

Information memorandum

Full name of organization: **Open Joint Stock Company "SvetlogorskKhimvolokno"**

Abbreviated name: **OJSC "SvetlogorskKhimvolokno"**

Registered address: **247400, Republic of Belarus, Gomel reg., Svetlogorsk, st. Zavodskaya, 5**

Website address: **www.sohim.by**

Information on state registration: the company has been registered by Svetlogorsk executive committee of the Gomel regional executive committee dd. **10.01.2012** in the Unified State Register of legal entities and individual entrepreneurs with the registration number 400031289 (**Certificate number KO 0071999**)

Head: **CEO Kostyukevich Vasily**

Chief Accountant: **Rashuk Tatiana**

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I. General information about the company

History of the company

History of the company began in 1964 with the commissioning of the first cord production facilities of the artificial fiber plant (design capacity - 35.5 thousand tons of cord per year)

Key Milestones:

1984 - Commissioning of a polyester textile yarn plant (design capacity - 23.53 tons per year);

1989 - Commissioning of Phase 1 of carbon materials production facilities, mastered a production of carbon filled thermoplastics and thermosets, carbon fiber sorbents;

1993 - Organization of production of bags made of film polypropylene yarn with a capacity of 10 million pieces per year;

1995 - Mastered a production of new nonwoven material "Spunbond" made of polypropylene with a capacity of 2.96 thousand tons per year;

2003-2004 - Reconstruction of the polyester textile yarn plant at the expense of a credit from a Kuwait Fund for Arab Economic development.

2005-2011 - Within a framework of a Program of long-term development of the company several investment projects were realized and allowed: to master new kinds of polyester textile yarn (with KDK effect, molded, "trilobal" and others) and new yarn dyeing technologies, to upgrade preparation scheme of raw materials (PET chips), to ensure full processing of fibrous waste and to improve quality and competitiveness of products.

2008 - Commissioning of facilities for production of soft packaging tare: soft containers of "big bag" type and polypropylene bags of box type.

2009 - Completion of a project on the organization of production of new generation non-woven materials made of polypropylene continuous filaments by extrusion via thermo- or hydro-bonding processes (SpunBel, AquaSpun).

As of January 1, 2014 the authorized capital of OJSC "SvetlogorskKhimvolokno" is 681 994 600 000 rubles and is divided into 6 819 946 common (ordinary) shares with a nominal value of 100 000 rubles each. In the authorized capital of OJSC "SvetlogorskKhimvolokno" the state's share is 100 percent.

OJSC "SvetlogorskKhimvolokno" is a resident of FEZ "Gomel-Raton" until December 31, 2019.

Structure of OJSC "SvetlogorskKhimvolokno"

OJSC "SvetlogorskKhimvolokno" currently includes:

Polyester textile yarn plant,
Artificial fiber plant,
Production of consumer goods.

Main activity: production of artificial and synthetic fibers.

In total revenue the share of this type of activity for the year 2012 amounted to 56.8%.

Capacities of the company in 2013

Name	Year of commissioning	Average annual capacity	Capacity utilization
Polyester textile yarn	1984-1985	40 800 t/year	90,6 %
Carbon fiber materials	1990-1992	360 t/year	38,1 %
Nonwoven material SpunBel (old plant)	1994	3 110 t/year	99,8 %
SpunBel, AquaSpun (new plant)	2009	9200 t/year	88,8 %
Polypropylene film yarn	1995-1999	6050 t/year	78,9 %
Arselon yarns and fibers	1977-1986	256 t/year	90,5 %

Advantages of the company:

- Availability of production and engineering infrastructure;
- Availability of developed transport infrastructure for delivery of raw materials and shipment of products;
- Established relations with suppliers and consumers;
- High level of qualification of engineers, technicians and technological personnel;
- Quality of OJSC "SvetlogorskKhimvolokno" products has been certified with ISO 9001 - 2001.

Licenses, patents, certificates

OJSC "SvetlogorskKhimvolokno" has licenses to carry out activities in the fields of: vehicles; industrial safety, fire safety, related to the impact on the environment; related to precious metals; medical activity; security activity, etc.

OJSC "SvetlogorskKhimvolokno" in its field of activity possesses the rights of industrial property for intellectual property objects. To individualize similar products the company has trademarks, patents for utility models, inventions on methods of production of materials, fibers and yarns produced.

All the products manufactured by OJSC "SvetlogorskKhimvolokno" which are subject to mandatory conformity assessment, have conformity certificates or duly registered in a stated order pursuant to the declaration of conformity.

