

Investment offer

Margarine and mayonnaise producer

Ernst & Young is representing the Republic of Belarus's National Agency of Investment and Privatization in the privatization of a 93.8% stake in the Minsk Margarine Plant (the Company, MMP), which specializes in margarine, mayonnaise and vegetable oil production. The National Agency is authorized to sell the stake to a strategic investor. Please consider this offer and contact our office for further information.

Executive summary

The shareholder structure is as follows: 93.8% - legal entities and 6.2% - individuals, including employees of the Company.

98% of production is certified.

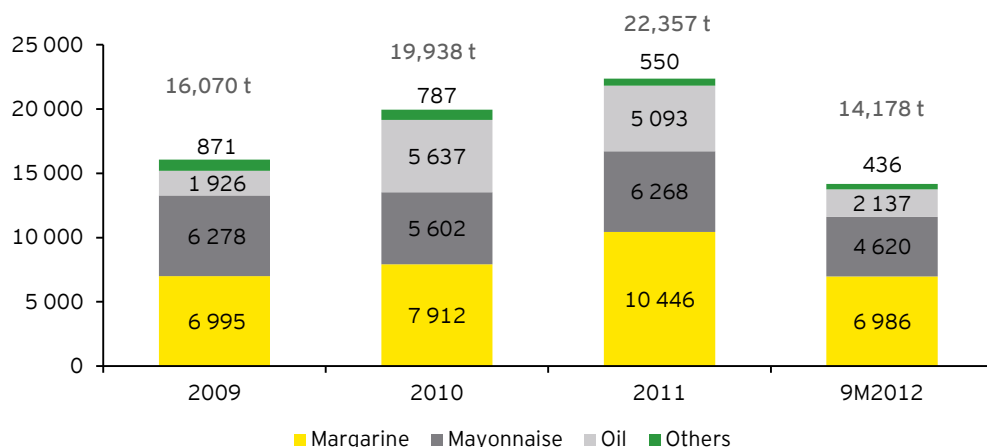
60-70% of production is sold in Minsk and Minsk region.

The Company produces margarine, mayonnaise, vegetable oil and other products (ketchup, horseradish, mustard, cheese products, fat, soap stock). On average the Company produces annually more than 20 thousand tons of 80 different products and sells its products under the Zolotaya Kaplya trademark.

The production process is maintained in compliance with ISO 9001:2007 and GOST national standards. Mustard, horseradish and ketchup also have Russian Federation conformity certificates, which allow for exporting the products.

The Company exports up to 5% of its products, primarily fatty acids, margarine and spreads.

The Company's production performance for 9M2012 (tons):



Key investment highlights

Nearly 40% of vegetable oils in Belarus are imported, so there is potential for import substitution.

The Company has the potential to increase capacity utilization almost threefold for several types of products without significant investment.

Key investment highlights:

- ▶ The Company is a top-3 Belarusian producer of margarines and mayonnaises (market shares 30-40%) and one of the largest producers of vegetable oils in Belarus;
- ▶ The Company successfully competes by the price and quality of its products on the local market;
- ▶ The availability of a railway branch line allows for saving on logistics costs;
- ▶ The Company exports products to neighboring countries (Russia, Latvia) and has the potential to increase exports upon receiving the necessary permits and certificates;
- ▶ The Belarusian market for vegetable oils has significant growth potential due to import substitution.

Business overview

As of 1 October 2012, the Company's average headcount was 490 people.

44% people had higher and specialized secondary education, 23% had vocational training and 33% had secondary education.

For 9M2012 the average salary was 366 USD.

The Company receives 70% of its revenues from retail sales in Belarus and 30% from supplying its products directly to confectionary and other producers.

The Company was established in 1946 and its production capacities have repeatedly been renewed. Fixed asset depreciation does not exceed 50%.

