



# Lipetsk Project Steering Board

August 8<sup>th</sup> 2016



# Steering Board Agenda: 08.08.2016



- **Project Status Update**

- Deep Dive Topics:

- Construction Update
- Working Documentation Preparation
- Equipment Contracting
- Team Recruitment Update
- Direct Import
- Raw Materials Localization
- M3/1C Implementation

- **Next Steps**

- **All Other Business**



# Executive Summary



STATUS 05.08.2016

## Main Achievements

- ✓ Following the receipt of the Building Permit 1<sup>st</sup> state construction inspection has been successfully executed
- ✓ Construction works for the production building remain ahead of plan: all metal columns are erected & most trusses installed, floor preparation is completed, roofing started. Construction works of the office building are on plan: ground floor completed, 1<sup>st</sup> floor walls in progress. Guard house foundation is done
- ✓ Working documentation is finalized. Plot layout and landscaping has been reviewed, feedback given to SMS for changes
- ✓ Initial contractual payments to Ottevanger & Askove were executed. Drafts of the Contracts with TECSA & ARODO under legal review
- ✓ Raw materials localization team calls in place on weekly basis. Progress on plan, 1<sup>st</sup> samples delivered to Herentals
- ✓ Confirmation from the Ministry of Agriculture that no certification is required for imported raw materials
- ✓ Offer to the selected P&L manager in preparation
- ✓ Product bundle justification agreed with SEZ

## Challenges

- Recruitment of Purchasing & Logistics Manager is on going
- Fire fighting solution to reduce CAPEX needs
- Start of direct imports via KI Lipetsk in 2016
- Implementation of M3/1C system before end of 2016

## Support Required

- Natalia & Elena (Moscow office) to progress with RM localization
- Natalia to support Direct Imports
- Continued regular communication with Finance to avoid liquidity bottlenecks
- Ministry & Koshelev to justify product bundling and direct imports via KI Lipetsk

## Main Actions Planned

- Continue weekly Working Design concalls with SMS engineering & design teams to finalize fire system and other remaining points
- Approval of the office facade materials, landscaping plan and finalization of working design documentation with SMS
- Finalize the contracting process for TECSA and ARODO (legal & currency legislation compliance work)
- Implementation of RM localization actions: source, analyze the samples & review ppwk from updated Top10 RM suppliers. Regular team concalls in place
- Finalize the recruitment of Purchasing & Logistics Manager
- Preparation of the updated documents for Expert Council to change the Investment Agreement as the base for direct import implementation
- Continue support SEZ & Lipetsk regional government with the communication and preparation of Indian seminar/exhibition participation
- Start detailed planning of the inauguration ceremony



# Impact on Project Milestones



NON EXHAUSIVE  
Status 05.08.2016

	Future Project Milestone	Planned	FCST	Comments
1	<b>Project Design Package to be submitted for state expertise</b>	30.03.16	Done	Volumes 1 &2 submitted for expertize. Remaining volumes – on track
2	<b>PSA approval for construction part</b>	25.04.16	Done	Approvals from KP & Chris received
3	<b>General Contractor Selection</b>	11.04.16	Done	GC has been selected on 19.04, LOI prepared and signed on April 21 <sup>st</sup>
4	<b>Start of the Construction works</b>	18.04.16	Started	GC started works on April 25 <sup>th</sup> 2016
5	<b>0 Phase Working Documentation ready</b>	25.04.16	Done	Ready & given to SMS
6	<b>Conclusion of state expertise</b>	22.06.16	Done	Additional questions addressed
7	<b>Working Documentation finalized</b>	22.07.16	Done	Current progress on plan
8	<b>Plant building carcass completed</b>	10.10.16	10.10.16	Maximum external works completed before winter
9	<b>Plant Management Team in place</b>	Dec`16	Dec`16	Remaining challenge with P&L manager
10	<b>PSA approval for equipment part</b>	30.04.16	03.06.16	Implementation of PSA
11	<b>Equipment order</b>	10.05.16	06.06.16	Dry Line and Packaging equipment
12	<b>M3/1C system installation &amp; tests</b>	31.12.16	31.12.16	
13	<b>Import the Equipment</b>	31.12.16	Dec`16	
14	<b>Equipment Installed &amp; Tested</b>	10.03.17	March`17	
15	<b>Plant Construction Finalized &amp; Ready for State Expertise</b>	10.03.17	28.02.17	
16	<b>Plant Inauguration</b>	26.04.16	26.04.17	



