

German – Uzbek Business Forum

Investing with EBRD

Hildegard Gacek, Executive Representative

20 July 2017



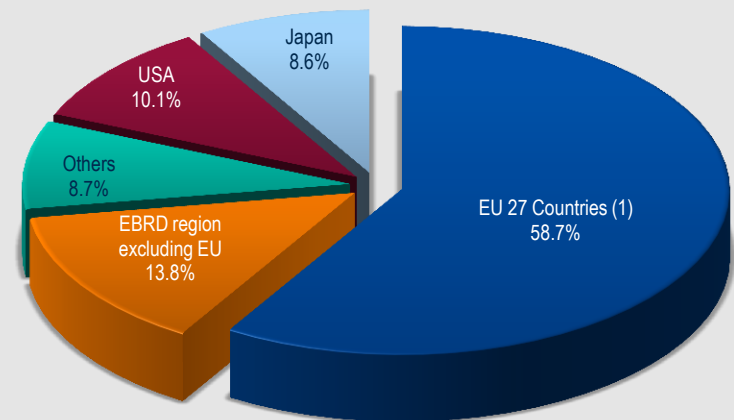
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What is the EBRD?

International Financial Institution with the mandate to promote transition to modern and well-functioning markets in its countries of operations

- Owned by 65 countries and 2 inter-governmental institutions (EU, EIB).
- Capital base of €30 billion.
- Highest credit rating (AAA/Aaa) from all three main rating agencies (S&P, Moody's and Fitch)
- Operates in 36 countries from Central and Eastern Europe, Caucasus, Central Asia and the Southern and Eastern Mediterranean – SEMED region.
- EBRD cumulative investments (since 1991): > €117 billion
- Number of projects (private and public sector): >4,700
- EBRD Portfolio (at 31/12/16): €41.75 billion (27% corporate sector, 26% Infrastructure, 24% Energy, 23% Financial Institutions.
- EBRD portfolio in Central Asia (at 31 December 2016): € 4,383 million (46 Energy%, 31% MEI/Transport, 15% Corporate, 8% Financial Sector)

Shareholding structure



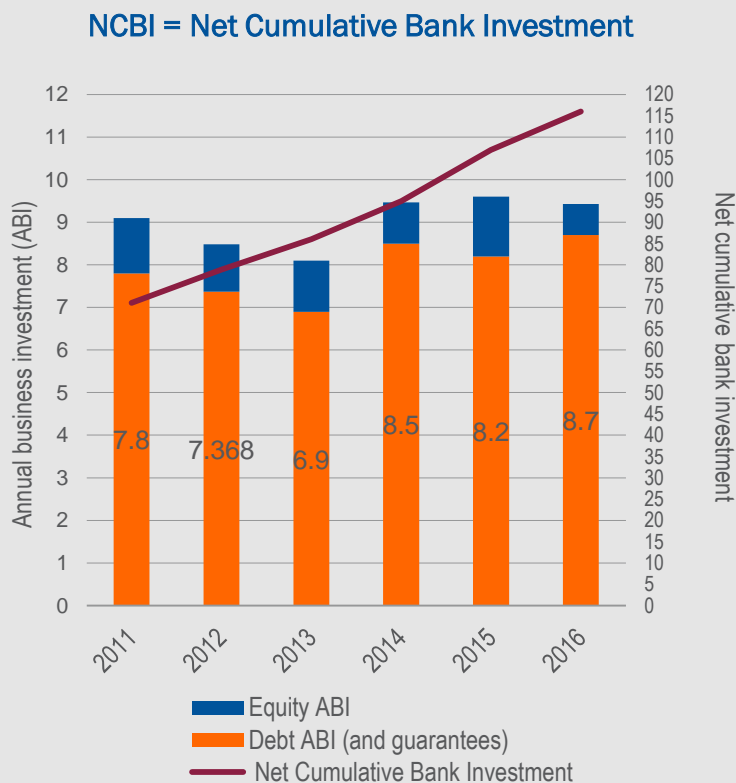
(1) Includes European Community and European Investment Bank (EIB) each at 3%. Among other EU countries: France, Germany, Italy, and the UK each holds 8.6%

EBRD largest investor in the region

Since 1991, EBRD invested over **€116 billion** in around **4,723** projects across private and public sectors in its countries of operations

