



# Expert Consulting Center ECC “Invest-Project” Ltd.

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**Proposal for funding**

## Summary the creation of a digital platform “Patentico”

The program of financial calculations and Summary of the Project developed by ECC “Invest-Project” Ltd. (Moscow) together with the owner of the technology company Patentico in July 2018. Financial calculations given as 27.07.2018.

**The purpose of the project Summary** - a brief description of the financial model of the enterprise and the results of the calculation of key financial, economic and marketing parameters; technical and economic feasibility of implementing of the Project implementation; confirmation of its investment attractiveness to attract the necessary funds.

The initiator and developer of the Project is the company Patentico.

When the parameters of the business plan for the project are met, the following **performance indicators**, as shown in Table 1, will be achieved.

**Table 1. The Project performance indicators on 27.07.2018 for 2-year period.**

№	Name of indicator	Value	Unit	Value	Unit	Value	Unit
2	<b>Exchange rate</b>	<b>1</b>	Rub./Rub.	<b>63,1216</b>	Rub./\$	<b>73,9028</b>	Rub./euro
4	<b>The overall performance of the project</b>	<b>in rubles</b>		<b>in USD</b>		<b>in euro</b>	
5	Revenue from current activities (including VAT)	6 319 580 000	Rub.	100 117 551	\$	85 512 051	euro
6	Current activities including UST (VAT included)	1 160 354 350	Rub.	18 382 841	\$	15 701 088	euro
7	Balances from operating activities (net of VAT)	3 528 955 502	Rub.	55 907 257	\$	47 751 310	euro
8	Net profit of the project	3 475 363 791	Rub.	55 058 233	\$	47 026 145	euro
9	The amount of investment costs (including VAT)	532 520 000	Rub.	8 436 415	\$	7 205 681	euro
10	Property on the balance sheet at the end of the planning horizon (net of VAT)	397 749 541	Rub.	6 301 322	\$	5 382 063	euro
11	<b>Annual production</b>	<b>24 449</b>	<b>PCs/year</b>	<b>24 449</b>	<b>PCs/year</b>	<b>24 449</b>	<b>PCs/year</b>
12	Break-even point (min. share of sales)	4,39%	%	4,39%	%	4,39%	%
13	Net profit in the last forecast year	4 059 110 580	Rub./year	64 306 205	\$/year	54 924 990	euro/year
14	Revenue in the last forecast year (including VAT)	6 221 840 000	Rub./year	98 569 111	\$/year	84 189 503	euro/year
15	Share of net profit from revenue in the last forecast year	65,24%	%	65,24%	%	65,24%	%
16	<b>Project indicators on debt and equity</b>						
17	Amount of borrowed and own funds of project owners	2 948 100 000	Rub.	46 705 090	\$	39 891 587	euro
18	Accrued interest on borrowed and own funds	13 312	Rub.	211	\$	180	euro
19	Bank loan amount	128 100 000	Rub.	2 029 416	\$	1 733 358	euro
20	Amount of own funds of project owners	2 820 000 000	Rub.	44 675 674	\$	38 158 229	euro
21	The moment of full return of the received funds by the enterprise, year	5,00	year	5,00	year	5,00	year
22	The moment of full return of the received funds by the enterprise, month	60	month	60	month	60	month
23	<b>Investment efficiency of the project</b>						
24	NPV of the project at the start of financing	2 885 292 252	Rub.	45 710 062	\$	39 041 718	euro
25	NPV of the project including fixed assets	3 268 370 630	Rub.	51 778 957	\$	44 225 261	euro
26	DSI - the discounted amount of investment taking into account current assets and % on loans	1 105 191 141	Rub.	17 508 922	\$	14 954 659	euro
27	PI of project = 1 + NPV / DSI = <b>Profitability Index</b>	3,611	dim-less	3,611	dim-less	3,611	dim-less
28	<b>IRR project (internal rate of return)</b>	341%	%/year	341%	%/year	341%	%/year
29	Ordinal month, quarter and year of the current self-sufficiency	<b>12</b>	month	4,00	quarter	<b>1,00</b>	year
30	Calendar month, quarter and year of the current self-sufficiency	<b>July</b>	month	4	quarter	<b>2 019</b>	year
31	A regular month, quarter and year of full self-sufficiency (positive accumulated balance)	16	month	5,33	quarter	1,33	year
32	Calendar month, quarter and year of full self-sufficiency (positive accumulated balance)	<b>November</b>	month	6	quarter	<b>2 019</b>	year

33	The month ordinal of a payback for the cash flow	17,51	month	5,84	quarter	1,46	year
34	The month ordinal of return for discounted cash flow	<b>17,55</b>	month	5,85	quarter	<b>1,46</b>	year
35	The month ordinal of a payback for the cash flow and fixed assets	15,86	month	5,29	quarter	1,32	year
36	The sequence number of the payback month for discounted cash flow and discounted value of fixed assets	15,91	month	5,30	quarter	1,33	year
37	<b>Real and nominal loan rates</b>						
38	Expected inflation %	1,00%	%/year	0,249%	%/quarter	0,0830%	%/month
39	Loan rate in conditionally constant prices	1,980%	%/year	0,491%	%/quarter	0,1635%	%/month
40	Loan rate in nominal prices	3,00%	%/year	0,742%	%/quarter	0,2466%	%/month
41	Discount rate in nominal prices	3,00%	%/year	0,742%	%/quarter	0,2466%	%/month
42	Discount rate in conditionally constant prices	1,98%	%/year	0,491%	%/quarter	0,1635%	%/month
43	Percentage of Bank funds from the loan amount	4,35%	%/year	4,3%	%/year	4,3%	%/year
44	Percentage of own funds from the loan amount	95,65%	%/year	95,7%	%/year	95,7%	%/year
45	The price of the enterprise (the total income of the owner)	39 762 303 884	Rub.	629 931 812	\$	538 035 147	euro
46	The ratio of the enterprise price to the amount of investments	35,978	dim-less	35,978	dim-less	35,978	dim-less

The amount of investments will be 2,948 million rubles, including 128 million rubles-Bank loan.