II. Financial indicators of business activity of the company*

Indicator	2010	2011	2012
Net asset value, million U.S.D.	201,2	223,4	232,6
Revenue from sales of products, works and services, million U.S.D.	136,8	155,0	183,7
Total profit (p.200 of the Profit and Loss Statement), million U.S.D.	2,7	2,2	0,6
Profit from sales of products, works and services, million U.S.D.	3,2	23,6	0,4
Net profit, million U.S.D.	0,02	0,02	0
Profitability of sold products, works and services, %	2,6	19,9	0,2
Receivables **, million U.S.D.	28,9	13,8	11,8
Payables **, million U.S.D.	11,6	12,5	13,9
Average salary, million U.S.D.	426,8	392,6	490,4

* Conversion into U.S. dollars at the average exchange rate of the Belarusian ruble.

** Accounts receivable and payable are shown as of 01.01.2011, 01.01.2012, 01.01.2013.

III. Extended nomenclature of products produced

Nomenclature of major products produced by OJSC "SvetlogorskKhimvolokno" includes polyester textile yarns, nonwovens, carbon materials, Arselon products, products made of polyethylene and polypropylene, knitted fabrics, as well as a wide range of consumer goods.

Product name	Unit	2010	2011	2012	2013 (assessment)
Polyester yarn	t	30 312	31 269	38 175	36 984
Yarn for cord and technical items	t	1 308	405	89	87
Cord fabric	thousand m ²	1 300	998	524	10
Arselon yarn	t	141	160	145	231

Product name	Unit	2010	2011	2012	2013 (assessment)
Polypropylene film yarn	t	3 290	5 107	5 048	4 771
Polypropylene twine	t	1 101	1 411	1 151	1 007
Polypropylene bags	thousand pieces	9 764	14 587	14 655	15 538
Non-woven polypropylene material	t	7 920	7 132	10 407	11 271
Polyethylene film	t	1 818	1 759	1 463	1 127
Carbon materials	t	95	87	118	120

IV. Investment activity.

Completed projects from 2009 to 2013.

Increase of production capacity of Polyester Textile Yarn Plant.

As a result of the project realization due to the new high-performance equipment a modern industrial and technological base for production of high quality competitive products has been created. The production capacities were increased, the equipment park of a spinning workshop and 80% of textile workshops of the plant were fully renovated.

Reconstruction of nonwovens workshop

As a result of the project realization the company mastered a production of modern, high-tech polypropylene nonwoven materials SpunBel and AquaSpun produced via thermal and hydro bonding methods, respectively.

Increase of production of soft polypropylene package

A modern, high-tech and cost-effective production of soft polypropylene packaging has been created.

Within the framework of the project the company obtained extrusion, weaving, sewing and other equipment on which box type valve bags, flat polypropylene bags, "Big Bag" containers, wagon liners, polypropylene and film yarns, fabrics and twine are being manufactured.

Increase of production capacity of carbon fiber materials

The project realization enabled the company to meet more fully the demand of consumers in carbon fiber materials by increasing the production capacity up to 360 tons per year.

Hay baler twine production from waste polymers

Production of a new product - hay baler twine on the basis of production waste of polyester textile yarn and primary granulate or regranulate of polypropylene has been organized for selling, mainly in the domestic market.

The equipment installed is able to process 1,700 tons per year of fiber waste of polyester yarn production. Planned annual production of twine from polymeric waste is 2000 tons.

Development strategy

For 2013-2020 the development strategy of the Company is:

- Implementation of fast-paying back investment projects with a small volume of investments aimed at extension of technological limits and deepening of processing of already manufactured products;
- Implementation of organizational measures (headcount optimization, output to outsource of non-core businesses, optimizing of commodity-distribution network, optimizing of assortment and marketing policy);
- Improvement of the efficiency of financial and economic activities of the company.

OJSC "SvetlogorskKhimvolokno" is looking for investors interested in participation in the development and privatization of the Company.

In the period of 2013-2020 implementation of the following investment projects is envisaged:

Reconstruction and expansion of the existing production facilities:

- Reconstruction of a dyeing workshop of Polyester Textile Yarn Plant (implementation period - 2012-2015.)
- Modernization of consumer goods production facilities (implementation period - 2013-2014.)

Creation of new productions:

- Organization of production of paper coiling and winding tubes (implementation period - 2012-2015.)
- Organization of production of duplicated (laminated) nonwoven material (implementation period - 2012-2015.)
- Expansion of the range of carbon fiber materials (implementation period - 2013-2016.)
- Organization of production of "Spunlace" type non-woven material (implementation period - 2017-2019.).

