



Third Annual Foreign Investor Survey

September 2018

Highlights

Obstacles:

- “Widespread corruption” is the #1 obstacle to foreign investment for the third consecutive year, followed by “lack of trust in judiciary”. “Unstable financial system and currency” moved up to #3 from #5 last year.
- The top-3 obstacles are the same across portfolio and direct investors.
- “Military conflict with Russia” moved down to #5 in 2018 from #3 in 2016.

Timing:

- 28% think now is the optimal time to invest, 64% prefer to wait until after elections.

Positive factors:

- Fight against corruption and reset of judiciary would positively affect perceptions by both direct and portfolio investors.
- Direct investors also cited tangible progress in separating politics from business. Portfolio investors would appreciate a quick conclusion of a new IMF program after the elections.

Negative factors:

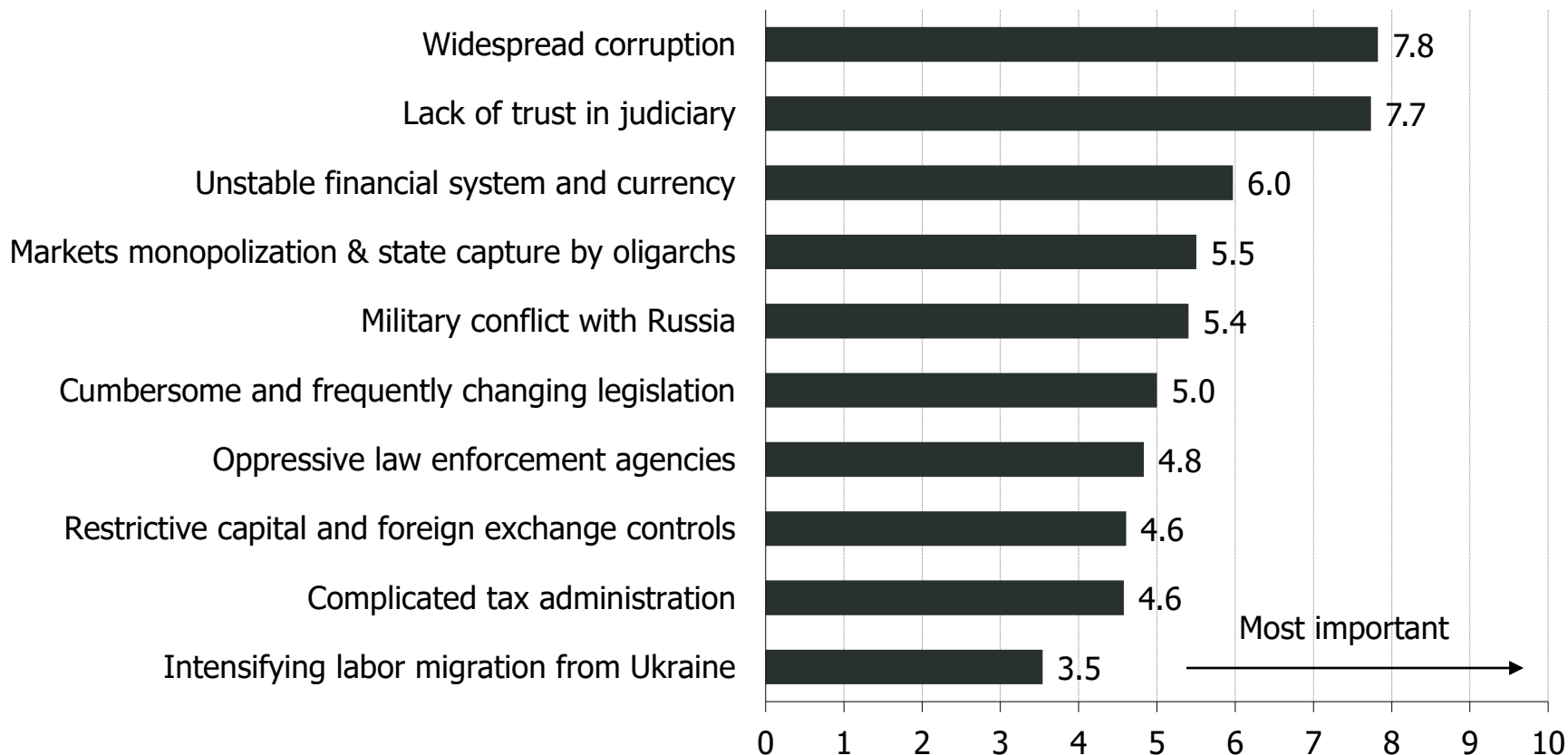
- Debt default, crackdown on independent institutions and rejection of democratic values would be the main detrimental factors.
- Direct investors view departure from democratic values and debt default as key negative factors. Portfolio investors would negatively react to a debt default and political influence on independent anti-corruption institutions or the NBU.