Net profit for the 2-year forecast period will be 3 475 million rubles.

IRR-341 % / year for 2-year forecast period. This indicator confirms the very high sustainability of the project with respect to possible growth of discount and lending rates.

NPV of the project (for project owners) is equal to 2 885 million rubles at a discount rate of 1.98% per year in conditionally constant prices.

DSI = 1 105 million rubles – the amount of discounted investments and interest on loans, that is, the necessary amount of discounted investments in the project.

The profitability index of the project or the rate of return of investment funds  $PI = 1 + NPV / DSI = 3,611$ . This means that for each ruble invested, the project will generate 3,611 rubles for the forecast period (taking into account the discount). This is a high figure, as for traditional industries (construction, agriculture, industrial production, transport) its values, as a rule, do not exceed 2 units. For high-tech (IT, Telecom) projects it can reach 5 or more units.

Investment period of the project = 14 months = 1.17 years.

The payback period (the period of return of invested funds, including discounting) – 17.55 months or 1.46 years; exit to self-sufficiency of current activities in the 12th month from the beginning of financing.

**General conclusion:** the project is very attractive for investment and shows a large margin of safety in relation to possible adverse market changes in the conditions of the project.

The following Tables 2 and Graphs 1, 2 and 3 show the schedules of loan receipt and repayment and the dynamics of expenditure and accumulation of equity by project owners and their discounted income - NPV as a function of time, as well as other useful tables and graphs.

**Table 2. Optimal scheme of obtaining and repayment of borrowed funds for the Project.**

Tranche sizes in view of inflation	8 100 000	120 099 545	120 199 172	2 713 466 418	0	0	0	0	<b>2 961 865 134</b>
Indicator	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	total, Rub.
Bank's share in the tranche (0% = own funds)	100,00%	100,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	4,35%
Share of equity in the tranche	0,00%	0,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	95,65%
Bank loans (Rub.)	8 100 000	120 000 000	0	0	0	0	0	0	128 100 000
Investor's contribution	0	0	120 000 000	2 700 000 000	0	0	0	0	2 820 000 000
The loan amount in %	0,27%	4,07%	4,07%	91,58%	0,00%	0,00%	0,00%	0,00%	100,00%
The size of the loan (tranches)	<b>8 100 000</b>	<b>120 000 000</b>	<b>120 000 000</b>	<b>2 700 000 000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	2 948 100 000
Annual % of loan	1,980%	1,980%	1,980%	1,980%	1,980%	1,980%	1,980%	1,980%	1,980%
Monthly loan %	0,164%	0,164%	0,164%	0,164%	0,164%	0,164%	0,164%	0,164%	0,164%
Payout % (1) or with the body of the loan (0)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Loan repayment period, years	0,08	3,00	3,00	3,00	3,00	3,00	3,00	3,00	
Loan repayment period, months	1	36	36	36	36	36	36	36	
The month ordinal of the loan	<b>1</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>10</b>	1
Serial number of the month of the loan repayment beginning	<b>5</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	25
The ordinal number of the month of repayment	<b>5</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	60
The repayment of the loan (including capitalization)	8 139 805	124 392 341	124 189 245	2 776 053 850	0	0	0	0	3 032 775 240
Amount of capitalized interest	39 805	4 392 341	4 189 245	76 053 850	0	0	0	0	84 675 240
Amount of interest paid	13 312	0	0	0	0	0	0	0	13 312
The amount of accrued interest	53 116	4 392 341	4 189 245	76 053 850	0	0	0	0	84 688 551
Amount of accrued interest as % of the loan	0,656%	3,660%	3,491%	2,817%	0,000%	0,000%	0,000%	0,000%	2,873%
The total amount of payments in repayment of the loan	8 153 116	124 392 341	124 189 245	2 776 053 850	0	0	0	0	3 032 788 551
Effective loan term, years	0,333	1,833	1,750	1,417	0,000	0,000	0,000	0,000	1,444
Effective loan term, months	4,00	22,00	21,00	17,00	0,00	0,00	0,00	0,00	17,332
Constant capital growth, % / year	1,961%	1,961%	1,961%	1,961%	1,961%	1,961%	1,961%	1,961%	1,961%
<b>NPV of the project at the time of its beginning, Rub.</b>	<b>2 885 292 252</b>	<b>3 268 370 630</b>	taking into account fixed assets						
<b>The minimum amount of cash</b>	<b>0</b>	0,000%	0,000%						

The top line shows the actual required nominal tranche amounts obtained by multiplying the tranche amounts in conditionally constant prices by the accumulated inflation factors. The total nominal amount of the loan, the company will be 2 962 million. The Credit in constant prices conditional on the date of issuance of the loan amount 2 948 million Rub. Credit (credit line) will be selected in 4 tranches within 7 months. Return of the 1st tranche - in the 5th month; return of the remaining 3 tranches will begin in the 25th month, and full repayment of the loan - in the 60th month. Interest will be paid monthly at the same time as the repayment of the loan body, which will be repaid monthly in 36 equal installments. Nominal interest rate of 3 %/year, the expected rate of inflation is 1.0 %/year, interest rate in the conditionally constant prices is equal to  $1,03 / 1,01 - 1 = 1,9802$  %/year. The graph does not show the stage of repayment of the main loan, because this preliminary calculation is carried out for 24 months = 2 years.