In 2016: **€9.4 billion / 378 projects**

- Private sector accounted for 76% share
- Debt 87%, Equity 9% & Guarantee 4%

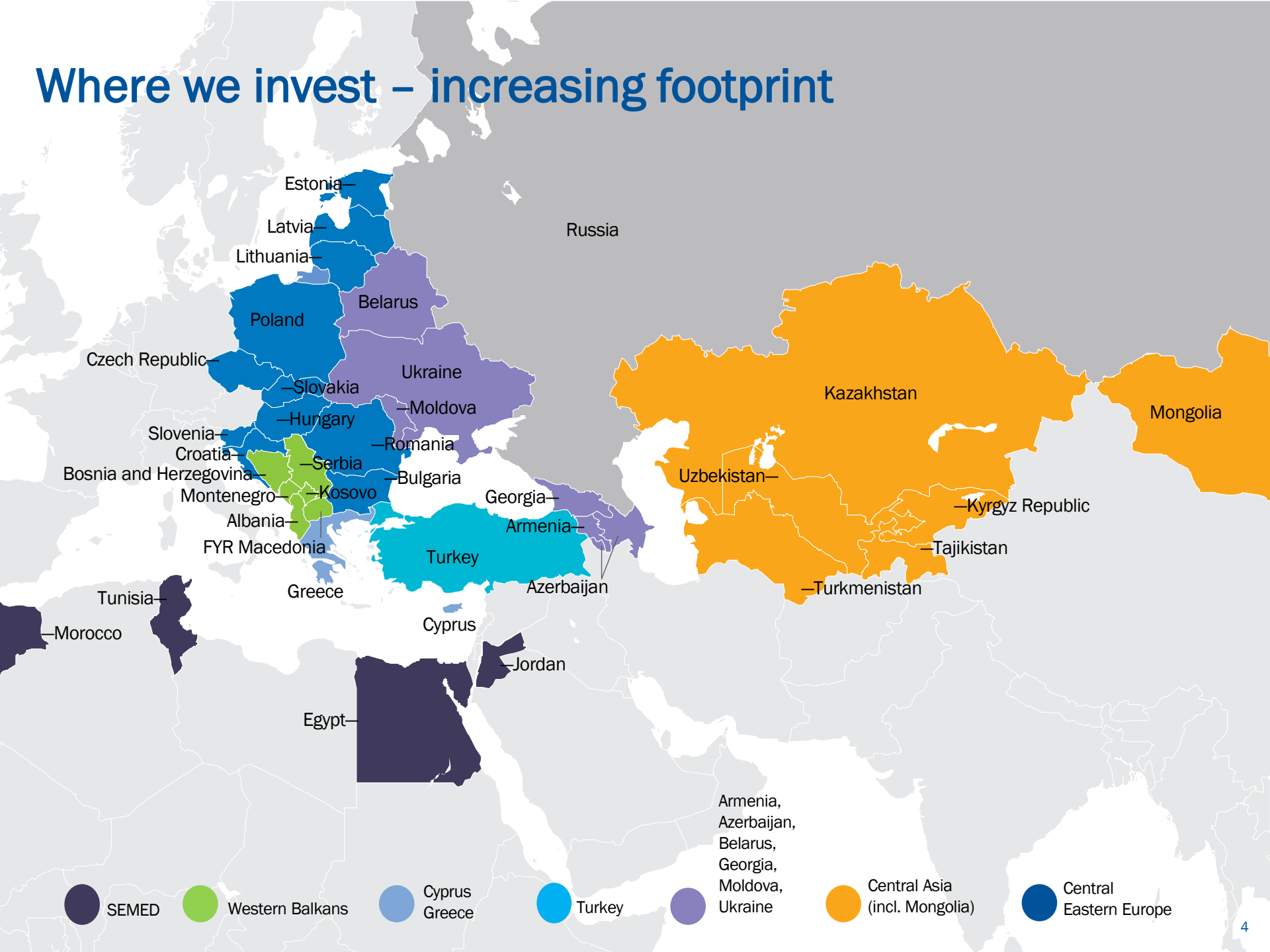


EBRD TOP 10 INVESTEE COUNTRIES IN 2016 (€, million)

1	Turkey	1,925.2
2	Kazakhstan	1,051.1
3	Poland	776.2
4	Egypt	744.2
5	Bulgaria	620.9
6	Ukraine	581.2
7	Greece	484.9
8	Jordan	403.4
9	Croatia	311.2
10	Serbia	304.3

Note: unaudited as at 31 December 2016

Where we invest – increasing footprint



- SEMED
- Western Balkans
- Cyprus Greece
- Turkey
- Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine
- Central Asia (incl. Mongolia)
- Central Eastern Europe

What makes an Central Asia attractive for investments?

