



UNITER



Construction materials industry



CONSTRUCTION MATERIALS

In 2011 – beginning of 2012 there was a tendency of decline in production of main construction materials

Belarusian construction materials branch accounts for 5-7% of the total industrial output of the country. The main industry growth driver is a state policy of triggering capital investments, especially, in construction. However, due to review of the governmental approach to stimulating of construction sector (cut of emission-based lending for governmental programs) in 2011 and beginning of 2012 there was a downward tendency in production of main construction materials. In general the total industry's output dropped by 4% over 1Q2012 (comparing to 1Q2011). In particular, production of lime, construction brick, asbestos boards, and reinforced concrete declined.

Belarus has a negative FT balance in basic construction materials and positive in materials with higher value added

The major task of the Belarusian construction materials industry is to meet the demand of domestic construction sector. However, in conditions of country's construction volumes decline the industry's enterprises face the problem of exports increase. The sharp depreciation of Belarusian ruble in 2011 strengthened the position of Belarusian companies on major markets: Russia, Ukraine, Lithuania. Belarus has a negative balance of foreign trade in basic construction materials (mainly formed by gypsum, chalk and crushed stone), and positive balance of FT in construction materials with higher value added (mainly represented by glass, ceramic tiles, bricks, etc.). Belarus holds strong positions on the regional construction materials market. Thus, the country is one of the largest supplier of float-glass and ceramic tiles in Russia (ca. 1/3 of Russia's imports) and the Ukraine.

Per capita cement consumption in Belarus accounts for 460 kg.

Per capita cement consumption in Belarus accounts for 460 kg. By this indicator Belarus overruns not only CIS countries such as the Ukraine (ca. 200 kg) and Russia (352kg) but some of EU countries. At the same time the market of construction materials with higher value added (ceramic tiles, glass, dry mixes etc.) has considerable potential for growth as their per capita consumption is much lower than in developed countries.

The industry is monopolized by the state

Belarusian construction materials industry is highly monopolized and dominated by the state. Thus, each subsector is represented by 1-3 state-owned companies (except for reinforced concrete sector with many state-owned players distributed throughout the country). A few independent producers also depend on the state in terms of access to material resources and sales.

Belarusian government implemented a number of large investment projects in the industry

The industry is characterized by significant wear of production assets (ca. 60%), as well as high level of materials and energy consumption. In this respect a number of large-scale investment projects have been implemented in Belarus, i. a. construction of additional dry-method lines at three cement plants, reconstruction of the 2nd technological line on JSC "Gomelglass", construction of 5th production line on crushed stone production on RUPE "Granit". At the same time the government is interested in attraction of strategic investors via creation of JV, sale of state shares, as well as selling concessions on development of mineral deposits.



CONSTRUCTION MATERIALS

General description*

Production output in sector other non-metallic mineral products (ONMP) accounts for 4,2% of the total production output of Belarus. In 2011 the output of the ONMP sector accounted for 2,6 bn USD. Nowadays Belarusian enterprises produce more than 100 kinds of construction materials.

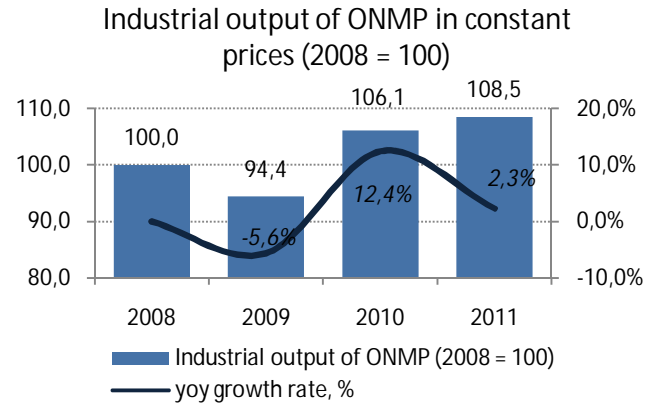
Provisionally the construction materials industry can be divided into two levels:

- Production of basic construction materials (cement, aggregates, lime, gypsum),
- Production of high value added (secondary) construction materials (bricks, asbestos roofing, glass, reinforced concrete products (RCP), aerated-concrete blocks (AAC-blocks), ceramic tiles, dry mixes etc.)

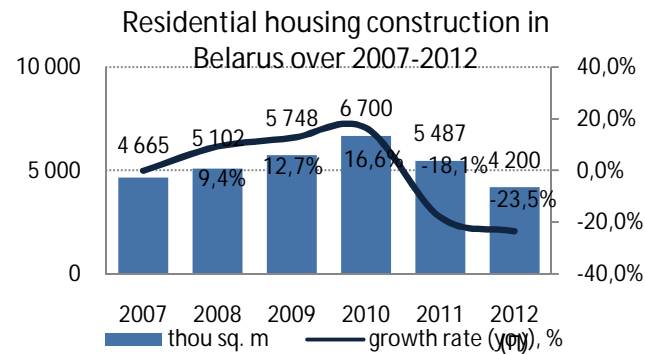
So far the state policy in the sphere of residential construction has been the main source of construction materials production growth. However, due to sharp decrease of soft lending for residential construction, as well as drop in real income of the population in 2011, the commissioned housing fell by 18%. Plan for 2012 provides for more dramatic decrease – by 23,5%. That's why despite of insignificant growth of the whole industry by 0,6% in 2011 the output of some construction materials, especially oriented at domestic market, dropped.

Despite regularly the construction materials industry is oriented at domestic market, the export volumes are still high. The exports share in production vary from 9% in case of articles from stone, gypsum plasterboards, cement to 80% in case of glass and articles from glass.

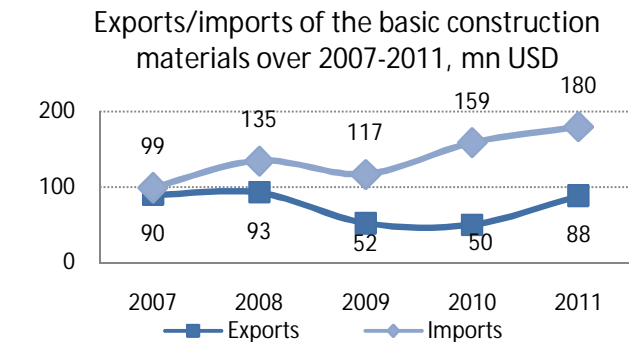
Belarusian government considers the construction materials industry as of the key drivers of domestic economy development, and goes on investing in its modernization. It is planned to finish the construction of three "dry method" cement production lines with capacity of 5,4 mta and shift of existing technological lines from natural gas to coal (the overall amount of investments is 1,35 bn USD). Moreover, it is planned to commission the 5th crushed stone production line at RUPE "Granit". Two projects (modernization of existing line on production of polished glass (investments volume: about 170 mn EUR) and construction of new line on production of energy-saving, laminated, mirror tempered glass (investments amount: about 40 mn EUR)) are being implemented at JSC "Gomelglass".



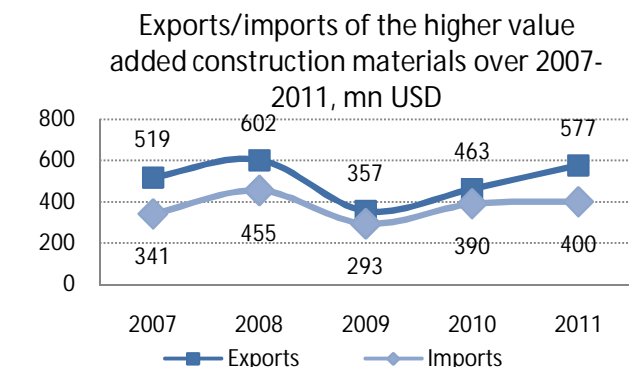
Source: Belstat



Source: Uniter, Belstat



Source: Comtrade, Uniter



Source: Comtrade, Uniter

* The aggregated data on construction materials industry are provided on the division 26 of the ISIC "Manufacturing of the other non-metallic mineral products"



CONSTRUCTION MATERIALS

Basic construction materials

CEMENT

Production. In Belarus cement is produced by three enterprises. In 2011 the cement output accounted for 4604 thou t. Despite the slowdown of cement production growth starting from 2009, the CAGR for the last 6 years accounts for 5,7% per annum. The production growth is mostly driven by fast-growing volumes of residential construction triggered by state support programs. Following changes in governmental attitude to stimulation of residential housing construction in 2012 the domestic demand for cement is likely to decrease. In this respect the planned doubling of production capacities won't cause similar increase in cement production.

