

INVESTMENT PROJECT
«ESTABLISHMENT OF CEMENT PRODUCTION FROM
CLINKER (SEMI-FINISHED PRODUCT) SOURCED FROM THE
ISLAMIC REPUBLIC OF IRAN»

PROJECT SUMMARY:

PROJECT DESCRIPTION:

The goal of the project is to set up 300 000 tons of cement production per year using imported Iranian clinker.

Key Investor: Iranian clinker producer integrating raw materials into Russian production.

The production is planned to be placed at LOTOS Special Economic Zone, in Astrakhan, Russia.

Total land area is 6 hectares.

Project budget is 2.15 billion rubles (27.5 mln \$)

KEY BENEFITS:

Guaranteed raw material availability:

- Direct clinker supplies from the Investor (at no additional markups);
- Fixed transfer price (2975 rub per ton vs. 3500 rub per ton market purchase).

Logistics synergy:

- Easy shipping through Caspian Sea (Astrakhan – Anzali port);
- Cost reduction in delivery by 15 – 20%.

Risk assessment:

- Quality Control of Clinker from «Quarry to Mill»;
- Supply disruptions elimination.

Advantages of LOTOS Special Economic Zone:

- Zero import duties on equipment;
- Reduced income tax (2-10% instead of regular 20%);
- Property tax exemption.

CEMENT MARKET OVERVIEW (RUSSIA AND SOUTHERN FEDERAL DISTRICT):

PRODUCTION:

After major collapse in 2022 (approximately to 48-50 mln tons) concrete production in Russia is now growing back. The production volume is evaluated at 55-57 million tons by the end of 2024.

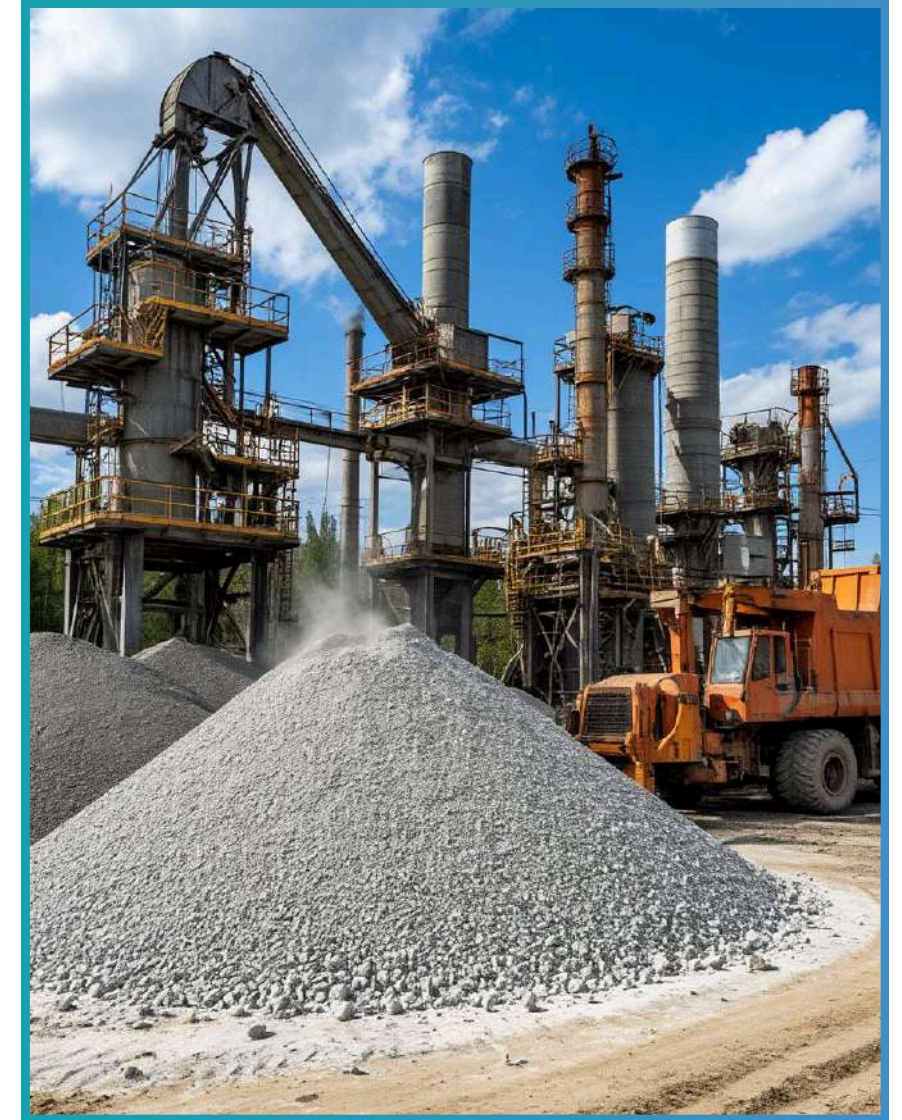
In Jan – Jun 2025 there was some moderate growth (up to 3-5% per year) based on governmental support and, partly, on recovery of residential construction.

