

Pulp Mill Holding Group: history, modernity, strategic plans



ARKHANGELSK PULP
& PAPER MILL

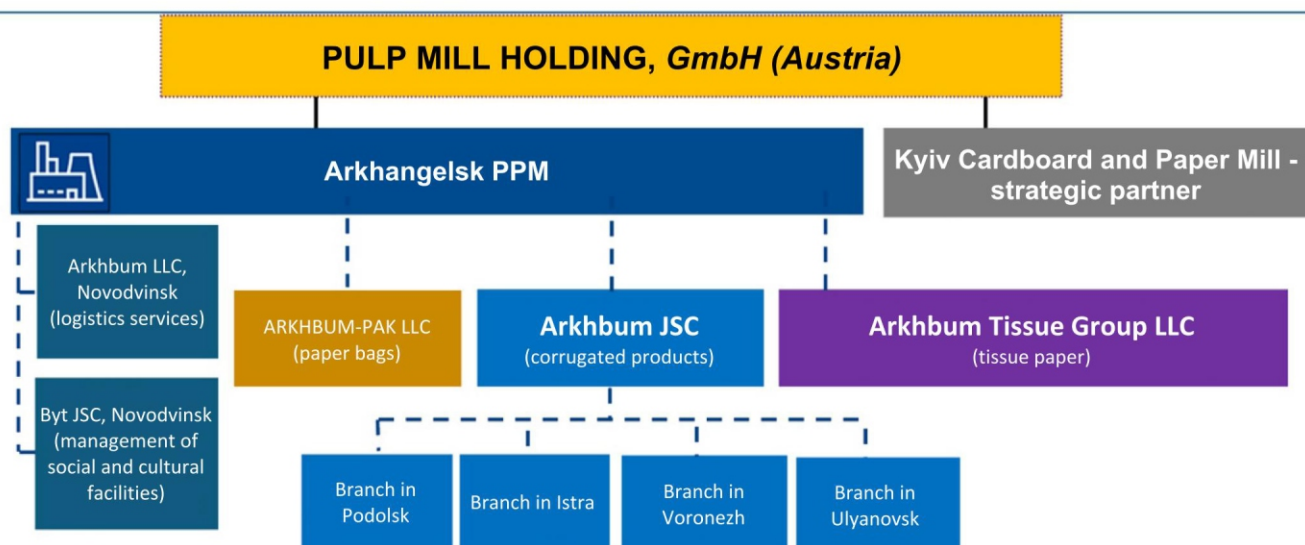




Pulp Mill Holding Group: history, modernity, strategic plans



PULP MILL HOLDING is an Austrian-German pulp-and-paper holding company (headquartered in Vienna, Austria) that produces paper, cardboard and packaging and has production facilities in Russia and Eastern Europe.



FORMATION OF THE PMH HOLDING STARTED WITH ARKHANGELSK PULP AND PAPER MILL

Arkhangelsk Pulp and Paper Mill
was founded in **1940**.

Since **1992** - a joint stock company.

Since **1997** - under the direction of V.Y. Krupchak's team.

1997-2002 - overcoming the crisis, restoring the full capacity operation of existing production facilities.

Since **2003** - expansion of the holding beyond Arkhangelsk region. Launch of the corrugated packaging plant Arkhbum JSC in Podolsk (Moscow region).



2004-2012 - implementation of the Arkhangelsk PPM modernization program in the conditions of first - attempted raider seizure of the company, - and then - the global economic crisis.

2013 - the second Arkhbum JSC corrugated packaging plant in Istra (Moscow region).

2012-2019 - implementation of a priority investment project in the field of forest development: reconstruction of cardboard production at the Arkhangelsk PPM.

2017 - the third Arkhbum JSC corrugated packaging plant in the "Maslovsky" industrial park (Voronezh).

2019 год - launch of phase one of the "Arkhbum Tissue Group" tissue paper plant in the "Vorsino" industrial park (Kaluga region).