Foreign trade. Belarus exports about 10% of produced cement. Thus, for the last 6 years Belarusian export supplies varied from 233 thou t in 2008 to 581 thou t in 2011. The main target market is Russia, accounting for about 80% of Belarusian cement exports. The rest goes to Poland. Besides insignificant volumes of cement is exported to the Ukraine, Kazakhstan, Sweden.

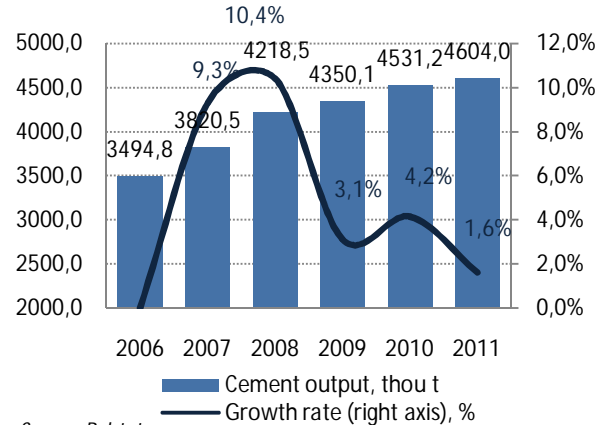
From 2005 to 2009 the cement exports exceeded imports. At the same time as a result of dramatic growth of construction volumes in the country and capacity limitations of Belarusian cement producers, there were shortages on the domestic market during summer periods. The shortages were covered by cement imports. Thus, in 2010 the imports grew twice up to 599 thou t, which was 124 thou t more than exports for the same period. Main foreign cement suppliers to Belarus are Russia, the Ukraine, Lithuania and Latvia. Smaller amounts of cement are also imported from Turkey and the EU.

Consumption. The per capita cement consumption in Belarus constitutes 460 kg per annum, which is rather high comparing to main peer countries (Russia, the Ukraine, the Baltic states), and some developed countries.

For the last 5 years the internal cement market on average grew by 6% annually. The cement consumption is highly correlated with the construction volume. It is expected that construction volumes in Belarus will drop by 15% in 2012. Therefore, the domestic market is likely to drop down to 4 thou t, which is 10% less than 2011 indicator.

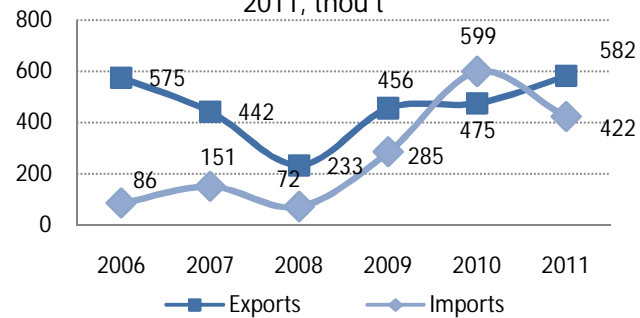
More than 1/3 of consumed cement in Belarus is used for production of articles from concrete, including pre-cast panels. About 32% of cement is used for preparation of ready-mixed concrete.

Cement production in Belarus in 2006-2011



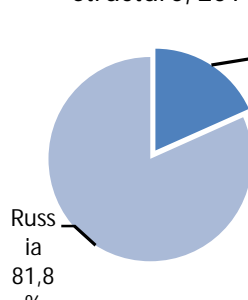
Source: Belstat

Export/import of cement over 2006-2011, thou t



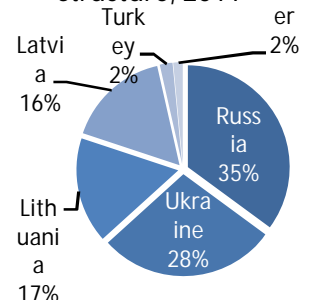
Source: Comtrade

Cement exports structure, 2011



Source: Comtrade

Cement imports structure, 2011



Internal market size of cement over 2006-2011, thou t

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------|-------|-------|-------|-------|-------|-------|
| Production | 3 495 | 3 821 | 4 219 | 4 350 | 4 230 | 4 625 |
| Exports | 575 | 442 | 233 | 456 | 475 | 582 |
| Imports | 86 | 151 | 72 | 285 | 599 | 422 |
| Consumption | 3 005 | 3 529 | 4 058 | 4 179 | 4 360 | 4 466 |

Source: Belstat



CONSTRUCTION MATERIALS

Basic construction materials

Key players. At present three state companies produce cement in Belarus

1. JSC «Krasnoselskstroyaterialy» - KSM (Volkovysk, Grodno region).
2. JSC «Belarusian cement plant» - BCP (Kostiukovichy, Mogiliov region).
3. JSC «Krichevtsementnoshifer» - KTS (Krichev, Mogiliov region).

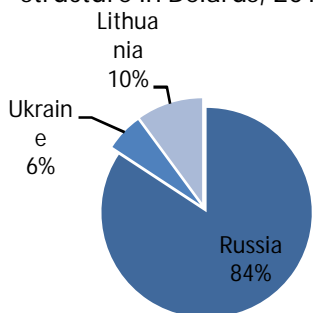
Investments. In 2012 it is planned to put into operation new dry method cement production lines with capacity 1,8 mn t each. At the same time some of existing capacities will be removed. Furthermore, the investment projects include shift of energy feed of existing technological lines from natural gas to coal and implementation of other energy-saving technologies. The financing sources of the investment projects: Chinese Exim bank loan facility, loans of Belarusian banks, own funds of companies. Engineering and construction of new lines was carried out by Chinese company CITIC.

CRUSHED STONE

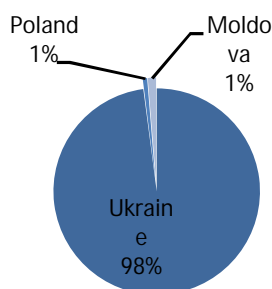
Production. Since 2006 the volume of crushed stone production in Belarus grew by one third and amounted to 14 mn t in 2011. The CAGR for the period made up 6%. The maximum monthly production capacity of crushed stone in 2011 amounted to 1289 thou t, which is 38 thou t more, than in 2010.

Foreign trade. Belarus exports 5-10% of produced crushed stone. Almost similar share accounts for crushed stone imports, more than 95% of which originated from the Ukraine. The Ukrainian supplies of aggregates into Belarus are provided by the Tomashevskiy stone-crushing plant located in Rovno region but belonging to Belarusian state. More than ¾ of crushed stone exports account for Russia (Smolensk, Briansk and Kaliningrad regions), some volumes are sold to the Ukraine and Lithuania.

