

INVESTMENTS INTO AN INDUSTRIAL SAWMILLING COMPLEX,

BELARUS

2021



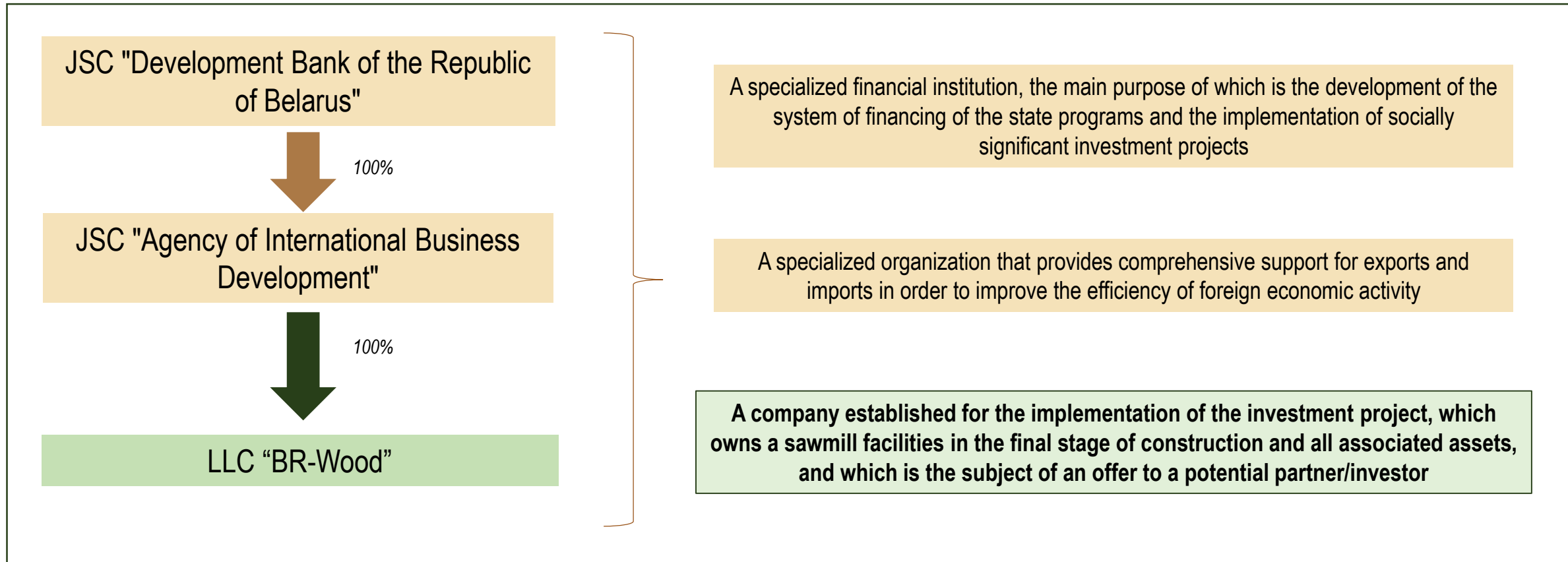
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INVESTMENT OPPORTUNITY

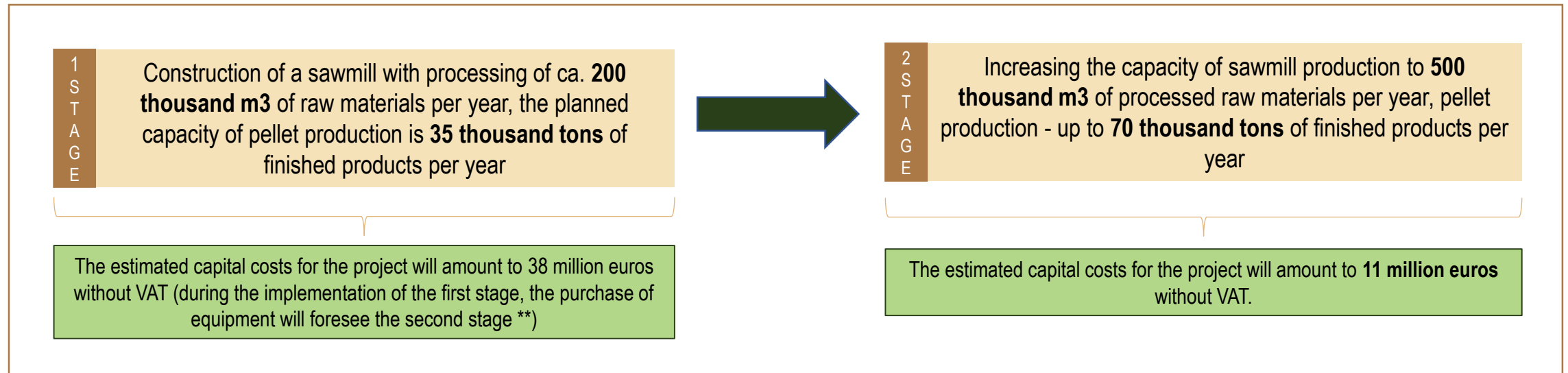
ON PROJECT INITIATOR



PROJECT DISCRIPTION

BR-Wood LLC was established in Bobruisk in July 2018 to implement the investment project "Organization of a new sawmill and pellet production". The main goal of the project is to manufacture products for export.

The concept of construction of sawmill and pellet production, developed by SIA "Timberlift", assumes two stages:



Stage 1 and Stage 2 will be implemented in 2022, planned capacity utilization to be reached from the end of 2023

**** The capacity of individual units and aggregates will be designed to increase productivity twice without CAPEX:**

- Log feed line;
- Sawmill waste disposal and storage system;
- Transport and conveyor systems of sawmill and pellet production;
- Source of thermal energy for pellet production;
- The line of packing pellets in 15-kilogram bags and big bags weighing 1,000 kg.

LOANS AND BORROWINGS

Stage 1:

Loan funds –
24.6 million euros

Equity loans –
14.9 million euros

2
0
2
1

The amount of loans granted in 2021 is about 13 million euros. Loans are provided in EUR at a rate of 8% with the start of principal debt repayment six months after the commissioning of the facility

2
0
2
2

The amount of loans to be provided in 2022 is about 11.6 million euros. Loans will be provided in EUR at a rate of 8% the start of principal debt repayment six months after the commissioning of the facility

LOANS FROM BELARUSIAN BANK

2
0
2
1

The amount of equity loans granted until 2021 is about 14.3 million euros. Loans are provided in BYN at the rate of 1% and 11.8%. Subordinated loan with the beginning of repayment of the principal debt after repayment of loans (2032)

2
0
2
2

The amount of equity loans to be provided in 2022 is about 600 thou euros. The loan will be provided in BYN at a rate of 1%. Subordinated loan with the beginning of repayment of the principal debt after repayment of loans (2032)

EQUITY LOANS

Stage 2:

Loan funds –
8.2 million euros

Equity loans –
3.5 million euros

With a loan-to-equity ratio of 70:30, in order to finance the implementation of Stage 2 of the project in 2022, it is planned to additionally attract 8.2 million euros of bank financing, and 3.5 million euros of equity financing.

