

AD BUDIMKA Požega - in restructuring

Marketing brochure



Investment opportunity

The Company was privatized through process of auction privatization on public auction held on June 13, 2008. On June 17, 2008. a Contract of sale of social capital was signed and consortium of private individuals was the buyer. Due to failure to meet contractual obligations Privatization Agency adopted a decision on termination of Contract of sale of social capital and transferred the capital of the Company to the Share Fund of Republic of Serbia for sale in the manner prescribed by law. Share Fund has appointed a temporary representative of capital based on decision from February 10, 2010. The Privatization Agency brought forth the Decree on restructuring on March 30, 2010. During the course of restructuring process, by the Restructuring program the method of sale will be decided.

Grant Thornton BC Consulting d.o.o. (Advisor) was appointed by the Contract to provide advisory services in privatization process through restructuring of AD “BUDIMKA” in restructuring Požega.

Basic data on the Company

- The Company was founded in 1947 as „Budimka Canning Factory“. In May of 1990. The Company was organized as joint-stock company and in 1992. By entering the „YES Yugoeksport sistem holding“ DD the Company changes its name to „YES Budimka“. In 2000. The Company was registered as AD „Budimka“. Although the Company has had a rise of production capacity and production assortment from its founding, period after 2000 was marked by frequent discontinuity of production. In 2002 the production was almost terminated and by the 2005 it was on very low. The Company was privatized through process of auction privatization in 2008 and due to failure to meet contractual obligations by the buyer Privatization Agency terminated the Contract in 2010. The Privatization Agency brought forth the Decree on restructuring on March 30, 2010.
- According to Business Registers Agency registered and paid capital (money) amounts to EUR 16,107,916.59 on December 31, 2004. According to Central Securities depository and clearing house, the Company has 1,091 shareholders and the structure of capital is as follows:

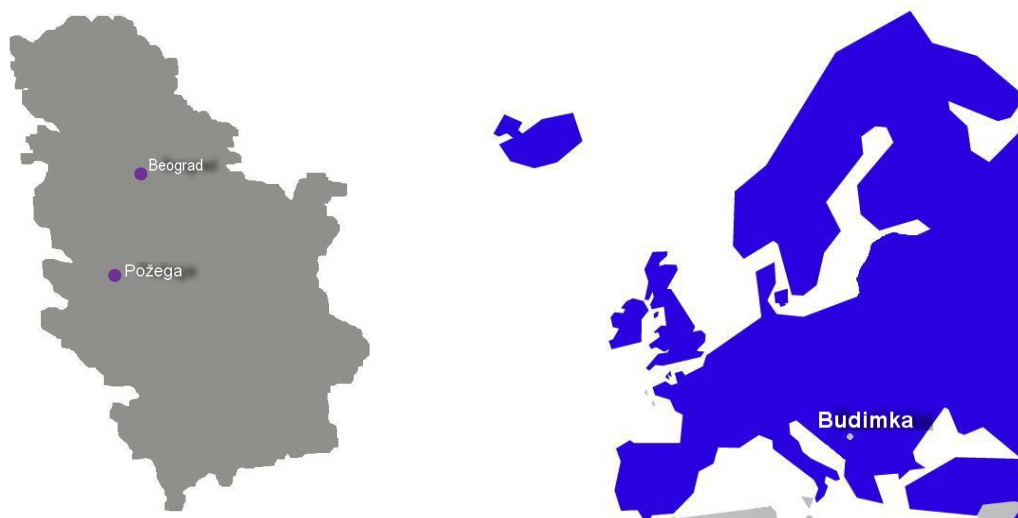
Shareholder	Number of shares	% of total issue
Agencija za privatizaciju RS	711,576	55.99993
YES Yugoeksport sis. YES kor. DD	254,135	20.00003
Akcionarski fond AD Beograd	1,753	0.13796
Small shareholders	303,209	23.86208
TOTAL	1,270,673	100.00000

- Company headquarters and management are located in Požega, Republic of Serbia, street Zlatiborska bb, where most of production capacities are located. Cattle farm is located in nearby village of Zdravčiči.
- The Company is located in Požega, in west parts of Republic of Serbia. Belgrade is some 165 km away and larger cities Beograd Užice, Čačak, Šabac, Loznica, Valjevo i Kraljevo are nearby, in radius of 100 km or less.

**Investment
opportunity**

**Basic data on the
Company**

- Požega is situated on the main road and railway direction that connects Serbia, Montenegro and the whole region. The Company is 1.5 km away from railroad station and 1 km away from main road E-763.



