

OMSK PIPE PLANT JOINS POLYPLASTIC GROUP

Official press release of POLYPLASTIC Group

POLYPLASTIC Group LLC, the largest company in the former Soviet Union involved in the design and production of polymeric composite materials, pipes and fittings for gas and water distribution systems, has increased its equity capital. This has been achieved through owner's 100% equity stake contribution in the Omsk Pipe Plant (OZTI) into POLYPLASTIC.

OZTI is the eleventh plant in the POLYPLASTIC Group. The previous owner of OZTI has become a shareholder of POLYPLASTIC Group and a member of the board of directors. According to the proposed business plan, production output is expected to double within the next few years.

POLYPLASTIC Group was established in 1991. Today it owns 11 plants

and 9 regional trading houses in Russia, Ukraine, Belarus and Kazakhstan – and employs 5,000 people. The Group also has its own Design Institute, a scientific and technical centre for the research and development of polymeric materials. Around 240 tonnes of polymeric products were sold in 2011.

Since 2007 the Group has prepared its financial records in line with International Accounting Standards and has been audited by a 'big four' firm. The consolidated proceeds for 2011 was 23 billion rubles; Mr. M.I. Gorilovskiy is the Chair of the company (and has been since its formation).

The deal with OZTI was POLYPLASTIC Group's first acquisition via cross-contribution of equity capital. This will

allow shareholders of regional pipe plants to enhance assets value by converting their shares into the ones of the industry leader, which is preparing for IPO in 2014. Some of the largest European producing companies were formed using similar method. In fact, due to supply chain optimisation and manufacturer diversification, there is possibly no other way forward for modern plastic pipes industry.

The management of POLYPLASTIC Group is convinced that the future of the industry is in the hands of powerful, transparent and properly structured companies. That is why the Group is currently negotiating similar deals with several plants in Russia and other countries.

TRADE PREFERENCES FOR HOME PRODUCERS

Russia has set 15% preferences for Russian and Belorussian companies involved in government procurement, works and services.

By order of the Ministry of Economic Development and Trade No. 120 dated 12 March 2012, "On access of commodities from foreign countries for the purpose of order placement for goods supply to the customers", tenderers who supply Goods of Russian and Belorussian origin get 15% preferences in relation to the contract cost.

Belarus has already set preferences in accordance with the Order No. 1750 of the Councils of Ministers dated 28 December 2011, "On changes to the Order of the Council of Ministers No. 1987 dated 20 December 2008". According to the Order Russian and Belorussian companies will get 15% preferences and Russian and Belorussian disabled people's associations will get 25% preferences in government procurement, works and services.

These preferences comply with international agreements on the Formation of the United Economic Zone. In December 2010 the Customs Union signed an agreement regarding participation in governmental procurement, which gives businesses of three countries rights of equal and mutual access to the national procurement markets. Russia and Belarus have now implemented the national regime for governmental procurement. The national regime will be open for all three parties, including Kazakhstan, from 1 January 2014.

This agreement will help Belorussian companies gain access to Russian and Kazakhstan government procurement markets and attain equal rights with home producers in governmental tenders. The government procurement market in Russian and Kazakhstan is more significant than in Belarus.

Source: belta.by