

PwC Advisory Services

*OJSC Kherson
Combined Heat
and Power Plant*
Confidential Teaser

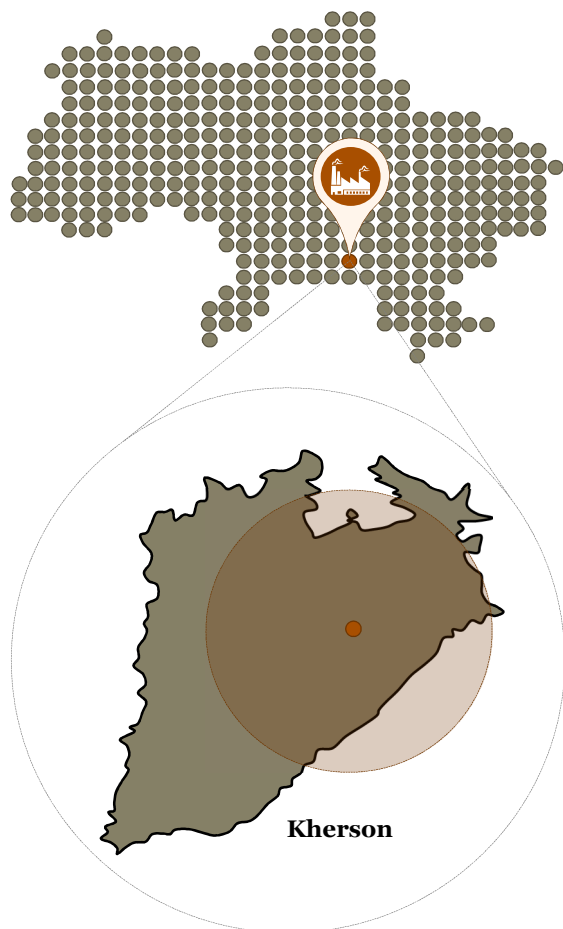
May 2016

Strictly confidential

OPPORTUNITY OVERVIEW

- OJSC Kherson Combined Heat and Power Plant (KhCHP or the Company) provides heating to citizens of Kherson and supplies electricity co-produced with the heat to the wholesale electricity market of Ukraine. The Company benefits from its status of the largest provider of heat in Kherson, servicing c. 41,355 customers.
- KhCHP's first power blocks were put in operation in 1950s and used coal as main fuel. The production capacities were upgraded and modernised during 1960s and, since 1980s, the Company's equipment uses natural gas as main fuel. The main gas supplier is NJSC Naftogaz of Ukraine.
- KhCHP's total installed heat production capacity is 735 Gcal/h, and power supply capacity – 80MW.
- The State Property Fund of Ukraine (SPFU) owns 99.8328% of KhCHP's shares, while the remaining 0.1672% is held by employees.
- The Company is subject for privatization under the recently adopted privatization programme executed by the SPFU in accordance with the Resolution of the Cabinet of Ministers of Ukraine #271 as of 12 May 2015.
- The SPFU fosters an open and transparent process to international standards for disposal of its entire 99.8328% stake.





INVESTMENT HIGHLIGHTS

Entry opportunity

Unique opportunity to participate in the privatization of a part of one of the world's largest (17th globally and 2nd in Europe/CIS) centralised utility (heat and power generation) system.

Attractive market

Ukraine is one of the biggest customer markets in Europe with over 42 million inhabitants and 16.8 million apartments*, 68.2% of which are centrally heated.

Large customer base

Kherson is a large administrative centre in southern Ukraine with population of over 300 thousand people.

Favourable asset location

Perfect location and unconstrained territory with highway access, available for reconstruction and further development of the production site.

Promising regulatory reforms

Government commitment, supported by the International Monetary Fund and the World Bank, to reform the industry and gradually increase heat and electricity tariffs to the economically justified level.

Financial indicators

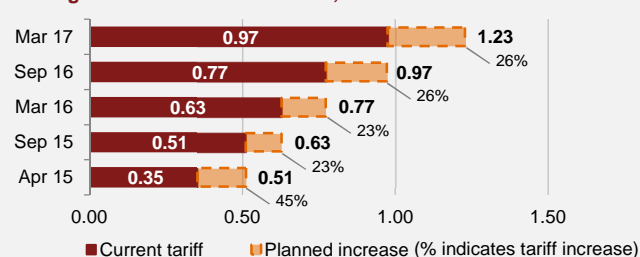
UAH'000	FY13	FY14	FY15
Net sales, incl.:	192,494	189,548	272,818
Electricity	104,425	104,364	145,476
Heat	88,069	85,184	127,342
Total Assets**:	236,417	259,496	347,061
Non-current assets	87,108	79,574	102,308
Current assets	149,309	179,921	244,753

Operational indicators

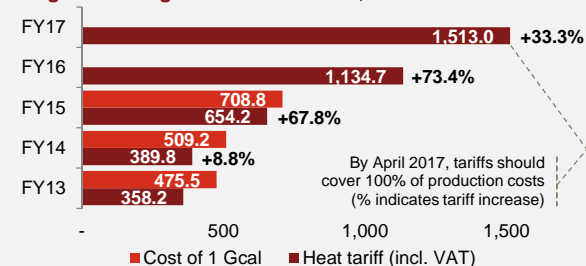
	FY13	FY14	FY15
Installed production capacity:			
Electricity, MW	80	80	80
Heat, Gcal/h	735	735	735
Production output:			
Electricity, MWh	103,469	86,827	95,285
Heat, Gcal	311,592	279,794	271,221
Sales volume:			
Electricity, MWh	77,761	72,910	65,096
Heat, Gcal	231,847	203,442	187,681
Capacity utilisation***:			
Electricity, %	30%	25%	27%
Heat, %	10%	9%	8%
Production per employee:			
Electricity, MWh	179	162	186
Heat, Gcal	539	522	529
Heat customer base	41,355	41,355	41,355
Employee headcount (avg.)	578	536	513

Source: Company information

Average residential tariff increase, UAH/kWh



Weighted average heat tariff vs. cost, UAH/Gcal



Note: * Excluding Crimea and eastern regions of Ukraine in ATO zone; ** As at 31 December; *** Calculated as a ratio of production output to max six-month output (based on installed production capacity) assuming no overhauls.

Disclaimer / Contact information

Disclaimer

These materials are issued by the State Property Fund of Ukraine (“the Vendor”) on the terms set out below for the exclusive use of the persons to whom it is addressed (“the Recipient”) and their advisers in connection with the proposed sale of the issued share capital of OJSC Kherson Combined Heat and Power Plant (“the Company”).

PricewaterhouseCoopers LLC acted as a consultant to the Vendor in preparation of these materials only.

The sole purpose of these materials is to assist the Recipient in deciding whether it wishes to proceed with a further investigation of the Company. They are not intended to form the basis of any investment decision or decision to purchase the Company.

The Recipient will keep these materials and all information subsequently supplied or given to it or its agents or advisers in connection with the proposed sale safe and secure so as to prevent any unauthorised person having access to it, and the Recipient agrees that the information is proprietary to the Company and it has no rights to it except as set out in this notice.

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The Vendor expressly reserves the right to alter or terminate the sales process and to accept or reject any preliminary or final offer at any time, in either case, without giving reasons therefore.

Contacts

All comments or queries regarding the privatization process of the Company should be addressed to the individuals below. Under no circumstances should any other employees, contractors and affiliates of OJSC Kherson Combined Heat and Power Plant, the State Property Fund of Ukraine or PricewaterhouseCoopers LLC should be contacted regarding this opportunity.

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