**Graph 1. Monthly dynamics of the trenches and the repayment of the loan, Rub. and Rub./month.**

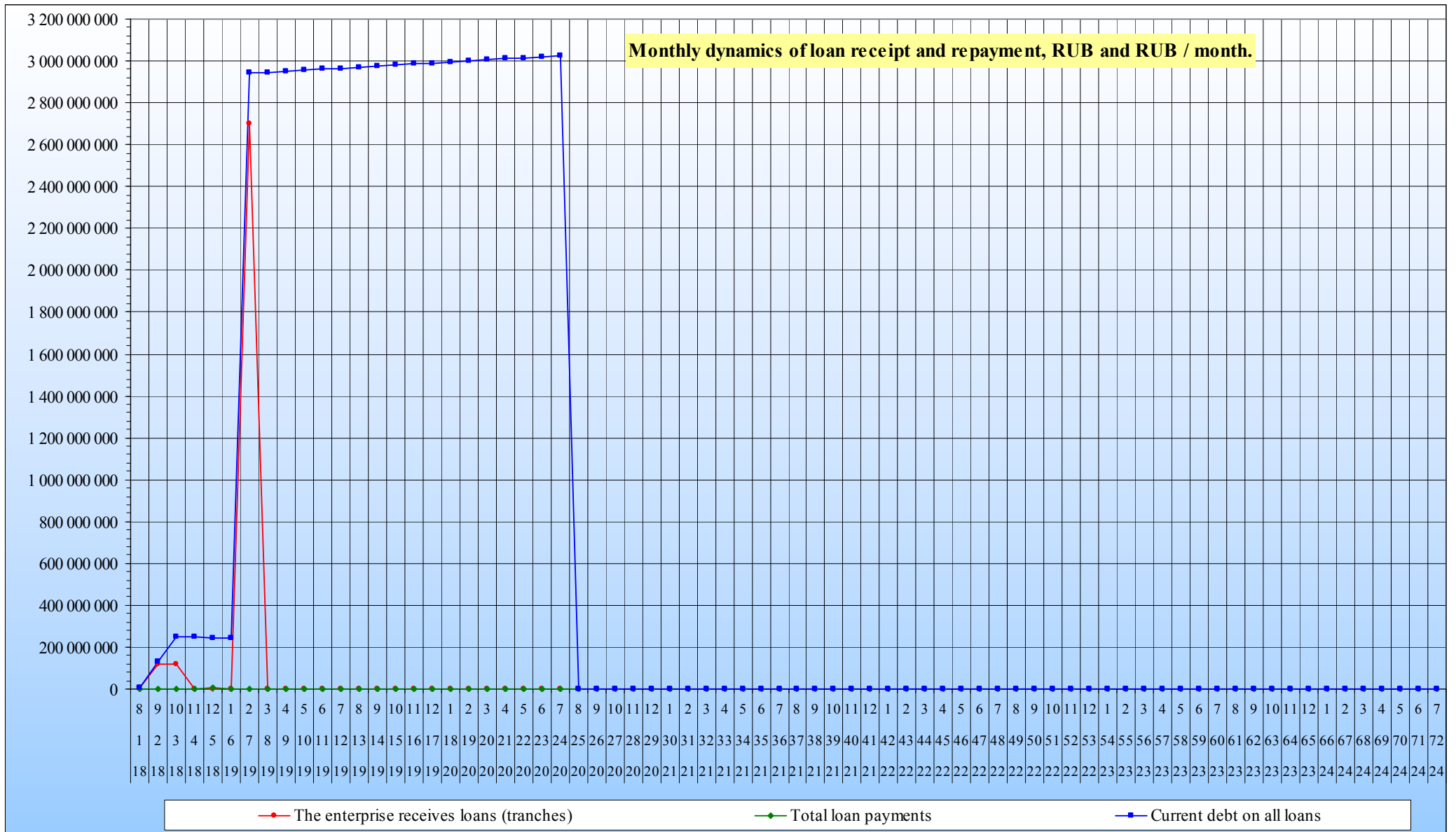
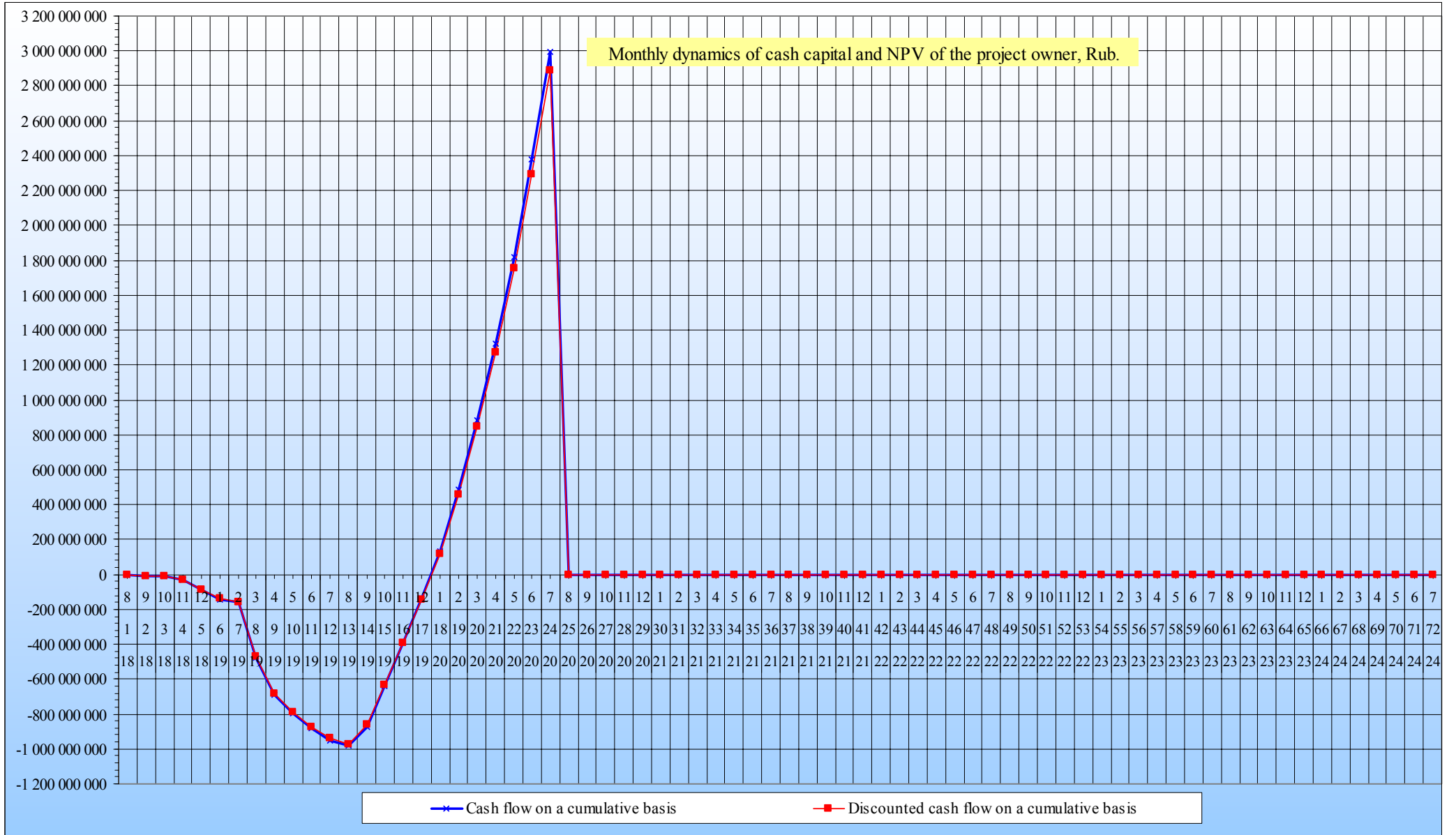
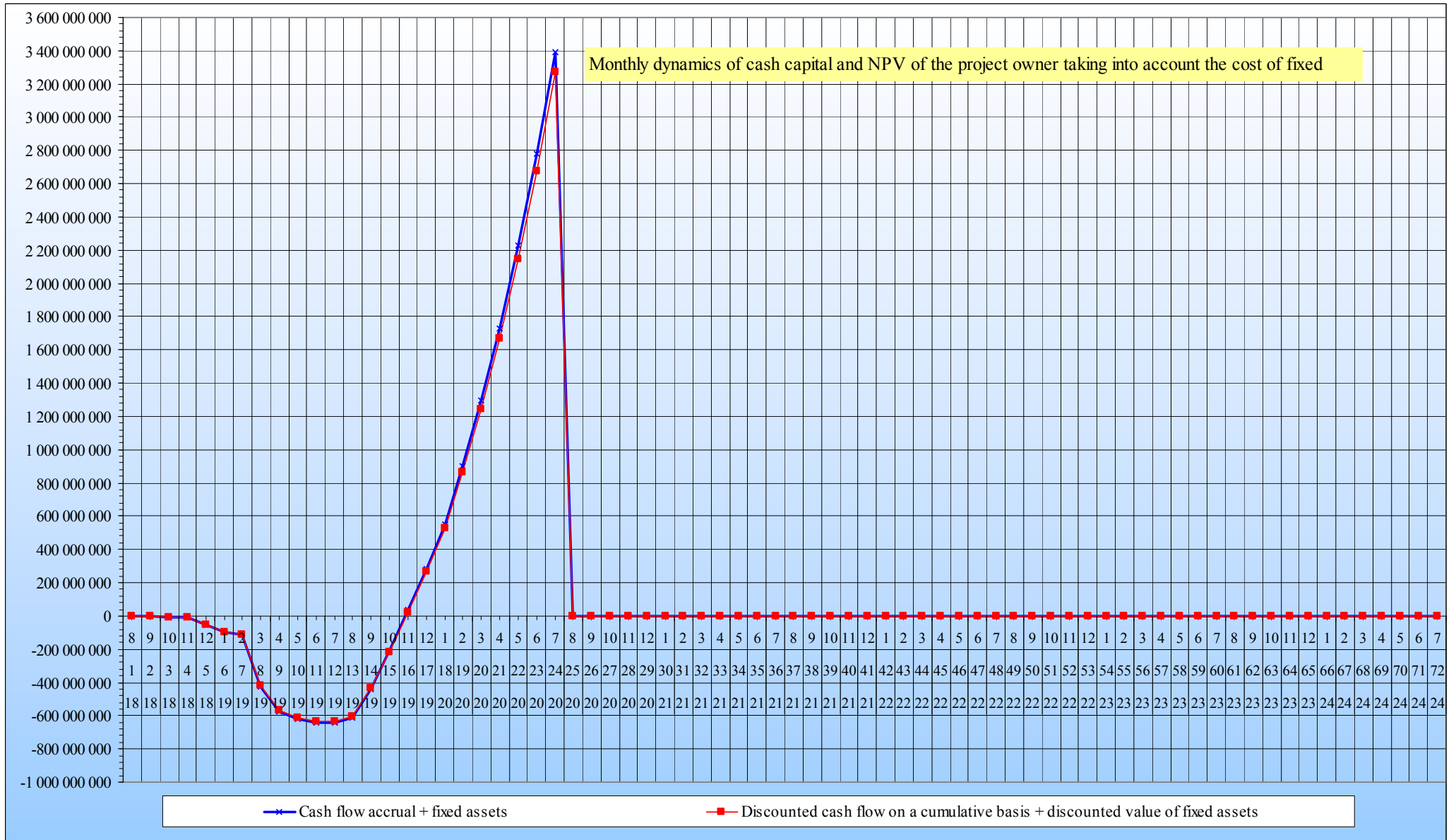


