

LARGE-SCALE PRIVATISATION IN UKRAINE

29 April 2021

What is large-scale privatisation?

Large-scale privatisation is the sale of assets under state or municipal ownership (the "**Assets**"), the value of which exceeds UAH 250 million (approximately EUR 7.5 million).

Assets for sale

The following companies will be, *inter alia*, subject to sale in the course of large-scale privatisation in Ukraine.

Company	Industry
United Mining and Chemical Company	Production of titanium ore concentrates
President-Hotel	Hotel services
First Kyiv Machine-Building Plant	Manufacturing of large-tonnage equipment
Kharkivoblenergo, Khmelnytskoblenenergo, Mykolaivoblenergo, Ternopiloblenergo, Zaporizhzhiaoblenergo	Power distribution
Centrenergo	Power generation
Dnipro CHP, Kherson CHP, Kryvyi Rih CHP, Severodonetsk CHP, Odesa CHP	Combined heat and power
Odesa Portside Plant, Sumykhimprom	Production of mineral fertilizers and other chemical products
Oriana	Production of plastics
Elektrovazhmash	Production of power generators
Coal Company "Krasnolymanska"	Coal mining and extraction
Azovmash	Production of railway cars, harbour and industrial cranes, equipment for mining and metallurgical industries
Ukragroleasing	Leasing of agricultural machinery
Indar	Production of insulin products
Zaporizhzhia Titanium and Magnesium Plant	Production of titanium products

Who can purchase Assets?

Assets can be bought by any Ukrainian or foreign individual or company, with the exception of:

- companies registered in offshore zones with non-transparent ownership structures;
- citizens, residents and companies originating from an aggressor state (as defined by the Parliament of Ukraine), and companies in which an aggressor state holds equity interest or is controlled by an aggressor state;
- companies whose beneficial owner of 10% or more shares is a resident of an aggressor state, with the exception of companies whose shares are traded on a stock exchange (from the list approved by the Government of Ukraine);
- companies registered in states included on the Financial Action Task Force (FATF) blacklist, as well as affiliates of such companies;
- companies whose beneficial owners are not disclosed in breach of Ukrainian laws;
- individuals and companies with whom an agreement for the sale and purchase of a privatisation object was terminated in the past due to default by the purchaser or their affiliates;
- individuals and companies under sanctions and their affiliates;
- state-owned companies and their subsidiaries.

Two or more potential purchasers of one Asset cannot be affiliated.

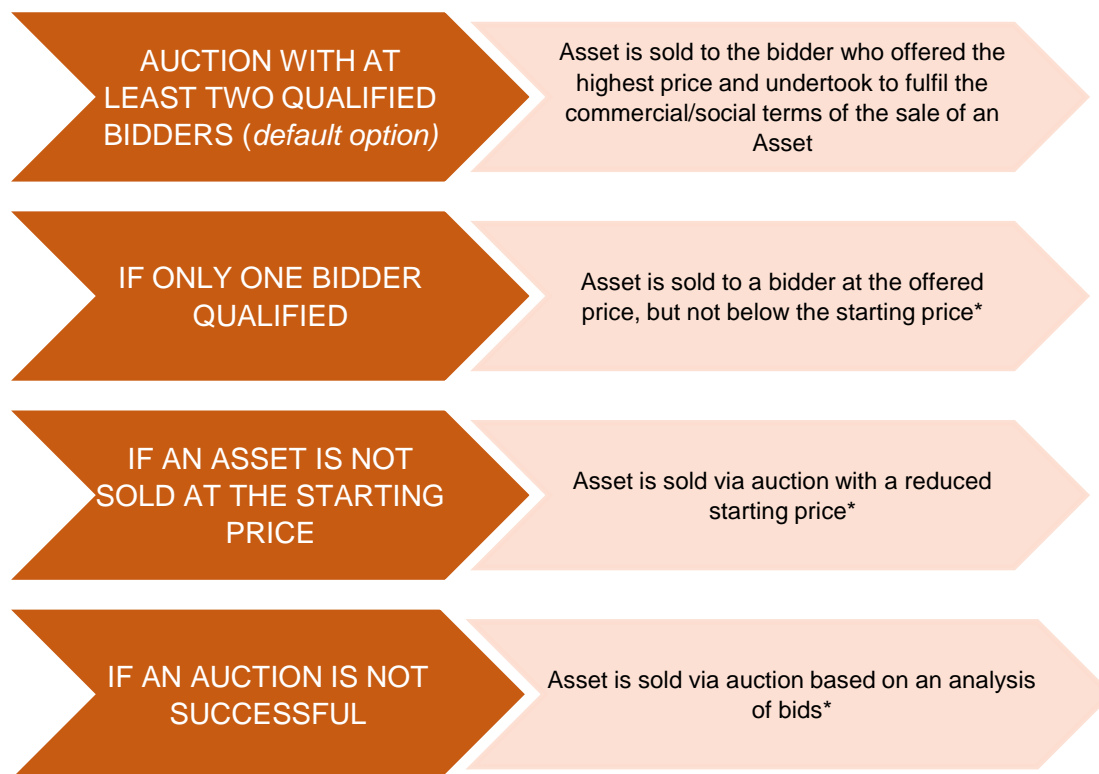
Documents that need to be provided

In order to participate in an auction, a foreign company must submit:

- registration documents;
- information about ultimate beneficial owners or an explanation in case the company does not have ultimate beneficial owners;
- the latest annual or quarterly financial statements, certified by an auditor;
- documents confirming payment of the registration fee (UAH 60,000) and the guarantee fee (5% of the starting price of an Asset or a bank guarantee in this amount);
- written consent to assume obligations specified in the terms of sale;
- a commitment from creditors to finance the purchase (if a purchaser will use credit funds for the purchase of an Asset).



Sale process



* This option is not available during the period of government-imposed Covid-19 restrictions.

The State Property Fund of Ukraine (the “**Fund**”) shall administer auctions. A professional investment adviser engaged by the Fund shall determine the starting price for an Asset. Potential purchasers may provide comments to the draft sale-purchase agreement.

Important timelines

Publication of the information on privatisation of an Asset (the “ Publication ”)	Within 10 working days after the approval of terms of privatisation of an Asset by the Government of Ukraine
Date of the auction	Is set in the Publication, but not earlier than 30 days and not later than 60 days after the date of the Publication
Deadline for application for participation in an auction	7 working days before the date of the auction
Final draft of the sale and purchase agreement available	At least 10 working days prior to the date of the auction

Kinstellar's team and experience

Kinstellar has extensive experience supporting privatisation projects in Ukraine. Our lawyers supported the landmark privatisation of PJSC "Odesa Port Plant" in 2015–16 and have represented the State Property Fund of Ukraine in relation to this project since 2018. In July 2020, we represented a foreign investor in preparation for the privatisation of the Dnipro Hotel. Our lawyers have been involved in the development of Ukrainian privatisation legislation. We advise on corporate, regulatory, commercial, compliance and other issues in connection with privatisations and assist with the obtaining merger control approvals necessary for completion of privatisation deals.

For further information please contact:



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Kinstellar was formed in November 2008 from the **Bratislava**, **Bucharest**, **Budapest** and **Prague** offices of Linklaters and has expanded with new offices in **Kyiv**, **Belgrade**, **Istanbul**, **Almaty**, **Sofia**, **Tashkent** and **Nur-Sultan**. Kinstellar's experience speaks for itself: major corporations, financial institutions, governments and the most respected international law firms trust us because we deliver.