



NATIONAL AGENCY
OF INVESTMENT
AND PRIVATIZATION
REPUBLIC OF BELARUS

NATIONAL AGENCY OF INVESTMENT AND PRIVATIZATION
THE REPUBLIC OF BELARUS
PUBLIC INVITATION

for participation in the process to attract strategic investors for
OJSC “Belsantekhmontazh-2”

The National Agency of Investment and Privatization of the Republic of Belarus (the Agency) announces a search for strategic investors to purchase a state-owned 77.40% share in OJSC “Belsantekhmontazh-2”, a company offering a wide range of specialised construction and installation works that include installation of ventilation and air conditioning systems, heating, water and gas supply systems, as well as installation of boilers and maintenance of gas and water meters.

The process to attract strategic investors is based on the international public tender methodology and has been organized with assistance from the International Bank for Reconstruction and Development (the World Bank) within the framework of the Grant Agreement between the Ministry of Economy of the Republic of Belarus and the International Bank for Reconstruction and Development (Austrian Trust Fund Grant No. TF098603). A consortium led by KPMG acts as a Financial Advisor to the Agency for preparing and supporting the transaction.

Potential investors are hereby advised as follows:

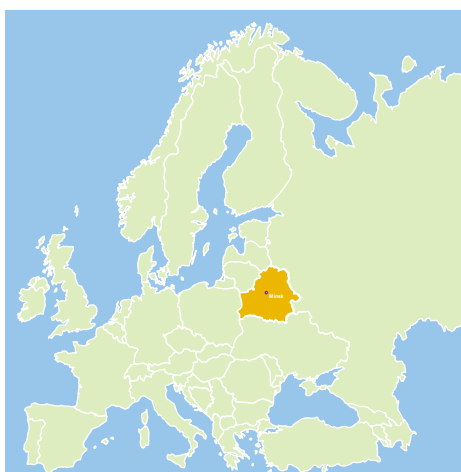
1. Investors who wish to participate in the process, independently or as part of a consortium (all members of which should have a joint and several liability) should meet the following qualification criteria at the consortium or group level and provide the respective supporting documentation:
 - be capable of financing the transaction and the future investments into OJSC “Belsantekhmontazh-2”;
 - have average revenue or shareholders’ equity for the last three financial years of at least USD 140 million and USD 40 million, respectively;
 - be a private company, i.e. a company, in which the Republic of Belarus and (or) its administrative and municipal authorities or foreign governments own not more than 50% of authorized share capital;
 - have three years experience in the area of construction or production of building materials and have a solid business reputation.
2. Investors who indicate their interest as proposed in paragraph 5, will be provided with a Teaser, templates of a Confidentiality Agreement, an Expression of Interest and an Investor Representation (qualification materials).
3. The Expression of Interest and supporting documentation (qualification materials) shall be submitted in a sealed envelope no later than 2 pm CET (3 pm Minsk time) on September 22, 2014 to the office of the Agency at the address: 14 Bersona street, room 302, 220030 Minsk.
4. Information on OJSC “Belsantekhmontazh-2” and relevant forms, as well as any changes of conditions and terms of this invitation will be published on the Agency’s website: www.tenderbstm2.investinbelarus.by.
5. Initial indications of interest and any requests for information or clarification should be addressed to the advisor: tamas.simonyi@kpmg.hu, vtarasevich@kpmg.by, tel. +36 1 887 7128 (Budapest), +375 17 372 72 57 (Minsk).

OJSC «Belsantekhmontazh-2» An Investment Opportunity

PILOT PRIVATISATION PROJECT



26 May 2014



The Company and its branches are located in major cities of Central and Western part of the Republic of Belarus

The Company's real estate facilities have an area of 75.7 thousand m², of which facilities of 66.1 thousand m² are owned by the Company

The total area of land plots occupied by the Company premises is about 26 ha and they are used by the Company on a permanent or temporary use arrangement with the state

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 77.40% stake in Open Joint-Stock Company "Belsantekhmontazh-2" (hereinafter OJSC "Belsantekhmontazh-2" 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 the leading specialised construction and installation enterprise in the Republic of Belarus; its market share is estimated at 16.4% in 6 months of 2013 (9.9% in 2012), with only one other competitor, OAO "Trust Belsantekhmontazh-1" having the market share exceeding 10%.

The key business of OJSC "Belsantekhmontazh-2" is mounting works for plumbing and ventilation at industrial and civil construction objects.

The Company was founded in 1958 as trust "Belsantekhmontazh-2"; in 1997 it was reorganized through a corporatisation into OJSC "Belsantekhmontazh-2". Shareholders of the Company are the state (77.399%), two private companies (4.923%) and 2,792 individuals (17.678%).

