



PROPOSED INVESTMENT TRANSACTION:

OJSC Minsk Margarine Plant (“MMP” or the “Company”) is a major Belarusian producer of margarine, mayonnaise, refined oils and fats, and condiments (ketchup, horseradish, mustard, etc.). The Company has over 65 years of successful operations, enjoying strong brand recognition, as well as significant and stable market shares for its products in the domestic market of Belarus. Located in the capital, Minsk, the Company actively trades throughout Belarus and is developing export markets.

The Company enjoys various advantages:

- Large domestic market shares in major product areas (2016: 34.5% market share for margarine products and 23% market share for mayonnaise), with strong domestic recognition of its flagship “ZOLOTAYA KAPLYA” brand;
- Sustained profitability (2016: EBITDA margin of 13.3% and net margin of 9.1%) and strong balance sheet (highly positive ratios – 2016 debt/equity ratio of 0.13 and current liquidity ratio of 5.35; absence of long-term debt);
- Opportunities for duty-free export to the Eurasian Economic Union (Russian Federation, Kazakhstan, Kyrgyzstan and Armenia);
- Well-trained and motivated work force (430 average employee number in 1-6/2017) with average wage of USD 438 per month (Jan. 2017).

The Republic of Belarus, represented by the Belgospisheprom Concern (www.bgp.by), holds 94.096% of the shares of MMP.

The National Agency of Investment and Privatization of the Republic of Belarus (NAIP), together with its financial advisers, Mattig Management Partners (Austria) and Egorov, Puginsky, Afanasiev and Partners (Belarus), with the support of the World Bank and in accordance with international best practice, is proposing to strategic investors from the food industry and the real estate development sector the following investment project to modernize the operations and further develop the Company into a strong national and international player.



The proposed investment plan has the following key elements:

- As an alternative to the existing factory site in central Minsk (which is not adequate to fulfil more ambitious development plans), a new industrial site for the Company, either in Minsk City or in the adjoining Minsk Region, is being considered. Such new site will permit modern and efficient food production with optimal infrastructure and energy supply, in compliance with GMP, GOST and CE standards.
- The Company and NAIP have preliminarily identified a number of optimal sites. The decision on location of the final site shall be made jointly by the investor and the responsible Belarusian authorities to ensure that the site will be in line with the investor's future production and development plans.
- The proposed transaction tender includes both (i) sale of the existing 94.096% State shareholding in the Company and (ii) investment in the new factory site (as determined by the investor).
- Investment may include funds, machinery and equipment, and will be pursuant to a business and development plan to be proposed by the investor for production of food products for Belarusian and export markets. The specific types and timing of investment will be determined through agreement with the investor.
- Tax and tariff exemptions and reductions, construction-related support, and other benefits will be provided in connection with the investment, under Presidential Decree No. 10 dated 06.08.2009 ("On creation of additional conditions for investment activity in the Republic of Belarus"), as amended.
- International financing institutions active in Belarus are familiar with the project and may consider the possibility of providing financing for long-term capital investments in the Company.
- Redevelopment of the current production site of the Company in line with the General Development Plan of the City of Minsk is possible. The Company's right of use of its current production site, including future development and construction (upon consent of local authorities) in accordance with the Minsk City General Development Plan should be preserved, if the Investor so desires.
- All relevant state authorities will provide support to the investor for ensuring further development of the Company.



COMPANY PROFILE

THE COMPANY:

FULL NAME

Open Joint-Stock Company "Minsk Margarine Plant"

INDUSTRY

Food industry: production of margarine, mayonnaise, refined oils, fats, spreads, ketchup, horseradish and mustard

ESTABLISHED

1951

SHAREHOLDERS

94.096% Republic of Belarus; 5.904% physical persons and legal entities

GENERAL MANAGER

Aleksandr V. Shatilo

EMPLOYEES

430 (average employee number in 6m. 2017)

WEBPAGE

www.margarin.by

LOCATION:



MMP is currently located in the capital city of Minsk on a 3.95 ha site, including 3.35 ha used on the basis of permanent right of use.

As the current site provides limited opportunities for further expansion, the State stands ready to assist the investor to move the operations to a new, efficient site, if this is in line with the business strategy of the investor, within a period of up to 5 to 7 years. The process for identification of a new site, which started in June 2016, is described below under "Current Planning for New Site". The site will be located either within Minsk City or in an adjacent district of Minsk Region. Site options will be provided by the Minsk City/ Minsk Region Executive Councils and will be subject to discussions with the investor.



