



Private Enterprise
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Project on bio-diesel production in Southern Ukraine

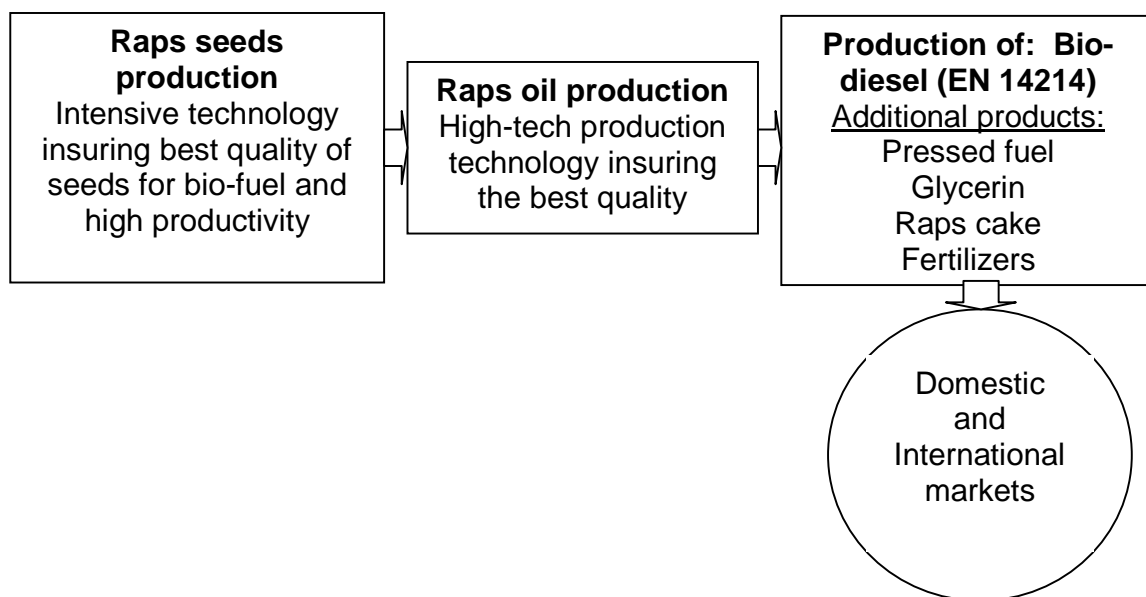
PROJECT SUMMARY

BUSINESS IDEA: to use the opportunity presented by rapidly growing fuel market demand for establishment of the business on biodiesel production in Southern Ukraine with use of climatic advantages of Southern part of Ukraine and competitive advantage of integrated production.

THE COMPANY: Private Enterprise “VATOIL”, Bratskyi district, Mykolaivska oblast Ukraine. The Company is owned and managed by three professionals, one of which has an extensive experience in grain trading business and agricultural services, second is professional on agricultural finance and supply chain management and third one is an expert on alternative energy technologies and export trading. The Company’s business is production of bio-, pressed fuel and, glycerin; services on grain storage, logistics; and agricultural machinery services to farmers.

PROJECT DESCRIPTION: the Project is to implement the high-tech biofuel production with closed technological cycle for raps growing, processing into biodiesel, farmaglycerin, pressed fuel and marketing of these products.

Business model: Integrated Production system which comprises the effective raw material supply chain management structure, intensive processing of raps seeds, oil into bio-diesel, pressed fuel, glycerin and raps cake and sales of these products on domestic and international markets.



Project business rationale:

The business rationale for VATOIL involvement in this business is unique opportunity presented by not satisfied market demand on bio-fuel and unlimited possibilities of its production in Ukraine.

Only in Mykolaiv region estimated need in bio-fuel is 280 300 tons per annum, at the same time there is no domestic production and no imported products on the market. Such a situation creates unique opportunity to enter this market and build strong competitive position with high quality and low cost products produced locally with use of IP competitive advantages.

There are export possibilities to Czechia, Germany and other EU and CIS countries. Currently VatOIL has purchase agreement with company Vychodni Expres for all amount of bio-fuel planned to be produced.

Competitive advantages of Southern Ukraine climatic zone which allows producing high-quality raps seeds and reaching high productivity with use of intensive growing technologies. Low cost and high quality raw material availability in combination with high-tech processing capacity will enable the Company to produce globally competitive bio-diesel salable on international markets.

Mykolaiv region has favorable climate for agricultural production and in particularly for raps. As of today most of farms operating in this region are using outdated technologies resulting in high costs and low productivity. VATOIL has investigated the experience on raps production in Czechia, Germany and Holland and came to conclusion that there is great opportunity to reach high productivity and quality in this region with use of intensive techniques.

The Company has an experienced and qualified team which is capable to implement successfully this Investment Project.

Not satisfied growing demand in Western Europe creates opportunities for further Project expansion.

Financial plan

The Project investment costs are € 46 mln.

Cost item	Euro
Design and engineering	1,550,000
Elevator for raps seeds reception and storage. Capacity – 80000 tons	5,393,000
Raps pressing and bio-diesel production. Capacity – 8 m ³ /hour	8,777,000
Line for raps cake and glycerin processing	3,520,000
Storages for bio-fuel, chemicals, glycerin, fertilizers and oil	2,924,000
Buildings for raps cake, service infrastructure and construction work	5,788,000
Machinery and transport for raps growing, harvesting and transportation	5,100,700
Input resources and factory start-up	12,997,000

Project pay-back period for investment and start-up costs is 3.3 years.

Annual sales income: €42.9 mln.

Annual costs: €25.9 mln (including raw material costs).

Costs / sale prices ratio indicates about good sustainability of the business even in case of fluctuation of the prices for raw material or/and final product.

Project cash flow indicates that business will generate enough cash to cover the costs for business development, credits pay-back and payment of interest according the schedule. Interest will be paid on monthly basis, and during first months it will be paid by own company resources and then from sales income.

PE “VATOIL”

A handwritten signature in black ink, appearing to read 'Anatoliy Maksymyuk', with a horizontal line extending to the right.

Anatoliy Maksymyuk

Financial Director