



NATIONAL AGENCY
OF INVESTMENT
AND PRIVATIZATION

REPUBLIC OF BELARUS



INVESTMENT OPPORTUNITY

DEVELOPMENT OF JSC «GOMSELMASH»

REPUBLIC OF BELARUS

Business Environment

EURASIAN ECONOMIC UNIT



512 mln
consumers

EAEU



183 mln consumers in the EEU

10 mln consumers in Belarus

INVESTMENT LEGISLATION

70 agreements on
avoidance of double
taxation

**The Republic of Belarus is a member of
the Multilateral Agency for Guarantees
and Investments**

66 agreements on assistance
in the mutual protection of
investments

Law on investment

1. Protection against nationalization
2. Unhindered transfer of profit (income) abroad
3. Equality and non-discrimination of investors

VISA REGIME

In 2018, Belarus extended the visa-free stay for foreigners to 30 days. Visa-free visits are provided on condition of the entrance through the National Airport Minsk for citizens of 74 countries, including European countries, as well as Brazil, Indonesia, the United States, Japan and other countries.



ABOUT THE PROJECT

THE INVESTMENT PROJECT IS AIMED AT SELLING JSC «GOMSELMASH» STOCKS TO A STRATEGIC INVESTOR.

PROJECT DESCRIPTION

The project's implementation involves selling JSC «Gomselmash» stocks (up to 49,9%, and in the case of profitable offer from an investor - it is possible to make a decision to sell up to 75% - 1 stock block of stocks) to a strategic investor in order to implement mutual projects for further company's development, carrying out R&D works, purchasing equipment, technologies and licenses, as well as produce brand new and innovative products in the sphere of agricultural engineering.

PARTICIPATION TERMS

- ✓ Investment amount in fixed assets of JSC «Gomselmash» under the joint investment project must be at least **\$500 million** (the final amount will be specified during negotiations with an investor);
- ✓ Preserving the main type of production and profile activities;
- ✓ Growth in production and sales volumes using the joint distribution network;
- ✓ Expansion of sales and geography markets;
- ✓ Ensuring the profitable operation of the company, starting from the year following the year in which a winner of the competition meets the investment terms;
- ✓ The investor must be a company that occupies a leading position in the world ranking of agricultural machinery manufacturers.

THE PREREQUISITES FOR THE PROJECT IMPLEMENTATION:

- ✓ High export potential of the agricultural machinery industry;
- ✓ Promising area for investment;
- ✓ Dynamic development of agriculture in Belarus, as well as in the world;
- ✓ Creation of stimulating conditions complex for investment aimed at accelerating development and implementation of fundamentally new technologies, as well as implementation of innovative projects;
- ✓ Increasing the availability of credit resources for investment projects;
- ✓ Increasing demand for agricultural machinery in the CIS and EEU countries, as well as in the People's Republic of China.

ADVANTAGES OF THE PROJECT IMPLEMENTATION IN BELARUS:

- ✓ Availability of qualified and cheap labor resources, as well as developed infrastructure, elements of which include accumulated experience, scientific institutions, supply and distribution channels;
- ✓ Guaranteed sales markets on the territory of the Republic of Belarus and abroad;
- ✓ Benefits and preferential at implementation of the investment project;
- ✓ Possibility of further production expansion and setting up an additional capacity (Ministry of Industry's enterprises can provide assistance at implementation of the investment project);
- ✓ Possibility to export products to the EEU countries (more than 180 million consumers) without paying customs duties and payments.

ABOUT THE COMPANY



Holding «Gomselmash» is one of the largest producers of agricultural machinery, which is one of the world leaders in the market of harvesters and other agricultural machinery.

«Gomselmash» company counts down its history since 1930. From the production of simple agricultural machinery to the development and mass production of grain and fodder harvesters, universal power tools, mowers, beet and potato harvesters, as well as other agricultural machinery.

«Gomselmash» company has a full range of modern production technologies, which allows producing independently the main harvesters' parts and components. This allows better control the quality, at the same time producing different types of machinery and maintains affordable prices for the products.

