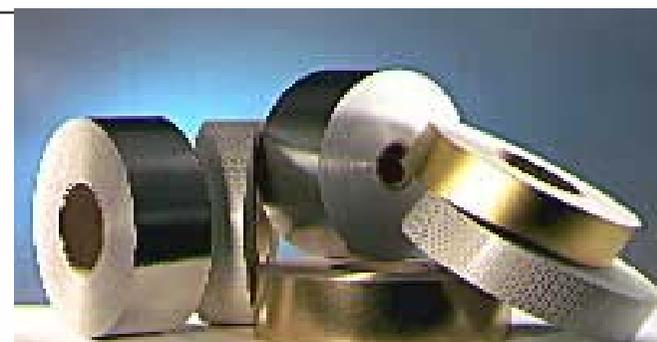


# РУСАЛ

## Russian Market of Aluminium Foil

I. Tikhomirov, Deputy Director of  
RUSAL's Packaging Division

Conference: «International day of package»  
Moscow, International Exhibition Centre Krokus-  
Expo, June 2006



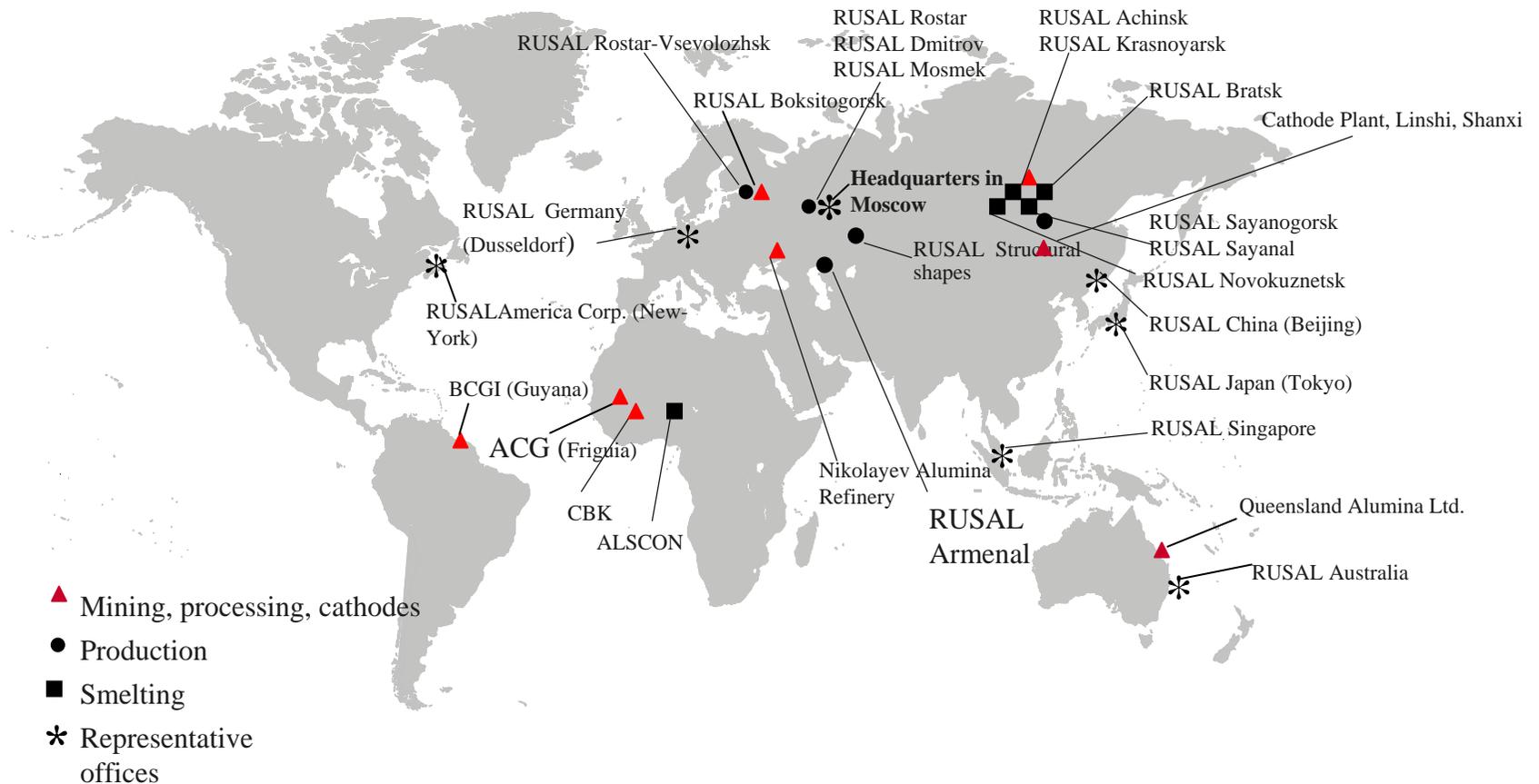
## What is RUSAL?