PRODUCTS:



MMP's product range includes over 50 products, mostly sold under the trademark "ZOLOTAYA KAPLYA" and grouped under the following main product categories:

- **margarine** – fat content ranging from 50% to 82%;
- **mayonnaise** – 7 types with differing fat contents (from 50% to 67%) in various packing;
- **mayonnaise sauce** – 1 type with fat content of 20%;
- **culinary and confectionery fats** – bulk and foil packed;
- **vegetable oils** – refined, deodorized and frozen-out sunflower oil; unrefined sunflower oil; refined, deodorized rapeseed oil; flavored rapeseed oil; blended rapeseed-sunflower oil; blended sunflower-olive oil;
- **spread** – 6 types with fat content ranging from 50% to 72.5%;
- **ketchup** – "Shashlichnii", "Ajika", "Classic", "Tomato", "Mild";
- **horseradish** – "Belarusian Classic", "Belarusian with Lemon", "Belarusian with Beet", "Belarusian with Mustard";
- **mustard** – savory, grainy, mild, mild with nuts; cheese product;
- **saucers** – mushroom sauce, mustard sauce, "Belarusian with Horseradish" sauce, garlic sauce with fat content of 35%.

The production process is carried out in compliance with ISO 9001:2007 and GOST national standards.

CAPACITY:

The plant has the following production capacity per main product category:

- margarine products – 13,724 tons per year (capacity utilization of 67.9% in 2016);
- mayonnaise, ketchup, horseradish and mustard products – 11,280 tons per year (capacity utilization of 59.6% in 2016);
- refined packaged vegetable oils – 7,106 tons per year (capacity utilization of 40% in 2016).



MARKET:

The Belarusian market for margarine, oils and fats is competitive, lacking a clear market leader.

The domestic market for vegetable oils has enjoyed positive dynamics over the last years, with production having increased from 181,000 tons in 2011 to 201,000 tons in 2016 (National Statistical Committee of the Republic of Belarus data). The consumption of bottled vegetable oils has averaged 80-90,000 tons per year, with sunflower oil being the preferred type (80% of consumers). Growth potential is significant, given the current consumption levels of 15.9 kg of vegetable oil per capita compared to 45 kg per capita in the European Union. Currently, the share of imports of the vegetable oils market is 95%.

Domestic demand for mayonnaise products is steady, with the market becoming increasingly attractive for foreign producers and importers. Mayonnaise imports have risen from 5,222 tons in 2012 to 7,186 tons in 2014. In 2016, imports constituted ca. 30-35% of the overall market.

The market shares of MMP's main product groups in the domestic market are as follows:

	2014		2015		2016	
	Market volume* '000 tons	Share MMP %	Market volume* '000 tons	Share MMP %	Market volume* '000 tons	Share MMP %
Margarine products	24,5	30,7	23,5	31,9	26	34.5%
Mayonnaise	29,8	19,5	30,5	19,8	29.5	23%
Vegetable oils	159,7	2,7	190,9	2,5	201.4	2%

* Market volume = Domestic production + Import - Export
Source: Company estimates



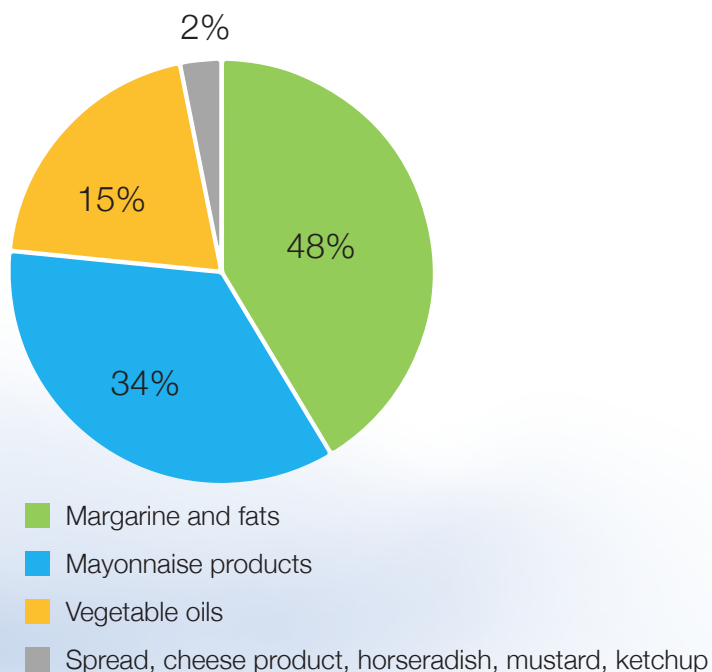
PRODUCTION AND SALES:

Margarine has the highest share within the MMP's sales breakdown (tons) with 48%, followed by mayonnaise with 34% and vegetable oils with 15% (2016 data).

As a comparison, breakdown of sales per tons for 2015-2016 and 2017 forecast is presented in the chart below.

