

Analytical products of INFOline Information Agency were evaluated in 2007 by the leading European companies. INFOline Agency was accepted to the global united association of consulting and marketing agencies ESOMAR. In compliance with the association's rules, all products of INFOline Agency undergo European quality certification; that provides for high quality of product and after-sale service for our customers by conducting additional consultations on their demand.

Analytical Review

Investment Attractiveness of Russian Cement Industry

Description of the Projects under Realization in 2009-2010

Results of 2008

- 
- Production of cement in Russia: current status and prospects
 - Cement price movement and situation in the market
 - Problems and prospects of construction complex development
 - Description of investment projects under realization
 - Forecast of situation in cement industry till 2015



Contents Analytical Review "Investment Attractiveness of Russian Cement Industry Description of the Projects under Realization in 2009-2010"

About the Analytical Review "Investment Attractiveness.....3	3
of Russian Cement Industry".....3	3
Basic indexes of cement industry and situation in the construction market in 2008.....4	4
<i>Current status of cement industry in Russia</i>4	4
<i>Influence of economical crisis on the status of construction companies</i>5	5
<i>Influence of the economical crisis on cement industry</i>5	5
<i>Production, consumption, export and import of cement in Russia</i>6	6
Cement price movement in Russia.....6	6
Regional structure of production and consumption of cement.....7	7
Cement production by Russian companies.....7	7
Forecast of cement production and consumption.....8	8
<i>The key factors that influence the market development</i>8	8
<i>Forecast of prices of cement</i>	
<i>Forecast of production, consumption, export and import of cement</i>	
Investment Projects in Cement Industry.....8	8
<i>Investment Projects in Cement Industry Central Federal Region</i>8	8
<i>Investment Projects in Cement Industry North-West Federal Region</i>	
<i>Investment Projects in Cement Industry South Federal Region</i>	
<i>Investment Projects in Cement Industry Privolzhsky Federal Region</i>	
<i>Investment Projects in Cement Industry Ural Federal Region</i>	
<i>Investment Projects in Cement Industry Siberian Federal Region</i>	
<i>The projects of construction and reconstruction of cement works interrupted because of the crisis</i>9	9

In addition:

Attachment 1. Digest of events in cement market in the period from April 1, 2008 till February 15, 2009 (total volume of the section is more than 300 pages) – in Russian and in English!

Attachment 2. Description of all cement works of Russia, including the following elements: contact information, history of development, structure of shareholders, state of industrial facilities and sources of raw materials, production indexes, assortment of products, consumers, financial indexes, investment projects, analysis of competitive positions, and development prospects evaluation (total volume of the section is more than 100 pages) – On demand (Term is 5 work days from the moment of payment)!

For Reference about INFOLine Information Agency

INFOLine Information Agency was established in 1999 for rendering informational and consultative services to commercial organizations. The Agency provides continuous informational support of more than 1000 companies in Russia and over the world. We monitor more than 5000 mass media daily and conduct analytical studies in 80 fields of Russian economy on daily basis. From 2003 the Agency conducts market researches on the customers' requests and by its own initiative. Our specialists prepare the marketing studies using unique software and rest upon many years experience of work with information flows. One of the key directions of research work of INFOLine Information Agency is the market of construction materials: cement, brick, nonferrous construction materials, concrete, ferroconcrete, metal structures, etc. The following companies trust us the informational support of their business: Alfa-cement (Holcim), Eurocement Group, BazelCement, LSR Group, UGMK-cement, Mordovcement, Glavstroy, GK PIK, Crost Concern, and many other.

Further information is available on the website www.adviz.ru





About the Analytical Review “Investment Attractiveness of Russian Cement Industry”

Russian cement market in the 2nd half of 2008 fell into the state of severe crisis after a period of rapid increase in prices and investment activity in 2006-2007 and the 1st half of 2008. As a result of this, prices of cement reduced by more than 40%, the share of import cement in Russian market exceeded 12%, and the demand reduced by more than 20%. It is extremely important under such conditions to get relevant news, statistics and analytical information about the state of cement market and industries-consumers. Informational and analytical products of INFOLine Information Agency (IA) about the markets of cement and other construction materials, and construction market, are aimed at solution of the said problems.