Basic data on the Company

- The Company headquarters is located 500 m from Požega downtown.
- The Company covers the area of 225.689 m² in urban construction zone in town of Požega and 49.971 m² of land in village Zdravčiči that is 5km away from Požega.
- The Company owns buildings in three locations. In business complex in Požega buildings in total area of 32.931 m² and traffic areas of 9.470 m² are located. Office space in total area of 74m² is located in Požega downtown, and cattle-fattening farm complex in the area of 10.205 m², with accompanying traffic areas in the area of 4.040 m² is located in village Zdravčiči, 5km away from Požega.
- Most important buildings located in commercial complex in Požega are as follows:

Building	Purpose	Area (m ²)
F1-1X facility with a warehouse	Production	7,671
Concentrate line	Production	3,614
Old butcher facility	Production	2,400
Refrigeration plant building and power substation	Production	2,282
Slaughterhouse building	Production	1,603
Meat-processing building	Production	1,161
The main curing plant building	Production	1,120
Refrigeration unit building	Production	1,085
Machine shop (Workshop)	Production	612
Warehouse for finished products	Warehouse	2,282
Brick-mad canopy - warehouse	Warehouse	1,392
The pectin factory (pectin warehouse)	Warehouse	1,120
Sugar/Raw material warehouse	Warehouse	733
Administration building	Other	1,601
Cattle depot building (stable for the receiving of cattle)	Other	847
Hygienic and technical protection building	Other	842

Buildings

- On cattle-fattening farm in there are Zdravčiči near Požega: cattle-fattening stables, silo trenches, administrative building, water pump spring, haystack canopy, a purification device, carload scale house and generator building.



Administarive building in Požega



Inside business complex in Požega

Buildings

- Manufacturing facilities of the Company that are functioning are equipped with necessary equipment that is regularly maintained. Significant investments are necessary for renewal of farm, meat production, slaughterhouse and meat products processing.
- Operating income of the Company in 2011 amounted to RSD 392,445 thousand (EUR 3,849 thousand), while in 2010 they amounted to RSD 235,317 thousand (EUR 2,284 thousand).
- The Company has 102 employees.

Activity, production portfolio and capacity

Company predominant activity is Fruit and vegetables juices production. The Company is engaged in production, processing and storing fruit, vegetables and meat products.

Production takes place in several production lines:

- Fruit concentrates, fruit juices and jellied products production line;
- Vegetables processing line;
- Slaughterhouse with meat processing and
- Farm.

Fruit processing includes production of fruit juices, warm processing (mashes and marks), jellied products (marmalades, jams, compotes, partially-processed jams („pekmez“)), dried fruit, fruit syrup and fruit concentrates (apple, quince, sour cherry).

Vegetables processing is mainly focused on production and processing of cucumbers, peppers, beetroot, pepperoni, tomatoes, chutney and ajvar as well as frozen program and dried vegetables program.

The slaughterhouse with meat processing is currently out of function. The Company used to produce canned meat, semi durable meat products, boneless meat and it also provided slaughtering of livestock.

Activity and production portfolio

Realization by main product types is shown in following table:

Type	Measure	2011	2010
Fruit concentrates and marks	kg	1.184.553	632.737
Juices – fruit juices 100% and nectars	l	976.126	1.960
Marmalades - apricot, peach, mixed etc.	kg	441.736	262.426
Jams and partially-processed jams („pekmez“)	kg	134.729	53.303
Canned vegetables	kg	73.283	71.636



Fruit juices 100% and nectars



Various fruit marmalades

Activity and production portfolio

The Company sells its products in several packaging:

- In form of fruit concentrates and marks that are used in further production of fruit juices, jams and marmalades;
- In glass packaging – jars in sizes from 250 gr to 2,5 kg;
- In plastic packaging – cannikin in sizes from 3 to 5 kg;
- As bulk products – marmalades.

The technical production capacity, based on storage capacity, in fruit processing reaches 34,000 tons, 4,000 tons in vegetables processing, 2,000 tons in cold storage per single filling and 3,900 tons in meat processing. Fruit processing capacities are the capacities are significantly increased by use of recumbent cooling basements with recumbent tanks of stainless steel (80 25t pieces) and by the use of basement with standing tanks (28 75t pieces). The refrigeration plant has the capacity of 1,600,000 kg per single reception of goods for freezing, processing, packaging and storing of products.

Capacities

Farm, slaughterhouse and meat processing aren't in function. Farm has the capacity of 2,000 animals per turnum of 250-450 kg, with possibility of two cycles per year. The slaughterhouse has deboning unit, processing unit, semi durable smoked meat products processing. Modernization of these production capacities requires significant investments.