OFFER TO PARTNER / INVESTOR - TRANSACTION STRUCTURE

Currently, BR-Wood LLC participant is considering the possibility of attracting a strategic investor / partner to the project that will have the appropriate technological, financial and marketing competencies.

A potential Partner / Investor is offered the following pre-developed transaction structure to obtain a controlling stake in the company*:

1. The minimum amount of cash-in investment in equity is about 4 million euros

2. In addition, in order to obtain a controlling stake in BR-Wood LLC, it is necessary to purchase shares from the initiator of the project for the amount to be determined based on the negotiations on the project valuation.

or

In order to obtain a controlling stake in BR-Wood LLC, it is necessary to provide financing for the amount to be determined based on the negotiations on the project valuation in the form of cash-in, which will be aimed at replacing bank financing.

** The initiator of the project is also ready to consider other mechanisms for the participation of a potential Partner/ Investor and the structure of the transaction, including the possibility of selling a larger stake or the entire business.*

ECONOMIC FEASIBILITY AND ATTRACTIVENESS OF THE PROJECT FOR A PARTNER/ INVESTOR - PART 1

1. profitability and payback of the investment project (IRR of 20%)

2. the possibility of processing large-diameter wood (24-50 cm), which is not in demand by other large sawn wood producers in the country due to the lack of suitable sawmilling production facilities.

3. the possibility of producing sawn wood of rare parameters (due to the use of large-diameter wood), which can be sold on the market with a premium.

4. the possibility of organizing the production of CLT panels within the Stage 3 of production development (see slide 16).

5. access to labor, due to the location the site in a large Belarusian city next to another operating woodworking enterprise.

6. Availability of raw materials and proximity to raw material sourcing zones.

ECONOMIC FEASIBILITY AND ATTRACTIVENESS OF THE PROJECT FOR A PARTNER/ INVESTOR - PART 2

- 7.** The project is already underway with a plan to be completed in 2021, and the project has obtained all necessary permits and appraisals.

- 8.** The Development Bank also owns the BR-Forest logging company, created to provide raw materials to various enterprises, which can also be included in the perimeter of a potential transaction if there is interest from a potential partner/investor (see Appendix 1).

- 9.** The presence of access railways and the location of production facilities provides logistical advantages in terms of supplies to Europe, and also gives the opportunity to participate in the development of new export destinations (for example, to China, taking into account the current growth in container traffic in this direction).

- 10.** Granted bank loans for the implementation of the project, which can be maintained (taking into account long-term repayment terms) or refinanced by a potential investor/partner.



PROJECT DESCRIPTION

CURRENT STATE OF THE PROJECT

CAPEX for the **STAGE 1** of the project are determined in the amount of **38 million** euros without VAT.
CAPEX for the **STAGE 2** of the project are preliminary determined in the amount of **11 million** euros without VAT.

Progress of the main stages of the project (Stage 1) - implemented:

**Completed in
April 21**

The land allocation of the plot was made, a certificate of state registration of the land plot was obtained and a lease agreement was signed.

**Completed in
June 2021**

Hot-water solid fuel boilers have been manufactured, the equipment is in responsible storage at the manufacturing plant of Comcont LLC (Gomel)

**Completed in
July 21**

The project documentation has been developed taking into account stage C (construction). Developer of project documentation - LLC "InjSpetsStroyProekt"

**Completed in
September 21**

Drying equipment manufactured and supplied by Katres (Czech Republic)

2022

Expected completion date of the Project

Progress of the main stages of the project (Stage 1) – under implementation:

**Till March
2022**

Suppliers of equipment for sawmill production are the Belarusian **JSC "Fandok"** (**Springer** sawmill sorting system, equipment has already been delivered to the construction site, equipment modernization is planned) and **the Swedish USNR AB** (supply of a production line for the manufacture of sawn wood, equipment partially delivered)

Till May 2022

The supplier of the production line for the production of pellets is **the Polish company CEDRUS**

**August 2020 –
July 2022**

The preparatory stage of construction has begun. The construction completeness of the facility as of 01.12.2021 is 16% (ca. 50% of CAPEX for 1st stage were financed).

This material assumes that Stage 2 can be implemented in parallel with Stage 1 and completed during 2022.

POTENTIAL DEVELOPMENT OPPORTUNITIES - STAGE 3

Predefined characteristic

Organization of additional production of CLT panels (furniture board, glulam beam).

The necessary territory for the organization of the production of CLT panels is about 0.5 hectares

The preliminary volume of investments, taking into account the purchase of basic equipment, auxiliary and power equipment, as well as taking into account construction and installation works (including dismantling), is ca. 20 million euros.

Market value of 1 m³ of CLT panels - retail 730- 800 euros, wholesale 600-700 euros

CLT panels or panels made of cross laminated timber are a modern building material, used to make load-bearing supports and beams, floor slabs and wall panels.

A glulam beam is a high-tech construction material made of several layers of wooden lamellae (fragments, boards), which are first stacked in packages of the desired thickness and then glued together under a press.

Furniture board is a wooden workpiece for the production of furniture made from dry, glued lumber. It is used for the manufacture of cabinet furniture.

Production of panels can be set up to generate more revenues by manufacturing products with higher processing depth and value-added, given the existing demand for such products in foreign markets

PRODUCTION LOCATION

The total area of the territory is 13 hectares (with the possibility of expanding the area to approx. 20 hectares joining nearby plots).

The location of production gives the company a number of advantages:



Access to a workforce with relevant competencies (there are other existing woodworking industries)



Placement on the territory of a built and fully functioning plant



Territorial proximity to many large clients within the country



Availability of railway access roads at the production site



Availability of export supplies to Europe, including Lithuania, Latvia, the Czech Republic, the UK, and Asia (China is a promising direction)



Convenient logistics of raw materials supplies

Location of the main components of production:

- Sawmill production and a line for sorting and packing sawn wood – in a new building.
- Drying chambers and a shed for storing sawn wood – on the site of the existing warehouse.
- The pellet production is in a new building, while most of it will be used as a finished product warehouse.
- The existing round timber sorting line will also be located on the site, and a place for storing incoming raw materials will be reserved. The stock of sorted raw materials is supposed to be placed on a site with a concrete coating.



INFORMATION ON INFRASTRUCTURE AND ENGINEERING NETWORKS

Engineering supply

The new production plans to use engineering networks of JSC "Fandok". Engineering networks of JSC "FANDOK" comply with state norms, rules, standards, as well as technical conditions and requirements issued by supervisory authorities (control) and interested organizations. There is also a crane unit on the territory of the plant.