# Most Critical Internal Decisions Needed



## Deadline:

- **Liquid Line & Installation supplier selection** Done
- **Approval of main production building/façade materials** Done
- **Decision on Direct Import flow via KI Lipetsk** Done
- **Decision on Fire System: 'extra wall' dilemma** Done
- **Approval of Work Documentation for both Buildings** 15.08.16
- **Approval of Plot Landscaping Plan** 22.08.16



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# Weekly Construction Progress Monitoring: Executive Summary\* Week 29

STATUS 05.08.2016

Main Activities/Works	Planned	Actual	Deviation/Gaps	Narratives
<b>Site Preparation &amp; Soil Works</b>				
All site preparation & soil works	100%	100%	None	
<b>Foundations of Production &amp; Office Buildings</b>				
All soil works completed	100%	100%	None	
<b>Framework &amp; Carcass: Production &amp; Office Buildings</b>				
Carcass concrete foundation installations	100%	100%	None	
Socle walls installation all phases	100%	100%	None	
Socle walls insulation works	40%	50%	Ahead	
Foundations under staircases & auxillary rooms	80%	100%	Ahead	
Frame steel constructions ph.1	100%	100%	None	
Frame steel constructions ph.2	60%	80%	Ahead	
Ground floor trusses of office building	100%	100%	None	
Walls & columns 1st floor office building	40%	50%	Ahead	
<b>Design of Facades &amp; Materials</b>	100%	100%	None	Approved by Kemin
<b>Façade materials and color selection: Production</b>	100%	100%	None	Approved by Kemin
<b>Façade materials and color selection: Office</b>	25%	25%	None	Colors approved, materials in August
<b>3D Design of all buildings</b>	100%	100%	None	Landscaping design to be approved
<b>Outside engineering networks and equipment</b>	60%	80%	Ahead	

**Production Building: metal frames in place, trusses almost completed, roof coverage and floor preparations in progress. Office Building: progress with the walls of the 1<sup>st</sup> floor. Construction progress remains on or ahead of plan (production building)**



\* Source: SMS. Verification: D.Vetrov



# Construction Work In Progress: Production Building

PICTURES TAKEN  
05.08.2016





# Construction Work In Progress: Office Building & Guard House

PICTURES TAKEN  
05.08.2016





# Panoramic View of the Plot

PICTURE TAKEN  
05.08.2016



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3D View 1 of 3



# 3D View 2 of 3





## 3D View 3 of 3



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# Technological Equipment



FOR INFORMATION

**Engineering Equipment & Installation:** included into the scope/budget of General Contractor works, mostly locally made (high end). We will align with SMS to show the suggested examples for approval within next month

## Technological Equipment & Installation:

- **Dry Line:** Based on the best value for money and complete alignment with our timelines selected supplier is Ottevanger. Contract has been signed, cash flow FCST prepared for Andrey. 1<sup>st</sup> Payment has been executed. Installation to be done by EuroTechMontazh, final price negotiations will be done before September
- **Liquid Line & Installation works:** TECSA has been selected as a local supplier. Draft contract prepared by TECSA is under legal review. Cash flow FCST included into demand pipeline
- **Packaging Line:** ARODO confirmed as the supplier. Draft Contract in preparation, equipment engineering works started based on the LOI
- **Scrubber:** ASCOVE selected as the supplier, Contract signed and 1<sup>st</sup> payment in execution



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# Management Team Recruitment Status



FOR INFORMATION  
STATUS 05.08.2016

Position	Hiring Manager	Executive Sponsor	Posting date	Number of days open from posting date	Budgeted Start date	Number of days open from budgeted start date	Number of candidates reviewed	Progress made Low Medium High	Status dd August 5, 2016	Future Actions
Purchasing & Logistics Manager	Timur	Steven	3/15/2016	145	6/1/2016	67	46	H	Successful team interviews in Lipetsk last week. One more Skype interview of one candidate (Andrey Konov) with Steven De Vos and Julia. Reference checks by Timur proved to be good.	Offer preparation by Timur this week.



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# Status of Main Steps

- ✓ **Decision to use Lipetsk plant for both flows**
- ✓ **Both product groups 'bundling' justification** (prepared with Tigran)
- ✓ **Introduction of Natalia to SEZ Management & Customs Head**
- ✓ **Health check of the justification with SEZ and the Ministry**
- **Update of the Business Plan (August)**
- **Official Request from KI Lipetsk to SEZ to support the amendments**
- **Receive Positive SEZ conclusion**
- **Prove the required changes at the Expert Council of the Ministry (Oct/Nov)**

Meanwhile: prepare the necessary ppwk, temporary storage solution in SEZ, contracts with customs broker



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# Updated Product Portfolio for Lipetsk