Key cement-producing regions in Russia: Central Federal District, including Belgorod, Voronezh, Lipetsk, Southern Federal District, Volga Federal District, Siberian Federal District. Mostly production is moved towards Eastern and Southern parts of the country.

DEMAND:

Key drivers of cement demand in Russia: Government Infrastructure projects (highways, bridges, construction at the new territories and industrial construction). The residential construction is still weak due to high mortgage rate and low purchasing power.

Regional cement demand dynamics: The demand strongly depends on how active the construction develops in certain region. Southern Federal District and Central Federal District demonstrate relative stability.



EXPORT / IMPORT:

Export: reduced due to impact of sanctions and logistics constraints. Major export hubs: CIS (Kazakhstan, Uzbekistan, Belarus, Kyrgyzstan), Azerbaijan, Mongolia. The export volume is not high (a few million tons).

Import: nearly stopped due to sanctions, logistics constraints and currency risks. The market is almost entirely supplied by domestic production.

PRICES:

Cement price stabilization with moderate growth trend: after shock increase in 2022 – 2023, the prices in 2024 – 2025 are more or less stable and keep increasing by 5–10% per year.

Cost increase factors: price increase of energy cost, electricity, railway rates, salaries, imported spare parts and equipment, demands for certain projects, logistics fares.

Regional price disparities: Far East and other remoted areas' prices as well as Southern regions are significantly higher than average in Russia.

MARKET DYNAMICS IN RUSSIA AND IN SOUTHERN FEDERAL DISTRICT:

KEY MARKET PLAYERS:



is under reorganization



Vostok group



Russian branch is under new management



CEMENT MARKET IN SOUTHERN FEDERAL DISTRICT:

1 Importance:

Southern Federal District (YuFO) is the second most important region (after Central Federal District) in terms of cement production and consumption in Russia.

Key production regions: Krasnodar region, Rostov region, Volgograd region, Stavropol region.

2 Production:

The Southern Federal District (YuFO) accounts for about 20-25% of Russia's total cement production.

Major production factories: Novoroscement (Novorossiysk), «Kavkazcement» (Cherkessk), Sebyakovcement (Mikhaylovka, Volgograd Region), «Volgacement» (Volgograd), «Uspenskiy quarry» (Krasnodar region), «Atakaicement» (Krasnodar region).

The production capacities serve to both domestic demands within YuFO and to export via Black Sea ports (Novorossiysk)

DEMAND REMAINS STABLE AND HIGH BECAUSE OF:

- Active resort and residential construction along Black Sea Coast line (Krasnodar region);
- Expansion of farming and processing industries (factories and warehouse construction);
- Major infrastructure development projects: ports (Novorossiysk, Taman, Kavkaz), roads network (roads to ports, M4 highway "Don", bridge crossings (Crimean bridge);
- New territories reconstruction (partly connected with YuFo through logistic routes).

KEY TRENDS AND OPPORTUNITIES. SUMMARY:

- Russian cement market demonstrates high development trends after 2022 collapse.
- The Southern Federal District remains one of Russia's most dynamic and strategically significant markets, driven by its fast industrial base and consistently strong demand. This demand is sustained by resort construction, seaport infrastructure development, and major federal projects.
- Southern Federal District (YuFO) remains one of Russia's most promising regions for cement industry development despite intense competition and price pressures.