INFOLine IA has conducted daily monitoring of events in the cement industry, construction complex and construction materials industry of Russia from 2003, observed realization of investment programs, and accumulated information about them in the form of a structured database. Besides, INFOLine IA makes analytical reviews and researches in the cement industry of Russia from 2006 (including periodical monthly Review “Russian Cement Market” from 2008) and provides the service of “Assortment and price monitoring” of construction materials markets (cement, ready-mix concrete, ferroconcrete items, metal structures, etc.) to the largest Russian construction companies and manufacturers of construction materials.

The principal sources of information used for writing the **Analytical Review “Investment Activity of Russian Cement Industry”**:

- INFOLine IA databases of industrial and financial indexes of cement works of Russia;
- information of Federal Custom Service and official statistic data of Russian economy of FSGS;
- databases of railway cargo transportation;
- INFOLine IA informational database in the fields “Cement market of the RF” and “Construction of Russia” for 2003-2009;
- interviews of Russian cement industry representatives about implementation of investment projects, and production plans for 2009;
- assortment and price monitoring of more than 50 cement manufacturing works and holding companies
- materials of independent analytical centers: ЦМАКР, ИЕПП, Centr Razvitia, and Economical Situation Centre attached to the RF Government;
- materials of more than 1000 Russian and foreign mass media (federal and regional press, information agencies, electronic mass media)

There are many professionals in Russia at present who need prompt and objective coverage of cement market events and analytical information, such as:

- specialists of procurement departments of construction organizations, manufacturers of ferroconcrete items and ready-mix concrete – for the purpose of raising the efficiency of their procurement activity;
- management and specialists of marketing departments of organizations that manufacture and sell cement – for estimate of competitive surrounding in the course of operational, investment, and financial activity;
- specialists of sales departments and customer service departments of organizations that supply admixtures and equipment to cement manufacturers – for promotion of sales and finding the new customers;
- specialists of leasing companies and banking institutions.

The Analytical Review “Investment Attractiveness of Russian Cement Industry” is meant for satisfying the demand for reliable and skillfully structured information about the key tendencies of development in the cement market, pricing situation in the market of bulk and packaged cement, as well as production and investment activity of cement works and holdings.

Special offer: The analytical review includes digest of events in the cement market of Russia and Commonwealth of Independent States from April 1, 2008 till February 15, 2009.

In addition: The analytical review may be supplemented with description of business of all cement works of Russia on the customer’s demand! Term for the description to be prepared is five work days from the moment of payment.



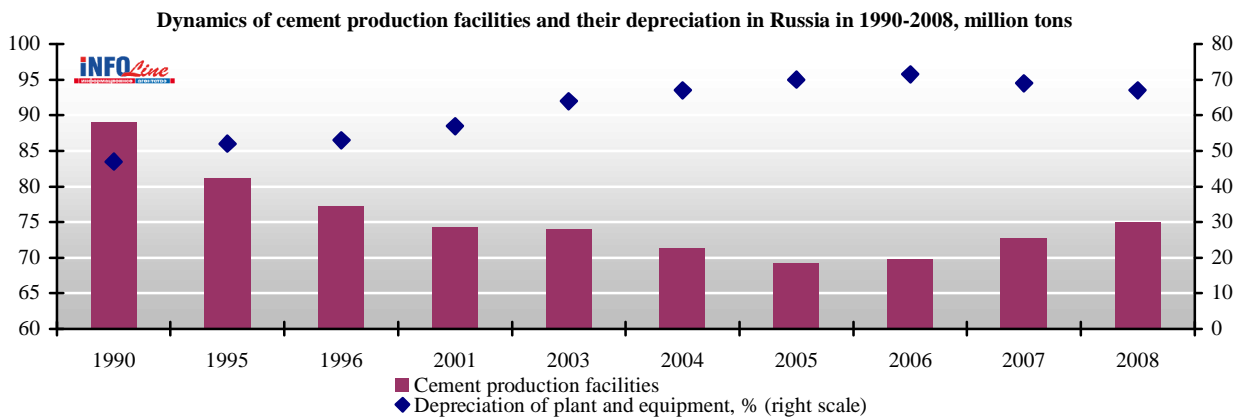


Basic indexes of cement industry and situation in the construction market in 2008

