



UKROBORONPROM REFORM CONCEPT

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CURRENT STATE OF AFFAIRS OF UKROBORONPROM



137 ENTERPRISES

BUT 21 of them are in TOT and Crimea, 83 are financially unstable and 15 are bankrupt



68 THOUSAND EMPLOYEES

BUT revenue per employee is 20 times lower than in the industry in the world



REVENUE **39,9** UAH bln

BUT on consolidation the number amounts to UAH 25 bln



EBITDA **4,3** UAH bln

BUT TOP 10 generate 98% of EBITDA and 35 are lossmaking with 4,8 UAH bln debts



EXPORT **\$514** mln

BUT have fallen twice since 2013



5 489 ha of land and **11,3** mln M2

BUT 50%+ are surplus assets



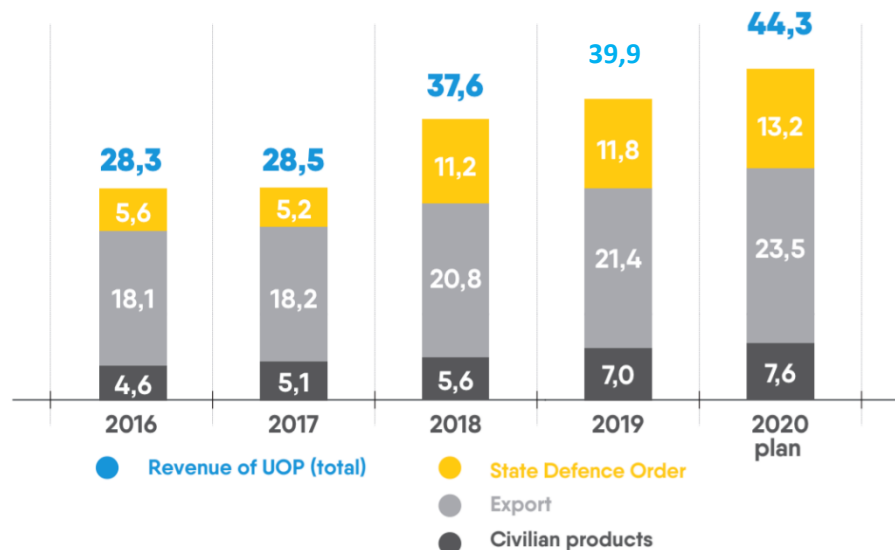
STATE CONCERN

BUT it is not a corporation,
But a quasi-ministry

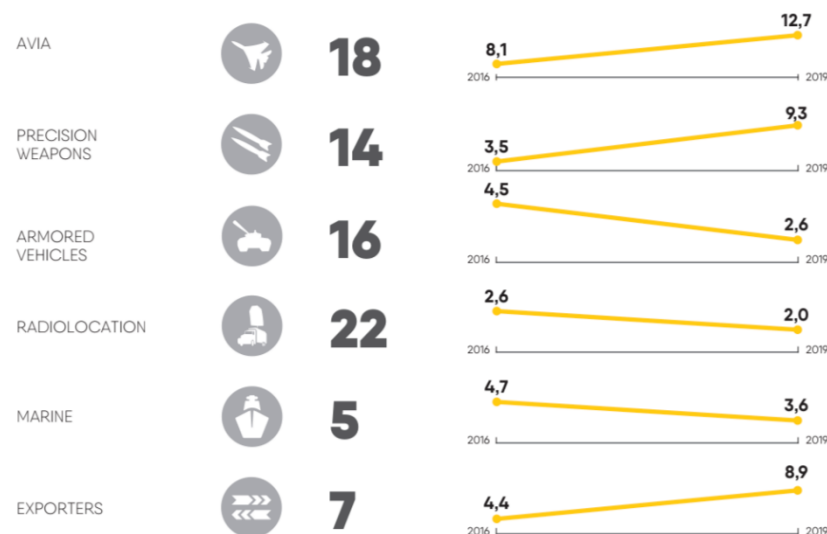
CURRENT STATE OF AFFAIRS OF UKROBORONPROM



