

15 August 2020

Manufacture and Export of Dry Pore-Forming Mixes in the Republic of Crimea

INVESTMENT MEMORANDUM

1. Concept of Project

More than 20 years ago, a group of Ural specialists developed the growing aerated concrete (RGB/GAC) technology based on dry pore-forming mix (SPS/DPM). You will find the description of the technology in the attached presentation.

This technology was tested in a number of European countries (Poland, Bulgaria), in Central America (Dominican Republic) and in Russia, in particular, during construction works at the Vostochny cosmodrome, and got very positive references.

As at today, OOO Altum (LLC) plans to organize the manufacture of SPS and the necessary manufacturing equipment in the Republic of Crimea (RC), with subsequent export to Syria, Turkey and a number of African countries, where our partners are already working on participation in a number of large-scale construction projects.

In 2019, the Crimean-Syrian Trading House and the Crimean-Syrian Shipping Company were established in the Republic of Crimea, which is a serious stimulating factor for the development of own export-oriented manufacture in the RC.

2. Technology

The SPS technology and formulation were patented, with the suppliers of components, units and accessories for manufacturing equipment selected and checked. All of the above is an intangible asset of the company ALTUM.

3. Team

- ✓ Vladimir Kuposov – author of the project, OOO ALTUM co-founder
- ✓ Igor Olkhovik – OOO ALTUM co-founder
- ✓ Boris Yurchenko – OOO ALTUM CEO
- ✓ Alexander Yemelin – chief technologist of the project
- ✓ Anatoly Khominsky – marketing manager for the domestic market

4. Planned Export Sales Volume

The capacity of one 40-ft sea container is 20.0 tons. SPS + 3-5 sets of manufacturing equipment. The export sales plan by the end of the first year of operation of OOO ALTUM provides for at least 3 containers per month.

5. Project Economics

Cost Structure

No.	Cost Structure	Price thou rub /t/unit net of VAT	Quantity per Month	Amount thou rub /month	Amount thou rub /year
1	SPS components (t) with delivery to the RC	250	60	15000	
2	Units and accessories of manufacturing equipment	300	9	2700	
3	Assembly and pre-export preparation			2100	
4	Industrial and office space, given utility charges			300	
5	Labor compensation fund (see Table below)			1700	20420
6	Administrative costs			1200	
7	Marketing and PR			500	
8	Customs clearance and shipment (FOB)			450	
9	Incidentals and reserves (5%)			800	
	Total, C/S (-)			24750	297000
	C/S for one 40-ft container			8250	

HR and Labor Compensation Fund

No.	Position	Number	Wages thou rub/month	Amount thou rub/month	Wages thou rub/year
1	CEO	1	75	75	
2	Deputy CEO	2	65	130	
3	Lawyer	1	50	50	
4	Sales manager	2	45	90	
5	Accountant	1	50	50	
6	Production manager	1	65	65	
7	SPS operating personnel	2	50	100	
8	Equipment assembler	2	50	100	
9	Clerk	1	40	40	
10	Driver and delivery man	2	45	90	
12	Other personnel	2	45	90	
12	TOTAL, net wages	17		880	10560
13	LCF taxes and fees (+46%)				15420
14	Bonus pool				5000
	TOTAL, LCF				20420

Revenue and Profit

- 1) Planning horizon – 24 months
- 2) Accounting exchange rate P/\$ = 65.0
- 3) Sales revenue

No.	Description	Sales Volume per month/year		Revenue thou rub/USD per month net of VAT		Annual Revenue mln rub/thou USD net of VAT	
1	Dry pore-forming mix, t	60	720				
2	Manufacturing equipment, set	9	108				
3	Planned product range sales volume (containers)	3	36	34650	533.1	415.8	6397
4	Training, engineering support, engineering supervision						1150
5	Other services						800
	TOTAL (+)					542.5	8347

