

UKRAINE NEWSLETTER Q2/2018

ABOUT VI2 PARTNERS

VI2 Partners specializes in portfolio assets management, direct investments, investment banking, ICO, capital raising and debt restructuring, services for investors to enter new markets (Ukraine and Eastern European countries, EU).

The activities of **VI2 Partners GmbH** are aimed at ensuring economic growth, efficiency and increasing customers' profitability. Our qualified and experienced team plans, scouts and executes investment opportunities, performing customers' tasks on a high-quality level, above the accepted standards.

VI2 Partners actively cooperates with commercial, government structures and investors around the globe, with whom we built long-term relationships based on the principles of transparency, trust, effectiveness and confidentiality.

POLITICAL AND ECONOMIC NEWS

- Ukrainian parliament has overwhelmingly approved a bill on the anti-corruption court, with 315 lawmakers, or more than a two-thirds majority, supporting the legislation at final second reading and President Petro Poroshenko saying it was "in full compliance with the recommendations of the Venice Commission and the Constitution and laws of Ukraine." (Dragon Capital)
- On 29 May 2018, EU ambassadors endorsed, on behalf of the Council, an agreement with the European Parliament on a new package of **macro-financial assistance** for Ukraine. A further €1 billion in loans will cover Ukraine's financing needs over a period of two and a half years and have a maximum average maturity of 15 years. The loans will **support economic stabilization** and a program of **structural reforms**, supplementing resources provided by the IMF and other donors. (the European Council)
- Parliament approved a bill relaxing the forthcoming temporary abolition of VAT refunds on exports of oilseed crops, including soybean (effective Sep. 1, 2018-Dec. 31, 2021) and rapeseed (Jan. 1, 2020-Dec. 31, 2021), allowing crop producers to claim VAT on exports of self-produced soybean and rapeseed. (Dragon Capital)
- S&P Global Ratings on May 18, 2018, affirmed its 'B-' long-term issuer credit rating on the Ukrainian capital city of Kyiv. (Standards & Poor)
- The exports of Ukrainian goods to the United States in the first quarter of 2018 amounted to \$218.9 million and increased by \$25.6 million. Over the past three years, the Ukrainian steel products were exported to the U.S. at the amount of \$119.6 million in 2015, \$89.7 million in 2016 and \$175.6 million in 2017. (Ministry of Economic Development and Trade of Ukraine)

UPCOMING EVENTS AND FAIRS

Eastern European Computer Vision Conference

07.07.2018| Terminal 42| Odessa | Ukraine
 Tel.: + 38 048 735 7275

Data Stream Mining and Processing

21-25.08.2018| Lviv Polytechnic National University| Lviv | Ukraine
 Tel.: + 38 050 441 7600

International Conference on Innovations in Natural Science and Engineering

07-09.09.2018| Ramada Encore Kyiv | Ukraine
 Tel.: + 38 044 205 1515

International Conference Computer Sciences and Informational Technology

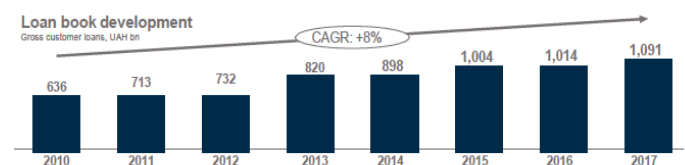
11-14.09.2018| Lviv Polytechnic National University| Lviv | Ukraine
 Tel.: + 38 050 441 7600

International Conference Black Sea Oil Trade

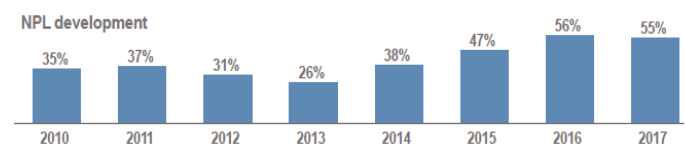
20.09.2018| Hilton Kyiv | Ukraine
 Tel.: + 380 44 393 5400

SELECTED CASE WORK

- In May 2018, **VI2 was invited to become a jury member in one of the largest Shopping Centers Forum and Awards for key players of commercial real estate market** hosted by Ukrainian Real Estate Club in Kyiv, Ukraine. The event served as an effective platform for communication & cooperation aimed to connect major Ukrainian retail real estate owners, developers and agents as well as retailers, bankers, architects and service providers doing business in Ukraine, CIS, and CEE region.
- VI2 Partners has been mandated to search for investment opportunities for initial coin offering via security/utility tokens for an investor in Georgia.
- VI2 participated in the panel discussion "Investing Styles and Approaches" during the 2nd Debt & Restructuring Forum in Kyiv, Ukraine. The 2nd Edition of the Debt & Restructuring Forum focused on no/performing loans (NPL) & restructuring with a strong focus on the C/SEE & CIS regions in one of the largest markets for NPLs in Europe.



Source: Alvarez & Marsal



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With a 56% NPL ratio of the total countrywide loan book, and a volume of close to USD 20 billion, the Ukrainian NPL market deserves an in-depth investigation from institutional investors as well as workout companies. Most of the NPL volume is concentrated within the corporate sector (>80% of the NPL volume) and is highly covered with underlying assets, and therefore interesting for workout. Both for the Government, the National bank and supranational institutions, the clean-up of the NPL portfolio is a priority, as it acts as a congestion to the credit system and slows down new loan issuing and economic growth. Dynamics in the sector will be high in the coming 2-3 years, and rewards high for the successful players. (<http://alt-think.com/2018/06/14/smart-debt-restructuring/>)

STATISTICS AND FIGURES OF INTEREST

- Capital investment in Ukraine jumped by 37% y-o-y** in 1Q18, accelerating from 25% growth in 4Q17 and 21% in 1Q17. In nominal terms, capital investment stood at \$3.3bn in 1Q18, up 36% y-o-y. (National Bank of Ukraine)
- Ukraine sees **retail trade grow by 7%** in January-April 2018, retail turnover increased most in Vinnytsia region. (State Statistics Service of Ukraine)
- Ukraine's major taxpayers declare over US\$770.7 mln in corporate profit tax in Q1. Major taxpayers' revenue in Q1 2018 grew by 11.6% year-over-year, to \$49.8 billion. (Dragon Capital)
- Ukrainian banks booked aggregate net profit of UAH 2.1bn (\$79m) in April (total for performing banks), down 56% m-o-m, bringing 4M18 net income to UAH 10.7bn (\$397m), up 14% y-o-y. Sector NPLs stood at 56.2% at end-4M18, -0.2pp q-o-q and +1.6pp YTD. CAR was reported at 17.1% at end-4M18, +0.6pp m-o-m and +1.0pp YTD