



KHERSON SEA PORT PPP

Investment Opportunity Teaser

DRAFT SUBJECT TO CHANGES

April 2018

DISCLAIMER

This Investment Opportunity Teaser is proprietary and for confidential use only. It is being issued by the Ministry of Infrastructure of Ukraine (MIU), Ukrainian Sea Ports Authority (USPA), EBRD and IFC solely for use by intended recipients and their advisors. It may not be reproduced or distributed in whole or in part, or divulged to, or shared with third-parties without MIU's, USPA's, EBRD's and IFC's prior written consent. No other person has been authorized to give any information or make any representations with respect to the project described herein, and, if given or made, such other information or representations must not be relied upon.

This Teaser is for information purposes only. It is intended to help recipients appraise whether the project is of interest but is not intended to provide the basis for a decision to invest. Each recipient is expected to make such independent investigation and to obtain such independent advice as he or she may deem necessary for such a decision.

No representation, warranty, or undertaking (express or implied) is made and no responsibility is or will be accepted by MIU, USPA, EBRD or IFC as to the adequacy, accuracy, completeness or reasonableness of the information contained in this Teaser. The information contained herein may be amended or replaced by MIU, USPA, EBRD or IFC at any time, without giving any prior notice, or providing any reason. Nothing herein or attached hereto is, or may be relied upon as, a promise or a representation as to the future performance or policies of the project, or should be considered as a recommendation by MIU, USPA, EBRD or IFC to participate in the project. Any liability in connection with the use by any recipient of the information contained in this presentation is hereby disclaimed.

EXECUTIVE SUMMARY

- Kherson Sea Commercial Port (KSCP) is located within Kherson City limits in Southern Ukraine. This multi-purpose port terminal is strategically positioned in the estuary of the Dnipro river, granting convenient access to the Black Sea, Ukraine's inland waterways network, and its hinterland. The port is favorably positioned near the main 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 KSCP's competitiveness, ensuring its financial sustainability, and safeguarding its environmental and social impact on stakeholders. The concessionaire will be responsible for upgrading the port's facilities and operating its terminals for a specified period of time ("Project").
- The Project is of high priority to MIU and USPA as KSCP 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 better understand the nature and extent of private sector's interest in the Project. 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



European Bank
for Reconstruction and Development



USPA UKRAINIAN SEA PORTS
AUTHORITY



MINISTRY
OF INFRASTRUCTURE OF UKRAINE



IFC International
Finance Corporation
WORLD BANK GROUP

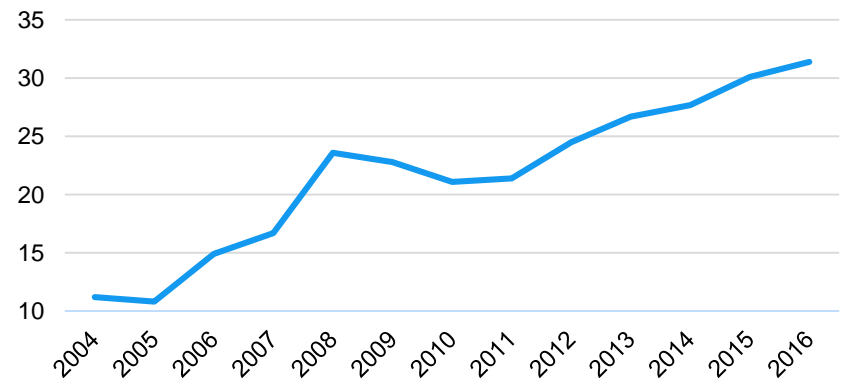
UKRAINE'S PORT SECTOR

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)

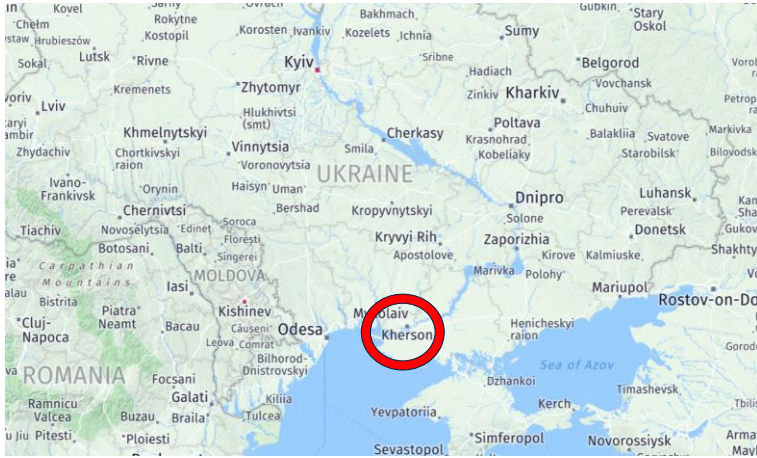


Ukrainian liner shipping connectivity index (max. value – 100)



