



INSULATED FIBRO CEMENT FACADES

New modern insulation technology for building

The purpose of this prospectus and confidential memorandum is to acquaint a prospective investor with preliminary information about «IFCF-technology».

«IFCF-Technology», as is common with nascent start-up ventures, has elected not to audit financial statements, appraisals of tangible assets, or real property. In addition, management has elected to omit substantially all of the informative disclosures ordinarily included in financial statements prepared on market value presentation, and valuation reports. If the omitted disclosures were included, they might influence the prospective investor's conclusions about the company's financial condition. Accordingly, the documents contained within this confidential memorandum are not created for those who are not informed about such matters.

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1. INTRODUCCION

1.1 Development plan

The modern building is a complex system. The walls separate the functions of the workload and the fence. In addition, for buildings in the northern countries, insulation of buildings is relevant. Protection and fencing of facades is carried out in many ways. However, existing technologies do not have a major leader. Because the choice of a facade system is always a compromise. There is a need to prioritize among characteristics.

This project provides a commercial solution for warm facades. This is a new building insulation technology. We invented how to make a product that meets all the characteristics of facades in simple ways.

1.2 Current status of the project

Our group has conducted extensive research on the product of the project. The development was carried out from the idea, through the stages of 3D-modeling, paper mock-up, sculptural plastic, CNC plastic, insulation, fiber cement. Among several solutions, we chose the best for the market and the consumer.

A technological sample was made for the product. Based on this decision, a unit production was prepared. For this, technological documentation has been developed, technical requirements have been developed, equipment and a production shop have been selected.

Product selection cards have been developed for the consumer. There are tables of individual technological solutions for installation. A promotion strategy, a legend, a detailed description and product brands have been developed to organize sales/

All project indicators are summarized in a documents. This is necessary to monitor the progress of the project and manage the result of commercial activities.

1.3 Goals and vision. Payback period

The project development plan provides for a linear scenario. One after another, the processes are carried out development, production setting, mass production, sales, payments and account. Processes are closed in a cycle. The process characteristics are continuous. Correction provided

Project characteristics are determined by financial indicators - revenue of \$ 57M; company capitalization of \$ 63M. The capitalization ratio is calculated through the revenue ratio with the characteristic $P / S = 1.1$.

The proceeds volume is provided from sales of building insulation services using IFCF technology. The main component of this service is an insulated fiber cement panel. We produce these panels under the conditions of mass production for 6.2 million units (2 million square meters) per year. To do this, we need a production square, equipment and process. The project has the necessary draft and technological documentation, and RF-patent for product design.

Sales are made directly to the consumer. The IFCF panel has a low weight with a large volume. Therefore, it is rational to locate centers of production and distribution of the product near consumers. In the Russian Federation planned three centers: Ural, Volga, and West.

Attracting consumers through offline communication with relevant specialists. Informing consumers and users through online resources. Wall mounting is carried out by subcontracting organizations.

Business Planning Horizon - 3 years. The first year - the organization of work and the start of production. The second year - achieve to project capacity. In addition, we plan to start sales for consumers from other countries. The third year - optimization of processes and structuring of project assets with the goal of exit.

The project team has promising developments to expand the functionality of IFCF technology.

2. MARKET ANALYSIS

The product of the project was invented in Russia. This is one of the coldest countries in the world. In Russia there is a constant need to warm and protect homes from cold and moisture. The product can be sold in the markets of other cold countries. There are no technical or regulatory restrictions.

