



INVEST IN
MYKOLAIV



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MARITIME EQUIPMENT PRODUCTION



RESUME

Mykolaiv provides an ideal location for maritime equipment producers, both OEMs and 2-tier suppliers, seeking to serve Black Sea region or beyond. Convenience of the all-year river-sea port provides access to Black Sea region countries, whilst extensive road network links Mykolaiv with major Southern Ukrainian metros of Kyiv, Dnipro and Odesa. With dedicated educational institutions and shipyards in the transformation stage, Mykolaiv boasts one of the largest maritime engineering and professional talent pool in Ukraine (over 11.000 technical graduates p.a., EUR 280 average monthly gross salary). A range of municipal and privately owned land plots suitable for greenfield or brownfield projects as well as turn-key facilities (all with convenient access to port area and road connections) are available for rent or purchase. Mykolaiv Development Agency assists investors with site selection, road and engineering infrastructure provision as well as staff recruitment and training.



THE MARKET

- Worldwide marine supplies industry is worth EUR 150bn annually, including EUR 35bn EU-28 market. There are over 23.000 companies operating in EU-28 marine supplies industry, employing over 250 thousand employees.
- Germany is a leader of the European market (both by production and export volumes), with over 400 active 1-tier supply companies, employing over 67.000 people (2014). German market demonstrated 4,3% annual order book growth in 2014.
- Companies from Germany, Italy, UK, France, Denmark and Finland represent 88% of EU marine supplies industry's export volumes.

¹ Competitive Position and Future Opportunities of the European Marine Supplies Industry, European Commission, 2014

² Peer Review of the German Shipbuilding and Marine Supply Industry, OECD, 2015



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- Compared with the European automotive industry, European marine supplies industry is at an early stage of exploring near-shoring potential of Eastern Europe that could boost European marine supplies industry competitiveness both at home as well as international markets.



MYKOLAIV INVESTMENT FACTORS

Convenient logistics in Black Sea region

- Mykolaiv river-sea ports are suitable for delivery of parts to Mykolaiv-based production facilities and shipments of ready products to Black Sea region countries and further internationally.
- There are several other major ports located on Ukrainian Black Sea near Mykolaiv (Yuzhnyi – 85 km, Odesa – 133 km).
- Mykolaiv is connected to Romania, Moldova and Belarus with major highways, as well as to major Ukrainian metropolitan areas (Odesa – 2h, Dnipro – 6h, Kyiv – 7,5h by road).
- With Deep and Comprehensive Free Trade Agreement between the European Union and Ukraine in force and on-going trade liberalization processes with Turkey, there are less trade barriers.
- Since 2014, Ukraine is undergoing reforms in transport area, with more electronic procedures implemented (thus increasing transparency), a number of procedures and checks cancelled and more reforms still planned.

Mykolaiv is well suited for maritime equipment production or maritime equipment renovation facilities targeting Black Sea region.

Skilled labour pool

- Due to the traditional structure of the economy, there is a high share of skilled technical labour in Mykolaiv and in the region suitable for maritime equipment production.
- 15 thousand technical professionals graduate from 13 local Universities and 26 vocational schools annually.



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- With over 340 thousand labour pool (and 540 thousand in the Mykolaiv region) and relatively high unemployment rate (9%, 2016³), Mykolaiv has an employer-driven labour market.
- Gross salaries for skilled labour average EUR 250 per month, for managers – EUR 550 per month (2017).

Mykolaiv has larger pool of skilled workers and professionals for maritime equipment production compared with other Southern Ukraine locations, such as Odesa or Kherson.

Developing market

- Number of registered yachts and boats in Ukraine is 117.000⁴ (27 per 10 thousands of population, as of 2017), whereas in the EU this number is 6 mln. sport and recreational boats (118 per 10 thousands of population). Subject to macroeconomic situation, the Ukrainian domestic market will be growing.
- Water recreation and related infrastructure are in the need of development in Mykolaiv, as the city has had so called closed city status (due to military facilities and port) during the Soviet period. There are no modern marina developments and relatively underdeveloped HORECA sector. With more developments in these sectors, growth of local market for maritime equipment could follow.