«Gomselmash» harvesters work on the fields of Russia, Ukraine, Kazakhstan, Czech Republic, Slovakia, Romania, Bulgaria, Argentina, Brasil, China, Korea, Baltic countries. The company has wide distribution network, joint ventures and assembly production.

FINANCIAL INDICATORS



	2019	January-September 2020
Revenue from sales of products, goods, works and services, million USD	210,7	210,5
Profit from sales of products, goods, works and services, million USD	10,9	14,8
Profitability of sales	5,2%	7%
Investments in fixed assets, million USD	3,8	3,8
Revenue from sales of products (goods, works and services) per employee, thousand USD	26,3	28,3
Average monthly salary, USD	466,7	430,0
Research and development costs for new products, million USD	3,7	1,8

PRODUCTION CAPACITY

JSC «Gomselmash» production capacity
for producing of harvesters

Title	Quantity, unit per year
<u>Grain harvesters:</u> KZS-5, KZS-812, KZS-10, KZS-1218, KZS-1624, KZS-2124, KZS-3219KR, KZS-4118K, KZS-1319, KZS-3321KP	3 775
<u>Fodder harvesters:</u> KVK-800, KVK-8060, KVK-6025, UEM-2-280A, KSK-600	625
Total	4 400

PRODUCTS

Grain harvesters



Fodder harvesters



Potato harvesters



Holding «Gomselmash» also produces: trailed and mounted fodder harvesting machinery, cob harvesters, cotton harvesting machinery, self-propelled mowers, sprayers, seeders, trailers, reapers, pickers and other products.

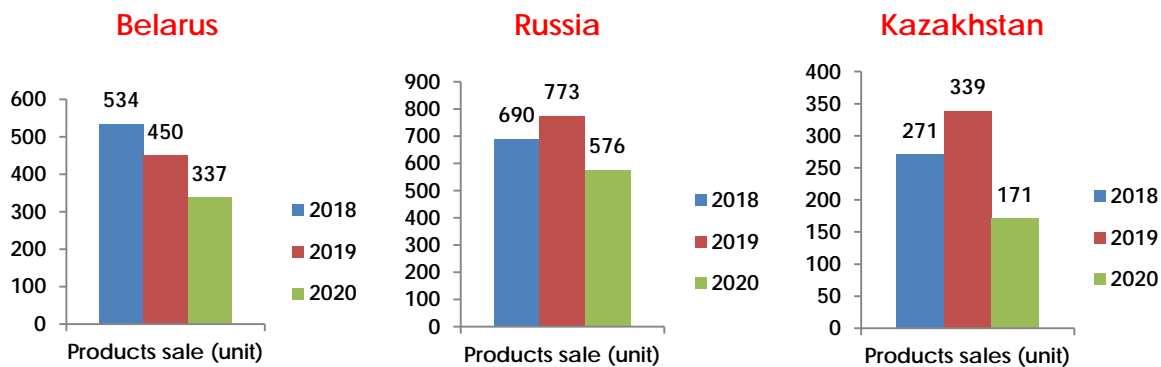
SALES MARKET



JSC «Gomselmash» sells its products to 17 countries: Belarus, Russia, Kazakhstan, Ukraine, Kyrgyzstan, Uzbekistan, Georgia, Azerbaijan, Armenia, Brazil, Argentina, Czech Republic, Moldova, Zimbabwe, China, South Korea and Serbia.

SALES INDICATORS

During 2018-2019, as well as the first 6 months of 2020, the main countries that purchased JSC «Gomselmash» products were Belarus, Russia and Kazakhstan.



Market's share in Belarus more than **90%**, Russia – more than **15%**, Kazakhstan – more than **30%**.

DISTRIBUTION NETWORK



JSC «Gomselmash» has a well-developed trade and distribution network in the near and far abroad countries. So, in September 2020, the distribution network includes **123** entities in **38** countries.

JSC «Gomselmash» today this is:

5 joint ventures (Russia, Ukraine, China and India);

5 joint production plants (Russia, Kazakhstan, Uzbekistan and Egypt);

1 trade house (Russia) и **2** branch offices (Chezh Republic and Argentina);

81 dealer centers (Russia, Ukraine, Azerbaijan, Georgia, Kyrgyzstan, Moldova, Tajikistan, Uzbekistan, Iran, Mongolia, Pakistan, South Korea, Austria, Belgium, Bulgaria, Hungary, Lithuania, Poland, Romania, Serbia, Slovakia, Turkey, France, Estonia, Egypt, Sudan, Ethiopia, Brazil and Peru);

29 trade agents (Russia, Ukraine and Kazakhstan).

