



Kulla
EXIM

Simply Power!

STEEL PRODUCTION MINI-MILL KOSOVO

EXECUTIVE SUMMARY FOR PROPOSED STEEL PRODUCTION

2019



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Facts about Kosovo – The Republic of Kosovo is the youngest state in the world, whose government completely supports and encourages foreign and national investments, which would help in the creation of strongly and competitively free market.

Position - in the center of Balkans, strategic business position.

Population - 2.2 million, the majority is young population, which is part of the competitive labor force. young and motivated, 70% under 35 years of age. Flexible labor force, low personal income taxes. The mandatory contribution for personal pension is only 10%. Euro is official currency.

Communities - Albanians 90%.

Capital City – Prishtina, 600,000 inhabitants.

Official Languages – Albanian, Serbian, English.

Currency – Euro.

Banking System - The Central Banking Authority, 6 private banks, 9 insurance companies and 1 mandatory pension scheme. Safe banking system.

Agreements with EU – Autonomous Trade Preference (ATP) Regime and CEFTA.

Benefits to invest:

VAT is 15 %, 0% of export tax

Tax on personal income varies between 10%

0% VAT or export duty

Corporate income tax 10% No tax on dividends

INVESTMENT OPPORTUNITIES

Energy and Mines production – Kosova has abundant underground resources, with 14,700 million tones of lignite reserves, it has the fifth place in the world. The reserves of this mineral, which are used as the main source of the energy production in Kosovo, are estimated to last for the next 650 years, with the rhythm of current extraction. The reserves of lignite are also scattered in the basins of Dukagjin and Drenica but the extraction of the mineral is currently limited only in the basin of Kosovo. Besides lignite, Kosovo is also rich with zinc, steel, gold, cadmium, and bismuth. The culture of extraction of lignite dates way back from the roman age and the modern extraction of minerals in Kosovo began in 1930s with the establishment of Trepca Complex. Presently, Trepça is socially-owned property and it consists of eight mines, none of which is active. There is no active Steel production in Kosovo and with over 60 m tons of reserves and other metal opportunities makes a very viable investment in a plant and mill to produce end steel products.

SUMMARY

Kosovo's sustainable economic and social development and the welfare of its citizens represent the main priority of Kosovo's state institutions. The accomplishment of this priority depends on planning and implementing structural economic reforms, which provide for optimal utilization of Kosovo's natural and human resources and open the path for private sector-stimulated economic development through the provision of adequate business environments and sustainable employment possibilities, which will represent the foundation of country's long-term economic development. Government of Kosovo. Partnership with the civil society and regular communication with citizens will help

this strategy provide benefits for the entire Kosovo society. The development of a sustainable mining industry will provide for the operationalization of existing mines throughout Kosovo and the opening of new mines, which will, in turn, provide new employment and business opportunities not only for the mining sector but also for ancillary industries and services. This requires a higher level of exploration activities to identify new mineral resources and to develop new mines and mine processing industries. Key characteristics of this strategy's economic vision are:

- To provide for long-term economic/social benefits for Kosovo;
- To contribute in the achievement of economic development objectives;
- To contribute to environmental protection and mitigation of negative effects;
- To provide for the attraction of new investments in the sector.

VISION

Development of mineral resources and expansion and modernization of mineral processing industry, to guarantee sustainable economic development, new employment possibilities and improved welfare for the citizens of the Republic of Kosovo.

MISSION

Provision of all legal and institutional prerequisites for prompt enhancement of investments in the mining sector, strengthening of human resource capacities, improved interest of the community and provision of environmental sustainability.

SOCIO-ECONOMIC BENEFITS

- There is positive impact on socio-economics of people living in the villages
- Mining/ production operations in the subject area has positive impact by providing job opportunities.
- Besides, there is indirect employment in transportation of ore and steel end products to destinations\\
- Mining activities will benefit the local people due to provision of more infrastructure facilities by the local industry as mining industry boost up the local market.

INTRODUCTION TO PROCESSING COMPANY

Kulla Exim is a owner operator of Kosovo first and only oil refining complex. Kulla Exim Sh.p.k. is a registered holding company of Kosovo with a social capital of €249,00,000 Euros. The company,headquartered in Peja, Kosovo, other group companies with a previous group employment of 675 people. Kulla Exim Refinery refines and markets oil and petrochemical products in the local Balkands region. Our Corporation started operations in the year 2000 by offering companies in Kosovo Wholesale Petroleum and Gas. At that time market was fragmented and not well organized, in 2003, Kulla Exim had largest LPG storage in Kosovo fulfilling markets needs. Considering these facts the company started investing in the industry by opening its first refinery in Kosovo in 2006, with expertise and knowledge from Switzerland, Bulgaria and Italy we started refining of petroleum products in June 2007 fulfilling our market needs in Kosovo and Balkans.