2018 Survey: Key Facts

- **Online questionnaire powered by GfK Ukraine**
- **September 3 - September 10, 2017**
- **109 responses**
- **64% are direct investors**
- **68% are currently invested**

Q1. Please rank the following obstacles to investment in Ukrainian assets according to your opinion of their importance

All respondents



Sources: EBA, Dragon Capital, CES

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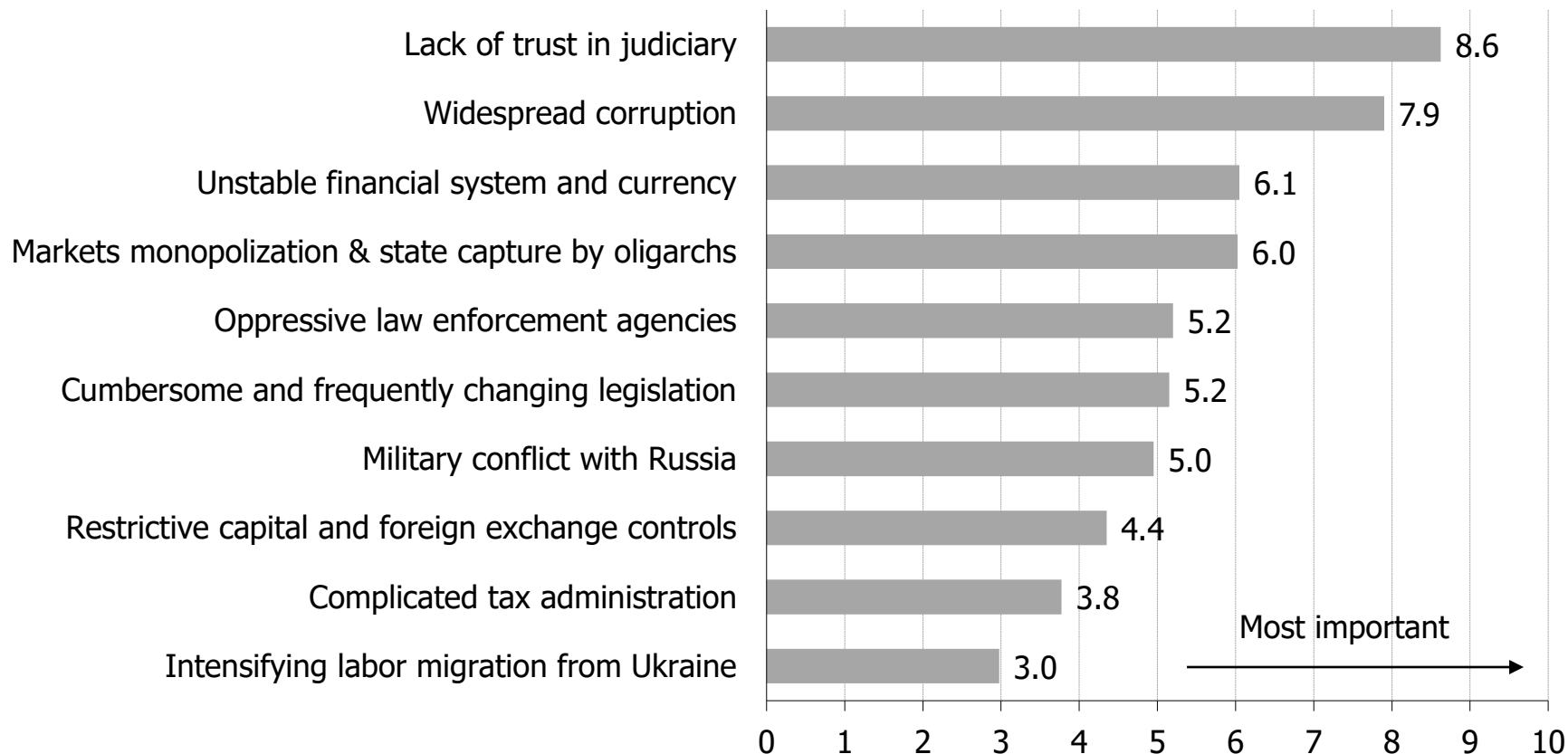
Direct investors