- Crossroads of numerous trade routes (Western Europe – Western China; China-Iran; Russia- South Asia), Chinese “**One Belt One Road**” initiative
- Abundance of natural resources in the Central Asian countries
- Nurly Zhol counter cyclical programme in Kazakhstan
- Human resources
- Efforts to improve investment climate and attract foreign investments
- Recent outward looking effort in **Uzbekistan** will facilitate regional integration

Trade Opportunities

- Preferential trade regimes: Countries of Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan) have preferential trade regimes (FTA) with other countries of CIS / former Soviet Union countries: Belarus, Azerbaijan, Armenia, Russia, Moldova, Ukraine.
- Eurasian Economic Union: Membership in the Eurasian Economic Union of Kazakhstan and Kyrgyzstan (other EEU members: Russia, Belarus and Armenia) offers significant investment opportunities, subject to EEU standards
- WTO membership: Kazakhstan, Kyrgyzstan, Tajikistan are members of WTO

Announced economic reforms, if implemented would improve country investment climate and economic co-operation with the neighbours.

Medium Term Strategy under development.

Short term priorities:

1. Private Sector development :

- Advice for Small Businesses Programme;
- Indirect financing of SMEs through credit lines to private and state owned banks;
- Direct financing of competitive private companies, including FDI.

2. Financing and preparation of select projects in municipal and transport infrastructure

3. Policy dialogue: investment climate reform

Exploring medium term opportunities in regional transport infrastructure to support connectivity and green energy solutions.



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Investing with EBRD

Select project examples



METRO

Client

Metro AG is the fourth largest retailer in the world and one of the biggest retail operators in the EBRD countries of operation. Metro Kazakhstan is 100% indirectly owned by **Metro Group Germany**.

EBRD Finance

EUR 80 million loan with a tenor of 7 years.

Use of proceeds and EBRD value added/impact

The EBRD financing supported the roll out of up to 15 cash & carry stores throughout Kazakhstan, bringing new formats of modern retail and the convenience of cash and carry shopping to the residents of Kazakhstan, including in remote cities.



Signed in 2011

Intizar Packaging (Turkmenistan)



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Signed in

2016



Client

Intizar Yurek is the second largest manufacturer of corrugated cardboard and corrugated packaging in Turkmenistan, operating since 2007.

EBRD Finance

US\$0.6m senior loan. The loan will be provided in cooperation with the Taiwan International Cooperation and Development Fund which will extend US\$180,000. The investment will also receive support from IFCA which will provide first loss cover making the loan more affordable.

Use of proceeds

EBRD's financing will support the Borrower's investment programme aimed at increasing the Borrower's existing corrugated cardboard manufacturing capacity and installing new technology for corrugated board packaging. The Loan will be used to finance a new colour flexo printing machine to increase production capacity, improve the quality and offer of new types of products to the market.

EBRD value added / impact

As part of the project, Intizar will introduce an environmental and social action plan for the first time. Supporting private sector development.



Vodnye Resoursy Marketing (Kazakhstan)



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Signed in
2015



Client

Vodnye Resoursy Marketing, private operator providing municipal water and wastewater services in Shymkent. The company is one of the best water utilities in Kazakhstan.

EBRD Finance

In 2015 the EBRD provided the third loan in KZT equivalent to €10 million. The government of Kazakhstan co-financed the latest project providing a capital grant in KZT equivalent to €8 million and the company further contributed equivalent of 0.5 million from internal cash flow.

Over the period 2009-2015 EBRD provided three loans in KZT with a total equivalent to €36 million.

Use of proceeds

Funds were used for rehabilitation and upgrade of the water and waste water system and facilities including wastewater treatment plant in Shymkent.

EBRD value added / impact

EBRD participation through its policy dialogue with municipal and state authorities created an enabling environment for a successful functioning of a private operator in the sector traditionally considered to be socially sensitive.

EBRD provision of long term financing to a private operator demonstrated sustainability of the services provision by a private operator in Kazakhstan

Yereymentau Wind Park



European Bank
for Reconstruction and Development

Signed in

2014



Client

Yereymentau Wind Park, a special purpose company ultimately owned by Samruk-Energo, the Kazakhstan national energy company.

