UNITER

Cement production industry

CEMENT

Cement per capita consumption in Belarus is 460 kg.

Cement per capita consumption in Belarus is 460 kg. This level is higher than in neighboring CIS countries Russia (352 kg) and Ukraine (200 kg) as well as in such European countries as France, Germany, Poland, which indicates market saturation. While in 2009 cement market in CIS countries slumped by more than 20%, in Belarus there was a 3% increase in consumption. However the situation is expected to change in the near future: a considerable slump in domestic demand in Belarus against a steady growth in cement consumption in CIS countries.

Cement output by three Belarusian producers totaled 4604 thou t in 2011.

In Belarus cement is produced by 3 plants (approx. 4,5 mn t each which is the maximum production capacities as of 2011). Demand for cement was driven by the building boom in Belarus. Thus, over the last 6 years cement consumption grew faster than production, and in 2010 domestic market deficit was covered by net imports. However with change in government's approach to construction policy in the second half of 2011 followed by balance of payment crisis, construction volume slumped which ended in domestic market oversaturation and increase in cement exports. Under the circumstances the problem of export reorientation of Belarusian producers becomes more urgent due to a large-scale increase in capacity in 2012.

Annual cement exports are 0,5 mn t 80% out of which go to Russia.

Basically, Belarus itself provides its needs in cement importing only 5-10% of the consumption from Russia, Ukraine and the Baltic. Except for 2010, exports always used to exceed imports. Annual cement exports amount to approx. 0,5 mn t. Russia accounts for 80% of the exports, Poland – for the rest 20%.

All three cement producers are controlled by the government and have the same production capacities.

There are 3 cement producers in Belarus: OJSC "Krasnoselskstroymaterialy" (KSM) – borders on Poland, OJSC "Belarus cement plant" (BCP), OJSC "Krichevcementnoshifer" (KCS) – borders on Russia. The companies are state-owned except for the former where the larger stake belongs to the private investors. Cement output structure is rather homogeneous: KSM – 42%, BCP – 24%, KCS – 34%. All the companies report to the Ministry of architecture.

Three cement production lines with an annual 5 mn thou capacity are planned to be commissioned in 2012.

Due to the lack of capacities during the peak demand periods alongside with a considerable power-intensity of cement production at the existing lines, the government initiated large-scale projects planning to build dry process cement production lines with 5 mn thou per year capacities at each plant. The commissioning of the three lines was planned for the first half of 2012. The investment projects were implemented with the participation of Chinese company CITIC and China's loan financing. Some of the old production facilities are planned to be put on hold.

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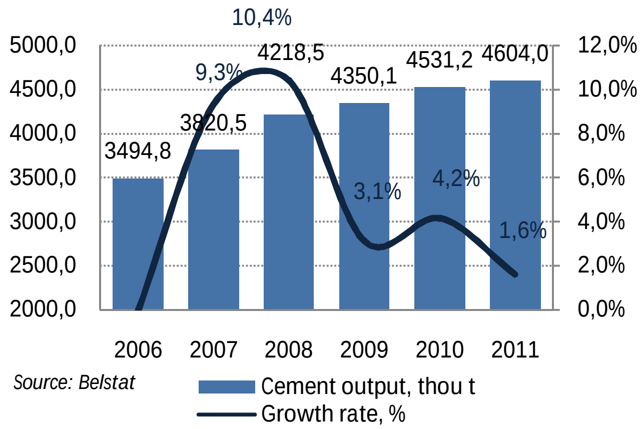
Production

There are three cement producers in Belarus: “Krichevcementnoshifer”, “Krasnoselskstroymaterialy”, “Belarus cement plant” total production capacities of which amount to 4,5 mn t per year. According to Minstroyarchitektura data, each plant is expected to increase its production capacities in 2012 up to 6 mn t.

