

**PRIVATIZATION
IN UKRAINE:**

**OPPORTUNITIES AND TIPS
FOR CZECH INVESTORS**

GOLAW

PRIVATIZATION IN UKRAINE 2021

OVERVIEW OF OPPORTUNITIES



STATE
PROPERTY
FUND
OF UKRAINE

Ukraine is Open

for Investment

Changing Privatization Standards

Fair and transparent process

TRANSPARENCY
AND
PROFESSIONALISM

04



Open communication with investors

(meetings, forums, chambers of commerce, business associations)



Investor relations office



DOCUMENTS



TEASERS



VDR



ACCESS

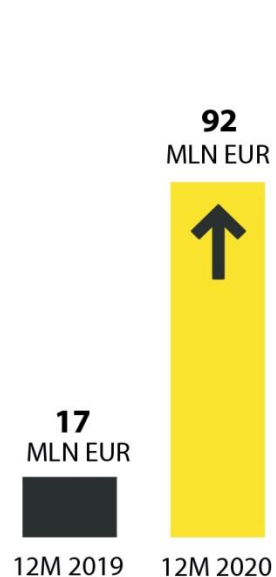


AUCTION

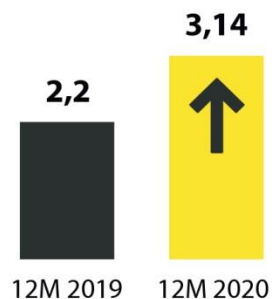
Achievements of Y2020 privatization

TRANSPARENCY
AND PROFESSIONALISM

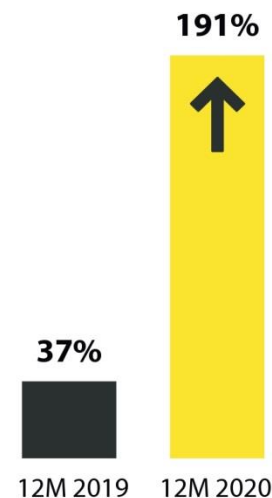
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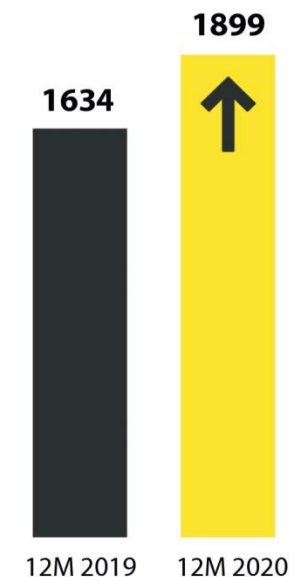
Auctions results



Average number of
participants



Price growth



Auctions launched



Large-scale privatization assets

- 🏭 Heavy industry plants
- 🏭 Energy production & distribution facilities
- 🏭 Chemical industry factories
- 🏭 Mining companies

23 assets of largescale
privatization

07



JSC United Mining and Chemical Company

Overview

100% state-owned company specializes in **development of titanium-zircon deposits and production of rutile, ilmenite and zircon concentrate, and concentrate en-richment services**. UMCC accounts for 3% of worldwide production volumes of titanium-containing substances. 90% of company's production is exported. There's a sustainable demand on the production of UMCC on external markets of titanium minerals.

Adviser

BDO Corporate Finance (in consortium with Baker Tilly)



Auction

Q3 2021



112 mln EUR

08

Vilnogirskyi mining and metallurgical plant:
production of rare metal concentrates

Irshanskyi mining and processing plant:
mining and enrichment of titanium ores

JSC First Kyiv Machine-Building Plant ("Bolshevyk")

