



COMPANY PROFILE: OJSC "BELGAZSTROY"

INVESTMENT OPPORTUNITY:

The National Agency of Investment and Privatization of the Republic of Belarus considers selling the 50.6% state share in the share capital in Open Joint-Stock Company "Belgazstroy" ("Belgazstroy" or the "Company") to a strategic investor.

Active in Belarus and internationally (Venezuela), Belgazstroy specializes in the construction, engineering and maintenance of gas distribution and transmission pipelines of various diameters (as well as pipelines for district heating and water distribution).

The consortium of Mattig Management Partners, Alfa Bank, and Egorov, Puginsky, Afanasiev and Partners, has been appointed advisor to the National Agency of Investment and Privatization of the Republic of Belarus through an international public tender.

The privatization procedure implemented with the support of World Bank envisages the sale of the 50.6% state stake of the Company equity capital to a strategic investor in line with best international practices.

Tender documentation will be available to investors in September 2013, following which they will be entitled to carry out detailed due diligence reviews at the Company.

THE COMPANY:



Full Name	Open Joint-Stock Company "Belgazstroy"
Industry	Construction, engineering and maintenance of low-pressure and medium-pressure gas pipelines, as well as district heating, water and sewage pipe systems; and related services.
Established	1983
Transformed into OJSC	1997
Shareholders:	50.6% state-owned; 49.4% private (1,608 individuals).
General Manager	Vladimir Sergeevich Egorov
Employees	850 (corporate group)

The Belgazstroy Group, of which OJSC Belgazstroy is the parent company, includes eleven pipeline construction companies located in various regions of Belarus. OJSC Belgazstroy also has a minority (40%) participation in a joint venture with PDVSA Gas S.A. (Petroleos de Venezuela) for the construction of regional gas pipeline systems in Venezuela.



MAIN SERVICES:

The Belgazstroy Group carries out the following principal services:

- **Construction of utility pipelines (main area of activity):** construction, engineering and maintenance of gas pipelines and gas supply systems, heating systems water supply systems, and sewage systems, including construction, excavation, welding, supplying and laying of leading, intra-urban, village and intra-village utilities.
- **Production of pre-insulated steel pipes and fittings:** production of pre-insulated pipes used for gas and heat pipelines and mains (pipes made of galvanized steel, copper or high-quality plastic in HDPE concentric pipe with polyurethane foam insulation, equipped with online control systems); production of pre-insulated fittings (bends, tee fittings, fixed points, ball valves, transitions, and final elements).

GROUP COMPANIES

The Belgazstroy Group includes the following companies:

- **OJSC Belgazstroy**

Group holding company responsible for overall strategy, general contracting, international projects (Venezuela), and central holding functions (coordination, controlling, technical assistance and central laboratory).

- **LLC Belgaznaladka** (96.0% subsidiary of OJSC Belgazstroy)

Construction and engineering works at the following units: Unit 1: installation adjustment and testing of heating boiler plants and related equipment (the city of Minsk); Unit 2: adjustment and testing of industrial boiler plants, furnaces and related equipment (the city of Minsk); Unit 4: installation, adjustment and maintenance of heating boiler plants and water treatment plants and related equipment (the city of Gomel); Unit 5: adjustment for water boilers, demineralizers and industrial ventilation systems (the city of Minsk); Unit 6: construction of complex gas supply systems (the town of Orsha); Unit 7: installation of sanitation systems including sewage piping and equipment (the city of Minsk). In 2012, the company provided construction, adjustment and installation works for 2.48 km of pipeline. The company is able to provide "turnkey" services of project and building gas-fueled heating stations. Active throughout Belarus.

- **LLC Belspetsmontazh** (99.83% subsidiary of OJSC Belgazstroy)

Production of steel pipes pre-insulated with polyurethane foam (PI pipes) and PI-formed parts for district heating systems, industrial customers and gas distributors. The company has two insulation workshops, located in Minsk and Vitebsk. Annual production capacity is 75 km of polyurethane foam for pipe installation, 6,500 units of PI-formed parts, and polymer insulation for 150 km of pipeline. In 2012, the company produced 26.0 km of PI pipes and 2,500 units of PI-formed parts.