Over the last 6 years annual cement output in Belarus used to increase on average by 5,7% despite the decline in growth rates starting from 2009. Growth of production is to a large extent induced by high growth of construction with state support. With change in government’s policy towards residential construction, domestic demand for cement is expected to decrease in 2012. Therefore doubling production capacities won’t lead to the same increase of cement production.

Cement industry primarily aims at meeting the needs of the domestic market, however with capacities growth and decrease in construction in Belarus the companies operating in cement industry are facing the task of considerable increase of exports.

Cement output in Belarus, 2006-2011



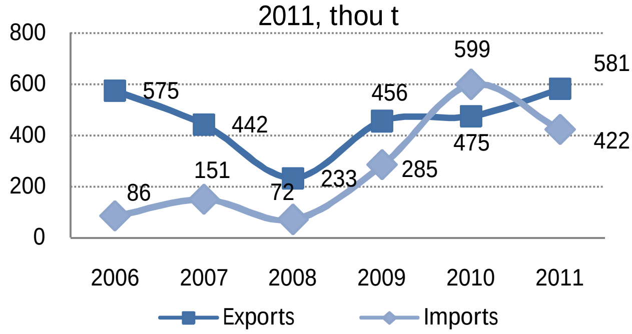
Source: Belstat

Foreign trade

Belarus exports 10% of the cement produced. Thus, over the last 6 years Belarus’ cements exports varied from 233 thou t (in 2008) to 581 thou t (in 2011). The key market for BCP and KCS is Russia which consumes 80% of the total cement exports, Poland accounts for the rest 20%. Besides, insignificant amounts of cement are exported to Ukraine, Kazakhstan, Sweden.

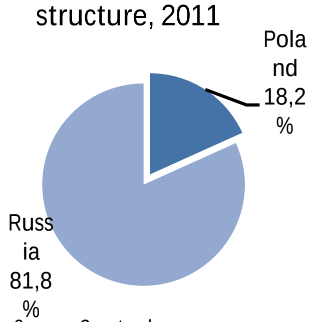
During 2005-2009 cement exports exceeded imports. Meanwhile due to the rapid growth of construction alongside with the capacity ceilings of the cement producers in the summer months there was a deficit of cement in the domestic market which was covered by the imports. Thus in 2010 cement imports doubled up to 599 thou t which is 124 thou t more than in 2009. Belarus primarily imports cement from Russia, Ukraine, Lithuania and Latvia. Insignificant amounts are imported from Turkey and EU.

Cement exports/imports in 2005-2011, thou t

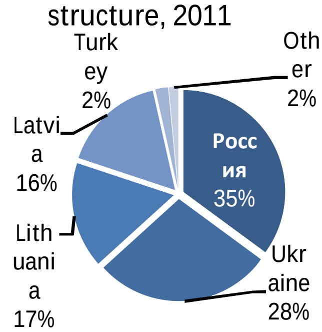


Source: Comtrade

Cement export structure, 2011



Cement import structure, 2011



Source: Comtrade

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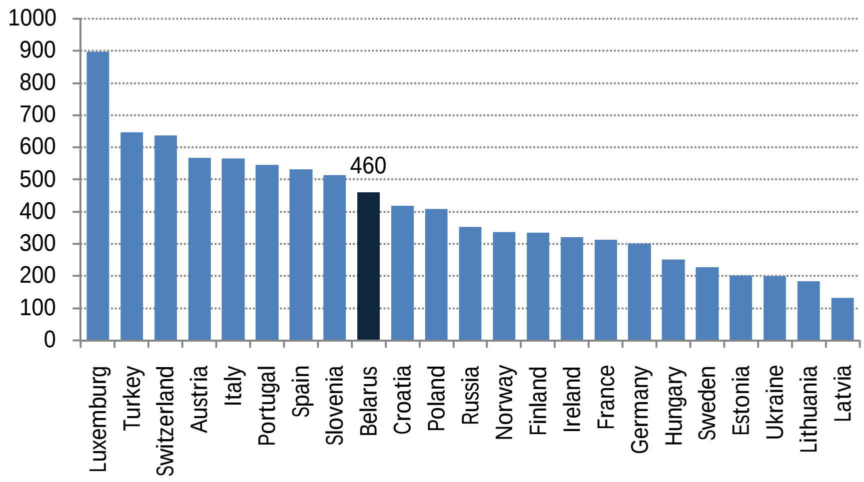
Consumption

Cement per capita consumption in Belarus is 460 kg. This level is higher than in the countries with similar level of economies (Russia, Ukraine, Baltic countries) as well as in many developed countries. The inducing factors are high GDP growth and construction boom.