- The Company was established in March 2000 by a merger of a number of largest smelters and alumina refineries in CIS.
- RUSAL is third largest aluminium and alloy producer in the world.
- RUSAL exports its products to consumers in 50 countries around the world.
- RUSAL accounts for 75% of Russian and 10% of world aluminium output.
- RUSAL's Central Office is based in Moscow.
- 47 000 employees work for the company.

# From Siberia to the world economy

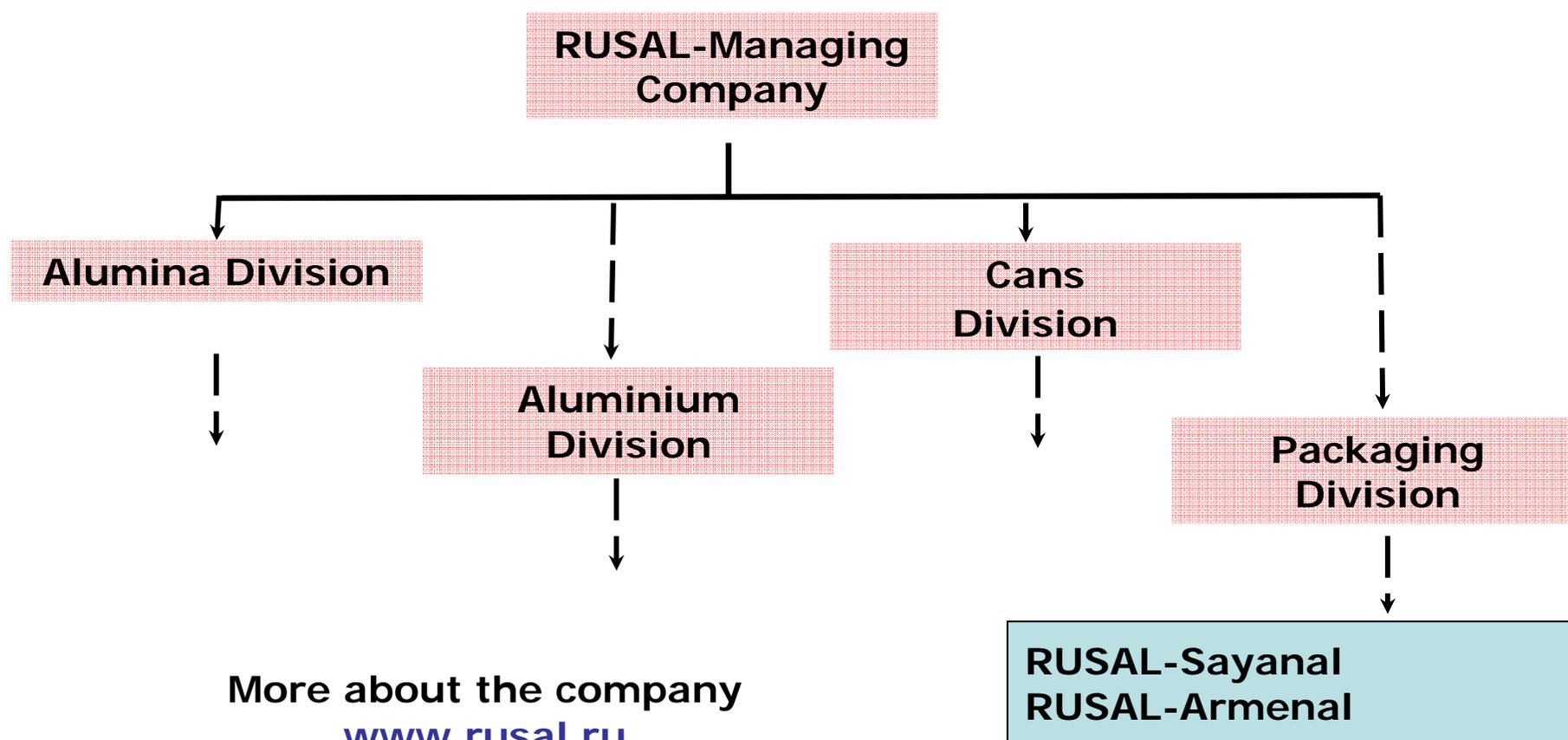


- **We operate in 9 Russian regions and 13 countries, we sell our products to consumers all around the world**



# What is RUSAL?

Full cycle of aluminium production from bauxites and alumina to high value-added consumer goods

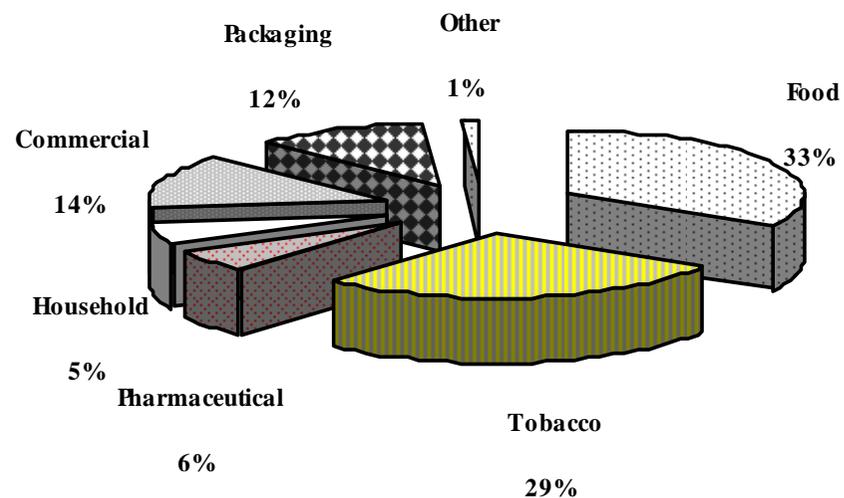


More about the company  
[www.rusal.ru](http://www.rusal.ru)