Overview

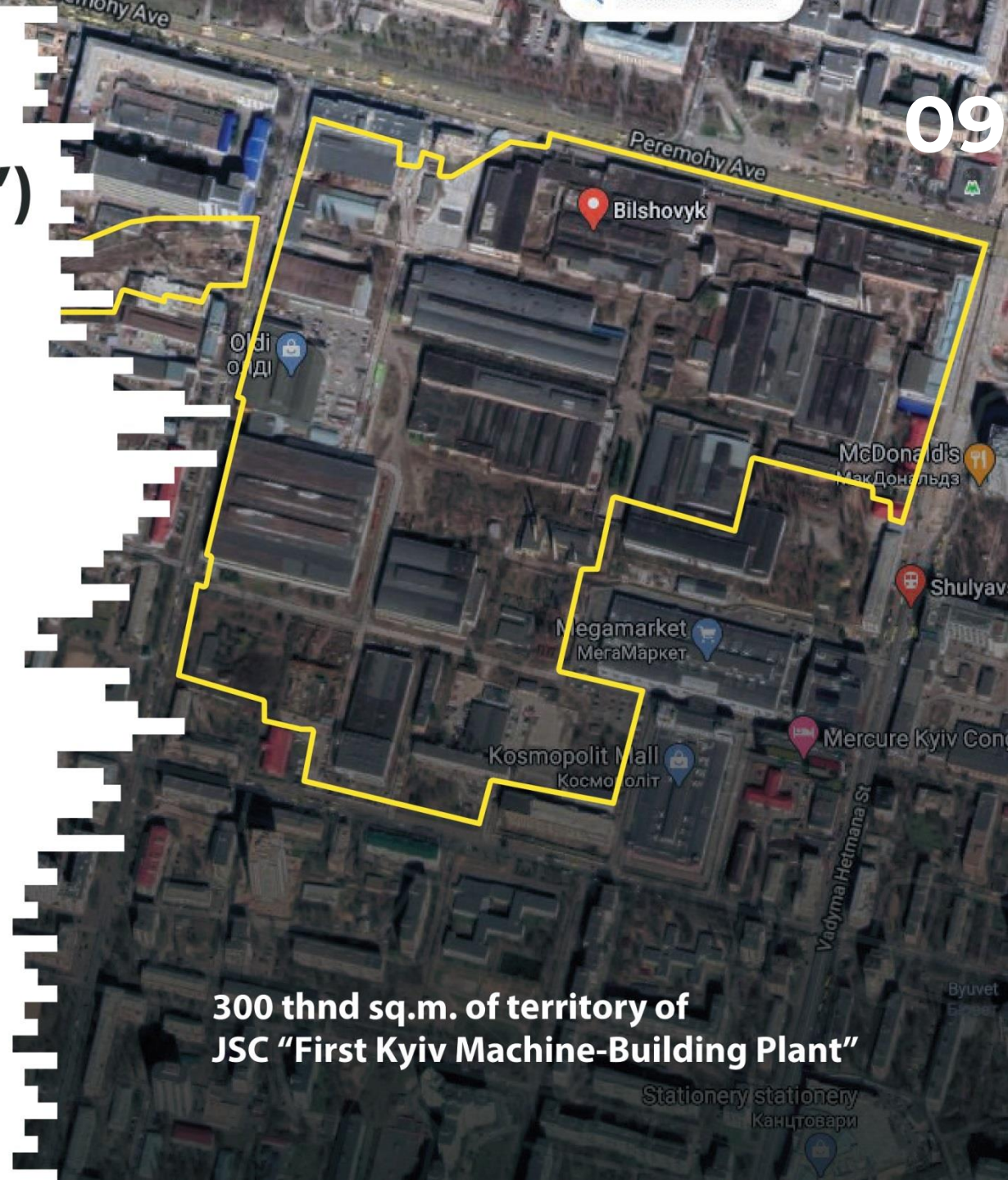
100% state-owned company, former soviet machine building factory "Bilshovyk" has more than 130 years history. Today the plant manufactures unique largesized equipment, machines and production lines for the rubber processing, coal, chemical, agricultural industries and provides areas that are not used in production process for rent. One of the key features of the plant is its location. Main operational facilities are in the central part of Kyiv and has access to one of the busiest streets. Total area of facilities is about 300 ths sq.m.

Adviser

KPMG (in consortium with BDO, Cushman & Wakefield)



Auction
Q3 2021



**300 thnd sq.m. of territory of
JSC "First Kyiv Machine-Building Plant"**

PJSC Odesa Portside Plant

Overview

99.6% state-owned **nitrogen fertilizer producer and export transshipment company located in Odesa region, near the Black Sea coastline.** The plant consists of two ammonia production units with total annual capacity of 1,100 thnd tons and two carbamide production units with total annual capacity of 860 thnd tons. It produces 23% of total ammonia output and 18% of total carba-mide output in Ukraine and exports 85% of its current production to 30 countries.

