



OJSC "MINSK MARGARINE PLANT"

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 (2015: 38.6% market share for margarine products and 27.7% market share for mayonnaise), with strong domestic recognition of its flagship "ZOLOTAYA KAPLYA" brand;
- Sustained profitability (2015: EBITDA margin of 10.4% and net margin of 5.4%) and strong balance sheet (virtually no long-term debt; highly positive ratios – 2015 debt/equity ratio of 0.20 and current ratio of 3.1);
- Opportunities for duty-free export to the Eurasian Economic Union (Russian Federation, Kazakhstan, Kyrgyzstan and Armenia);
- Well-trained and motivated workforce (424 average employee number in 2015) with average wage of USD 383 per month (Jan. 2016).

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 adviser, a consortium consisting of Mattig Management Partners (Austria), Alfa Bank (Belarus) 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 are in the process of preliminary identification of an optimal site. The decision on location of the final site shall be made jointly by the investor and the responsible Belarusian authorities to ensure 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

424 (average employee number in 2015)

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 60 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 – 17 types with differing fat contents (from 50% to 67%) in various packing;
- mayonnaise sauce – 3 types with fat content ranging from 20% to 35%;
- 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 – "Lux" (82.5% butterfat); "Krestyanskiy" (72.5%), "Domashniy" (50%);
- 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;
- sauces – mushroom sauce, mustard sauce, "Belarusian with Horseradish" sauce, garlic sauce.

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 – 13,700 tons per year (capacity utilization of 56.2% in 2015);
- mayonnaise, ketchup, horseradish and mustard products – 11,280 tons per year (capacity utilization of 59.1% in 2015);
- refined packaged vegetable oils – 7,100 tons per year (capacity utilization of 50.7% in 2015).



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 209,000 tons in 2015 (*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.

Domestic demand for mayonnaise products is continuously rising, with the market becoming increasingly attractive for foreign producers and importers. Mayonnaise imports have risen from 5,222 tons in 2012 to 6,762 tons in 2013 and 7,186 tons in 2014.

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

	2013		2014		2015	
	Market volume* '000 tons	Share MMP %	Market volume* '000 tons	Share MMP %	Market volume* '000 tons	Share MMP %
Margarine products	21	36.7	24.5	30.7	23.5	31.9
Mayonnaise	16.8	38.5	29.8	19.5	30.5	19.8
Vegetable oils	234.8	1.97	159.7	2.7	190.9	2.5

* Market volume = Domestic production + Import - Export

Source: Company estimates



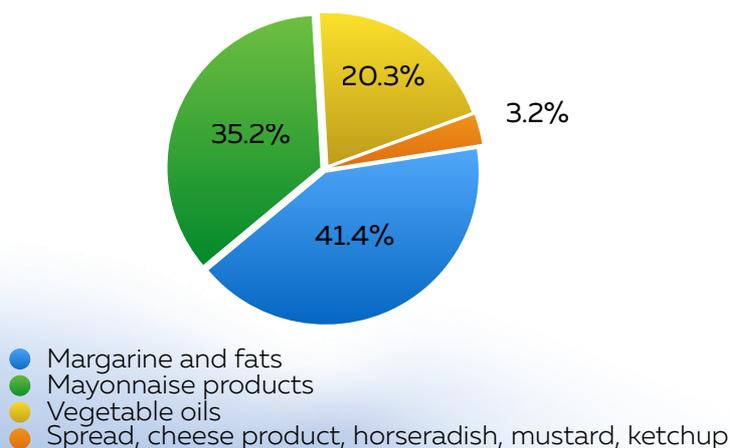
PRODUCTION AND SALES

Margarine has the highest share within the MMP's sales breakdown (tons) with 41.4%, followed by mayonnaise with 35.2% and vegetable oils with 20.3% (2015 data).

As a comparison, breakdown of sales per tons for 2013-2015 is presented in the chart below.

	2013	2014	2015
	tons	tons	tons
Margarine and fats	7287	7448	7427
Mayonnaise products	5739	6079	6320
Vegetable oils	3296	2914	3635
Spread, cheese product, horseradish, mustard, ketchup	863	728	566
Total	17185	17169	17948

MMP sales structure per main products, 2015, in %:



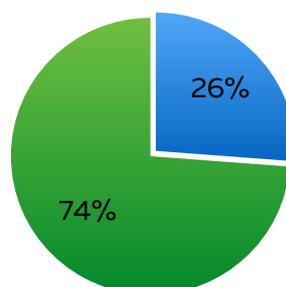


MARKET SEGMENTATION AND SHARE

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.