Figure 2. Monthly dynamics of cash capital and NPV of the project owner, Rub.



**Graph 3. Monthly dynamics of cash capital and NPV of the project owner taking into account the cost of fixed assets.**



**Table 3. Cash flow statement for the 2-year forecast period.**

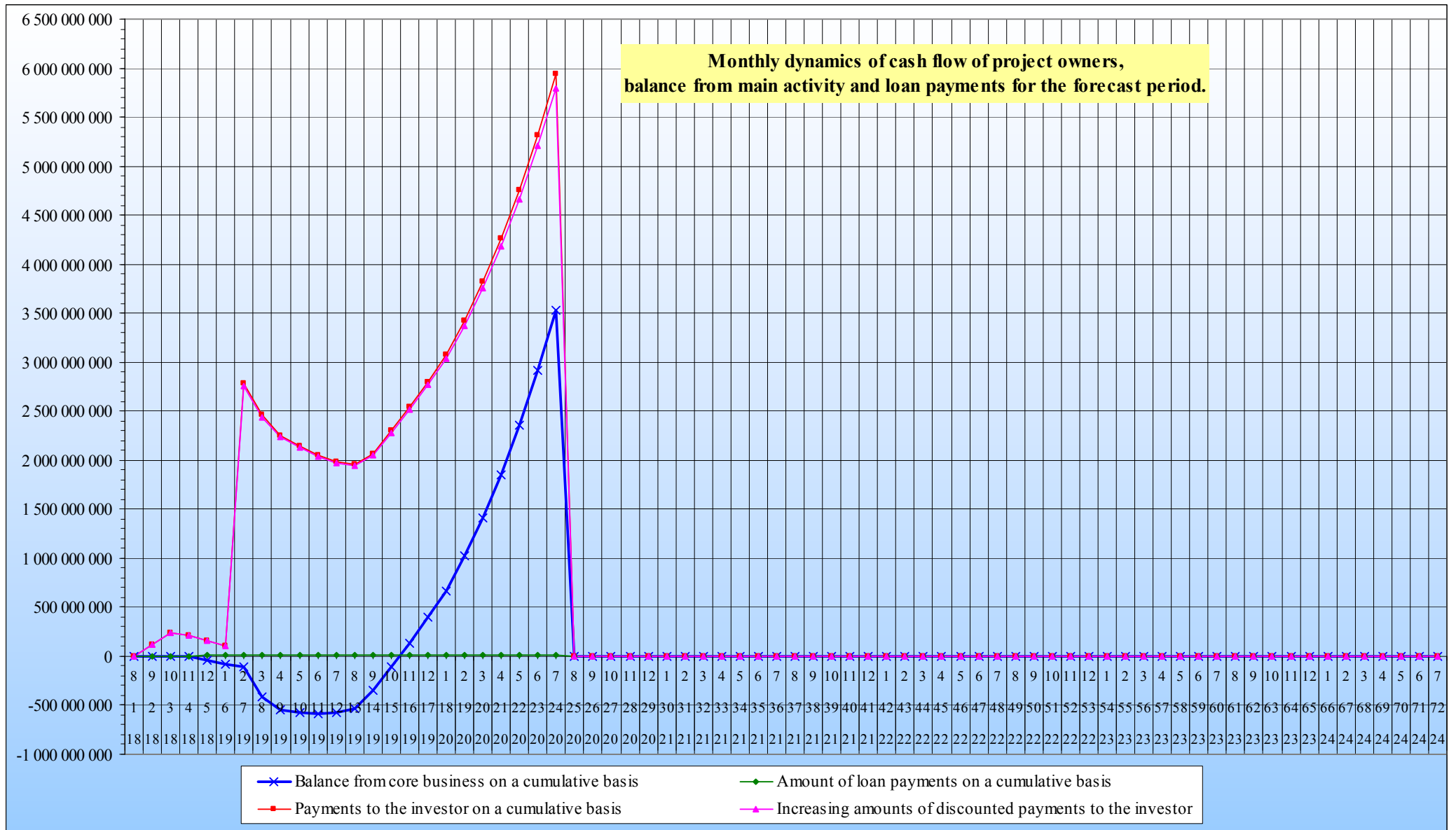
	The beginning of the year ordinal		2018,58	2019,58	2020,58	2021,58	2022,58
	Calendar year of the beginning of the ordinal year		<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	Year sequence number	<b>Итого</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Revenue from continuing operations (VAT included)	<b>6 319 580 000</b>	97 740 000	6 221 840 000			
2	Current expenses, including the UST (VAT included)	<b>1 160 354 350</b>	670 648 510	489 705 840			
3	The amount of taxes including VAT	<b>1 630 270 148</b>	1 819 237	1 628 450 911			
4	Balance from core business	<b>3 528 955 502</b>	-574 727 747	4 103 683 249			
5	Balance from core business on a cumulative basis	<b>3 528 955 502</b>	-574 727 747	3 528 955 502			
6	Base and depreciation of investments	<b>532 520 000</b>	375 020 000	157 500 000			
7	Amount of lease payments	<b>0</b>	0	0			
8	Loan proceeds (tranches)	<b>2 948 100 000</b>	2 948 100 000	0			
9	Payment of interest on loans	<b>13 312</b>	13 312	0			
10	The repayment of the loan (capitalised %)	<b>8 139 805</b>	8 139 805	0			
11	Total loan payments	<b>8 153 116</b>	8 153 116	0			
12	Amount of income on balance and credit	<b>6 477 055 502</b>	2 373 372 253	4 103 683 249			
13	Total invest costs and expenses on loans	<b>540 673 116</b>	383 173 116	157 500 000			
14	Cash balance at the beginning of the period	<b>0</b>	0	0			
15	Current payments to the investor	<b>5 936 382 386</b>	1 990 199 137	3 946 183 249			
16	Payments to the investor on a cumulative basis	<b>5 936 382 386</b>	1 990 199 137	5 936 382 386			
17	Amount of loan payments on a cumulative basis	<b>8 153 116</b>	8 153 116	8 153 116			
18	Discounted payments to the investor	<b>5 798 415 475</b>	1 974 952 287	3 823 463 188			
19	Increasing amounts of discounted payments to the investor	<b>5 798 415 475</b>	1 974 952 287	5 798 415 475			