Crushed stone exports structure in Belarus, 2011



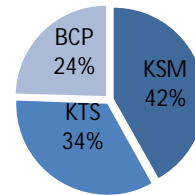
Crushed stone imports structure in Belarus, 2011



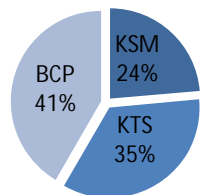
Source: Comtrade



Cement market shares by producers, 2011

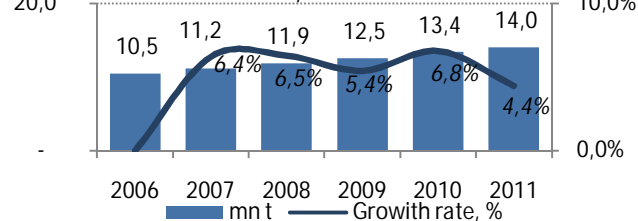


Cement exports by producers, 2011 (estimate)



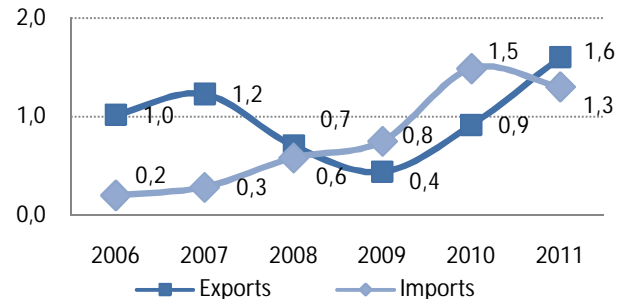
Source: Uniter

Crushed stone industrial output in Belarus, 2006 - 2011



Source: Belstat

Exports/imports of crushed stone in Belarus over 2007-2011, mn USD



Source: Comtrade



CONSTRUCTION MATERIALS

Basic construction materials

Consumption. Dynamics of aggregates consumption volume is closely correlated with volumes of construction works. During 2006-2010 a stable growth of crushed stone internal market was observed in Belarus. However, due to significant slowdown of construction in 2011 the crushed stone consumption fell by 2%. Further decrease in crushed stone consumption by 1,6 mn t (-12%) is forecasted in Belarus for 2012.

More than 1/3 of gravel is used in the construction of roads, another 1/3 is used to produce articles from concrete and reinforced concrete, the rest is used for production of ready-mixed concrete.

Key players. Ca. ¾ of all produced and imported cement in Belarus account for RUPE "Granit". JSC "Dolomit" (specialized in crushed dolomite stone) takes 12% share on the market, Glushkevichskiy stone-crushing plant accounts for ca, 5% of the market.



RUPE «Granit» – the Europe's largest enterprise on extraction of granite and production of crushed stone and sand for construction works.

- The company's capacity is 9500 thou m³ of aggregates per annum, i. a. crushed stone 7900 thou m³.
- The crushed stone output exceeds 11 mta.
- RUPE «Granit» covers both domestic market and Russian, Poland, Lithuania.
- The corporatization of the company is planned for 2013.

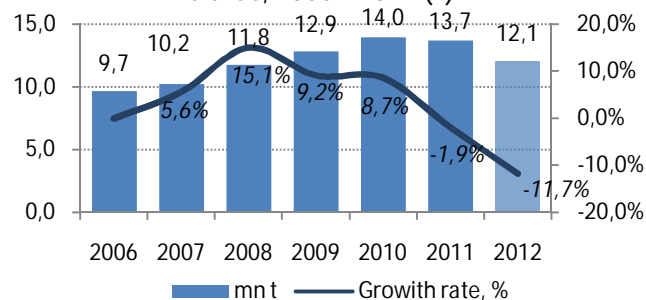


JSC «Dolomit» is located in Vitebsk (Ruba suburb). The company is the only Belarusian and one of the largest Europe producers of dolomite products.

- Besides "dust" products, the company produced the crushed dolomite stone, which is used in construction of road bases, for landscaping and territory planning, for production of non-critical reinforced concrete elements, as well as in metallurgy and glass production.
- The annual crushed stone output is ca. 1400 t.

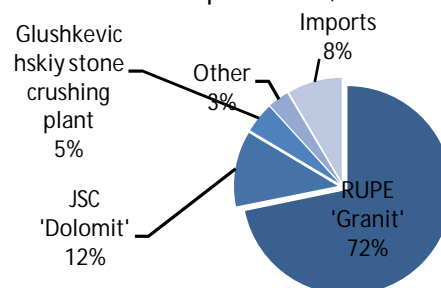
Investments. On 1Q2012 the 5th technologic line (Euro standard) on crushed-stone fines production with capacity of 3 mta was opened at RUPE "Granit". Besides, the government decided to grant a concession of Sintitskoye construction rock deposit to Granit for organization of new production with capacity of 9 mta of crushed stone. Before this deposit had been offered to foreign investors.

Crushed stone market size in Belarus, 2006 - 2012 (F)



Source: Belstat, Uniter

Crushed stone market shares by producers, 2011



Source: Uniter

Financial indicators of RUPE «Granit», mn USD

| Indicators | 2008 | 2009 | 2010 |
|------------------------------|-------|-------|-------|
| Net assets | 90,9 | 87,0 | 93,2 |
| Net operational revenues | 101,1 | 119,5 | 115,5 |
| Net profit | 6,0 | 17,3 | 3,1 |
| Operational margin, % | 18,7 | 37,7 | 10,0 |
| Share of exports in sales, % | - | 0,7 | 5,8 |
| Receivables | 5,0 | 7,5 | 3,7 |
| Payables | 14,0 | 11,3 | 16,7 |

Source: The SPC of the Republic of Belarus

Financial indicators of JSC «Dolomit», mn USD

| Indicators | 2008 | 2009 | 2010 |
|--------------------------|-------|------|------|
| Net assets | 20,1 | 17,7 | 18,5 |
| Net operational revenues | 31,1 | 26,6 | 33,1 |
| Net profit | 1,6 | 0,6 | 1,2 |
| Operational margin, % | 10,0% | 4,8% | 7,5% |
| Long-term debt | н/д | 5,3 | 6,3 |
| Short-term debt | н/д | 4,6 | 6,1 |

Source: Uniter



CONSTRUCTION MATERIALS

Basic construction materials

LIME

Production. In Belarus lime is produced on the basis of chalk deposits. In general, over the last six years there has been a downward tendency of the lime output. Thus, compared with 2007, when it was produced 925 thousand tons of lime, in 2011 the production volume fell by 14.3%.

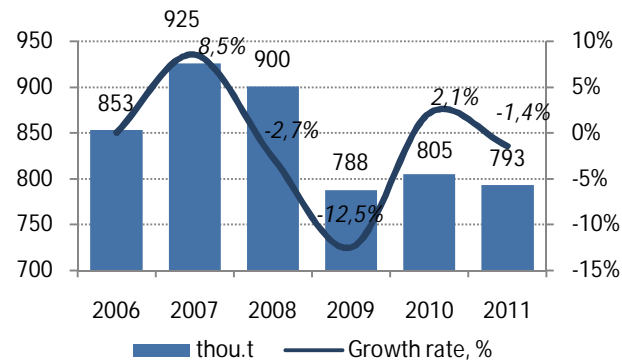
Foreign trade. The share of lime exports in production decreased from 15% in 2006 to 5% in 2011 in Belarus. Moreover, over the last 6 years the lime exports from Belarus fell more than 3 times, and in 2011 amounted to 40.8 tons. Supplies of Belarusian lime to Russia accounted for 73%, in Lithuania - 16%. Imports of lime in Belarus were brought to naught in recent years.

Consumption. Lime is used for production of binding mortars, wall materials, glass. Building lime enjoys less demand from developers and building materials producers because it has inferior quality characteristics in comparison with cement. Basing on the data on lime output and foreign trade the internal market volume totaled 752.7 thousand tons in Belarus in 2011.

Key players. Lime is produced at the cement plants, located near the chalk deposits. Other companies (JSC "Zabudova", Minsk BMP, Grodno BMP) just process the raw lime supplied by cement plants. Molodechno company Zabudova purchases raw materials for lime production from Kostiukovichy lime shop of the Belarusian Cement Plant. More than a half of whole Belarusian lime accounts for JSC "Krasnoselskstroymaterialy".

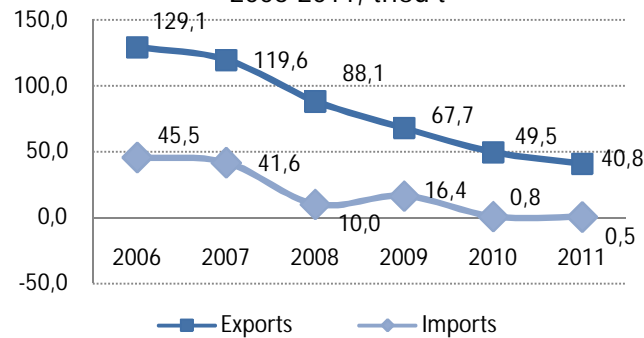
Investments. In the beginning of 2012 Belarusian company Triple which owns Berezovskiy BMP, signed an investment agreement with the Belarusian Government for complex development of siliceous sands and chalk deposit "Khotislavskoye" in Malorita district. The extracted minerals can be used for production of aerated high-calcium lime, sand deposits can be used for production of silicated construction materials.

