

Russian Natural Products LTD

Volume of investments required: **\$ 1 400 thousand**

Intended use of investment required:

	\$ 800 th.	\$ 600 th.
	Natural oils in capsules	Rhodiola Rosea
R&D	25%	20%
Fixed assets acquisition	20%	35%
Marketing	25%	15%
Working capital	30%	30%

Company Profile:

1. Date of establishment - February 13, 2002
2. Stage of development - Start up
3. Size and source of investment to date - \$ 170 th. - owners' resources
4. Industry - Processing of natural products; manufacturing of ecologically pure products, i.e. organic products
5. Target market - Natural products industry, cosmetic industry, health industry
6. Sales in 2003 - \$ 150 th.
7. Description and value of assets - \$ 237 th.; Microwave vacuum dryer equipment - \$ 37 th. Manufacturing facility 150 sq. m., warehouse 500 sq. m. - \$ 200 th.
8. Intellectual property rights - the process of registering the trade marks and brand names and will be applying for patents covering 1) method of harvesting/cultivating Rhodiola Rosea and 2) method of processing Rhodiola Rosea
9. Signs of public recognition
 - The article "Siberian Frontier Reveals Bountiful Herbal Resources" published in the American magazine "The Natural Foods Merchandiser" (March 2003).
 - A chapter in the book "Hot Plants" by Chris Kilham (released September 2004, St. Martin's Press, New York) dedicated to the discussion of Rhodiola Rosea has references to Russian Natural Products Co., Ltd.

Owners:

Two individuals **50% each**

Share of the government property **0%**

Management and key personnel:

Two managers of Russian Natural Products, Ltd. participated in internship programs in the United States (1998, 1999 - "Business for Russia Program" and "Group Study Exchange"), and in Germany (2000 "Presidential Program of Training for the National Economy of Russian Federation").

Marat G. Khamzin - Director, Co-owner, 35, graduated from Novosibirsk State University with a specialty in Biochemistry, education and experience have helped him to obtain advanced knowledge of the global market for natural products and to establish high level business and personal contacts with some of best known companies in the industry, including Capsugel, a division of Pfizer, GCI Nutrients, Inc., and Pure World Botanicals, Inc.

Vadim E. Kolpakov - Commercial Director, Co-owner, 36, graduated from Novosibirsk State University where he obtained a Ph.D. in Ecology. He has remained active in scientific research and teaching, participated in numerous international fairs that have provided a new perspective and direction regarding the company's continued development.

Products characteristics:

Company's Products:

- 1) Series of natural oils in capsules

The main focus of these products is: improving the quality of people's lives, preventive measures of cardio vascular, heart and gastro-intestinal diseases, immunity system strengthening, and assistance in stress reduction. Natural oils have these

qualities because of the polyunsaturated fatty acids (Omega-3, Omega-6, Omega-7) that they contain. Oils packaged in softgel capsules are more convenient for customers, in contradistinction to a majority of analogs available in the Russian market (for example - cedarnut kernel oil popular in Russia). Also, GMP certificate will allow the export of natural oils to other countries.

2) Rhodiola Rosea root and its extract

Rhodiola Rosea - a plant, which grows in Siberian mountains (the Altai and the Sayan); for centuries has been used in traditional medicine of the people of Siberia. This plant has strong tonic and adaptogenic properties (i.e. increases the steadiness of people to unfavorable environmental factors - owing to these qualities, the extract of Rhodiola Rosea was used by the astronauts of the USSR). Rhodiola Rosea has also strong sexual enhancement properties.

Comparative analysis with existing alternatives:

Natural oils

Characteristics	Natural oils in capsules from 2005	ZAO Altaivitamins, Russia, 10 years	ZAO Europharm, Russia, 5 years
GMP standards	+	-	-
Packaging (comfort for customers)	+	-	+
Price (retail in \$)	3,2	2,76	4,50

Rhodiola Rosea

Characteristics	Rhodiola Rosea cultivated from 2008	Rhodiola Rosea wild (Russia)	Rhodiola Rosea cultivated (Finland)
Organic certification	+	-	+
Yield	2 – 2.5 tons/hectare	Wild	2 - 2.5 tons/hectare
Restriction for export	No restriction	Export limited	No restriction
Cost \$/kg	5-6	8-10	No information

Markets/Competition:

According to the data of PharmExpert Company, the Russian market for natural products in 2003 reached more than US\$1 billion and is increasing 15-20% annually (in 2002 the market was US\$850 million). As part of this project, Russian Natural Products Co., Ltd. will obtain organic certification that will give it additional competitive advantages and increase the attractiveness of the project as a whole. With an organic label, the sales prices natural product sales can be increased by 30-40%. At the moment very few Russian companies get this certificate.

	Characteristics	Natural oils in capsules from 2005	Seabuckthorn oil (ZAO Altaivitamins)	Pumpkinseed oil in capsules (Europharm)
2004	Geographical Region - Russia Market size: \$ th.1,000,000			
	Company market	-	2 000 / 0,2%	1 000 / 0,1

	share ths.\$/%			0%
	Geographical Region - Russia Market size: \$ th.1,900,000			
2008	Company market	8 000 /	4 000 / 0,2%	2 000 / 0,1%
	share ths.\$/%	0,4%		

According to an article published in the "Herbal Gram", the magazine of the American Botanical Society, the American expert Chris Kilham (known as the Medicine Hunter) from the University of Massachusetts and the author of numerous other articles and the book "Hot Plants", the popularity and demand for Rhodiola Rosea over next 10-20 years will explode. In his estimation, the demand from the American market alone could reach 500 - 1,000 tons/annually. As the wild supply continues to become highly depleted, the cultivation of this plant gives Russian Natural Products Co., Ltd. certain competitive advantages. The company has already received preliminary orders from the American market.