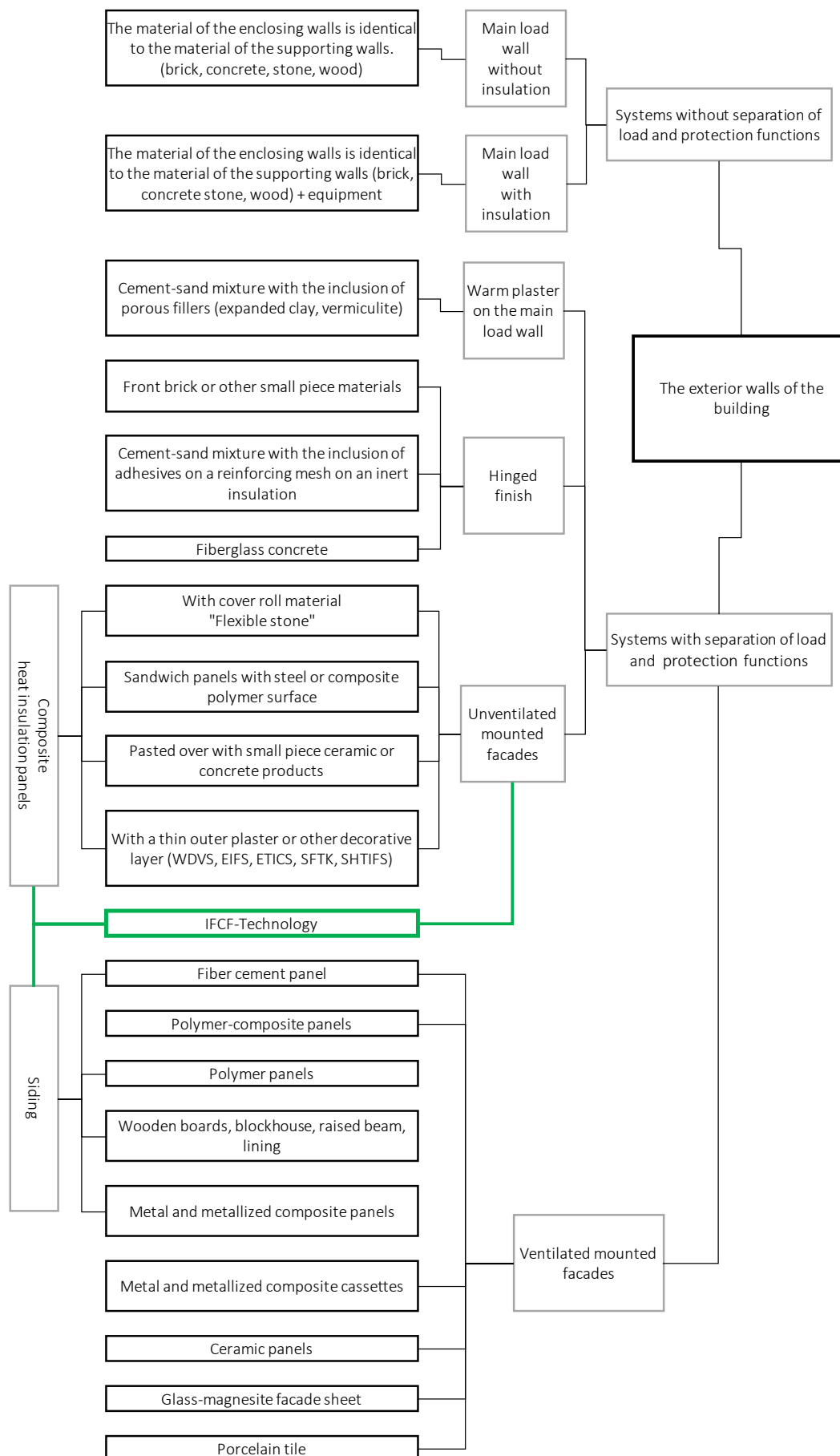
The need for facade systems depends on the amount of new construction and reconstruction of existing buildings. To calculate the market capacity, the project of facade systems, the project group uses the data of RBC Analytics. The annual volume of protective and decorative facades in Russia is 47 million square meters – both performed by the wet method, and mounted systems. The market of suspended facade systems is 20 million sq. m. (which in monetary terms is \$1000M), the remaining 27 million sq. m. occupied the stucco "wet" facades. Median price of 1 sq.m. hinged facade systems is \$46.7 per sq.m. The average price is \$53.6 per sq.m, the median price for wet-finished facades is \$20 per sq.m.

The project team conducted in-depth studies of existing facade systems.

As a result, it was shown that:

1. Non-ventilated systems are diverse in color and texture, inexpensive, quick and easy to install, easy to replace, but do not provide adequate thermal protection.
2. Plaster is not diverse in type, demanding on weather conditions during application, easy to repair and non-combustible.
3. Wet plaster for insulation provides significant thermal protection, but has a short life cycle without repair - 5-10 years.
4. The ventilated facades of the road are heavy, difficult to install, but provide high requirements for thermal control. At the same time, they are difficult to install and in case of subsequent repair due to the large number of metal elements in the supporting system. The presence of a ventilation gap reduces the fire safety of the building.