Information about the projects planned to be realized

Reconstruction of a dyeing workshop of Polyester Textile Yarn Plant

Project goal - improving the efficiency of production of dyed polyester yarns by replacing the existing dyeing and drying equipment, by means of automation of yarn dyeing and drying processes, automation of processes of preparation and feeding of textile auxiliary agents and dyestuff. Improvement of dyeing quality of polyester textile yarn on a cylindrical perforated polypropylene incompressible cartridge.

The project provides for the replacement of the existing dyeing machines with new ones: with loading the yarn packages onto perforated rods, weight 1000 kg and 500 kg with total capacity of at least 3060 tons per year.

Project status

- Architectural part of the project has been designed, a conclusion of a Chief Inspection body of Ministry of construction and architecture of the Republic of Belarus has been obtained;
- Business plan has been developed;

- Dyeing of polyester textile yarns has been included in the Register of high-tech industries and enterprises;
- Technical specifications for procurement of the equipment have been developed.

Modernization of consumer goods production facilities

Project goal - increase in product output and efficiency of the equipment.

Within the framework of the project a purchase of circular looms, painting, drying, tenter and sewing equipment is planned.

The project is aimed at increasing the production of knitted fabrics, reducing production costs, improvement product quality, diversification of production range and its promotion on foreign markets.

Project status

- Technical and commercial proposals from equipment suppliers are available,
- Marketing research on markets has been conducted,
- Part of the equipment has been financed and is in manufacturing.

Organization of production of duplicated (laminated) nonwoven material

Project goal - deepening of processing of the nonwovens produced at the company by means of organization of production of new kinds of non-woven polypropylene materials and duplicated breathable polyethylene film. Planned production capacity - 3000 tons per year.

The project envisages an acquisition of a laminating plant for bonding a nonwoven SpunBel and AquaSpun with a membrane material.

Project status

- A business plan for the project has been developed;
- Production of duplicate materials has been included in the Register of high-tech industries and enterprises of the Republic of Belarus;
- Architectural part of the project has been designed, a conclusion of a Chief Inspection body of Ministry of construction and architecture of the Republic of Belarus has been obtained;
- Sources of funding has been determined;
- Draft technical specifications for the procurement of the equipment has been prepared.

Organization of production of paper coiling and winding tubes

Project goal - production of import-substituting of cylindrical textile paper cartridges/tubes for the company own consumption.

The project envisages implementation of a comprehensive line for production of winding paper tubes with a capacity of up to 18.4 million pcs/year of various sizes with additional finishing (rolling, application of yarn catcher, polishing, etc.).

Project status

- A business plan for the project has been developed;
- Architectural part of the project has been designed;
- The production has been included in the Register of high-tech industries and enterprises of the Republic of Belarus.

Expansion of the range of carbon fiber materials

Project goal - mastering of new types of products, dipping of processing of carbon fiber materials in the framework of the Union State program.

The project includes:

- Organization of production of carbon-carbon composite materials for thermal and fire protection;

- Organization of production of crushed carbon fibers.

Development of technology of carbon materials production with desired properties, organization of production of crushed carbon fibers and purchase of equipment for crushing and screening are planned within the framework of the project.

Project status

- Sources of funding has been determined.

Organization of production of "Spunlace" type non-woven material

Project goal - organization of production of a new kind of import-substituting products.

The project envisages a purchase of a complete line for production of nonwoven material for hygiene and medical purposes with a surface density of 30-100 g/m² produced by "spunlace" technology.

Project status

- Technical marketing of the equipment is held;
- Market research conducted has been conducted.

Information on the projects planned for realization, their costs, essentially, expected effect and planned efficiency indicators are shown in the table below.

