



OLVIA PORT PPP

Investment Opportunity Teaser

DRAFT SUBJECT TO CHANGES

April 2018

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HIGHLIGHTS

- Stevedoring Company Olvia (“SC Olvia”) is a Ukrainian state-owned stevedoring company operating a multi-purpose sea port terminal (“Olvia Port”) in the Mykolaiv region of Southern Ukraine. Olvia Port is located in the estuary of Southern Buh River, granting easy access to the Black sea and Ukrainian hinterland. The port is within a short distance from the top metallurgy and agricultural (wheat, corn, sunflower) regions of Ukraine.
- Ministry of Infrastructure of Ukraine (“MIU”) and Ukrainian Sea Ports Authority (“USPA”) have decided to structure a long-term concession with the aim of increasing Olvia Port’s competitiveness, ensuring its financial sustainability, and safeguarding its environmental and social impact on stakeholders. The concessionaire will be responsible for some or all of the financing, designing, constructing, upgrading and operating of the port’s terminals and facilities (“Project”).
- The Project is of high priority to MIU and USPA as Olvia Port is an integral part of Ukraine’s seaport infrastructure.
- EBRD and IFC were appointed transaction advisors and are currently investigating market interest in the Project (“Market Sounding”). The Market Sounding is intended to help MIU and USPA define the Project’s scope so as to maximize its attractiveness to investors and ensure its bankability with future lenders. The purpose of this Teaser is to introduce the opportunity to potential investors.
- Interested parties are encouraged to contact IFC in order to be included in the database of potential investors and be kept abreast of all relevant future developments, including bidder conferences and road shows.



UKRAINE AT A GLANCE

Ukraine's competitive advantages

- Current Government, in office since 2016, is strongly committed to continuing reform efforts which started in 2014
- A highly educated, skilled, yet low-cost labor force
- Proximity and access to important markets (EU Association Agreement, Free Trade Agreements with Canada and Israel, possibility to benefit from China's One Belt One Road policy)
- Attractive valuations with high growth potential

Key reforms undertaken since 2014

- Significant fiscal consolidation (budget deficit 1.5% of GDP)
- Successful debt restructuring in 2015 and best ever sovereign Eurobond placement in 2017 (15 year maturity, 7.375% yield)
- Simplified business regulations (ranked #76 in World Bank's Doing Business, up from #112 in 2013)
- Improved legislation in line with international best practice:
 - New Law on Public Procurement adopted in 2015
 - New Law on Privatization adopted in 2017
 - New Law on Concessions (1st reading passed, expected in 2018)
- Establishment of anti-corruption agencies and asset disclosure requirements for public officials

Macro Data - Ukraine, 2010 - 2020	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Population, Million	45.6	45.5	45.4	45.2	42.8	42.6	42.5	42.4	42.2	42.0	41.8
Nominal GDP (Billion US\$ at PPP)	351.7	378.5	386.4	392.6	372.7	339.9	352.2	366.3	385.9	402.7	413.7
GDP per head (\$ at PPP)	7,712	8,328	8,517	8,676	8,716	7,981	8,280	8,650	9,150	9,590	9,890
GDP (% real)	3.8	5.5	0.2	0.0	-6.6	-9.8	2.3	2.2	3.0	2.8	2.1
Gross fixed investment (% real)	-0.6	8.5	5.0	-8.4	-24.0	-9.2	20.1	12.0	7.0	6.0	4.0
Exports (% real)	3.1	2.7	-5.6	-8.1	-14.2	-13.2	-1.6	5.6	1.1	2.6	1.1
Imports (% real)	10.6	15.4	3.8	-3.5	-22.1	-17.9	8.4	4.8	0.8	2.9	2.2
Industrial production (% change)	12.0	8.0	-0.7	-4.3	-10.1	-13.0	2.8	-0.1	2.0	3.0	2.8
Budget balance (% of GDP)	-5.9	-1.4	-3.3	-4.3	-4.2	-1.4	-2.2	-1.4	-2.6	-2.5	-2.2
Consumer prices (% change pa; av)	9.4	8.0	0.6	-0.3	12.1	48.7	13.9	14.4	11.2	8.6	7.9
Exchange rate UAH:US\$ (av)	7.9	8.0	8.0	8.0	11.9	21.8	25.6	26.6	29.7	30.9	31.4
Public debt (% of GDP)	40.1	36.4	36.8	39.9	69.4	79.1	81.0	74.8	71.1	70.6	68.2
Unemployment (%)	8.1	7.9	7.5	7.2	9.3	9.1	9.3	8.9	8.8	8.4	8.0
Foreign direct investment/GDP, %	4.7	4.4	4.7	2.5	0.6	3.4	3.7	2.3	2.6	2.8	2.8