## Application fields of finished foil

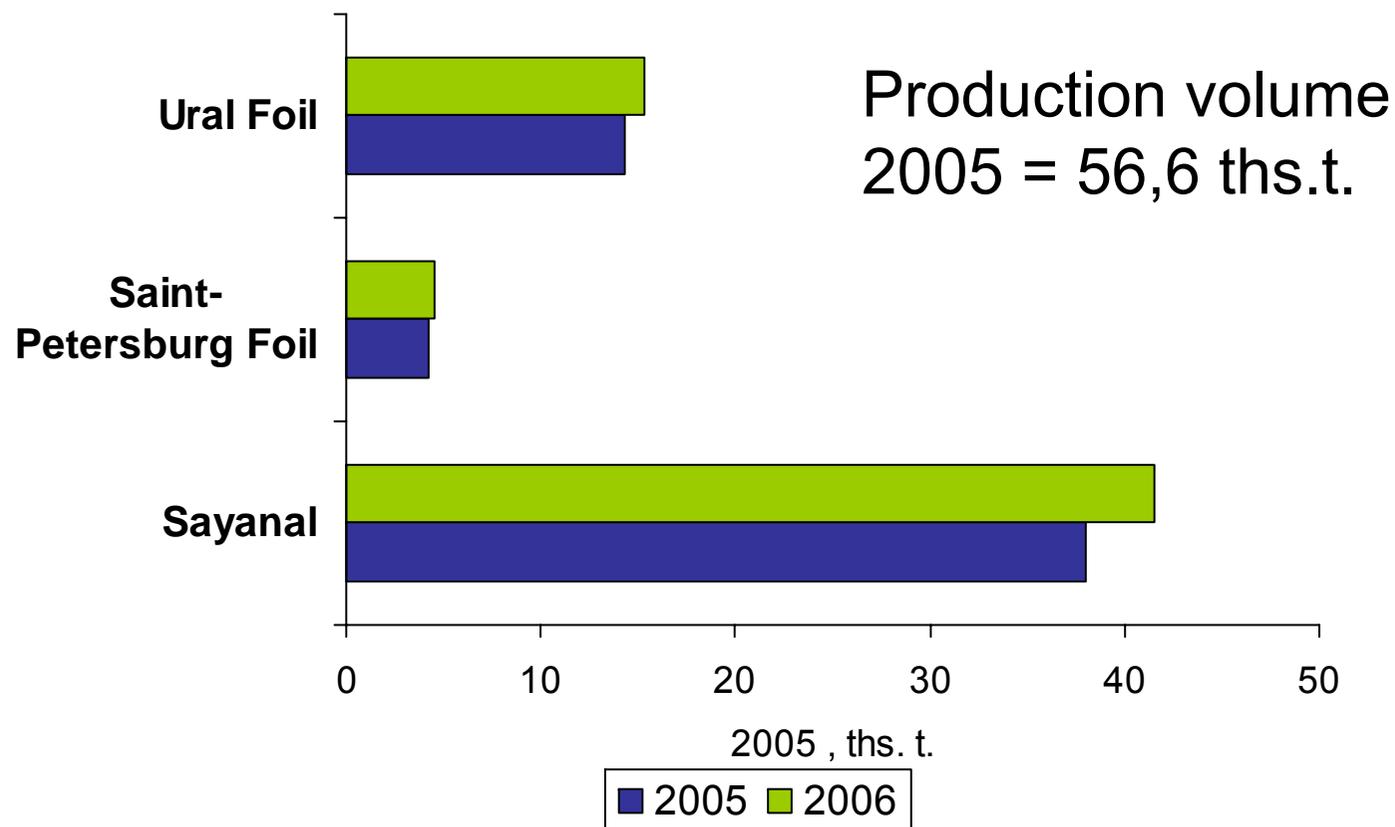
- **In food industry**
  1. Confectionary industry – packaging of chocolate candies and figures, bar chocolates, chewing gum, biscuits
  2. Dairy industry – unit-dose package for oil and fat products, cottage cheeses, processed cheeses, capping of dairy products, prepacked in plastic cans