Line 14 shows the balance of the company's account at the beginning of the period. This amount is considered as a permanent reserve of money from the company to cover cash gaps during each current month. It is accepted in the calculations that the amounts in excess of this reserve are transferred to the owners of the project for their commercial use, because the money should not just accumulate on the account of the enterprise.

Line 16 shows how much money the project owner will receive from the enterprise if the value is positive, or how much he should add to the enterprise if there is a shortage of funds to cover current costs if the value is negative.

The main thing is that in line 17 the accumulated amount of income to the project owner from the enterprise was positive, then it will cover the temporary shortage of funds from the enterprise.

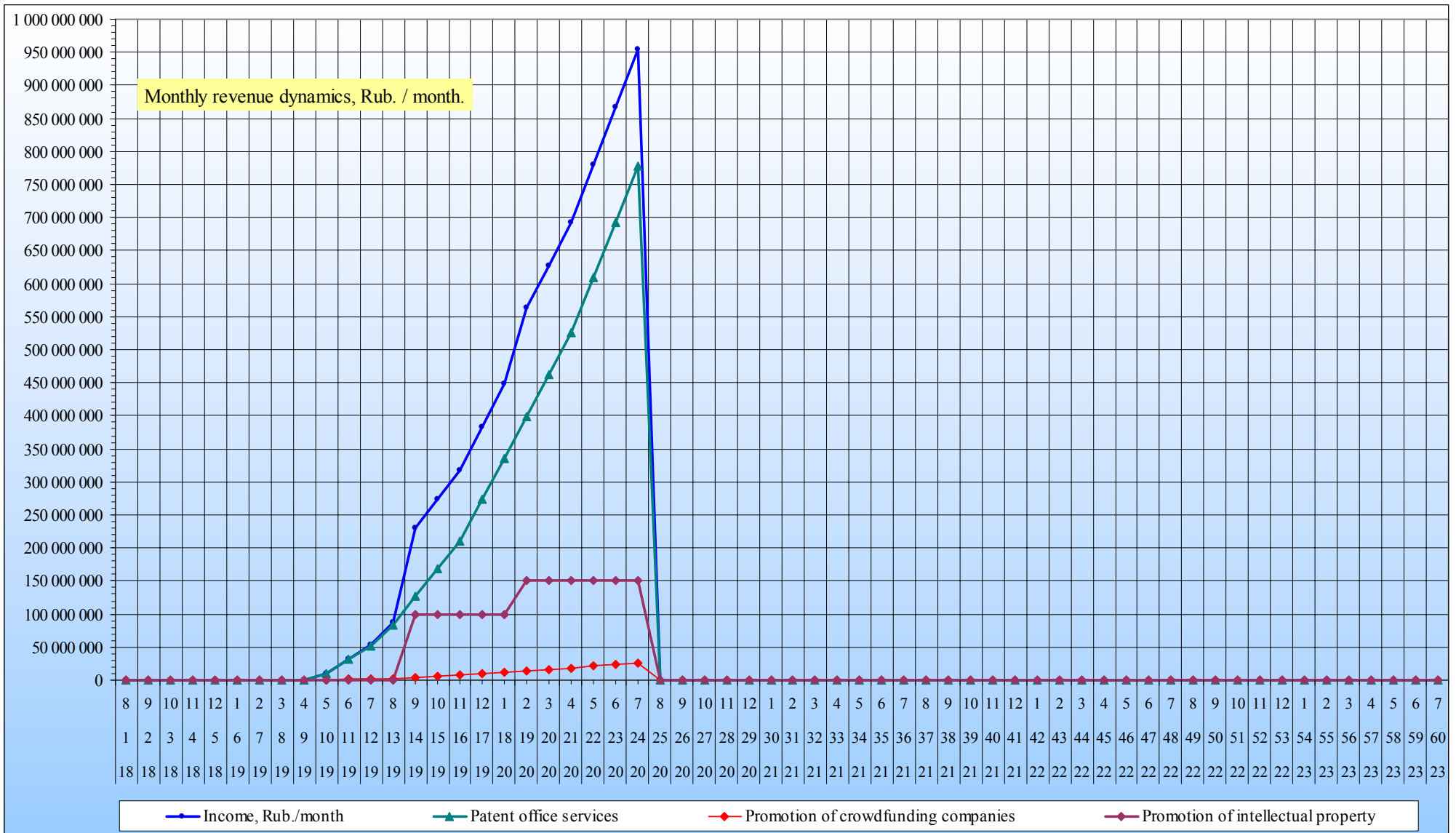
**Figure 4. Monthly dynamics of cash flow of project owners, balance from main activity and loan payments for the forecast period.**



The cash reserve provides an additional guarantee of loan payments and the possibility of faster development while ensuring sales.