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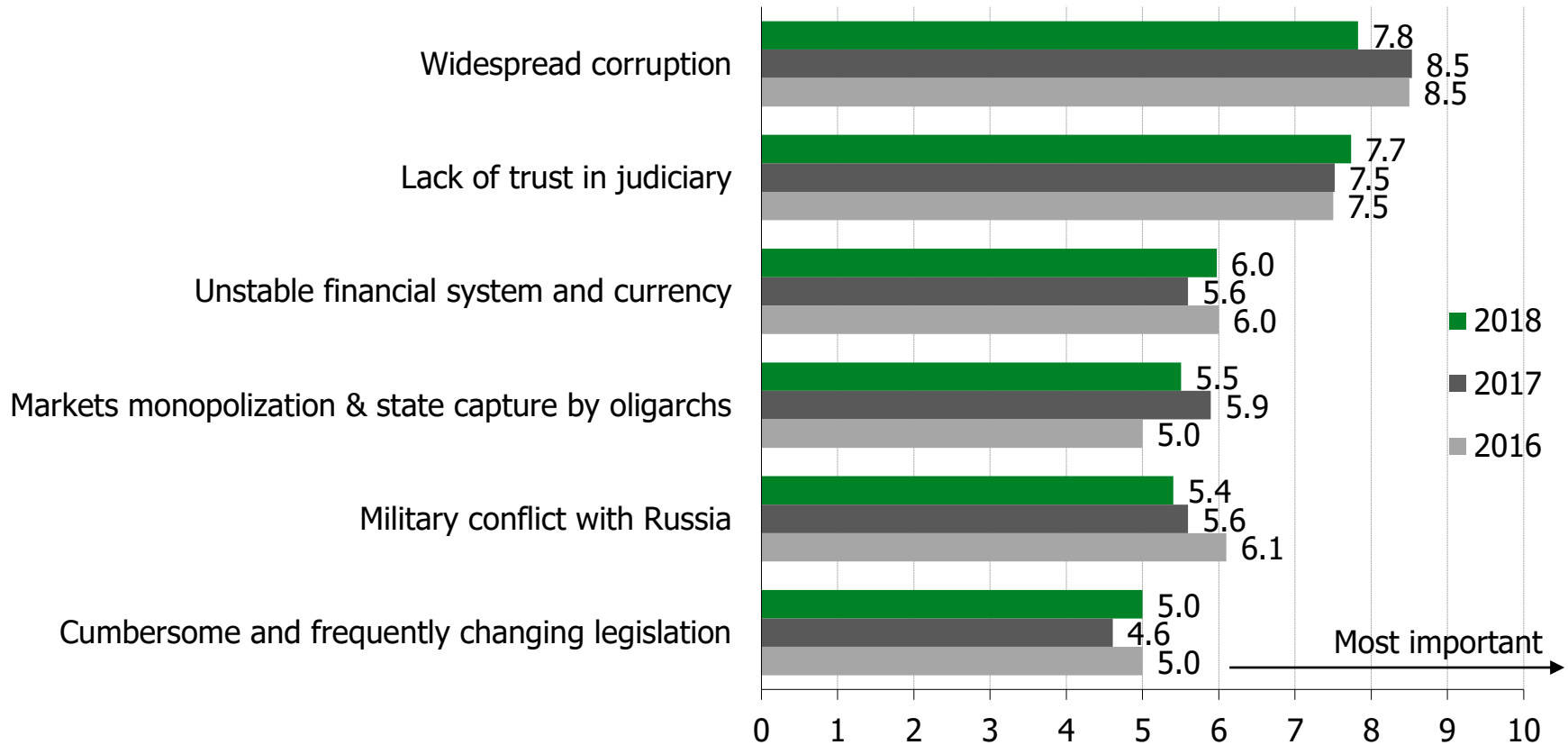
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Portfolio investors



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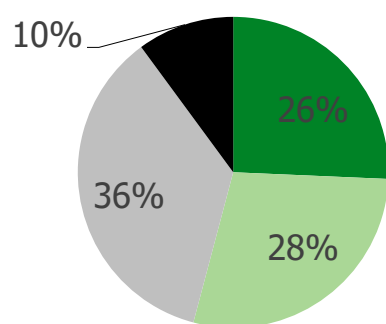
TOP-5 major obstacles to foreign investment in Ukraine



Sources: EBA, Dragon Capital, CES

Q2. When do you think would be a better time to invest in Ukrainian assets?