- **Tobacco industry**
- **Pharmaceutical industry**
- **Electrical engineering**
- **Automotive industry**

# The structure of aluminium foil consumption in Russia in 2005



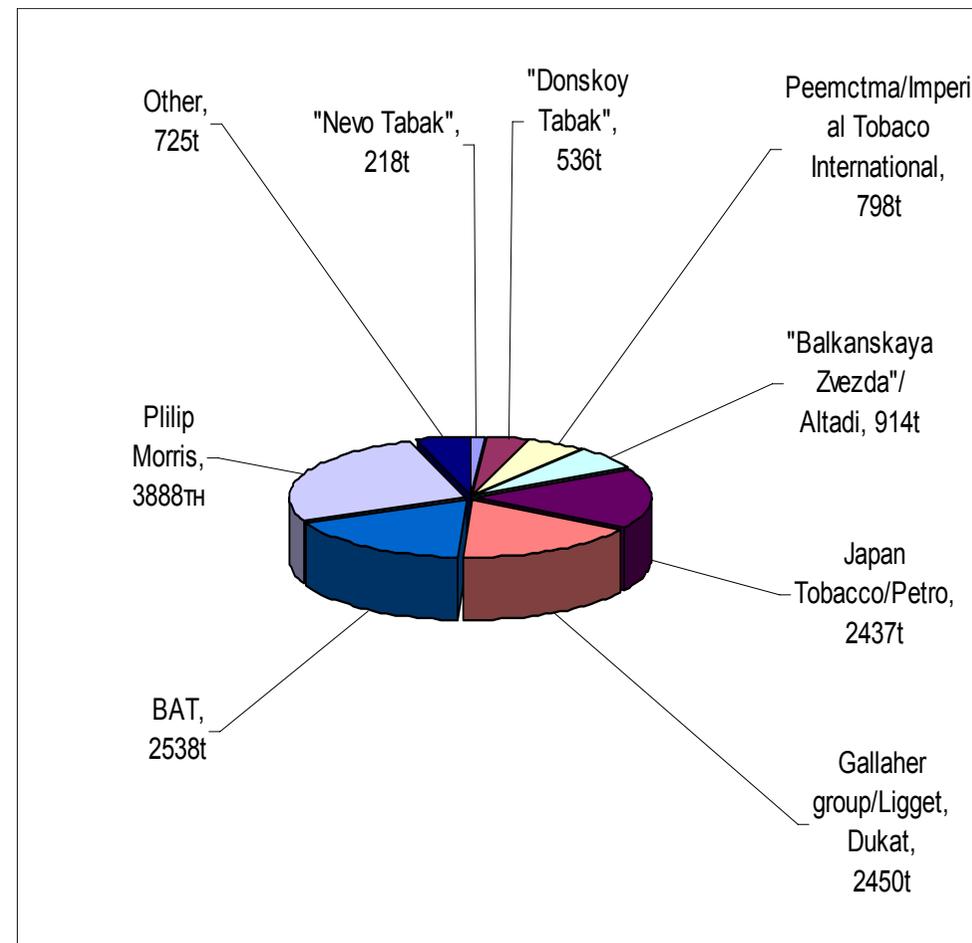
In 2005 principal demand was generated by the plants in food and tobacco industry  
Total consumption volume of these industries made up **62%**.