KEY FINANCIAL PROJECT PARAMETERS:

2145
mln rub.

Total
investments

795,5
mln rub.

EBITDA
per year

34%

EBITDA
margin

82,8
mln rub.

NPV

16,3%

IRR

15%

Discount
rate

6
years

Pay Back
Period (PBP)

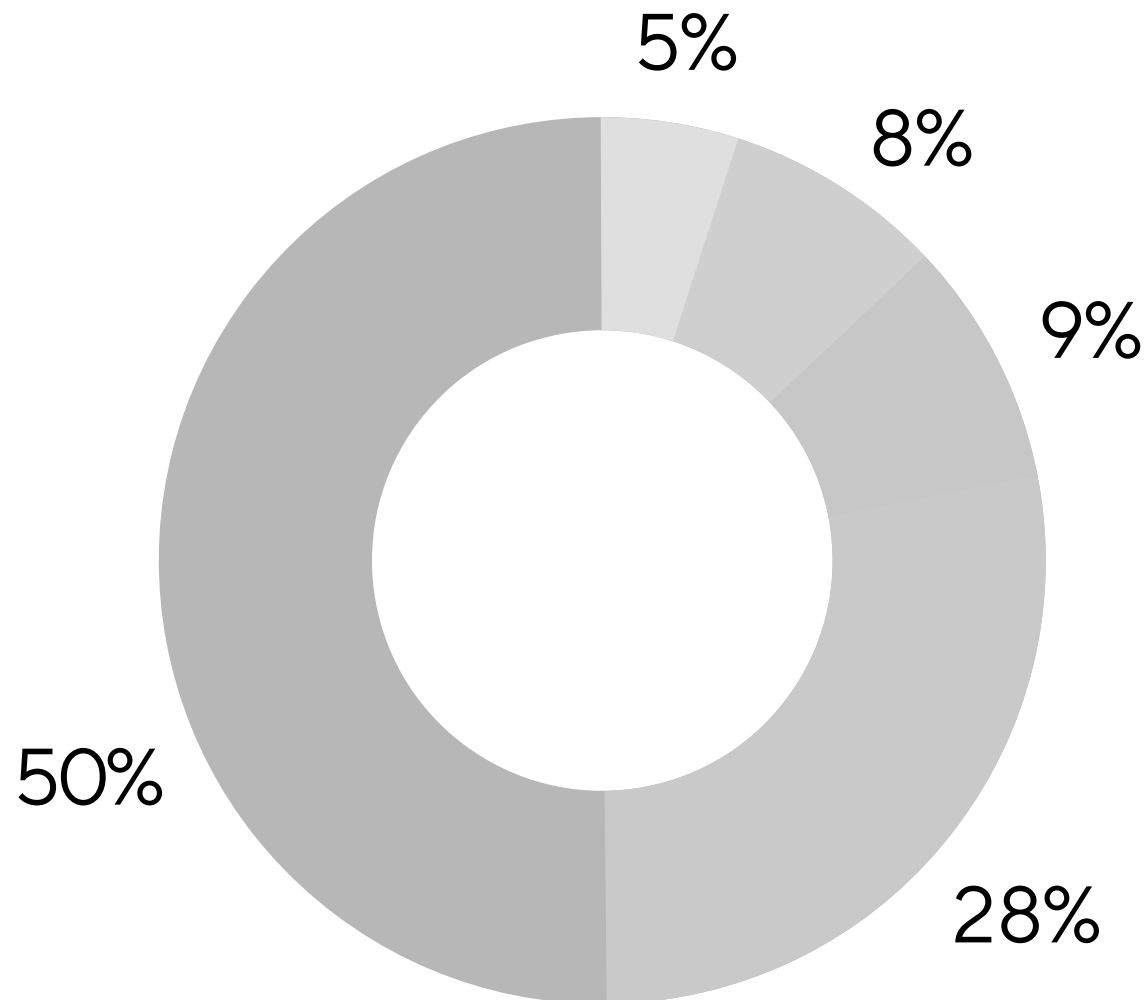
7
years

Discounted Pay
Back period
(DPBP)

2
years

Construction
period

PROJECT COST STRUCTURE:



- Equipment procurement and installation 1 072 million rubles
- Construction and installation work 600 million rubles
- Civil infrastructure and engineering systems 1 93 million rubles
- Site preparation 1 73 million rubles
- Water supply/sewerage and fire protection systems 1 07 million rubles

CONCLUSION:

The implementation of this project by an Iranian clinker producer in Astrakhan Oblast creates opportunities to enter the Russian construction materials market and participate in major investment projects across Russia.



