



PRODUCTION OF PAPER PACKAGING AND CORRUGATED BOARD

PROJECT

For implementation there is provided a project on **building a modern plant producing single-face laminate and corrugated board packaging.**

The project is promising due to the following prerequisites:

- Growth in usage of paper packaging in the world **from 35% to 40%** during 2010-2012.
- In 2012 Russia imported paper packaging to the value of **USD 405 mn** with imports growing over the last 4 years by **12%** a year on average.
- Corrugated packaging market in Russia is estimated at app. **USD 1,9 mn.**
- Growth of demand for corrugated packaging is expected to exceed world GDP growth **by 1%-1,5%** in the near 3 years.
- Capital expenditures for the project may total **USD 6-8 mn**, IRR - **25-28%**.

MARKETS

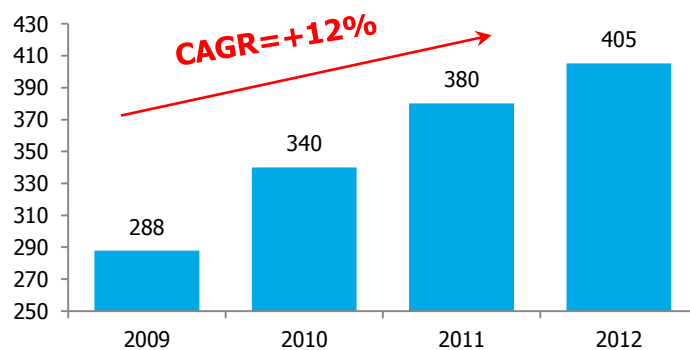
Customs Union market:

- Imports (in money terms) of paper packaging in Russia over 2009-2012 grew by **12%** on average.
- The highest growth rates of corrugated board and paper packaging are characteristic of food industry, household chemistry and construction materials production.

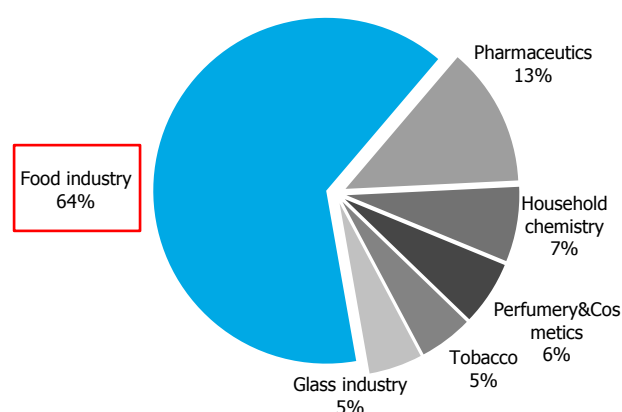
Internal market of Belarus:

- The project on building sulphate pulp producing plant, being implemented at the present time, will create the necessary raw materials base for producing high-quality corrugated board and corrugated packaging. It is planned that by 2015 the capacity of the plant will reach **400 thou t** of sulphate bleached pulp a year.
- Belarus is one the major foods exporters in the world – its exports totals about **USD 3-4 bn** (more than a half – to Russia).

Imports of paper packaging in Russia, USD mn



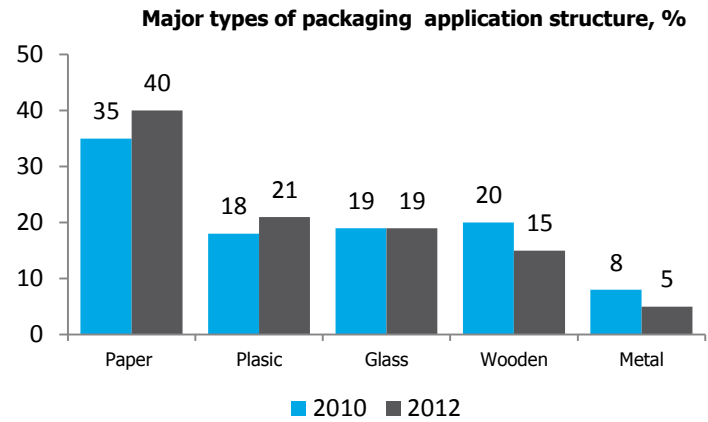
Consumption of corrugated products in Russia by industries, 2012



MARKET OPPORTUNITIES

Global opportunities:

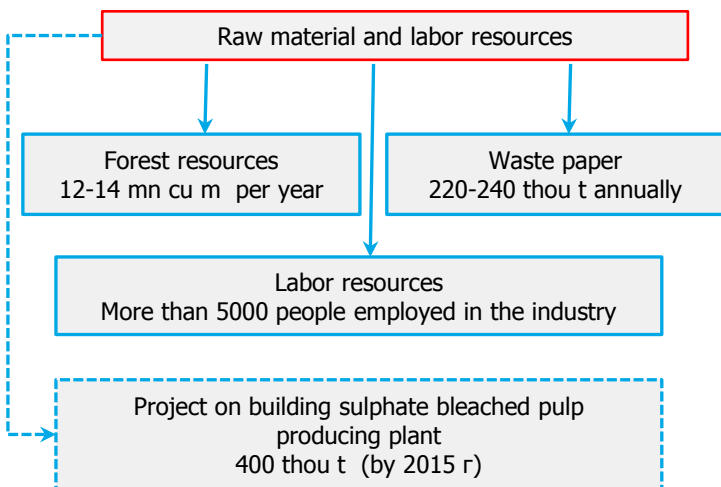
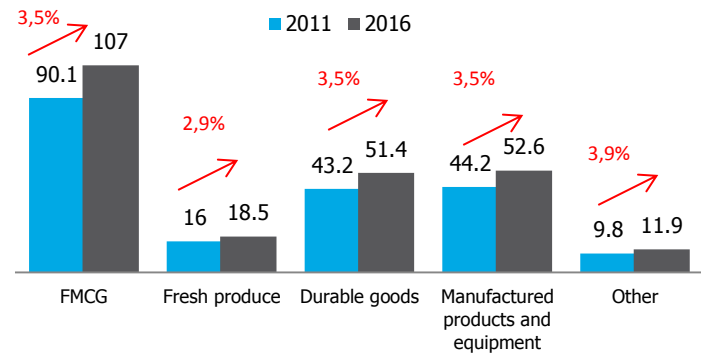
- Share of wooden and metal packaging, as more heavy, is falling (**from 20% to 15%** and **from 8% to 5%** respectively), since its usage considerably increases transportation costs.
- There is a trend of increase in the market share of paper packaging (**from 35% to 40%**) and plastic (**from 18% to 21%**).
- Single-face laminate segment is expected to grow at the fastest rates and to significantly force out usage of regular corrugated board and paper packaging.



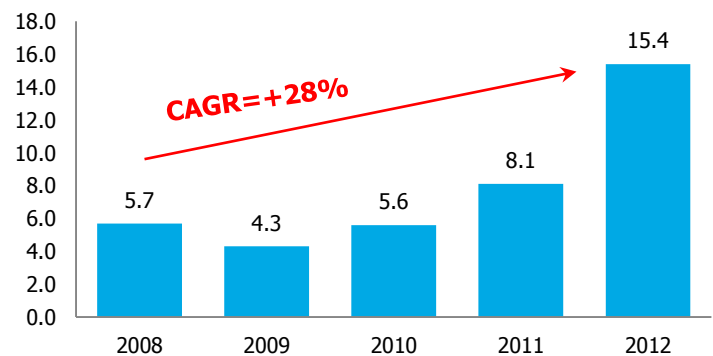
Local opportunities:

- In spite of large production capacities in Russia, in the recent years there is a trend of considerable import growth (on average **28%** a year).
- There is growth in the industries related to paper packaging, in the first place, **more than 10% growth** of retail sales in Belarus.
- Due to absence of commercial cellulose production in Ukraine, companies of packaging industry have a limited product range.

Projected growth rates of world demand for corrugated board products from end consumers, 2016



Imports of corrugated board in Russia, thou t



INVESTMENT OPPORTUNITIES

Launching production of high-quality corrugated board, corrugated board packaging and single-face laminate:

- Capex for the project may total **USD 50-70 mn.**
- Payback period is about **5-7 years.**
- IRR varies within **17-20%.**

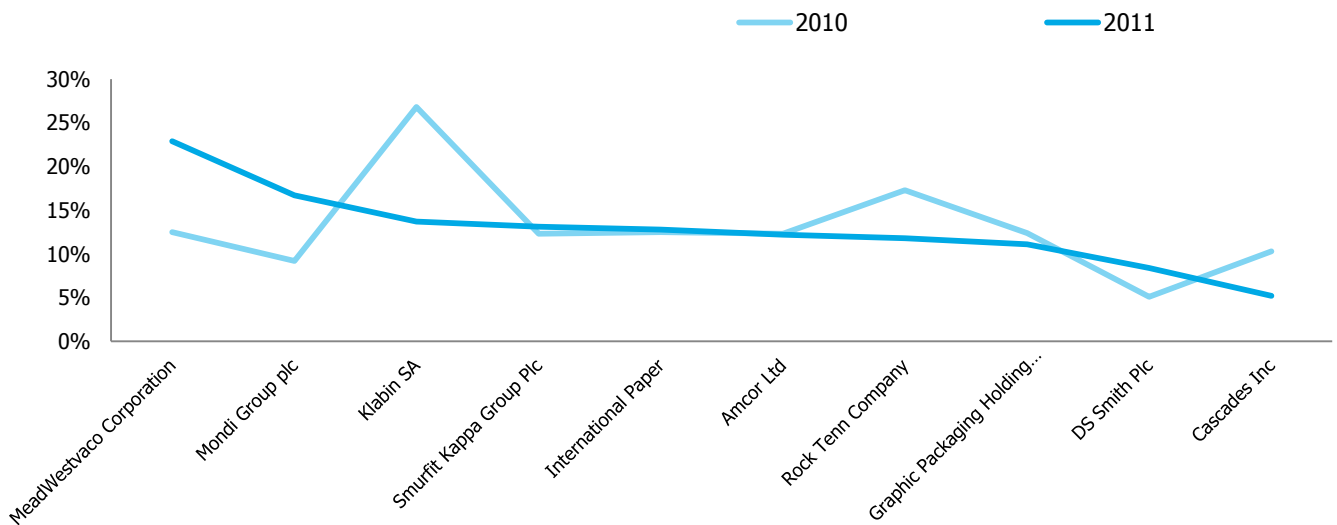
Launching production of corrugated board packaging with flexographic and offset printing:

- Capex may total **USD 6-8 mn.**
- Payback period is about **2-3 years.**
- IRR varies within **25-28%.**

POTENTIAL INVESTORS

- World top corrugated board producers.
- Expansion of production of Russian corrugated board producers.

EBITDA of world major corrugated board and corrugated board packaging producers, % of sales



World corrugated board production, forecast