A complete classification of the facades is shown at the diagram.



22 indicators characterize each of the facades.

An analysis of the characteristics shows that in order to increase the quality level of facade technologies, it is necessary to take into account the existing advantages and minimize possible disadvantages. Thus established:

Requirements for facade technology	Source of solution Existing technology
Variety in facade colors, variety in textures and surface plastic	Siding panels, panels (cassettes) for a ventilated facade complemented by the aesthetic diversity of the new technology.
High installation speed (low technological requirements), indifference to climatic conditions	Dry works: ventilated facade, non-ventilated facade without a frame, according to the principle of siding.
High thermal and insulates performance	1. Effective insulation - facade insulation with polymer slab insulation. 2. Technological joints / connectors that prevent moisture from entering the system. 3. The ability to change the thickness of the insulation in accordance with the climatic zone.
Duration of operation while maintaining consumer characteristics	1. Durable outer layer - fiber cement plaster, ventilated facade. 2. The mechanical connection of the fiber cement layer with insulation, the absence of adhesive (adhesive) solutions. 3. Hidden mechanical connection of each panel with the building envelope.
Fire safety	The use of non-combustible materials and the absence of convection channels and air draft after installation.
Vandal resistant	The technology provides for the possibility of increasing the protective fiber-reinforced concrete layer for sections of facades requiring similar reinforcement.
Bio stability	The materials used are resistant to mold and mildew. The absence of an air channel implies the impossibility of settling in the facade of any kind of biological life.
Maintainability	1. The use of elements for quick replacement - siding, cassettes, panels. 2. Use of available materials - repair kits from a fiber-cement mixture dyed in bulk for each produced color.

As a result of the synergy of several technological solutions, a new product has been developed - **Insulated Fiber Cement Panels**, which combine the best qualities of previous technologies and provide the above characteristics. At the same time, competitive economic indicators are ensured due to the possibility of serial production.

Based on long-term studies of the structural features and materials of the facade systems used, conclusions were drawn about the optimal material-design solution of the new facade system for mass production. After that, the technical task was formulated and executed, on the basis of which searches and studies were carried out in order to create a new facade system.

The technological solution is formulated under the unifying name **IFCF-technology (Insulated Fibro Cement Facade - insulated fiber-cement facade)**, including:

1. The design of the insulated fiber cement panel;
2. The technology of mass production of insulated fiber cement panels;
3. Associated processes for the use of insulated fiber cement panels.

IFCF-technology involves a new technological solution and the emergence of a new product on the market of facade systems, therefore, competing is not the specific product being created, but another, existing technological facade solution.

Based on IFCF-technology, a comprehensive commercial service “Insulated fiber cement facades” was built, which allows satisfying the consumer's demand for durable aesthetic facade systems.

2.1 Competitive environment

Team love their product. That`s why the story can be endless.



The main feature of the product is that there are complex, interrelated benefits. It is not possible to single out one major property of a product. The IFCF-panel features that are important to consumers are:

Mechanical process of mount. You can do it in any weather, regardless of the circumstances. And, you will have a concrete facade with insulate.

Without wet process. All processes associated with the use of water were transferred to the space of the workshop. This makes the product quality and stable.

Without subsystem. The patented panel profile eliminates the need for a subsystem for insulation.

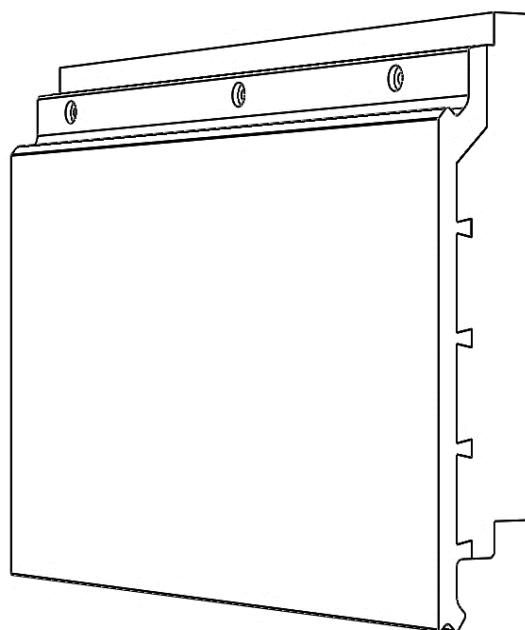
Various cut profile. Variety is ensured by different cross-sectional profiles, textures and colors.

