UNITER

Transportation and Logistic infrastructure

TRANSPORTATION AND LOGISTICS INDUSTRY

75 thou km of paved roads and 5,5 thou km of railroad lines

Road and rail networks are well-developed in Belarus. High-quality roads constitute 86 % of the total road network. The road network in Belarus incorporates all types of road, including modern highways, which are the components of the Pan-European transport corridors.

The level of railway electrification reaches 17%

At present, the railways has only 17 % of its network electrified, while the government is taking a wide range of actions to improve the existing infrastructure.

In 2015, freight transportation by all modes of transport decreased by 4,3 % to 447,2 mn tons

In 2015, freight transportation totaled 447,2 mn tons showing a decline of 4,3 % as compared to 2014.
The bulk of the freight transportation is accounted for road transport (40,3 %).

Belarus has all necessary preconditions for the logistics industry development

Belarus is located at the intersection of the Pan-European Transport Corridor II East-West and IX North-South with Branch IX B.

The supply of modern warehouse space totaled 870 thou sq m (38 warehouse facilities)

Since the rapid growth took place within logistics and modern warehouse property, 38 objects have been constructed. In 2015, the aggregate supply totaled 870 thou sq m, while the floor space of Class A and Class B warehouses constituted more than 640 thou sq m.

High-quality warehouse space is expected to increase by 190 thou sq m

Approximately 10 warehouse facilities, with a total floor space of about 190-210 thou sq m, are expected to be put into operation during 2016-2017. The aggregate supply is mainly composed of Class A warehouse complexes, which are located at the intersection of highways and trunk railways.

The State Program of Logistics System Development until 2020 facilitates the active development of the logistics industry

The State Program of Logistics System Development until 2020 has been developed in 2016. It is projected to attract more than USD 790 mn investment in logistics infrastructure, increase the Class A and Class B warehouse space by 23 % to 0,9 mn sq m, increase the freight turnover of logistic centers by 4,3 times to 34,9 mn tons per year, and create more than 5 000 new jobs.
The implementation of the State Program is expected to increase companies' total revenues derived from logistics services activities to BYR 7,3 tn by 2020. The State Program is focused on the outrunning growth in services provided by transport and logistics centers (by 2,6 times to BYR 4,9 tn) as well as wholesale logistics centers (by 3,7 times to BYR 0,8 tn).

TRANSPORTATION AND LOGISTICS INDUSTRY

Transportation system

The transportation system of Belarus consists of rail, auto, water, air, and pipeline transport.

According to the preliminary data for 2015, the share of the transportation and communication sector in the GDP decreased by 0,2 percentage points and amounted to 7,7 %. Such a relatively low contribution of transportation services to the GDP is mainly explained by the insufficiently rational use of existing resources as well as high resource intensity.

Belarus is located at the intersection of the Pan-European transport corridor II East-West and IX North-South with Branch IX B.

The role of Belarusian transportation network is defined as cross-border transportation network since the country is located at the crossroads of the major European routes. Minsk is 215 km away from Vilnius, 470 km from Riga, 550 km from Warsaw, 580 km from Kiev, 750 km from Moscow, and 1060 km from Berlin. The country’s greatest length, north to south, is 560 km, and its greatest width, east to west, is 650 km. Belarus shares its borders with Russia to the south and east, Ukraine to the south, Poland to the west as well as Lithuania and Latvia to the north-west. Belarus is the part of the main Trans-European transport axis.

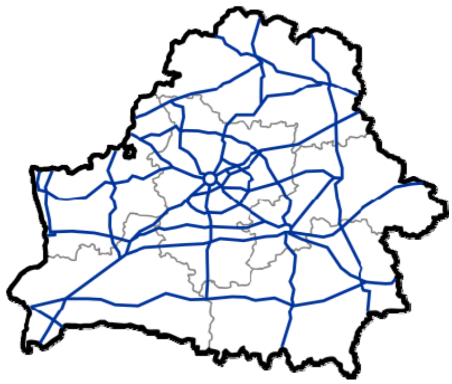
Belarusian Railway uses track gauge of 1520 mm and 1524 mm, the operational length of railway lines — 5491 km, with 1128 km of electrified railways which accounts for 20,5 % of the total railway network. Belarusian Railway National Union is a railway network operator in Belarus, which handles 75 % of the total freight traffic and more than 50 % of the total passenger traffic.

The country’s public roads have a total length of 101,6 km, with more than 86 % of paved roads. Belautodor Holding Company is a republican body of state management in the field of automobile roads and road activity.

The major pipelines, that are necessary for the transportation of Russia’s energy resources to the European energy market, cross the territory of Belarus. The total length of pipeline network is 11 657 km, almost two-thirds of which are gas pipelines. The Druzhba transit oil pipeline and the Yamal Europe gas pipeline run across the territory of Belarus. Besides, oil product pipeline network, which is connected with Russian oil and gas product pipelines and has an access to Western Ukraine and the port if Ventspils, is also set up on the territory of the Republic of Belarus.

The total length of public railway tracks (km)	5491
The total length of electrified railways (km)	1128
Railway electrification level	20,5%
Public roads (thou km)	101,6
Paved roads (thou km)	87,6
High quality road surface	86,2%
The total length of gas pipelines (km)	7920
The total length of oil pipelines (km)	2983
The total length of oil product pipelines (km)	754

Automobile road map of Belarus



Railroad map of Belarus

Source: Belarusian Railway

Pipeline map of Belarus

Source: Beltransgaz

TRANSPORTATION AND LOGISTICS INDUSTRY

Transportation services

In 2015, freight transportation decreased by 4,3 % compared to 2014 and totaled 447,2 mn tons. Road transport is the main mode of freight transportation, which amounted to 180 mn tons or 40,4 % of the total freight. These figures also indicate the activity of individual proprietors, which are engaged in freight transportation. It should be noted that the share of this mode of transport have slightly decreased in 2015 compared to 2014, when this indicator amounted to 41 %.

Road, rail and pipeline transport keep the largest shares in the structure of freight transportation by mode of transport, amounting to 40,3 %, 29,4 % and 29,6 % respectively. The volumes of freight transportation by each mode of transport have changed multidirectional. The increase was seen only in the volume of pipeline transportation (+1,5 %), while rail, road, air and water freight transportation experienced their decline in volumes, with the largest slump in water freight volumes (-21,2 %), air freight volumes decreased to a smaller degree (-4,6 %).