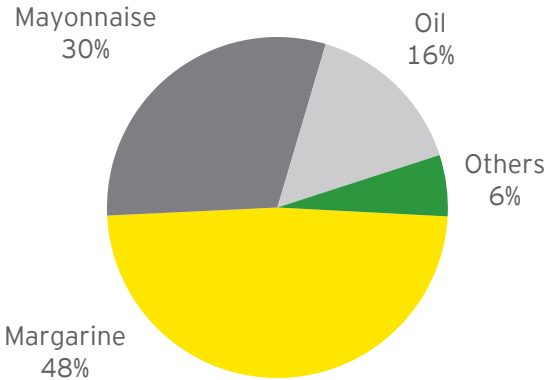
The Company is located in the center of Minsk on four land plots with a total area of 3.95 ha including 3.35 ha used on a permanent basis and 0.595 ha used on a temporary basis (one part of the latter will be used until 2017 and the other part will be used until 2020).

The Company has capacity that allows for the production of 40 thousand tons of products annually. Production capacities are as follows:

- ▶ Margarines, spreads, fatty acids - 21.4 thousand tons per annum;
- ▶ Mayonnaises, sauces - 11.3 thousand tons per annum;
- ▶ Vegetable oil and other products - 7.1 thousand tons per annum;

The Company has a production laboratory and quality control department, which enables it to control the quality of incoming raw materials and of product manufacture at all technological stages.

The Company's revenue breakdown for 9M2012 is the following:



The Company operates in a competitive environment in all its product groups. Its major competitors are the companies that form the state concern Belgospisheprom and other local, Russian and Ukrainian companies:

- ▶ In the margarines segment - Dalenkor (Belarus, TM Maslov), City Milk Plant №1 (Belarus, TM Minskaya Marka), Gomel Fat Combine (Belarus, TM Moya Domashnya Kukhnya), and others;
- ▶ In the mayonnaises and sauces segment - Kamako-Plus (Belarus, TM Kamako), ABC (Belarus, TM ABC), NPO Food Products (Belarus, TM Lanna), Unilever (UK/Netherlands, TM Calve) and other companies with well-known brands in Belarus;
- ▶ In the vegetable oils segment - Gomel Fat Combine (Belarus), companies of the Oil-Foods holding (Grodno Fat Combine, GrodnoBioproduct), and Ukrainian (Ukroil, Kreativ, Bunge Ukraine, Kernel) and Russian (Efko, Yug Rusi) producers;

Financial results

The Company remained profitable for the period 2010-9m2012 despite a threefold devaluation of the Belarusian currency in 2011 and 2012.

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

Item	2010	2011	9M2012
Revenue	25,296	37,605	24,146
Gross profit	4,843	9,828	4,004
EBITDA	2,791	7,049	1,237
Net income	1,275	2,882	200
Gross margin	19.1%	26.1%	16.6%
EBITDA margin	11.0%	18.7%	5.1%
Net income margin	5.0%	7.7%	0.8%

The Company undergoes IFRS audit of its financial statements.

Development plans

The Company's main peculiarity is its central location in Minsk. The Company is considering several options for developing its business further, including potentially relocating production outside the city borders and selling the current production facilities, which would allow for financing capital investment in the relocated production facilities.

The Company has experienced significant demand from confectionary producers and therefore plans to launch new products:

- ▶ Milk fat substitute;
- ▶ Margarine for making cream;
- ▶ Margarine for rolled-in dough.

The Company's business plan envisages the following investment projects:

- ▶ Acquiring a production line for margarine production, fat deodorization and interesterification;
- ▶ Acquiring separators;
- ▶ Acquiring a vegetable oil bottling line;
- ▶ Modernizing workshops;
- ▶ Reconstructing the water supply;
- ▶ Reconstructing the water treatment facilities;
- ▶ Equipping the quality control laboratory;
- ▶ Expanding the finished goods warehouse.

Total capital investment in the technical modernization of production is estimated at USD 7.5 mln, according to Company management.

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