



IPO features

Stake (additional issue)	30%
IPO volume	RUB550-700 mn
IPO date	May 2011
Lead manager	Veles Capital Investment Company; ALOR INVEST, CJSC
Place	Micex

Company today

Sykytyvkar Tissue Group, OJSC is one of the largest Russian tissue producers. Company toilet paper market share was about 8% in 2010. Only SCA (brend Zewa) and Naberezhnye Chelny Cardboard and Paper Mill, Ltd. have bigger shares – 26% and 18% respectively. Company controls 26% of base paper domestic production.

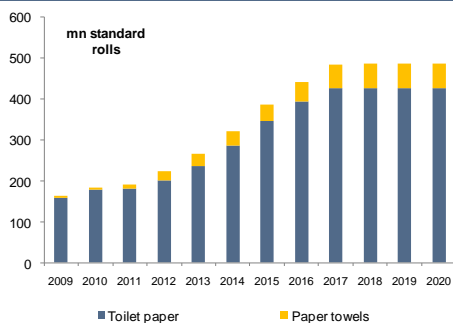
The Company's product range is represented by "Sykytyvskarskaya 56" and "VEIRO" brands and consist of:

- high quality hygienic base paper;
- budget-friendly, standard and premium toilet paper (from scrap paper to aromatic pulp paper);
- paper towels and handkerchiefs.

The Company's manufacturing process is vertically integrated from raw materials conversion and base paper production to production of the finished tissue products. It is the Company's main advantage because the industry general practice is purchasing base paper and/or placement of orders at the facilities of competitors. The Company is equipped with the most advanced production lines (Metso Paper, Fabio Perini, SDF, Toscotec). The base paper quality absolutely comply with tough requirements of Western consumers and is in demand of foreign companies producing tissue in Russia.

Highlights	2009	2010	2011 (F)	2012 (F)
Sales, mn RUB	1 235	1 743	2 023	2 386
Growth, %	97,5	41,2	16,0	17,9
EBIT, mn RUB	179	301	340	850
EBITDA (OIBDA), mn RUB	234	405	438	532
EBITDA margin, %	19,0	23,2	21,7	22,3
EAT, mn RUB	11	100	121	179
Net profit margin (EAT), %	0,6	5,7	6,0	7,5
Assets, mn RUB	2 168	2 637	3 318	3 840
BV, mn RUB	677	1 087	1 808	1 988
Net debt, mn RUB	1 047	958	395	1 216

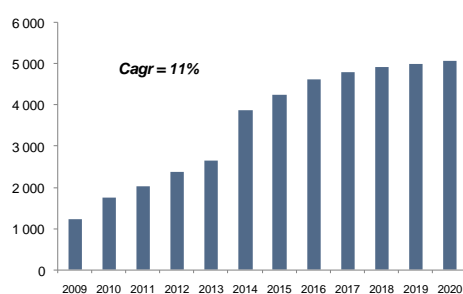
Production forecast



State of the industry

The Russian tissue industry is characterized by high growth and low level of demand saturation. Russia tissue consumption per capita is significantly lower in comparison with USA and Europe (2.3 kg per person (per year) versus 22 kg per person in USA and 13 kg per person in Europe; 3.4 kg per person is average in the world). At the same time domestic tissue market growth is dramatically higher than in the world: the world tissue market has grown less than 9% from 2006 while Russian tissue market growth has exceeded 50%. In other words, it can be considered as a direct evidence of the present and future growth of tissue consumption in Russia. Also in long term period we expect the significant growth of commercial tissue (tissue for HoReCa), which is still underdeveloped in our country.

Sales forecast, mn RUB

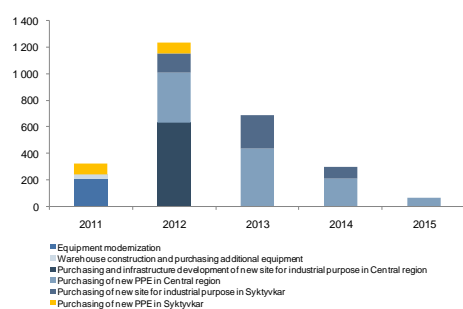


Strategy and prospects of the Company

STG is going to extend manufacturing facilities (twice – by 2014) and targeting market share significant increase in central region. Within the first stage of this strategy – paper machine №1 modernization and acquisition of high speed converting line (will be completed by November 2011) all current facilities of the Company will meet the highest modern standards by the beginning of 2012. Further development of the Company is associated with the paper machine №3 installing in Sykytyvkar and launching additional converting lines in Sykytyvkar and central region.

This investment program will be financed by operational cash flow, extra borrowings and IPO money.

CapEx, mn RUB



Financials

The Company's financial performance is stable and characterized by low financial leverage. The Company's cash flow is sufficient to finance its liabilities, investments for current activities as well as part of the strategy.

Fair value

According to DCF model and comparables-based estimation the fair value of STG business can be evaluated at RUB2.68 bn, or RUB16.65 per share (USD89.18 mn, or USD0.55 per share) at the end of 2011 under post-money.

Participation in IPO within the price range of RUB11.4-14.5 per share is a good opportunity for investors to get a stake with up to 15-45% growth potential by the end of 2011.

Multiplies	2011F	2012F	Industry 2011
P/E	16,54	11,15	14,09
EV/S	1,59	1,35	1,81
$EV/EBITDA$	5,47	4,50	8,32

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