EBRD Finance

The EBRD loan of KZT 14 billion (€59.2 million) to the company together with Clean Technology Fund, which provided up to €18 million of concessional financing. The loan is guaranteed by JSC Samruk-Energo, Kazakhstan's national energy company and the ultimate owner of the company

Use of proceeds

The proceeds are used for the construction, connection to the power transmission grid, commissioning and launch of a greenfield 50 MW wind power plant located in Yereymentau in central Kazakhstan.

EBRD value added / impact

This first wind farm in the country will road-test the new regulations and will set the benchmark in terms of developing, building and operating a greenfield renewable project

EBRD assisted the Government of Kazakhstan on development of the legal and regulatory frameworks for renewable energy; introduction of the new feed-in-tariff mechanism for renewable energy projects.

The Renewable Energy Law was introduced in June 2013, with tariffs for renewable energy off-take agreed in 2014.

Contacts



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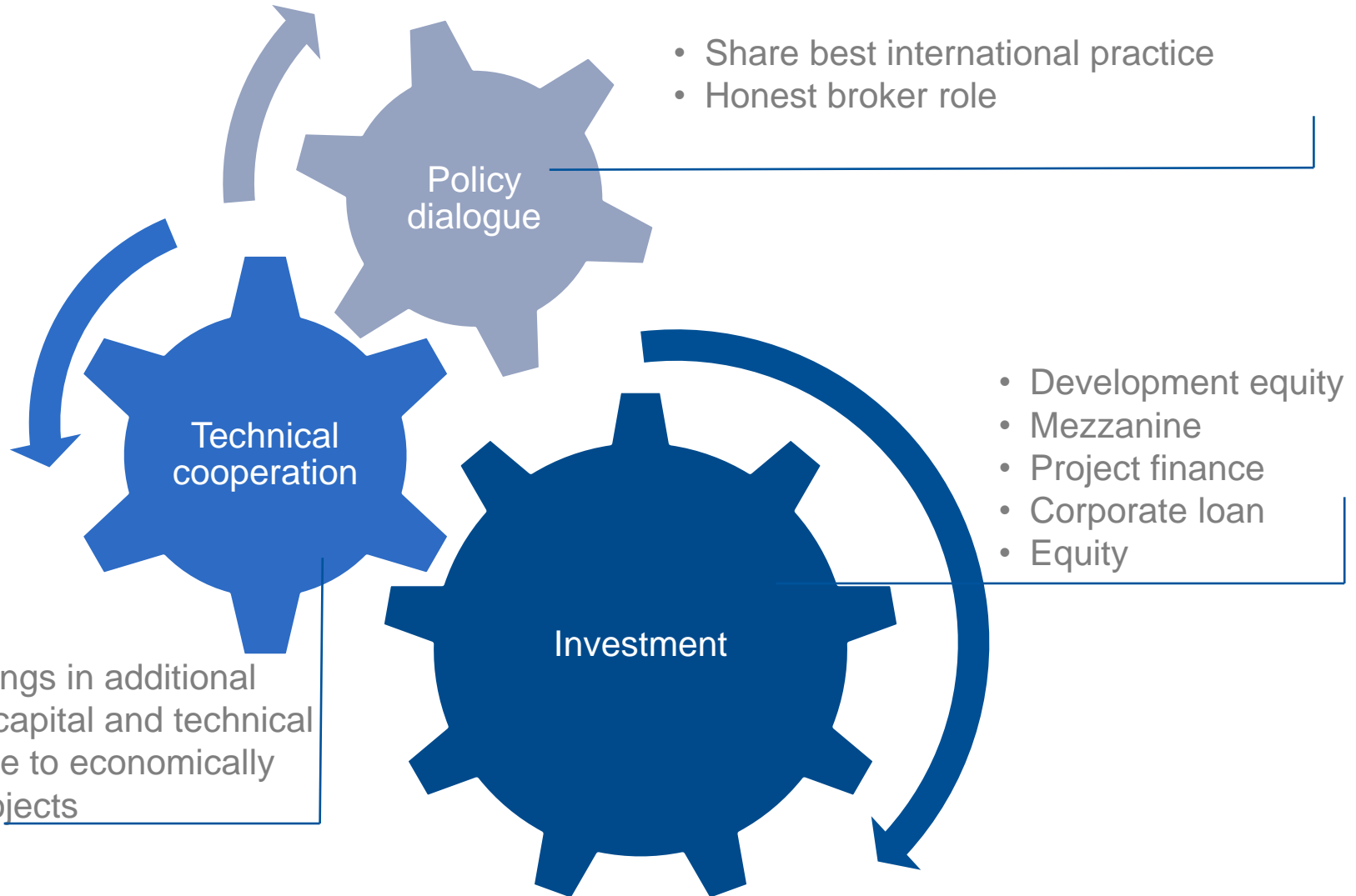