2020 - the fourth Arkhbum JSC corrugated packaging plant in Ulyanovsk.
The first paper bag and packaging production plant "Arkhbum-Pak" (Kolomna).



APPM 2020 SUMMARY

- Pulp cooking - **994** thous. tons
- Market pulp production - **274** thous. tons
- Containerboard production - **607** thous. tons
- Paper production - **82** thous. tons, copybooks - **142** mln
- Sales revenue - **31.2** bln rubles (**377** mln euros)
- Number of staff - **4 129** people.
- Average monthly pay - **57,9** thous. rubles/person.
- **2.1** bln rubles paid in taxes to all budget levels





Production management

The Mill's products are FSC®-certified. The current FSC® certificate (FSC® trademark license code - FSC®-G002853) for the entire supply chain from manufacturer to consumer is valid through 20.02.2026.

We produce:

- Bleached sulphate pulp
- Linerboard
- Fluting
- Machine glazed (MG) paper

Investments in the technical development of Arkhangelsk PPM over the past 10 years amounted to **32.5** billion rubles, including **3.9** billion rubles in 2020.



CORPORATE RESPONSIBILITY

ENVIRONMENT

Priorities:

- efficient use of natural resources. Biopower industry development, responsible forest management, protection and restoration of forests;
- implementing measures to minimize negative environmental impact and making sure that production is in conformity with current international and national standards.

Starting from 2004, APPM maintains an environmental management system conformant with the requirements of ISO 14001 International Standard.

Climatic strategy

Arkhangelsk PPM was the first company in Russia to develop and implement a greenhouse gas emission monitoring procedure. In 2019, the total direct and power generation-related indirect emissions by Arkhangelsk PPM (including all subsidiaries and their branches) were 1,845,785 tons of CO₂-eq., which is 40% lower than the 1990 baseline, and 16% lower than the voluntary limit for GHG emissions set by the organization. In 2019, overall reduction in GHG emissions resulting from implementation of the carbon projects was 328 tons of CO₂ eq.

In 2020, Arkhangelsk PPM received the highest climate resilience rating according to CDP (an international project for disclosing data on greenhouse gas emissions) among all Russian companies. Based on the results of an independent assessment of the report presented by the company, APPM was again assigned an "A-" rating, as in 2018 and 2019.





PROTECTION AND RESTORATION OF NATURAL RESOURCES

Arkhangelsk PPM is an incumbent member of the Russian Association of Environmentally Responsible Timber Producers and engages in a meaningful dialogue with International Organization "Greenpeace", the World Wildlife Fund, addresses the issues of forest certification in the Arkhangelsk region, takes action to implement the principles of sustainable forest management.

On October 1, 2019, the Dvina-Pinega State Regional Integrated Nature (Landscape) Reserve was established by decision of the Arkhangelsk region government. The reserve has an area of **302** thous. ha, including **162** thous. ha contributed by Titan Group, Sawmill 25, and Arkhangelsk PPM.

In 2021-2023, Arkhangelsk PPM plans to build a Forest Selection and Seed Center (FSSC) in Novodvinsk with a capacity of **3.7** million seedlings per year.

WASTE MANAGEMENT AND ENERGY EFFICIENCY IMPROVEMENT

Arkhangelsk PPM is implementing the Environmental Efficiency Improvement Program (EEIP), approved by the Ministry of Industry and Trade of the Russian Federation and scheduled to run until 2030. The program includes over 20 environmental protection measures and provides for 18.2 billion rubles of capital investments.

The gasification program occupies a central position in APPM's EEIP. Its goals are to replace coal in the fuel balance of the company with less carbon-intensive natural gas and to reduce the discharge of pollutants into the Northern Dvina River by stopping the usage of the ash and slag dump.

By 2030, APPM plans to reduce the specific discharge of pollutants into the Northern Dvina River, measured in characteristic integral indicators, by 45% - 55%.





SOCIAL RESPONSIBILITY AND CHARITY

In **2020**, the Company spent **139.5** million rubles on the Plan to Improve Working Conditions, Health and Safety in accordance with the Collective Bargaining Agreement.