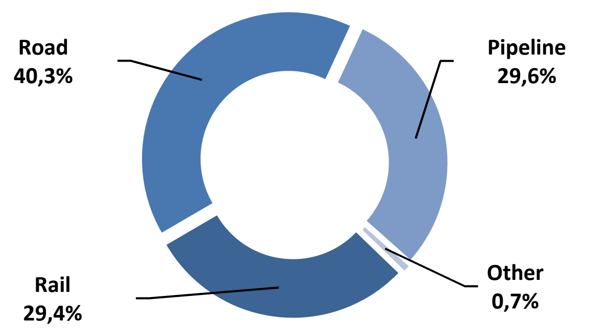
Significant annual seasonal fluctuations are typical for air freight transportation. During the period 2007-2010, air freight volumes constituted 20 thou tons per year. The indicator fell by one half in 2011, but next year it doubled as compared to 2011. In 2013, air freight transportation experienced its decline again; it dramatically increased three-fold in 2014 and fell slightly in 2015, amounting to 39 thou tons.

In 2015, freight turnover by all modes of transport constituted approximately 126 bn ton-km and decreased by 4,1 % compared to 2014.

Rail freight turnover was slightly affected by the financial crisis of 2009 showing a decline of 12,3 %. But there has been a gradual recovery in growth since 2010, so that the indicator reached its pre-crisis level in 2011. The decrease in rail freight turnover amounted to 2 % in 2013 and 9 % in 2013. However, inconsiderable increase in rail freight turnover was seen again at the end of 2014. In 2015, the indicator decreased again by 9,4 % and amounted to 40,8 bn ton-km. In general, there are no significant changes in rail freight turnover. It amounts to about 45 bn ton-km on average. Water and road freight turnover decreased in 2015, while water freight turnover has already been falling for several years.

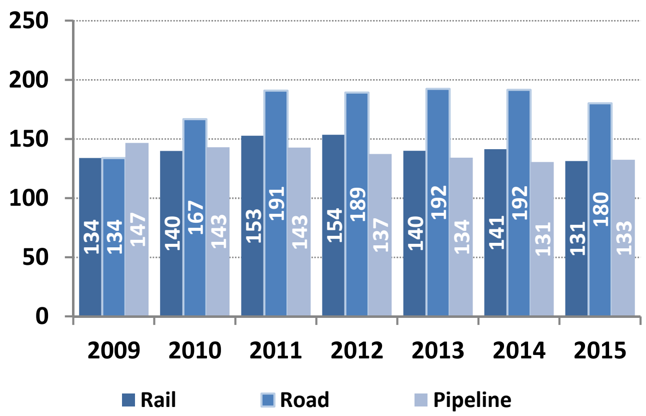
Nonetheless, pipeline freight turnover, which exceeded 60,5 bn ton-km in 2015 or more than 48 % of the total freight turnover, still remains the highest. It is followed by rail freight turnover, which totaled 40,8 bn ton-km. Water freight turnover had the largest decline in 2015, while air freight turnover experienced the largest increase (+18,5 %). After 5 years of steady growth, road freight turnover saw its decline and totaled 24,5 bn ton-km.

Structure of freight transportation by mode of transport: 2015



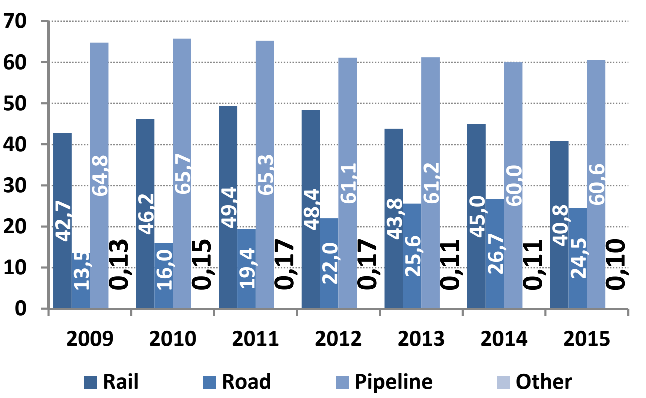
Source: National statistical committee of the Republic of Belarus

Freight transportation by mode of transport: 2009 - 2015 (thousand tons)



Source: National statistical committee of the Republic of Belarus

Freight turnover by mode of transport: 2009-2015 (billion tons per km)



Source: National statistical committee of the Republic of Belarus

TRANSPORTATION AND LOGISTICS INDUSTRY

Transportation services

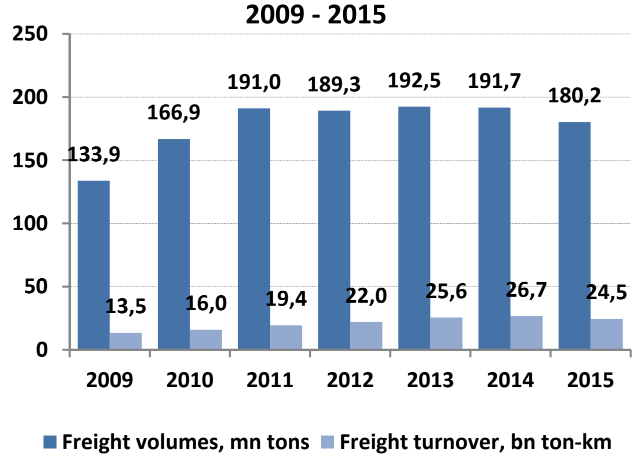
ROAD TRANSPORT

In 2015, there were approximately 4 500 companies, which provided freight transportation services in Belarus. Both national and foreign international haulers, presented mainly by Russian organizations, numerous private and public companies providing their freight and passenger transportation services inside the country operate in the industry.

In 2015, road freight volumes decreased by 6 % and totaled 180,2 mn tons, with 101,5 mn tons of freight transported by specialized organizations, the share of which constituted 56,3 % of the total amount and remained almost unchangeable since 2014.

In 2015, road freight turnover also decreased by 8,3 % compared to 2014. Thus, beginning from 2009, the total growth of road freight volumes constituted 46,4 mn tons (+34,6 %), while the growth of road freight turnover totaled 11 bn ton-km (81,5 %).

Road freight volumes and turnover: 2009 - 2015



Source: National statistical committee of the Republic of Belarus

RAIL TRANSPORT

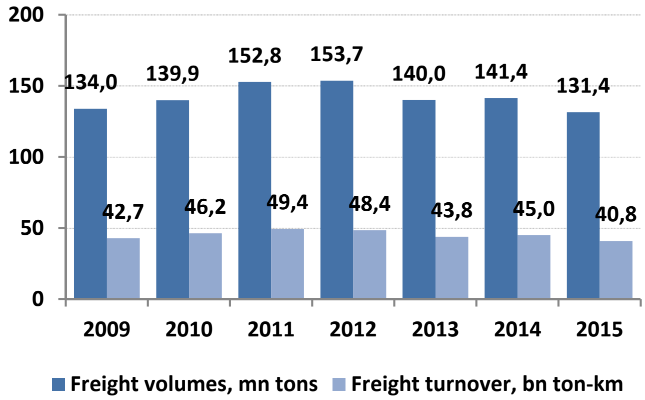
Belarusian Railway, a state-owned association operating directly under the Ministry of Transportation and Communications, dominates the Belarusian market of rail freight transportation. Besides, Belarusian Railway is the only rail transport operator in Belarus.

