

FEEL THE CHEMISTRY



22. Logistik-Dialog in Wien

**Der Stellenwert des Menschen in der Logistik
von Morgen - 31.03.2006**

*Dialogblock 5 „Der Faktor Mensch in der Wirtschaft der
neuen EU-Länder“*

AMI Supply Chain Business Case Study Osteuropa

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AMI – Agrolinz Melamine International GmbH**

Topics

Short overview Agrolinz Melamine International

Driving factors for increased market activities

**Developping Supply Chain structures in
Romania and Serbia**

**Human ressources and capabilities in fast
growing markets**

Produkte / Geschäftsbereiche

Geschäftsbereich Melamin / Harnstoff

Hauptprodukte

Melamin
Guanidincarbonat
Harnstoff
Harze
Spezial-Leime
Bulks (Formurea,
Formaldehyd)
Additive
Andere Stickstoff-
Produkte

Melamine Performance Products

Hauptprodukte

High Performance
composites
auf Melaminharzbasis
High Performance Harze
auf Basis Melamin
Hochleistungs-Additive
für die Holzwerkstoff-
industrie
Extrudierbares Holz

Geschäftsbereich Pflanzennährstoffe

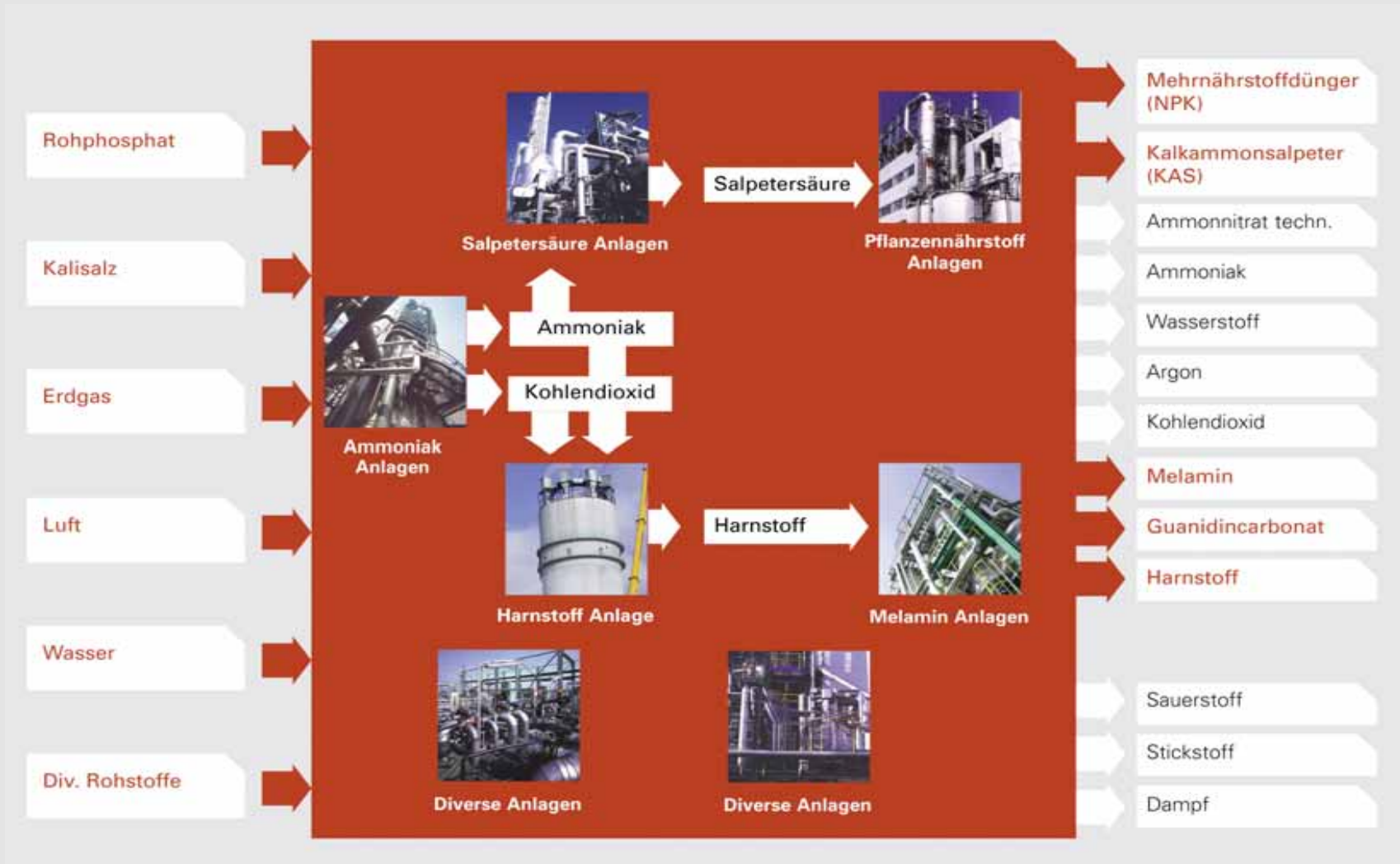
Hauptprodukte

Kalkammonsalpeter
LINZER NAC
LINZER NAC+S
Mehrnährstoffdünger
LINZER TOP
LINZER HIT
LINZER STAR
LINZER PLUS
LINZER PRO
LINZER GOLD
LINZER TIP

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Produktionsabläufe



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Driving factors for increased market activities