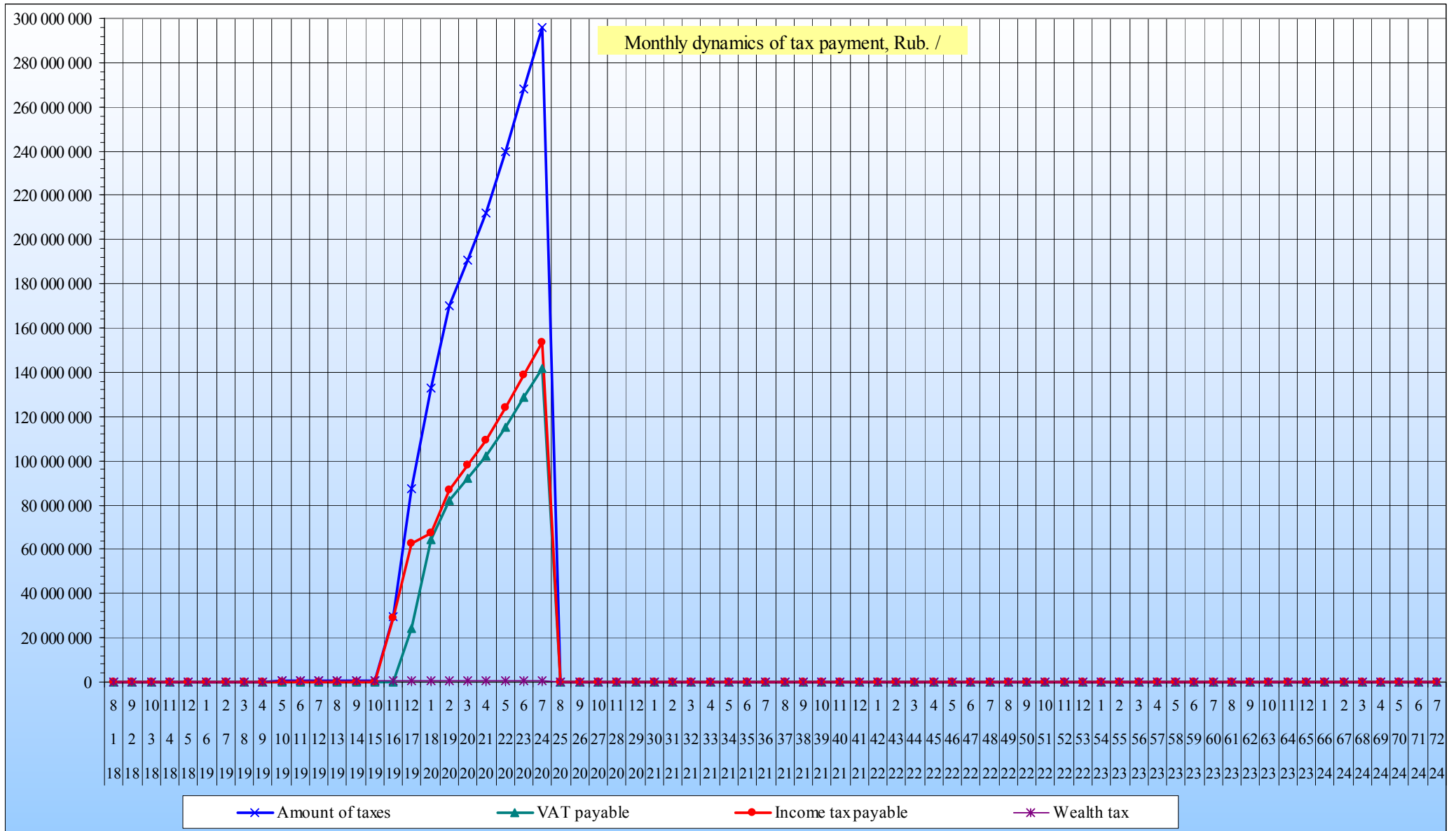


Figure 5. Monthly revenue dynamics, Rub. / month.