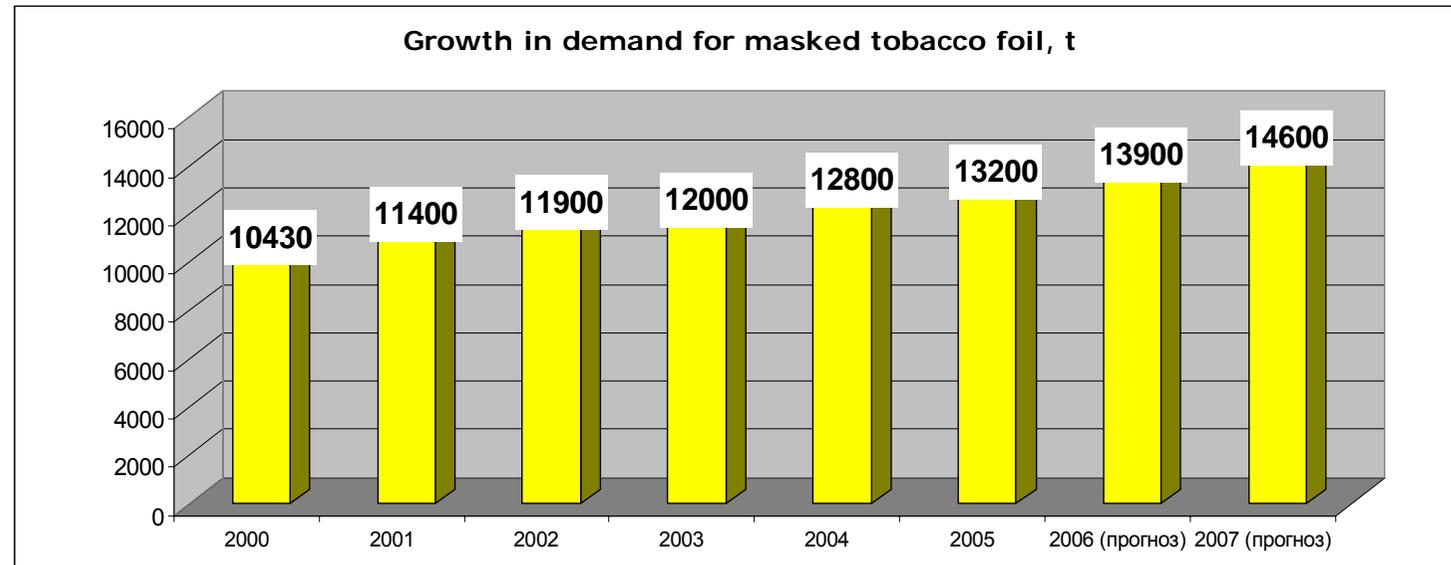
# Major producers of aluminium foil in Russia