Rail freight volumes and turnover were gradually increasing during 2009-2012. The turnover slightly decreased in 2012. Both indicators dropped significantly in 2013, then they slightly increased next year, but have continued to decrease in 2015.

In 2015, rail freight volumes totaled 131,4 bn tons, with 38,3 bn tons of transit freight traffic. The total volume of rail freight transportation decreased by 7 %, while the volume of transit freight traffic declined by 15 %.

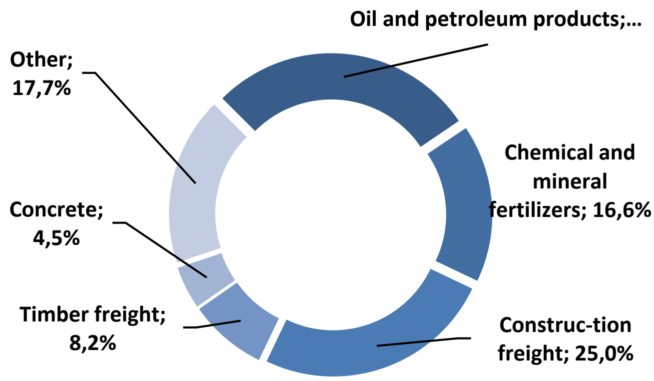
The structure of transported goods showed no significant change in 2015, compared to 2014. Raw material resources and construction freight belong to the main types of goods that were transported in 2015, which account for 70 % of the total volume of goods transported by rail. It was seen an increase in the percentage of chemical and mineral fertilizers (from 15,7 % to 16,6 %) as well as oil and petroleum products (from 25,6 % to 28 %), while the percentage of construction freight slightly decreased from 28,8 % to 25 %. The share of other goods transported by rail constituted 17,7 %.

Road freight volumes and turnover: 2009 - 2015



Source: National statistical committee of the Republic of Belarus

Structure of goods transported by rail: 2015 (%)



Source: National statistical committee of the Republic of Belarus

TRANSPORTATION AND LOGISTICS INDUSTRY

Transportation services

PIPELINE TRANSPORT

Pipeline transport is a strategic mode of transport, which has a function of transit transport since Belarusian pipeline network is necessary for transportation of natural gas and oil from their extraction spots in Russia to European countries.

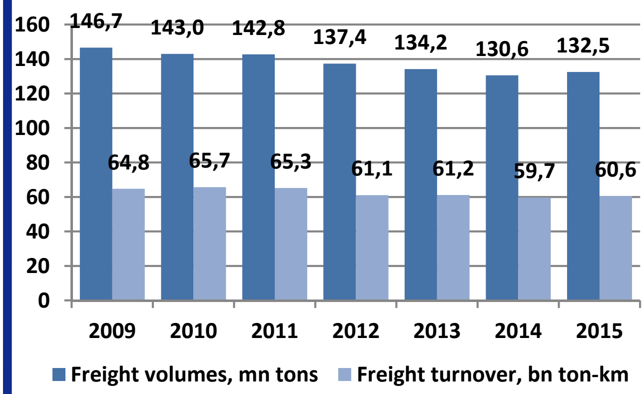
OJSC Beltransgas (PJSC Gazprom) exploits 5 compressor stations and the Belarusian part of the Yamal-Europe main gas pipeline, which belongs to PJSC Gazprom and has 575 km of the line pipe in length.

OJSC Gomeltransneft Druzhba and OJSC Polotsktransneft Druzhba, which are the members of the Belarusian State Concern for Oil and Chemistry, exploit the Druzhba oil pipeline.

In 2015, pipeline freight volumes totaled 132,5 mn tons and increased by 1,5 % compared to 2014. It should be noted that this indicator has been decreasing for the last 7 years until 2015.

Pipeline freight turnover has also been decreasing for the last 7 years, apart from 2010 and 2013, when it showed insignificant growth. In 2015, it totaled 60,6 bn ton-km, which is 1,5 % higher compared to 2014.

Pipeline freight volumes and turnover: 2009 - 2015



Source: National statistical committee of the Republic of Belarus

AIR TRANSPORT

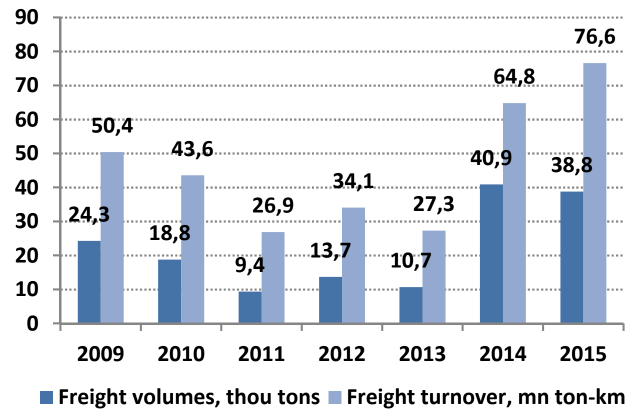
Belarusian air transport is composed of companies, which provide their freight and passenger air transportation services performed both inside and outside the country. All of them are state-owned companies, which are under the authority of the Aviation Department of the Ministry of Transportation and Communications of the Republic of Belarus.

RUE National Airport Minsk is the major airport in the Republic of Belarus. RUE National Airline Belavia and JSC Transaviaexport Airlines are the largest airlines in the market.

In 2015, air freight and mail volumes totaled 38,8 thou tons and decreased by 5,1 % compared to the previous year. By contrast, the turnover increased by 18,2 % and amounted to 76,6 mn ton-km.

In 2015, air passenger turnover constituted 3,16 bn passenger-km, which is 3 % higher than in 2014. Thus, passenger flow has been annually growing since 2008.

Air freight volumes and turnover: 2009 - 2015



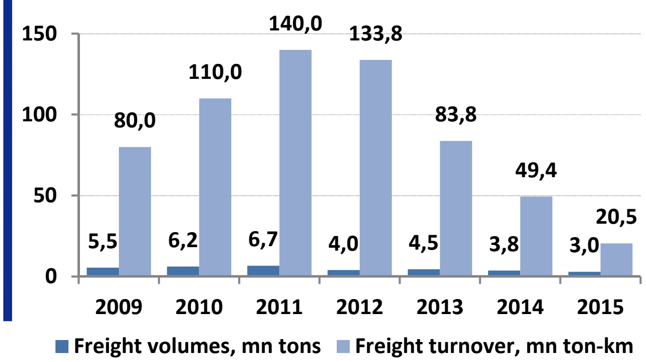
Source: National statistical committee of the Republic of Belarus

INLAND WATER TRANSPORT

10 river ports and forwarding companies, offering inland and maritime transportation services, operate in the river transportation system of Belarus.

