

JSC UKRPOSHTA: POTENTIAL INVESTMENT PROJECTS

JULY 2018

UKRPOSHTA: 3 BUSINESSES UNDER ONE UMBRELLA

UKRPOSHTA

Postal Services

- 21m parcels and small packets p.a.
- Close to 200m letters

Financial services

45% market share in pensions delivery and 28% share in money transfers

Retail

Over UAH 1B turnover in consumer goods

#1 national network

- 11.7k stationary offices
- ~ 1k mobile offices
- 100% population coverage in Ukraine

#3 employer in Ukraine

- Over 72k employees, including 31k postmen and 11k operators



Our Chinese partners generate significant mail import volumes for Ukrposhta

CHINA GENERATES

80% OF MAIL IMPORT

DELIVERED FROM CHINA

16.5 M
LETTER MAIL ITEMS

IMPORT GROWTH

20% YTY



We see investment opportunities in two key areas

1. Developing “Cargo-to-Post” capacities for Chinese e-commerce
2. Ukrposhta logistics and sorting centers optimization

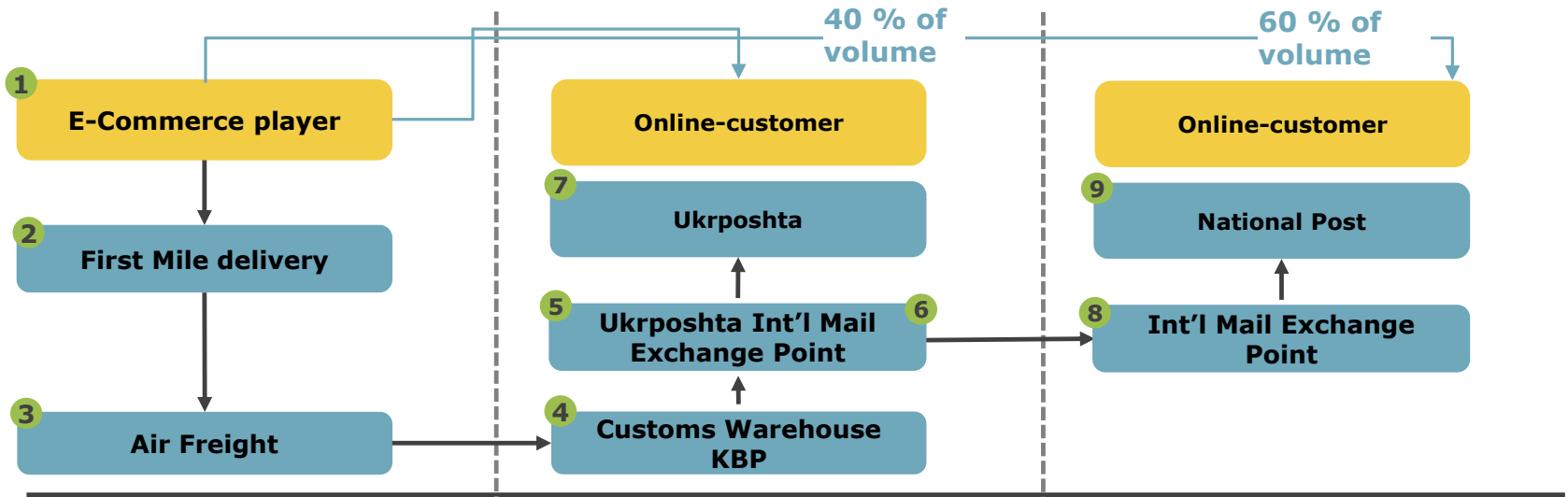


Ukrposhta can become a key “cargo-to-post” player for Chinese e-commerce

China

Ukraine

Central & Eastern Europe,
Middle East, Africa



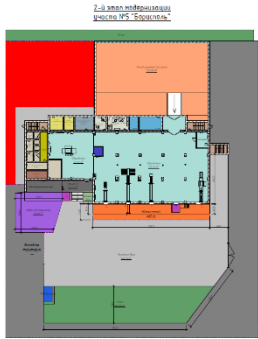
1. E-commerce players receive orders and consolidate deliveries
2. First-mile player collects deliveries throughout China
3. Charter air freight operator delivers cargo to Kyiv Boryspil (KBP)

4. Cargo arrives at KBP customs warehouse
5. Cargo is transferred to Ukrposhta's International Mail exchange point where it is sorted into Ukraine deliveries and transit
6. Transit deliveries are shipped to destination countries via Ukrposhta's air freight partners
7. Ukrposhta delivers orders to local clients

8. Mail is received at the International Mail Exchange Point of destination countries
9. Local national posts deliver goods to local clients