After our success story we have started to build an international presence. In last year's we also have invested in other companies including: 2006 was a boom in Cable Tv market and in same time we invested in Kulla Communications. Over a three year period we changed market from slow and poor TV quality to a very fast, digital TV and internet service which is known today as Kujtesa (Kulla Exim spoon off Cable Tv business). Additionally, Kulla Exim group companies previously owned and operate a reclaimed oil recycling plant, bitumen production plant, significant road construction capabilities, civil construction services, hotels and touristic services, as well as owning through management companies, a Chrome Mine , Talc iron ore collection and grading and a Copper Mine in Albania.

After a major success in petroleum refining Kulla Exim had an outlook for construction and in 2010 bought Joos Krasniqi GmbH a German owned road construction company and in time we fulfilled many large projects in Kosovo and Albania, at the same time we also started a raw material company called Joos Krasniqi Gurthytes and was responsible only to fulfill needs of Joos Construction Companies, Kulla Exim invested heavily on both companies to be market leaders. In 2012 Kulla Exim started a business for trading of beverages, non-alcoholic drinks, and food products called ARR Trade, in the same year we started mining company Tallku and invested till now on different sectors, and our sister companies are as follows:

ACTIVITIES INCLUDE

Road Construction - Engine Oil Recycling Plant- Property developing- Refining- Trading various products

COMPANIES IN THE GROUP

1. ArrTrade Sh.p.k – it is indirectly owned by Adem Rrustemaj. Company activity main purpose is trade and communication for entire group. Its trade various products in Balkans region
2. Tallku Sh.p.k – Mining company Albania and Kosovo. Owning various mineral mines iron ore processing and a copper mine
3. INN Oil LLC - Our sister company for used oil recycling a market leader in Kosovo and retail market trading Motor Oils
4. Kulla Exim- Operating of small refining facility (first in Kosovo) Main production for the domestic market
5. Kulla Exim d.o.o Slovenia.- It is our sister company with in European Union trading ULSD, Gasoline and various other fuels from OMV in the European union member states
6. Q10 Construction Sh.p.k – Our Real estate construction business. Based in Kosovo. Design and construction modern apartments, houses and commercial buildings .Currently building three projects
7. Q10 Energie Sh.p.k- New Tech fuel oil production facility, will produce green energy efficient fuel and heating oil.
8. Mermeri LLC – Our sister company on wholesale of derivatives

PREFRABLE BUSINESS CLIMATE

Kosovo's young workforce is mostly multilingual (often speaking English and German). Half of Kosovo's population is under the age of 30. Kosovo has competitive labor costs and tax policies. Kosovo's average monthly salary of €371 is amongst the lowest in Europe, and the current tax regime is business-friendly with a flat, 10 percent corporate income tax. VAT rates for basic food items and public utilities are 8 percent, while VAT for all other items is 18 percent. Kosovo ranked 40 out of 190 countries in the 2017 World Bank's Doing Business report. Kosovo is among top 10 economies with the most notable improvement in doing business reforms. Kosovo has jumped twenty places in the ways of doing business since 2016. Kosovo is very pro-American and the government recently announced a special economic zone near Gjakova that will be open only to U.S. businesses. Major foreign investment projects in the near term include the ongoing construction of a €600M highway to Macedonia and the construction of a new 450MW coal-fired thermal power plant. As a member of the EU-funded Western Balkans 6 core transportation network aimed at improving regional connectivity, Kosovo plans to revitalize key railway lines. Unused natural resources— lignite, steel, zinc, ferronickel and fertile agricultural land. More than 500 socially-owned enterprises were privatized in the last 28 rounds of privatization with “spin-off” supervised by the KTA, and 200 others are expected to be privatized. Access to free market of EU and CEFTA.



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PROPOSAL

Kulla Exim is a part owner/operator with full licence s of an operational iron ore processing facility to collect and granulate raw material in the district outskirts of Pristina the Capital of Kosovo. Kulla Exim has exclusive 20 year contracts through our oil refining facility to collect the raw material in a purchase and or fuel oil swap basis. We currently have 1.8 m tons above ground piles of product and 6m **ton s of** reserves 10km away. There is another 60M MT of ore either to be collected and or as reserves in the ground from other mines we supply fuel to around Kosovo . The iron ore content is 60% and 2% Nickel. The proposal is to invite an equity partner to invest in the plant, furnace and full production line equipment to produce an end product of steel products including blocks and rebar.

- Project: Kulla Exim to install micro Steel mill
- Project Location: Surburbs Pristina Capital, with direct connection to the main highway connecting, Albania, Greece, Macedonia, Montenegro and Serbia, and are target markets
- Nature of the Area: Flat and mountain landscapes
- Project Proposal: To build a mini Steel mill production facility
- Plants of : proposed : 250,000 TPY to 500,000 TPY

LOCATION

The processing area is around 60,000 M2 with various plant and grading equipment, located in district of Pristina, Kosovo. The main yard and process area is located just off the main highway M9 5km outside of Pristina Capital, which has a direct connection to the main highway connecting, Albania, Greece, Macedonia, Montenegro and Serbia.