# Tobacco industry

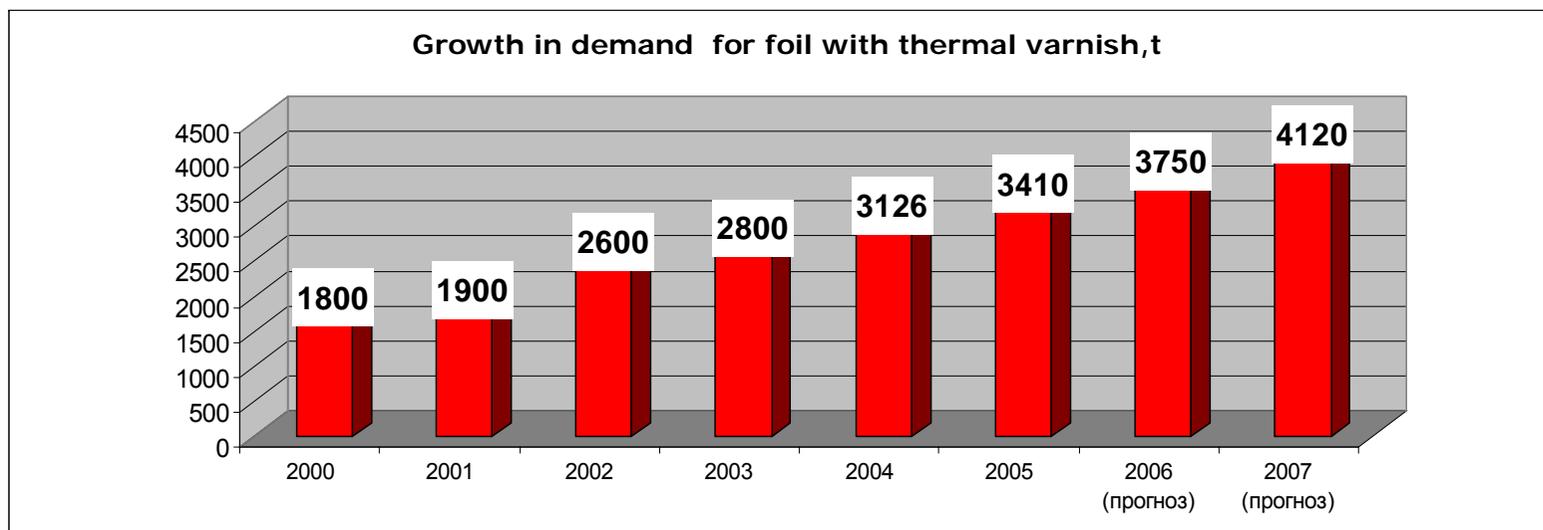
- In 2005 Russia produced **405 bln. cigarettes**, a record number since 2002 (390 bln.). Nonfilter cigarettes (without foil package) - 55 bln., there is a downtrend.
- **High concentration:** 10 leading producers account for 95,6% of products supplied to the market (a year ago, in 2004 – 92,8%).
- About **80%** of production is concentrated in Saint-Petersburg
- A large **84% share of products comes from abroad**
- Russia is one of the two countries displaying a **positive** dynamics of growth (the other is China)





## What could provide for such growth?

- Increase in share of light cigarettes, as well as slim format
- Increase in share of cigarettes in hard pack
- Reduction in share of nonfilter cigarettes, caused by the change in consumer preferences



- The industry uses foil with thermoadhesive (thermal varnish) coating for vacuum packing of consumer cans while packaging liquid products, as well as other types of foil, masked with parchment or water and fat resistant paper for unit dose packaging of butter, cottage cheeses and ice-cream
- Yogurts, sour-cream, puddings, processed cheeses etc;
- During 2005 sales volumes of premium yogurts increased by more than 10%, and by experts' estimates the capacity of this market is 600 t per month. Sales leaders are Danone (20%) и "Vim-Bill-Dan" (27%)