- **Linzer Agro Trade (LAT) was founded in 2005 as AMI's own 100% wholesaler**
- **High performing fertilizers produced in Linz were restructured under the brand "Linzer Ware"**
- **The Danube river represents the backbone of all expansion steps of LAT**
- **In 2005 AMI and LAT took over the marketing and sales activities for the Doljchim Craiova plant (belongs to Petrom, acquired by OMV-Group)**
- **Competitive logistics structures and processes is the key success factor in fertilizer business**
- **Establish distribution activities at strategic points like Pancevo, Smederevo, Turnu Severin or Constanza**

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Fertilizer Strategy AMI Group

- Focus on **West European** core markets by slightly increasing market share
- Maintain volumes in Eastern core markets for AMI products
- Build **Linzer Agro Trade** into leading CEE marketing platform
- Seek synergies on Supply Chain & Marketing through cooperations
- Further increase cost leadership
 - Margin optimisation of product mix
 - Successful implementation of a distribution network in Eastern Europe

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Markets for AMI fertilizer

17.000 to
45 €/to

○ Core market

○ Spot markets
(qty delivered in 2004,
freight/to)

○ New markets
(qty planned in 2006,
freight/to)

19.000 to
20 €/to

19.000 to
15 €/to

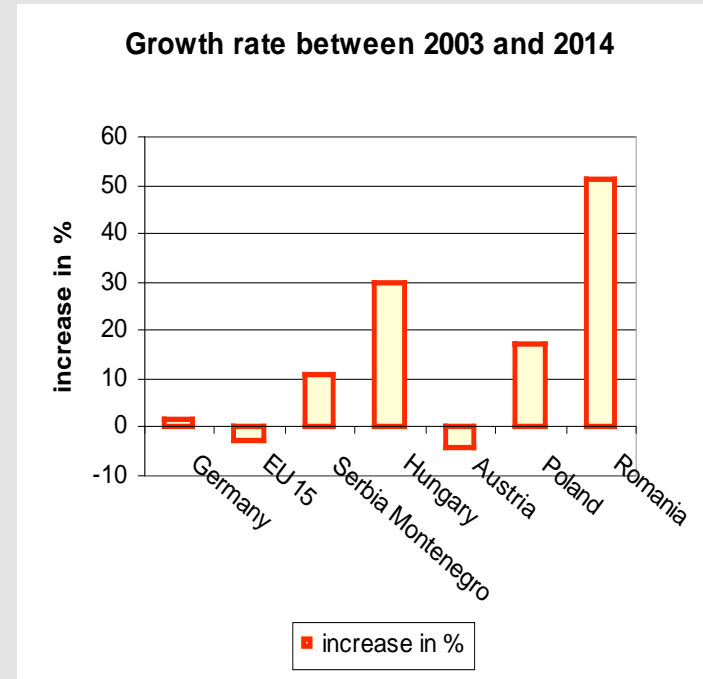
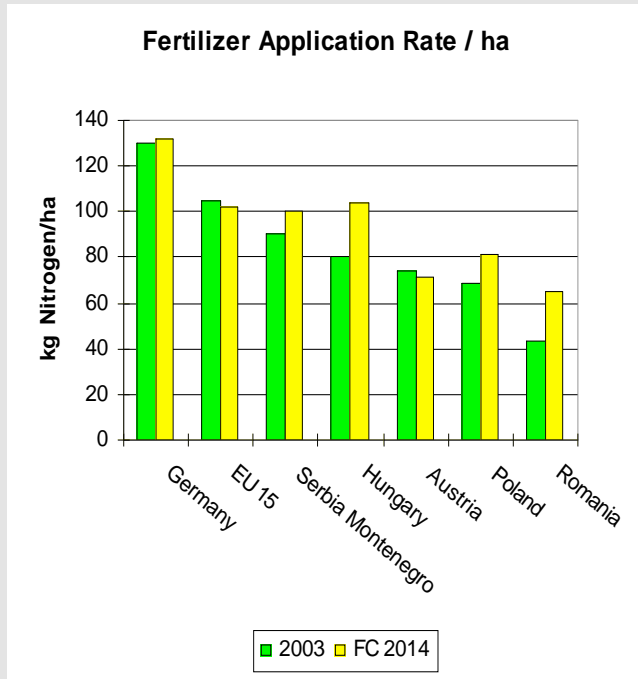
32.500 to
45 €/to