Lime production in Belarus, 2006 - 2011



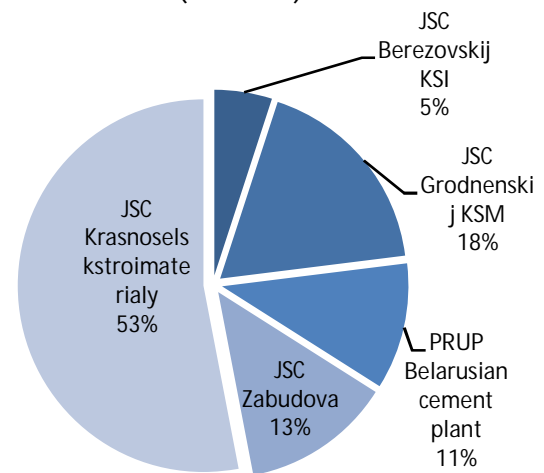
Source: Belstat

Exports/imports of lime in Belarus in 2006-2011, thou t



Source: Comtrade

Lime production structure by producers (estimate)



Source: Uniter



CONSTRUCTION MATERIALS

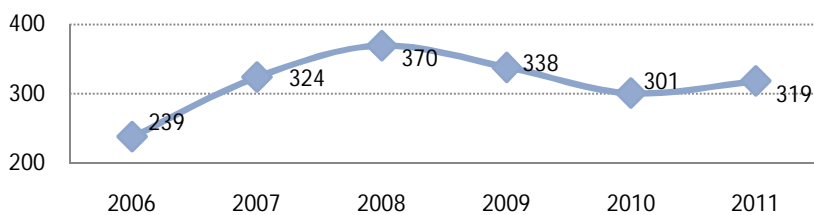
Basic construction materials

GYPSUM

Production. Despite of high demand for gypsum in Belarus the output dynamics had a tendency to fall. Thus, in 2011 it was produced 65,8 thou t of gypsum (gypsum binders), which is 11% less than in 2007. At present the production of gypsum in Belarus fully depends on the imports of raw materials.

Foreign trade. As gypsum is not mined in Belarus, the country has to purchase thus materials from abroad in large quantities. Belarus imports both raw materials for production of gypsum binders and gypsum plasters themselves. Therefore, taking into account that gypsum exports from Belarus are insignificant and can be ignored, the internal market can be measured by the volume of imports. About 300 thou t of gypsum is supplied into Belarus. More than a half of this amount accounts for supplies from Moldova, the Ukraine constitutes 19% of Belarusian gypsum exports, Russia takes 12%.

Gypsum imports to Belarus over 206-2011, thou t



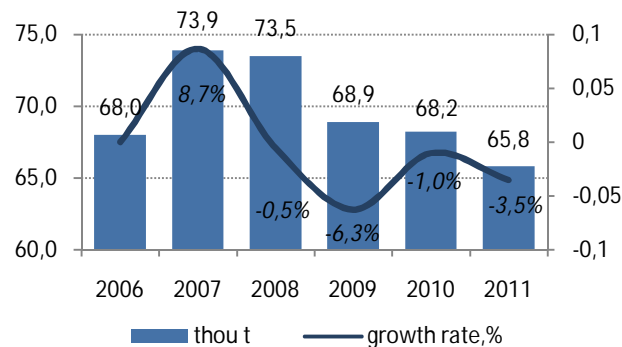
Source: Comtrade

Key players. In Belarus gypsum is produced by two enterprises: JSC "Belgips" (97-99% of the market) and JSC "Zabudova" (1-3%). Therefore the gypsum market is practically monopolized in Belarus. Besides gypsum binders, JSC "Belgips" is the only producer of gypsum boards and gypsum partition blocks for room dividing. The company also produces dry construction mortars.

Sector perspectives. German construction company Knauf has repeatedly expressed interest in creation of a joint venture or acquisition of a controlling stake in "Belgips". At the same time, the Belarusian side set a key condition for the investor to transfer the existing production facilities out of the city of Minsk (investment volume is estimated at 40-50 mln euro). But so far the parties have not reached an agreement.

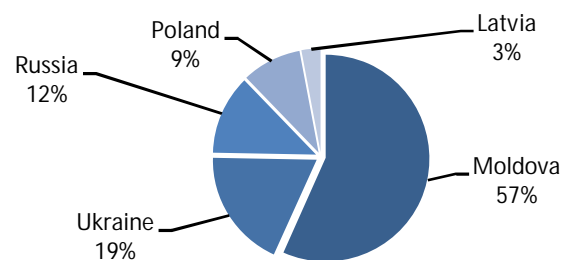
One more investment project is planned by the FEZ "Gomel-Raton" resident LLC "Gipspromresurs". The project provides for establishment of gypsum production on the basis of residuals (phosphogypsum) of Gomel chemical plant. The projected investments volume is 16 mn USD.

Gypsum output in Belarus over 2006-2011



Source: Belstat

Gypsum imports structure in Belarus, 2011



Source: Comtrade

Financial indicators of JSC "Belgips", mn USD

| Indicators | 2009 | 2010 | 2011 |
|--------------------------|------|-------|-------|
| Net operational revenues | 9,71 | 10,26 | 10,25 |
| Operating profit | 0,26 | 0,25 | 0,91 |
| Net profit | 0,03 | 0,06 | 0,03 |
| Net assets | 3,24 | 4,05 | 2,11 |
| Personnel | 275 | 268 | 273 |

Source: The Ministry of Finance of the Republic of Belarus



CONSTRUCTION MATERIALS

Higher value added materials

REINFORCED CONCRETE PRODUCTS

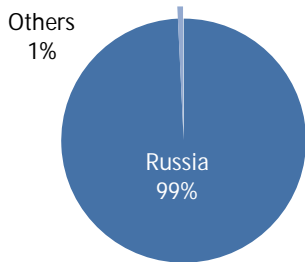
Production. In the period from 2005 to 2010 the production reinforced concrete products and structures in Belarus enjoyed steady and rapid development. Thus, over the last five years, the volume of RCP production has nearly doubled and reached shy of 4 mn m³. In 2011 following the fall in the volume of construction in the country RCP output fell by a third dropping down to the 2007 level.

One-third of manufactured RCPs in Belarus account for precast large panels and other elements for bearing-wall housing. A significant share (18%) in the structure of RCP output fall on the wall panels production. At the same time 43% of the manufactured concrete products account for other products and structures.

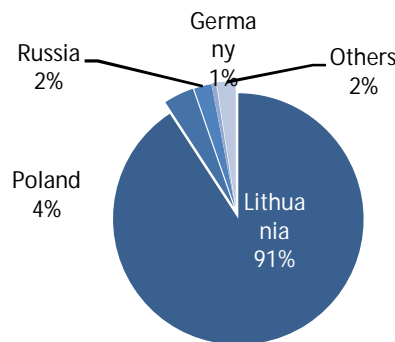
Foreign trade. Exports of RCPs from Belarus are mainly presented by columns, piles, pipes, cored slabs for floors, wall panels and blocks. The volume of RCPs exports is much higher than their imports and in 2011 amounted to 530.3 thousand tons (66 million U.S. dollars). Despite a significant decline in exports in 2009, the Belarusian construction industry significantly boosted foreign supplies of RCPs over the last 2 years. Almost all RCP exports account for Russia.

Import volume of RCPs in Belarus in 2011 amounted to 22.6 thousand tons (7.6 million USD). The majority of imported RCPs is presented by off-standard precast concrete products which are not produced internally. Over 90% of reinforced concrete is imported from Lithuania.