Annex

EBRD's operational approach



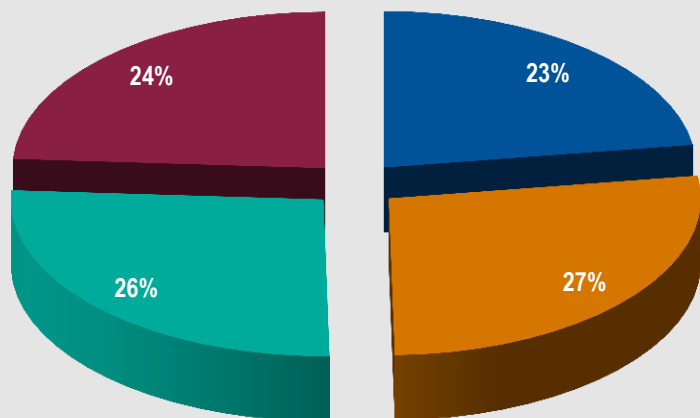
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Portfolio distribution by sector and region

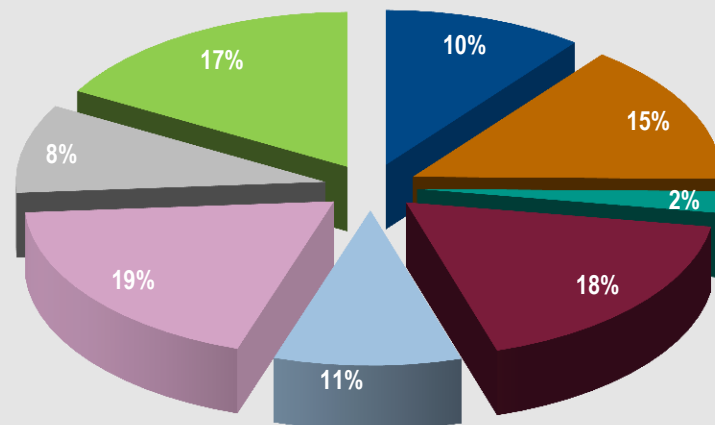
EBRD Portfolio (at 31 December 2016): € 41,750 million

Sector



- Financial Institutions 23% (Depository credit (banks), Leasing finance, non-depository credit (non-bank), Insurance, Pension, Mutual Funds)
- Corporate 27% (Manufacturing/Services, Agribusiness, Equity funds, Property & Tourism, Information & Communication technology)
- Infrastructure 26% (Municipal & Environmental infrastructure, Transport)
- Energy 24% (Power & Energy, natural resources)

Region



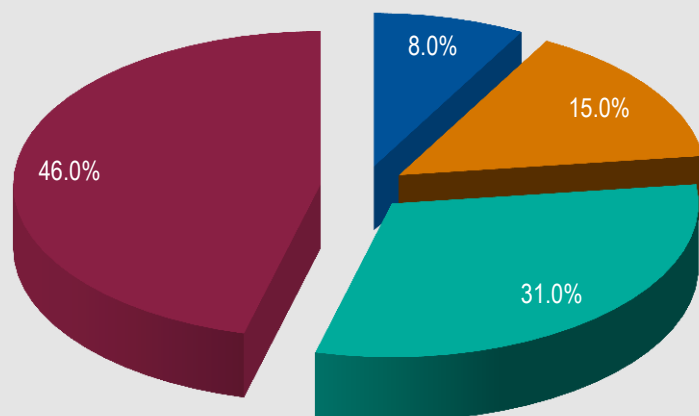
- Central Asia 10%
- Central Europe & Baltics 15%
- Cyprus & Greece 2%
- Eastern Europe & Caucasus 18%
- Russia 10%
- South-Eastern Europe 19%
- Southern Eastern Mediterranean 9%
- Turkey 17%