# Confectionary industry

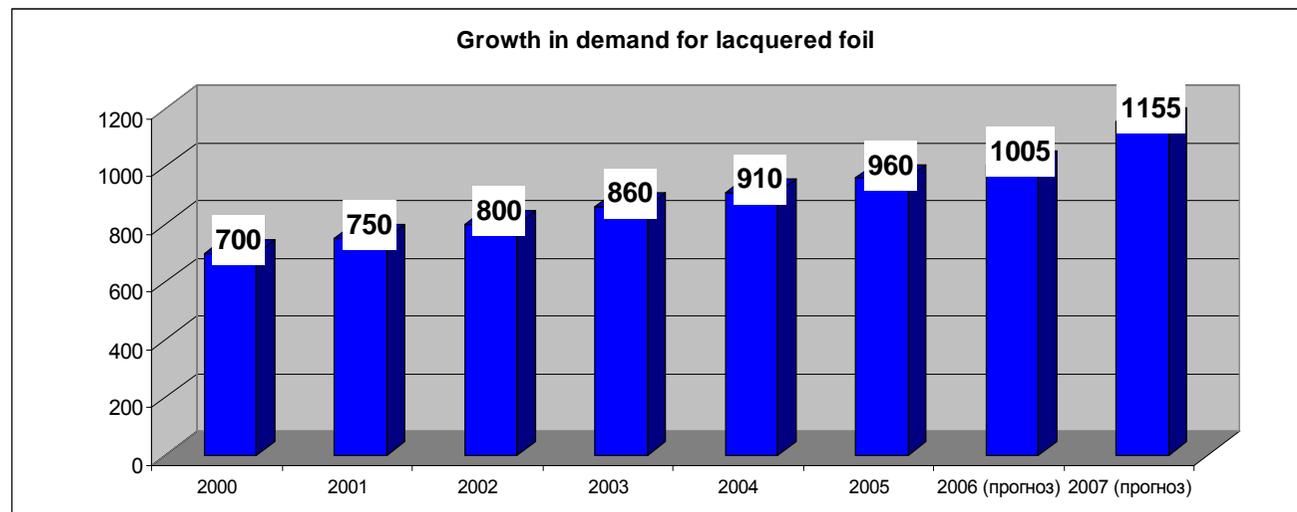
- Russia is the 4<sup>th</sup> in the world
- Major producers provide for **90%** of confectionary output in Russia,
- By forecast in future the highest rates of growth will be witnessed in the chocolate market: by the end of 2006 its volume will be **460 ths. t**, and in 2010 it will increase by 30%, up to **600 ths. t**

	2002	2003	2004	2005	2006
Volume of foil consumption in confectionary industry, ths.t.	4,4	4,6	4,7	4,9	5,1

## Plants in confectionary industry use the following types of packaging materials:

- Plain foil (hard, soft, soft with stamp printing)
- Foil masked with imitation parchment (with stamp printing)
- Foil masked with laminated paper
- Coloured foil, stamped foil (with stamp printing)
- Combined material «Safol» of BATL brand

# Lacquered foil for food industry



- Consumption growth is expected in 2006 due to development of processed cheeses market. At present the share of processed cheeses in total production volume accounts for 40%.
- The forecast for demand in foil for processed cheeses will make up **500 t.** keeping the dynamics of 10%-15% with tendency to import substitution
- According to the forecast the chocolate market will grow at the highest rates: by the end of 2006 its volume will reach **460 ths. t**, and in 2010 it will grow by 30%, up to **600 ths. t**
- Demand in foil for packing beer bottles will make up **155 t.**
- Total demand for lacquered foil 0,009-0,012 mm thick will make up **1055 t. by 2007**

# Household foil – characteristics of B2C and B2B markets



- **Stable growth of consumer welfare**
- **Constantly growing pace of life in big cities**
- **Commitment to healthy way of life**
- **Tendency to demand more convenient goods, helping to save time**
- **Heightened quality awareness**
- **Demand for premium and innovative products**
- **Strict quality control**
- **Applying new technologies in production**
- **In food industry: applying new recipes, new materials to make products**
- **Demand for high quality, cost-efficient products**



## A novelty in the Russian market

The primary trend in aluminium packaging is Growth of Demand for Aluminium Food Containers

The logo for Sayana, featuring the word "Sayana" in a bold, red, stylized font with a white outline, enclosed within a red, rounded rectangular border.

