



Odessa Port Plant



Summary overview

Opportunity overview

- Odessa Port Plant ("OPP", the "Company") is a leading Ukrainian nitrogen fertilizer producer and transshipment company benefiting from its advantageous location on the Black Sea coastline
 - Established in 1974 as a part of a USSR-wide programme of fertilizer plant construction
 - Subsequently expanded and upgraded in 2000-2006 with ammonia and urea capacity increased by 180 and 240ktpa, respectively
- Accounts for 23% of urea and 18% of ammonia production capacity in Ukraine¹ making it the largest producer of urea in the country and the second largest producer of ammonia
- With its strategic location and connection to the country's gas and chemical pipeline infrastructure, OPP benefits from exposure to hard-currency export sales and low operating costs
 - Exports account for c.90% of urea output and c.99% of ammonia output, with products shipped to over 30 countries worldwide, including EU countries and the US
 - Operates the largest seaside ammonia and urea transshipment assets in Ukraine and the FSU region
- Owned by the State Property Fund of Ukraine ("SPF") which holds 99.57% of OPP's share capital, with remaining 0.43% held by employees
- The Company has been chosen as the first business for privatization under the recently adopted privatization programme executed by SPF in accordance with the Resolution of the Cabinet of Ministers of Ukraine N.271 as of 12 May 2015
 - SPF targets an open and transparent process to international standards for its entire 99.57% stake, establishing a successful precedent for subsequent privatizations planned in Ukraine
 - Privatization plan executed with support and assistance from USAID and international financial organizations, EBRD and IFC
 - SPF and the Government are working on a solution to restructure financial liabilities of OPP related to historical gas purchases, and will update the interested parties in due course during the process
 - UBS has been retained as a financial advisor on the privatization transaction
- An important milestone towards launching the privatization was reached on 16th February 2016 when Ukrainian parliament voted for the amendments of law 2319a-d, including cancellation of the requirement to place 5-10% of the companies to be privatized on the local exchange, opening up the way for privatization of the entire government stake in one lot

Operational and financial summary

Capacity		External sales and transshipment volumes (kt)				Revenue					
		External sales	2012	2013	2014	2015	(US\$m) ²	2012	2013	2014	2015 ³
Production	ktpa	Ammonia	463	696	546	604	Ammonia	266	325	236	222
Ammonia (2 facilities)	1,160	Urea	926	715	640	949	Urea	361	244	181	249
Urea (2 facilities)	942	Transshipment services to 3rd parties				Transship.	39	36	27	35	
Transshipment	ktpa	Ammonia	2,868	2,874	2,503	2,444	Other	6	8	6	7
Ammonia	4,000	Urea	1,327	820	151	223	Total	672	614	449	513
Urea	3,600	Methanol	212	206	155	91					
Methanol	1,000										

Key infrastructure

- OPP's facilities are located 20km from Odessa and 17km from Yuzhne, with access to Yuzhne Commercial Seaport
- With natural gas as the key feedstock for nitrogen fertilizer production, OPP has access to the national gas pipeline system and is supplied by Naftogaz as well as other local and international suppliers
- Benefits from its end-point position at the 2,470km long Togliatti-Gorlovka-Odessa ammonia pipeline in Yuzhne and operates a sea chemicals transshipment terminal which provides additional stable source of revenue
 - Ukrainian section is owned and operated by the state company Ukrhimtransammiak, Russian section is owned and operated by Togliattiazot
 - Transshipment services are carried out on the basis of an agreement with Ukrhimtransammiak with a fixed handling fee per ton of product
 - In addition to Togliattiazot (c.3mtpa ammonia capacity), two other plants are able to supply ammonia through the pipeline – Mineral Fertilizers Rossosh in Russia (c.1mtpa ammonia capacity) and Stirol in Ukraine (c.1.5mtpa ammonia capacity)
 - Operates own railroad transshipment facility handling up to 300 railcars per day, enabling deliveries by other Ukrainian producers

Location



Production and transshipment facilities

Ammonia production



Urea production



Ammonia transshipment



Urea transshipment



Source: Company information, Fertecon

Notes:

¹ Based on Fertecon capacity estimates for 2015

² Translated at average USD:UAH FX rates of 7.99 in 2012 and 2013, 11.87 in 2014, 21.83 in 2015

³ Based on preliminary management accounts

Investment highlights

Leading Ukrainian and CEE nitrogen fertilizer producer

- Largest urea producer and the second largest ammonia producer in Ukraine with capacities of 0.94mtpa and 1.16mtpa, respectively
- Accounts for 7% of urea and 5% of ammonia production capacity in Europe¹

Advantaged access to international market due to unique and strategic location

- Coastline location allows the company to realize FOB Yuzhne benchmark nitrogen fertilizer prices without incurring additional transportation costs
- Located at the end-point of the Togliatti-Gorlovka-Odessa ammonia pipeline, serving as the main export channel for Ukrainian and Russian ammonia producers

Transshipment capabilities providing additional revenue stream

- The only port facility capable of shipping ammonia in Ukraine with transshipment capacity of 4.0mtpa in addition to urea transshipment capacity of 3.6mtpa and methanol transshipment capacity of 1.0mtpa
- Transshipment accounted for 7% of OPP's revenues in 2015 and holds further potential to increase capacity utilization
- Unique infrastructure with some of the largest storage capacities in Europe – 4 storage units with 120kt combined capacity for ammonia, 80kt for urea and 48kt for methanol

Benefitting from exposure to hard-currency export sales

- Direct access to the Black Sea and the Mediterranean via the Bosphorus provides unique position to export to international markets
- Exports account for c.90% of urea and c.99% of ammonia sales with products shipped globally

Lean and efficient infrastructure

- Continuous operational improvements result in low consumption of natural gas (1.036mcm per 1 tonne of ammonia in 1H 2015) with further optimization potential
- High-quality personnel, well-maintained facilities, and proven operating track record

Exposure to the sector with strong long-term fundamentals

- Nitrogen-based fertilizer demand is expected to grow, driven by increasing population, improving diets and decreasing arable land per capita
- Strong domestic market fundamentals with agriculture market accounting for c.39%² of Ukraine's GDP and expected to grow at c.5% CAGR in 2015-19^{2,3}

Highly experienced management team

- Operations are run by professional management team with an average of 23 years with OPP
- CEO Valeriy Gorbatko is in his current position for 29 years and working for OPP since the first year in operation in 1976

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