All respondents



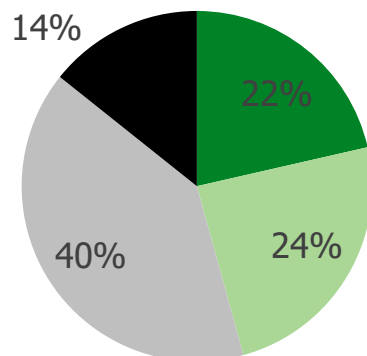
■ Now

■ After presidential elections in March 2019

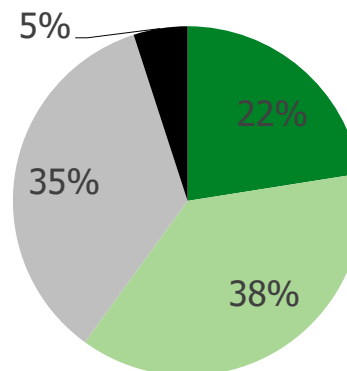
■ After parliamentary elections in October 2019 and formation of new government

■ No compelling investment opportunities in Ukraine in the nearest future

Direct investors



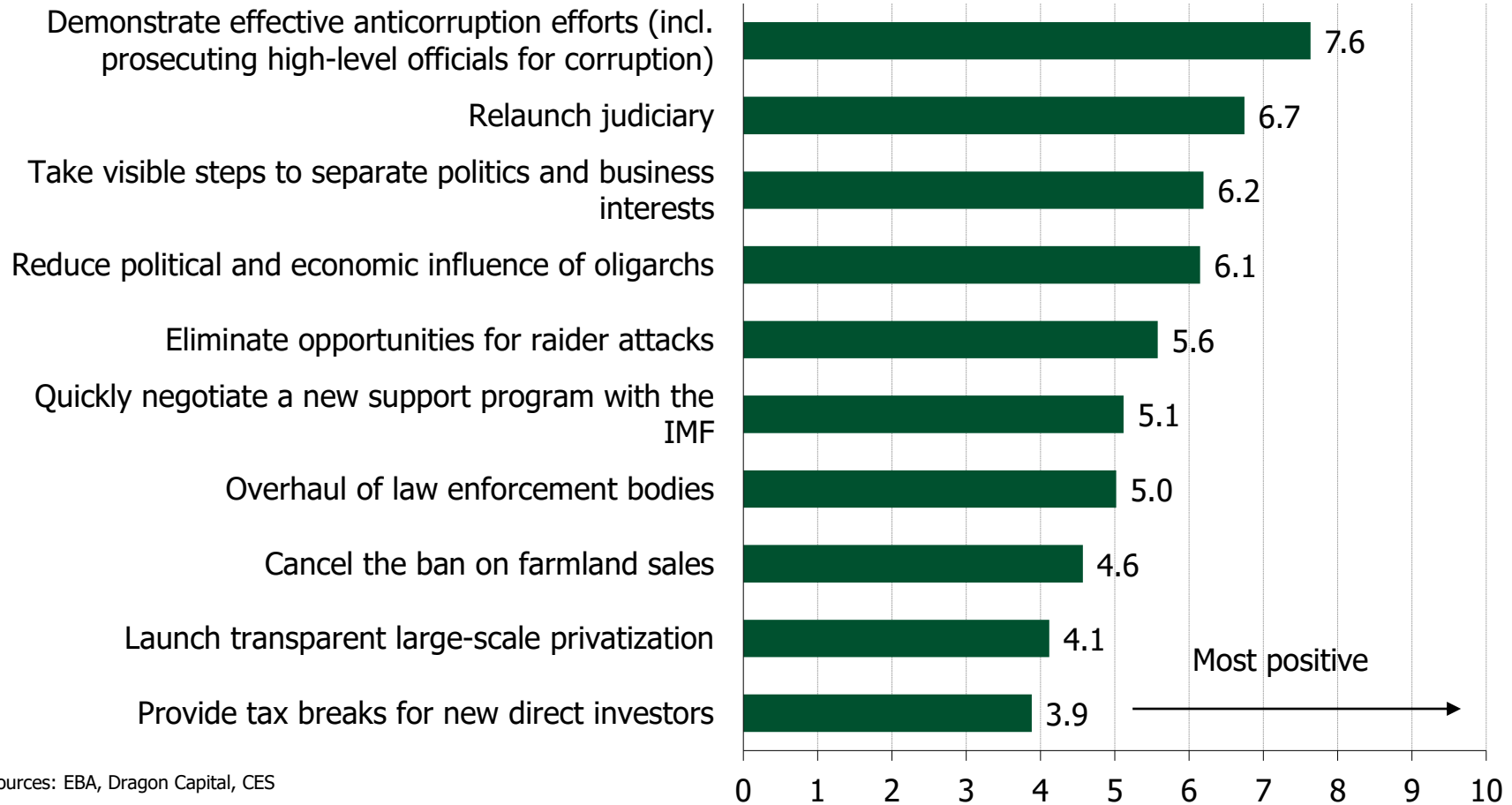
Portfolio investors



Sources: EBA, Dragon Capital, CES

Q3. Which of the following potential steps by Ukraine's next administration would have the biggest **POSITIVE** impact on your investment decisions