Source: United Nations

KSCP – KEY FACTS

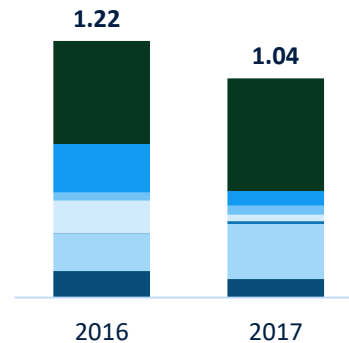


Statistics (2017)

Project area	45 ha (right & left banks)
Nr. of berths	4
Max. depth	7.6 m (channel)
Quay length	601 m
Market share (Ukraine)	~1%
Revenues* (2016 / 2017)	9.7 / 6.4 mln USD
EBITDA margin* (2016 / 2017)	27 / 4.1 %
Cargo turnover (2016 / 2017)	1.22 / 1.04 mln tons

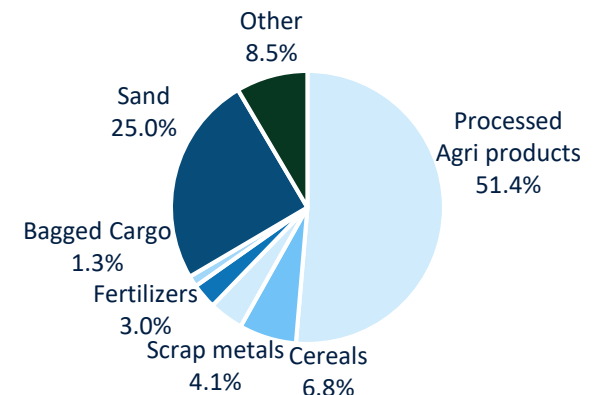
* Based on unaudited financials

Cargo volumes (mln tons)*

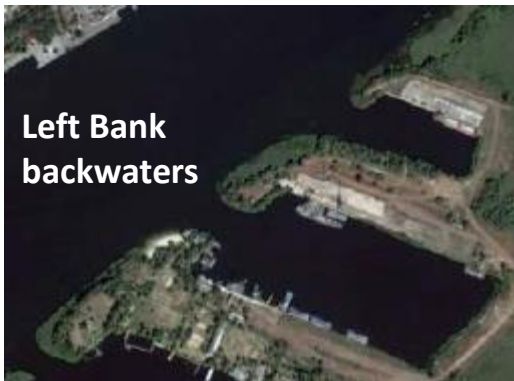


* Including sand from offsite pit

Cargo mix (2017)



KHERSON SEA PORT – COMPETITIVE ADVANTAGES



Location

Close to Ukraine's key agricultural and metallurgy regions

A unique river-sea transshipment hub => ability to serve both inland export markets along Dnipro and sea-borne trade in the Black Sea & Mediterranean

Development potential

A large, underutilized area on the left bank of the river can be used for parking barges / floating storage

Direct rail and road access



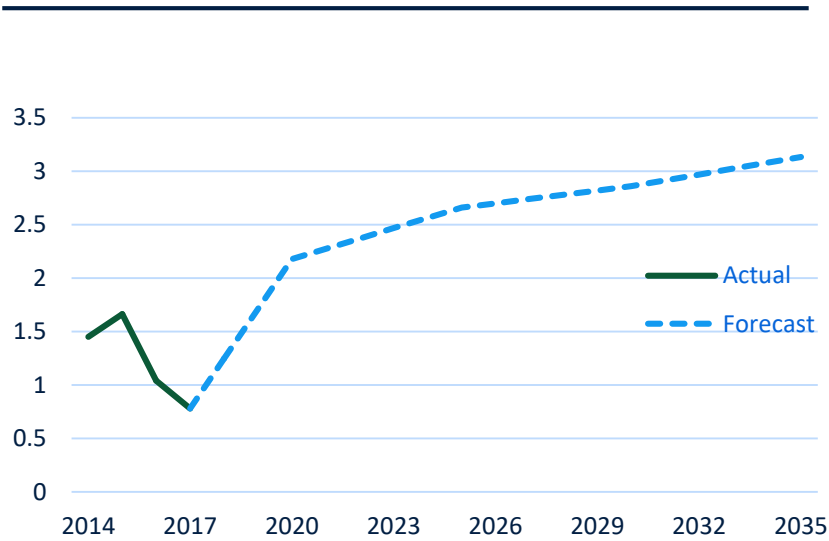
Value proposition

Current inefficiencies result from insufficient storage capacity and non-specialized cargo handling technology

Investment in storage capacity expansion and modernization of handling equipment will increase throughput and decrease unit costs