Cement per capita consumption in 2010 , kg

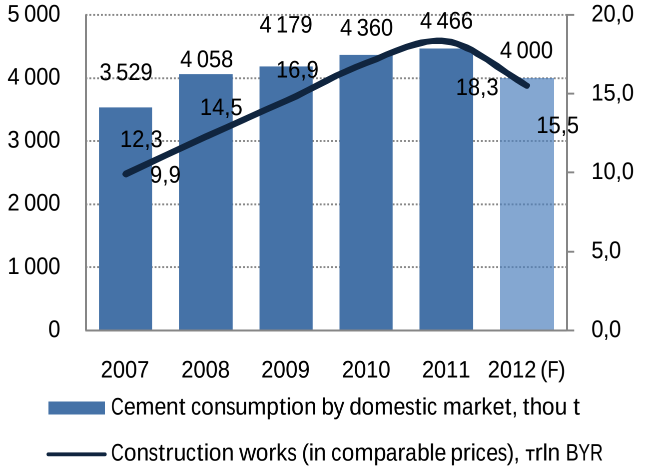


Source: CEMBUREAU, Belstat, Uniter

Over the last 5 years domestic cement market average growth was 6%. Cement consumption is closely interconnected with amount of construction work. Volumes of construction is expected to decrease by 15% in 2012. Thereby, domestic cement market might shrink in 2012 to reach 4000 thou which is 10% lower than in 2011.

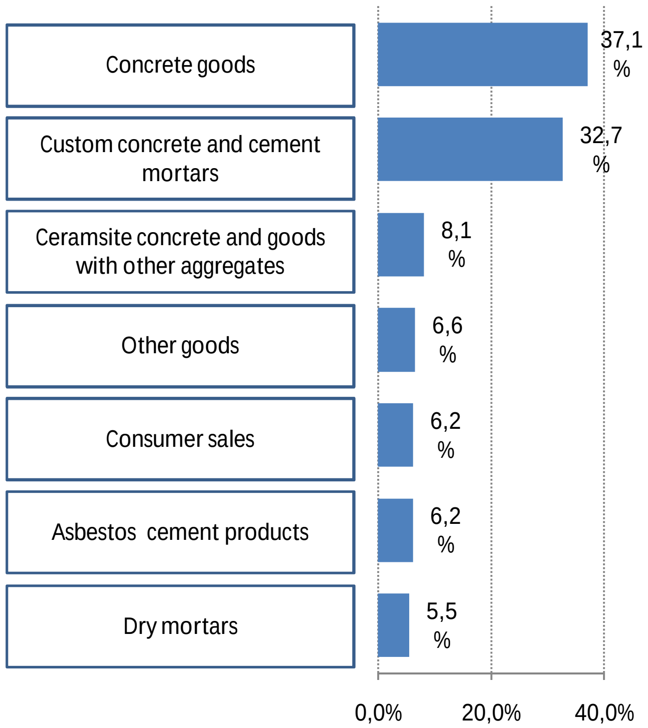
More than a third of consumed cement in Belarus is used for production of concrete goods inc. in panel housebuilding. Slightly less than a third accounts for custom concrete and cement mortar production. 8,1% of the cement was used in production of cell concrete, ceramsite concrete and goods with other aggregates. Consumer sales amount to only 6,2% in the total consumption structure.