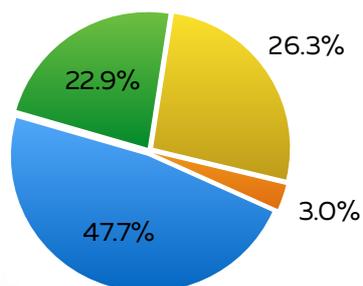
The consumer market (B2C) represents the main share of MMP's sales (23,400 tons, 73.8 % in 2015). Mayonnaise, packaged margarine and bottled oil account for majority of sales.

Breakdown of MMP sales per category of market, 2015



- Industrial Market (B2B)
- Consumer Market (B2C)

Breakdown of MMP B2C sales per category of products, 2015



- Mayonnaise products
- Margarine packaged
- Vegetable oils, bottled
- Spread, cheese product, horseradish, mustard, ketchup

In terms of geographical segmentation, 95.6% of MMP sales in 2015 were to the domestic market, with 63% of the production being sold in Minsk City and Minsk Region.

In 2015, export sales amounted to 4.4%, with production exported primarily to Russia. MMP has all necessary registrations for the Eurasian Economic Union.



WORKFORCE

The Company has a well-trained and motivated workforce. In 2015, the average number of employees was 424 persons.

The average wage at the Company for January 2016 was BYR 7.6 million (or USD 383) per month.

FINANCIAL DATA /according to IFRS/

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.

Unaudited financial results prepared according to IFRS for the past 3 years are provided below (in USD thousand).

SELECTED BALANCE SHEET ITEMS

Positions, in '000 USD	2013	2014	2015
Property, plant and equipment	10,149	11,853	8,978
Total non-current assets	10,366	11,905	9,057
Inventories	3,415	2,103	2,360
Trade and other receivables	5,088	4,193	3,624
Total current assets	8,934	6,600	6,170
TOTAL ASSETS	19,300	18,505	15,227
Total equity	15,882	15,266	12,678
Total non-current liabilities	0	783	568
Borrowings	0	0	5
Trade and other payables	3,293	2,263	1,759
Total current liabilities	3,418	2,455	1,981
Total liabilities	3,418	3,238	2,549
TOTAL EQUITY AND LIABILITIES	19,300	18,505	15,227



SELECTED INCOME STATEMENT ITEMS

Positions, in '000 USD	2013	2014	2015
Revenue	30,410	21,233	23,421
Gross profit	4,803	2,919	4,233
EBITDA	2,470	1,214	2,428
Net profit, before IAS 29*	1,097	370	1,276
Net Profit, after IAS 29*	605	-631	1,276
Gross margin	15.8%	13.7%	18.1%
EBITDA margin	8.1%	5.7%	10.4%
Net margin	3.6%	1.7%	5.4%
ROA	1.5%	0.5%	1.9%
ROE	1.8%	0.6%	2.3%

* Company's financial statements for the years 2013 and 2014 are adjusted for hyperinflation in accordance with International Accounting Standard 29 ("IAS 29"). Net profit-based ratios are calculated on "before IAS29" basis.

CURRENT PLANNING FOR NEW SITE

At the present time, with the support of the Minsk City and Minsk Region authorities, appropriate alternative factory sites in or near Minsk are being 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. 8-10 ha), 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).



CONTACTS

Svetla Pehlivanova-Porenta

Director CEE, Mattig Management Partners
Tel. +43 1 504 83 98 11/Fax +43 1 504 83 98 15
E-mail: svetla.porenta@mattig-management.at

Peter E. Gumpel

Team Leader, Privatization Advisory Services for Pool 3
(OJSC Minsk Margarine Plant and OJSC Konfa)
Novalta Management Consultants, Vienna, Austria
Tel: +43 676 734 5555
E-mail: p.gumpel@novalta.net

Sergey Mukhanaw

Deputy Team Leader, Privatization Advisory Services for
Pool 3 (OJSC Minsk Margarine Plant and OJSC Konfa)
UE Volat Capital
Tel: +375 29 616 00 82
E-mail: sm@volat-capital.by

Sergei Vaganov

Deputy Director
National Agency of Investment and Privatization
Republic of Belarus
Tel. +375 17 200 81 75/Fax +375 17 226 47 98
E-mail: sergei_vaganov@investinbelarus.by

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.

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