Various way of mount on wall: "one above one", "with shift", etc.

That`s why it is easy for us to compete with other facade systems. We compete with cheaper ones due to characteristics important to the consumer. Now you can choose not between, but choose what is required. The IFCF-panel competes at the expense of price with more expensive systems. There are no other companies on the market using IFCF-technology.

2.2 Uniqueness of the project

The uniqueness of the project consist in the novelty of its main component - IFCF-panel. The project team has invented a way to make a fully functional product through very simple technological solutions. This made it possible to ensure high profitability of the project.



The full functionality of the product is that the user does not select any one characteristic. In addition, it can use all the necessary functions of the enclosing insulated facade without exception. This allows you to ensure interest in the product at the sale process.

The design of the IFCF-panel provides mass production, the ability to change the color, size, texture and surface profile.

2.3 Marketing strategy

The feature of the facade systems market is that there is no one person who decides on the choice of facade. In each case, these are different groups of participants: users, designers, architects, installers, manufacturers. Sometimes they can be in one person. Sometimes several persons can represent each of them.

<i>Name</i>	<i>Function in the statement of requirements</i>
Operator	Maintenance and maintenance of facades
User	Statement of Satisfaction Index
Developer	Securing deadlines
Installer	Construction Device
Distributor	Coordinating and deadlines
Architect	Providing Aesthetics
Designer	Providing Heat Saving
Manufacturer	Component Design

That's why the project team is attentive to market segments. Due to careful classification, we have chosen the main center of influence, which rationally selects the product according to several characteristics.

When market segmentation by consumer type, three groups are identified:

- B2B sector mass city buildings;
- B2B2C sector mass town and suburban buildings;
- B2C sector individual and local buildings and repair.

For each of the groups the following decision factors were taken into account.

Regulatory restrictions

Budget constraints

The level of demand for aesthetics

Level of technical knowledge

Argumentation susceptibility level

Level of traditional solutions

In accordance with these factors, promotion channels and ways to motivate the decision on the transaction are organized. Team plans will take 10% RF-market.

3. ECONOMY OVERALL UNIT

Based on market segments and marketing strategy, the team calculated the target production volume of the project product.

Annual production IFCF-panel, pieces	6.2M
Annual production volume, sq.m.	2.0M
Median selling price per sq.m.,	\$28.5
Annual sales revenue	\$57.2M
Target market share for facade systems,	10%

The economic part of the project was planned based on these indicators.

3.1 Financial Outlook and Investment proposal

The development of technology, production and promotion channels requires the involvement of outside investors. The purpose of investment resources is the technical support of mass product quality and the increase of production.

The investment part of the project provides for stages of development financing.

Round 0	RUR 10M	done
Round 1	RUR 25M	\$0.4M
Round 2	RUR 126M	\$2M
Round 3	RUR 189M	\$3M
Total	RUR 350M	\$5.4M

ROUND 0

At the expense of the project team's own funds, product design was developed, technological work was completed and a test batch was produced. Also created project documentation.

ROUND 1

At the expense of investment funds, a system of sales and distribution of products is organized. Information resources and promotional materials are being produced. Internal regulatory documentation is being prepared to standardize product quality.

ROUND 2

Investment and leasing funds create means of production of the product. This is the main and auxiliary equipment that is necessary for the mass production of the product.

ROUND 3

At the expense of investment and mortgage funds, production infrastructure facilities are created for equipment, a warehouse and an office.

Thus, on the one hand, development resources are provided, and on the other hand, the diversity of development is ensured: both the product and its commercial component.

The project has targets based on costing the production of one piece of the main product.