Volume of construction work and cement consumption in Belarus, 2007-2012



Source: NIPTIS, Belstat, Uniter

Cement consumption structure by construction sector



Source: NIPTIS, Uniter

Cement

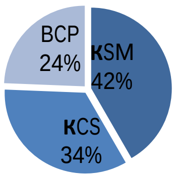
Key players

There are 3 cement producing companies in Belarus which are state owned:

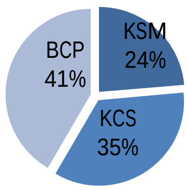
1. OJSC "Krasnoselskstroymaterialy" – KSM (Volkovysk, Grodno region). Share of the state is 83% (there was a considerable increase since 2002 when it was 50%), other shareholders account for 17% (entities – 958 companies, primarily collective farms; and individuals – 3671).
2. OJSC "Belarus cement plant" – BCP (Kostukovichi, Mogilev region). Share of the state - 100%.
3. OJSC "Krichevcementnoshifer" – KCS (Krichev, Mogilev region). Share of the state - 100%.

It should be noted that "Krasnoselskstroymaterilay" was reorganized into open joint stock company in the 90s while the other two – only in 2012.

Cement production structure by producers, 2011



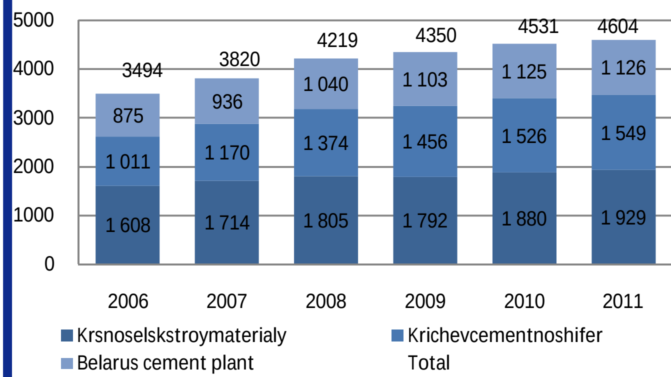
Cement export structure by producers, 2011 (estimate)



Source: Uniter

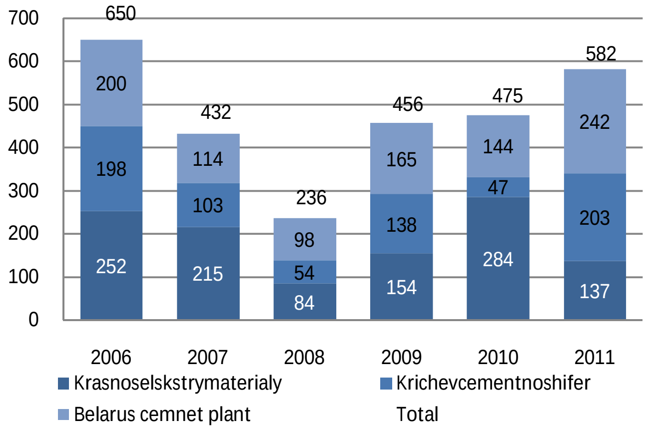
In 2012 it is planned to build dry process cement production lines with 5 mn thou per year capacities at each plant. Some of the old production facilities are planned to be put on hold. Besides, the investment projects involve shifting existing and new equipment from gas to coal alongside with introducing other energy efficient technologies. Sources of financing: Chinese credit line, credit lines of Belarus state banks, own funds. Projecting and construction was implemented with the participation of Chinese company CITIC.

Cement output by producers, 2006-2011



Source : Uniter

Cement exports by producers (estimate), 2006-2011



Source: Uniter

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Potential investment projects

Project details	✓	Itegrated silicate sand and chalk development “Khotimskoye”
Supposed investor	✓ ✓	«Triple» LLC Together with Redcast Holdings Limited, “Belneftegaz", JCJSC “Kvarts MelProm"
Current status	✓	According to the resolution of the Council of Ministers №13 as of January 4, 2012 Belarus is to sign an investment contract with the Investors mentioned above.