The Company has a network of 14 branches, including 10 mounting departments, 2 plants, a hardware store, and a housing management office.

The Company's mounting departments specialise in works on installation of ventilation, air conditioning, heating, sewerage, water and gas supply systems and mounting of the related equipment. "Plant "Santekhdetal" in Minsk and "Grodno plant santekhzagotovok" specialise in production of sanitary-engineering products.

Inflation-adjusted compound annual growth rate (CAGR) of the Company's revenue in 2011-2013 is 15.5%. Number of employees was 1,671 as of 1 October 2013.

The Company web-site is <http://bstm-2.by/>.

Key investment Considerations

Strong market position

- ✓ OJSC "Belsantekhmontazh-2" is a leader at the local market of specialised construction and installation works and services

Location of operating branches

- ✓ Geographically diversified structure allows to offer time and cost effective solutions in all regions of Central and Western part of Belarus

Implementation of major projects

- ✓ The size and geographical diversification makes the Company a preferred provider for major real estate and infrastructure development projects

Wide range of services

- ✓ The Company provides a wide range of specialised installation works and services

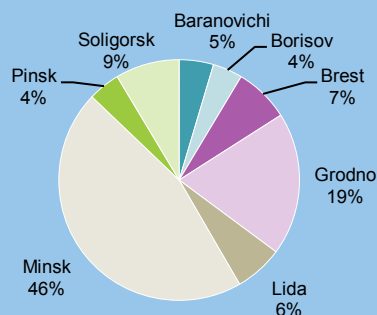
Established and well functioning processes

- ✓ The Company has well established system of technical processes, quality management and other systems

Strong financials

- ✓ Stable operational profitability; low indebtedness

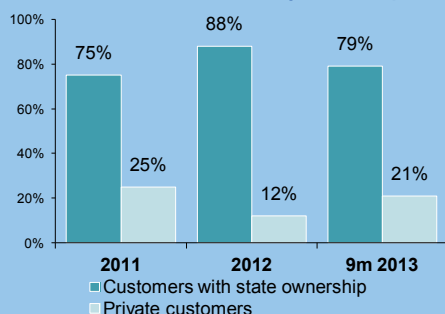
Revenues in 9 months 2013 by regions



Revenues by markets



Customer structure by ownership



Works, services and products

The Company offers a wide range of specialised construction and installation works that includes installation of ventilation and air conditioning systems, heating, cold and hot water supply systems, sewage systems and waterways, gas supply systems, as well as installation of steam and hot-water boilers, installation and maintenance of gas and water meters.

Industrial production is performed by two divisions of the Company: "Plant "Santechdetal" located in Minsk and "Grodno plant santekhzagotovok". The main production of the plants is components that are used in the ventilation, water supply and heating systems by the mounting departments and sold to third parties.

The bulk of the Company's revenue (around 88%) is generated by the mounting departments. The remainder of the revenues comes from selling the products of the plants.

All mounting departments provide the same range of works and services, mainly under subcontract arrangements with major general contractors – companies with state ownership.

Sales and revenues

Revenue of OJCS "Belsantekhmontazh-2" for 9 months 2013 was USD 42.9 million.

The Company primarily operates in the Belarusian market but occasionally works on projects in other countries, mainly Russia. Revenues from works and services form about 88% of the total revenues of the Company. 97 to 98% of revenues from works and services are generated on the domestic market. Output of the plants is either shipped to the mounting departments or sold on the local market.

There are more than 1,500 clients of the Company but the concentration level is still high, as four main customers (OJSC "Minskpromstroj", OJSC "Grodnopromstroj", OJSC "Strojtrest no. 1", OJSC "Strojtrest no. 7") brought the Company around 50% of revenues for 9 months 2013. The high concentration comes primarily from the major construction projects where the Company provides a range of specialised installation works.

The biggest share of orders OJSC "Belsantekhmontazh-2" receives from the companies with majority state ownership. Performance of works on the projects financed by the budget is subject to price regulation by the Belarusian regulatory authority, while the pricing for other projects is not regulated.

Based on the statistical data by the Ministry of Architecture and Construction of the Republic of Belarus the Company's share in the market was 16.4% in the first half of 2013.

Production and process

The annual production capacity of the Company is estimated as follows:

- mounting metal air channels for ventilation, air conditioning and pneumatic transport systems: up to 360,000 m²;
- mounting pipelines of water-supply systems, central heating, and gas supply: 1,100,000 running meters;
- mounting sewerage systems from cast iron and polyethylene pipes: 145,000 running meters.

These capacities are mainly based on the staffing, which assumes certain flexibility as the Company can re-allocate or hire additional staff for the needs of specific new projects.

