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## Volume of investments required – \$ 2 500 thousand

### Summary

1. **Production** – cereals of fast cooking with improved consumer properties produced according to innovation technology and cereals of convenient cooking in unit doze packets for boiling packed into a paste-board box.
2. **Trade marks** – “Kashevarov” and “Semyonovna”.
3. **Sales 2007** – \$780 ths.

### Company profile

**Date of establishment** – November 1999. Just at the beginning of 2006, the Company and CJSC “Orenburg bread-baking plant №3” decided to organize a modern complex in order to produce fast-cooking cereals in unit dose packs for boiling with improved consumer characteristics on the basement of the plant and to build a line for additional cleaning, sorting and packing cereals and flour. In January 2007 the complex was started and produced its first products. Technology of producing cereals is unique, it was developed and patented in Russia. There is not any similar technology abroad.

**Description and value of capital assets** – market value is \$ 273 ths (for the line of production fast cooking cereals with two machines for corn heat treatment UTZ-4, the measuring-packing automatic machine RT-UM-24, the measuring-packing line on the basis of automatic machine RT-UM-21 and the automatic loader DOO-SAN-DAEWOO).

**Previous rounds of investments:** in 2006– \$ 96.10 ths; in 2007 – \$ 737.54 ths; in 2008 – \$ 172.45 ths. Structure of investments consists of a due into the registered capital of the Company of 3,5%, means of the founders – 44,5%, banking investment credit – 52%.

**Signs of public recognition** – two golden medals of the international competitions “The best product 2007, 2008”, two golden and one silver medals for the micronization technology in the competition “Innovation products” at the international exhibitions “Prodexpo” in 2007 and 2008. Title of prize winner of “The National Ecological Award 2007” (section “ECO-food products”) for producing cereals of fast cooking according to the micronization technology. This premium has been established by Fund named after V.I. Vernadsky and the Ecology Committee of the State Duma of RF in order to reveal and encourage the most effective technologies in producing natural and ecologically safe food-products and drinks. In June 2008 the products of the Company were rewarded with the medal of the international competition “Ecologically safe products” and the Company was listed into the Register of Producers of natural and ecologically safe products which respond to ecology requirements. And what is more, our cereals became prize winners of the I-st degree at the Final Federal stage of the X-th Jubilee competition of the Program “100 best products of Russia” and won many other rewards.

**Number of employees** – 50 persons.

### Structure of ownership

Legal entity – LLC «Lekko»	99%
Natural persons	1%
Aggregate share of government property	0%

### Team

**Dobritsky Dmitry Anatolyevich** – Director General, 38 y.o. Higher technical and economical education with 14 years practical experience in business managing, an establisher and an owner of successful pharmaceutical company. In the Company he manages marketing and strategy development, controls 50% part in the Company.

**Dobritsky Eugeny Anatolyevich** – Deputy Director General, Director of Orenburg branch, 31 y.o. Higher technical education with 9 years managing experience in his own successful business. In the Company he is responsible for quality, logistics and relations with state authorities, controls 50% part in the Company.

**Malygina Monika Alexandrovna** – Financial Director, 47 y.o. Higher economical education, with 15 years experience in finance managing, 5 years of them in food industry. She has finished President program of training managing personnel for national economy of RF in speciality “Financial management”.

### Production

Producing fast cooking products on cereal base are the products of new generation for healthy nutrition. These products allow to diverse health-giving ration as well as to save time of cooking. You need only 7 to 20 minutes to boil cereals. The basement of this technology is infra-red treatment of grain, which is know-how in food industry. The main point of micronization is to change structure of starch and protein in result of intensive heating by infra-red beams. The process provokes resonance vibration of molecules of the product. During this process heat is produced and pressure is raised owing to fast evaporation of humidity. Coatings of starch granules are destroyed, de-

struction of starch and denaturation of protein takes place. After these processes the cereals are easily assimilated. Besides after micronization process cereals have pleasant smack of nuts. And what is more important the processes obliterate all kinds of pathogenic bacteriums, spores of mould and various fungi.