RCPs exports structure in Belarus. 2011



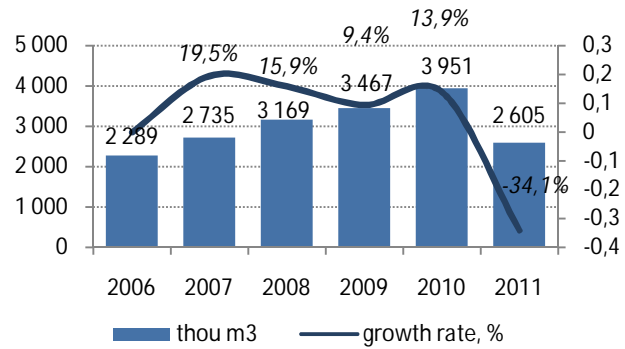
RCP imports structure in Belarus, 2011



Source: Comtrade

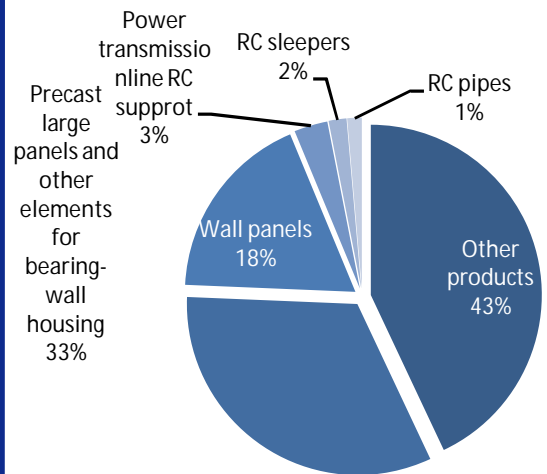
Consumption. The main consumer of RCPs in Belarus is residential housing construction sector. Over the period from 2005 to 2008 the average level of consumption of the wall RCP in Belarus was steadily rising and reached the peak (0,34 m³/m²) in 2008. starting from 2009 the indicator showed downward tendency and in 2011 fell down to 0,24 m³/m².

RCPs output in Belarus, 2006 - 2011



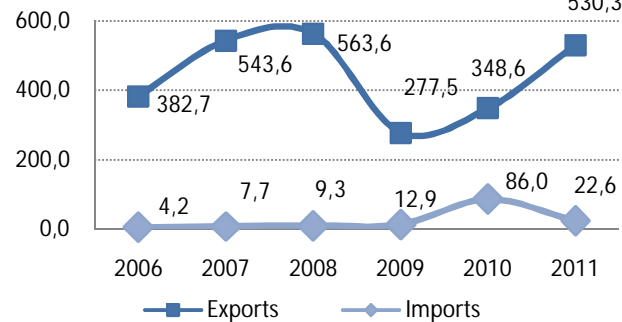
Source: Belstat

RCPs production structure



Source: Belstat

Exports/imports of RCPs in Belarus over 2006-2011



Source: Comtrade



CONSTRUCTION MATERIALS

Higher value added materials

Key players. There are 78 enterprises producing RCP in Belarus, some of them are construction companies producing concrete products for their own use, the others are production companies specializing in the manufacture of precast structures. The market is fairly homogeneous: businesses covers respective regions and have necessary facilities. The largest RCPs producer is "Minskzhelezobeton" with the volume of production in 2011 amounting to 213 thou m³.

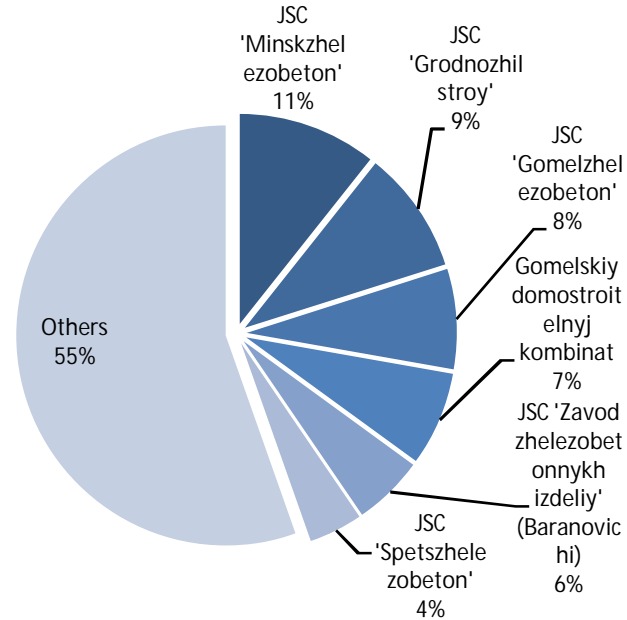
Investment activity. As part of a 2011 privatization process a number of RCP plants was offered for sale. As a result only one "Molodechno RCP plant" was sold to Minsk-based LLC "Engineering Center AMT Engineering" for 1,6 mn USD. In general the majority of the plants needs technical rehabilitation and modernization to be able to produce customized RCPs which are in growing demand by both domestic and foreign consumers.

CONSTRUCTION BRICK

Production. Ceramic, silicate and other types of bricks are produced in Belarus. Output of building bricks totaled 944 million standard bricks in 2011. In general, over the last 4 years there was a downward tendency in bricks production. The volume of production of ceramic bricks is located at 450-500 million nominal bricks per year. The ceramic brick production volume is about 450-500 mn of nominal bricks per annum.

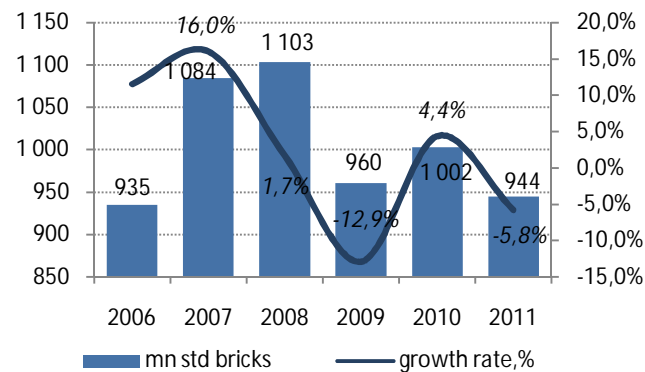
Foreign trade. Uniter estimates the volume of exports of Belarusian construction brick in 2011 to be 67,8 mn USD. Whilst in 2006 Belarus exported just over a third of the produced ceramic brick, in 2011 the share of exports in production dropped down to 19%. Almost all of the exports have a Russian destination. The construction bricks Import volume in Belarus over the course of the last few years was low and did not exceed an average of 1-2% of the volume of consumption. In 2011 Belarus imported bricks at 2,2 mn USD.

RCP output structure by producers



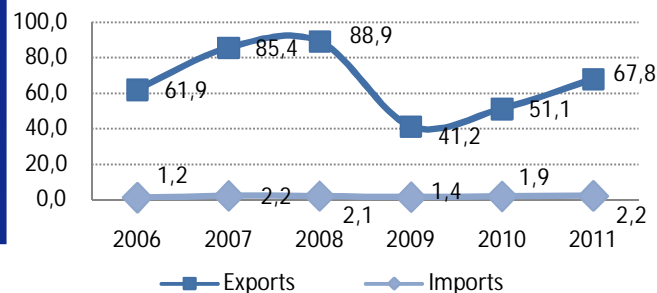
Source: Uniter

Construction brick output in Belarus, 2006-2011



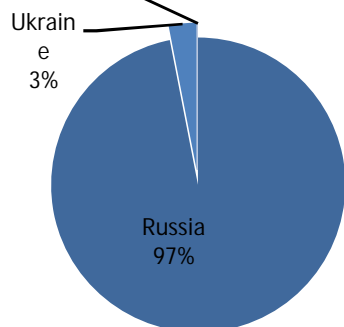
Source: Belstat

Exports/imports of construction bricks in Belarus 2006-2011, mn USD

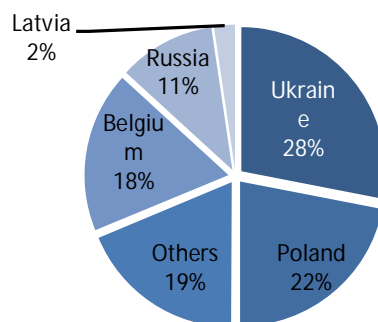


Source: Comtrade

Construction bricks exports structure in Belarus, 2011



Construction bricks imports structure in Belarus, 2011



Source: Comtrade



CONSTRUCTION MATERIALS

Higher value added materials

Consumption. The growth of the use of concrete, facade glazing and other materials in construction reduce the level of consumption of construction bricks. However, the increase in construction volumes partly compensate this decline.