Project details	✓	Vetka integrated chalk development and cement plant construction with annual capacity of 1 mn t
Supposed investor	✓	Azarab Ind Co (Iran)
Current status	✓	In May 2010 Gomel region executive committee signed an Investment contract with Iranian company Azarab Ind to build a cement plan within 36 months, volume of investment is expected to be more than 200 mn USD. However as of April, 2011 the local authorities didn’t deny the possibility of attracting another investor. Although at the end of 2011 it was rumoured that the Iranian company again brisked up its interest in further project participation.

Project details	✓	Dobrush integrated chalk development and cement plant construction
Supposed investor	✓	Investors are not defined (tender is being held)
Current status	✓	In 2008 the deposit was given to Russian company “Itera”, however after the scrutiny of business plan the company refused to participate in the project. In the beginning of 2012 according to the resolution of the Council of ministers the deposit was put up for transfer to concession on a competitive basis. Terms of the tender will be specified by the Ministry of natural resources.

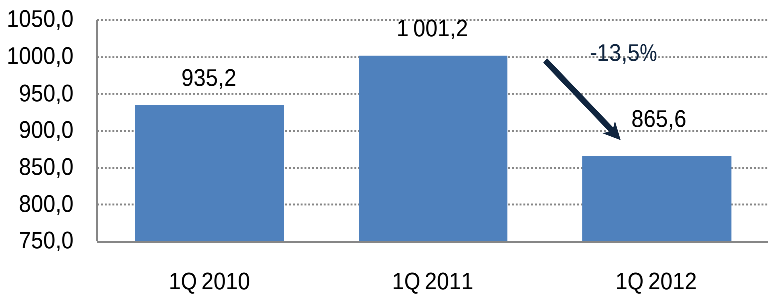
CEMENT

Latest changes

Key performance indicators of cement industry in the beginning of 2012 tend to be similar to the ones of the previous years. Thus, industry development in the first quarter of 2012 was significantly influenced by the macroeconomic situation in the country expressed in sharp devaluation of Belarusian rouble in 2011 alongside with decrease in construction inc. residential construction with state support.

Over 2008-2011 period average growth rate of cement output in the first quarter was 2,4%. However in the first quarter of 2012 cement output increased by 1,7%. At the same time there is the following trend regarding cement export: over the first quarter of 2012 the companies engaged in cement production exported 4,4 times more cement than over the same period in 2012; meanwhile cement imports over the first quarter of 2012 decreased by 56,7% yoy. Such tendencies were caused by a sharp devaluation in 2011 and decrease in domestic demand for cement. As a result in the first quarter of 2012 domestic cement market decreased by 13,5%.

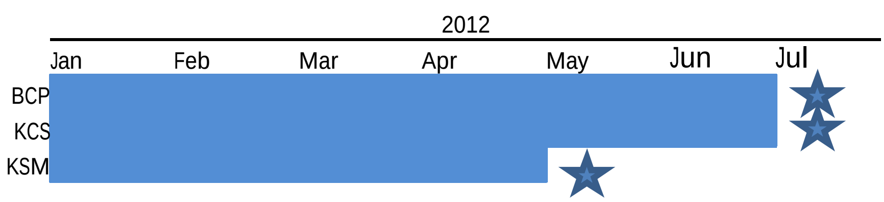
Cement consumption in Belarus in Jan-Feb 2010-2012



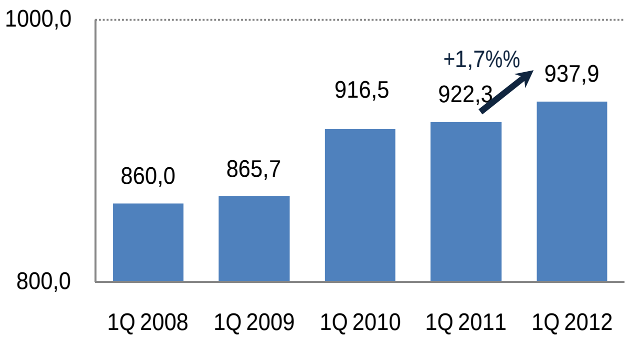
Source: Belstat

In the first half of 2012 all three cement plants are planning to considerably increase their production capacities. Thus, cement production line was commissioned at "Krasnoselskstrymaterialy" on May,1.