	2015	2016	2017
	tons	tons	tons
Margarine and fats	7280	8837	9000
Mayonnaise products	6315	6383	6500
Vegetable oils	4133	2750	3000
Spread, cheese product, horseradish, mustard, ketchup	525	554	650
Total	18304	18524	19150

MMP sales structure per main products, 2016, in %:



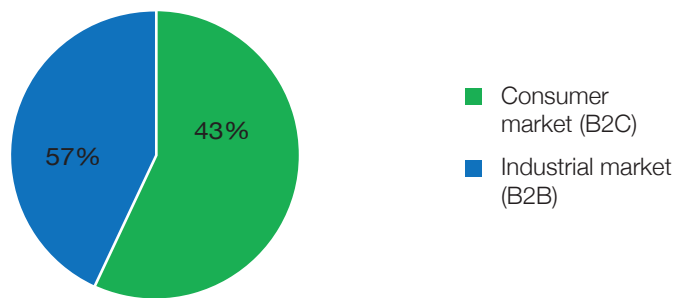


MARKET SEGMENTATION AND SHARE:

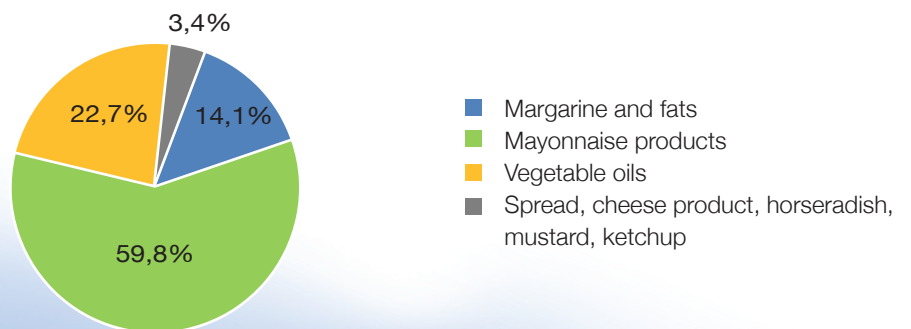
MMP produces and sells both to end consumers, supplying the retail network of the Republic of Belarus with its products under the brand «ZOLOTAYA KAPLYA», and to industrial enterprises for further processing.

The consumer market (B2C) represents the main share of MMP's sales (10 632 tons, 57.4 % in 2016). Mayonnaise, packaged margarine and bottled oil account for majority of sales.

Breakdown of MMP sales per category of market, 2016



Breakdown of MMP B2C sales per category of products, 2016



In terms of geographical segmentation, 93% of MMP sales in 2016 were to the domestic market, with 66% of the production being sold in Minsk City and Minsk Region.

In 2016, export sales amounted to 7%, with production exported primarily to Russia and Poland. MMP has all necessary registrations for the Eurasian Economic Union.



WORKFORCE:

The Company has a well-trained and motivated workforce.

In 6 months of 2017, the average number of employees was 430 persons.

The average wage at the Company for January 2017 was BYN 855 (or USD 438) per month.

FINANCIAL DATA:

The Company's financial data show that MMP is in solid (and improving) financial condition. The Company is virtually debt-free, enjoys stable margins from operational activities, and has very strong solvency and liquidity ratios.

Audited financial results prepared according to national accounting standards for the past 3 years are provided below (in USD thousand). IFRS reporting for 2012-2015 will also be available to qualified investors

SELECTED BALANCE SHEET ITEMS:

Positions, in '000 USD	2014	2015	2016
Property, plant and equipment	7,750	4,668	4,443
Total non-current assets	8,247	5,037	4,989
Inventories	2,572	2,443	2,019
Trade and other receivables	5,667	4,225	5,390
Total current assets	8,636	6,937	7,885
TOTAL ASSETS	16,883	11,974	12,873
Total equity	14,064	10,091	11,400
Total non-current liabilities	0	0	0
Total current liabilities	2,819	1,883	1,474
Trade and other payables	2,819	1,883	1,474
Borrowings	0	0	0
Total liabilities	2,819	1,883	1,474
TOTAL EQUITY AND LIABILITIES	16,883	11,974	12,873



SELECTED INCOME STATEMENT ITEMS:

Positions, in '000 USD	2014	2015	2016
Revenue	27 977	23 752	23 398
Gross profit	4 996	4 613	5 045
EBITDA	1 854	2 416	3 117
Operating profit	1 178	2 213	2 782
Net Profit	788	1 491	2 121
Gross margin	17,9%	19,4%	21,6%
EBITDA margin	6,6%	10,2%	13,3%
Net margin	2,8%	6,3%	9,1%
ROA	4,7%	12,5%	16,5%
ROE	5,6%	4,8%	18,6%

CURRENT PLANNING FOR NEWSITE:

In 2016, with the support of the Minsk City and Minsk Region authorities, appropriate alternative factory sites in or near Minsk have been identified. The final site – which will be selected together with the investor – will serve to assure the future of MMP as a highly competitive, state-of-the-art food processing company. The proposed site criteria include: adequate area for expansion (min. 8-10ha), natural gas supply (up to 500,000 m³/month), electricity (10 kV connection), water supply (20-25,000 m³/month), waste water treatment; railroad and highway connections; and compliance with Belarusian and EU sanitary zone requirements (for the food industry).



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DISCLAIMER:

This document was prepared with the assistance of the National Agency of Investment and Privatization of the Republic of Belarus and MMP and is based on information and sources supplied by the Company, which are believed to be reliable but not guaranteed to be complete and accurate.

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