

April 12, 2011
**Consumer goods
Russia**

Sykytykar Tissue Group, JSC

In company of valuable papers

Bullet moments

- Sykytykar Tissue Group, JSC (hereafter STG) is one of the largest domestic manufacturers of sanitary tissue products (STP). The enterprise was established in the 70s of the past century basing on Sykytykar Forestry Enterprise and has been actively developed and modernized during the recent years. As for the techniques, STG is one of the top manufactures in RF. Currently the company shows dynamic development provided by execution of the first stage of the long-term development program. The company occupies the first place on production of base tissue for sanitary purposes (26% of the market) and the third place on the production of toilet paper (8% of the market).
- The most familiar product of the company is “Sykytykarskaya 56” toilet paper due to the long history of production. The company launched the new brand of high quality products “Linia Veirol” since 2005, which is rather strong at the Russian market nowadays. Company’s products are represented in more than 50 regions throughout Russia, and also at CIS and EU markets.
- The base tissue of sanitary purposes is one of the best quality ones in Russia and meets the most stringent European and American requirements. First, that is due to installation of the new Advantage DCT 100 paper-making machine (PMM) by Metso Paper in 2008. Modernization of the first PMM-1 is directed to enforce the position of the company on the given direction. Besides, the company plans to raise the production volume significantly by installing the new PMM-3 and several converting lines, according to the second stage of the long-term development program.
- Financial position of the company’s business is remarkably stable. Macroeconomic shocks that hurt many industries of the Russian and global economy almost had no effect on the sector of domestic STP of medium price range.
- Further development of the company in mid-term and long-term prospects will be related to the increase of STP consumption and also to the change of structure and consumption culture of given products. Currently the level of tissue consumption in Russia is 3 times less than in East Europe, 7 times less than in the EU and 10 times less than in the United States. The most significant prospects are focused on the segments of towels, multi-colored napkins, wipers and two-ply toilet tissue, and on the professional STP.
- Model calculations were based on two scenarios, which depend on long-term forecasts of pulp price. Within the framework of the model calculations the estimated cost of company’s equity forms 74 mn USD to 88 mn USD depending on the development scenario, which gives us the price of one share at the level of 0.46 - 0.55 USD (11.41 - 14.52 RUR) per share.

Principal estimates

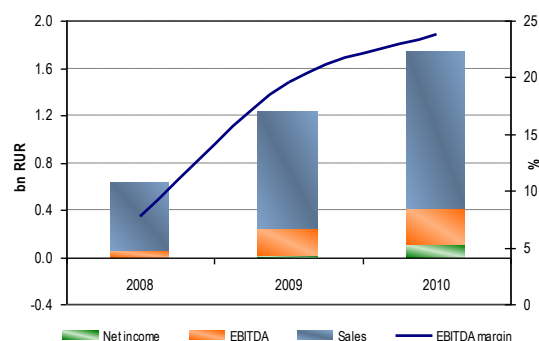
IPO information

Issue volume, %	30% of new capital
Type	Cash-in
Date	April-May 2011
Stock exchange	MICEX
Placement price, RUR	11.41 - 14.52
Raised capital, mn RUR	550 - 700
Lead managers	VELES Capital Investment Company, LLC, ALOR INVEST, CJSC

Operating results

Figure	2010	2011 (F)	...	2015 (F)
Base tissue production, tons	38,280	40,430	...	68,281
incl. for sale, tons	16,900	18,840	...	31,230
Toilet paper production, ths rolls	169,150	174,100	...	345,700
Paper towels production, ths rolls	10,600	24,000	...	40,500

Financial results



Conservative scenario

Financials (IFRS)	2010	2011 (F)	...	2015 (F)
Sales, mn RUR	59	72	...	150
EBITDA, mn RUR	14	16	...	33
Net income, mn RUR	3	5	...	15
EBITDA margin, %	23.8	22.1	...	22.0
Net income margin, %	5.8	6.9	...	10.1
ROIC, %	13.6	12.3	...	15.7
ROE, %	9.2	8.1	...	13.9

Optimistic scenario

Financials (IFRS)	2010	2011 (F)	...	2015 (F)
Sales, mn RUR	59	73	...	149
EBITDA, mn RUR	14	17	...	36
Net income, mn RUR	3	6	...	18
EBITDA margin, %	23.8	23.0	...	24.0
Net income margin, %	5.8	7.8	...	12.1
ROIC, %	13.6	13.3	...	17.7
ROE, %	9.2	9.1	...	15.1

Valuation, ths USD

	EV	Net debt	SV
Conservative scenario	88,528	14,224	74,326
Optimistic scenario	102,634	14,224	88,436

Disclosure

The statement of an analyst and confirmation of the responsibility withdrawal

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For more information and interpretation please contact Research Department of Veles Capital IC.

Research Department**research@veles-capital.ru****Ivan Manaenko***Head of fixed income market
research department,
Macroeconomics***IManaenko@veles-capital.ru****Airat Khalikov***Metallurgy***AKhalikov@veles-capital.ru****Vasiliy Tanurkov***Oil and gas***VTanurkov@veles-capital.ru****Ilya Fedotov***Head of equity research
department, Telecommunications***IFedotov@veles-capital.ru****Alexey Martyanov***Utilities***AMartyanov@veles-capital.ru****Jury Kravchenko***Banks***YKravchenko@veles-capital.ru****Anna Soboleva***Debt markets***ASoboleva@veles-capital.ru**

Stock Market Operations Department**secondtiers@veles-capital.ru****Alexander Antipov***Head of department***AAntipov@veles-capital.ru****Igor Volkov***Sales-trader***IVolkov@veles-capital.ru****Alexey Nikogosov***Sales-trader***ANikogosov@veles-capital.ru****Dmitry Peregodov***Sales-trader***DPeregodov@veles-capital.ru****Anna Shebeko***International sales***AShebeko@veles-capital.ru****Vyacheslav Bezzubenko***Sales-trader***VBezzubenko@veles-capital.ru**

VIP Clients Department**sales@veles-capital.ru****Yury Pavlov***Director (VIP clients)***YPavlov@veles-capital.ru****Sergey Vetoshkin***Corporate Clients***SVetoshkin@veles-capital.ru**

Assets Management**am@veles-capital.ru****Beyshen Isaev***Head of Department***BIsaev@veles-capital.ru****Vadim Labed***Investor relations***VLabed@veles-capital.ru****Stanislav Brodsky***Investment products***SBrodsky@veles-capital.ru**

Russia, Moscow, 123610, Krasnopresnenskaya nab. 12,
Entr. 7, floor 18
Tel.: 7 (495) 258 1988, Fax: 7 (495) 258 1989
www.veles-capital.ru

Ukraine, Kiev, 01025,
B. Zhitomirskaya, 20
Tel.: 38 (044) 459 0250
Fax: 38 (044) 459 0251