The major consumer of construction bricks is residential housing construction (in particular, individual). This sector absorbs 30-35% of domestic bricks supply. In construction demand to 30-35% of the domestic supply brick. Other large consumers of construction bricks are large construction companies as well as companies involved in private and individual construction activity.

Key players. There are 8 ceramic brick producers in Belarus. The largest ones are JSC "Keramika" (Vitebsk city), Minsk ceramic plant of JSC "Keramin", JSC "Radoshkovichi ceramic plant".

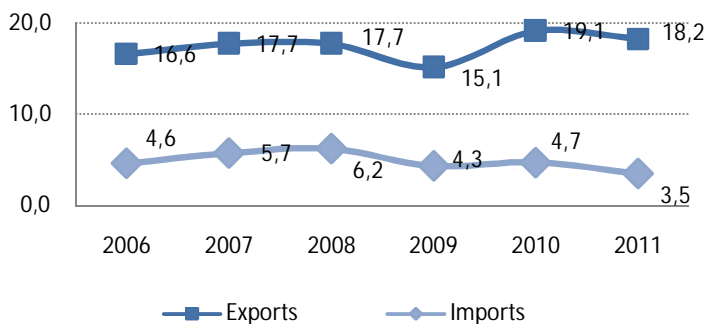
Investments. In frame of 2011 privatization plan two ceramic bricks producers were offered for sale: JSC "Radoshkovichi ceramic plant" and JSC "Keramika". Nevertheless, the state didn't manage to find investors for these companies.

CERAMIC TILES

Production. In general over the last 10 years the ceramic tiles output almost doubled and rose by 11 mn m². In spite of 11% decrease in ceramic tiles output in 2009 the CAGR for the last 6 years accounts for 4,8%. In 2011 the production volume of ceramic tiles reached 25,6 mn m². About 60% of tiles produced in Belarus accounts for glazed ceramic tiles for internal lining of walls.

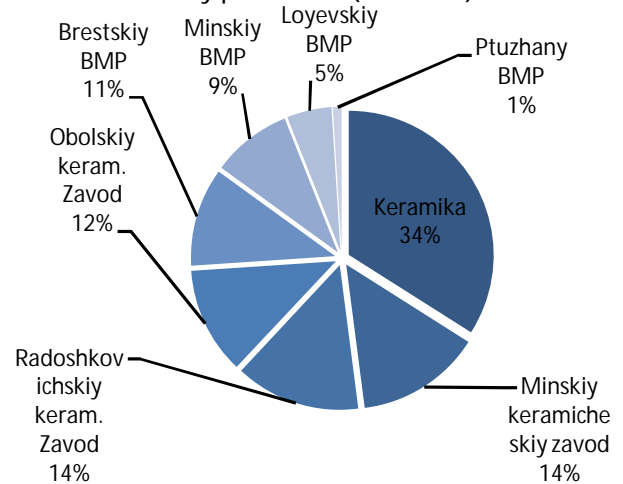
Foreign trade. Belarusian producers of ceramic tiles are export-oriented. About 70-80% of Belarusian ceramic tiles is sold abroad making it recognizable by Russian, Ukrainian, Moldavian and other countries' consumers. In 2011 exports of ceramic tiles from Belarus amounted to 18,2 mn m².

Exports/imports of ceramic tiles in Belarus over 2006-2011, mn m²



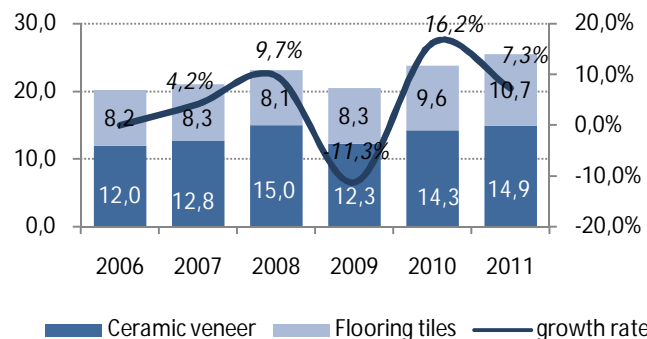
Source: Comtrade

Construction brick production structure by producers (estimate)



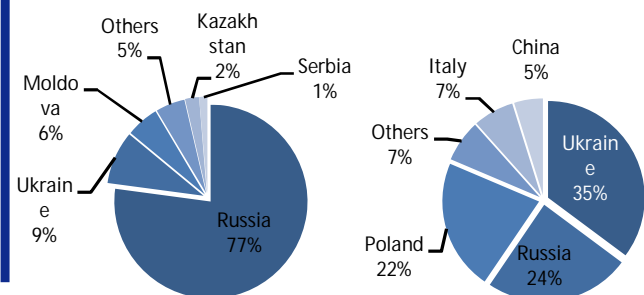
Source: Uniter

Ceramic tiles output in Belarus over 2006 - 2011, mn m²



Source: Belstat

Ceramic tiles exports structure in Belarus, 2011 Ceramic tiles imports structure in Belarus, 2011



Source: Comtrade



CONSTRUCTION MATERIALS

Higher value added materials

Consumption. The per capita ceramic tiles consumption in Belarus is a little more than 1 m² which is less than in Russia (1,1), the Baltic States (2,8) and Poland. The demand for ceramic tiles broken down by the types of consumers can be presented as follows: new residential housing constructions and renovation works in existing buildings and apartments. Together these two groups represent more than a half of consumer demand.

The size of domestic market of ceramic tiles in Belarus takes less than a half of the country's production and in 2011 fell down to 10.8%. In parallel, the share of imports in internal consumption of tiles in Belarus is gradually decreasing and in 2011 accounted for 32% of total consumption.

Key players. Three companies produce ceramic tiles in Belarus. They are JSC "Keramin" (2011 output = 18 mn m²), JSC "Berezastroymaterialy" (2011 output = 5,9 mn m²) and JSC "Brestskiy BMP" (2011 output = 1,5 mn m²).

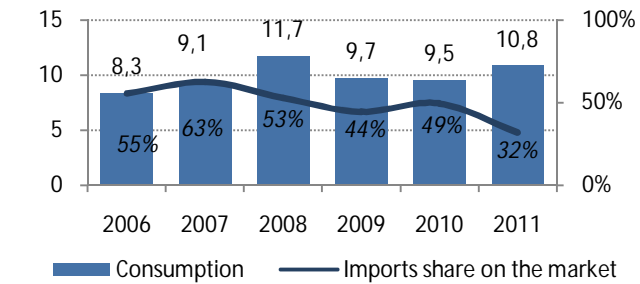
Investments. The state controls two of three ceramic tiles producers: JSC "Keramin" (56,1% stake), JSC "Berezastroymaterialy" (99,8% stake). In late 2011 Berezastroymaterialy implemented an investment project on creation of production of ceramic veneer with size 25x35 sm for swimming pools.

PLATE GLASS

Production. The dynamics of plate glass production in Belarus is characterized by sharp decrease (-10%) in production output in 2006 due to closing for reconstruction of one from two technologic lines of the only Belarusian flat glass producer JSC "Gomelglass". After the production line got into top gear in 2011 the output of flat glass in Belarus soared by 19,2% up to 20,6 mn m².

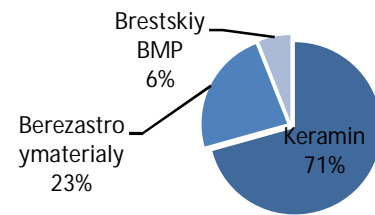
Foreign trade. Belarus exports more than a half of the produced plate glass. However, the share of exports in production tends to decrease. Exports of plate to Russia accounts for 48% in total exports of this product. The Ukraine consumes 39% of the Belarusian plate glass exports. Among the EU countries the main export destination is Lithuania with about 5% of Belarusian exports.