EIU, Apr. 2018



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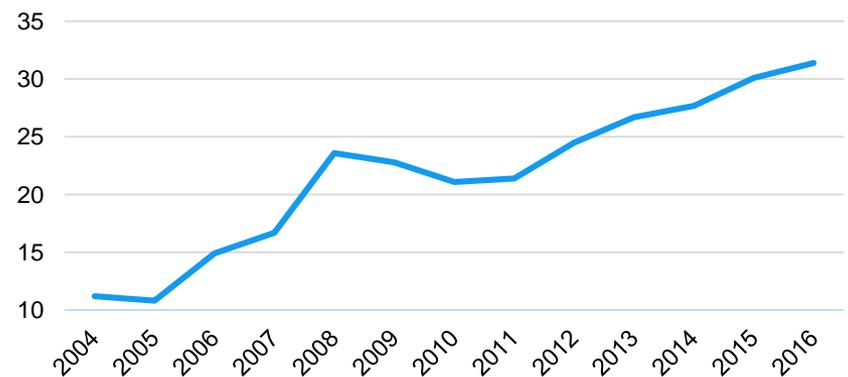
UKRAINE'S PORT SECTOR

Port sector highlights

- With 18 sea ports, Ukraine has the most powerful port potential among all countries of the Black-Azov Sea basin
- Ukraine's seaports can accept large capacity fleet with deadweight of up to 250,000 tones
- 2017 saw a 0.6% y-o-y growth in throughput following several years of decline: total throughput at 13 Ukrainian mainland sea ports was 133 mln tons, including grain (39 mln), ore (28 mln), metals (15 mln), coal (11 mln) and containers (8 mln)
- Forecasts show that in case of land market liberalization and improvements in yields, exports of cereals could increase to 74 mln tons by 2040
- In spite of the recent slump, Ukraine's metal and steel exports should remain competitive and show moderate growth
- Growth in cereal and metal exports will be predicated on sufficient capacity and efficient handling operations at Ukraine's ports
- More than 100 domestic and foreign port operators are engaged in handling cargoes at Ukrainian ports
- Recent notable entrants into the market include P&O Maritime (towing operations at Yuzhniy port) and Hutchinson (MOU to develop container terminal facilities at Chornomorsk port)

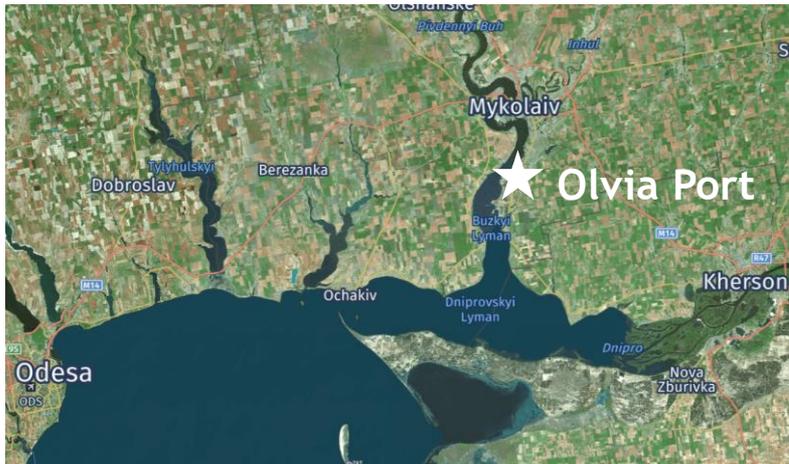
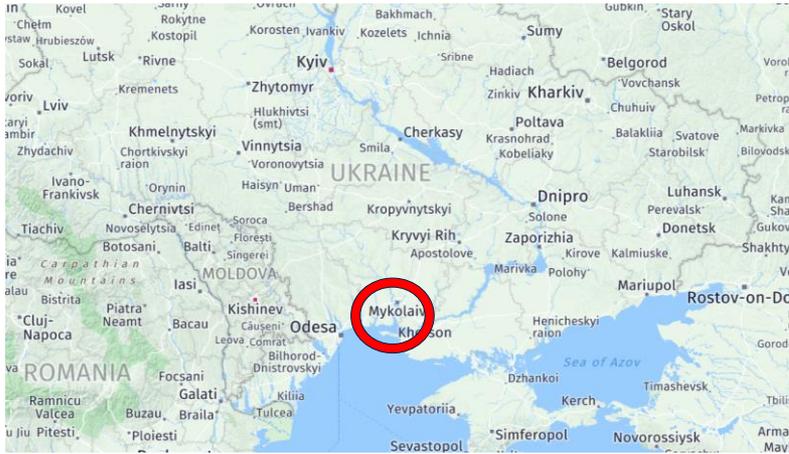