Current status of cement industry in Russia

As of beginning of 2009, Russia has 52 operating cement works of total production capacity 75 million tons per year or so, the greater part of their production facilities is heavily depreciated and obsolete; ecological safety of process is poor. Only 9 works of total production capacity 10 million tons per year use advanced technology of dry production. Production capacity of Russian cement works reached its climax of 89 million tons of cement per year and production output of 83 million tons in 1990. Sudden reduction of cement production and accelerated retirement of production facilities started in 1991; this was due to general termination of investments in construction and reconstruction of the works, and insufficient financing of current repairs. When prices of cement in Russia reached USD 60 per ton in 2005, cement industry became more appealing for would-be investors; so the processes of consolidation in the branch livened up. Annual average price of cement reached USD 90-95 in 2006, and the investment projects realization accelerated, and in the 1st half of 2007 when the prices exceeded USD 170-200 per ton, more than 100 investment projects of construction and reconstruction of cement works were declared.

Cement production dynamics was positive even in spring of 2008; experts expected increase in prices, and the demand that existed at that time allowed the manufacturers in the Far East (!) concluding contracts on supply of cement to the Central and North-West Federal Regions: for instance, OAO Spasskcement supplied 27.5% of products to Moscow Region in the 1st quarter of 2008. The situation changed dramatically in summer of 2008. The reason for the change was abnormally high price of cement, and abolishment of 5% custom duty for cement import from January 1, 2008 acted as catalyst. Prices and production of cement slumped in the 2nd half of 2008 due to the great increase of import and stagnation of construction industry, and the greater part of investment projects was frozen. According to information of the RF Gosstroy, 18 cement works' projects was on the stage on preparing of the project documentation in December of 2008, and 3 works may be completed in 2009 if financing is stable.



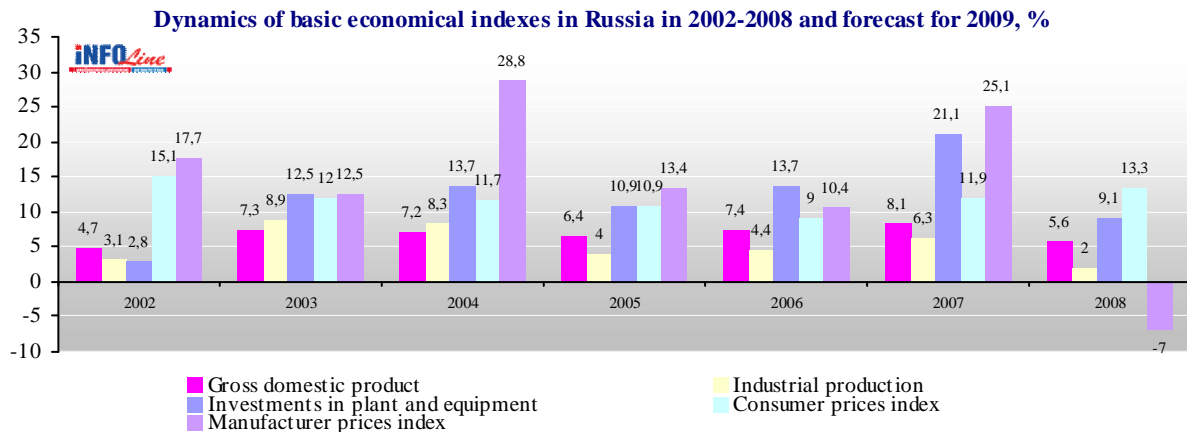
This section presents the information about dynamics of production facilities of cement industry in Russia, situation in the market of cement in Russia in 2008, and the most important events of cement industry in 2008. *INFOLine Information Agency(IA) has conducted daily monitoring of events in the market of cement in Russia and Commonwealth of Independent States from 2003 and has got detailed information about the most important events, key tendencies and dynamics of production facilities of cement works in Russia. If you want more detailed information, please contact us by phones: (495)7727640 and +7(812)3226848 or by e-mail: research@advis.ru*