Belarusian ceramic tiles market size, mn m²



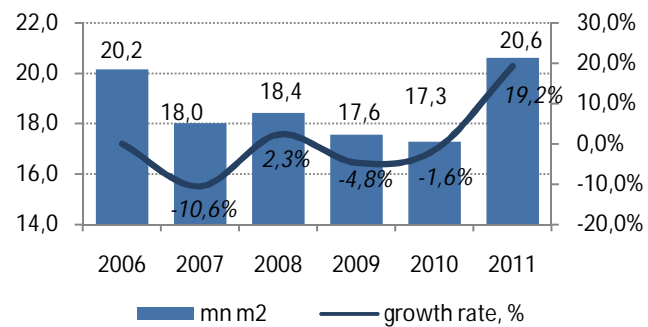
Source: Belstat, Uniter

Ceramic tiles output structure by producers, 2011



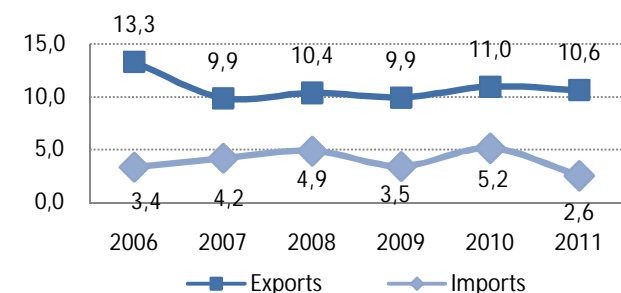
Source: companies' web-sites, Uniter

Plate glass output in Belarus over 2006 - 2011



Source: Belstat

Exports/imports of plate glass in Belarus over 2006-2011, mn m²



Source: Comtrade



CONSTRUCTION MATERIALS

Higher value added products

The share of imported products in internal consumption of plate glass in Belarus accounts for 30%. The imports are mainly represented by the glass with thickness of more than 5 mm and less than 3 mm due to the lack of production of such kinds of glass in Belarus. The main countries supplying the plate glass in Belarus are Russia (56%), Poland (22%), the Ukraine (13%), China (6%), and some EU countries.

Consumption. The float glass is used in production of insulating glass units (ca. 50% of the market), in construction and rehabilitation of various buildings (ca. 30%), in manufacture of automobile glass (9%), as well as for greenhouse glazing and furniture production. One of the key drivers of float glass consumption and demand is the growth in major consuming industries, namely, the construction sector (including commercial real estate, and other social and public facilities), manufacture of machinery and equipment and furniture industry. Thus, in 2011 the domestic float glass market grew to 12,5 mn m², and the share of imported glass dropped significantly down to 21%.

95% of the demand falls at float glass with thickness of 4-6 mm. However, 5% of the market is still covered by high-quality glass with thickness of more than 5 and less than 3 mm, which is mainly imported into the country.

Key players. JSC "Gomelsteklo" is a monopolist on the production of float glass in the domestic market. JSC "Gomelsteklo" produces float glass using modern float technology allowing to offer a high-quality products which compare favorably by most of the parameters with the state-of-the-art glass made by European manufacturers. In addition to float glass the company manufactures foam glass, tempered glass, insulating glass units. The company is a resident of FEZ "Gomel-Raton".

Investments. In April 2010 a new line for the production of float glass with capacity of 780 tons of glass a day was launched at JSC "Gomelsteklo". With the commissioning of the new line the other one was stopped for reconstruction. According to the business plan of the company, the estimated cost of the modernization is 45 mn EUR. The enterprise also has certain plans to implement the project for the industrial processing of float glass.

Plate glass exports structure, 2011

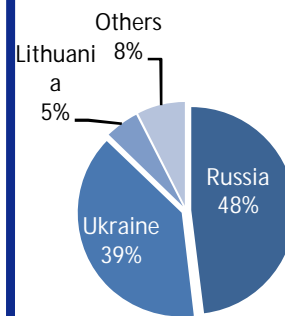
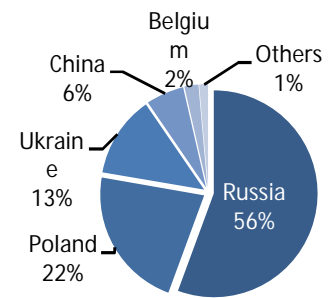
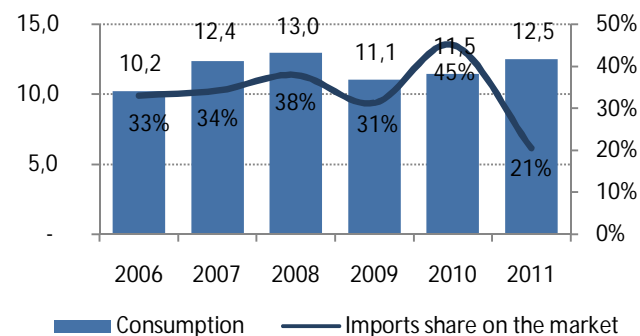


Plate glass imports structure, 2011



Source: Comtrade

Plate glass internal market size in Belarus, mn m²



Source: Belstat

Financial indicators of JSC "Gomelsteklo", mn USD

| Indicators | 2009 | 2010 | 2011 |
|------------------------|-------|------|------|
| Net operating revenues | 50,1 | 74,1 | 90,6 |
| Operating profit | - 3,8 | 3,8 | 19,6 |
| Net profit | - 6,1 | 3,4 | 11,1 |
| Net assets | 48,8 | 73,2 | 45,5 |
| Number of employees | 1,1 | 1,0 | 0,4 |

Source: the Ministry of Finance of the Republic of Belarus



CONSTRUCTION MATERIALS

Latest developments

In 1Q2012 the sector of manufacturing of other non-metallic mineral products showed a decline in production compared to the 1Q2011 by 4%, while virtually all other sectors enjoyed growth. This situation is largely due to a sharp decline in the construction volumes, particularly residential housing construction, as a result of the currency crisis in 2011 and the changes in governmental approach to stimulating the construction sector.

The production of cement in the 1Q2012 increased only by 1,7% compared to the same period of the last year. At the same time the exports of cement soared by 240%.

The output of crushed stone in 1Q2012 accounted for 3256 thousand m³, or 27% of the 2011 volume. Exports of the crushed stone amounted to 500 thousand m³, accounting for 15.4% of the production for the same period.

In Q12012, it was produced 161 thousand tons of lime in the country. Foreign trade is characterized by 8 thou tons of exports and 11 thou tons of imports.

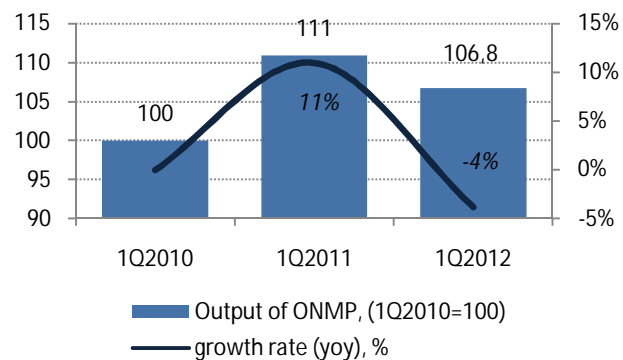
Belarus imported and absorbed 73 tons of gypsum in 1Q2012. JSC "Belgips" produced 15 thou tons of plaster using the imported gypsum.

The volume of production of ceramic tiles in 1Q2012 amounted to 6,722 thousand m² (grew by 6,7% compared to 1Q2011). The share of exports in production increased up to 78% (compared to 71% in 2011), while the share of imports in the consumption jumped up to 81% (compared to 32% in 2011).

The float glass output in 1Q2012 amounted to 4,783 thousand m², almost half of which (2285 thousand m²) was exported.