Beside sale of products, the Company offers following services to its customers:

- Service production of concentrate – production of concentrates and semi concentrates of apple, blackberry, sour cherry, raspberry and other fruit;

- Cold storage services
 - Seed removal and sour cherry freezing;
 - Picking, packaging, storing and freezing of blackberries;
 - Plum cutting;
 - Picking, packaging and freezing of raspberries;
- Other services – office space renting etc.

During 2011 revenues from services amounted to EUR 218 thousand.

Services



Ajvar



Pasteurized cucumber

Operating income

During 2011 the Company realized revenues from sales of products in the amount of RSD 301,554 thousand (EUR 2,957 thousand). The most significant part of income was realized from sales of concentrated apple fruit juice, blackberry concentrate, mashed marmalades, apple fruit nectar and mashed peach fruit juice.

Income by the markets is as follows:

Position	2011		2010	
	RSD	EUR	RSD	EUR
Income from sales of goods	-	-	-	-
Income from sales on domestic market	137.525	1.349	93.827	911
Income from sales on foreign market	164.029	1.609	40.638	394
TOTAL	301.554	2.957	134.465	1.305
Average exchange rate		101,97		103,04

Operating income

Market, most important buyers and suppliers

The Company operates both on domestic and foreign market. During 2011 45% of income was realized on domestic and the rest on foreign market.

On domestic market the Company is oriented on buyer that is small and middle sized companies, which are solvent and with shorter payment deadlines. On the current level of activity the Company doesn't have possibility of entering large retailers. At the moment it

Market

can't produce large quantities of products and accept to long payment deadlines. According to this the Company is mostly present on regional markets (western and south-western Serbia, parts of central Šumadija, Belgrade and Vojvodina).

The Company doesn't do retail and complete realization is being done through wholesale in the Company headquarters in Požega.

On foreign market the Company mostly places intermediates e.g. Concentrates of apple, blackberry and other fruit juices. During 2011 realized income from sales of products from foreign markets amounted to EUR 1.609 thousand.



Production plant



Business complex in Požega

The company makes high quality products. On Fair of ethno food and drinks in 2010, Budimka meshed fruit juice „Peach Nectar“ had won award Diploma of ethno food and drinks – Serbia brand.

Product quality

Total realization on Serbian market in 2011 was 205,314 tons of fruit and vegetables juices and 82,903 tons of products and canned fruit and vegetables¹. Competition on the market is very strong with large number of domestic and foreign competitors with diverse products of different quality.

The largest competitors on domestic market are:

- Nectar, Bačka Palanka;
- Fresh and Co, Subotica;
- Fruvita, Beograd;
- Takovo, Gornji Milanovac;
- Knjaz Miloš, Arandjelovac;
- VINO ŽUPA, Aleksandrovac.

Competition

Nectar from Bačka Palanka is a national leader in the industry. Nectar has a fully rounded production process from cooperative relations with manufacturers and buying up fruit, through the production of pulp and concentrates, to the production of juices, nectars, brandies and jams. The company has its own distribution network. Nectar's operating income in 2011 amounted to EUR 76,6 million.

¹ Izvor: RZS, Industrijska proizvodnja po proizvodima 2011

Fresh and Co from Subotica is owned by a multinational corporation Coca-Cola. Fresh and Co has a Next - famous brand of juices, a strong marketing and logistical presence on domestic market seeing that it has Coca-Cola's backup. Fresh and Co's operating income in 2010 amounted to EUR 24.5 million.

Fruvita from Belgrade is represented on domestic market since 2003 with Hello juices brand. Today it is one of the largest manufacturers of non-carbonated beverages on domestic market. Fruvita's operating income in 2011 amounted to EUR 19.4 million.

Competition



Džemovi



Cvekla

The most significant buyers

Top 10 most significant customers, based on turnover, during 2011 were:

The most significant customers	2011	
	RSD	EUR
KRAUS UND KRAUS Austrija	38.937	382
BMD doo Arilje	35.578	349
Dohler Neuenkirchen gmbh	30.491	299
Mrvica Arilje	17.894	175
Enterband fruchtsaft gmbh Grcka	15.301	150
Hosana holz+sammet Nemacka	11.759	115
SU-NEXT DOO BIJELJINA	9.717	95
Binder international Nemacka	8.490	83
Diskontna Prodaja Pozega	7.325	72
Planet Imperator Skoplje	4.164	41
Average exchange rate		101,97

Most significant customers

Most significant buyer of products is Kraus und Kraus Baden Bei Wien from Austria, with total turnover of EUR 382 thousand during 2011. The Company sells concentrated apple fruit juice to this buyer, which is used as intermediate for further production of fruit juices.