INFRASTRUCTURE



JSC «Gomselmash» has a well-developed engineering and production infrastructure. On the territory of the company there are all necessary communications, highways, as well as railway tracks.



Industrial site - 145,3 Ha



Production site - 520 thsd. m²



Land plots - 220,6 Ha



Railway tracks - 17,6 km



Electricity



Heat



Water

INTELLECTUAL PROPERTY



JSC «Gomselmash» carries out consistent activities for protection of intellectual property rights in respect to its own developments, as well as trademarks. The company's intellectual property objects (trademarks, service marks, patents) are protected by national and international legislation in the field of intellectual property rights protection.



11 certificates for trademarks



Issued 25 licenses for intellectual property objects using



73 patents for industrial property rights objects

All produced fodder and grain harvesting machinery of JSC «Gomselmash» have certificates of conformity and (or) declarations of conformity for safety indicators within the Customs Union and (or) in the National system of conformity confirmation of the Republic of Belarus.



24 certificates for agricultural machinery

Obtained the certificates for compliance with the requirements of European standards and EU Directives, with the right to apply «CE-marking» on harvesters KZS-1218, KPK-3000, KSK-600, KZS-812 and KVK-8060-2.

ENVIRONMENTAL PROTECTION



Environmental protection is one of the main priorities in the production activities of JSC «Gomselmash».

JSC «Gomselmash» activities in the field of environmental protection are aimed at:

1. Reducing the harmful production impact on the environment and improving the ecological indicators in the company's influence zone;
2. Thrifty consumption of natural resources in the products production activities;
3. Implementation of resource-saving, waste-free and low-waste technologies;
4. Improving staff' ecological culture and fostering of ecological awareness.

AGRICULTURAL MACHINERY MARKET OVERVIEW



GLOBAL TRENDS

According to the forecasts of the international company «Freedonia Group» (USA), global demand for all types of agricultural machinery will grow up to **\$165.8 billion** by 2022.

It is predicted, that by 2022, the Asia-Pacific region will share **47%** of total global demand for agricultural machinery. China remains the leader in the region, but such countries as India and Thailand also will show significant demand growth. Also the Central and South American market begins to play important role, where, as expected, will be the fastest demand growth (up to **7%** per year).

According to the review «Agricultural Harvester Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2019-2024», the volume of harvester sales in 2018 was **\$26.2 billion**, and by 2024 it is predicted to increase up to **\$36.5 billion**.

Global sales of harvesters in 2019 amounted **\$10.2 billion** and, according to forecasts, sales have to increase up to **\$14 billion** by 2024.

If we talk about the longer-term prospects of the world market for agricultural machinery, the incentive for further development will be a constant increase in demand for agricultural products due to the growth of the World's population (**9.5 billion** people by 2050).



\$168,5 billion

Market's volume
by 2022

RUSSIAN FEDERATION

In 2020, grain and fodder fleet of harvesters in Russia is **144 400 units**. At the same time, the availability of agricultural machinery lags far behind developed countries.

There is a high proportion of age-related machinery that requires replacement by new agricultural machinery (**44.7%** of grain harvesters and **41.7%** of fodder harvesters in Russia are older than 10 years).

Market's volume of grain harvesters in 2019 was **4 501 units** and fodder harvesters - **427 units**.

The Russian's market has a large growth potential, held back only by low purchasing capability. To completely stop the disposal of the main types of agricultural machinery with a 6% write-off, it is necessary to purchase at least **13 000** grain and **2 000** fodder harvesters annually.

According to forecasts, the total number of harvesters (grain and fodder types) in 2023 may increase by **21 800** units compared to 2020.

The actual purchase of harvesters in recent years is about 50% of its nominal demand (**5 500-7 000 units** per year), and fodder harvesters – up to 25% (**500 units** per year).

