

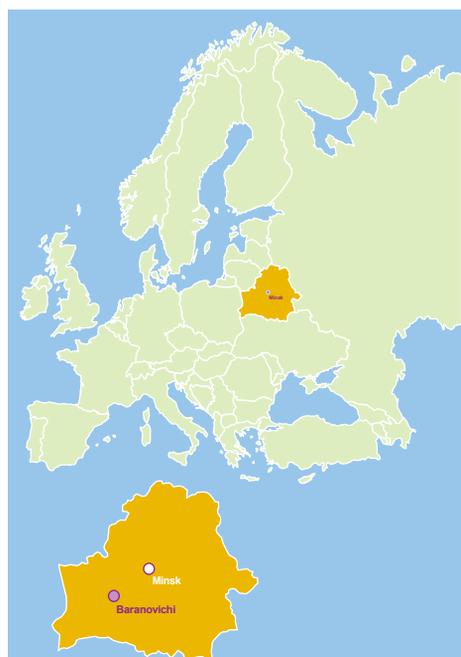
KPMG CORPORATE FINANCE

OJSC “Baranovichi Reinforced Concrete Products Plant” An Investment Opportunity

PILOT PRIVATISATION PROJECT



23 May 2014



The Company is located in an industrial zone of the city of Baranovichi, close to the European route E30 (in 4.5 km) and the major railway connecting Moscow and cities of Belarus with Eastern Europe

The main occupied land plot has an area of 15.91 ha and is used by the Company on a permanent use arrangement

The area of main production facilities is about 36.6 thousand m², administrative areas – about 3.5 thousand m²

Source: The Company

Based on the government decision the State institution “National Agency of Investment and Privatisation” is searching a strategic investor for and considers an opportunity of the sale of a 99.025% stake in Open Joint-Stock Company “Baranovichi Reinforced Concrete Products Plant” (hereinafter OJSC “Baranovichi RCPP” or “the Company”). The Consortium led by KPMG acts as an advisor to the agency in this process. The search of the investor follows the international practices and is administered by the International Bank for Reconstruction and Development (the World Bank). For further information on this opportunity, please, contact as provided below.

General information

The Company is one of the leaders on the competitive market of reinforced concrete products manufacturers in Belarus. Its capacity is 195 thousand m³ of reinforced concrete products a year.

The plant began operating in 1969; in 2009 it was reorganised through a corporatisation into OJSC “Baranovichi RCPP”. Shareholders of the Company are the state (99.025%) and 254 individuals (0.975%). The Company has no branches or subsidiaries.

The Company produces a wide range of precast reinforced concrete products for industrial, road and residential construction: hollow-core planks, T-shaped planks, runway planks, power transmission pylons, piles, columns, beams, inverted T-beams, etc. in the total volume of 170-180 thousand m³ a year on average.

The average headcount of the Company is 577.

The Company web-site is <http://zhelezobeton.by>.

Key Investment Considerations

Strong market position

- ✓ One of the two major producers of precast reinforced concrete products in Belarus, each forming estimated 4% of the capacity of the Belarusian market

Significant share of export

- ✓ 45% of the Company's revenues in 2013 came from export sales, mainly to Russia; selected product groups have the European conformity marking CE

Good location

- ✓ Located in the major transport hub and industrial centre with a nearby population of 178 thousand. Haul distance by railway covers Moscow, Saint Petersburg regions and more distant regions of European part of Russia

Wide range of products

- ✓ The broad range of products (e.g. the full range of precast reinforced concrete products to construct a building), flexibility in adjusting the production to the new needs

Advanced infrastructure

- ✓ Advanced technical and engineering infrastructure, e.g. railway, approach roads, steam supply pipeline, water well, etc.