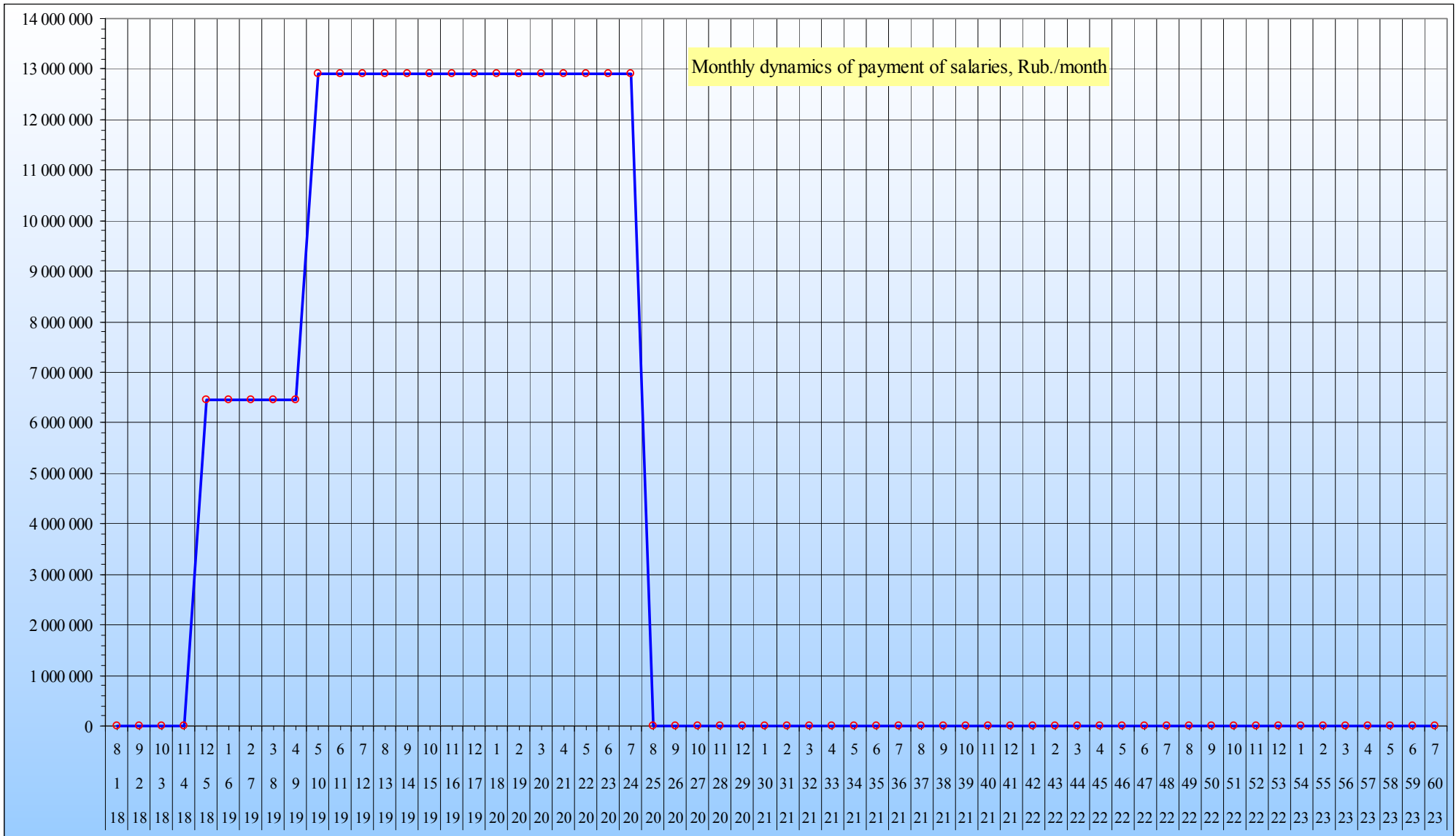
Sales of products will begin in the 10th month and in the 24th month the revenue will reach 954 million rubles/month.

Figure 6. Monthly dynamics of tax payment, Rub. / month.



Tax payments will start at 10 months and in the 24th month will reach 296 million rubles / month.

**Graph 7. Monthly dynamics of payment of salaries, Rub./month.**



Salary payments to staff will begin in the 5th month in the amount of 6 455 000 rubles/month, and in the 10th month will grow to 12 910 000 rubles/month.

**Table 5. Staff list of the enterprise personnel by types of activity.**

№ gr.	Name of a group of workers (enterprise personnel)	Abbrev. groups	Basic values		
			Men	AS, Rub./month	Amount, Rub./month
1	Administrative and economic	АХП	15,0	323 333	4 850 000
2	Production personnel	ПП	60,0	50 000	3 000 000
3	Support staff	ВП	16,0	98 125	1 570 000
4	Supply and sales	Снаб	27,0	92 222	2 490 000
5	Other department staff	ПО	10,0	100 000	1 000 000
<b>Total for all groups</b>			<b>128,0</b>		<b>12 910 000</b>
<b>Average accrued salary (AS)</b>				<b>100 859</b>	
			Rub./year	Rub./\$	Rub./euro
		AS	155 400 000	62,2934	72,4659
№	Name of the article salary costs	% AS	Rub./month	\$ / month	euro/month
1	The amount of wages (AS) of all staff	<b>100%</b>	154 920 000	63,1216	73,9028
2	Single social tax = UST	<b>30,20%</b>	Rub./month	\$ / month	euro/month
3	Total salary and UST costs	130,50%	12 910 000	204 526	174 689

The planned number of staff (100 %) is 128 employees, who are divided into 5 groups to simplify calculations. Wages are presented in the form of salaries (accrued salary = AS = accrued wages) and charges on AS in the form of a conditional unified social tax UST = 30.2 %, including 30% of charges to the Pension Fund, FSS and FOMS, as well as 0.2% for accident insurance.

The company Patentico create a digital platform “Patentico”, released on the stock exchange the tokens for a total amount of Rub. 2 940 million in order to attract the starting of investment funds and begin to provide services of patent offices, to promote a crowdfunding company and intellectual property.

Financial calculations are made in conditionally constant prices for 60 months = 5 years.

Quarterly and annual figures are calculated on the basis of monthly data.

**Conclusion:** the Project is attractive for investment and demonstrates a high safety margin.

**President of ECC “Invest-Project” Ltd.**



**Andrei I. Lumpov**