

## AVENA JSC

### Volume of investments required: \$ 2 000 thousand

#### Use of funds

R&D - 5%

Acquisition of fixed assets - 40%

Product upgrade - 40%

Marketing - 15%

#### Company profile

1. Date of establishment – 1996.
2. Size and source of investment to date – \$ 250 000 of company's own investments and \$ 450 000 as grant from the Russian Ministry of Science competition (for 2005–2006).
3. Production – medicinal and prophylactic foods and skin treatment preparations (probiotic and synbiotic combinations).
4. Target market – food and cosmetic industries.
5. 2004 sales – \$ 250 000.
6. Description and value of assets – \$ 150 000: laboratory and production line equipment.
7. Goodwill and intellectual property rights – Patent № 2227039: "Highly active antagonist probiotic composition in relation to quasi-pathogenic and pathogenic microflora for medicinal and prophylactic preparations, the method of its production"; Patent № 2220199: "Enterococcus faecium L-3 strain for producing medico-prophylactic products and foods with medico-prophylactic functions"; Trade marks – № 214860 "Vitoderm"; №211414 "Bilaminolact"; №214862 logo-graphic image; № 214861 "Avena" – the name and graphic representation; №223782 "Suppilact"; № 225643 "Bakfir".
8. Signs of public recognition – Participant certificate in the 2nd National exhibition "Russian producers supplying the Armed Forces" Moscow, 2002; Gold medal from Siberian Trade Fair "Prodsib-98" for "Alternative food products", Novosibirsk 1998; Participation certificates from the All-regional specialized exhibition "Beauty. Health. Longevity" in 2001, 2002, 2003, 2004, 2005; Participation certificate from the Nizhny Novgorod Trade Fair exhibition "Medicine+" in April, 2003, N. Novgorod; Diploma with Honors for active participation in "From 18 and younger" exhibition held in St. Petersburg, 2002; Participation certificate from "Health and Beauty World" exhibition held in Jekaterinburg, October, 2002; St. Petersburg Paster Research Institute September 2003 "Medical science and progress technologies" exhibition participation certificate; St. Petersburg October 2003 IV National Congress of Infectionist Doctors' participation certificate; Corporative participant certificate from the International Slav-Baltic Academic Forum "St. Petersburg-Gastro", 2001–2005; Participation certificates from the "Doctor-Pharmaceutical Chemist-Patient" Assembly held in St. Petersburg, 2001–2004, etc.

#### Owners

Individuals	100%
Share of government property	0%

#### Products characteristics

Current products: medicinal and prophylactic food products containing live health supporting bacteria. Sweets, biscuits, food additions, medical cosmetics.

Products under development: food industry raw materials for producing pharmacological functional foods made of basic foods concentrated with special healthy bacteria. Start cultures, additions to dairy products, additions to dry breakfasts and infant foods.

#### Markets & competition

In the Russian markets similar developments are being worked on by other research institutes, laboratories and institutions such as the Institute of Highly Purified Biopreparations (St. Petersburg), the Academic Research Institute of Nutrition (Moscow), the Gabrichevsky Institute of Microbiology (Moscow), the Academic Research Institute of Microbiology named after Gamalea (Moscow). Making similar products is not legal, though, as the producers must have the consent of

the patent holder – the owners of the “Avena” company. The patents are as follows: technology patent, the strain patent, the probiotic concentration of production patent.

Several foreign firms (“Snow Brand Milk Products” Co. Ltd (Japan), “Chr. Hansen” (Denmark), “Valio Dairy” (Finland), “Rhodia” (USA) as well as some others make probiotic medicinal and prophylactic products on the basis of other strains. These high-priced products have limited access to Russian consumers, and their technological, microbiological and other properties are less effective than their “Avena” counterparts.

Data		“Avena”	Russian	Foreign
Geography – Russia, CIS. Market size \$ 2.5 million				
2004	Company market share \$ ths / %	250 / 10%	1 000 / 40%	1 250 / 50%
Geography – Russia, Countries of EC, USA. Market size \$ 200 000 million				
2009	Company market share \$ ths / %	30 000 / 15%	10 000 / 5%	160 000 / 80%

#### **Marketing & sales**

We are working in direct contact with producers of infant foods, ready-made breakfasts, muesli, kasha-instants as well as dairy and sourlactic products. Several have made contracts with “Avena” about the strain testing. We are planning to introduce broad information policy to promote radically new properties of our functional foods.

#### **Prospects for development**

It is to create a class of functional pharmaceutically helpful foods for everyday use that will be both consumer attractive (for numerous Russian population) and massive producer attractive.