In 2015, water freight volumes amounted to 2,96 mn tons and decreased by 21,2 % compared to 2014. The turnover dropped even more, it decreased by 58,5 % and totaled 20,5 mn ton-km.

Water freight volumes and turnover: 2009 - 2015



Source: National statistical committee of the Republic of Belarus

TRANSPORTATION AND LOGISTICS INDUSTRY

Logistics infrastructure

The logistics system of Belarus is based on the effective use of its geographical location. The routes, connecting the EU countries with Russia, Kazakhstan and other Asian countries, run across the territory of Belarus.

Belarus is located at the intersection of the Pan-European Transport Corridor II East-West and IX North-South, with Branch IX B. It gives the opportunity to increase the volume of passenger and freight transit through the country.

The logistics industry is driven by the following factors: the existence of the Pan-European transport corridors running across the territory of the Republic of Belarus; the use of country's transit capacity; the development of trade relations with state-members of the CU (Russia and Kazakhstan). Belarusian Railway takes part in different transcontinental transport routes: Viking, the Kazakhstan vector, the East wind, Mongolian vector and Volkswagen RUSS. The haulage industry has got a broader market and the intense traffic in both directions (Far East-Europe).

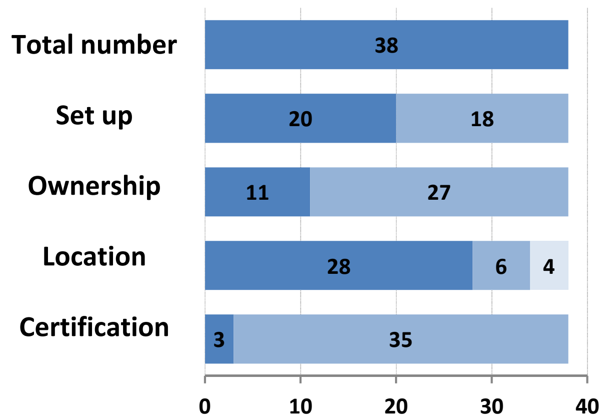
As at 28 January 2016, 38 logistics centers operated in Belarus: 20 of which were set up within the State Program of Logistics System Development until 2015, although 50 logistic centers had been planned to be constructed. 11 logistics centers provide freight customs clearance services, but only 8 logistics centers are combined. 4 logistics centers have commodity exchange warehouses. As it was earlier, Minsk region, particularly the location behind the Minsk Ring Road which is close to Pan-European transport corridors II and IX, along with the Brest region, which borders with Poland, remain the most attractive regions for the construction of the logistics centers. Thus, 28 out of 38 logistics centers are located in Minsk region, while 6 logistics centers are set up in Brest region. 11 logistics centers are state-owned; the construction of others was funded by both national investors and foreign investors from Russia, Azerbaijan and Iran. Three business entities successfully gained certification to STB 2306-2013 for their logistics services, and now they formally comply with the category "logistics center". 4 new logistics centers are planned to be put into operation in 2016, and another two - in 2017.

The Belarusian government has also adopted the State Program of Logistics System Development for 2016-2020, the main objective of which is to double the income from logistics activity by 2020.

The major logistics real estate operators are the following companies: RUE Beltamozhservice, which is the largest operator in the logistics services market of Belarus; JLLC Brestvneshtrans, JSC Trade-Logistics Center Ozerco-Logistic, JSC Belmagistalavtotrans, RTFUE Belintertrans-transport-logistics center, JV Transit, CJSC Alsan, LLC BelVingesLogistic, CJSC Belrusinvest, LLC L-BIT Group (Belintertrans), State Enterprise BTLC and other.

Transport corridors and logistics infrastructure

Logistics centers in Belarus



Source: UNITER

TRANSPORTATION AND LOGISTICS INDUSTRY

Logistics. Current supply

Major logistics services suppliers in the Belarusian market:

- professional players in the retail market, providing services for their own use (ProStore, Evroopt, 5 element, Elektrosila and other);
- professional players in the wholesale market, providing services for storage and distribution of goods to customers' retail facilities (MostraGroup, Evrotorg, Elektrosila and other);
- modern manufacturing organization providing services for effective distribution and export supplies (i.e. food industry);
- professional players in the warehousing and logistics services market (BLT-Logistics and other);
- professional players in the transloading and logistics services market or multimodal transportation market (Beltamozhservice, Belinvestlogistic).

Besides, the logistics companies, which have necessary storage infrastructure, have been rapidly growing since the beginning of 2009.

The bulk of warehouse and logistics complexes fell into the category of Classes C and D according to the European classification. But now Class A logistics terminals, which have been being constructed since 2011, are taking the market to the next level.

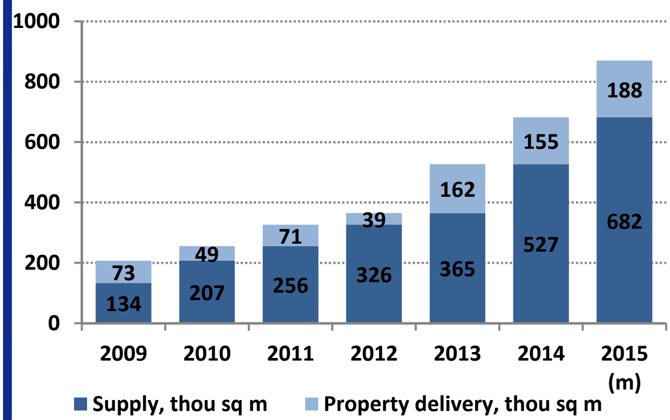
At the beginning of 2016, according to expert estimates, the aggregate supply of high-quality warehouse property totaled approximately 870 thou sq m. The total warehouse floor space of Class A and Class B warehouses amounted to 640 thou sq m, public warehouse floor space totaled 510 thou sq m, the total floor space of temporary storage warehouses and customs warehouses constituted 90 thou sq m, and the total floor space of low-temperature and refrigerated warehouses amounted to 40 thou sq m.

Total warehouse space of 6 largest warehousing and logistics property providers

Location	Developer/Provider	Destination	Class	Total floor space, sq m
Minsk district (Obchak) - 2 stage	FPUMCE BLT-Logistic	warehousing services	A	43 400
Belrusinvest Logistics Center, Minsk, 4-th Montazhnikov lane, 6	JCJSC Belrusinvest	warehousing and logistics services	A	41 200
Point Logistics Logistics Center, Minsk disctrict, Dubovlyany village,	CJSC Point Logistics	warehousing and logistics services	A	40 000
Minsk district, Dubovlyany	CJSC Lekt	warehousing services	A	37 700
Minsk district (Ozertso)	OJSC Trade-Logistics Center Ozertso-Logistic	warehousing and logistics services	B	34 900
Minsk district (Prilesie) - 1 stage	Individual Proprietor Keyson	logistics services	A	30 000

Source: UNITER

Warehouse and logistics property supply



Source: UNITER

Location of high-quality warehouse and logistics complexes commissioned in 2014-2015

Source: UNITER

1 – Warehouse complex Severny is situated near Minsk-Myadel highway
2 –Station Kolyadichi
3 – Privolnyi (2 stage)
4 – BLT-Logistic (3 stage)
5 – BelVingeslogistic (2 stage)

According to expert estimates, the total floor space of Class A and Class B logistics centers will increase by 110 thou sq m and amount to more than 750 thou sq m by the end of 2016. It is expected to increase to 860 thou sq m in 2017 and reach 1 mn sq m in 2018.