This project could mark another significant milestone in strengthening bilateral economic ties between Russian Federation and Islamic Republic of Iran.

SPECIAL ECONOMIC ZONES:

PORT SPECIAL ECONOMIC ZONE

2
residents

over **700** million rubles
are invested by investors

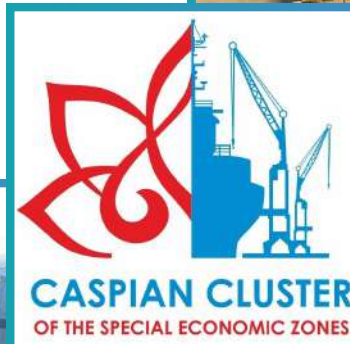
725,8
hectares

2,5 billion rubles
are invested into
infrastructure

Liman region of Astrakhan oblast



Narimanovo region of Astrakhan oblast



«LOTOS» SPECIAL ECONOMIC ZONE

16
residents

991
hectares

7,32 billion rubles
are invested by investors

over **1400** new work places created

KEY BENEFITS OF “LOTOS” SPECIAL ECONOMIC ZONE:

- + The federal-level recognition of the "LOTOS" Special Economic Zone as a base platform for shipbuilding equipment and spare parts production.;
- + The SEZ specializes in high-tech import-substitution projects, reinforcing Russia's leading position in global markets;
- + Most favorable taxation among industrial-production type SEZs in Russia;
- + Powerful shipbuilding cluster in Astrakhan Oblast;
- + Access to major industrial and investment product markets, including direct entry to Caspian basin countries (Azerbaijan, Iran, Kazakhstan, Turkmenistan) and extended to the markets of their economic partners;
- + Strategic geo-economic location at the intersection of two major developing Eurasian transport corridors: the North-South Corridor (Iran direction) and the East-West Corridor;
- + Full-spectrum transportation assets including rail, road, waterway and air transport;
- + Advanced labor market and vocational education system tailored to industrial enterprise needs.

ESTABLISHING PRODUCTION IN THE LOTOS SPECIAL ECONOMIC ZONE is the optimal solution for companies targeting expansion into Russian and Caspian markets.

FUNCTIONS OF THE MANAGEMENT COMPANY:

- Establishment and maintenance of infrastructure systems
- Attraction of resident companies and other SEZ investors
- Other duties

READY-TO-USE INFRASTRUCTURE ASSETS:

- Automobile and rail roads
- Power
- Water supply
- Customs control station
- Gas supply system
- Sewerage system

Site perimeter utility hookup and activation



ADVANTAGES FOR SEZ RESIDENTS:

TAX EXEMPTIONS:

VAT

0%

Services rendered within the port SEZ are exempted from taxation

Tax income

2%

10-year profit tax exemption from first profitable year, then only 10%

Property tax

0%

10-year tax exemption starting from property ownership registration date

Land tax

0%

5-year land tax exemption from property ownership registration date

Transport tax

0%

12-year transport tax exemption from registration date

CUSTOMS DUTY EXEMPTIONS:

Import duty

0%

foreign goods (raw materials, equipment, components)

VAT

0%

on imported foreign goods (raw materials, equipment, components)

Export duty

0%

Outside the Customs Union territory (Russia, Kazakhstan, Belarus, Armenia, Kyrgyzstan)

Export VAT

0%

Customs clearance timeframe

3 hours

Utility access with pre-approved technical conditions for SEZ Residents.