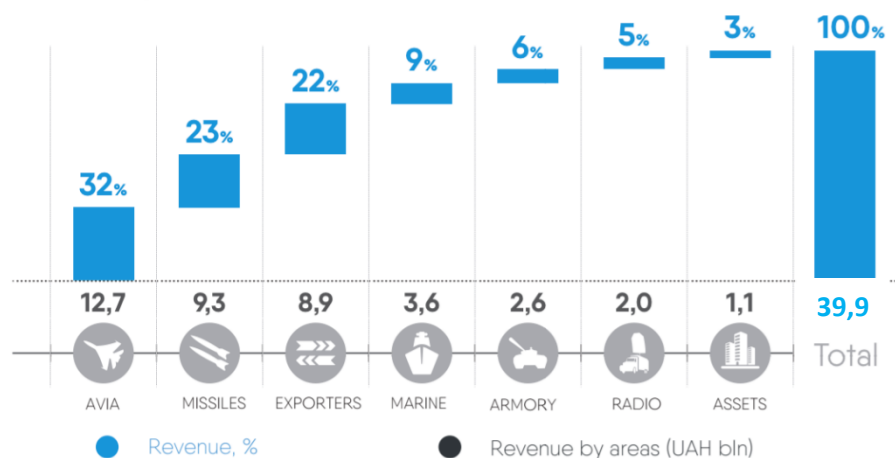
Revenue of UOP 2016–2019 (UAH bln)



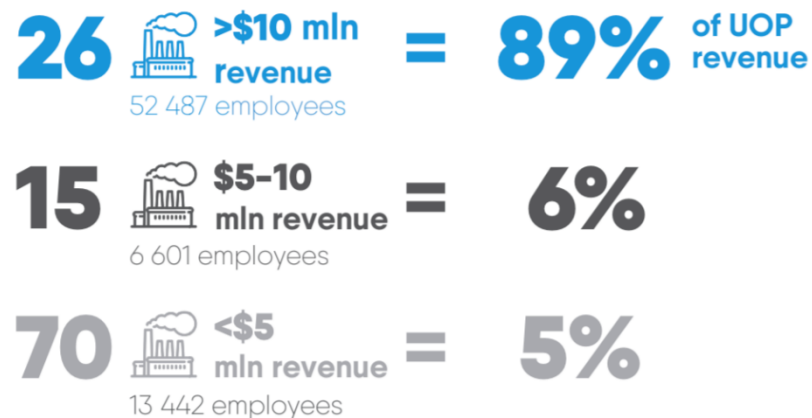
Revenue by areas, 2016–2019 (UAH bln)



Revenue by areas 2019 (UAH bln)



Distribution of revenue by size of enterprises, 2019 year



STAGES OF CORPORATE TRANSFORMATIONS



>2021

STABILISATION THROUGH CORPORATIZATION

- ▶ Implementation of corporate governance according to OECD standards
- ▶ Corporatization of enterprises
- ▶ Drafting the development strategy 2030
- ▶ Transfer of non-core assets to Defense Recovery Fund
- ▶ Cleaning old problems (Debt relief, disposing problematic assets, bankruptcies)

2021 - 2022

CONSOLIDATION

- ▶ Consolidation, restructuring and recovery of defense assets
- ▶ Launching OECD standards in sectoral business units
- ▶ Creation of sectoral business units
- ▶ Structuring centralized corporate functions
- ▶ Comprehensive production modernization
- ▶ Consolidated reporting and resources
- ▶ Attracting foreign investors and creation of joint ventures

2022+

GROWTH AND INNOVATIONS

- ▶ Development of new products and services in prospective directions
- ▶ Attracting foreign capital
- ▶ International cooperation
- ▶ Digital transformation and innovations
- ▶ Building new plants and reconstruction of production facilities