Arkhangel'sk PPM is the backbone company for Novodinsk, a city of some 40,000 residents, and the Company cooperates closely with the city administration and makes a significant contribution to the development of local social infrastructure, including:

- Support for children and youth sports
- Road repairs
- Construction of hospitals and kindergartens
- Landscaping the city
- Assistance to public organizations

In 2020 APPM continued to implement its project "EcoKids Novodvinsk", which involves four classes from Novodvinsk schools, and ecokids - children from kindergartens. The mill has organized and conducted environmental cleanup days, waste paper collection campaigns, contests and educational environmental classes for the ecokids. Arkhangel'sk PPM organized the third regional children's environmental conference for the participants of the "EcoKids" project. A traditional event was held to celebrate the day of the ecologist - 5 ecological days.



Contacts:

*Address: 164900, Russia, Arkhangelsk region,
Novodvinsk, Melnikov Str., 1
+7(81852) 6-35-00*

info@appm.ru

www.appm.ru

APPM – FOR THE CITY AND FOR THE PEOPLE

320 mln rub - budget for social responsibility programs

1,135 mln rub- environment protection activities

139.5 mln rub- measures to improve working conditions and health & safety

68.7 mln rub- charity and sponsorship

ARKHBUM TISSUE GROUP LLC



Following the strategy of vertical integration development in business, Arkhangelsk PPM is implementing an investment project to build a tissue mill in the village of Vorsino, Kaluga region.

3 construction stages

1. A tissue mill:

- 2 new product types
- 3 converting trains
- To be started up in 2019
- The total amount of investment in the project is 11.5 bn rubles.
- The maximum capacity of Phase 1 is **70** thousand tons per year

2. Expansion of production capacity to **140** thousand tons per year

- Own paper machine for the base tissue
- Second converting train, diversification of the product portfolio for final product production
 - To be started up in 2021
 - Investment amount - 1 bln rubles

3. Long-term development plan:

- Maximum capacity - **210** thous. tons/year
- Budget estimate - 17.5 bln rubles.





OUR PRODUCTS:

- Toilet paper
- Paper towels
- Base paper
- Extending the range in Phase 2 - other types of tissue out of paper and pulp





We make products under our own brands (including the brand Soffione, which has already won the loyalty of European consumers), as well as under our trade mark for our partners.

The key to high-quality products and efficiency of manufacturing processes is the creation of an Integrated Management System from the plant launch based on the requirements of international ISO standards:

- **ISO 9001** - ensuring the conformity of products and processes to the established requirements and increasing customer satisfaction;
- **ISO 45001** and **ISO 14001** - risk and opportunity management to create safe working conditions, prevent injuries and reduce the negative impact on the environment.

The quality and safety of products is confirmed by the necessary permits:

- Certificate of state registration
- Declaration of system conformity to GOST R





Our advantage is vertical integration, which provides the project with maximum resources:

1. FSC®-certified timber harvested on our own leased forest plots in the Arkhangelsk region.
2. High quality pulp produced by Arkhangelsk PPM. FSC®-certified.
3. Own logistics company with a modern fleet of auto and railway equipment.
4. Highly professional team of employees with unique long-term experience in the industry.
5. Own research and production facilities and strategic partnership with the Northern Arctic Federal University.



Contact information

Arkhum Tissue Group LLC

Industrial park "Vorsino"

*249010, Kaluga region, Borovsky district, Vorsino community,
Dobrinino village, 6th Vostochny proezd, building No. 8*

+7 (495) 1222415 +7 (495) 1222416

appm.ru, arkhum-tissue.ru



ARKHBUM JSC

The company was founded in **1994** as a subsidiary of the Arkhangelsk PPM.

Since **2000** it has expanded beyond Arkhangelsk region and began to develop its business in the Moscow region.

2003 - launch of the production facility in Podolsk, Moscow region

2013 - launch of the production facility in Istra, Moscow region

2019 - launch of the production facility Euro-Pak LLC in the industrial park "Maslovsky" in an industrial area of Voronezh.