Planned deadlines for commissioning of new cement production lines

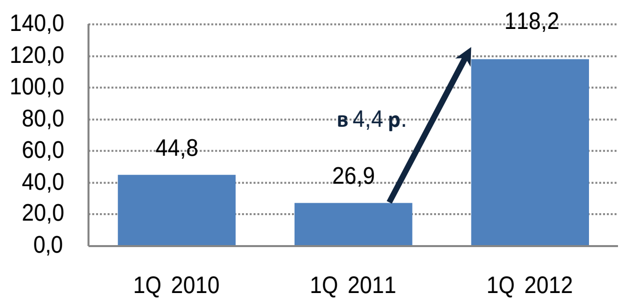


Cement output in Belarus in 1Q 2008-2012



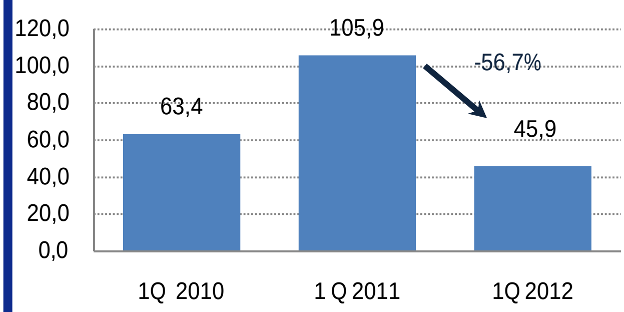
Source: Belstat

Cement exports in 1Q 2010-2012



Source: Belstat

Cement imports in 1Q 2010-2012



Source: Belstat

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Statistical appendix

Key economic indicators

Indicator	Unit	2005	2006	2007	2008	2009	2010	2011
Nominal GDP	BYR trillion	65,07	79,27	97,17	129,79	137,44	164,48	274,28
Nominal GDP*	USD bn	30,2	37,0	45,3	60,8	49,2	55,2	47,3
Real GDP growth	% yoy	9,4	10,0	8,6	10,2	0,2	7,7	5,3
Industrial production	% yoy	10,5	11,4	8,7	11,5	-2,0	12,0	9,1
Agricultural production	% yoy	1,7	5,9	4,1	8,9	1,0	2,5	6,6
Consumer Price Index	% yoy, period average	10,4	7,0	8,4	14,8	13,0	7,7	52,3
Consumer Price Index	% yoy, end of period	8,0	6,6	12,1	13,3	10,1	9,9	108,7
Industrial product price index	% yoy, period average	12,1	8,3	16,3	14,8	15,0	13,5	69,2
Industrial product price index	% yoy, end of period	11,0	9,0	22,2	15,4	11,3	18,9	149,6
Exports of goods and services (USD)	% yoy	15,9	22,3	24,2	34,2	-32,9	20,3	54,2
Imports of goods and services (USD)	% yoy	3,8	33,2	28,0	37,0	-27,0	22,8	29,3
Current account	USD mn	436	-1448	-3040	-4988	-6178	-8278	-5775
Current account*	% GDP	1,4	-3,9	-6,7	-8,2	-12,6	-15,0	-12,2
FDI (net)	USD mn	303	351	1790	2150	1782	1352	3928
International reserves	USD mn, end of period	1297	1383	4182	3061	5653	5031	7916
Government budget balance	% GDP	-0,7	1,4	0,4	1,4	-0,7	-2,6	2,4
Internal public debt	% GDP, end of period	5,8	6,5	6,3	6,6	5,7	5,6	11,8
Gross external debt*	% GDP, end of period	17,0	18,5	27,6	24,9	44,8	51,6	71,9
Monetary base	% yoy, end of period	74	20	38	12	-12	50	84
Exchange rate(NBB, official)**	BYR/USD, per. average	2154	2145	2146	2136	2793	2978	4623
Exchange rate(NBB, official)**	BYR/USD, end of period	2152	2140	2150	2200	2863	3000	8350
Exchange rate(NBB, official)**	BYR/EUR, per. average	2681	2692	2937	3135	3885	3950	6432
Exchange rate(NBB, official)**	BYR/EUR, end of period	2546	2817	3167	3077	4106	3973	10800