Ukrainian liner shipping connectivity index (max. value – 100)



Source: United Nations

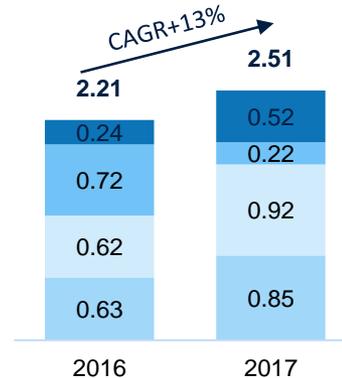
SC OLVIA – KEY FACTS



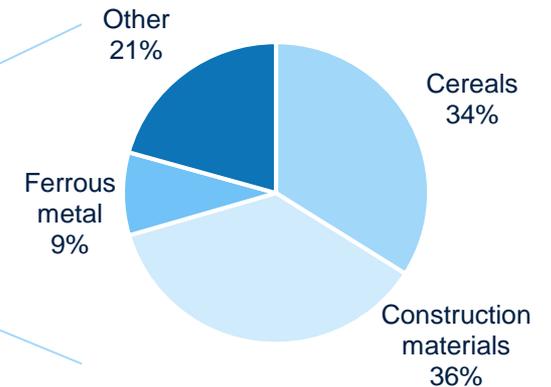
Statistics (2017)

Project area	179 ha
Nr. of berths	7
Max. depth	10.3m
Quay length	1.53 km
Market share (Ukraine)	2%
Revenues	14.3 mln USD
EBITDA margin	41%
Cargo turnover	2.5 mln tons

Cargo growth (mln tons)



Cargo mix (2017)



SC OLVIA – COMPETITIVE ADVANTAGES



Location

Close to Ukraine's key agricultural and metallurgy regions => high grain and metal export potential

Outside of urban centers => ability to operate without negatively impacting communities

Development potential

Large existing port area with additional adjacent land for future expansion

Rail and road access with upgrade potential is available

Value proposition

In a highly competitive market, SC Olvia finished 2017 with its highest cargo throughput ever – 2.51 mln tons, +13.4% vs 2016.

SC Olvia has built up a loyal customer base by offering high quality service in cargo handling and storage

Additional investment in equipment and storage as well as optimization of operational efficiency will make Olvia Port even more competitive