Project	Cost of project, million U.S.D.	Essentially	Expected effect/planned efficiency indicators
Reconstruction of a dyeing workshop of Polyester Textile Yarn Plant	4,0	Replacement of the existing dyeing machines with new ones: with loading the yarn packages onto perforated rods, weight 1000 kg and 500 kg with total capacity of 4000 tons per year.	By reducing the cost of textile auxiliaries (up 36%), energy consumption (steam - 15%, water - 20%, electricity - 30%) reduction of cost of 1 ton of dyed yarn by up to 30% is expected. Annual growth (at full design capacity): Net profit - \$ 0.4 million, Net income - \$ 0.7 million, GAV - \$ 0.7 million. Profitability index - 1.3; GNI -15.0% Payback period (years): Dynamic -8.5, simple - 6.0.
Modernization of consumer goods production facilities	0,8	Introduction of modern equipment into production (circular knitting machines, dyeing machines, sewing machines, etc.)	Increased production of knitted fabrics by 30%, reduced labor cost by 10%, reducing energy consumption by 10%, reducing dyeing time by 25%. Annual growth (at full design capacity): Net profit - \$ 0.6 million, Net income - \$ 0.7 million, GAV - \$ 0.7 million. Profitability index - 5.6; GNI -66.3% Payback period (years): Dynamic - 2.1, simple - 1.9.
Organization of production of duplicated (laminated) nonwoven material	3,4	Acquisition of a laminating plant for bonding a nonwoven SpunBel and AquaSpun with a membrane material.	Selling to domestic market - 16%, to external market - 84%. Deeping of processing of the products produced. Annual growth (at full design capacity): Net profit - \$ 0.2 million, Net income - \$ 2.6 million, GAV - \$ 2.7 million. Profitability index - 3.1; GNI -30.0% Payback period (years): Dynamic - 5.7, simple - 5.0.

Project	Cost of project, million U.S.D.	Essentially	Expected effect/planned efficiency indicators
Organization of production of paper coiling and winding tubes	3,3	Introduction of a comprehensive line for production of winding paper tubes with a capacity of up to 18.4 million pcs/year of various sizes.	Saving of currency funds - \$ 0.6 million per year. Annual growth (at full design capacity): Net profit - \$ 0.6 million, Net income - \$ 0.8 million, GAV - \$ 1.2 million. Profitability index - 3.8; GNI -42.2% Payback period (years): Dynamic - 3.6, simple - 3.2.
Expansion of the range of carbon fiber materials	2,4	Mastering of new types of products, dipping of processing of carbon fiber materials, new technology introduction.	Production growth, expanding of the product range by introducing new technology. Annual growth (at full design capacity): Net profit - \$ 0.8 million, Net income - \$ 0.9 million, GAV - \$ 0.9 million. Profitability index - 3.0; GNI -35% Payback period (years): Dynamic - 3.9, simple - 3.5.
Organization of production of "Spunlace" type non-woven material	9,5	Purchase of a complete line for production of nonwoven material produced by "spunlace" technology with a production capacity 6000 t per year.	Deeping of processing of the nonwoven materials produced. Annual growth (at full design capacity): Net profit - \$ 4.5 million, Net income - \$ 5.1 million, GAV - \$ 5.1 million. Profitability index - 3.1; GNI -36.6% Payback period (years): Dynamic - 5.2, simple - 4.7.

V. Structure of working personnel on 01.01.2014:

	Age:							Total
	-25	25-35	35-40	40-45	45-50	50-55	55+	
Number of employees, including	179	781	695	802	936	862	360	4615
- Number of employees with higher education	16	266	149	133	109	148	82	903
- With secondary special education	41	111	145	155	205	179	63	899
- With vocational education	85	270	236	240	175	95	47	1148
- With secondary education	37	125	151	260	442	434	162	1611
- With basic education	-	9	14	14	5	6	6	54

Total number of employees:	4615
- Number of administrative staff	275
- Number of production staff	4480
including number of main workers	1664

VI. Structure of sales:

Structure (%)	2011	2012	2013 (assessment)
Domestic market	35,8	33,6	34,7
External market	64,2	66,4	65,3
Total	100	100	100

The main markets for products selling are Russia, Ukraine, Poland, Turkey, Slovakia, Germany, Italy, France, Romania and Baltic countries.

VII. Information on land plots and capital structures (buildings, structures).

The total area occupied by OJSC "SvetlogorskKhimvolokno" (including sewage treatment facilities) is 390.4 hectares.

The total area of permanent structures (buildings) is 737 thousand m².

VIII. Information about the machines and equipment

Manufacturing activities of the company is characterized by technical potential, which is represented by the equipment of main and auxiliary productions.

All the equipment is in good technical condition, equipped with a facilities of proper monitoring and recording of main processes parameters, which allows to produce products in accordance with the standards.

Information on the equipment tear and wear by main production facilities

Degree of wear and tear, %	Number of pcs.	Specific weight, %
Up to 50	7 081	57,2
From 51 to 75	5 304	42,8
From 76 to 100	-	-
Total	12 385	100,0

As of January 1, 2014 the company was operating 12 385 pieces of equipment in the main production workshops; the age composition of the equipment is given in the table.

Age of equipment, years	Quantity, total	Specific weight, %
From 1 to 5	1 564	12,6
From 5 to 10	2 647	21,4
From 10 to 15	702	5,7
Over 15 years	7 472	60,3
Total	12 385	100,0