All-Russian Scientific-research Institute of grain and products of grain processing concluded that cereals been produced according to this technology have some advantages in comparison with traditional cereals and recommended them for mass production.

#### Current state

We have started formation of our own distribution system in Russia and abroad. Nowadays we develop trade of the products in 17 regions of RF, Kazakhstan, Byelorussia, USA, and Germany. The Company has concluded contracts with a range of leading regional and national distributors. Our products are represented in such trade systems as Pyatyorochka, Perekrestok, Ramstor, Samohval, Smak and others as well as in a range of regional trade nets. The volume of products output is 120 tons per months which means 30% of productional capacities potential.

#### Development strategy

##### Use of funds

1. R&D (development of new kinds of micronized products)	3%
2. Acquisition of fixed assets (own base for production and storage in Orenburg, additional technological equipment)	40%
3. Marketing	17%
4. Turnover funds	40%

##### Prospective outcome of investment

1. Development of principally new products received by micronization process (e.g. micronized haricot beans). Expansion of range on the basement of new and products being already produced for new purpose group of consumers.
2. Risks connected with changing the owner of the rented properties are excluded (now we reconclude the contracts every year). Economical effect from saving rent payments mounts \$ 90 ths per year. There is possibility to prepare our own production areas for ISO certification.
3. Purchase of the line for treating buckwheat will exclude raw materials dependence for buckwheat, with part of sales 30-40%, it will provide guaranty of quality of preparation grain for micronization (especially for buckwheat), 2-times increasing of profitability in production of the products.  
Realization of advertisement programs in regions where we started developing trade, marketing support of regional distributors with participation in paying entry bonus of net retail.
4. Possibility of effective management by stocks of grain and materials, guarantee of stable prices for contracted supplies to trade systems, even against a background of season price variation or increase of price when stocks of grain are limited before the new crops.

#### Marketing & Markets

At the end of 2008 the Institute state of agricultural market (IKAR) evaluates Russian market of cereals as \$ 1 200 mln, market of fast cooking cereals in doze packets as \$ 120 mln. Specialists of IKAR are sure that cereals market is rather stable in scope for some previous years and grows in received money for 15-20% per year because of placement of demand and supply into more qualitative and dearer segments. According to forecasts of the consulting agency "Katchalov and colleagues" by 2010-12 taking into consideration dynamics of growth of incomes Russia will cross the line of realized market economy. There will be a burst of middle quality and premium segments which include in cereals market cereals of fast and convenient cooking with improved consumer properties in dose packets.

Taking into consideration nowadays and forecasted results of the year 2008, the scope of sales of \$ 2 mln, we can evaluated part of the market for products of LLC "Agrokom" as 1,6% of Russian market of cereals of fast and convenient cooking in dose packets. In order to enforce its positions in the market and to increase scope of sales Marketing department of LLC "Agrokom" together with a famous expert-consultant are finishing development of effective marketing solution and the best consulting agency "Katchalov and colleagues" specially for LLC "Agrokom" are developing the project "Strategy and policy of profitable growth of the Company till the year of 2012". Common realization of these two projects basing on choosing purpose markets and formation loyalty system of consumers according to preliminary evaluation will allow to the Company to increase its part at the market from 7% to 10% within three-four years.

#### Interaction with investor

The Investor is offered to get 49% part in LLC "Agrokom". It is planned to change organizational-legal form of the business (to make it CJSC). It is expected value of the Investor's part according to market capitalization of the Company in four years will come to \$8 mln. Leaving of the Company is possible by selling stocks/shares to a strategic investor, IPO in stock exchange, or by purchasing the stocks by the establishers.

#### Financial characteristics, \$ thousand

Date	Facts			Forecast	Forecast with the investment required			
	2005	2006	2007	2008	2009	2010	2011	2012
Sales	-	-	780	1 960	6 136	9 530	12 700	15 900
Operating income	-	-	-155	82	743	2 317	3 339	4 423