2019 - construction of phase 2 of the Istra branch

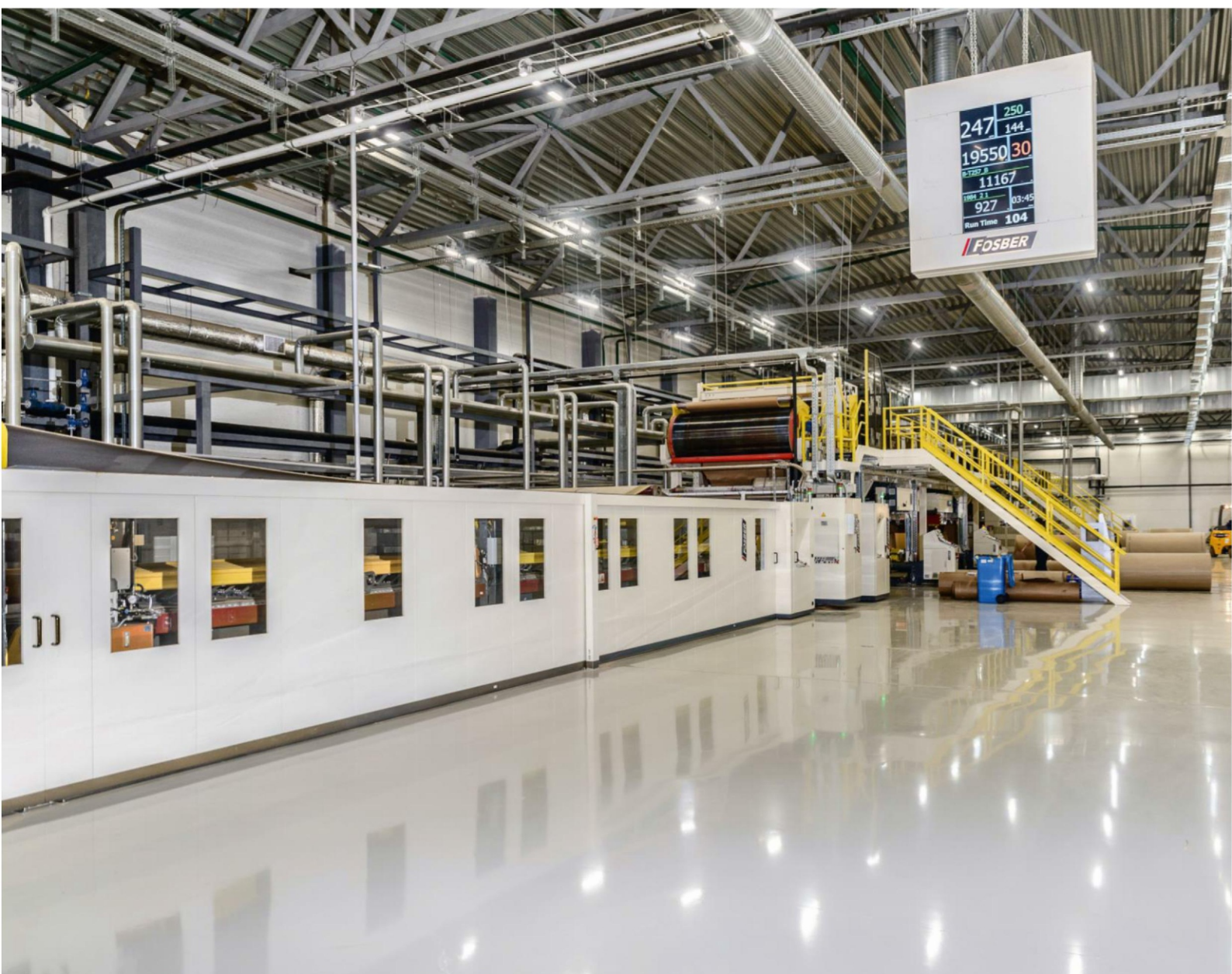
2020 - new production facility in Ulyanovsk



Amount of corrugated board produced
in **2020** - **508** mln sq.m.