TRANSPORTATION AND LOGISTICS INDUSTRY

Logistics. Future supply

13 projects, with the announced floor space of 275 thou sq m, are currently under active construction until 2018. Some major projects include the construction of warehouses. A number of warehouses, with a total floor space of 190-200 thou sq m, are expected to be put into operation in 2016. The future supply will be mainly composed of Class A logistics properties.

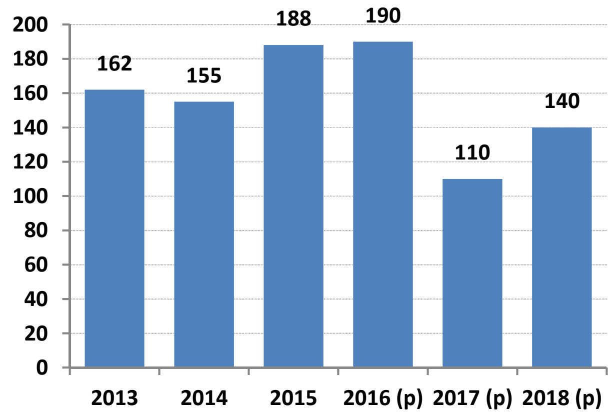
New projects of the modern warehouse and logistics complexes are annually announced, some of which are constructed for the own use of operators, large retail chains in particular.

Trends in the future supply of the warehouse and logistics property:

- the construction of distribution centers of large food manufacturers (exports, and goods supplies within the country);
- the construction of warehouse and logistics complexes, which are used by large food and non-food retail chains as distribution centers for the delivery of goods to their retail stores;
- the development of large transloading logistics complexes (or multimodal logistics centers), which provide cross-border services;
- the development of large warehouse complexes, which provide their services (transportation, consignment warehouse, etc.) to legal entities.

Nevertheless, a number of factors led to the decline in the investment attractiveness of the logistics centers construction in Belarus: the decrease in demand for warehousing services, rental rates, and prices of safe custody services. Thus, in general, logistics services providers are seeing extremely low profitability.

Monitoring and prediction of warehouse and logistics property delivery (thousand sq m)



Source: UNITER

Location of warehouse and logistics property projects under construction or announced (planned date of commissioning: 2016-2017)

Source: UNITER

1 – Prilesie (2 stage)
2 – Interstroyportal Plus(2,3 stages)
3 – Nordalfalogistic
4 – Belmedinfarm

Biggest under construction and announced projects (planned date of commissioning: until 2017)

Location	Developer/ operator	Destination	Class	Total floor space, sq m
Minsk district (Prilesie) - 2 stage	Individual Proprietor Keyson	logistics services	A	36 000
Minsk district (Prilesie) - 3 stage	Individual Proprietor Keyson	logistics services	A	55000
Smolevichi district (the Great Stone Industrial Park) - 1 stage	China Merchants Group	warehousing and logistics services	A	51 000
Minsk district (Drozdovo)	Haleks	warehousing and logistics services	A	35000
Minsk district (Elnitsa)	A-100 Development	warehousing services	A	13000
Grodno district, near the border crossing point Bruzgi	FPLUE Vlate Logistic	logistics services	A	20000
Grodno district, near the border crossing point Kamennyi Log	RUE Beltamozhservice	logistics services	A	18000
Grodno district, near the border crossing point Berestovitsa	FPLUE Vlate Logistic	logistics services	A	10000

Source: UNITER

TRANSPORTATION AND LOGISTICS INDUSTRY

Logistics. Demand and prices

In 2015 for the first time in a long period, the supply of warehouse facilities significantly exceeded the demand in Belarus, which led to the decrease in rental rates and increase in vacancy rates for facilities. It was not only economic crisis that facilitated such a situation, but also the growth of some retail operators, which are the main creators of demand for warehouses in the country. Retail chain Dobronom in particular, which is currently being managed by retail chain Evroopt, has exploited no longer warehouse facilities since the retail chain acquired its own distribution centers.

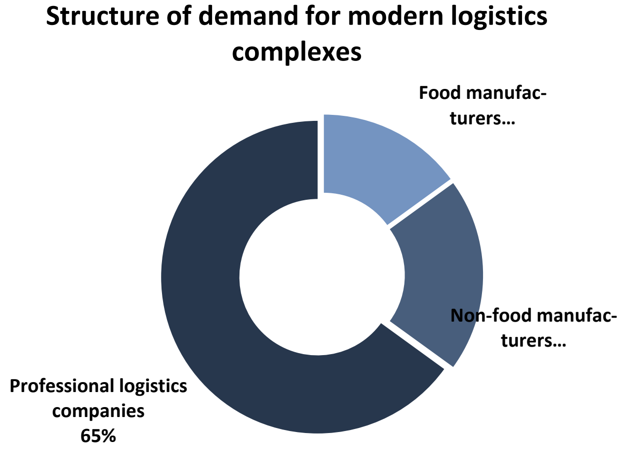
The decrease in demand for warehousing services led to increase in vacancies in the warehouse property market. The vacancy rate for some warehouse properties currently reaches 50 %. At the same time, logistics services providers still see extremely low profitability. Along with the increase in vacancies in the warehouse property market, rental rates saw a significant decline. If at the beginning of 2015 rental rates for Class A warehouse property varied between EUR 10 and EUR 12 per sq m net of VAT, then at the beginning of 2016 they fell to EUR 5,5 – EUR 8,05 per sq m net of VAT.

The rental rates dynamics was influenced not only by the deterioration of the economic situation and the attempts of lessors to stimulate the demand, but also by the changes in companies' business models. The attempts of owners to make money exclusively from warehouse lease led to the situation when warehouse property was significantly overrated. The rental price of Class A warehouses in Belarus was 2 or 3 times higher than that in Europe and Russia. But last year the owners were focused more on operation with different types of property, which has resulted in the decline in rental rates.