17.000 to
30 €/to

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Low fertilizer application levels – High growth rates in CEE countries



Source: EFMA/Brussels, The Vienna Institute
for International Economic Studies

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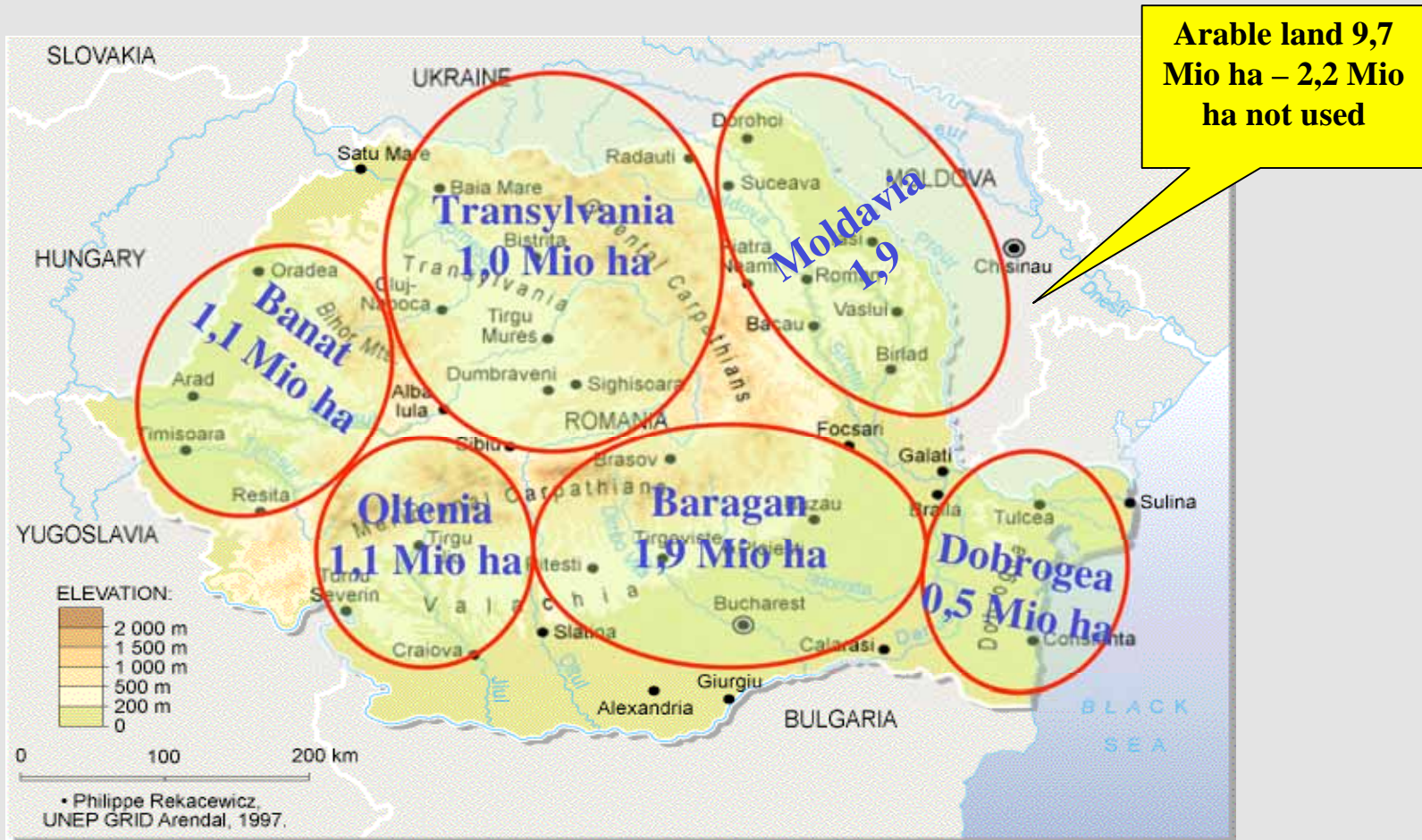
Challenges for Romanian fertilizer industry