Heat supply

The need for thermal energy of the entire complex will be covered by its own boilers. Boiler house with a capacity of 9MW is being designed. The main type of fuel will be wood waste. The main volume of thermal energy will be used to ensure the drying process of wood in drying chambers.

Lighting

Networks of outdoor lighting at the main driveways, in-house production areas, sites for storing round wood.

Water supply

Currently, the company's water needs are met in two main directions:

- household and drinking water supply is carried out from two artesian wells with a capacity of 40 m3 per hour each;
- fire-technical water supply is carried out from the pumping station of the surface intake from the Berezina River with a maximum capacity of 720 m3 per hour.

Power supply

The power supply of JSC "FANDOK" is carried out by RUE "Mogilevenergo". The project provides for the construction of three transformer stations. Power supply using 6 kV line is provided from distribution station No.26 of JSC "FANDOK", power supply using the 10 kV line is provided from distribution station No. 79 of RUE "Mogilevenergo".

Transport

Access to road and rail transport.

PRODUCT DESCRIPTION: SAWN WOOD



The main products of the sawmill production are sawn wood, which is produced by longitudinal sawing of round timber (logs). Additional products include technological chips, which are obtained by grinding sawn wood waste.

The project provides for the production of the following sawn wood:

sawn wood grade I-III
W=18%

EXPORT
(approx. 90% of production)

sawn wood grade IV
W=18%

DOMESTIC MARKET
(approx. 10% of production)

The project capacity (Stage 1 and Stage 2) is 250 thou m3 per year, full capacity utilization to be reached starting from the end of 2023.

Multilevel quality control:

- 1st stage of control is on the round wood sorting system,
- 2nd stage of control is on the round wood feeding system into the sawmill (metal detector),
- 3rd stage of control is quality control of raw sawn wood during sorting,
- 4th stage of control is after drying (dry sawn wood on the sorting line).

PRODUCT DESCRIPTION: PELLETS



Characteristics of fuel pellets

Parameter	Unit of measurement	Indicator
Diameter	Mm	6 and 8
Length	Mm	12-40
Volumetric weight	kg/m ³	more than 600
Total moisture	Mass %	less than 10,0
Lowest heat of combustion	kWh*h/kg	more than 4,6
Ash content	Mass %	less than 0,7

Pellets are an alternative to traditional fuels – firewood, peat, fuel oil, diesel and furnace fuel, coal.

The project assumes the production of the following pellets Enplus A1:

Bulk fuel pellets
(Big Bag of 1 ton)

EXPORT
(approx. 60% of production)

Fuel pellets packed
in 15.25 kg

EXPORT
(approx. 40% of production)

The project production capacity (Stage 1 and Stage 2) is 70 thou tons of pellets per year, full capacity utilization to be reached starting from the end of 2023.

- The raw materials for the production of pellets can be wood waste: bark, sawdust, wood chips and other waste from logging and wood processing, as well as firewood and merchantable wood.
- The production of pellets is carried out without the use of any chemical additives, which ensures the ecological purity of the fuel.
- Quality control will be multilevel: for pellets - laboratory equipment (control of the mixture), final - after granulation.

RAW MATERIAL REQUIREMENTS: SAWN WOOD

SAWN WOOD:

- approximate composition of raw materials: 30% spruce; 70% pine;
- Round wood length: from 3 to 6.3 meters;
- diameter of round wood: from 14 to 50 cm;
- percentage ratio of log diameters: 14-22 – 10%, 24-34 – 70%, 35-50 – 20% (the average diameter of the log is 31 cm).

REQUIRED VOLUME FOR PRODUCTION (stage 1 and 2): ca. 500 thou m3 per year

The sale of raw materials on the domestic market is carried out through the Belarusian Universal Commodity Exchange – a single transparent mechanism has been established. The annual volume of harvested round timber traded through the commodity exchange is more than 16 million m3. Prices are set quarterly according to quotes. Protocols of intentions have been signed with companies and forestry enterprises as an additional guarantee for the provision of raw materials, as shown in the table below.

Main type of raw materials	Suppliers
Round wood (sawn logs of coniferous species (pine, spruce) grades 1-3)	JSC "Borisovdrev"
	JSC "Rechitsadrev"
	JSC "Mozyr DOCK"
	JSC "FANDOK"
	GLHU "Glusky forestry"
	GLHU "Bobruisk forestry"

Deliveries of round wood are planned by road and rail.

RAW MATERIAL REQUIREMENTS AND PROVISION: PELLETS

PELLETS:	
Name:	Indicator
Chip density, kg/dense m3	
Pine	660-720
Spruce	610-670
Chip size, mm	10-30
Wood chips humidity, %	45-55
The content of impurities (stones, sand, metal)	Possible due to outdoor storage of raw materials, (less than 1%)
REQUIRED VOLUME FOR PRODUCTION (stage 1 and 2): ca. 180 thou m3 per year	

The required volume of raw materials for production will come from own production of sawn wood.

The sale of raw materials on the domestic market of the republic is carried out through the Belarusian Universal Commodity Exchange – a single transparent mechanism has been established. Prices are set quarterly according to quotes. Protocols of intentions have been signed with companies and forestry enterprises as an additional guarantee for the provision of raw materials, as shown in the table below.

Main type of raw materials	Suppliers
Fuel chips from coniferous species (pine, spruce)	JSC "Mozyr DOCK"
	JSC "Novosverzhensky sawmill"
	JSC "FANDOK"

STAFF

Planned number of employees at full capacity (Stage 1 and Stage 2)

STAFF	NUMBER
Managers	11
Specialists	19
Main workers	62
Auxiliary workers	9
TOTAL	101

Training of production personnel to work on sawmill and pellet equipment is planned within the framework of concluded equipment supply contracts.

SAWMILL PRODUCTION

- number of work days per year - 253;
- number of work shifts - 2;
- the duration of the work shift is 8 hours.

PELLET PRODUCTION

- number of work days per year - 330;
- number of work shifts - 2;
- the duration of the work shift is 12 hours

The planning and recruitment strategy will focus on the selection of highly qualified employees with experience in the forestry industry and woodworking.

At the **first phase**, it is planned to search and hire managers and specialists responsible for the development of requirements and production processes, as well as the minimum required number of workers in key professions.



At the **second phase** – search and hiring of production workers, auxiliary and service personnel.



At the **third phase** (when the sawmill production capacity reaches 500 thou m3 of processed raw materials per year, and the pellet production capacity is 70 thou tons per year of finished products) - adaptation and development of personnel, the formation of a stable workforce.



At the **fourth phase** (at later operation stages), there is an opportunity to move to a qualitatively new level of personnel management strategy from the position of a regional market leader.