Adviser

Pericles Global Advisory (in consortium with SARS CAPITAL, Kinstellar, White&Case (Europe), KPMG)



Auction
2022

Ammonia NH₃
Carbamide CO(NH₂)₂
TRANSSHIPMENT



Electricity distribution system operators

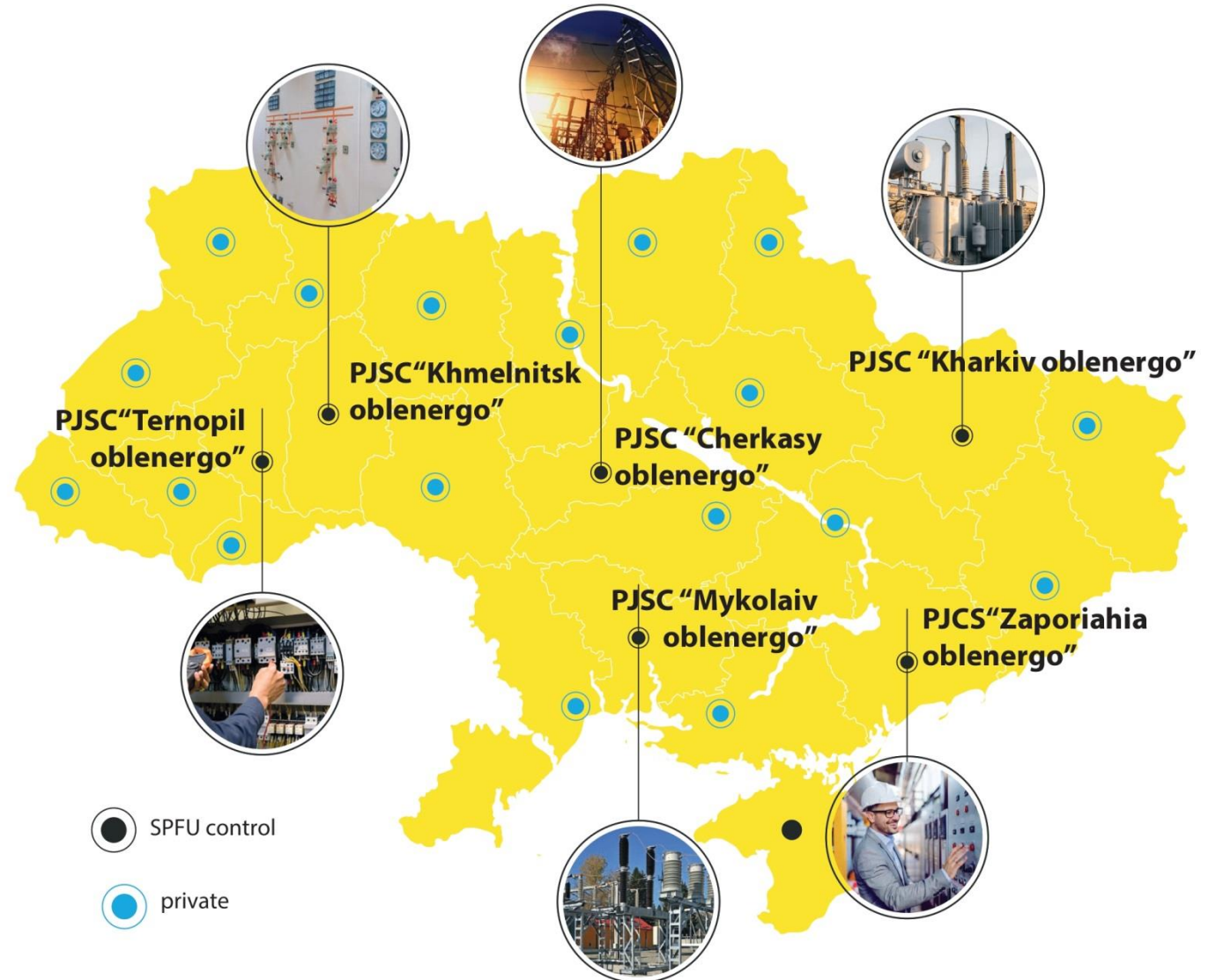
TRANSPARENCY
AND PROFESSIONALISM

11

Regional power distributors supply customers in their respective areas usually one oblenergo per province. Oblenergos own and operate c. 1 million kilometers of 0.4-110 kw grids, transformer substations and switching and metering equipment.