Influence of economical crisis on the status of construction companies

Due to recession of the global economy and reduction of demand for raw materials and their price in the global market, devaluations of ruble and reduction of internal investments and consumer demand, the basic economical indexes of Russia went down dramatically in the 4th quarter of 2008. Gross domestic product increase in November was 1.6% after 6.9% in September and 5.0% in October as against the corresponding periods of 2007. As for December of 2008, the gross domestic product of the RF reduced by 0.7% for the first time in the recent years. At the same time, the problems that started in banking area as early as in summer of 2008 with increase of interest rate in the global financial market, caused serious reduction of developers' projects crediting.



As a result, demand for products of domestic cement manufacturers started reducing seriously in the 2nd half of 2008 because of slump of all segments of construction market except for road construction and infrastructural construction with a great share of financing by the state.

possible in summer of 2009 at best, and construction industry is likely to reach its pre-crisis indexes only in 2011 at best.

This section presents the information about Russian construction complex indexes dynamics, as well as about general tendencies in development of construction industry in conditions of the economical crisis. In addition to it, this section contains the information on condition of the construction materials works (ready-mix concrete and ferroconcrete items) which are the principal consumers of cement.

INFOLine IA has conducted daily monitoring of events in construction complex and construction materials industry in Russia from 2003 and has got detailed information about the most important events, key tendencies and the largest companies of federal and regional level.

Influence of the economical crisis on cement industry

Production of cement reduced in December of 2008 by 26.1% to 2.6 million tons as against December of 2007 and by 19.8% as against November of 2008. Monthly dynamics of cement production in 2002-2008 is presented in the diagram below. On the whole, production of cement in Russia in 2008 reduced by 10.6% to 53.6 million tons as against 2007.

This section presents the information about influence of the crunch in Russian economy on the state of cement industry, production indexes of cement works and pricing situation in the market. In addition to it, this section contains the information about several works' plans of production for 2009.

INFOLine IA prepares analytical reviews and researches of cement industry of Russia from 2006 (including periodical monthly Review "Cement market of Russia" from 2008). Besides, INFOLine IA constantly analyzes macro-economical situation in Russia.





Production, consumption, export and import of cement in Russia

According to specialists of INFOLine IA, the Russian cement market capacity in 2009 will reduce to the level of 2006, and production will be a little more than in 2005. Import of cement will not stop in spite of devaluation of ruble.

The basic indexes of Russian cement market in 2004-2008 and forecast for 2009

Index	2004	2005	2006	2007	2008	2009 (forecast)
Production	45.4	48.4	54.5	60.2	53.6	50
Consumption	43.7	46.3	52.3	60.8	60.4	51
Import	0.1	0.2	0.5	2.2	7.3	1.6
Export	1.8	2.3	2.8	1.6	0.5	0.6

Source: information of Association of Suppliers and Consumers of Cement, INFOLine IA

Large-scale increase in price of cement in 2008 and the zero custom duty resulted in the situation when import of cement to Russia increased by a factor of 3.3, and its share in the total volume of consumption amounted to 12%.

This section presents the information about cement production and consumption dynamics in Russia month by month, as well as dynamics and structure of export and import. Besides, this section contains the forecast of production, consumption, export and import of cement in 2009.

INFOLine IA prepares periodical monthly Review "Cement market of Russia" from 2008 that accumulates and analyzes the information about dynamics and structure of export, import and consumption of cement from the angle of countries, companies, and regions of suppliers and consumers.

Cement price movement in Russia

Large-scale reduction in price started in Russia in conditions of increase of import and reduction of demand. Russian enterprises faced the reduction of demand in the 2nd half of 2008 and started to sell cement on condition of deferred payment so as to slow the rate of reduction in price. Accounts receivable of the largest cement manufacturers increased considerably in the 4th quarter of 2008 (the volume of accounts receivable of the largest companies exceeded RUR 1 milliard), and supplies on condition of deferred payment reduced considerably before January of 2009¹. Manufacturers of ready-mix concrete, ferroconcrete items and panels for large-panel housing construction actively conclude barter transactions with construction companies, while the situation for cement works is more difficult, as far as cement consumers' solvency is low because their possibility to sell the received flats is rather limited. So the tendency of reduction in price of cement preserves in the Russian market in spite of reduced volume of production.

exceeded RUR 1500,- in the 2nd quarter of 2008.