FOR INFORMATION

Product	2017	2018	2019	2020	2021	2022
	Volume, MT					
KZ Plus Dry	580	750	880	920	1000	1050
Kemzyme Plus P dry	160	280	350	420	480	520
Myco Curb Dry	100	200	260	300	350	380
Sal Curb Dry	560	800	950	1000	1100	1200
Acid Lac Dry	350	480	640	720	740	820
Acid Lac XT Dry	140	200	300	340	380	440
Lysoforte Booster Dry	380	540	600	640	700	720
Toxfin Dry	500	700	800	880	950	1040
Clostat Dry	140	240	340	380	420	460
Clostat HC SP Dry	10	20	30	40	50	60
Rendox Plus Liquid	80	120	200	280	320	400
Myco Curb Liquid	300	540	700	700	820	900
Sal Curb Liquid	700	1000	1300	1340	1400	1440
<b>Sub Total 1st Prio</b>	<b>4000</b>	<b>5870</b>	<b>7350</b>	<b>7960</b>	<b>8710</b>	<b>9430</b>
<b>Sub Total 2nd Prio</b>	<b>1000</b>	<b>1330</b>	<b>1650</b>	<b>1840</b>	<b>1890</b>	<b>1970</b>
<b>Total Sales FCST, mT</b>	<b>5000</b>	<b>7200</b>	<b>9000</b>	<b>9800</b>	<b>10600</b>	<b>11400</b>
<i>Business Plan, mT</i>	<i>5000</i>	<i>7200</i>	<i>9000</i>	<i>9800</i>	<i>10600</i>	<i>11400</i>

## Plus Priority #2

Product	2017	2018	2019	2020	2021	2022
	Volume, MT					
Kemzyme Extend dry	70	100	140	160	180	180
Kemzyme MAP	110	150	180	200	200	220
Endox D Dry	160	180	200	220	220	230
Endox ME	360	420	480	500	500	500
Lysoforte Dry	40	80	120	140	160	160
Nutrikem Dry	80	120	150	160	160	180
KZ W Liquid	10	20	30	40	50	50
Sal Curb K2 Liquid	60	100	140	160	160	160
Kemzyme Plus P liquid	10	20	30	40	40	50
Sal CURB B liquid	100	140	180	220	220	240
<b>Total</b>	<b>1000</b>	<b>1330</b>	<b>1650</b>	<b>1840</b>	<b>1890</b>	<b>1970</b>





# 2 RM Samples Delivered to Herentals

FOR INFORMATION

KAE item nr	Description	kgs, RU	# FP's RU
RM00629	LIMESTONE (BULK-krijt)	1462134	10
RM00704	PROPIONIC ACID (propionzuur)	928698	10
RM00519	BENTONIT (SMECTAGRI) BULK	359899	7
RM00511	AMMONIA 24,5% (BULK)	305232	4
RM00836	EXAL BULK	222200	1
RM00535	BOLEC MT PCR-NEG	217000	4
RM00718	SILICA, SILICON DIOXIDE EVONIK	184606	6
RM00585	FUMARIC ACID (BIGBAG)	181500	3
RM00845	SILICA, SILICON DIOXIDE	170070	7
RM00672	FORMIC ACID 85 % (mierzuur)	144933	5
RM00669	LACTIC ACID 76% INDUSTRIAL (me	130898	3
RM00542	CALCIUM HYDROXIDE	110262	5
RM00820	FORMALIN	66000	1
RM00634	RAPSEED OIL (koolzaad olie)	46399	6
RM00759	SALT FEED K0,7-0,16(NaCl zout)	42140	1
RM00547	CITRIC ACID ANHYDR (citroenzuu	31500	5
RM00665	MONOPROPYLENE GLYCOL (MPG)	25500	2
RM00543	CALCIUM OXIDE	19802	5
RM00582	ETHOXYQUIN LIQUID	19769	4
RM00757	SAND M72	19446	1
RM00077	GLYCERYL MONOOLEATE	16800	1
RM00593	PHOSPHORIC ACID 75% (BULK)	16103	4
RM00517	BHT	14404	2
RM00604	EL48 GLYCERYL PEG RICINOLEATE	12874	4
RM00873	ECONASE XT 5 P	11240	4



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# KI Lipetsk: Cash Needs FCST