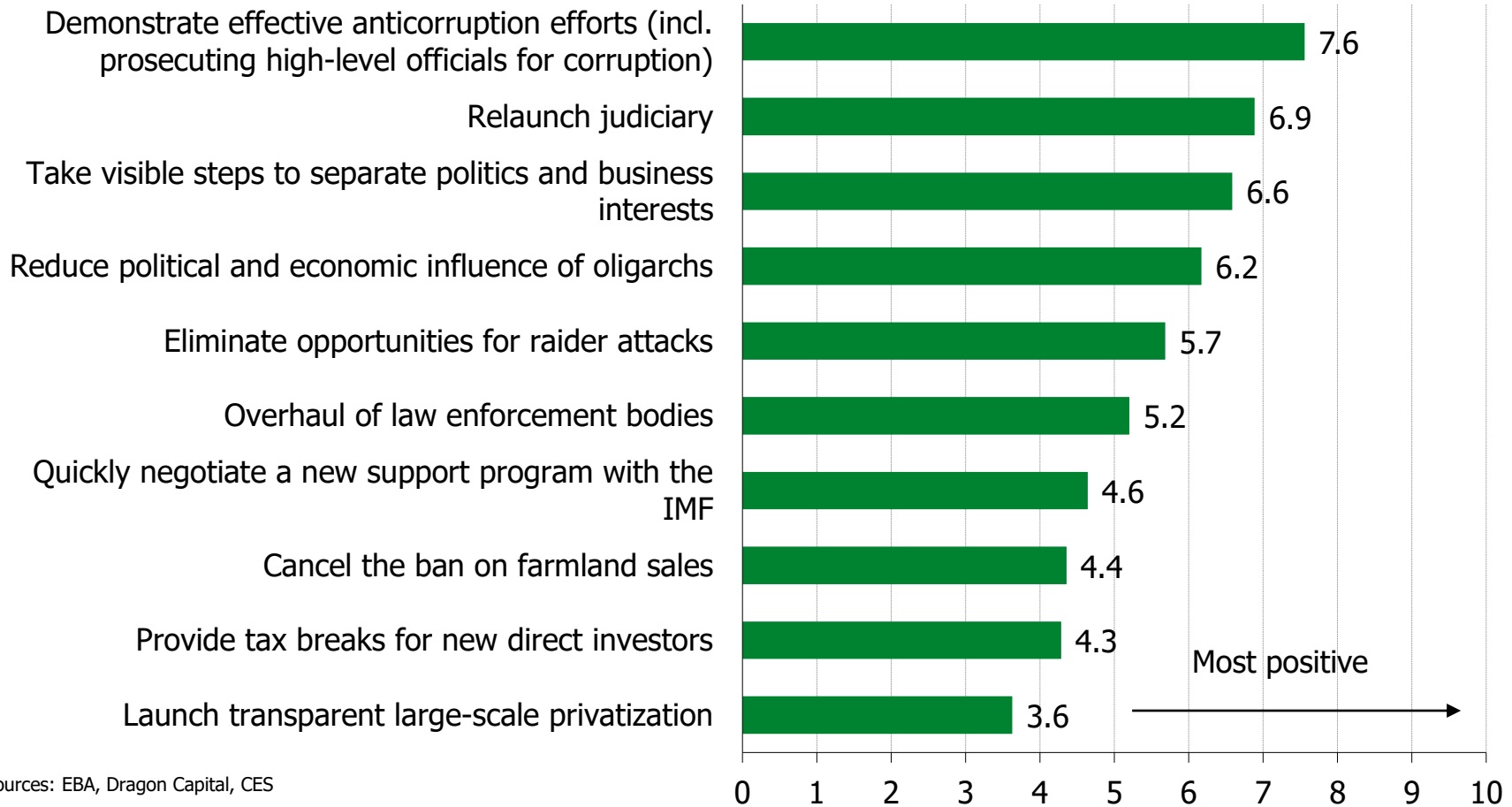
All respondents



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