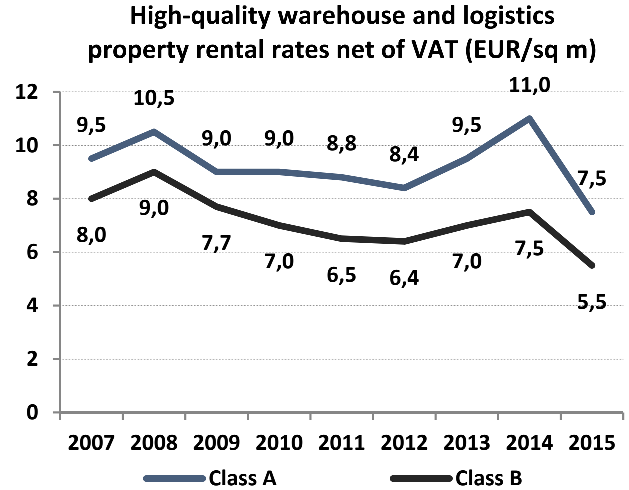
In 2015, a number of trends appeared in the Belarusian warehouse property: the growth in the number of terminated contracts and vacant warehouse facilities, the decline in rental rates and sale price per sq m, the changes in demand structure, and the rejection of warehouse construction projects.

The Belarusian government has adopted the State Program of the Logistics System Development of the Republic of Belarus for 2016-2020, the objective of which is to reverse the negative trends in the warehouse property market. It's planned to attract more than USD 790 mn of investments in the logistics infrastructure, increase the total floor space of Class A and Class B warehouse facilities by 23 % to 0,9 mn sq m, increase the freight turnover of logistics centers by 4,3 times to 34,9 mn tons per year and create more than 5 000 new jobs.

Companies' total revenues derived from logistics service activities are expected to more than double to BYR 7,3 tn by 2020. The State Program is focused on the outrunning growth in services provided by transport and logistics centers (by 2,6 times to BYR 4,9 tn) as well as wholesale logistics centers (by 3,7 times to BYR 0,8 tn).



Source: Colliers Int. Belarus



Source: Colliers Int. Belarus

Source: Colliers Int. Belarus

TRANSPORTATION AND LOGISTICS INDUSTRY

International comparison

The supply of the high-quality warehouse property in neighbouring countries is significantly higher than that in Belarus. This fact is explained by the different periods of logistics industry development in the countries.

Belarus is still inferior to almost all neighbouring countries, apart from Ukraine, in warehouse space provision per 100 km. The total floor space of logistics complexes is now approximately equal to that in Lithuania and Latvia, while logistics space provision per 1000 people in Belarus is more than 3 times lower than in neighbouring countries, apart from Ukraine.

Rental rates in neighbouring countries are 1,5 times lower than in Belarus. The variance is attributable to the fact that, until recently, there were high demand for property and limited supply of it in Belarus. The property market is in equilibrium, and it is more organized as compared to Belarus.

In 2015, the vacancy rate of the warehouse space in Belarus significantly increased, and it is now much higher than in neighbouring countries.

Investment in the industry

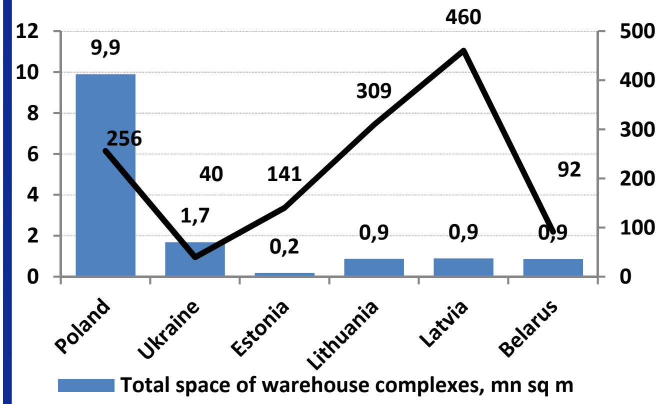
The foreign capital was invested in non-resident companies, which have been engaged in the active construction and development of warehouse and logistics network since 2009.

This situation was mainly influenced by the State Program of Logistics System Development until 2015, which included land allotment for the construction of warehouse and logistics complexes. As a result, 20 transport and logistics centers have been put into operation. Belarus failed to attract significant investments in the logistics industry. Over the past 5 years, infrastructure investments totaled approximately EUR 0,69 bn, which is incomparable with the infrastructure investments in neighbouring countries. For example, between 2012 and 2014 alone, Ukraine attracted USD 2,2 bn of investments in the logistics industry. The State Program of Logistics System Development for 2016-2020 is aimed at solving the existing problems in the industry: high rental rates, tight services market, low-developed 3PL providers, and the lack of 4PL-providers. It's planned to establish a system of 4PL and 5PL specialists training in 2016.

Lithuania, Russia, Azerbaijan, Iran, and China are the main investing countries in Belarus at the moment. The logistics industry is expected to attract investments worth USD 790 mn by 2020.

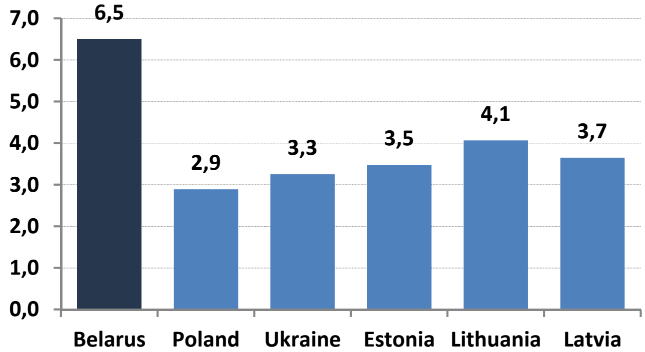
Prilesie (approximately 200 thou sq m), BelVingesLogistic (30 thou sq m) and Interstroyportal Plus (100 thou sq m) are among the projects with foreign capital in Belarus. Trade and logistics subpark in the China-Belarus Industrial Park Great Stone, which will be constructed by Chinese investor China Merchants Group, should also be noted here. Total investment in the subpark is estimated to reach USD 550 mn. The expected completion date for the project is 2020. The economic impact of the project implementation is expected to amount to USD 2-4,6 bn. The GDP growth of 0,9-2 p.p. is estimated to follow a flurry of investments as well as exports are expected to increase by USD 1,5-5,2 bn annually.

Total supply of high-quality warehouse space: 2015



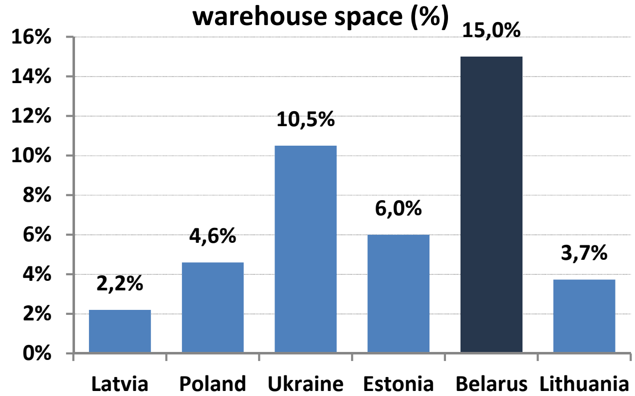
Source: Colliers Int. Belarus, UNITER

Average rental rates for Class A and Class B warehouse space (EUR per sq m)



Source: Colliers Int.