Sales revenue - over **10.7** bln rubles (without VAT)

1,040 jobs



PRODUCTS

We produce corrugated cardboard packaging for all types of consumer goods.

Brown and white top boxes:

- Three-layer - grades **T22 to T27** (B, C, E profiles)
- Five-layer - grades **P31 to P35** (BC, CE, BE profiles)

RSC boxes:

- Standard and custom sizes
- Die-cutting (handle holes, vent holes)
- Truncated, short or overlapping flaps
- Perforated for easy opening
- Complex design bottom
- Multi-point gluing

Complex design boxes:

- Trays
- Show boxes
- Multi-point glued boxes





ARKHBUM PRODUCTION FACILITIES

All Arkhbum corrugated board production sites are equipped with the latest equipment from leading European manufacturers: Emba, Ward, Martin, Bobst, Masterfold, Misubishi, which allows us to produce high-quality products and satisfy any needs of our partners in high-quality and reliable corrugated packaging.

High product quality is also achieved by means of a comprehensive system of quality control, which takes place at all stages of the production cycle - from the acceptance of raw materials to the exit of finished corrugated boxes from production lines.

We offer not just corrugated packaging, but a comprehensive solution for the storage and transportation of your products, which will allow to:

- securely pack and preserve your products
- deliver them safely to the point of sale
- make them look good on the shelves
- save your money and increase profits

Contact information

ARKHBUM JSC Corrugated Products Facility

Address: 142111, Russia, Moscow region,
Podolsk, 5a Vishnevaya Str.

+7 (495) 500-09-95

+7 (495) 500-50-10

+7(495) 504-27-65

office@arkhbum.ru



PROSPECTIVE PROJECTS



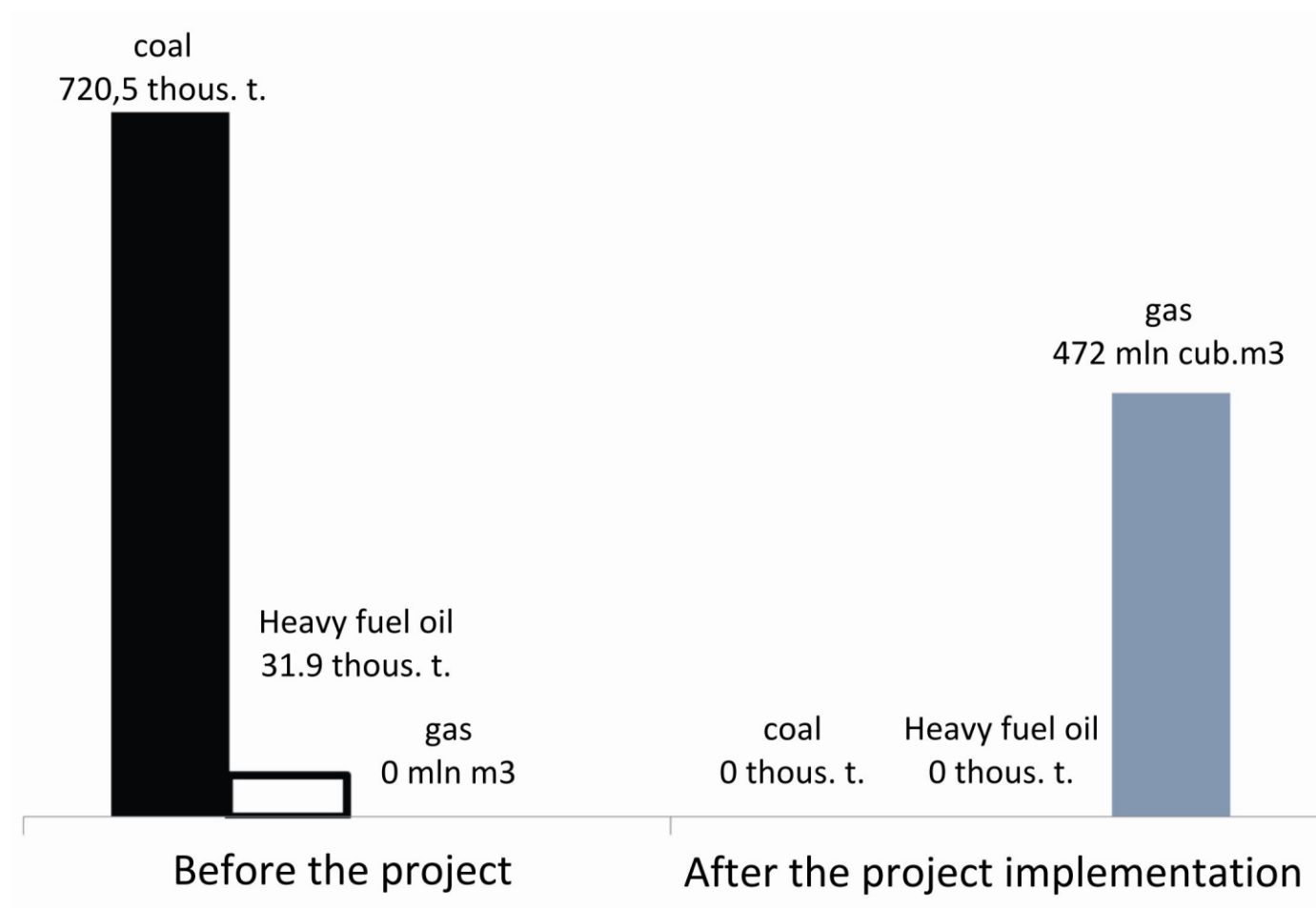
SWITCHING OF ARKHANGELSK PPM CHP-1 TO NATURAL GAS