PROPOSED JOINT VENTURE WITH NEW INVESTOR

The proposed mill will be fully automated and will need only 14 full time skilled staff to run the operation to produce 300,000 – 500,000 TPY. The plant will produce a maximum of 500,000 tons of steel per year. Inside the facility, would be a 700-meter production line. Investment cost approx €95 m. Land for the project is already owned and there is raw material feedstock to run for well over 60 years.. We would propose to set up a new joint venture company for this project.

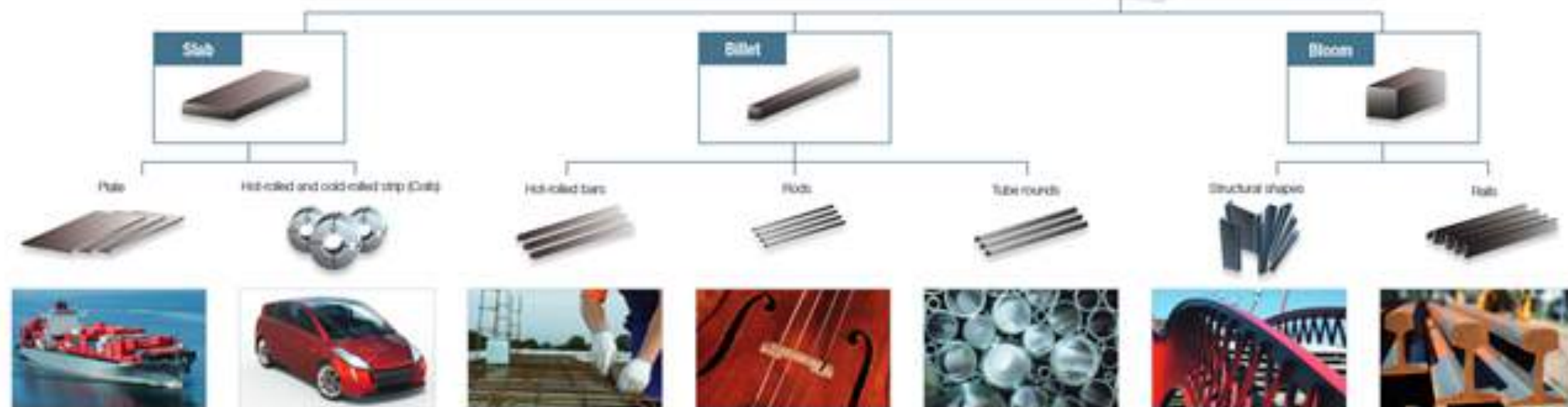
SALES TARGET MARKET

Our main target market for Steel products is Kosovo, Montenegro and Macedonia. All Steel for industry and construction are imported from Greece and Turkey. After second year of production and a raise in output, second phase target markets would Serbia and Albania

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OVERVIEW OF THE STEELMAKING PROCESS



TARGET MARKET



ABBREVIATED FINANCIALS	YEAR 1 TPD	YEAR 2 TPD	YEAR 3 TPD	YEAR 4 TPD
	900	1000	1100	1400
PRODUCTIONS WEEK PER ANNUM	48	48	48	48
MT PER WEEK	6300	7000	7700	9800
MT PER YEAR	302400	336000	369600	470400
SALES PRICE PER TON 650 SUBJECT TO MARKET	€196,560,000	€218,400,000	€240,240,000	€305,760,000
REVENUE				
PRODUCTION COST ESTIMATE COMBINED PER MT	€420	€430	€440	€450
	€127,008,000	€144,480,000	€162,624,000	€211,680,000
GROSS PROFIT				
LAND OWNED VALUE 1,000,000	€333,333	€333,333	€333,333	
INSTALLATIONS PLANT AND EQUIPMENT MILL LEASE PURCHASE	€31,333,333	€31,333,333	€31,333,333	
SALARIES FIXED MAX 14 STAFF PER ANNUM	€168,000	€184,800	€197,880	€223,608
PROFIT BEFORE TAX	€37,717,334	€42,068,534	€45,751,454	€93,856,392
PROFIT AFTER TAX	€33,643,201	€37,861,681	€41,176,309	€84,469,753
NET PROFIT MARGIN	€33,643,201	€37,861,681	€41,176,309	€84,469,753

NOTES

COMBINED PRODUCTION COST INCLUDES FEEDSTOCK

FEEDSTOCK ON SITE VALUE 102,000,000 EUROS

TAX FOREIGN INVESTOR 10%

NO TAX ON DIVIDENDS

COAT INSTALLATIONS EQUIPMENT TOTAL IS 94,000,000

CORE TEAM

Adem Rrustemaj - (Owner) Chairman

Fisnik Kaligani - CFO

Jason Wrenn – Director Business Development

Melosi Rrustemaj - Director Admin (Q10 Construction)

Ndue Perjetrushaj - MD Albania market

Vlatko Tasevski – MD INN Oil

Prince Andrew Eweka (CEO UK)

Burim Kuqi - CEO Domestic market

Sergey Lalev - CTO

Melos Rrustemaj- MD Mining Companies

Suzana Kraniqi- HR

Almina Eco – Md Slovenia

Edward Booth – MD Med region