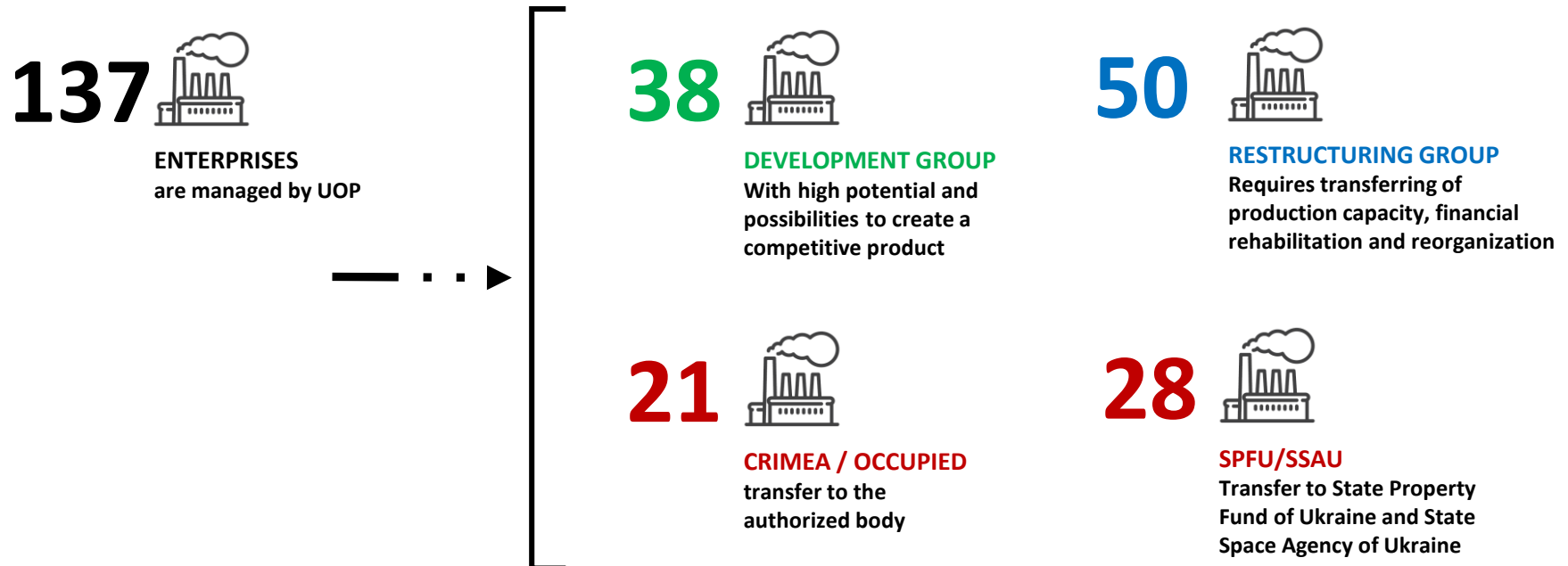
TRIAGE-ANALYSIS PROCESS



PRELIMINARY RESULTS OF TRIAGE INDICATE THAT ONLY A LIMITED NUMBER OF ENTERPRISES HAVE THE POTENTIAL FOR COMPETITION IN THE FUTURE

TRIAGE ANALYSIS HAS DEFINED ENTERPRISES WITH THE HIGHEST POTENTIAL

FOR DEVELOPMENT OF UKRAINIAN DEFENSE INDUSTRY



TARGET CORPORATE STRUCTURE (2023+)