Note: unaudited as at 31 December 2016

EBRD in Central Asia

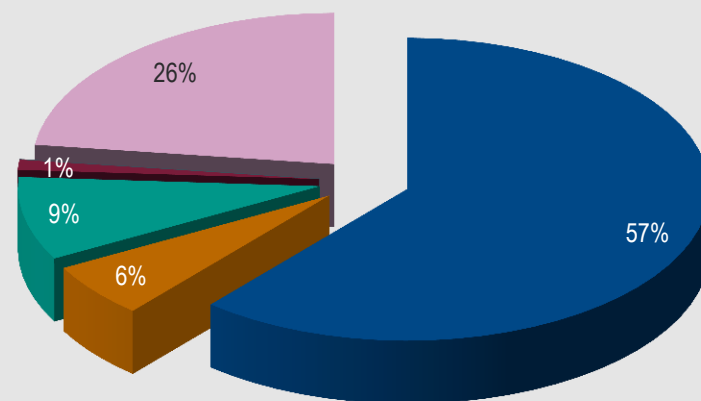
EBRD portfolio in Central Asia (at 31 December 2016): € 4,383 million
(10.5% of the total EBRD portfolio)

Sector



- Bank Lending, Bank Equity, Insurance and Financial Services - 8%
- Manufacturing & Services, Agribusiness, Property & Tourism, ICT - 15%
- Municipal Infrastructure, Transport - 31%
- Power & Natural Resources - 46%

Region



- Kazakhstan 61%
- Kyrgyzstan 6%
- Tajikistan 9%
- Turkmenistan 1%
- Uzbekistan 0%
- Mongolia 23%

Note: as at 31 December 2015

- **Economies of Central Asian countries experienced significant negative pressure over 2014-2016**, reflecting the region's strong dependence on oil/commodity exports, remittances and close economic ties with Russia and China. In 2017 growth in the region is expected to improve, driven by recovery in Russia and stabilisation of commodity prices, however, downside risks to growth remain significant.
- **The build-up of structural challenges over 2014-2016 are increasing risks in the region.** Countries are seeing higher NPLs, increasing fiscal pressures and continued strain on local currencies (regional local currencies saw large depreciations since 2014).
- **Country specific obstacles to doing business and vulnerabilities remain**, but being addressed through reforms. Kazakhstan has been particularly active with reforms. Slower pace of progress in other Central Asia countries.



Kazakhstan

- Balancing the roles of the state and the private sector;
- Broadening access to finance, strengthening the banking sector; developing local capital markets;
- Enhancing interregional connectivity and international integration
- Promoting Green Economy Transition.

Kyrgyzstan

- SME development and improving private sector competitiveness;
- Municipal services development;
- Improvement of connectivity and strengthening regional cross-border linkages.



Tajikistan

- Private sector development and banking sector reform;
- Improvement of connectivity and regional integration;
- Municipal services development;
- Renewable energy and power generation.

Turkmenistan

- Private sector development;
- Connectivity and regional integration, incl. development of transport sector and logistics capabilities;
- Municipal services development;
- Energy efficiency, including gas flaring reduction.

Infrastructure

- Transport Infrastructure:
 - Roads forming international transit corridors, railway links and modernisation of freight fleets. Logistics infrastructure, private wagon operators;
 - Intermodal transportation: containerisation is a new development and there is a huge potential for growth;

Examples of EBRD projects:

- Kurty Burybaital Road (Kazakhstan);
- Dushanbe-Uzbekistan Boarder Road (Tajikistan);
- Manas Airport modernisation (Kyrgyzstan)
- Air Astana Service Centre (Kazakhstan)
- Olzha (freight fleet modernisation, Kazakhstan)

- Municipal Infrastructure:
 - Modernisation, commercialisation, private sector involvement; opportunities for suppliers (e.g. low floor conventional and CNG buses, solid waste equipment, water, wastewater equipment, heat generation equipment, etc.)

