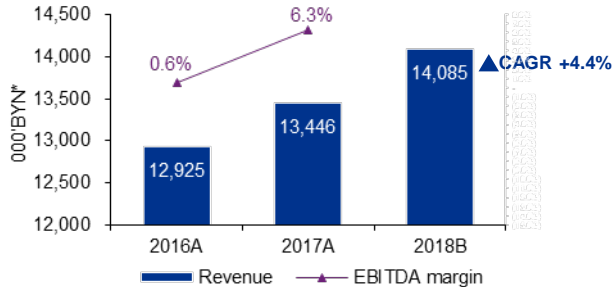


Overview

- KPMG is pleased to introduce an opportunity to invest in OJSC Krion ("the Company", "Krion"), the leading producer of industrial gases (oxygen, nitrogen, argon) in liquid and gaseous form in the Republic of Belarus
- KPMG Limited has been retained as an exclusive financial advisor to National agency of investment and privatization (NAIP) in respect to the potential investment in Krion by strategic partner ("Proposed Transaction")

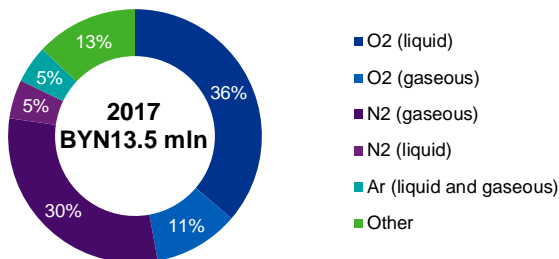
This preliminary investment overview is intended to introduce the Company to potentially interested parties as a precursor to signing of a confidentiality agreement and access to more detailed information and discussions

REVENUE

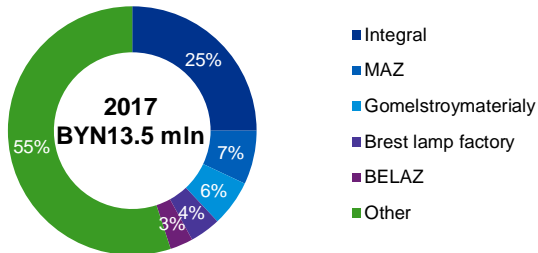


*Note: as of 10.08.2018 BYN / USD exchange rate stood at approximately 0.49

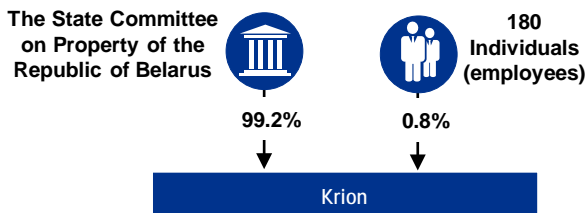
REVENUE BY SEGMENT



REVENUE BY CLIENT



COMPANY'S OWNERSHIP STRUCTURE



Source: Company data

BUSINESS OVERVIEW

- Established in 1956, the Company specializes in production of oxygen, nitrogen, argon in liquid and gaseous form by method of air separation as well as special gas mixes for industrial and food applications
- Krion is the unrivaled market leader, controlling over 60% of industrial gases sales in Belarus (exclusive of the in-house air separation performed by some industrial gases consumers)
- Company's customer base includes major Belarusian industrial groups, operating in chemicals, metals, glass, machinery, aerospace, healthcare, electronics and other industries
- Krion's customers' loyalty is secured by the reliable and efficient supply system and infrastructure. The logistics facilities include pipelines connecting Krion to several major customers, as well as trucks fleet and rail infrastructure owned by the Company
- Krion operates two air separation machines with the aggregate annual capacity of 65.9 thousand tones of oxygen, 22.5 thousand tones of nitrogen and 1.7 thousand tones of argon
- The Company employs 169 people, most of which have been in Krion's business for over 10 years and have massive experience in the field
- The Company's revenue has shown 4% growth in 2017 and is expected to continue on that trend in 2018. EBITDA margin reached 6.3% in 2017 and is expected to stabilize at this level
- Krion's growth strategy is built around development of client base via search for new applications of industrial gases, installation and servicing of air separation systems on the territory of the customer (on-site scheme)

PROPOSED TRANSACTION

- The Government of the Republic of Belarus is contemplating Krion's partnership with a strategic investor in order to accelerate implementation of the development plan
- NAIP on behalf of the Government is ready to consider various forms of cooperation that may include purchase of the existing state-owned stock, purchase of newly issued stock, launching joint ventures and other widely used models
- The key priorities of the Government in the context of the Proposed Transaction are as follows:
 - implementation of development projects potentially including development of a new air separation unit, expansion of product range
 - improvement of the Company's processes and technologies; development of its product portfolio
 - maintenance of the existing labor contracts and social guarantees for the Company's staff

Investment highlights



STABLE MARKET SHOWING SUSTAINABLE GROWTH

- ❑ In 2018 analysts expect further acceleration of the Belarusian economy with the GDP growth projected to reach 3% driven fundamentally by rising oil and metal prices that result in growing demand from Russia
- ❑ Industrial sector (petrochemicals, metals, machinery), which is the key consumer of industrial gases, is expected to be growing faster than the rest of the market thus creating additional demand for industrial gases
- ❑ Wide range of industries served by the Company facilitate Krion's resistance to any unfavorable fluctuations that might occur