MARKET AND REGULATORY ENVIRONMENT

WOOD STOCKS AND HARVESTING

According to the data of the forest cadaster, all the basic parameters of the forest fund of the Republic of Belarus increased significantly in 2014-2020.:

The lands of the forest fund increased by **143.8 thou ha**

The area of forested land increased by **119.9 thou ha**

The forest cover of the territory increased by **0.6 p.p**

The total stock of plantings increased by **139.1 million m3**, stock available for exploitation - by **156 million m3**

The stock of coniferous plantings increased by **75.6 million m3**, hardwood – by **4 million m3**, softwood - by **59.6 million m3**

The average stock of plantings increased by **14 m3/ha**

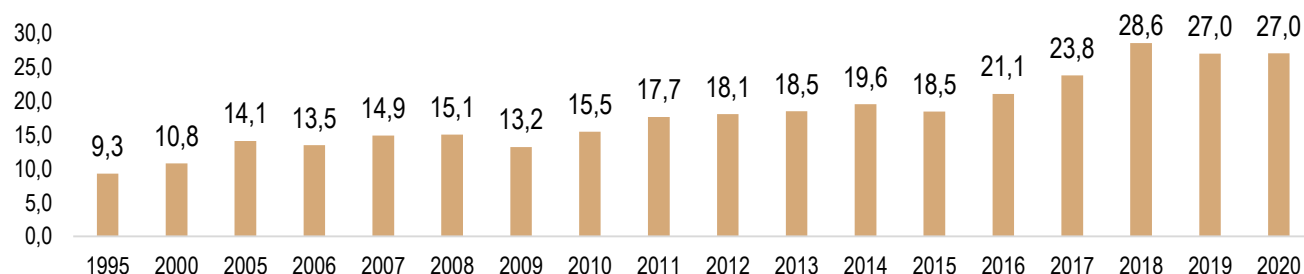
The average age of plantings increased by **2 years**

The volume of merchantable wood harvested in Belarus by all types of logging is growing annually and in 2019-2020 amounted to ca. 27 million m3 per year.

General indicators of the forest fund of the Republic of Belarus (at the beginning of the year)

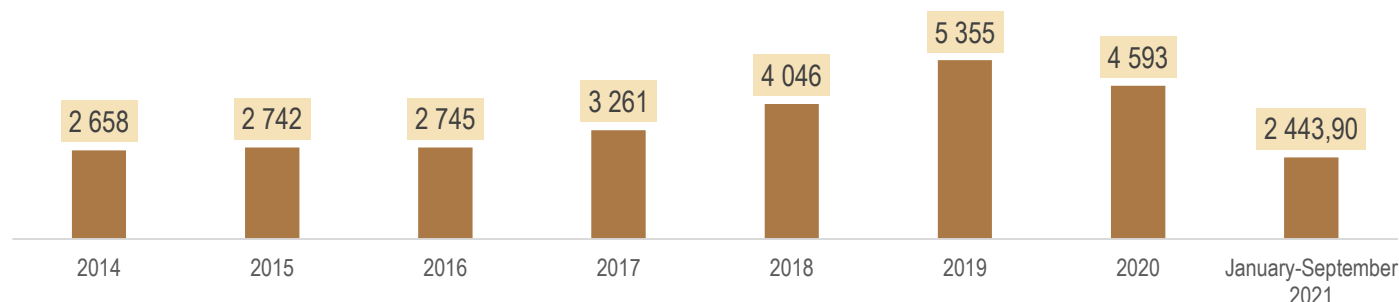
Indicator	Unit of m.	2014	2015	2016	2017	2018	2019	2020	2020/2014
Forest fund	th.ha	9 477,1	9 499,5	9 549,2	9 565,8	9 582,0	9 598,5	9 620,9	+143,8
Forested lands	th.ha	8 160,4	8 204,2	8 239,8	8 259,4	8 260,9	8 256,9	8 280,3	+119,9
Woodiness	%	39,3%	39,5%	39,7%	39,8%	39,8%	39,8%	39,9%	+0,6 п.п.
Total stock of plantings	mln.m3	1 692,7	1 714,3	1 739,9	1 772,5	1 796,0	1 807,9	1 831,8	+139,1
Coniferous	mln.m3	1 131,2	1 144,6	1 160,8	1 182,3	1 194,9	1 197,6	1 206,8	+75,6
Hardwood	mln.m3	57,9	58,5	59,0	59,5	60,0	61,0	61,9	+4,0
Softwood	mln.m3	502,7	510,4	519,2	529,8	540,2	548,6	562,3	+59,6
The total stock of plantings possible for exploitation	mln.m3	1 372,8	1 387,7	1 411,2	1 439,0	1 459,8	1 469,4	1 528,8	+156,0
Average stock of plantings	m3/ha	207	209	211	215	217	219	221	+14
Ripening	m3/ha	264	267	269	273	276	279	283	+19
Ripe and overripe	m3/ha	254	256	260	264	267	272	272	+18
Average age	Years	54	54	55	55	56	56	56	+2

Volume of merchantable wood harvested by all types of logging, million m3



SAWN WOOD MARKET

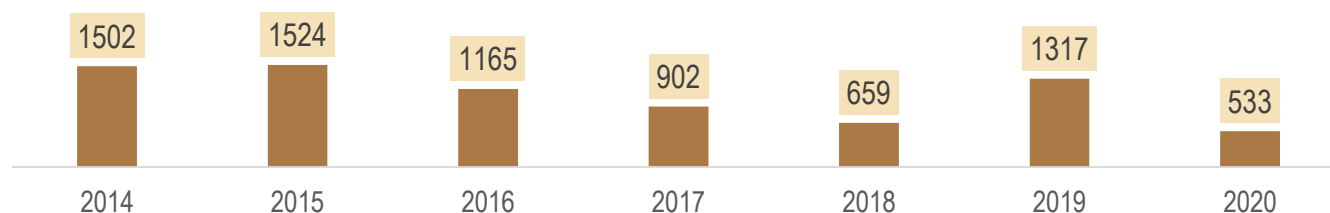
Volumes of sawn wood production in the Republic of Belarus, thou m3



Volumes of production and foreign trade of sawn wood in the Republic of Belarus, thou m3

	2014	2015	2016	2017	2018	2019	2020 П
Production	2 658	2 742	2 745	3 261	4 046	5 355	4 593
Export	1156	1218	1580	2359	3387	4038	4060
Import	16	17	19	31	32	31	43

Size of the sawn wood market in the Republic of Belarus, thou m3



The volume of sawn wood production is constantly increasing during the period under review to the level of 5,355 thou m3 in 2019, with a decrease in 2020 to 4,593 thou m3.

Data on the volume of production and foreign trade indicate that the entire increase in production is export-oriented. Import volumes are also increasing in the period under review, but in general they amount to a small volume relative to export volumes.

Based on the presented statistical data, the volume of the domestic sawn wood market of the Republic of Belarus is ca.1000-1200 thou m3 over the past 5 years.

The project provides for the sale of about 90% of the volume of sawn wood production for export to European countries, the export is considered in more detail on the next slide.