- Romanian fertilizer industry has huge overcapacities
- Natural gas price is supposed to rise drastically
- All producers are focused on export markets
- No proper domestic distribution system existing

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Farming regions in Romania



Source: SOREC –
Romanian economic society

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LAT as early mover in Romania

- Attractive, fast growing market
- Distribution network – competition not yet active
- EU accession in 2007/08 will trigger positive effects in farming industry
- LAT has proven expertise and know-how (Hungary, Czech Republic, Slovakia)
- LAT has an experienced local managers

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LAT as early mover in Romania

- Optimize AMI profits by relocating quantities from spot markets and shrinking core market to Romania
 - Increase of “Linzer Ware” from 19.000 tons in 2006 to 70.000 tons in 2009.
- Favorable logistic costs via Danube
 - Freight costs 20 Euro/to vs. 45 Euro/to to Spain
- Increase export volumes from an optimised production plant in Craiova (Doljchim)
- Additional profits by selling merchandise via LAT distribution network

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Serbian fertilizer industry – a difficult future

- **Only one integrated N-plant running in Pancevo – bankrupt and under privatization**
- **All other local producers depend on NH₃/ Nitrogen supply ex Pancevo**
- **Rising gas costs meet energy inefficient plants**
- **Substantial imports from Russia/Ukraine, Romania, Austria, Croatia**

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Farming regions in Serbia/Montenegro



Arable land 3,4 Mio ha – 0,7 Mio ha not used

Source: The Vienna Institute for International Economic Studies

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LAT entry into Serbia

- **Huge and growing market**
- **No leading trader or wholesaler established**
- **AMI/ LAT is already established in Serbia**
- **„Linzer Ware“ is known as high quality product**
- **Serbia is already an import market**

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LAT entry into Serbia

- **Relocate quantities from spot markets to Serbia**
 - Increase of “Linzer Ware” from 19.000 tons in 2006 to 50.000 tons in 2009.
- **Favourable logistic costs via Danube**
 - Freight costs 15 Euro/to vs. 45 Euro/to to Spain
- **Additional profit in selling merchandise via LAT distribution network**

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Ami
AGROLINZ MELAMINE INTERNATIONAL

Current activities and next steps

Investment and long-term partnerships at distribution hubs along the Danube river

Redefinition of logistics services levels according to increased market requirements

Grouping the right mixture between reliable logistics companies and local partners to develop

Integration of distribution and sales processes in AMI's SAP-infrastructure

Foster rail transport activities with established and new entering railway companies to lower the risks of a limited navigable Danube river

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Human resources and capabilities in fast growing markets

Low number of English speaking and skilled logistics managers in Serbia in Romania binded in other companies

Strong need to export SCM-knowledge from Western Europe to the East without deep knowledge of specific local details

Commercial agreements with local partners are met very fast, the contracting behind takes too much time

Information chains and tracing systems still to vulnerable to promise fixed delivery dates to customers

Big business opportunities building up logistics competence centers by bundling approved SCM-concepts with local market knowledge

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