Implementation period: **2021-2029**

Investment needs assessment:
5.7 bln rubles (without VAT)

Project goals:

1. replacement of worn out equipment.
2. reduction of specific fuel consumption and financial costs for the purchase of energy resources.
3. provision of reliable heat supply for Arkhangelsk PPM and Novodvinsk.
4. fulfillment of voluntarily assumed obligations to reduce greenhouse gas emissions
(target - 1.4 mln tons of CO₂ equivalent per year)





CONSTRUCTION OF BM-3 WITH A CAPACITY OF 700 THOUSAND TONS/YEAR

Preliminary design of the new BM-3 for Arkhangelsk PPM was completed in 2018 by Arkhgirobum JSC and Valmet.

According to the design, the new BM-3 will produce wood-free kraftliner (cardboard for flat layers of corrugated cardboard) in the weight range from 80 to 200 g/m².

The design capacity of the board machine will be 1970 tons of finished products / day. (the estimated weight of the commercial cardboard will be 140 g/m²).

Trimmed machine width - 10500 mm.
Operating speed - 1300 m/min.

Total machine length 172 m + 47 m
per packaging conveyor line.

Construction will be carried out at Arkhangelsk PPM site.

The project implementation period - 4.5 years.





ARKHBUM LINER - RECYCLED BOARD PLANT FOR PRODUCTION OF CORRUGATED PACKAGING

Capacity - 362 thous. t/year


Project budget - 19.6 bln rubles

The project is aimed at selling testliner and fluting to the own corrugated production facility of ARKHBUM JSC.

ARKHBUM UPAK - PAPER BAG PRODUCTION PLANT

Eco-friendly alternative to plastic packaging.

A contract was signed for 3 paper bag production lines. The first line will be delivered in March 2020 and will be temporarily installed in the Moscow region. The second and third lines are planned to be installed in the Kaluga Region (IP Vorsino).





ARKHANGELSK PULP
& PAPER MILL

**Joint-Stock Company
"Arkhangelsk Pulp & Paper Mill"
(APPM JSC)**

164900, Russia, Arkhangelsk region,
Novodvinsk, Melnikov Str., 1
+7 (818-52) 6-35-00
appm.ru