Established raw materials supply

- ✓ Long term relationships with the suppliers of key inputs in Belarus: cement, sand, crushed rock, and steel reinforcements

Stable financials

- ✓ Growing revenues; stable and improving profitability; low indebtedness

Maintained production assets

- ✓ The Company regularly undertakes capital expenditures to maintain and develop its production fixed assets

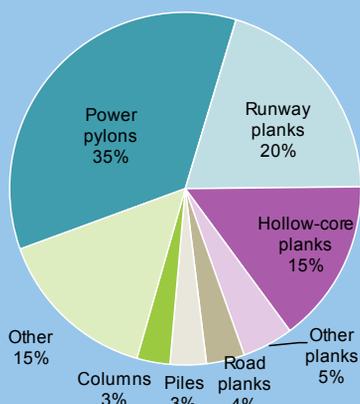
Volume sales			
m3	2011	2012	2013
Precasted concrete, incl.	175,245	155,092	166,425
power transmission pylons	28,980	36,752	46,034
hollow-core planks	89,648	55,255	55,209
runway planks	16,590	26,665	35,286
piles	14,285	7,530	6,218
road planks	8,188	9,762	6,766
other planks	6,597	7,877	6,483
other precasted concrete	10,957	11,251	10,429
Ready-mixed concrete	10,378	7,245	9,118
Other products	1,350	996	1,480
Total	186,973	163,333	177,023

Production in 2013 compared to 2011:

- power transmission pylons +58.8%
- runway planks +112.7%
- hollow-core planks -38.4%
- piles -56.5%
- road planks -17.4%

Source: The Company, KPMG Analysis

Revenues per products in 9 months 2013



Source: The Company, KPMG Analysis



Products

The Company produces a broad product range, the major part of which (93-94% of volume production) are the products defined as precast reinforced concrete items:

- hollow-core planks (33.2% of precast reinforced concrete items output in 2013),
- power transmission pylons (27.7%),
- runway planks (21.2%),
- other planks: T-shaped with plumbing hollows, cover for farms, road pre-stressed, etc. (8.0%),
- piles (3.7%),
- framing columns and columns for industrial buildings, inverted T-beams, column foundations, bearers and other products.

The volume of production of precast reinforced concrete items was 166.4 thousand m3 in 2013, an increase of 7.3% to the previous year, which was marked by a post-crisis decrease of demand for the Company's products from the construction industry.

In the recent years the Company significantly increased the production of power transmission pylons and runway planks, which have good demand on the Russian market. At the same time production of hollow-core planks, road planks and piles decreased.

Two product items, namely hollow-core cover planks and piles for buildings have the CE marking, which allows exporting them to the European countries.

Sales and Revenues

The Company revenues for 9 months of 2013 was 27.5 mln. USD.

The Company sells products in the Belarusian market and exports, mainly to Russia. The share of export in revenues grew from 37.5% in 2011 to 45.1% for 9 month 2013. In 9 months 2013 the export was 12.4 mln. USD.

There are 600-700 purchasers of the Company's products. Regular customers are about 100, and in different years 10-13 major customers (mainly wholesale purchasers from Russia) form about a third of the Company's revenues.

Based on experts' view, the Company's capacity takes about 4% of the total capacities of the Belarusian market of precast reinforced concrete products, while the shares of the major competitors do not exceed the same 4%, and the market is comprised of over 80 specialised Belarusian producers providing almost 95% of the local market demand.

Production and process

The core of the Company's facilities are the three production workshops, which employ 46% of the workforce:

- Concrete mixing workshop,
- Steel reinforcements workshop,
- Casting workshop.

In addition there are 9 auxiliary production facilities employing 34% of the workforce. The structure and quality of the workforce are stable and adequate for the production.

Accumulated depreciation of fixed assets was 63.3% as of 30 September 2013. Capital expenditures from 2011 were above depreciation charge, in 2011 and 2012 – more than 2 times.

The Company employs flow process production scheme. There is a railway track, two railway engines, the required quantity of bridge and overhead cranes, compressor station, chemical additives division.

Capacity of the casting workshop, which defines the capacity of the Company, is about 195 thousand m3 of precast reinforced concrete products a year. At the same time concrete mixing workshop equipped with four concrete mixers Teka, covers the needs of the casting floor with a 40% safety margin.