Among circa 30 providers of electricity distribution services in Ukraine, 6 are under the SPFU management. 5 of which will be privatized

 Auctions
2022



HOW DOES PRIVATIZATION WORK?

**TYPES OF ASSETS
FOR PRIVATIZATION
& REVIEW OF THE PROCEDURE**

TYPES OF ASSETS FOR PRIVATIZATION

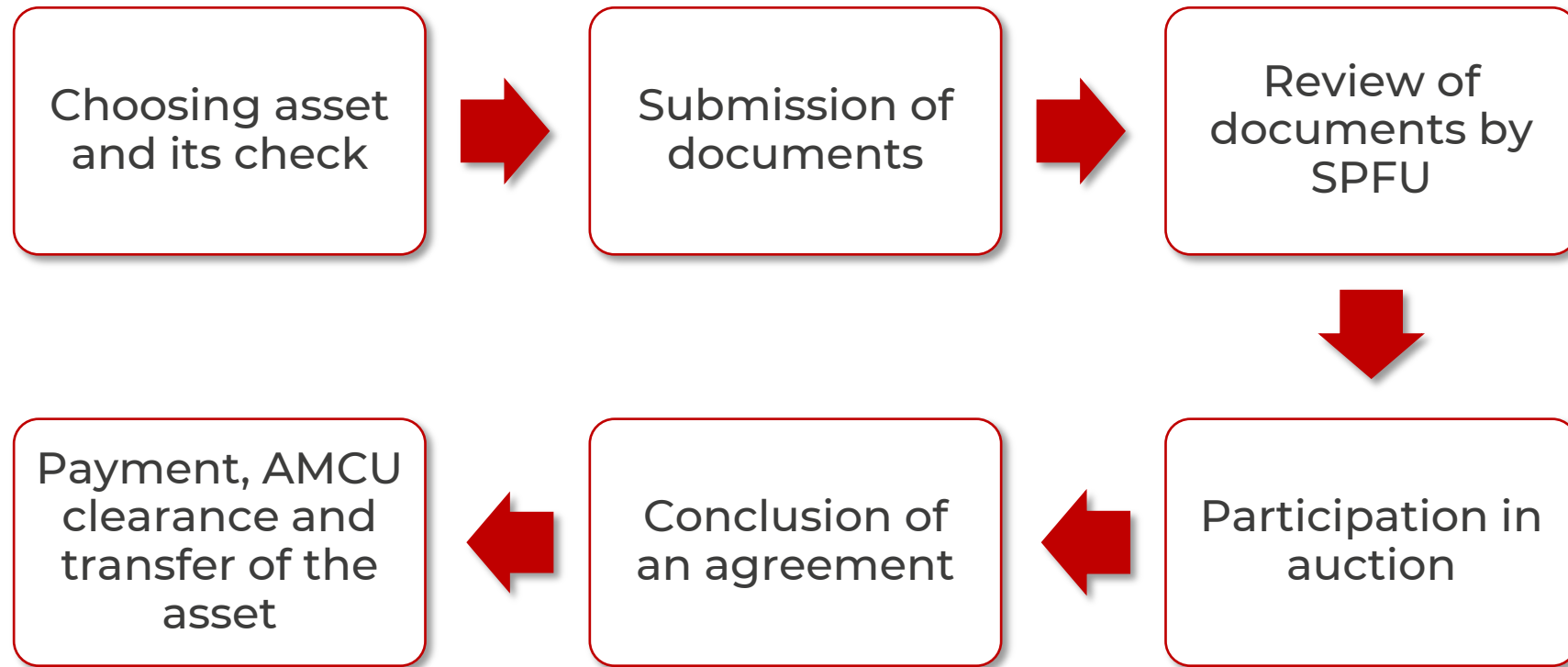
Large-scale privatization

- Integrated property complex of state enterprises, blocks of shares (of interest) in state enterprises
- Price will be **UAH 250+ million (≈EUR 7,6 + million)**
- Offline auction, review of documents before the auction