EXPORT OF SAWN WOOD

Dynamics of value and physical volumes of sawn wood exports from Belarus, as well as average export prices

I	2014	2015	2016	2017	2018	2019	2020
Mln. USD	174	146	175	272	449	471	496
thd/m3	1156	1218	1580	2359	3387	4038	4060
USD / m3	150	120	111	115	133	117	122

Geographical structure of sawn wood exports from Belarus by physical volume, %

	2014	2015	2016	2017	2018	2019	2020
Lithuania	14%	16%	18%	18%	19%	22%	24%
Latvia	13%	13%	16%	18%	20%	16%	16%
Germany	26%	32%	29%	24%	20%	15%	12%
China	0%	0%	0%	1%	2%	7%	11%
Poland	5%	6%	7%	6%	7%	10%	10%
Netherlands	5%	6%	6%	6%	6%	5%	5%
Belgium	8%	9%	7%	7%	7%	6%	5%
Estonia	2%	4%	3%	3%	3%	2%	3%
Azerbaijan	18%	6%	3%	4%	2%	3%	2%
Moldova	0%	0%	1%	3%	3%	3%	2%
Other countries	8%	9%	10%	11%	11%	11%	9%

The export of sawn wood from Belarus for the period from 2014 to 2020 increased 2.8 times in value terms, and 3.5 times in volume terms.

As for the average export prices, it has been in the range of 120-130 USD/m3 over the past three years.

The largest importing countries are Lithuania (an increase in the share from 14% in 2014 to 24% in 2020 – now the largest importer of sawn wood from Belarus), Latvia (16% in 2020 - the second largest importer) and Germany (15% in 2020 - the third largest importer).

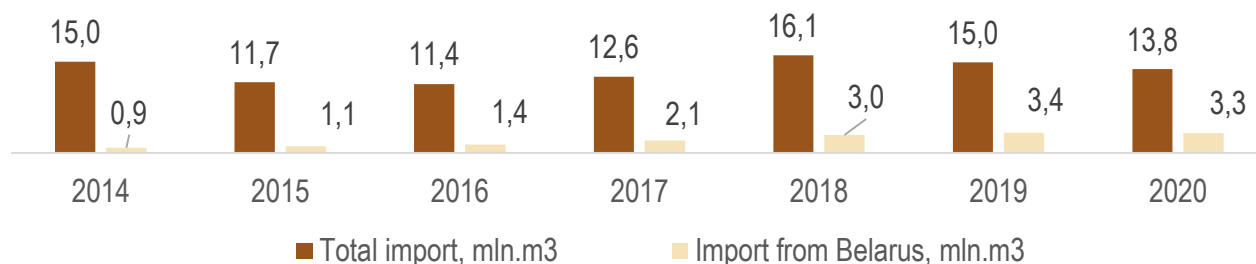
The countries with the highest average export prices are indicated in the table: Estonia (approx. 160 USD/m3), Lithuania, Latvia, Belgium, the Netherlands (approx. 130 USD/m3). The lowest average export prices are observed for supplies to Moldova (approx. 107 USD/m3).

EUROPEAN SAWN WOOD MARKET

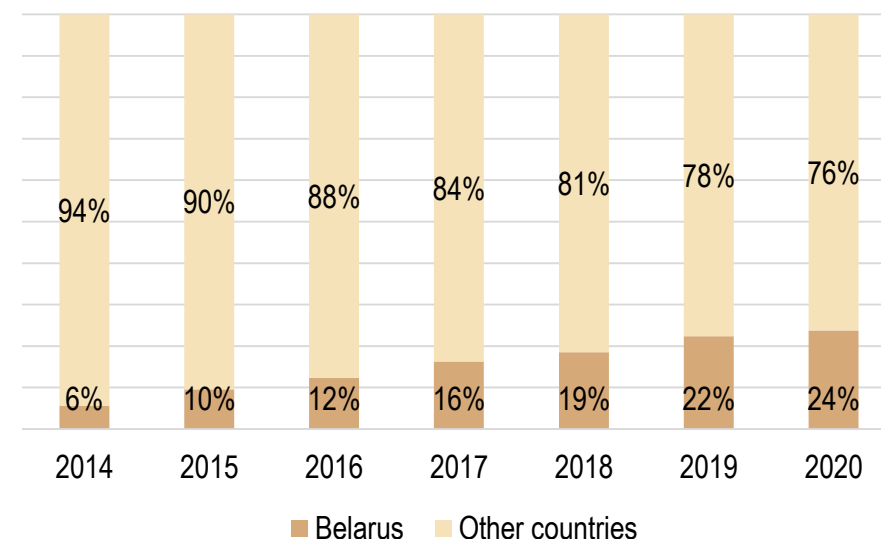
The largest importers of sawn wood among the EU countries are Italy, the Netherlands, France and Belgium. These countries, together with the largest current importers of sawn wood from Belarus, can be identified as promising in terms of sawn wood export destinations.

Import of sawn wood to the EU (including the UK)	2017			2018			2019			2020		
	thd.m ³	value, thd. USD	Average import price, USD/m ³	thd.m ³	value, thd. USD	Average import price, USD/m ³	thd.m ³	value, thd. USD	Average import price, USD/m ³	thd.m ³	value, thd. USD	Average import price, USD/m ³
Total	12 594,6	3 060 680,2	243,02	16 123,5	3 605 208,7	223,60	14 982,2	3 325 674,3	221,98	13 826,6	2 926 905,1	211,69
From Belarus	2 051,9	280 910,6	136,9	2 983,9	463 399,6	155,3	3 357,7	450 462,6	134,2	3 284,4	446 028,5	135,8

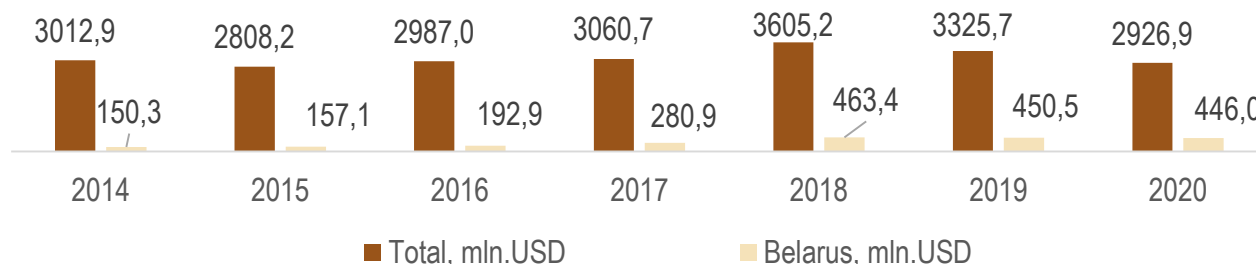
Dynamics of the volume of sawn wood import to the European Union for 2014-2020



Belarus' share in sawn wood import to EU countries (2014-2020)



Dynamics of the value and average price of sawn wood import to the European Union for 2014-2020.