Source: IPM research center

Cement output in Belarus, thou t (monthly)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Dec
2008	209,4	294,2	356,4	363,9	396,7	391,7	394,2	403,2	392,8	383,0	350,2	282,6	4 218,5
2009	223,0	299,8	342,9	319,9	402,3	418,3	417,9	423,0	425,0	413,3	367,7	297,0	4 350,1
2010	243,6	305,6	367,3	357,8	394,0	442,5	439,6	429,6	427,0	424,6	398,3	301,3	4 531,2
2011	244,5	304,4	373,3	358,5	410,4	444,3	444,4	446,0	439,1	422,5	395,4	342,3	4 625,2
2012	248,7	303,1	386,1	399,7									

Source: Belstat

Cement exports in Belarus, thou t (monthly)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Dec
2010	2,5	7,6	34,7	38,7	75,1	58,1	63,1	97,4	36,1	30,7	24,8	6,6	2,5
2011	5,3	5,9	15,7	30,7	49,9	92,0	71,6	60,1	86,8	60,3	63,4	39,8	5,3
2012	22,8	29,2	66,3										

Source: Belstat

Cement imports in Belarus, thou t (monthly)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Dec
2010	2,8	26,2	34,4	33,5	42,3	48,0	34,6	54,9	97,7	111,7	112,5	44,4	643,2
2011	25,4	36,3	44,2	32,0	5,4	29,7	63,3	74,7	36,4	34,0	21,7	19,2	422,2
2012	11,9	14,4	19,5										

Source: Belstat

* - ithe ndicators were calculated on the basis of market exchange rates (average annual market exchange rate in 2011 is estimated at 5984 USD/BYR).
** - In April – October, 2011 exchange rates were multiple.

CEMENT

Statistical appendix

Cement export structure in 2011, thou t

Country	Exports
Poland	105,9
Russia	475,5
Sweden	0,0
Kazakhstan	0,1
Ukraine	0,1
Total	581,6

Source: Belstat

Cement import structure in 2011, thou t

Country	Imports
Belgium	0,1
Germany	0,0
Danmark	1,3
France	0,2
Latvia	68,9
Lithuania	71,1
Moldavia	0,2
Italy	0,0
Poland	0,6
Russia	148,0
Great Britain	0,0
Turkey	8,8
Ukraine	119,1
Estonia	3,5
Egypt	0,2
Spain	0,0
Total	422,2

Source: Belstat

*Cement output by producers, thou t**

	2006	2007	2008	2009	2010	2011
Krasnoselskstry-materialy	1608	1714	1805	1792	1880	1929
Krichecementnoshifer	1011	1170	1374	1456	1526	1570
Belarus cement plant	875	936	1040	1103	1125	1126
Total	3494	3820	4219	4350	4531	4625

Source: Belstat

*Cement exports by producers, thou t**

	2006	2007	2008	2009	2010	2011
Krasnoselskstry-materialy	252	215	84	154	284	137
Krichecementnoshifer	198	103	54	138	47	203
Belarus cement plant	200	114	98	165	144	242
Total	650	432	236	456	475	582

Source: Belstat

* - Estimate

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220114 Belarus, Minsk, 117A Nezavisimosti avenue 12 floor (Aleksandrov Passage Business Center)

Office +375 17 385 24 65, Fax +375 17 385 24 64, uniter@uniter.by, www.uniter.by

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