Examples of EBRD projects:

- Shymkent Vodokanal (Kazakhstan), modernisation of wastewater treatment plant
- Khudjand Public Transport Project (Tajikistan), supply of 100 low floor buses
- CAEPCO (Kazakhstan), municipal heat generation and distribution
- Water and wastewater programmes in Kyrgyzstan and Tajikistan cover modernisation of municipal water systems in more than 30 municipalities

Power

- Modernisation of traditional generation
 - Renewable energy resource potential:
 - Kazakhstan - solar, wind, small hydro
 - Kyrgyzstan / Tajikistan - solar, hydro
 - Turkmenistan/Uzbekistan - solar
- Legislation is largely in place, but barriers still exist (gaps in legal framework, low tariffs, subsidies, etc.)*
- Contractors for public sector transmission projects

Examples of EBRD projects:

Burnoye solar power park (Kazakhstan); **Yereymentau wind park** (Kazakhstan); **Qairokkum HPP Project** (Tajikistan); **KEGOC** (Power transmission in Kazakhstan); **CAEPCO** (Power & heat generation, Kazakhstan)

Natural Resources

- Modernisation and development of the existing resource deposits: copper, gold, zinc, lead, iron, manganese, antimony, etc.
- Development of midstream and downstream oil and gas projects
- Procurement opportunities for mining and gas distribution and storage projects in Kazakhstan

Examples of EBRD projects:

Koktaszhal (Kazakhstan), development of copper-gold deposit. Substantial part of equipment for the is being produced at Metso's plants located in France; **Voskhod Chromium** (Kazakhstan, subsidiary of Turkish Yildirim Group). Development of copper deposit; **Centerra Gold** (Kyrgyzstan), development of gold mine.

Manufacturing & Services

- Construction/building materials (cement, insulation materials)
- Metals production (Kazakhstan: specialised steel, pipes, etc)
- Chemicals
- Energy efficiency products and improvements
- Production of packaging, including from recycled materials
- Furniture production

Examples of EBRD projects: **Shymkent Cement** (Greenfield cement plant, Kazakhstan); **Intizar Packaging** (Expansion of a cardboard production facility in Turkmenistan), **Lina** (furniture producer in Kyrgyzstan).

Agribusiness

- Livestock industry, e.g. poultry production
- Food and drinks production
- Increasing efficiency of grain production
- Development of commodities trading infrastructure to boost exports to China
- Development of storage and logistics infrastructure
- Development of modern retail facilities and value chains

EBRD has ongoing cooperation with French companies in agribusiness sector: **Louis Dreifus Commodities, Group Soufflet, Dannon Group, etc**

EBRD Product Range



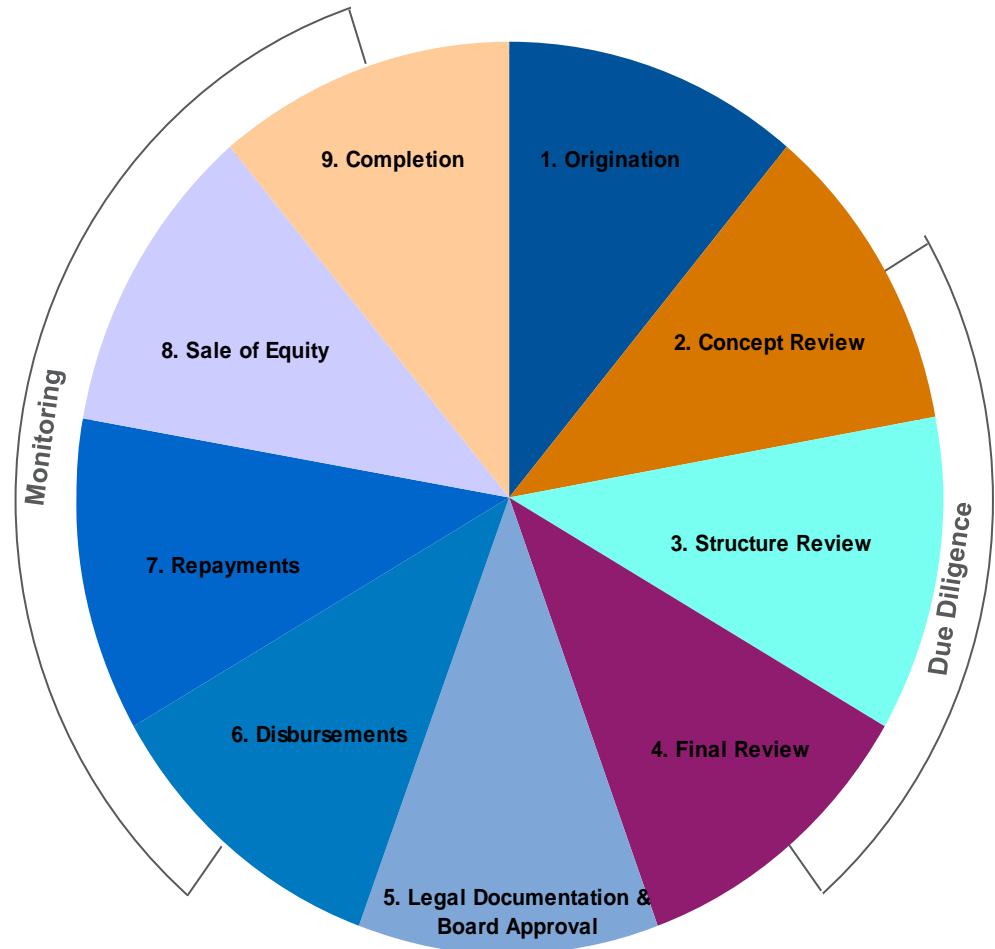
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	Debt	Equity	Guarantees
Typical size	€10mIn + (less in less advanced countries)	€5-7mIn + (less in less advanced countries)	Typically €50 ths – €50mIn
Term	5-7 years (up to 10-15 years in case of infrastructure investments)	Typically from 3-7 years	1.5-2 (up to 3) years
Currency	Major foreign currencies as well as local currency		
Approach	Finance up to 35% of the project (60% with syndication)	Minority stake	Mainly through Trade Facilitation Programme
Structures	<ul style="list-style-type: none"> • Senior, subordinated or convertible, • Project finance • Floating or fixed rates 	<ul style="list-style-type: none"> • Portage equity finance • Risk equity 	<ul style="list-style-type: none"> • Import/export operations • Pure guarantees, cash advance trade finance
Applications	<ul style="list-style-type: none"> • Greenfield/Brownfield, JVs, • Capex for expansion/modernization, including resource efficiency improvements • Ownership change: acquisition, consolidation, privatisation • PPPs, etc. 		<ul style="list-style-type: none"> • Issues to international banks • Takes the risk of transactions of the banks in the EBRD's countries of operations