ANALYSIS OF QUOTATIONS FOR SAWN WOOD (BELARUSIAN UNIVERSAL COMMODITY EXCHANGE)

Quotation and price on transactions for sawn timber (external market)

Thickness*, mm	Sort Humidity, %		Weighted average price, euro/m3												
			05.01.2021	12.01.2021	19.01.2021	02.02.2021	06.04.2021	12.05.2021	25.05.2021	08.06.2021	22.06.2021	06.07.2021	27.07.2021	17.08.2021	02.11.2021
41-100 * 151 and above	1	14-19%							310,00						
41-100 * 151 and above	2	14-19%						211,77			328,26	362,23	369,00		
41-100 * 151 and above	3	14-19%						180,00					352,92		
41-100 * till 150	1	14-19%	177,90	212,30	187,10		248,25	319,80	296,71	370,30	358,82		346,38	302,46	271,77
41-100 * till 150	2	14-19%	186,10	182,00	195,20	197,60	232,92	220,58	300,81	355,54	360,36	343,84	335,21	299,17	265,99
41-100 * till 150	3	14-19%	176,10	177,90	185,20		234,42	197,60	285,41	347,76	347,55	295,15	325,66	292,16	254,02
Up to 100 * 151 and above	1	14-19%							334,80						
Up to 100 * 151 and above	2	14-19%													
Up to 100 * 151 and above	3	14-19%		170,00			250,00		232,60						
Up to 40 * 151 and above	1	14-19%													
Up to 40 * 151 and above	2	14-19%						238,35		324,00	275,00				
Up to 40 * 151 and above	3	14-19%						204,30			260,00				
Up to 40 * up to 150	1	14-19%	190,10	160,00	185,20	223,50	255,35	378,94	300,93			355,39	342,01	317,56	262,62
Up to 40 * up to 150	2	14-19%	184,70	150,50	198,80	192,40	250,47	254,91	295,12	342,17	316,72	336,81	326,11	303,59	264,70
Up to 40 * up to 150	3	14-19%	169,80	160,70	184,90	193,80	240,74	226,11	266,81	350,07	288,33	315,75	309,31	292,53	256,52

In confirmation of the product prices assumed by the project, it can be noted that BR-Wood LLC plans to process round wood of the following diameters: 14-22 – 10%, 24-34 – 70%, 35-50 – 20% (the average diameter of the log is 31 cm), in this regard, it is planned to produce (more than 50% of the volume) sawn wood of large-scale parameters, such as: 50x150mm, 45x145mm, 40x200mm, 60x200mm. Part of the raw materials (about 20%) will be directed to the production of sawn wood with a thickness of 20-25 mm and a width of 150 mm and above. These parameters are rarely traded on the commodity exchange and as a result have a price 10-15% higher than sawn wood of a width less than 150 mm.

ANALYSIS OF QUOTATIONS FOR SAWN WOOD (BELARUSIAN UNIVERSAL COMMODITY EXCHANGE)

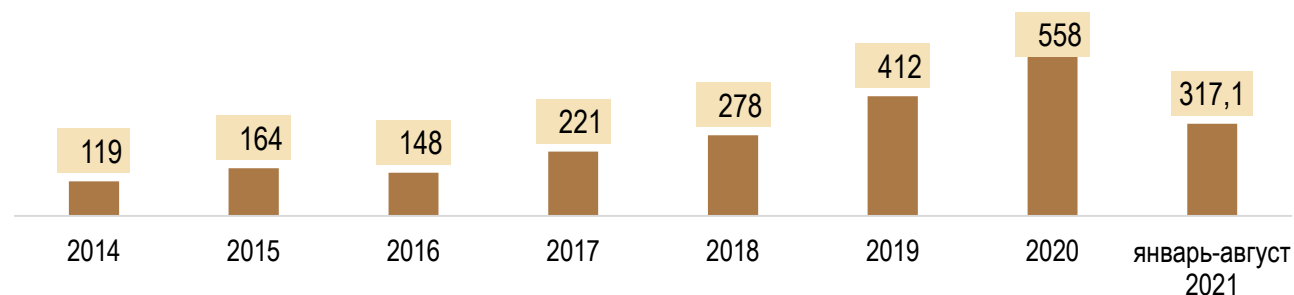
Quotation and price on transactions for sawn wood (domestic market)

Type	Size	Sort	Humidity	Weighted average price, BYN/m3, without VAT				
				12.05.2021	23.06.2021	07.07.2021	28.07.2021	18.08.2021
Pine, Spruce	Up to 25 * up to 150	4	14-19%	259,20	371,55	433,67	374,56	366,00
Pine	26-40 * up to 150	4	14-19%				336,00	386,30
Pine	41-100 * up to 150	4	14-19%					366,00
Pine	Up to 25 * up to 150	4	14-19%				363,41	447,03
Pine, Spruce	41-100 * up to 150	4	14-19%					366,00

Based on the table, the weighted average prices for pine and spruce sawn wood of 4 grade, humidity 14-19%, sizes up to 25 * up to 150, 26-40 * up to 150, 41-100 * up to 150, up to 25 * up to 150, 41-100 * up to 150 in the domestic market are ca. 259 – 447 BYN, which is equivalent to 85 EUR - 152 EUR, which corresponds to the established assumptions of the project for the sale prices of sawn wood in the domestic market.

PELLET MARKET

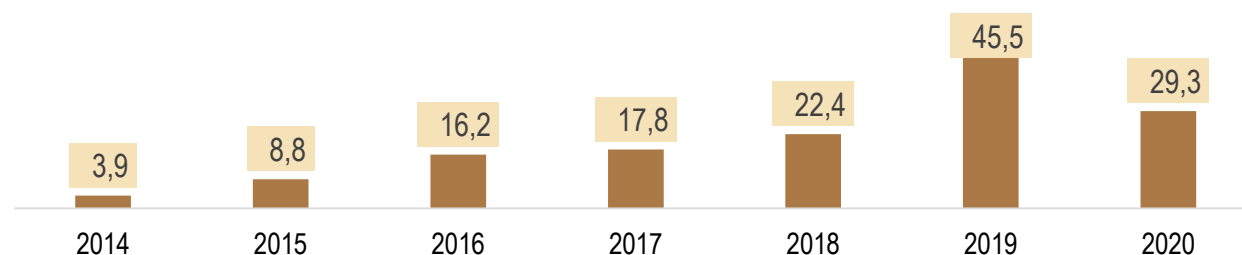
Production volumes of pellets in the Republic of Belarus, thou tons



Volumes of production and foreign trade of pellets in the Republic of Belarus, thou tons

	2014	2015	2016	2017	2018	2019	2020
Production	119	164	148	221	278	412	558
Export	116	157	133	205	262	378	532
Import	0,3	1,1	0,7	1,3	6,2	11,5	4,2

Size of the pellet market in the Republic of Belarus, thou tons



The volume of pellet production in the country is almost constantly increasing during the period 2014-2021 to the level of 558 thou tons in 2020. According to the operational data of 2021, growth continues in January-August 2021 - +111% compared to the same period last year.