FOR INFORMATION

	jul-2016	aug-2016	aug-2016	aug-2016	aug-2016	sep-2016	sep-2016	sep-2016
	W30	W31	W32	W33	W34	W35	W36	W37
SMS	17 700 000	60 572 942			17 700 000		78 655 067	
Arodo			17 936 000					
Ottevanger		51 572 277						
ASKOVE			7 174 400					
TECSA				41 252 800				
Other CapEx	46 207	173 405	240 522				173 405	
Current	12 860	1 010 086	869 500	3 712 279	37 820	900 000	72 266	619 500
<b>Total</b>	<b>17 759 067</b>	<b>113 328 710</b>	<b>26 220 422</b>	<b>44 965 079</b>	<b>17 737 820</b>	<b>900 000</b>	<b>78 900 738</b>	<b>619 500</b>
<b>USD equivalent</b>	<b>269 294</b>	<b>1 717 102</b>	<b>397 279</b>	<b>681 289</b>	<b>268 755</b>	<b>13 636</b>	<b>1 195 466</b>	<b>9 386</b>

Situation is monitored on a weekly basis to ensure no impact on construction & equipment installation plans

W30 payments are executed. W31&32 funding approved by Chris.

W31 Ottevanger invoice is paid, as well as part of SMS invoice (due to mistakes in funds transfer from the US). Funding requests for W33 is done.



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NON EXHAUSIVE

# Project Milestones

- ✓ Construction Supervisor in place (Jan`16)
- ✓ ESA Sign Off (Mar`16)
- ✓ Technical Conditions Received (Mar`16)
- ✓ SMP & Plant Layout Approved (Mar`16)
- ✓ Plant Manager in Place (01.04.2016)
- ✓ Plant Controller in Place (01.04.2016)
- ✓ Basic (Project) Design (Jan`16 to mid Apr`16)
- ✓ Design & Engineering Expertize to obtain Construction Permit ( Apr`16)
- ✓ Start of Foundation Works (25.04.2016)
- ✓ PSA Pack Preparation, Submission for Expertise & Approval (Mar-May`16)
- ✓ Detailed Design Works (In Progress: Apr-July`16)
  - Raw Materials Localization: Supplier Tests (In Progress: June`16 to Oct`16)
  - Plant Carcass Construction (Apr`16 to Oct`16)
  - Office Building Construction (May`16 to Nov`16)
  - M3/1C system installation & test (Dec`16)
  - Equipment Delivery & Installation (Dec`16-Feb`17)
  - Start of Pilot Production (Mar`17)
  - Reception of Exploitation Permit (Mar-May`17)



# Main Next Actions Planned



NON EXHAUSIVE

#	Key Actions Planned for Next Weeks	Objectives	Responsible	Deadline
1	Proceed with the Contract preparation and execution with TECSA	To proceed with the order of Liquid Line	Tikhon & Timur	08.08.16
2	Preparation of M3&1C implementation planning & gaps analysis	Technological solution in place for billing needs	Andrey & Timur	02.08.16
3	Confirm the choice of façade materials for Office building	High quality, right color material needed	Timur & Dmitry	08.08.16
4	Viability check for Direct Imports process via KI Lipetsk	Cost effective, tax minimization approach	Tikhon	August
5	Progress with RM localization process	Ensure maximum localization from the start	Tikhon & Elena	On going

## Support Required

#	Action Planned	Support Needed	Who?	When?
1	Timely payment to construction and equipment suppliers to ensure swift progress		Andrey K.	On going
2	Natalia and Elena for RM localization ppwk and samples sourcing		Moscow Office	On going
3	Direct Imports via Lipetsk: justification preparation from Tigran		Tigran A.	31.07.16





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# KI Lipetsk Inauguration Ceremony Preparation

FOR DISCUSSION

- **Main Objectives:**
  - Official inauguration of the Lipetsk plant
  - Share good news with Kemin Presidents
  - Maximize marketing & sales effect from production localization
  - Maximize PR & GR effects to ensure support of the Federal & Regional governments
- **Date:** 27.04.2017, Thursday
- **To be invited:**
  - Kemin Distributors
  - Top Agroholdings, Feed mills, Premix companies, Direct Customers
  - Industrial media
  - Relevant regional government (including the governor)
  - Relevant Federal government (RUSSEZ, MinEco, MinProm & MinAgro)
  - Industrial Unions and Associations
  - SEZ Lipetsk Residents
  - Top Kemin Management, plus Moscow and Lipetsk teams
- **Event Management:** Co-ordination by Lipetsk team with implementational support of the proven local event agency
- Suggested examples to be seen by Kemin management: 29.09.16 Bettermann Ceremony (Steven?) and 27.10.16 PPG Ceremony (KP? Tom?)
- **Challenge:** Avoid date crash with Viessmann (moved the Ceremony from Jan to April/May 2017)



**THIS IS KEMIN**

**THANK YOU!**