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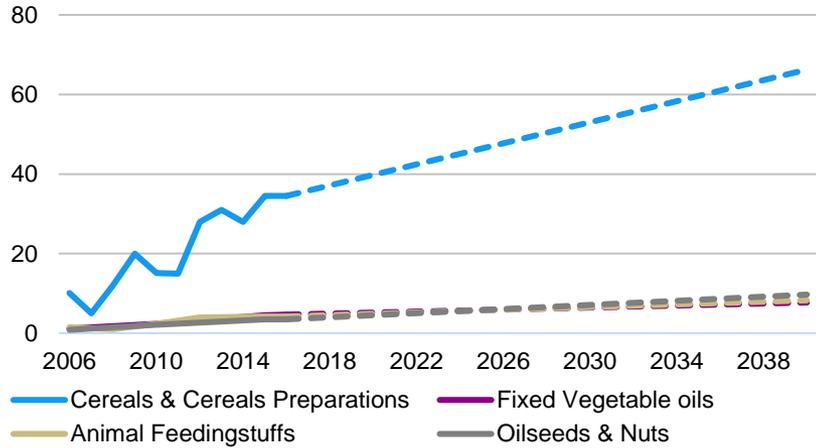
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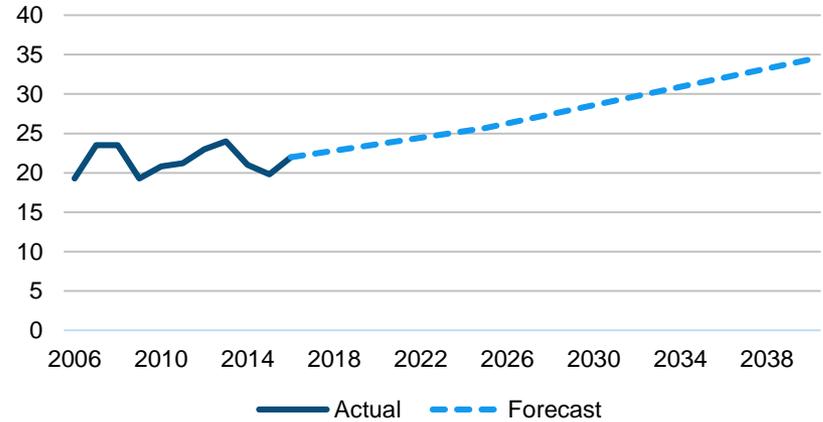
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KEY CARGO FORECAST

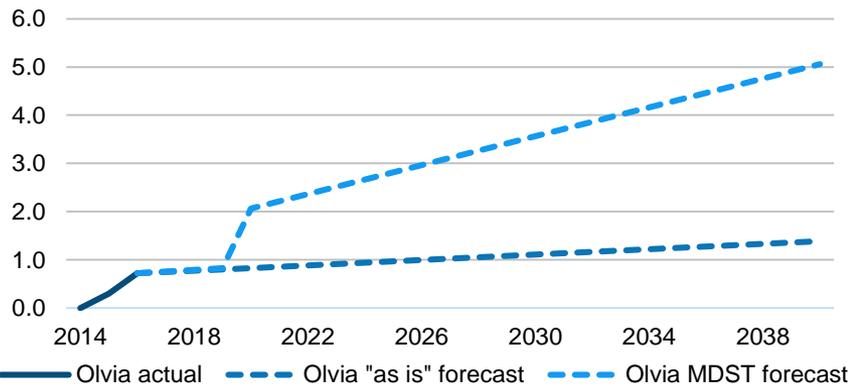
Ukraine grain exports and forecast (mln tons)



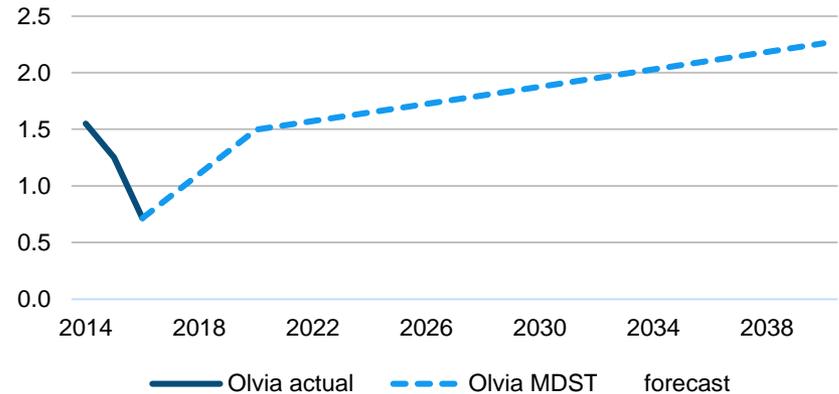
Ukraine exports Iron & Steel (mln tons)



Olvia Port grain traffic forecast (mln tons)



Olvia Port iron & steel traffic forecast (mln tons)