Investment in Ukrposhta logistics and sorting capacities at KBP is needed

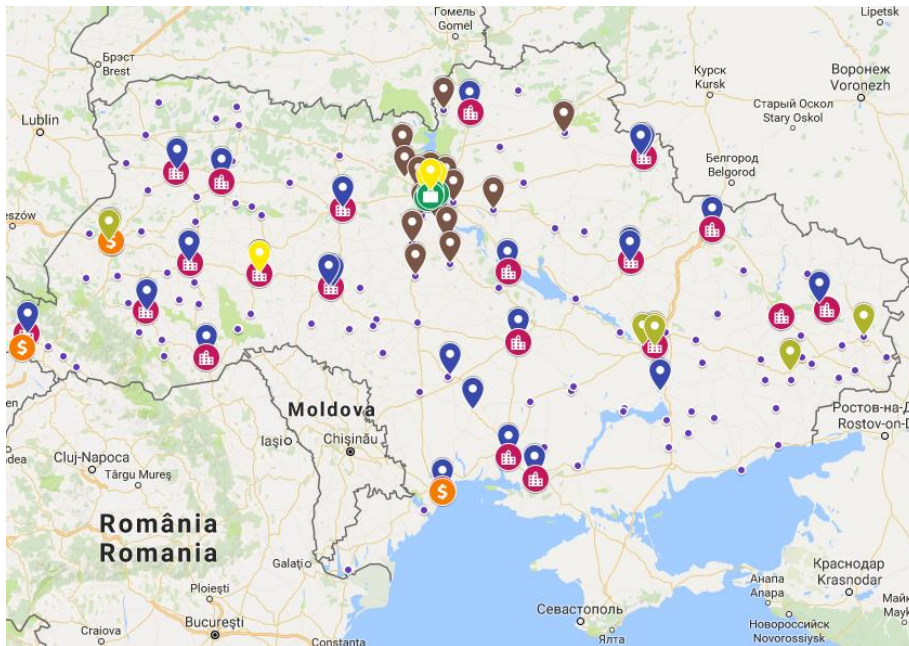


Project	Investment	Key goals and tasks	Timeframe
PHASE 1: Modernize current Ukrposhta sorting center	UAH 5-7 M	<ul style="list-style-type: none"> • Increase and improve transit sorting zone • Increase and improve export zone ("sterile" environment) 	2018-2019
PHASE 2: Construction of own modern postal center	UAH 80-120 M (depending on level of automation)	<ul style="list-style-type: none"> • Improve turnaround time, mail and parcel processing • Provide for significant increase in volumes in line with e-commerce growth • Implement "Cargo-to-Post" transit model 	2019-2020



Logistics network transformation: as-is network is fragmented and not future-proof

Current complex multi-tiered network of >120 logistics facilities is historically linked to country's administrative division vs. actual volume distribution

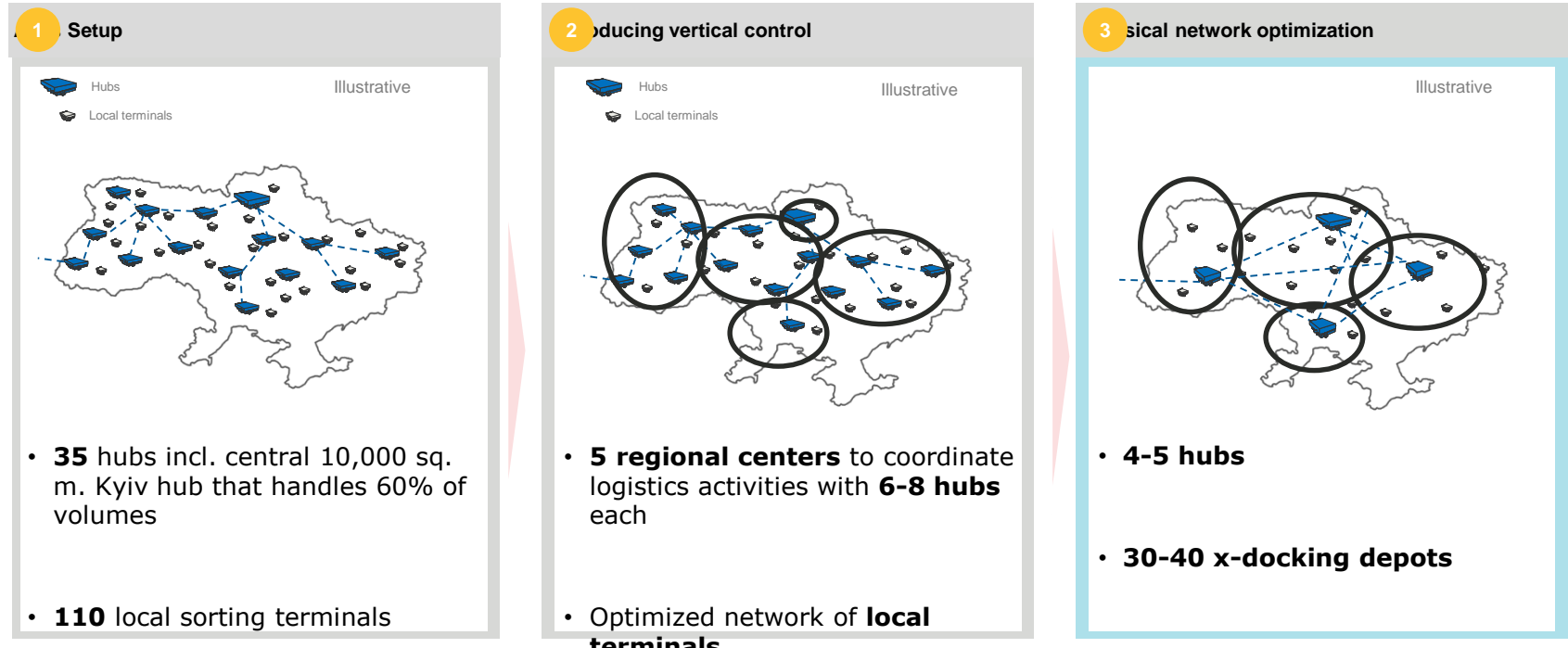


- Links to railway connections vs. currently used roadfreight as the only transport mode
- Sub-optimal locations within city limits (e.g., in congested areas next to main railway terminals)
- Process duplication due to multi-tiered sorting
- Route network overloads central hub in Kyiv (60% of volumes)
- Not tailored towards supporting Retail business of UKRPOSHTA



Logistics network development: USD 50M investment required in the next 3 years

We aim to streamline logistics operations to shift from setup with unreliable transit times to day-definite offering with several service levels



We are now launching a network modeling project with the support of the European Investment Bank to define number, locations and size of future logistics centers and to calculate the full investment case





#capabletoamaze