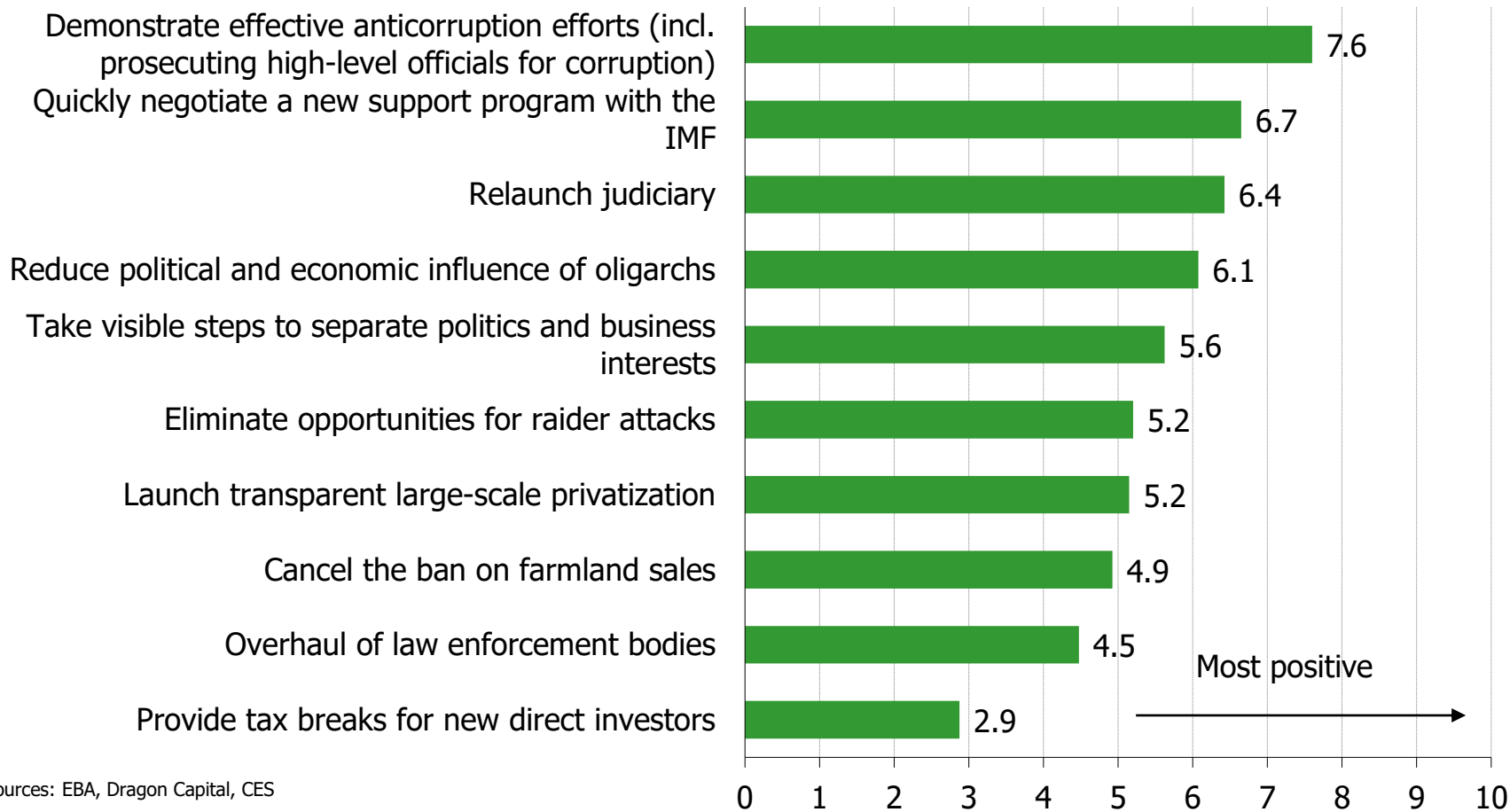
Direct Investors