This section presents the information about monthly dynamics of prices of bulk and packaged cement in Russia in rubles and US dollars. Besides, there is a description of the general tendencies in the cement market conditions in 2008 and a forecast for 2009.

INFOLine IA provides the service of assortment and price monitoring on monthly basis to the largest Russian construction companies and construction materials manufacturers observing the markets of construction materials (cement, ready-mix concrete, ferroconcrete items, metal structures, etc.) If you are interested to have more detailed information about pricing situation and actual prices in the Russian market of cement and other construction materials <fragment>

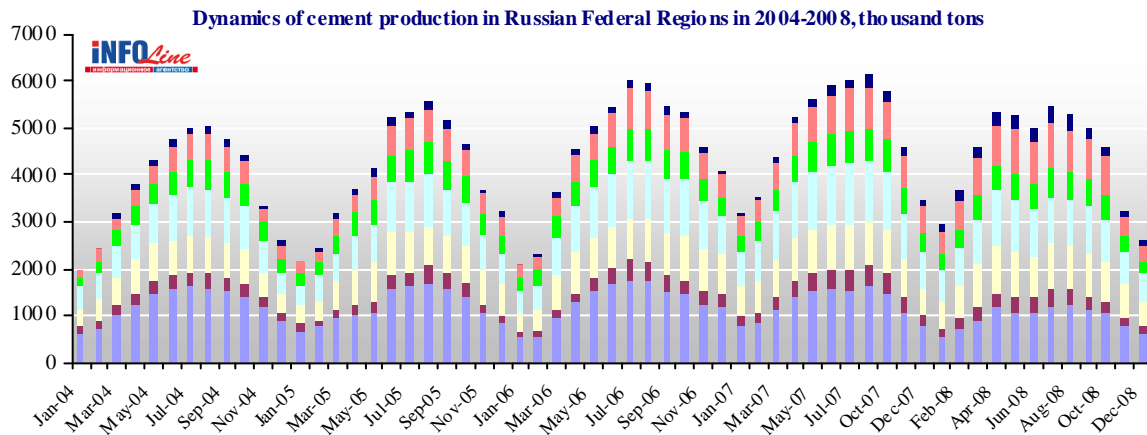
¹ The largest manufacturers (Eurocement Group and OAO HK Sibirsky Cement) have stopped supplies of cement without 50-100% prepayment in connection with increase of accounts receivable





Regional structure of production and consumption of cement

Cement production reduced in 2008 in all federal regions except for Siberian and Far East Federal Regions (FR).



The greatest reduction was in the Central RF (by 25.7%), North-West FR (by 22.4%), Privolzhsky FR (by 16%) and Uralsky FR (by 12.6%). Cement production in Southern FR reduced only by 1%, and increase by 5.4% and 4.5% was observed in Sibirsky and Far East FR, accordingly. It is noteworthy, that cement works of Siberian and Far East FR will not increase production in 2009, as far as reduction in price of cement and high railway transportation cost make their products uncompetitive in the markets of the European part of Russia.

This section presents the information about production and consumption of cement in the remote places and federal regions of Russia in 2004-2008 and about the general tendencies in change of the said structure in 2009.

INFOLine collects and presents to its customers on monthly basis the information about dynamics and pattern of production, railway transportation and consumption of cement from the angle of companies – suppliers and consumers. If you are interested to have more detailed information, please contact us by phones (495)7727640 and +7(812)322684 or by e-mail research@advis.ru

Cement production by Russian companies

Several enterprises and holding companies of cement industry reduced cement production in 2008 as against the analogous period of 2007. Four enterprises (ZAO (Close Joint Stock Company) Pikalevsky Cement, OOO (Limited Liability Company) Achinsky Cement, OAO (Open Joint Stock Company) Kuznetsky cement works and OOO (Limited Liability Company) Uljanovskshifer) stopped cement production completely in December of 2008. The greatest reduction of cement production was in Eurocement Group; this was because the customers with great indebtedness for cement supplied by Eurocement passed to other suppliers.