- Aluminium Food Container retains all the positive characteristics of foil:
  - Barrier properties
  - Hygienic properties
  - Light and space-saving package
  - Corrosion resistance
  - Possibility of quick disposal
- Thanks to «fold memory» Aluminium Food Container has another very important property: strength

# Substitute Materials

## 1. Metallized paper and film

- Low market cost of substitute materials
- In particular, **22,5%** of total use of combined material for packing cigarettes in the Russian market

## 2. Laminated paper

- At present its share makes up about 70% of production output

## 3. Polypropylene, multi-layer polyolefin material, cellulose with moisture resistant resins and special chemicals

## Trends and development peculiarities of foil-consuming industries

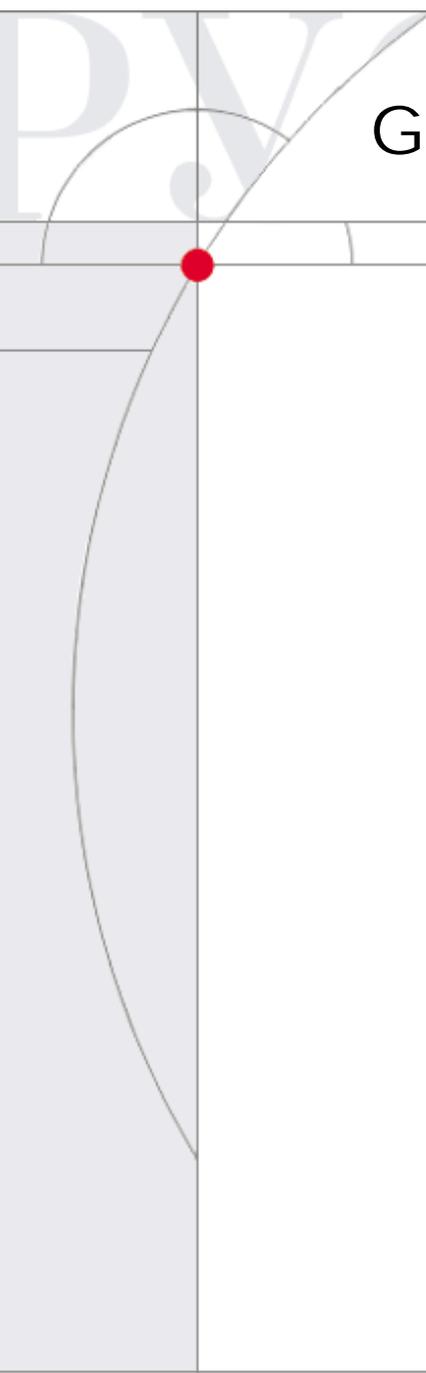


- Stable industry growth, including food industry = development potential of foil market approximately up to **52,4 ths.t** by the end of 2006
- Reduction in content of metal in materials based on aluminium foil – shift to the area of small thickness: **6-9 microns**, which is basically consistent with the world trend
- Breaking into the Russian markets of transnational companies (PM, ICN Ph., Nestle, Kraft foods etc.)
- Toughening requirements for the quality of surface, accuracy of geometrical dimensions, level and stability of mechanical properties
- Buyers are geared to low prices, which accounts for active application of paper-base and polymer-base materials– substitutes in tobacco, dairy, confectionary and meat industry
- The market develops under conditions when reduction or exclusion of import duties is expected as Russian Federation enters WTO, which makes competition more tough

## Achievements in the area of packaging materials



- **In April 2006 the first production lot of masked water-base foil coloured with lacquer for sliding, has been successfully tested at Sayanal.**
- **Bright shades of blue, turquoise, orange, grey and red colours were produced, which will make an addition to the external design of cigarette packets.**
- **Using water-base lacquers in cigarette production is innovative and is not yet widespread in the world industry. Applying water-base lacquers in production reduces the amount of harmful emissions. Using masked water-base foil in tobacco industry lessens the risk of packages having an impact on the products.**
- **Sayanal plant is the only Russian foil producer for tobacco industry. Products were certified and received qualifications from a number of international tobacco companies.**



# Growth Strategy

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