

Investment Offer

I. General information about the project

1. Project name: Sale of the enterprise as the property complex – current carpet industry “Brest Carpets” JSC.

2. Project branch: Light Industry.

3. Project location: Brest, 1, Ya. Kupaly, “Brest Carpets” JSC.

4. Project description (the essence of the investment project, prerequisites, goals, what is expected from investor, why can the project be of interest to investor)

Preserving the historical brand carpet enterprise and increase in production through the full use of production capacity.

The strategic goal of the enterprise development is organizing carpet production in the output providing efficient operation; efficient use of modern manufacturing equipment that was installed during the modernization: creating innovative and competitive products.

The main proceeding and secondary proceedings (ancillary services) on maintenance and energy services providing maintenance of the main proceeding are organized for carrying out production activities in the management structure. Technical and metrological equipment allows ensuring production output in accordance with the requirements of regulations.

5. Degree of the project readiness (availability of business plan, feasibility study, marketing research or other preparatory work/studies carried out (in progress)

Feasibility study

II. Information about the project initiator

1. Organization full name: “Brest Carpets” Joint Stock Company

2. Registration date: 31.05.2000 №200014095

3. Authorized fund structure, %:

Legal entities:	Share
- state ownership form	99,9152
- private ownership form	0,0000
Individuals	0,0848

III. Description of the market of the product intended for manufacture

A. Description of the product intended for manufacture:

1. product name and description:

“Brest Carpets” JSC specializes in output of Jacquard carpets and carpet items (runners, wall-to-wall coverings) made of wool and chemical fibers. Carpets are represented in a modern design, in a variety of patterns, sizes, forms and colors. Jacquard carpets by their structure are multilayer fabric with pile on the front surface. The assortment is characterized by a wide range of density characteristics and of pile weave of the warp: cut loop, flat, loop and combined pile with various kinds of pile altered in a carpet: alteration of patterns and weave constructions is

possible so that pile is altered by a large loop in a wavy or straight lines that makes design possibilities unlimited. (The enterprise is the only in Belarus that is able to produce and that produces fundamentally new, technologically modern products: combination of different types of pile in a carpet). By the way, “Brest Carpets” JSC is the only manufacturer in Belarus of high-density carpets having the pile density 1000 000 points per 1 sq m. This type of products has excellent operational properties, good rigidity of pile bundles fixation, good pile fastness to crumpling, rubbing, repeated bending, color fastness to light. The nap of this kind of carpets looks closed, velvety; the patterns have distinct and straight outlines.

Technological capacity of equipment allows representing traditional classic carpets in the modern performance. The range of use of carpets variety is diverse: residential and office buildings. They meet modern customers’ requirements by the quality and design.

2. main consumers: Republic of Belarus, Russian Federation
3. main competitors (producers of similar product performance goods): “Vitebsk Carpets” JSC

B. Domestic market description

1. current market capacity (over 2017) 203 000 sq m of carpets and carpet items
2. prospective domestic market share: 20%
3. strategy for operating in the domestic market:
☒ better product quality
4. state regulation (price regulation, licensing of the activities etc.): Marginal standard of profitability is regulated by Decree of the president of the Republic of Belarus dd 25.02.2011 №72 “About some measures of regulating prices (tariffs) in the Republic of Belarus”
5. return on sales (%): 0.83 in 2017; 3.6 in 2016
6. market concentration degree (approximate total market share of five largest market players, %): 80.

C. External market description

1. Estimated sales volume distribution by core regions, %:

EEU countries (Eurasian economic union)	Incl. Belarus market	EU countries	Other countries
99	20	0.5	0.5

2. Does the company have experience in exporting to these countries: ☒ yes;
3. Do other Belarusian producers export these products to the main target markets?
☒ yes;

IV. Description of available infrastructure

Railways and motor drive ways:

- ☒ Belarusian Railway line (distance from the site, km): 5
- ☒ state motor roads (distance, km): 1
- ☒ other roads with improved surface (distance, km): 0,1

Communications:

- ☒ electricity network (voltage: up to 10 000 kV, at the company’s territory)
- ☒ water pipeline
- ☒ gas pipeline

Land plot and manufacturing facilities:

- ☒ land plot availability (area: 8,1642 hectares, purpose of use: building accomodation)
- ☒ presence of constructions (area: 73517,8 sq m, purpose of use: production complex, permanent accommodation and offices, auxiliary premises complex)

Other infrastructure:

☒ possibility of production expansion and installation of additional production capacities

Key advantages of the project

Short description of each is expected:

- ☒ profiled staff: The enterprise possesses the necessary factory personnel, regular personnel.
- ☒ guaranteed volume of orders: Contracts are signed with heavy wholesale buyers for a year.
- ☒ presence of valid patents, licenses, permits:
- automobile transport activities
 - right to carry out security guard activities
 - right to carry out medical activities
 - retail of alcoholic beverages and tobacco goods
- ☒ other (specify):
- using new-generation equipment, that ensures to achieve flexibility in production of a wide range of products
 - the resident of the free economic zone "Brest" granted preferences (1 000 000 \$ a year): exemption from profit tax, from real state tax, exemption from land rent, import of raw material tax-free.
 - advantageous geographical location: 5 km from the State border with the Republic of Poland and 390 km from the capital of Belarus
 - access the Eurasian Economic Union market and the Eurasian Union market entry opportunity
 - transactions without carried forward debt obligations
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V. Project financing

A. Total investment amount: total preliminary cost – 8 000 USD (including cost of equipment – 6 000 USD)

B. Investment sources, USD:

Source	Amount
<input checked="" type="checkbox"/> Investor's resources	8 000
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	

C. Investment resources allocation:

☒ working capital financing

D. Form of investor participation in the project:

Forms of investor participation	Investor's share in authorized fund under the intended participation form, %
<input checked="" type="checkbox"/> Purchase of the enterprise as an asset complex	100
<input checked="" type="checkbox"/> Other (specify): Partial purchase of the enterprise is possible, in particular, purchase of its current production complex	100

E. Preliminary indicators of the project efficiency

Preliminary pay-back period is 5 years (Possible annual output is up to 3 000 000 sq m). Other financial indicators can be counted after the fact of the definite buyer's interest in the project and agreement of terms of the transaction.

VI. Contact information

Contact information about executing officer (name, position): N.N. Grechanik, Assistant Director General

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Date of the investment offer preparation: 25.01.2018

Manager in the proceedings

of economic insolvency (bankruptcy)

of “Brest Carpets” JSC

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