This section presents the information about production of cement by cement works and holdings of Russia in 2004-2008., as well as the general tendencies of production pattern change in 2009.

INFOLine IA collects and presents to its customers on monthly basis the information about dynamics and pattern of production, railway transportation and consumption of cement from the angle of regions of suppliers and consumers.





Forecast of cement production and consumption

The key factors that influence the market development

It is rather difficult to predict long-term parameters of separate industries and markets of Russian economy at present. This is due to the large-scale economical crisis which is, as the majority of experts think, is harder for economy than the crisis of August of 1998. At the same time, a set of external factors formed in the end of January of 2009 that will determine development of cement market in Russia in 2009-2010 and will influence long-term prospects too (for the period till 2015):

This section presents the forecast of production, consumption, investment activity and prices of cement in the market of Russia made by INFOLine IA in February of 2009.

Experts of INFOLine IA can offer to your company cement market analytical reviews in the whole Russia and in separate regions, can make a marketing examination of a project, develop a business-plan, make up a sales strategy and analyze the effect of marketing arrangements. If you are interested to have more detailed information about services of INFOLine IA in the sphere of marketing researches and consulting, please contact us by phones (495)7727640 and +7(812)322684 or by e-mail: research@advis.ru

Investment Projects in Cement Industry

This section presents the information about 17 investment projects of construction and reconstruction of production facilities presently being brought into life in the Russian cement industry. INFOLine IA has conducted monitoring of investment projects realization for construction and reconstruction of industrial enterprises or Russia from 2001. As of the beginning of 2009, we have formed the database of more than 100 investment projects in the cement industry. The greater part of the projects was frozen in conditions of the crisis on different stages, therefore this section contains only the information about the projects that are most likely to be financed and brought into life actively in 2009-2010 (at the expense of the state support, stable financing by foreign shareholders, or other parameters).

If you are interested to have more detailed information about investment processes in the cement industry or contact information of the projects' participants (investor, general contractor, supplier of equipment) <fragment>

Investment Projects in Cement Industry Central Federal Region

Eurocement Group: Podgorensky Cementnik, OAO (reconstruction).

Status in the update moment:

Null cycle

Completion of construction:

1st quarter of 2011

Volume of investments:

600

Location:

Russia, Voronezh Region

Description of the project:

Eurocement Group is making preparations to construction of a cement works of dry method of cement production in Voronezh Region on the basis of Podgorensky cement works which is a part of the holding. The contract of supply of equipment under the said project in 24 months was concluded in September of 2007 between Eurocement Group and FL Smidth (Denmark). Long-term credit line agreement for amount of EUR 140 million under the said project was concluded by OAO Eurocement Group with BNP Paribas Bank in December of 2007. The project was included in January of 2009 to the list of project that may be supported by the state. As of February of 2009, design work is conducted as well as preparatory work on the site for the new production facility construction in the premises of OAO Podgorensky Cementnik.

Product and production capacity

Production capacity of the works will be 2.4 million tons of cement per year.





Updating – Specified by the company's representative

The projects of construction and reconstruction of cement works interrupted because of the crisis

This section presents brief information about more than 80 investment projects of construction and reconstruction of cement works that were declared by investors in 2007-2008. Financing of the greater part of the projects stopped or decreased considerably in conditions of the great drop in prices of cement and the demand in the 2nd half of 2008. At the same time, many of the projects have high-quality raw materials sources and good payback indexes and therefore may be attractive for would-be investors when the indexes of economy and construction complex of Russia improve (this is expected in the 2nd half of 2010 or the 1st half of 2011 at best).

This section presents the information about investment projects for construction and reconstruction of cement works in different regions of Russia that were interrupted in conditions of crisis in economy and cement industry of Russia.

If you wish more detailed information on the investment process in cement industry or contact information of the projects' participants (investor, general contractor, supplier of equipment) please contact us by phones (495)7727640 and +7(812)322684 or by e-mail research@advis.ru In addition to it, INFOLine IA offers a set of services in the field of development and marketing examination of business-plans of cement and other building materials works construction and reconstruction projects.