Average vacancy rate of warehouse space (%)



Source: Colliers Int.

TRANSPORTATION AND LOGISTICS INDUSTRY

Key players

Dvatsat chetyre

- Founded – 2010
- Number of employees – approximately 300.
- Location – 9 km from the Minsk Ring Road (Grodno direction).
- Additional infrastructure – railway branch line.

Feasibility study of logistics complex

Indicator	
Class	A (3-PL)
Total land area, ha	5
Total floor area, thou sq m	20,2
Low-temperature warehouse, thou sq m	4,4
Storage heights, m	12,5
Own transport	30
Technological infrastructure	Automatic warehouse
Number of gates	45


Trade-Logistics Center Ozertso-Logistic

- Founded – 2009
- Number of employees – 187.
- Location – 1,2 km from the Minsk Ring Road (Malinovka car market).
- Additional infrastructure – railway branch line.

Feasibility study of logistics complex

Indicator	
Class	B
Total land area, ha	15,9
Total floor area, thou sq m	34,9
Low-temperature warehouse, thou sq m	1,5
Storage heights, m	12,5
Consignment warehouse, thou sq m	14,5
Additional services	Customs clearance
Number of gates	less than 16



BLT-Logistic

- Founded – 2007
- Number of employees – approximately 100.
- Location – Minsk district, Obchak (5 km from the Minsk Ring Road).
- Company development – the construction of the modern logistics complex with total floor area more than 50 thou sq m

Indicator	
Class	A
Total land area, ha	1
Total floor area, thou sq m	29,3
Number of pallet positions, thou	47
Storage heights, m	13
Technological infrastructure	Semi-automatic warehouse
Number of gates	5



FSK-logistics company

- Founded – 2008
- Number of employees – 346.
- Location – Minsk (Briketa St, 31 and Babushkina St, 8).
- Company specifics – transport and warehouse services.

Indicator	
Class	A (3PL) and B
Total land area, ha	Less than 5 ha
Total floor area, thou sq m	A (10,0); B (3,5)
Number of pallet positions, thou	18,2
Storage heights, m	A (15); B (6)
Technological infrastructure	Semi-automatic warehouse
Number of gates	A (16); B (5)

TRANSPORTATION AND LOGISTICS INDUSTRY

Key players

BELRUSINVEST

- Founded – 2005
- Location – Minsk, 4-th Montazhnikov lane, 6
- Structure - 2 modern warehouse complexes with distribution center

Feasibility study of logistics complex

Indicator	
Class	A , B
Total floor area, thou sq m	29,2/12,0
Storage heights, m	12,0 /7,5
Own transport	30
Turning circle for manoeuvring, m	До 20
Number of gates	20


L-BIT Group

- Location – 20 km from the Minsk Ring Road (Rakov district) along the M6/M7 route Minsk-Vilnius.

Feasibility study of logistics complex

Indicator	
Class	A
Total floor area, thou sq m	16,3
Storage heights, m	12
Number of pallet positions, thou	17
Number of gates	22


Evrasia

- Founded – 2009
- Location – **15** km from Minsk

Indicator	
Class	B
Total floor area, thou sq m	12
Storage heights, m	12
Bay size	12×24
Number of dockage facilities	1 per 1000 sq m


BelVingesLogistic

- Founded – 2011
- Location – 20 km from the Minsk Ring Road
- Number of employees – more than 200

Indicator	
Class	A
Total land area, ha	10
Total floor area, thou sq m	16,3
Storage heights, m	12


Legal regulation

Business licenses that are required for certain business activities in Belarus:

- The license for the right to operate in the field of road transport;
- The license for the right to operate in the field of wholesale trade and storage of alcoholic, non-food alcohol-containing products, non-food ethyl alcohol, and tobacco products;
- The license for international freight transportation by road and other depending on logistics company specifics.

Besides, there are approximately 20 laws and resolutions that regulate mainly freight transportation in the territory of Belarus, among which are the following: the law on road transport and road transportation; the law on rail transport; the resolution of Minsktrans on the approval of rules for freight transportation by inland water as well as the resolution on the approval of the forms of primary accounting documents and other.

The concept of logistics industry is reflected in the State Program of Logistics System Development until 2015.

In 2011, the Ministry of Transportation and Communications drafted a Law on logistics activity to define key terms and concepts of the logistics activity.

The Decree of the President of Republic of Belarus of 21.06.2012 N 284 was adopted to promote the development of the logistics centers and additional services. It provides a simplification of document turnover and requirements for obtaining licenses for the right to perform activity in the field of wholesale trade and storage of alcoholic, non-food alcohol-containing products, non-food ethyl alcohol and tobacco products.

The State Standards which have been implemented in Belarus since January 1, 2011:

- **STB 2047-2010 "Logistics activity. Terms and definitions"** defines terms and definitions of the key concepts in the field of logistics activity.
- **STB 2046-2010 "Transport and logistics center. Requirements for technical equipment and transport-forwarding service"** defines the requirements for technical equipment of transport and logistics center, transport-forwarding services and scoring of transport and logistic center. It is applied to projected transport and logistic centers as well as the existing freight terminals, which are used as a base for transport and logistic centers.

STB 2046-2010 defines minimum values of additional characteristics of technical equipment of transport and logistics center: the passage of vehicles in the territory of transport and logistics center should provide unfettered maneuvering and access to loading and unloading points.

Classification of the storage infrastructure

STB 2133-2010 "Classification of the storage infrastructure" has been implemented since July 1, 2011. It defines key requirements to classification of the storage infrastructure in the Republic of Belarus. The Standard is applied to projected facilities of the storage infrastructure as well as the existing facilities, which are used as a base for transport and logistics centers. The standard classificatory, the form of which is presented in STB 2133-2010, is recommended to use for storage infrastructure accounting.

Logistics services

STB 2306-2013 "Logistics services. General requirements and certification procedure" has been implemented since November 1, 2013. It defines the types of logistic services, the categories of logistic services providers, general requirements for logistic services providers. The confirmation procedure of the category of logistic services provider is carried out according to the requirements and classification criteria specified in STB 2306-2010. The procedures of checking and labeling are specified in the documents of certification body.