- **LLC Bobruiskgazstroy** (99.4% subsidiary of OJSC Belgazstroy)
Construction of gas and other product pipelines (27.95 km built in 2012); construction of external heat, water and sewage networks (0.95 km of heat supply network built in 2012). The company has five construction and installation sites, one site for welding quality control, and one motor transport site. Active in Mogilev region. Main customers are regional gas distribution companies (including Minsk city, Minsk region).
- **LLC Borisovgazstroy** (97.3% subsidiary of OJSC Belgazstroy)
Construction of gas and other product pipelines for gas distribution companies (17.07 km built in 2012; construction of external heat, water and sewage networks. The company has one installation site and one mechanization site. Active mainly in Minsk region.
- **LLC Gazstroy** (99.48% subsidiary of OJSC Belgazstroy)
Construction services of gas and other product pipelines, mainly for the regional gas distribution companies (28.8 km built in 2012); construction of external heat, water and sewage networks.
- **LLC Osipovichgazstroy** (97.2% subsidiary of OJSC Belgazstroy)
Construction of gas and other product pipelines (21.9 km built in 2012); construction of heat supply networks (1.59 km built in 2012), and construction of water and sewage networks (2.56 km built in 2012). Based in Osipovichi, the company is also active in Mogilev, Minsk and other regions of Belarus.
- **UE Polotsgazstroy** (100% subsidiary of OJSC Belgazstroy)
Construction of gas and other product pipelines (15.1 km built in 2012); construction of external heat, water and sewage networks (0.8 km of heat supply network built in 2012). The company has four construction and installation sites. The company's activities include construction of gas pipelines in Vitebsk region (70%), as well as Minsk and other regions.
- **LLC Stolbtsygazstroy** (97.0% subsidiary of OJSC Belgazstroy)
Construction of gas and other product pipelines, mainly for regional gas distribution companies (75.7 km built in 2012); construction of external heat, water and sewage networks. The company has five production and installation sites, a welding quality control site, as well as a motorization site. Active in Minsk, Vitebsk and Brest regions.
- **UE Vitebskgazstroy** (100% subsidiary of OJSC Belgazstroy)
Construction of gas and other product pipelines for regional gas distribution companies and gas-fired power station operator; construction of external heat, water and sewage networks. The company has six construction and installation sites, one site for support production, and seven welding and assembly teams. Between 1994 and 2012, the company built over 940 km of gas pipelines and built or renovated over 12 km of heat networks (2012: 59.77 km of pipeline constructed and 1.47 km of heat supply network constructed). Active mainly in Vitebsk region.



- **LLC Spetsgaz** (50% participation of OJSC Belgazstroy and 50% participation of LLC Gazstroy)

Manufacture of gas pressure reduction systems, gas pressure regulators, and gas flow valves, namely: (1) bulk-block gas control units (in 2012 covering 3,979 km), (2) cabinet-type regulation units (in 2012 covering 2,579 km), and (3) gas control units (in 2012, covering 3,450 km).

In addition, OJSC Belgazstroy has a 40 % participation in the “Venezuelagazstroy” joint venture with PDVSA Gas S.A. in Venezuela. Venezuelagazstroy carries out downstream gas pipeline consulting engineering and construction projects in Venezuela. A major project for gas pipeline network construction in Barinos was implemented in 2009-11. A large new contract in Venezuela is under negotiation.

CUSTOMERS:

The key customers of the Belgazstroy Group include the regional gas distribution companies Mingaz, Minskoblgaz, Vitebskoblgaz, as well as other gas suppliers. Other important customers include the national power company Belenergo, as well as municipal authorities, which place orders for gas and water pipes for residential buildings. The Group also has a growing base of commercial customers, including real estate developers and owners.