JSC «DEVELOPMENT CORPORATION OF THE ASTRAKHAN REGION»:

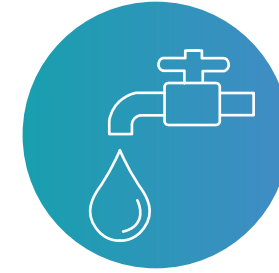
- Investor entry point into region;
- One-stop shop for the Investors and investment projects



Maintains a regional investment map – a portfolio of potential investment sites



Guides investors through fast-track approvals for strategic projects, including no-bid land access



Simplifies interface with utility providers, municipal entities and government authorities



Consolidates all available business support measures



Project facilitation services provided at NO COST

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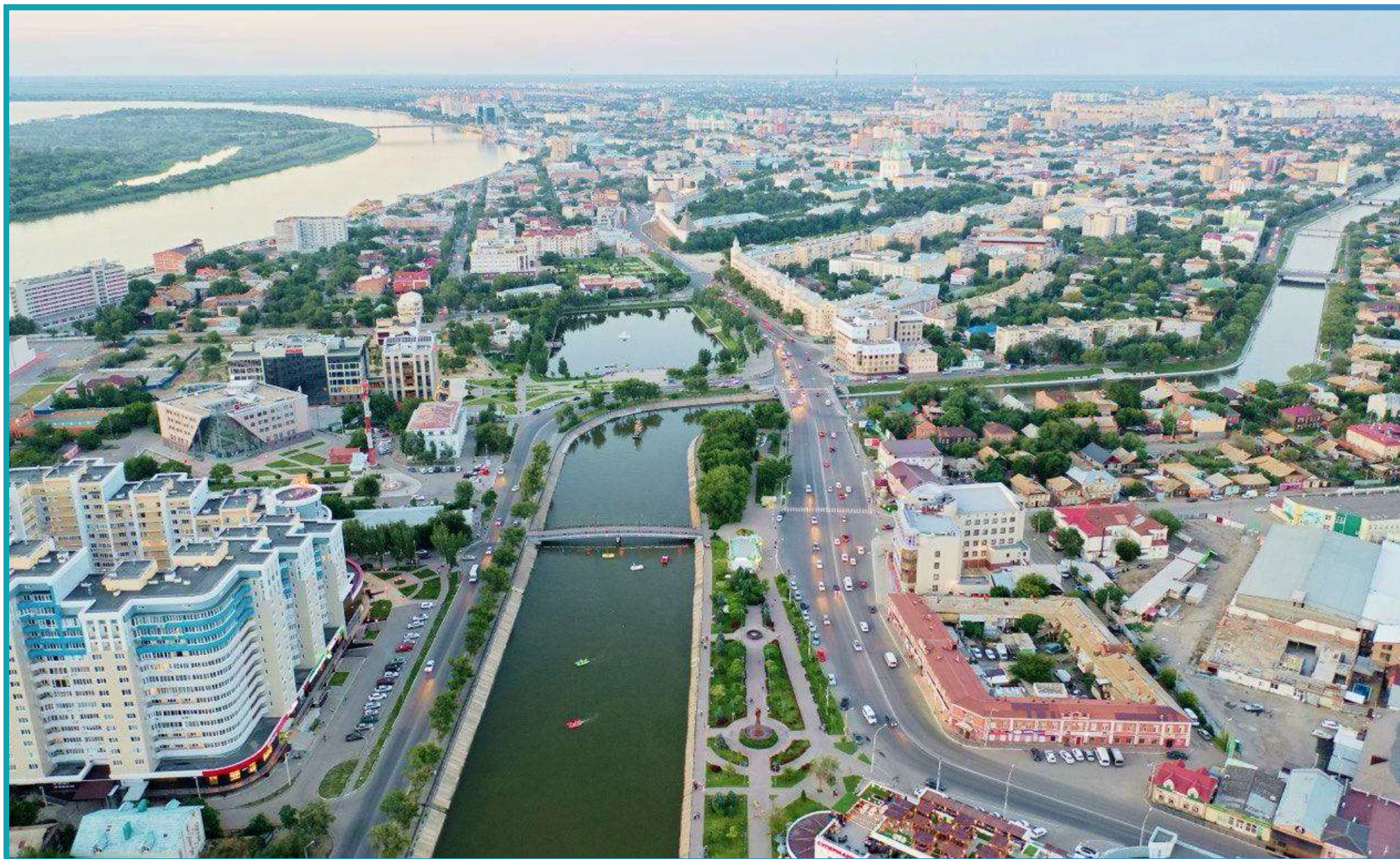
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