OLVIA PORT CONCESSION PROJECT – PROGRESS TO DATE

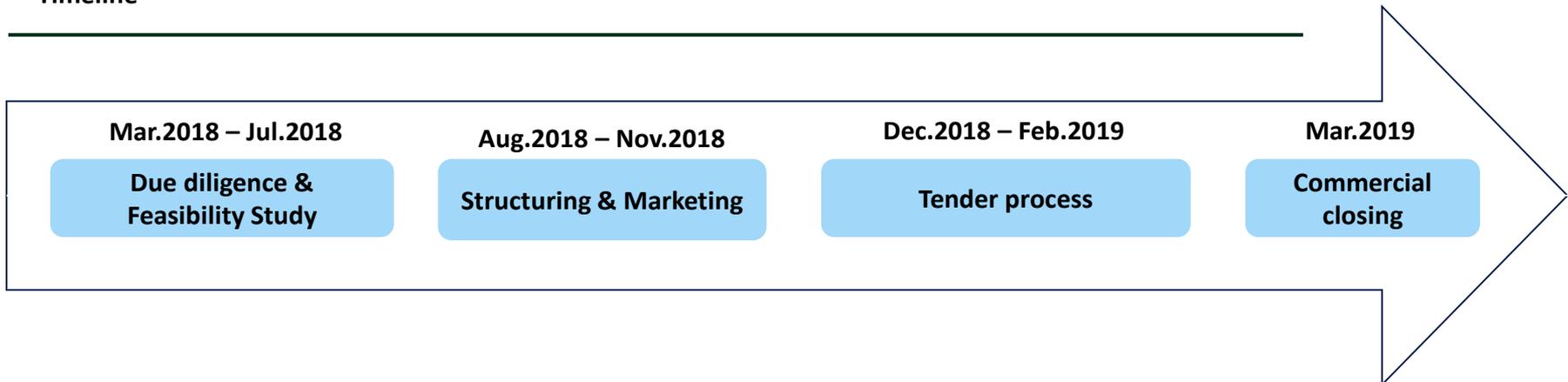
1. Ministry of Infrastructure selected Olvia Port as one of the three pilot PPPs in the port sector
2. Ministry of Infrastructure established a dedicated PPP Project Management Office (SPILNO)
3. EBRD funded a pre-feasibility study which confirmed the project's financial attractiveness
4. Project Concept Note was approved by Ministries of Finance, Economy and Infrastructure
5. Ukrainian Sea Ports Authority retained EBRD and IFC as lead advisors for the transaction
6. EBRD hired a consortium of top advisers to help structure and implement the concession

TENDER PROCESS

Overview

- During the 1st stage, MIU, USPA and their advisers will carry out in-depth technical, legal and financial analysis of the project and prepare the Feasibility Study. Market consultations will help define the project's scope.
- During the 2nd stage, the project structure – including risk allocation, investment and performance obligations, concession payment structure, etc. – will be defined and approved. Market feedback will be sought during bidder conferences and road shows.
- A competitive tender process will be launched on the basis of the approved project structure and tender documentation.
- After the winning bidder is approved, it will sign the concession agreement with MIU.

Timeline



Project Team



CONTACTS

- Interested parties should contact IFC in order to obtain additional information about the project, be included in the database of potential investors, and be kept informed about all relevant developments, including bidder conferences and road shows.

 **International Finance Corporation**
WORLD BANK GROUP

Oleg Kudashov
Senior Investment Officer
PPP Transaction Advisory

2121 Pennsylvania Ave NW,
Washington, DC 20433, USA
Tel: +1 202 820 4996
E-mail: okudashov@ifc.org

 **International Finance Corporation**
WORLD BANK GROUP

Almaz Karassayev
Investment Officer
PPP Transaction Advisory

41A Kazybek Bi Street, 3rd Floor
050010 Almaty, Kazakhstan
Tel: +1 202 378 8603
E-mail: akarassayev@ifc.org

 **International Finance Corporation**
WORLD BANK GROUP

Dragos Savca
Investment Analyst
PPP Transaction Advisory

Dniproviskiy uzviz 1
Kyiv, Ukraine 01001
Tel: +380 44 490 6400
E-mail: dsavca@ifc.org

THANK YOU!