

Resume of Investment Project: Oil Perrocessing Plant (OPP) in Usinsk (Komi, Russia)**1. Company-owner of the project**

The asset, in which the investments are attracted, is comprised of former OPP of "KomiBitumen" and Usinsky Terminal Ltd, which has all licenses and documents to operate and oil storage complex. Both assets are located in Usinsk and are owned by Mr. Yury Shupyatskiy.

2. Financial outlook and efficiency of investments

Key indices	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	8 yr	9 yr	10 yr
Processing (thous. tones)		200	200	200	200	200	200	200	200	200
Sales (mln RUR)	0	4450	4696	5363	5363	5363	5363	5363	5363	5363
EBITDA (mln RUR)	0	994	1102	1435	1404	1379	1355	1366	1341	1375
Net Profit (mln RUR)	0	636	746	1068	1088	1080	1063	1054	1040	1027

Total volume of investments: 1 800 mln RUR. Return on CAPEX = 55%

3. Offer to Investor and the use of Proceeds

3.1. Owner of the Project estimates the capitalization of the project at the moment at the level of 15 mln \$. Major Criteria of valuation are following: The construction of a tone of processing capacity with secondary processes of oil processing (including cracking and hydropurification) under the traditional technologies cost 800-1000\$ per tone. Thus, the construction of OPP with capacity of 200 thousand tones a year at Greenfield will cost 160 mln \$.

Application of new innovative technology of JSC "Intechenergoresurs" will significantly decrease the cost of construction and launch of OPP, till 400 \$ per tone or 80 mln \$ with secondary processes under conditions of construction in Greenfield and will take only 1 year of time.

At the same time, the calculated cost of reconstruction of assets of "Komibitumen" at the current state into OPP of 200,000 tones a year of capacity with the use of this technology of JSC "Intechenergoresurs" (ITER-Hydro 200) will be 60-65 mln \$. The reconstruction of "Komibitumen" into working new OPP will be a deep reconstruction of existing assets, the existing assets contribute 25% of readiness into the project.

3.2. Proposed value of Asset is 15 mln \$ and the offer to Investor includes a 30%-discount, thus we agree with the pricevaluation of the Asset at pre-cash of 10 mln \$. The Owners of the Asset intend to attract 60 mln \$ in a form of credit under guarantee of existing assets and equity to be attracted. Owners ready to optimal capital structure which attracts the amount of equity enabling IRR=ROE on less than 40%. The calculations of financial model show the IRR on equity of Investor = 55% when Investor buy 50% of newly issued equity thus investing 14 mln\$ into 50% of share of equity of the business. The business consists of oil processing and oil products transportation through storage base. The rest of 46 mln \$ attracted as rouble credit for 5 years at 12% p.a.

At the choice of investor, the return on investments is possible though dividends, IPO, SPO, sale to strategic buyer.

4. Description of Proect

4.1. Reconstruction of former "Komibitumen" with the use of storage base, engineering infrastructure, buildings and construction basements, etc. In 25 km from Usinsk town, Komi Republic. The plant will be equipped with ITER 200 HYDRO processing block with processing capacity of 200 thousand tones of oil a year and a bitumen block with capacity of 70 thousand tones of bitumen a year. The ITER 200 HYDRO processes catalytical cracking and hydrating, which enables to process heavy oil into diesel euro-5 with 80% share of used oil.

Short description of the technology of processing in ITER-200 HYDRO is following:

- Ø Preliminary preparation of oil at the block of purification ELOU – double washover by water, till the remaining chloride salts less than 3 ppm and water content less than 0,1% by mass;

- Ø Later, prepared oil from ELOU gets to Cracking block, which it goes through recuperation heat-exchangers and heat exchanger with BOT, is heated to 360 degrees C and comes to Separator of Cracking, where distillates are separated as a steam and a heavy fluid remainder from the bottom of separator is submitted by pump to the block of Cracking;
- Ø Distillate fractions from Separator of hydropurification follows to rectification column, which a small amount of benzene (3% by mass) is taken from the top of the column and the rest goes as diesel steam with the cube of column;.
- Ø Dedicated in rectification column diesel fraction 180 – 360 degrees C, 80% by mass, macc, density at 15 degrees C – 0,820-0,840 gram/sm3, Cetan 51, Sulfur less 0,2%, which corresponds to avtomobile diesel or ship distillate oil (MGO) under ISO 8217. Based on demand of the market, the diesel can be distilled to requirements of Euro-5.
- Ø The remainder, not more that 20% is processed into road bitumen under GOST of 11955 – 82 at the block of production of bitumen.

4.2. The current confirmed demand, including the local oil producers, is over 160 thousand tones a year of diesel Euro-5 and 38 thousand of packed bitumen.

Heavy oil is agreed to be supplied by Lukoil Plc, which produces over 1 mln tones of heavy oil a year.

5. Investment Raionale

- Ø **Government Support.** The project puts into deep production heavy oil and realizes its processing at the local region, thus improving the quality and content of oil in the Transneft pipeline. This corresponds to the strategy oil industry development realized by the Russian Government. Regional government agreed to give tax benefits for the period of investments pay-back. The further support is possible after a preparation of design and business plan documentation, approval of pay-back period and preparation of Decree of
- Ø **Proposed OPP is located in the region of Usinsk** with underdeveloped transport infrastructure, far from existing competitors (large OPPs). The depth of processing will be 80% which corresponds to modern tendencies and levels.
- Ø **Existing channels of sales.** All produced oil products will be sold by own sales department. Bitumen will be supplied to road constructors and builders by rail. If any of diesel will not be sold locally, it can be supplied by own oil transport base by rail.
- Ø **Guaranteed sales.** Logistically it is convenient to sell to Archangelsk, whole of Komi, Yamal-Nenetsk district. Komi has two existing OPPs with capacity of 3.7 mln tones a year. Archangelsk and Yamal-Nenetsk do not have processing capacity.
- Ø **Quality products.** Diesel: Total production of diesel equals 1.1 mln tones in the target regions. Total consumption in the target regions is 1.25 mln tones. At this time, the most of the production of Ukhtanefteperepabotka (Ukhta OPP) is sold to southern regions. Thus, the disbalance of supply and demand enables to support the continuous demand in Usinsk of 150 thousand tones a year at minimum. This will be only 10% of total regional production and will not seriously affect market and political interests. Bitumen: High Quality packed bitumen has high demand at local and export markets. The existing orders have been documented in contracts.
- Ø **Strong Management,** executing the Project has extensive experience in successful realization of such projects.