Available industrial facilities and land plots

- Due to long industrial history of Mykolaiv there are multiple industrial zones with available industrial facilities in the city.
- There are over 10 industrial real estate facilities identified in Mykolaiv that are in private ownership, with necessary road and engineering infrastructure, and suitable for maritime equipment production.
- There are also greenfield plots available for industrial use in Mykolaiv, with access roads to port area and connected to major highways.

³ <http://www.mk.ukrstat.gov.ua/>

⁴ <http://dsbt.gov.ua/>



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INVESTOR SUPPORT

- Mykolaiv Development Agency (MDA) assists investors in selecting land plots and/or facilities, i.e. provides information on legal status, owners, available engineering infrastructure and procedure for any additional infrastructure required.
- Mykolaiv local authorities provide support in recruiting and training personnel.
- Mykolaiv City Council could push forward any infrastructural works necessary for the land plots of investor selection, i.e. local roads construction, public transport provision etc.
- MDA staff could assist with any feasibility studies, benchmarking studies or project documentation preparation.



INVESTOR TIPS

- 1) Manpower – one of the key motivation factors for workers and managers in Mykolaiv is availability of professional development opportunities (thus planning for in-house training centres is recommended), health and safety conditions, production culture and continuous operations.
- 2) Facilities – considering post-Soviet industrial heritage, it is recommended for investors to thoroughly compare brownfield and greenfield scenarios, with brownfield scenarios (i.e. use of existing facilities or post-industrial land plots) optimal for small-scale production or interim production periods.
- 3) Liaising with local authorities – with de-centralization, Ukrainian local authorities have gained more means to prioritize engineering and transport infrastructure of importance to investors.
- 4) Logistics – there is a number of large Ukrainian and foreign companies leveraging from Mykolaiv ports for their logistic needs and collaborating to improve ports' efficiency. It is recommended to new entrants to seek advice and collaborate with the companies already based in Mykolaiv.



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FYI: INVESTMENT FACTORS' COSTS

1. Electricity - EUR/kWh 0.063
2. Raw water supply - EUR/m³ 0.43
3. Gas price for industrial use, EUR/kWh - 0.0613
4. Skilled workers, salary (gross), EUR/month - 235.00
5. Management staff, salary (gross), EUR/month - 470.00
6. Industrial facilities, rent price, EUR/m²/month - 1.00 - 2.00
7. Industrial facilities, purchase price, EUR/m² - 95.00 - 160.00
8. Land lease, EUR/m² - 0.50 - 1.00
9. Land for industrial use, purchase price, EUR/m² - 2.00 - 10.00

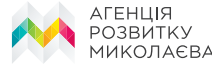


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AVAILABLE LAND PLOTS AND INDUSTRIAL FACILITIES

1 - Land plot

- 3, 38ha
- Rent price, UAH/m² - 15.30 (EUR/m² - 0.55)
- Asphalt road
- Electricity substation - 35/10kV
- Gas pipeline with 5.000 m³/h

2 - Industrial facility

- Private ownership (Black Sea Yachts, yacht building company, interest in joint venture)
- Floor area, m² - 2.100
- Connected to local road
- Distance to railway access (operational station), m - 1.000
- Electricity, installed capacity - 1660 kW
- Water supply and sewerage access

3 - Industrial facility

- Private ownership (Onix, small engines production, interest in joint venture)
- Floor area, m² - 10.000
- Electricity substation -560 kV/h (2 transformers)
- Autonomous heating system
- Water supply and sewerage access - 70 m³/h

4 - Industrial facility

- Private ownership (Nika, former shoe manufacturer)
- Floor area, m² - 17.000
- Purchase price, EUR/m² - 150
- Electricity - 4 substations, 400 kV each



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