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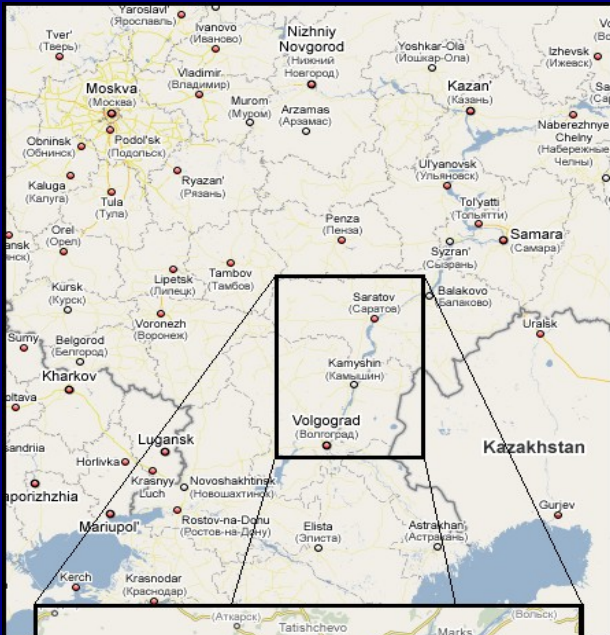
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**The projected plant location**



## INVESTMENT OFFER

### Executive summary

Volgo-Cement CJSC plans to sell 74% stake in the projected cement plant (hereinafter, the "Project") with a capacity of 1.3 mn tons located in Southern federal district of Russia. The license for minefield extraction is obtained, respective landplots are held freehold. Estimated cost of construction is 225 mn EUR. Payback period is 5 years. The period of construction is 32 months. The present project value is 33 mn EUR. The estimated time of implementation is the 2<sup>nd</sup> half of 2012.

### Project description

#### Location

The projected plant is located in Volgograd region, 45 km far from Kamyshin town

#### Current status

- The license for minefield extraction is obtained
- Respective landplots are held freehold
- The technical conditions and all the endorsements concerning connection to gas, electricity supply lines, highway and railways are obtained
- The contract of delivery, supervision during erection, balancing and commissioning of the cement equipment was concluded with "ThyssenKrupp Polissius"
- The building permits are obtained
- The contract with general contractor is concluded
- The quarries projects are finished, approved and ready for the state project appraisal
- The communications and supply pipelines (gas, electricity, highway and railroad) projects are on their final stage

#### Capacity

- The projected plant will have the capacity of 1.3 mn tons of cement produced using "dry" technology
- According to the master plan the capacity can be increased up to 2-3 mn tons

#### Deposit

- The license was obtained in 2006
- The deposit has confirmed cement stuff reserves of 97.88 mn tons (limestone reserves of 58.804 mn tons and clay reserves of 18.392 mn tons). The minimal period of provision is 37 years
- Obtaining the license for another deposit with limestone reserves of 219 mn tons is in progress

#### Transportation and target markets

- Railway station (3.5 km away) will be used for cement transportation
- Highway (350 m away) will be used either
- There is a possibility of water transportation via levee (20 km away) or Kamyshin river port (45 km away) on the Volga river
- Planned target markets are Moscow and Moscow region, Privolzhsky federal district, southern regions of Russia and Kazakhstan

#### Competitive advantages

- **"Dry" technology.** Competitive advantages over existing cement producers due to "dry" technology (85% cement producers still use "wet" technology)
- **Own resources base.** 92% of resources necessary for cement production are ensured by own resources
- **The possibility of increasing the reserves**
- **The high level of project preparedness** (as opposed to other Russian projects)
- **Official assistance**
- **The quarries closeness to the industrial site:** limestone – less than 1 km, clay – less than 6 km)
- **The time of plant implementation coincides with the economical upturn period**
- **Low production capital costs** – only 192 EUR per 1 ton of cement