Total land area, ha	10
Total floor area of sheltered storage facilities, sq m	5 000
Total floor area of open storage ground, sq m	10 000
Floor area of container yard for high-capacity container handling, sq m	15 000
Total warehousing capacity, tons	10 000
Transportation share ratio	0,4

Statistical Annex

Key economic indicators

Indicator	Unit of measurement	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nominal GDP	tn BYR	65,07	79,27	97,17	129,79	137,44	164,48	274,28	527,39	636.784
Nominal GDP*	bn USD	30,2	37,0	45,3	60,8	49,2	55,2	47,3	63,1	71.5
Real GDP growth	% y/y	9,4	10,0	8,6	10,2	0,2	7,7	5,3	1,5	0.9
Manufacturing	% y/y	10,5	11,4	8,7	11,5	-2,0	12,0	9,1	5,7	-4.8
Agriculture	% y/y	1,7	5,9	4,1	8,9	1,0	2,5	6,6	6,1	-4.0
CPI	% y/y с/п	10,4	7,0	8,4	14,8	13,0	7,7	52,3	67,5	18.5
CPI	% y/y к/п	8,0	6,6	12,1	13,3	10,1	9,9	108,7	21,8	16.5
IPPI	% y/y с/п	12,1	8,3	16,3	14,8	15,0	13,5	69,2	90,5	14.0
IPPI	% y/y к/п	11,0	9,0	22,2	15,4	11,3	18,9	149,6	21,0	10.7
Exports (goods/services, USD)	% y/y	15,9	22,3	24,2	34,2	-32,9	20,3	54,2	-	-15.5
Imports (goods/services, USD)	% y/y	3,8	33,2	28,0	37,0	-27,0	22,8	29,3	-	-6.7
Current account	mn USD	436	-1448	-3040	-4988	-6178	-8278	-5775	-	--
Current account*	% GDP	1,4	-3,9	-6,7	-8,2	-12,6	-15,0	-12,2	-	--
FDI (net)	mn USD	303	351	1790	2150	1782	1352	3928	-	--
International reserves	mn USD к/п	1297	1383	4182	3061	5653	5031	7916	8095	6651
Consolidated budget balance	% GDP	-0,7	1,4	0,4	1,4	-0,7	-2,6	2,4	-	0.2
Internal public debt	% GDP к/п	5,8	6,5	6,3	6,6	5,7	5,6	11,8	-	10.7
Total external debt*	% GDP к/п	17,0	18,5	27,6	24,9	44,8	51,6	71,9	-	--
Monetary base	% y/y к/п	74	20	38	12	-12	50	84	62	13.4
Exchange rate (NBB, official)**	BYR/USD с/п	2154	2145	2146	2136	2793	2978	4623	8336	8876
Exchange rate (NBB, official)**	BYR/USD к/п	2152	2140	2150	2200	2863	3000	8350	8570	9510
Exchange rate (NBB, official)**	BYR/EUR с/п	2681	2692	2937	3135	3885	3950	6432	10713	11782
Exchange rate (NBB, official)**	BYR/EUR к/п	2546	2817	3167	3077	4106	3973	10800	11340	13080

Source: IPM Research Center

TRANSPORTATION AND LOGISTICS INDUSTRY

Statistical Annex

Freight volume by mode of transport: 2008-2015 (million tons)

	2008	2009	2010	2011	2012	2013	2014	2015
Total	435,4	420,1	456	493,3	484	471	467,5	447,2
Pipeline	152,2	146,7	143	142,8	137,4	134,2	130,6	132,5
Rail	147,2	134	139,9	152,8	153,7	140,1	141,4	131,4
Road	130,9	133,9	166,9	191,0	189,3	192,5	191,7	180,2

Freight turnover by mode of transport: 2008-2015 (million ton-km)

	2008	2009	2010	2011	2012	2013	2014	2015
Total	130 796	121 173	128 144	134 269	131 684	130 752	131 824	125 960
Pipeline	67 871	64 786	65 743	65 258	61 134	61 220	59 704	60 552
Rail	48 994	42 742	46 224	49 405	48 351	43 818	44 982	40 785
Road	13 742	13 512	16 023	19 436	22 031	25 603	26 732	24 523

Passenger traffic and turnover by mode of transport, companies' net profit: 2008-2015 (million passengers and million passengers per km and billion BYR)

	2008	2009	2010	2011	2012	2013	2014	2015
Total passenger traffic, among which:	2 272,80	2 202,00	2 393,80	2 438,5	2 453,2	2 451,2	2 255,4	2 094,0
Rail	88	83,5	83,6	89	100,5	99,4	91,6	87,1
Bus	1 298,80	1 257,00	1 410,00	1 440,30	1 435,8	1 415,5	1 304,4	1 216,4
Total passenger turnover, among which:	21 620	19 818	23 498	23 671	25 295	26 618	25 092	24 051
Rail	8 188	7 401	7 578	7 941	8 977	8 998	7 796	7 117
Bus	8 184	7 247	10 194	9 923	10 016	10 546	9 946	9 490
Companies' net profit	1 006	1 010	1 584	2 564	5 596	4 372	4 888	8 117

Source: National statistical committee of the Republic of Belarus

Statistical Annex

Freight turnover by mode of transport (excluding pipeline transport): 2005-2015 (million ton-km)

	2005	2008	2009	2010	2011	2012	2013	2014	2015
Total	53 059	62 925	56 387	62 401	67 728	68 057	69 532	71 689	65 405
Rail, among which:	43 559	48 994	42 742	46 224	49 405	48 351	43 817	44 997	40 785
international transport, among which:	33 339	35 053	28 743	31 667	36 191	34 461	30 865	32 404	30 338
transit	17 339	19 726	16 433	18 499	19 875	17 341	17 312	16 430	13 802
Inland road	9 351	13 742	13 512	16 023	19 436	22 031	25 603	26 587	24 523
Water	90	132	83	110	143	133,8	84	49,4	21
Air, among which:	59	57	50	44	27	34,1	27	64,8	77
international transport	59	57	50	44	27	34	27	64,8	77

Freight volume by mode of transport (excluding pipeline transport): 2005-2015 (thousand tons)

	2005	2008	2009	2010	2011	2012	2013	2014	2015
Total	228 807	283 260	273 372	312 986	332 409	324 663	337 011	336 897	314 663
Rail, among which:	125 097	147 172	133 996	139 937	152 775	153 678	140 039	141 437	131 439
international transport, among which:	90 236	99 321	86 054	90 376	108 039	107 850	95 947	100 015	96 477
transit	43 458	50 586	43 439	45 613	50 531	45 442	46 708	45 113	38 347
Road, among which:	100 685	130 949	133 893	166 862	172 914	189 302	192 475	191 660	180 226
international transport, among which:	4 772	5 785	5 224	6 765	7 601	9 159	10 633	11 587	11 329
inland transit	…	1 507	1 504	1 672	1 871	2 381	2 691	2 638	2 602
Water	3 011	5 120	5 458	6 168	6 711	4 023	4 486	3 758	2 960
Air, among which:	14	19	25	19	9	14	11	41	39
international transport	15	19	25	19	9	14	11	41	39

Source: National statistical committee of the Republic of Belarus

UNITER Investment Company – financial and investment adviser in Belarus with 14+ years of experience with national and international investors in 40+ industries and markets within the country.

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