PIPELINE CONSTRUCTED:

The following table indicates length (km) of pipeline constructed and related gross revenues* by the Belgazstroy subsidiaries in 2012:

Name of organization	2012		
	KM constructed	Revenues	
		BYR m	USD m
LLC “Belgaznaladka”	2.50	14,531	1.74
LLC “Bobruiskgazstroy”	28.95	9,157	1.10
LLC “Borisovgazstroy”	17.07	7,905	0.95
LLC “Gazstroy”	28.80	12,580	1.51
LLC “Osipovichgazstroy”	26.05	35,770	4.29
UE “Polotskgazstroy”	15.10	7,080	0.85
LLC “Stolbtsygzstroy”	75.70	17,042	2.04
UE “Vitebskgazstroy”	61.17	40,505	4.86

Source: Company data. BYR translated at average 2012 exchange rate of USD 1 = BYR 8335.86.

* including price of materials received from customers in-kind



COMPETITORS:

Major competitors in the domestic market are regional pipeline construction companies that are part of the "Beltopgaz" industry association, such as Stroygaz (Brest) and Grodnogazstroy, as well as various small, mostly private-owned companies bidding on smaller projects. There is no significant foreign competition in the domestic market.

TECHNOLOGY:

All Belgazstroy Group companies are ISO-9001, ISO-14001 and ISO 18001 certified and have all technical certificates required by national law to build and maintain gas, heating and water pipelines. Although specializing in the construction, engineering and maintenance of medium- and low-pressure pipelines, the Belgazstroy Group also has expertise in the high-pressure area

WORKFORCE:

The Belgazstroy Group employs at present 850 people, of whom about 2/3 are permanent employees and the remainder are seasonal workers. All members of the workforce have secondary or vocational training, and over 25 % have higher education. The average wage of employees in the Belgazstroy Group is BYR 4.3 million or USD 519 per month (2012 data).

FINANCIAL DATA (according to IFRS):

Financial results prepared according to IFRS are provided below (in USD thousand).

SELECTED BALANCE SHEET ITEMS:

Positions in USD '000	2012	2011	2010
Non-current assets	21,149	6,880	5,021
Current assets	6,935	6,623	7,759
Total assets	28,084	13,503	12,780
Share capital	121	103	86
Total equity	22,252	8,058	7,138
Total liabilities	5,832	5,445	5,642
Total equity/ liabilities	28,084	13,503	12,780

SELECTED INCOME STATEMENT ITEMS:

Positions in USD '000	2012	2011	2010
Revenue	20,594	14,290	18,860
Gross Profit	3,276	1,739	3,088
Operating Profit	18	75	434
EBI TDA	1,642	886	1,716
Gross Margin	16%	12%	16%
Operating Margin	0.1%	0.5%	2.3%
EBI TDA Margin	8%	6%	9%



CONTACTS:

Peter E. Gumpel

Team Leader, Privatization Advisory Services for Pool 2
(OJSC Belgazstroy and OJSC Medplast)
Mattig Management Partners-Alfa Bank-EPA&P Consortium
Republic of Belarus
Tel. +43-676-734 5555 or +375-44-4755262
E-mail: p.gumpel@belarus-pool2.com

Sergey Mukhanaw

Managing Director of Investment Banking
CJSC Alfa-Bank
Republic of Belarus
Tel./Fax: +375 17 217 64 68
E-mail: sergey.mukhanaw@alfa-bank.by

Galina Drapeza

Leading Specialist, Privatization Department
National Agency of Investment and Privatization
Republic of Belarus
Tel. +375 17 200 22 19
E-mail: galina_drapeza@investinbelarus.by

Egor Efanov

Leading Specialist, Privatization Department
National Agency of Investment and Privatization
Republic of Belarus
Tel. +375 17 200 22 19
E-mail: egor_efanov@investinbelarus.by

DISCLAIMER:

This document was prepared with the assistance of the National Agency of Investment and Privatization of the Republic of Belarus and OJSC "Belgazstroy" and is based on information and sources supplied by the Company, which we believe to be reliable but is not guaranteed to be complete and/or accurate.

The Consortium of Mattig Management Partners GmbH, CJSC Alfa-Bank, and LLC Egorov, Puginsky, Afanasiev and Partners shall not consider any person or legal entity except the National Agency of Investment and Privatization of the Republic of Belarus as its client in this particular transaction. Potential investors are recommended to consult their own advisers in all stages and aspects of the transaction.

All information contained in this teaser is strictly confidential. Any further information delivered to investors in relation to this specific transaction shall be considered as strictly confidential and shall not be reproduced or distributed to third parties.