THE REPUBLIC OF KAZAKHSTAN

In 2019, grain and fodder fleet of harvesters in Kazakhstan was **38 500 units**. At the same time, **68%** of them are old and obsolete.

In Kazakhstan more than half of **67 000** fodder harvesting equipment are 17 years old and older.

AGRICULTURAL MACHINERY MARKET OVERVIEW



Due to moral and technical aging, about **50%** of grain harvesters, **75%** of reapers and **80%** of seeders should be sent for write-off.

Market's volume of grain harvesters in 2019 was **1 041 units** and fodder harvesters – **22 units**.

THE REPUBLIC OF BELARUS

In 2019, grain and fodder fleet of harvesters in Belarus was **12 917 units**, and other harvesters in total were **1 528 units**.

In the last three years, volume of the Belarusian market for grain harvesters ranges from **205 to 310 units** per year, and fodder harvesters – from **246 to 280 units** per year.

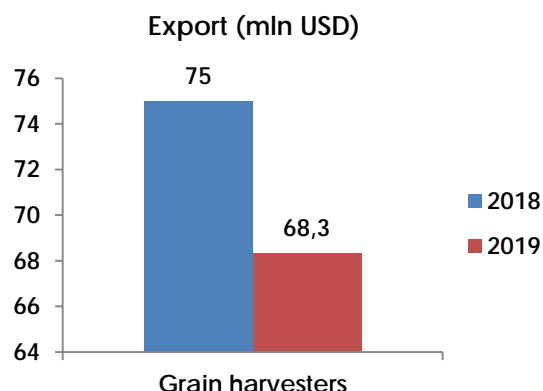
Currently, agricultural machinery write-off in Belarusian agricultural companies significantly exceeds purchasing of new ones, which does not allow to provide the need for agricultural machinery, even taking into account the increase of harvesters productivity.

In the period 2019-2025, **7 500** of grain harvesters and **2 660** of fodder harvesters will be written-off. To compensate the annual agricultural machinery write-off and current shortage of the harvesters' fleet, it is necessary to purchase **1 500** grain harvesters and **470** fodder harvesters annually.

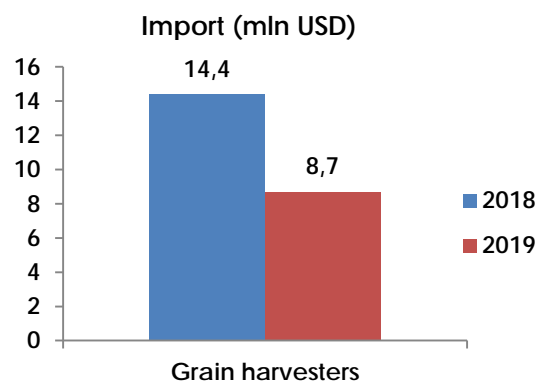
PRODUCTION, EXPORT AND IMPORT

During 2017-2019, the production volume of grain harvesters ranged from **623 to 917 units** per year and fodder harvesters, as well as complexes ranged from **254 to 282 units** per year.

Belarus in 2019 exported **1 096 units** of grain harvesters (including machinery kits) in the amount of **\$68,3 million** (+11,3% in quantitative terms and -8,9% in monetary terms compared to 2018)



Belarus in 2019 imported **142 units** of grain harvesters in the amount of **\$8,7 million** (+7% in quantitative terms and -39,6% in monetary terms compared to 2018)



The main country-exporters of grain harvesters are Germany and Belgium (more than **80%** in total).

NATIONAL AGENCY OF INVESTMENT AND PRIVATIZATION

The Agency is ready to help foreign investors interested in doing business in Belarus:

- Presentation of information on investment opportunities, preferential regimes and benefits, industries, legislation
- Provision of current information on investment projects
- Selection and provision of information on options for land and premises
- Search for potential partners for the implementation of the investment project; organization of meetings, negotiations with potential partners to establish cooperation
- Providing a platform for negotiations and support for the investor during the negotiations
- Organization of visits to the Republic of Belarus (development of a program of stay, assistance in obtaining a visa)
- Representing the interests of the investor in negotiations with government officials on the implementation of investment projects, as well as on improving business practices in the Republic of Belarus
- Post investment support



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