Data on the volume of production and foreign trade indicate that the entire increase in production is export-oriented. Import volumes are also increasing in the period under review, but in general they amount to a small volume relative to export volumes.

Based on the presented statistical data, the volume of the domestic pellet market of the Republic of Belarus is about 20-45 thousand tons over the past 5 years.

The project provides for the sale of 100% of the production volume of pellets for export to European countries, the export is considered in more detail on the next slide.

EXPORT OF PELLETS

Dynamics of value and physical volumes of pellets exports from Belarus, as well as average export prices

	2014	2015	2016	2017	2018	2019	2020
USD million	16	17	14	23	34	50	64
Thousand tons	116	157	133	205	262	378	532
USD/ton	139	106	105	111	132	133	120

Geographical structure of export of pellets from Belarus by physical volume, %

	2014	2015	2016	2017	2018	2019	2020
Denmark	1%	2%	3%	5%	8%	11%	35%
Lithuania	34%	32%	31%	43%	52%	40%	34%
Latvia	33%	42%	33%	22%	21%	30%	17%
Sweden	7%	12%	3%	8%	7%	10%	4%
Poland	2%	1%	13%	3%	2%	2%	4%
Italy	8%	3%	3%	9%	4%	2%	2%
Germany	9%	5%	7%	5%	3%	2%	2%
Belgium	0,5%	0,3%	1%	1%	1%	2%	1%
Czech Republic	3%	2%	3%	2%	2%	1%	1%
France	0,1%	0,04%	1%	1%	1%	1%	0,3%
Slovakia	0,1%	0,2%	0,1%	0,03%	0,3%	1%	0,2%
Oher countries	2%	0,3%	1%	2%	0,3%	0,1%	0,1%

The export of pellets from Belarus for the period from 2014 to 2020 increased 4 times in value terms, and 4.48 times in volume terms.

As for the average export price, it is in the range of 120-130 US dollars/ton over the past three years.

Almost the entire volume of exports goes to EU countries. The largest importing countries are Denmark (an increase in the share from 1% in 2014 to 35% in 2020 – now the largest importer of pellets from Belarus), Latvia (34% in 2020 - the second largest importer) and Lithuania (17% in 2020 – the third largest importer). In 2020, there was a noticeable increase in demand from Denmark.

The countries with the highest average export prices are marked in the table: Germany, Italy, Slovakia (approx. 140 USD/ton), Belgium, Lithuania, France (approx. 130 USD/ton).

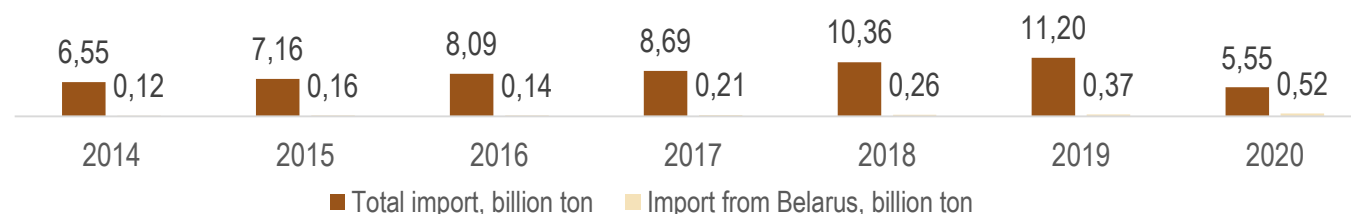
The lowest average export prices are attributed to Denmark (approx. 120 USD/ton). Unlike sawn wood, pellets can be exported from Belarus not through trading on the commodity exchange, but under direct contracts.

EUROPEAN PELLET MARKET

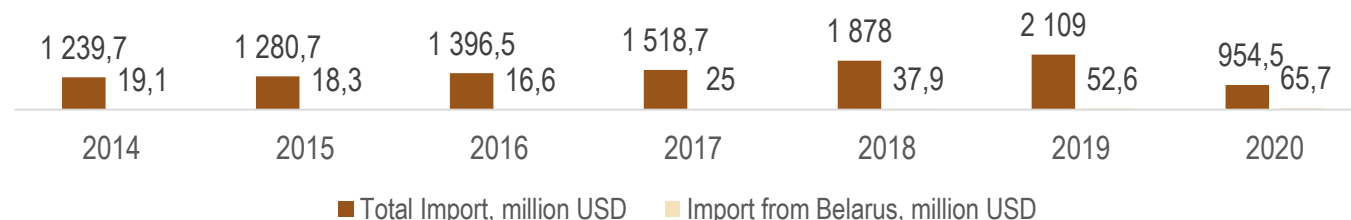
The largest importers of pellets are the Netherlands, Denmark, Italy, Belgium, France and Slovenia. The global leader in terms of imports is the United Kingdom. EU countries produce ca. 30% of the total pellet production volume in the world, while the overall demand is continuously increasing (2020 was an exception due to the COVID-19 pandemic) and is currently estimated at 50% of the global market.

Import of pellets to the EU (including the UK)	2017			2018			2019			2020		
	thd.ton	value, thd. USD	Average import price, USD/ton	thd.ton	value, thd. USD	Average import price, USD/ton	thd.ton	value, thd. USD	Average import price, USD/ton	thd.ton	value, thd. USD	Average import price, USD/ton
Total	8692,66	1 518 702,50	174,71	10355,18	1 878 027,06	181,36	11196,75	2 108 988,71	188,36	5547,76	954 505,52	172,05
From Belarus	211,7	25 005,9	118,14	262,5	37 851,6	144,20	375,0	52 629,9	140,35	524,3	65 669,5	125,25

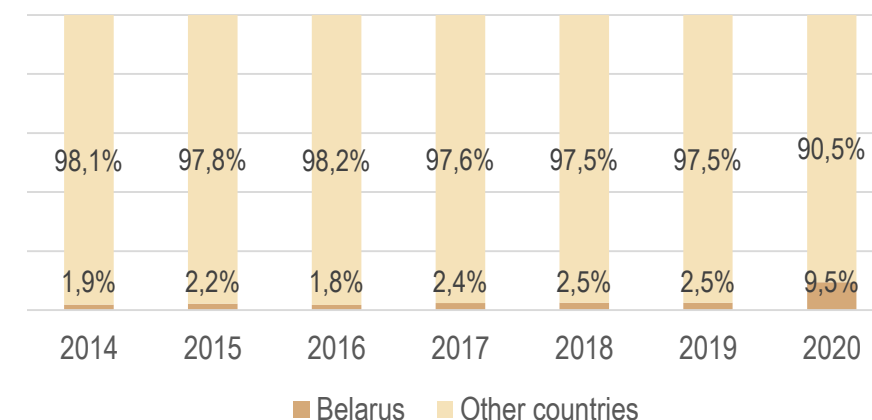
Dynamics of the volume of pellet imports to the European Union for 2014-2020.