Key raw materials are supplied mainly by several major Belarusian companies with controlling or 100% state ownership:

- Reinforcing bars – OJSC "BMZ-management company of BMK holding" (about 300 km from the Company),
- Cement – mainly OJSC "Krasnoselskstrojmaterialy" (140 km), OJSC "Krichevtsementnoshifer" (430 km),
- Crushed rock – Republican unitary production enterprise "Granit" (200 km),
- Sand – producers of Brest, Grodno and Minsk regions.

Starting 2007 the Company employs the certified quality management system for production of precast reinforced and regular concrete items in accordance with СТБ ISO 9001, which was confirmed in 2013. The Company has obtained certificates of the industrial control of the Certification Centre of the Academy of Sciences of Latvia, which allows to supply the products to Europe. There are also all declarations for product safety specifications conformity in accordance with TP 2009/013/BY.

The system of production control of the Company includes the testing laboratory and technical control department.

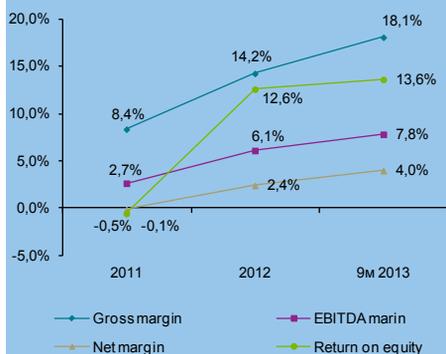
Financials of the Company

In the competitive environment the Company demonstrates growing revenues and export sales. CAGR of the inflation-adjusted revenues of the Company in rubles in 2011-2013 was about 13%, CAGR of export sales about 24%.

In the years after the crisis 2011 the Company demonstrates stable and improving profitability.

The Company has low indebtedness: loans comprise about 11% of the total of liabilities and equity.

Profitability indicators



Source: The Company, KPMG Analysis

Revenue per employee (thousand USD):

- 2011 – 47.6
- 2012 – 60.9
- 9 months 2013 – 47.6 (annualised – 63.4)

CAGR of the inflation-adjusted indicators in rubles in 2011-2013: :

- revenues 13%
- export sales 24%

Profit and loss account

	thousand USD	2011	2012	9m 2013
Revenues		28,659	36,242	27,499
COGS		(26,261)	(31,077)	(22,530)
Gross margin		2,398	5,164	4,969
Operational income		(926)	738	1,306
Financial costs		(972)	(341)	(291)
Gain / loss on net monetary position		1,989	783	559
Income before tax		92	1,180	1,574
Tax expenses		(125)	(303)	(476)
Net income / loss		(33)	877	1,098
EBITDA		763	2,217	2,153

Source: The Company, KPMG analysis - financial information prepared according to the principles of IFRS

The major item of the cost of goods sold (about 73%) is the key raw materials and inputs, primarily steel reinforcements, cement, crushed rock and sand, which are supplied mainly by big Belarusian companies.

The average monthly salary in the Company was USD 690 in 9 months of 2013.

Balance sheet

	thousand USD	1 Jan 2012	1 Jan 2013	1 Oct 2013
Assets				
Fixed assets, construction in progress		6,717	7,448	7,626
Deferred tax assets		80	125	6
Current assets		4,853	5,073	5,559
Total assets		11,650	12,646	13,191
Equity				
Statutory equity		5,972	5,972	5,972
Retained earnings		175	994	2,092
Total equity		6,147	6,966	8,064
Liabilities				
Long term liabilities		140	0	0
Short term liabilities		5,363	5,680	5,126
Total liabilities		5,503	5,680	5,126
Total liabilities and equity		11,650	12,646	13,191

Source: The Company, KPMG analysis - financial information prepared according to the principles of IFRS

Fixed assets take the largest share of the Company's assets, about 58% as of 1 October 2013.

Significant amounts were invested also in inventory (about 22%) and receivables (about 15%).

As of 1 October 2013 the Company did not have any long term liabilities, while short term liabilities consisted mainly of payables (65%) and short term loans (29%).

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