The most significant suppliers

The most significant suppliers, based on turnover, during 2011 were:

The most significant suppliers	Product	2011	
		RSD	EUR
Pesak Petrol Pozega	Oil fuel	43.426	426
Nene Fructy Arilje	Raw material	25.637	251
Tetra Pak production Beograd	Packaging	22.812	224
Sirogojno co Sirogojno	Syrups and Concentrates	14.964	147
Pešić Vinet Leskovac	Raw material	10.778	106
Južni Banat Bela Crkva	Raw material	7.639	75
Ambalažno staklo doo SFS Paraćin	Packaging	7.325	72
Average exchange rate			101,97

Most significant suppliers

SWOT ANALYSIS

Presented below is SWOT analysis showing main strengths, weaknesses, opportunities and threats that the Company faces.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Processing of high quality fruit and vegetables • Close to high quality raw material • Qualified and competent work force • Low labor costs • Significant production capacity • Good geographic location 	<ul style="list-style-type: none"> • Old equipment that needs modernization • Discontinuity of market presence • Significant debts • Limited distribution channels • Non-fulfillment of all statutory environmental requirements • Underdeveloped marketing activities • Lack of appropriate certificates for quality and food safety
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Renewal of the strong brand • Production of high quality products with favorable prices • Production of organic products • Expansion on regional market • Orientation on specialization • Rise of demand on domestic and foreign market 	<ul style="list-style-type: none"> • Full production cancelation • Strong domestic and foreign competition • Market satiety • Deepening of financial crisis, instability of exchange rates and interests

SWOT analysis

Number and structure of employees

The Company has 102 employees. Review of employee age and qualification structure is shown in next table:

Age	Number of employers	Rate	Qualification	Number of employers	Rate
from 25	6	5,88%	UD	4	3,92%
26-30	13	12,75%	CD	10	9,80%
31-40	15	14,71%	HSD	40	39,22%
41-50	35	34,31%	HQW	2	1,96%
51-60	23	22,55%	QW	28	27,45%
above 60	10	9,80%	NQ	18	17,65%
TOTAL	102	100,00%	TOTAL	102	100,00%

UD-University Degree, CD-College Degree, HSD-High School Degree
 HQW-Highly Qualified Workers, QW-Qualified, NQ-Non Qualified

Number and structure of employees

Selected items of the balance sheet

POSITION	2011		2010	
	RSD	EUR	RSD	EUR
Property, plant & equipment	538.465	5.146	624.423	5.919
Long-term financial investments	4	-	52	
Inventory	255.587	2.443	188.807	1.790
Fixed assets held for sale and assets of a liquidating business	380.205	3.633	303.162	2.874
Account receivables	105.725	1.010	11.426	108
Cash	237	2	3.505	33
Other current assets	179	2	241	2
Defered tax assets	1.916	18	-	-
Total Assets	1.282.318	12.254	1.131.616	10.726
Total capital	436.319	4.170	433.816	4.112
Long-term liabilities	375.389	3.587	283.513	2.687
Short-term liabilities	115.984	1.108	77.086	731
Short-term operating liabilities	215.268	2.057	202.076	1.915
Other liabilities	117.395	1.122	109.398	1.037
Liabilities for value added tax	21.663	207	25.712	244
Tax payable	300	3	15	
Total Liabilities and Equity	1.282.318	12.254	1.131.616	10.726
Exchange rates on 31. December		104,6409		105,4982

Balance sheet



Selected items of income statement

POSITION	2011		2010	
	RSD	EUR	RSD	EUR
Sales income and other operating income	392.445	3.849	235.317	2.284
Costs of direct materials and goods	297.432	2.917	114.036	1.107
Gross operating profit	95.013	932	121.281	1.177
Cost of salaries	68.353	670	57.099	554
Depreciation	22.917	225	29.936	291
Other operating cost	27.524	270	28.442	276
Profit (loss) from operations	-23.781	-233	5.804	56
Financial profit (loss), net	-15.583	-153	-6.503	-63
Non operating profit (loss), net	-65	-1	849	8
Profit (loss) before tax	-39.429	-387	150	1
Profit (Loss) from continuing operations before income taxes	40.016	392	0	0
Taxes	1.916	19	-15	-0
Profit (loss) after tax	2.503	25	135	1
Average exchange rate		101,97		103,04

Income statement
Legal disclaimer

This document is prepared in cooperation with the Company AD „Budimka“ Požega, and it is based on the data and sources obtained from the Company itself, which we believe to be valid, but cannot guarantee for them to be complete and/or precise.

Potential investors are recommended to appoint their own consultants to lead them through all phases and aspects of the transaction.

We invite all interested investors to deliver their Letter on Interest to the Consultant. Letter of interest should contain description of investor's business activities including its last audited figures and shareholders' structure (Annual Reports).

Legal disclaimer
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