Sources: EBA, Dragon Capital, CES

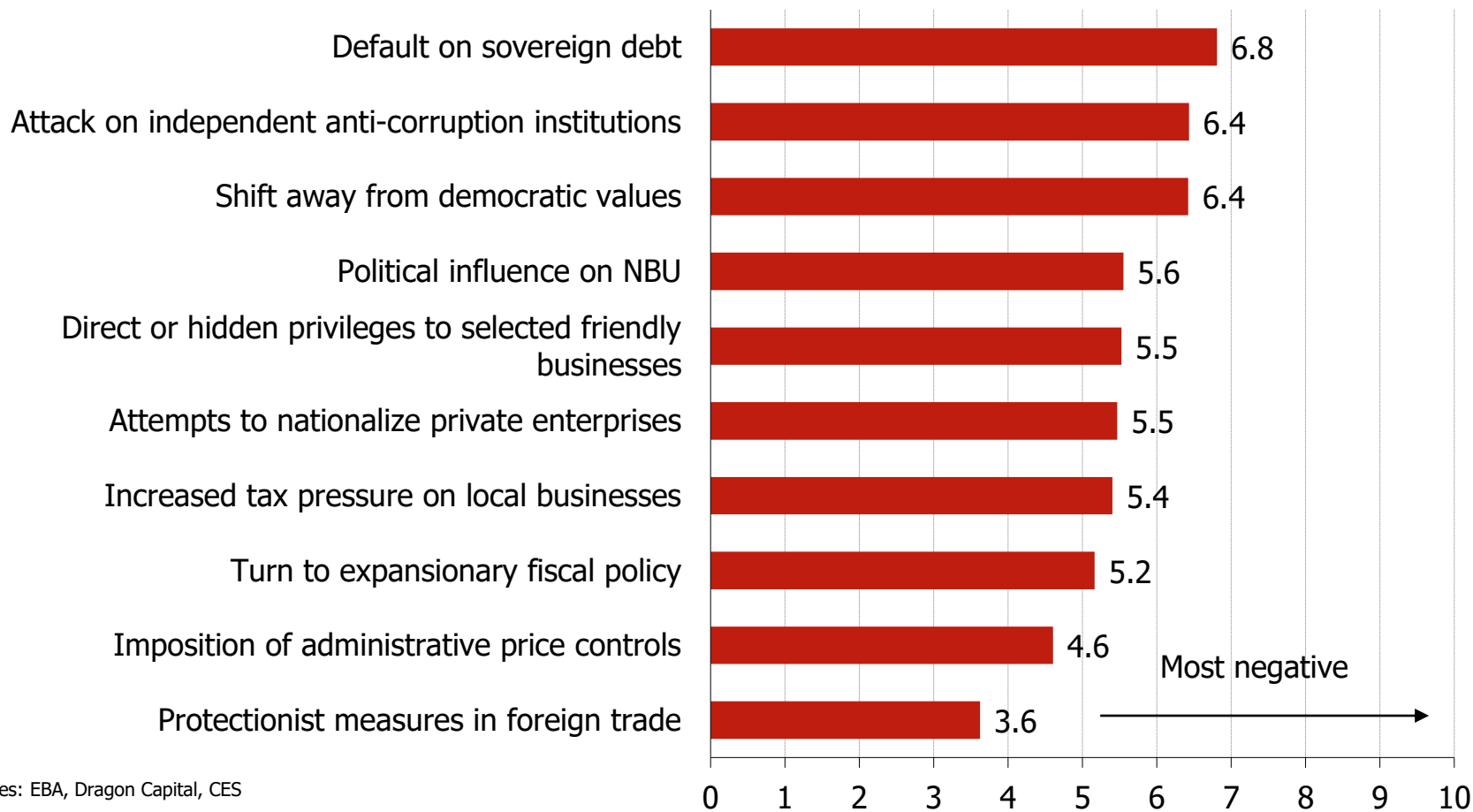
Q3. Which of the following potential steps by Ukraine's next administration would have the biggest **POSITIVE** impact on your investment decisions