LEADING MARKET PLAYER

- ❑ Krion is the market leader in its segment, controlling over 60% of industrial gases sales in Belarus
- ❑ The Company has market leading credentials and competencies in production of industrial gases and provision of maintenance services for cylinders and cryogenic tanks
- ❑ Loyal customers of Krion include the largest Belarusian industrial enterprises: Integral, MAZ, Gomelstroyaterialy, Brest lamp factory, BELAZ and etc. Additionally, Krion is the exclusive supplier of oxygen to medical institutions of the Republic of Belarus



ADVANCED LOGISTICS INFRASTRUCTURE

- ❑ Krion's key production facilities are conveniently located in Minsk alongside its major clients. Being located in the center of Belarus gives the Company competitive advantage in reaching customers throughout the country
- ❑ Around 30% of revenue comes from customers that receive Krion's products via pipeline, which helps to ensure low transportation costs and therefore sets the ground for a long-term mutually beneficial cooperation
- ❑ The Company has its own truck fleet and rail infrastructure, which helps secure uninterrupted supply of products to Krion's customers throughout Belarus



GROWTH OPPORTUNITIES

- ❑ The Company constantly explores new applications of its products in order to protect and grow the client base. Currently, Krion's management are working on the following potential projects:
 - ❑ Novopolotsk Fiberglass: application of industrial gases to reduce emissions from the combustion process
 - ❑ Minsk Regional Technopark: application of liquid nitrogen for recycling of tires
- ❑ Krion is considering entering the market for servicing of gas separation units installed on-site. Potential customers include Minsk Heating Equipment Plant, Svetlogorsk Khimvolokno and Lida Lakokraska

Source: Company data, Sberbank CIB macro research

Production facilities and logistics

Production facilities

Air separation unit 1: KzhAzhArzh-6.8/3



Installed in 2010
Products: O2, N2, Ar
Capacity: 54,500 tones/year of O2,
Compressor: Centac 5CII-C550MX3

Air separation unit 2: AzhAr-4



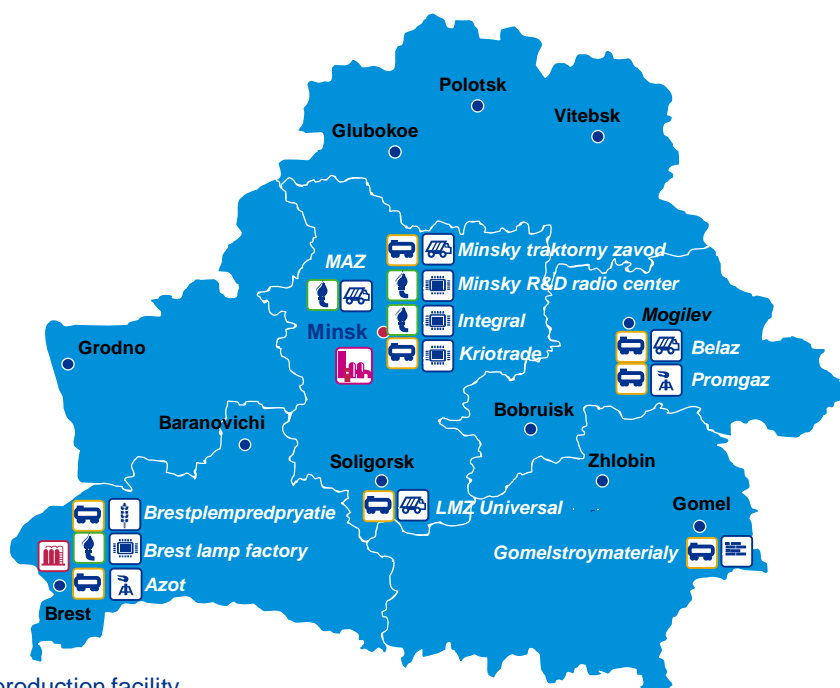
Installed in 1991
Products: O2, N2
Capacity: 11,400 tones/year of O2,
Compressor: 6BM16-140/200

- ❑ Production method – low-temperature rectification of compressed air
- ❑ Key production facilities are located in Minsk, additionally Krion operates a gas filling station in Brest
- ❑ The Company's profitability margins could be significantly improved by the replacement of the existing units
- ❑ The Company has a strict quality control system, which helps ensure customer loyalty. Each batch is rigorously tested in the own laboratory

Production volume, tons

	2016A	2017A	6 mon 2017A	6 mon 2018A
O2	21,179	21,887	10,911	12,365
N2	2,683	3,098	1,524	1,161
Ar	275	267	131	159

Main customers and logistics



- Krion's core production facility
- Krion's gas transferring station (from liquid to gaseous)
- Main customers (supply via track and rail)
- Main customers (supply via pipeline)
- Machinery, automotive
- Agro
- Industrial gas suppliers
- Construction
- Electronics

Source: Company data

Further steps and communications

This company overview provides an introduction to the Company, and its future prospects. Potentially interested parties will be required to sign a Confidentiality Agreement to gain access to more detailed information and enter into further discussions

Should this be of interest to you, please contact the following professionals using the telephone or e-mail details listed below



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