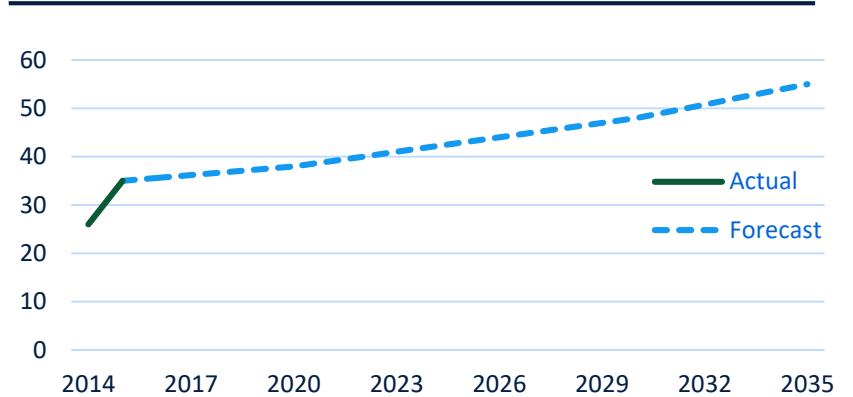
KEY CARGO FORECAST

Total Cargo Forecast for KSCP, (mln tons)

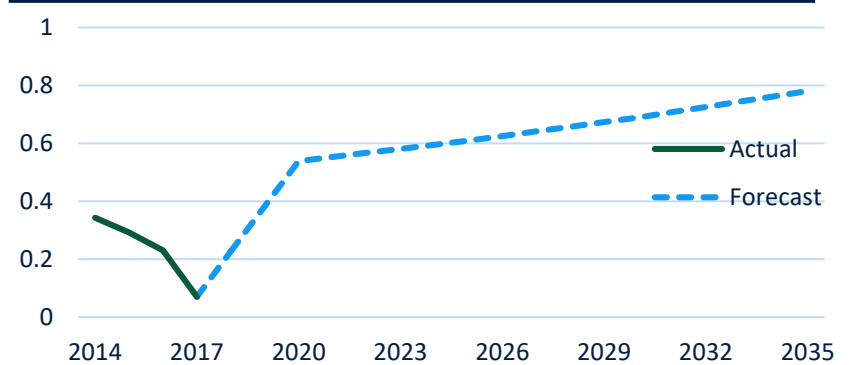


Source: Pre-feasibility study (actuals and medium forecasts) prepared by Royal Haskoning

Seaborne Trade Forecasts Cereals, Ukraine (mln tons)



KSCP Cereals traffic forecast (mln tons)



KSCP CONCESSION PROJECT – PROGRESS TO DATE

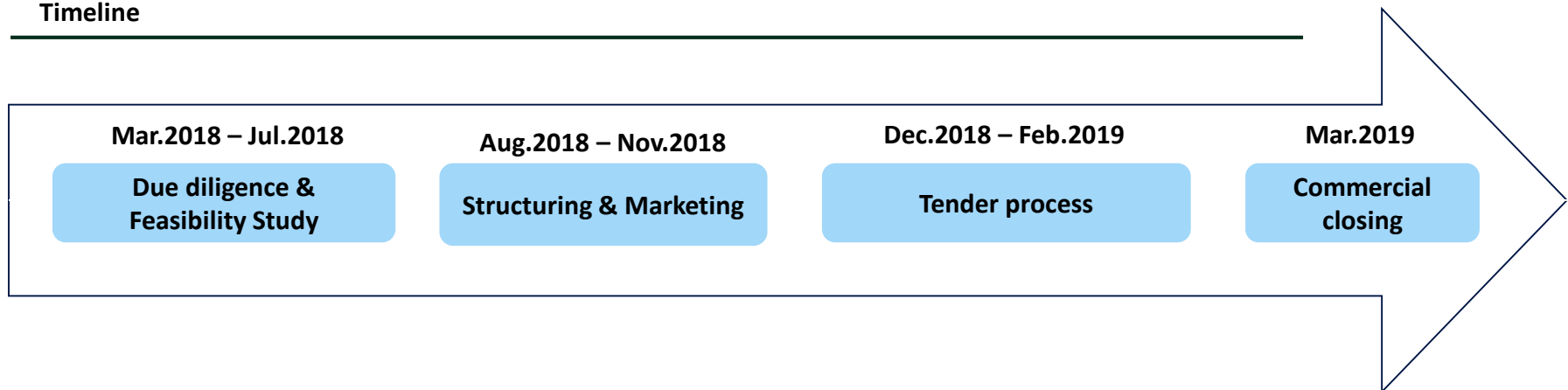
1. Ministry of Infrastructure selected KSCP as one of the three pilot PPPs in the port sector
2. Ministry of Infrastructure established a dedicated PPP Project Management Office (SPILNO)
3. World Bank funded a pre-feasibility study which confirmed project's financial attractiveness
4. Project Concept 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

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

THANK YOU!