Dynamics of the value of importing pellets to the European Union for 2014-2020.







Belarus' share in the import of pellets to EU countries (2014-2020)



The average price of pellets imported to the EU from all countries in the last three years is about 170-190 US dollars per ton (150-165 euros/ton), which generally corresponds to the assumption for the price of pellets for export.

THE MAIN COMPETITORS OF BR-WOOD LLC

Company	Sawn wood production volumes m3/year	Production volumes of pellets tons/year	Description
JLLC "SVUDS Export" 	300 000	120 000	Vertically integrated woodworking complex as part of VMG Group (Lithuania). The enterprise is a manufacturer and supplier of furniture for IKEA.
LLC "Vitebsk Sawmill" 	175 000	-	One of the largest producers and exporters of coniferous cut sawn wood. It produces sawn wood, as well as wood chips and sawdust. It is part of the Estonian group of companies Kaamos.
JSC "Borisovsky DOCK" 	75 000	25 000	One of the leading Belarusian manufacturers of sawn wood, fiberboard, profile materials, wood trims and pellets.
JSC "Zavod gazetnoy bumagi" 	50 000		Manufacturer of newsprint and offset paper, base paper for decorative facing materials, woodworking products.

THE MAIN PROVISIONS OF THE INSTITUTIONAL AND REGULATORY ENVIRONMENT

The dynamic of the regulatory environment, business conditions and other factors is one of the characteristic features of the forest sector of Belarus. The main regulator within the industry is the Ministry of Forestry. Another state organization that performs separate regulatory and management functions in the forest sector is the Bellesbumprom concern.

A strategic plan for the development of the forestry industry in Belarus for the period up to 2030 has been developed and approved. In general, this plan has a framework character and is used as a guideline in the development of forestry policy, including the state programs "Belarusian Forest".

As of today, the state program "Belarusian Forest" approved by the Government for 2021-2025 is in effect. This program is a key strategic document defining the goals and objectives of development. One of the key directions of the program is to stimulate the growth of the role of the private sector in the implementation of forestry activities. It is expected that by 2025 the following results will be achieved:

- ✓ The forest cover of the territory of the republic will reach 40.3%;
- ✓ the volume of timber harvesting will grow to 3.2 m3 from 1 ha;
- ✓ the market capacity of logging services will be 7 million m3.

In order to ensure the growth of the added value of the Belarusian woodworking and pulp and paper industry, a presidential decree prohibited the export of round wood. Initially, the ban was introduced in 2016, but later postponed to 2018. In fact, exports are allowed only under special permits of the President of the Republic of Belarus.

The sale of round wood has been consolidated at the exchange auctions of the Belarusian Universal Commodity Exchange (BUCE).

The transition to the sale of already harvested wood raw materials through the BUCE was implemented - The sale of standing timber to the final consumers of wood was significantly limited. Since 2015, there has been a prohibition on placing lots of standing timber for annual exchange auctions by forestry organizations subordinated to the Ministry of Forestry.

Certain types of finished products are subject to export only through the BUCE. Such products include sawn wood, but do not include pellets. In October 2021, Decree No. 6 of 2012 "On stimulating entrepreneurial activity on the territory of medium-sized, small urban settlements, rural areas" was amended - the exemption that allowed companies registered in small cities to export sawn wood directly to consumers (not through the BUCE) was abolished.

GUARANTEES OF INVESTMENT PROTECTION FOR THE PARTNER

One of the most common methods of interaction between the state and private enterprises in the framework of investment projects is an investment agreement with the Republic of Belarus. The right of investors to conclude an investment agreement is established by articles 16 and 17 of the Law of the Republic of Belarus "On Investments".

The mechanism of the investment agreement with the Republic of Belarus is fixed by Decree of the President of the Republic of Belarus No. 10 dated August 6, 2009 "On creating additional conditions for investment in the Republic of Belarus".

The conclusion of an investment agreement can be carried out in one of two formats:

- Based on the decision of the republican state administration body, other state organizations subordinate to the Government, the Presidential Affairs Department, regional executive committees. In this case, it is possible to provide the investor with only the benefits and preferences specified in the Decree.

- Based on a decision of the Council of Ministers after approval by the President. In this case, a state body or executive committee authorized to sign an investment agreement is approved, and it is possible to provide benefits and preferences not established by Decree.

Priority activities for investment are determined by the Council of Ministers and include the woodworking and pulp and paper industry.

BENEFITS PROVIDED UNDER A STANDARD INVESTMENT AGREEMENT

VAT AND CUSTOMS DUTY BENEFITS

deduction in full of VAT amounts (with the exception of tax amounts that are not deductible in accordance with the legislation) paid when purchasing (importing into the territory of the Republic of Belarus) goods (works, services), property rights used for objects provided for by the investment project

exemption from import customs duties (taking into account the international obligations of the Republic of Belarus) and VAT levied by customs authorities when importing technological equipment, components and spare parts to it into the territory of the Republic of Belarus for exclusive use on the territory of the Republic of Belarus for the implementation of an investment project

exemption from VAT and income tax, the obligation to pay which arises in connection with the gratuitous transfer of capital structures (buildings, structures), isolated premises, objects of unfinished capital construction and other fixed assets transferred for the implementation of the investment project

LAND BENEFITS

leasing of a land plot of the required size without holding an auction for the right to conclude a lease agreement for a land plot in the planned location for the construction of facilities provided for by the investment project

exemption from payment for the right to conclude a lease agreement for a land plot transferred to the republican or local budget or the development fund of the corresponding free economic zone

exemption from land tax or rent for state-owned land plots provided for the construction of facilities provided for by the investment project for the period of design and construction of such facilities until December 31 of the year following the year in which the construction of these facilities was completed

OTHER BENEFITS

construction of facilities provided for by the investment agreement, with the right to remove plant life objects without compensation payments

exemption from compensation for losses of agricultural and (or) forestry production caused by the seizure of a land plot

determination of the general design organization, general contracting organization, subcontracting design, construction and other organizations for the construction of facilities provided for by the investment project, as well as their repair, reconstruction, restoration and improvement without contract bidding



APPENDIX 1 - BR-FOREST LLC

The main function of the company

harvesting of raw materials in forests, which are delivered by its own transport directly to the enterprises for further processing.

Type of equipment	Number, units.	Year of production
Harvester Ponsse Ergo 8W	4	2018
Forwarder Ponsse Elephant 8W	4	2018
Harvester Komatsu 931 XC 8WD	1	2018
Forwarder Komatsu 895 8WD	1	2018

Indicator	1H 2021
Logging, thousand m3	236,3
Cargo transportation, thousand km	439,3
Revenue from the sale of logging services, thousand euros (including VAT)	5 353,8
Revenue from the sale of timber transportation services, thousand euros (including VAT)	477,8