Exact terms depend on specific needs and market conditions

Stages of Project Cycle

- Provided all necessary information is available, a project from Origination to Board Approval typically takes **3 to 6 months**, depending on the complexity, length of negotiations and other factors
- The total project cycle from origination to final repayment can range from **1 year**, for working capital or trade financing projects, to **10 years** for long term investments
- EBRD financing in individual projects has ranged from less than **€1 million** to more than **€150 million**



FDIs in Central Asia



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- Number of FDI projects in the countries of Central Asia in 2011- March 2017 – 426
- Total capital investments over the period: € 82.85 billion
- 93% of FDI projects are new investments

The largest countries of FDI origin

	Source Country	Projects	Capex \$m
1	United States	47	38,870.7*
2	UK	36	11,653.8
3	China	53	7,549.5
4	Russia	60	7,393.2
5	South Korea	22	6,104.2
6	Iran	4	1,841.7
7	Canada	7	1,705.3
8	Japan	13	1,511.3
9	Singapore	7	1,509.2
10	Germany	29	1,461.0

The largest countries of FDI destination

	Destination Country	Projects	Capex \$m
1	Kazakhstan	248	60,002.2*
2	Uzbekistan	101	14,715.1
4	Turkmenistan	18	3,414.3
5	Tajikistan	36	2,942.9
6	Kyrgyzstan	23	1,771.8

* *Tengizchevroil, subsidiary of Chevron Corporation, US) is investing \$36.8 bn in expansion of production capacity at the Tengiz oil field in Kazakhstan. The investment would boost the field's production capacity from 500,000 barrels per day, to around 850,000 barrels per day by 2022.*

Why Cooperate with EBRD?



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The EBRD unique strengths make it a good investment partner in challenging economic environments

- Strong, internationally recognised financial partner with long-term perspective
- Operates on a commercial basis
- Extensive expertise across all sectors, including strong expertise in energy and resource efficiency.
- Facilitates inward and cross border investments in the region to enhance regional integration. Offers wide product, currency, tenor range. Supports strategic equity investors and catalyses additional equity, debt and trade & project finance.
- Extensive knowledge of local economy, business environment and practices based on more than 25 years experience and local presence. Close working relationship with governments.
- Promotes through policy dialogue improvements in the investment climate and necessary sector reforms