Production capacity of the production plants of the Company allows to produce annually:

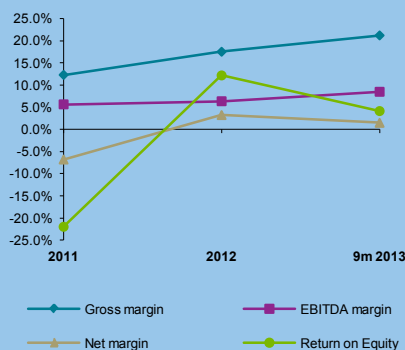
- 400,000 m² of metal air channels;
- 120,000 running meters of pre-insulated pipes with a diameter from 32 to 325 mm;
- 2,480 tons of pipes with anticorrosive insulation and joints for heat supply;
- 220 tons of joints for gas supply;
- 1,120 tons of joints for water supply;
- 120 of inflow air chambers.

Capacity utilization of the production branches was about 60-70% in recent years.

Buildings and facilities take the biggest part (69.4%) of the Company's fixed assets, production and power equipment take 15.9%, vehicle fleet 9.2%. Buildings and facilities are about 50% depreciated; accumulated depreciation of production, power equipment and other fixed assets was above 60% at the end of 3 quarter of 2013.

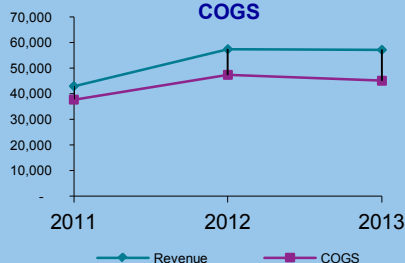
OJSC "BSMT-2" has well designed and implemented processes. Its quality management system has been ISO 9001-2001 certified in 2004. Since 2010 the Company has introduced the occupational health and safety management system OHSAS ISO 18001. The Company has an accredited and certified testing laboratory.

Profitability ratios



Source: The Company, KPMG analysis

Dynamics of revenues and COGS



Source: The Company, KPMG analysis

Revenue per employee (thousand USD):

- ✓ 2011 – 23.4
- ✓ 2012 – 33.8
- ✓ 9m 2013 – 25.7 (34.2 annualised)

Financials of the Company

The Company revenues have significantly increased since 2011. The inflation-adjusted CAGR of the revenues in 2011-2013 is 15.5%.

The Company operations are characterised by relatively high profitability. Negative indicators of Net margin and Return on Equity in 2011 year are associated with loss on net monetary position.

Profit and loss account			
thousand USD	2011	2012	9m2013
Revenues	42,946	57,407	42,869
COGS	(37,675)	(47,364)	(33,790)
Gross margin	5,272	10,043	9,079
Other income	125	3,413	1,126
Administrative expenses	(3,557)	(4,918)	(5,515)
Other expenses	(517)	(5,407)	(2,931)
Operational income	1,323	3,131	1,759
Financial costs	(124)	(143)	(206)
Gain / loss on net monetary position	(3,749)	(285)	(267)
Income before tax	(2,550)	2,703	1,286
Tax expenses	(379)	(860)	(662)
Net income / loss	(2,929)	1,842	624
EBITDA	2,419	3,635	3,628

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

The major item of the cost of goods sold, about 56% in 9 months 2013, is the key raw materials and inputs, primarily fuel, electric and heat energy.

Employee benefits take another 19% of the cost of goods sold. The average monthly salary in the Company was about USD 810 in 9 months of 2013.

Net monetary position is the effect of an adjustment made to the statement of profit and loss and other comprehensive income for the gain or loss of purchasing power of the Belarusian Ruble in accordance with IAS 29.

Balance sheet			
thousand USD	31 Dec 11	31 Dec 12	30 Sep 13
Assets			
Fixed assets, construction in progress	10,855	11,057	11,167
Other non-current assets	8	66	108
Non-current assets	10,863	11,123	11,275
Current assets	11,976	16,522	15,512
Total assets	22,839	27,645	26,787
Equity			
Statutory equity	5,988	5,988	5,988
Retained earnings	7,332	9,174	9,179
Total equity	13,319	15,162	15,166
Liabilities			
Long term liabilities	952	396	270
Short tem liabilities	8,568	12,087	11,351
Total liabilities	9,520	12,483	11,620
Total liabilities and equity	22,839	27,645	26,787

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

Fixed assets and accounts receivables take the largest share of the Company's assets (42% and 34%, accordingly) as of 30 September 2013. Significant amounts are also taken by inventory (around 20%), primarily by raw materials and inputs.

OJSC "Belsantekhmontazh-2" has rather low level of indebtedness: debt to equity ratio is only around 10%.

As of 30 September 2013 the sum of the Company's long term liabilities was not significant and was equal to 2% of its total liabilities, while the short term liabilities consisted primarily of payables (about 71%).

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