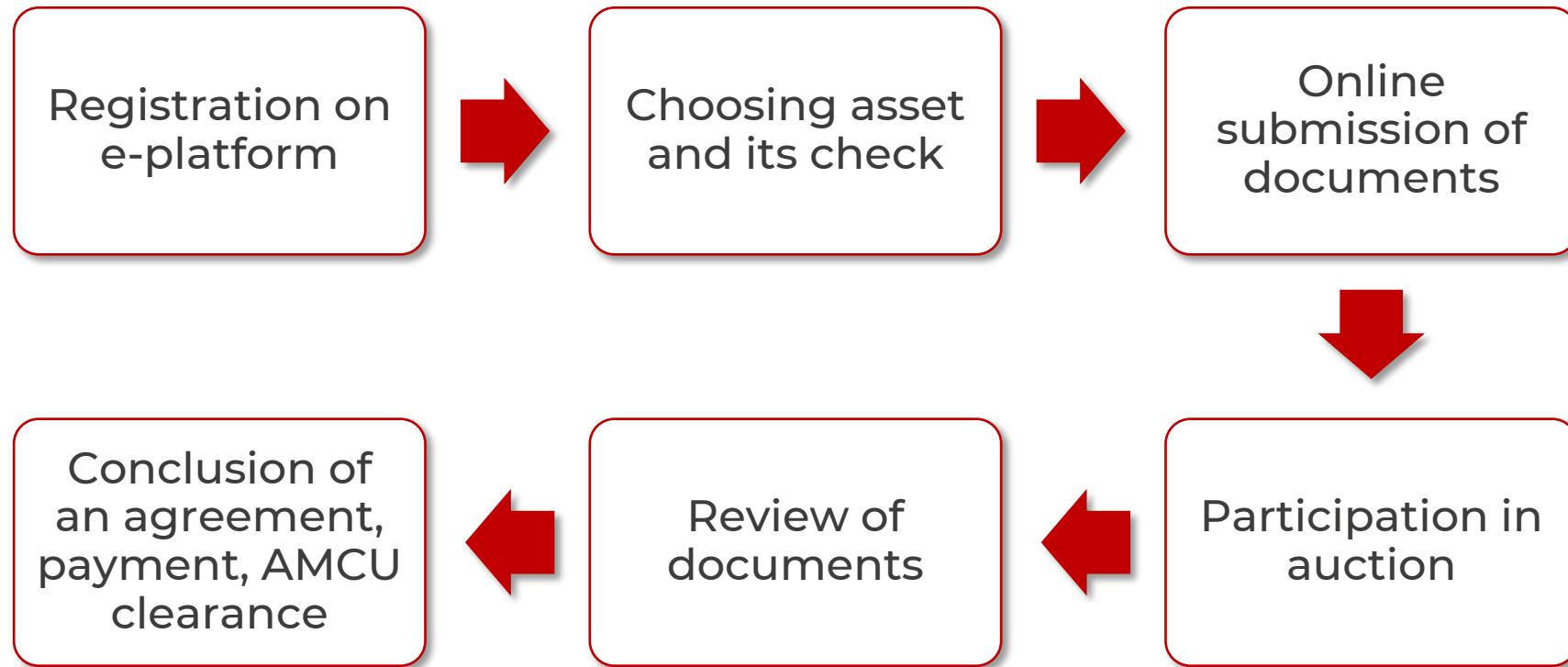
Small-scale privatization

- Integrated property complex / subdivisions or units of state enterprises
- Individual property unit (movable and **immovable property**), unfinished construction
- Heritage Assets (cultural and social)
- Blocks of shares (of interests) in companies' equity capital
- Other assets with the value of less than **UAH 250 million (≈ EUR 7,6 million)**
- Online auction, review of documents after the auction

LARGE-SCALE PRIVATIZATION PROCEDURE



SMALL-SCALE PRIVATIZATION PROCEDURE



BUYERS

**REQUIREMENTS FOR BUYERS
& PECULARITIES OF PARTICIPATION
OF FOREIGN INVESTORS**

BUYERS

Individuals and companies (national and foreign) **subject to restrictions**

Buyers, who cannot participate in privatization:

- Buyers registered in offshore with **non-transparent ownership structure**
- Buyers from Russia (under control of the state; beneficiary 10%+ are residents of Russia; citizens of Russia)
- Companies from countries put by FATF on the list of jurisdictions, which **do not cooperate on AML** or their direct or indirect subsidiaries (50%+ interest)
- Companies with **non-disclosed information about beneficiaries**
- Persons **under sanctions**, and their affiliated persons
- Persons, and their affiliates, who have taken part in privatization previously and **agreement on sale and purchase with them have been terminated because of a breach**
- advisors, who prepared assets for privatization; the state, state enterprises, governmental bodies

PARTICIPATION OF FOREIGN INVESTORS

- is possible directly or **via SPV**
- minor differences in documents for submission
- **not all e-platforms** work with foreigners
- if SPV is formed, requirements for submission of financial statements should be considered

**DO YOU NEED
AN SPV?**



- Type of Asset?
- Planned business?
- Tax purposes

HOW TO PARTICIPATE?

**SUBMISSION OF DOCUMENTS
AND PARTICIPATION IN AUCTIONS**

DOCUMENTS

- application
- payment of security deposit (**5% - large-scale**; 10% - **small scale**) and registration fee **or bank guarantee (for large-scale)**
- consent to terms, conditions and future obligations
- for individuals – passport and documents proving source of funds
- for companies:
 - extract from commercial register (**legalization or apostille**)
 - Information on ultimate beneficial owners
 - the last annual or quarter financial statement (**certified by an auditor - for large-scale privatization**)

AUCTION FOR LARGE-SCALE PRIVATISATION

- minimum 2 members and no less than 1 step of bidding
- public proceedings with presence of the buyers' representatives
- registration ends in 10 minutes before the auction
- start of the auction – announcement of opening bid
- bidding in auction – not less than 1% of opening bid
- signature of minutes – final stage of auction
- refusal of winner – forfeits the right to participate in the future (for this asset), losing security deposit

ONLINE AUCTION OF SMALL-SCALE PRIVATIZATION

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First auction

- With or without conditions, raising of bids
- Starts at 100% of opening bid
- 3 rounds with 3 minutes to bid on every round
- Bids priority determined from the lowest to highest bid

Second auction

- With lowered opening bid
- Starts from 50% of opening bid
- 3 rounds with 3 minutes to bid on every round
- Bids priority determined from the lowest to highest bid

Third auction

- 3-step Dutch auction:
- I – automatic lowering of bids starts at 50% of opening bids
- II – after locking the bid - submission of closed bids
- III – bid of the winner of Dutch auction

ONLINE AUCTION OF SMALL-SCALE PRIVATIZATION

23



Аукціон завершився 15-го липня 2020 о 16:52

Завершено

✓	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "СІТІ КОМЕРЦ ДЕВЕЛОПМЕНТ"	720 000 777,00 грн
✓	АТ "ЖМК"	960 000 000,00 грн
✓	ПУБЛІЧНЕ АКЦІОНЕРНЕ ТОВАРИСТВО "КОМЕРЦІЙНИЙ БАНК "АКОРДБАНК"	999 999 999,00 грн
✓	ТОВ "ЗВ РІЕЛТІ"	1 000 000 011,00 грн
✓	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "ЦИТАДЕЛЬ ДЕВЕЛОПМЕНТ"	1 000 050 500,00 грн
✓	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "ІНВЕСТИЦІЙНА УКРАЇНСЬКА ГРУПА"	1 111 111 111,11 грн
✓	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "СМАРТЛЕНД"	1 111 111 222,22 грн максимум

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FINANCING

ATTRACTING BORROWED CAPITAL

OPTIONS FOR FINANCING OF PRIVATISATION

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Own capital

- Source of funds shall be **proved by documents**

Borrowed capital

- Lender shall **comply with the requirements for buyers**
- Buyer shall submit documents to prove the Lender's **commitment to provide financing**
- The information to be provided is the same as the one regarding the buyer

HOW NOT TO DO?

BUYERS' MISTAKES

MISTAKES OF INVESTORS IN PRIVATIZATION

- not submitting all the required documents
- ignoring the first auction (small-scale)
- no legal and no technical due diligence
- not taking into account the VAT considerations
- not inspecting the assets before the auction
- late payment of the security deposit
- improper review of the buyer's ownership structure, affiliates
- ignoring the deadlines for submission of documents

Thank you for attention!



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