THE CABINET OF MINISTERS
OF UKRAINE

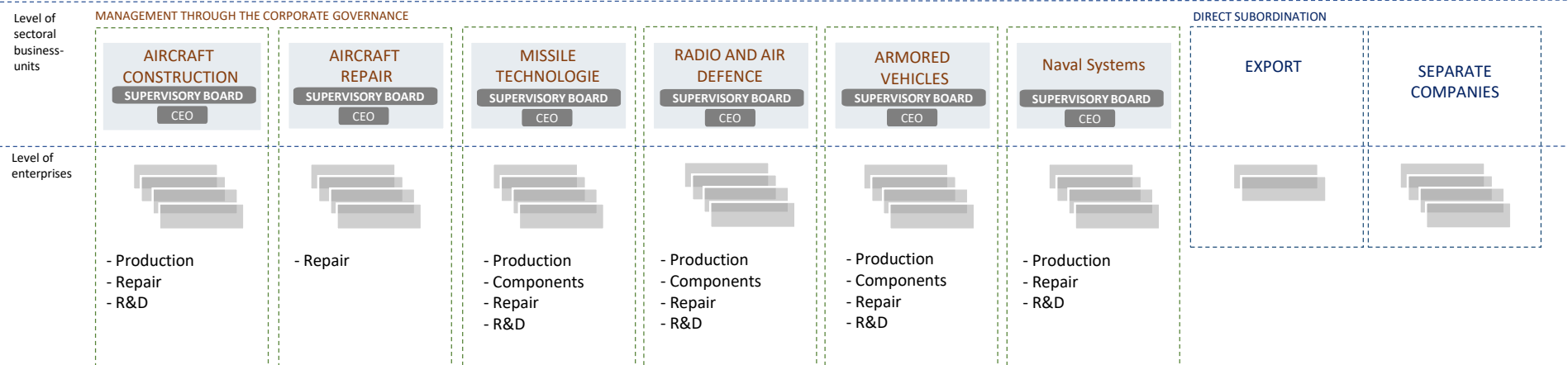


CORPORATE CENTRE

SUPERVISORY BOARD

DIRECTOR GENERAL

Level of
Corporate
Centre



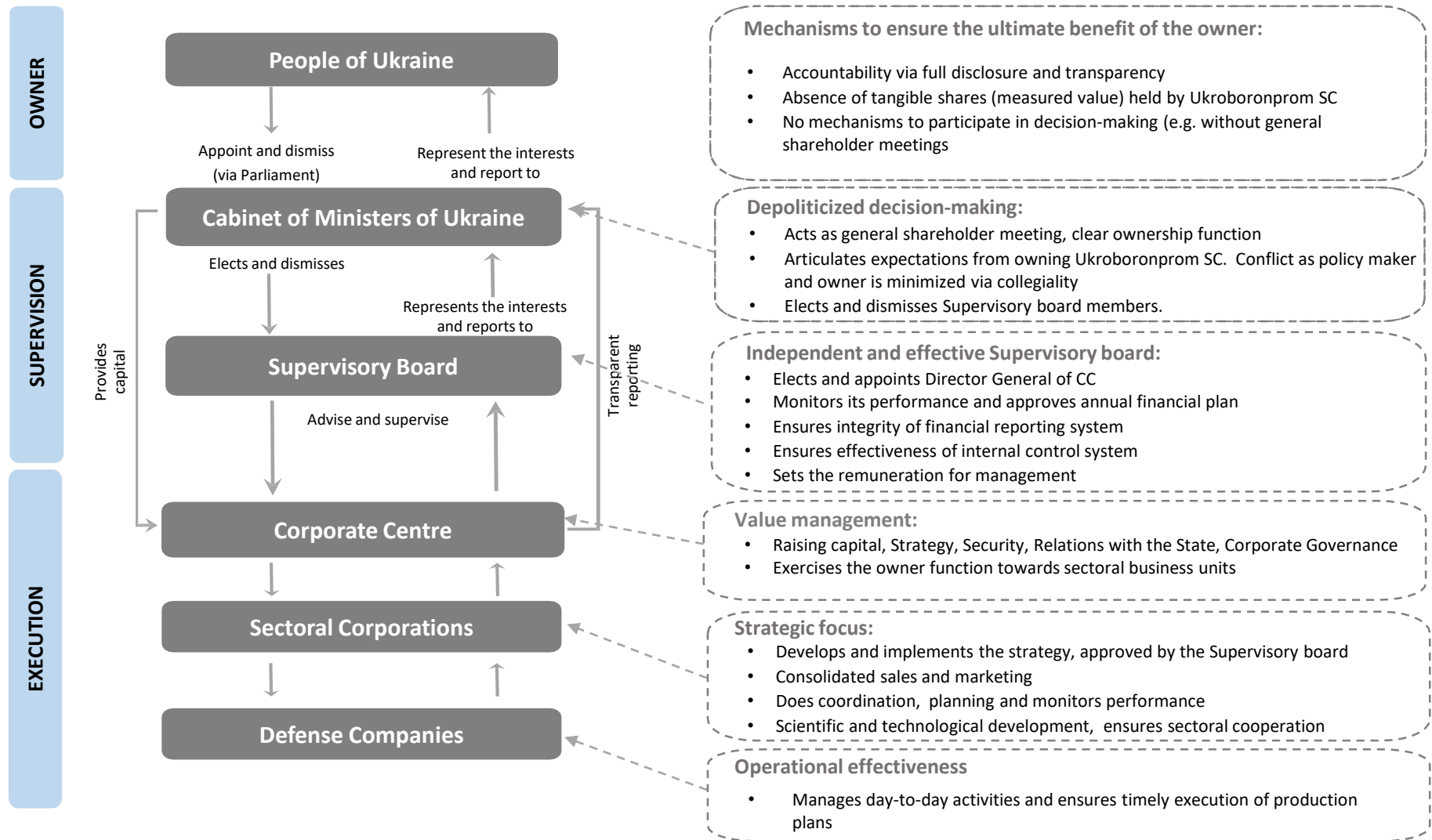
Features of Corporate Centre:

- Implemented corporate governance with an independent Supervisory Board, that eliminates political influence and creates conditions for risk control and for strategy realization supervision
- Focus on maximizing added value through effective capital utilization and implementation of property policy, approved by owner
- Focus on (1) attraction of debt/share capital and international partners, (2) supporting relations with investors and government authorities, (3) redistribution of spare resources, investment and creation of new products, (4) marketing development and export sales increase

Features of sectoral business units:

- Autonomous sectoral business units, that hold the mandate for carrying out sectoral strategy, approved by Corporate Centre
- Implemented corporate governance eliminates the risk of political influence, creates long-term stability and possibilities for supervision over sectoral business units' management effectiveness
- Complete focus on operational excellence and responsibility for product quality, production times, costs etc.
- Independent decision-making within the approved limits, balanced by responsibility for financial outcomes

TARGET CORPORATE GOVERNANCE MODEL





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