The Council of Ministers together with the National Bank of the Republic of Belarus approved the FDI attraction strategy till on January 18, 2012. Concerning the construction materials industry the strategy says that the priority will be given to the attraction of transnational companies and international concerns into production of basic construction materials in Belarus via sale of shares in the relevant Belarusian companies (cement plants, producers of concrete, products from concrete, wall-building materials, ceramic products, gypsum etc). At the same time the investors are expected to commit themselves to reconstruction and development of the enterprises.

Construction materials output in constant prices (1 Q 2010 = 100)



Source: Belstat

Data on output, foreign trade and consumption of certain construction materials in 1Q2012

| Production | Exports | Imports | Market size |
|------------------------|---------|---------|-------------|
| Cement, thou t | | | |
| 938 | 118 | 46 | 866 |
| Crushed stone, m3 | | | |
| 3 256 | 500 | 113 | 2 869 |
| Lime thou t | | | |
| 161 | 8 | 11 | 164 |
| Gypsum, thou t | | | |
| 15 | 0 | 73 | 73 |
| Ceramic tiles, thou m2 | | | |
| 6 722 | 5 262 | 6 291 | 7 751 |
| Plate glass, thou m2 | | | |
| 4 783 | 2 285 | 448 | 2 946 |

Source: Belstat



CONSTRUCTION MATERIALS

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 | % ВВП | -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 centre

Volume and industrial output indices in manufacture of other non-metallic mineral products sector in the Republic of Belarus in 2011

| | 2011 (current prices), bn BYR | 2011 / 2010, % | Dec 2011/Dec 2010, % | Dec 2011/Nov 2011, % | For reference 2010 / 2009, % |
|--|-------------------------------------|----------------|-------------------------|-------------------------|---------------------------------|
| manufacture of other non-metallic mineral products | 15 832,4 | 102,3 | 102,3 | 89,4 | 112,4 |

Source: Belstat

* - the indicators are calculated on the basis of market exchange rates (average annual market exchange rate in 2011 is USD/BYR 5984)

** - there was a multiplicity of rates in April- October, 2011



CONSTRUCTION MATERIALS

Statistical appendix

Industrial output of some construction materials (annual data)

| | Output for | | 2011 / 2010, % | December 2011 in relation to | | For reference 2010 / 2009, % |
|---|------------|---------------|----------------|------------------------------|---------------|---------------------------------|
| | 2011 | December 2011 | | December 2010 | November 2011 | |
| manufacture of other non-metallic mineral products, bn BYR | 15 832,4 | 1 895,2 | 102,3 | 102,3 | 89,4 | 112,4 |
| Construction glass, thou m ² | 1 948 | 177 | 113,9 | 147,5 | 122,9 | 120,6 |
| Polished glass, mn m ² | 20,6 | 1,9 | 119,3 | 107,5 | 91,2 | 98,4 |
| Bottles, mn pcs | 497,7 | 40,4 | 145,5 | 107,7 | 105,5 | 159 |
| Porcelain and crockery ware, mn pcs | 25,4 | 2,1 | 111,5 | 106,4 | 99,5 | 106,5 |
| sanitary stoneware, thou pcs | 1 234,20 | 106,5 | 117,3 | 106,5 | 98,2 | 95,9 |
| Household and decorative ceramic products, t | 1 772 | 172 | 111,7 | 128,4 | 105,5 | 114,3 |
| Glazed ceramic tiles for internal lining of walls, thou m ² | 14 919,5 | 1 305,2 | 104,2 | 124,9 | 99,6 | 116,7 |
| Ceramic tiles for flooring, thou m ² | 10 678,5 | 915,2 | 111,8 | 118,2 | 103,1 | 115,5 |
| Construction bricks, mn std bricks | 944,3 | 56,3 | 95,7 | 86,6 | 87,4 | 104,4 |
| Cement, thou t | 4 625,20 | 342,3 | 102,1 | 113,6 | 86,6 | 104,2 |
| Construction lime, thou t | 463,6 | 24,7 | 92 | 88,9 | 80,6 | 101,8 |
| Technologic lime, thou t | 329,3 | 28,4 | 109,7 | 101,4 | 91 | 102,7 |
| Gypsum, thou t | 65,8 | 6,5 | 96,5 | 118,8 | 102,1 | 98,9 |
| Reinforced concrete precast products, thou m ³ | 2 605,1 | 191 | 93,9 | 78,6 | 100,8 | 113,9 |
| One-hand blocks, mn std bricks | 59,5 | 3,7 | 108,4 | 84,7 | 48,5 | 96,3 |
| Large-size wall blocks (incl. blocks for basement walls), mn std bricks | 147,5 | 9,6 | 90,1 | 65,1 | 91 | 95,7 |
| AAC-blocks, mn std bricks | 2 850,80 | 188,4 | 107,1 | 98,9 | 87,6 | 109,2 |
| Corrugated asbestos boards, mn std bricks | 152,5 | 6,6 | 81 | 40,5 | 47,8 | 101,6 |
| Plain concrete products, thou m ³ | 307,5 | 21,3 | 91,1 | 136,2 | 77,7 | 105,8 |

Source: Belstat



CONSTRUCTION MATERIALS

Statistical appendix

Volume and industrial output indices in manufacture of other non-metallic mineral products sector in the Republic of Belarus in 1Q2012

| | 1Q2012(current prices), bn BYR | 1Q2012 / 1Q2011, % | March 2012 in % to | | For reference 1Q 2011 / 1Q2010 |
|--|--------------------------------|--------------------|--------------------|---------------|--------------------------------|
| | | | March 2011 | February 2012 | |
| manufacture of other non-metallic mineral products | 5 822,10 | 96,2 | 100,2 | 132,7 | 111 |

Source: Belstat

Industrial output of some construction materials (quarterly data)

| | Произведено за | | I квартал 2012 г. в % к кварталу 2011 г. | Март 2012 г. в % к | |
|---|-------------------|--------------|--|--------------------|-----------------|
| | I квартал 2012 г. | март 2012 г. | | марту 2011 г. | февралю 2012 г. |
| manufacture of other non-metallic mineral products, bn BYR | 5822,1 | 2326,7 | 96,2 | 100,2 | 132,7 |
| Float and polished glass, thou m ² | 4 783 | 1957 | 109,1 | 117,6 | 107 |
| Bottles from colorless, mn pcs | 60,6 | 18,9 | 146,6 | 124,9 | 97,5 |
| Porcelain dishware, thou pcs | 6540 | 2174 | 106,2 | 109,7 | 100,3 |
| Other kitchenware, thou pcs | 525 | 178 | 115,1 | 110,6 | 101,7 |
| Sanitary stoneware, thou t | 322,60 | 107,6 | 111,5 | 109,8 | 101,1 |
| Ceramic tiles, thou m ² | 6 722 | 2382 | 104,7 | 111,4 | 116,4 |
| Cement, thou t | 937,9 | 386,1 | 101,7 | 103,4 | 127,4 |
| Lime, thou t | 161,0 | 65,8 | 89 | 94,1 | 129,3 |
| Gypsum, thou t | 15,1 | 5,6 | 106,7 | 112,9 | 94,2 |
| Bricks and blocks made out of concrete and artificial stone, mn std blocks | 747,40 | 306,7 | 96,7 | 103,8 | 138,2 |
| Paving slabs made out of concrete and artificial stone, thou m ³ | 18 | 10 | 7,3 | 4,2 | 200 |
| Other slabs made out of concrete and artificial stone, thou m ³ | 191 | 139 | 47,8 | 42,8 | в 3,3р. |
| Precast concrete structures, thou m ³ | 49,8 | 20 | 74,6 | 71,2 | 113,4 |
| Ready-mixed concrete, тыс. м ³ | 240,9 | 106,6 | 81,5 | 88,6 | 164,7 |
| Corrugated asbestos boards, mn std boards | 33,3 | 12,4 | 104,8 | 120,5 | 143,6 |
| Reinforced concrete sleepers, m ³ | 14116 | 5360 | 116,3 | 118,1 | 113,2 |
| Slagwool, silicate mineral wool, thou m | 303,10 | 109 | 95,6 | 93,5 | 111,9 |

Source: Belstat

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