Insulated layer	– \$2.709
Fiber-cement layer	– \$0.876
Mechanical works	– \$0.600
Annex	– \$0.549
Packaging	– \$0.251
Total cost:	-\$4.985
Commercial & Taxes:	-\$0.769
Market price:	+\$9.257
Profit per one unit of IFCF-panel:	+\$3.503

The return on investment is ensured by the operational activities of the project and the growth in the value of the project assets. The team proposes to discuss the share and conditions of attracting an investor, taking into account external conditions at the time of the transaction.

3.2 Funding Required

The production of IFCF-panel, like a main product of the project, is based on a grouping of well-known technologies for the production of building materials. Feature is a new way of combining technology. This is designed to minimize the technological risks of producing a new product.

The following types of assets are used in production:

NAME	M, RUR	\$, thousand
<i>Real Estate Production</i>		
Plot of land	20	317
Engineering networks	10	159
Main building	41	643
Auxiliary warm rooms	15	238
Auxiliary cold rooms	23	371
Administrative premises	13	198
<i>Production equipment</i>		
RBU (2 pcs. ZZBO SKIP-30)	20	317
Disposal Tools	10	159
Basic technological equipment	90	1429
Automatic controls	40	635
Ancillary processing equipment	35	556
Other manufacturing assets (handling)	20	317
<i>Intangible assets</i>		
Design and technological documentation	60	925

Information Databases - Technological	8	127
Information Databases - Commercial	8	127
Information Databases - Organizational	8	127
TOTAL for all ROUNDS:	420	6,673

3.3 Deferred Expenses and income

Commercial activities of the enterprise are reflected in the financial statements in accordance with the standards of the Russian Federation. It is planned that a positive cash flow will form in the second year after the start of production. The team offers two options to ensure return on investment.

1. High margin of the product will allow to pay dividends for the investor.
2. An option is possible for the investor to exit the project from a profitable sale of the participation interest.

Both options are economically feasible and the team does not limit the investor in choosing.

Planned indicators for the second year of the company's activity after 4 investments rounds:

	RUR	
Annual revenue	3600M	\$57,1M
Annual costs	1938M	\$30,7M
Annual operating income before tax	1661M	\$26,4M
Profit	1362M	\$21,6M

3.4 Accounting policy

Accounting policies are implemented by the economic and tax laws of the Russian Federation. Financial control of the company's activities for the investor (co-owner) is available in real time at any time under the conditions of partner secrets. Official financial statements are published quarterly and at the end of the year.

4. RISKS

The project team monitors, classifies and controls the following project risks.

Activity risk

Associated with ordinary market business activities. Demonstrates the probability of failure to achieve economic indicators of the project. The initiator of the project controls it. It's managed by redundancy in the form of intangible assets of project documentation and product knowledge.

Technological risk

It is associated with the development of a new product in new technological conditions. Demonstrates the likelihood of not achieving the technical performance of the product. The production company of the project controls it.

It's controlled by decomposition to simple processes based on the IDFO technique.

Organizational risk

It is associated with a restriction on the threshold for entering the project. Demonstrates the likelihood of meeting the project schedule.

Partners, who share this risk, managements it for fee. It's controlled by the distribution (diversification) of work by type of project participants.

Attention to risk management allows achieving a high degree of control over new processes.

5.TEAM

Sergey Nakonechny

Project leader, technology and infrastructure manager

«ONVEX» CEO, PhD, engineer

More than 20 years' experience of the project work like a top-manager and an engineer at Russian and international companies.

Eugenie POLIKARPOV, Author and architect

Invented the product of the project, created idea and style of the IFCF-panel. Works like an architect and style manager in «SunCatchers.ru», «Camelot.ru».

Sergey AGEEV, Production manager

Manager at private the productions companies with a industrial and chemical products. Works like an engineer more than 20 year.

Michael SANKIN , Sale manager

CEO at local and advertisement companies. More than 20 years works like a manager at marketing and sale project.

Boris SHELTER, Mentor and Finance Manager.

More than 35 year` experience at banks and private companies managements works.

6. Legal Information

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Details and formats of investment conditions are offered upon requests.

7. Conclusion

These materials contain information about the new modern IFCF – technology for insulation of building facades. The document contains information about the product, market, economic indicators of the project and known risks.

Information is also provided about the project team and how to contact us.

All information provided is based on facts that are known to the group at the time of writing. The Group does not misrepresent the facts, considers the information provided reliable, and plans to successfully implement the project.

Contact information

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