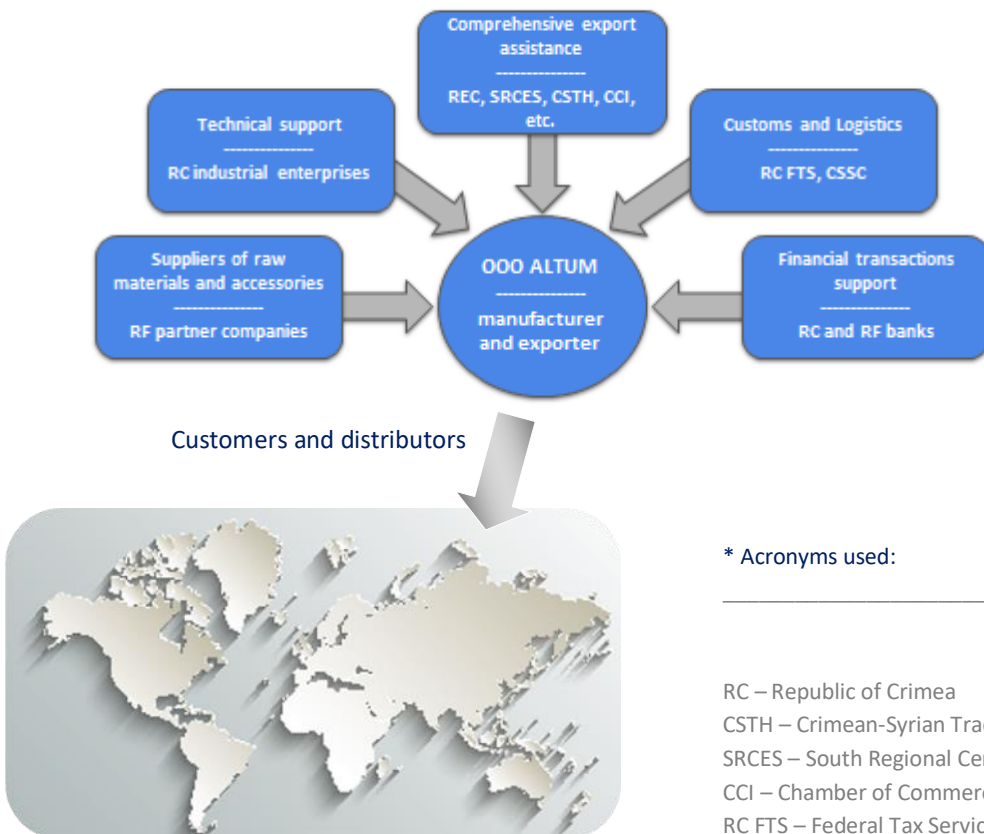
* - exclusive of domestic market sales

4) Commodity export GOP (gross profit, mln rub/year) = 415.8 – 297,0 = 118.8

5) NOP* (net profit, mln rub/year) = 102.16

* - approved OOO ALTUM STS = 4% of revenue

6. Key Stakeholders



* Acronyms used:

RC – Republic of Crimea
 CSTH – Crimean-Syrian Trading House
 SRCES – South Regional Center for Export Support
 CCI – Chamber of Commerce and Industry
 RC FTS – Federal Tax Service
 CSSC – Crimean-Syrian Shipping Company

7. Financial/Investment Resources Required

The required project funding ~ 150.0 mln rub/\$ 2.3 mln, in agreed-upon tranches during 12-15 months.

Including:

No.	Investment Pattern	Amount, thou rub	Note
1	Marketing, PR&GR, implementation of distribution	40000	28-30 mln rub will be enough for the first 6-9 months of operation
2	Production facilities and office (long-term lease)	10000	
3	Payment to suppliers + outsourcing	40000	
4	Production expenditures, patenting and certification	25000	
5	HR and LCF (18 months)	30000	
6	Other expenses and reserves	5000	
	TOTAL	150000	

* - in case of conclusion of prepayment contracts with the Customer, the required funding amount will decrease drastically and/or will near zero

Return on investment – less than 2 years of sales plan initiation

8. Investor Invitation

OOO ALTUM invites investors to acquire a 30% share in the company, with the following breakdown proposed:

No.	Description	Value	Price, mln rub
1	Total volume of shares sold	30%	150.0
2	Minimum lot	0.2%	1.0
3	Number of lots	150	1.0
4	First 3% share selling price = 15 lots	with 20% discount	0.8

Ideally, we are interested in one or two equity investors who will buy a 30% share in the company for 150.0 million rubles (Cash-in Model). We are ready to discuss loans, convertible loans and other options.

9. Dividend Policy for the First Two Years of Operation:

It is assumed that in the first two years of operation, most of the profits will be reinvested in the development of new markets and scaling up of export volumes.

The consequence of this strategy will be the maximum capitalization of the company and the corresponding growth in the value of shares.

At the same time, we are ready to constructively discuss any counter-proposals.

10. Other Options

We are ready to discuss various Exit strategies for the investor, from a guaranteed share buyback to IPO.

If necessary, we are ready to discuss a package of measures that allow the investor to comply with the current sanctions restrictions.

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