Portfolio Investors



Q4. Which of the following potential steps by Ukraine's next administration would have the biggest NEGATIVE impact on your investment decisions

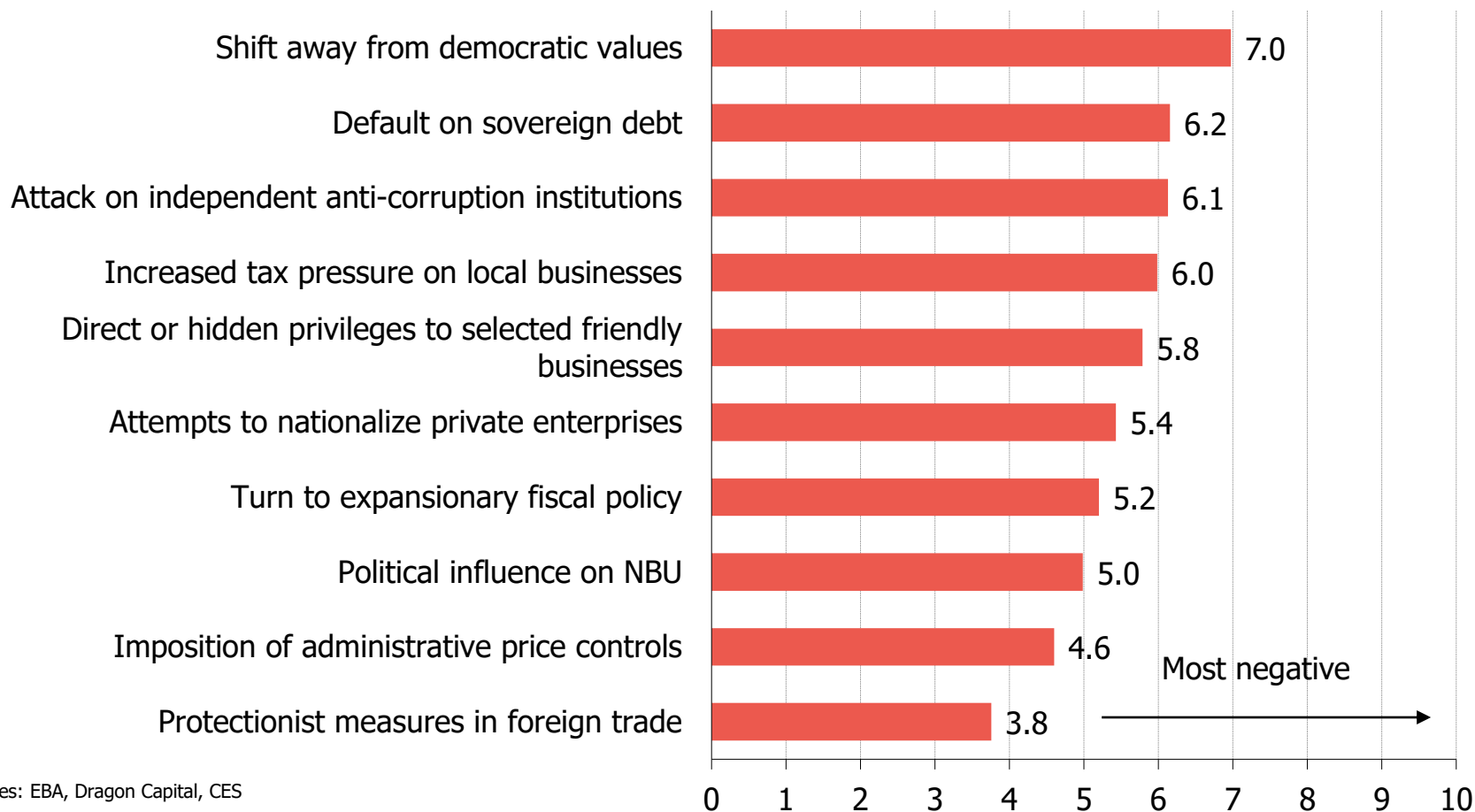
All respondents



Sources: EBA, Dragon Capital, CES

Q4. Which of the following potential steps by Ukraine's next administration would have the biggest **NEGATIVE** impact on your investment decisions

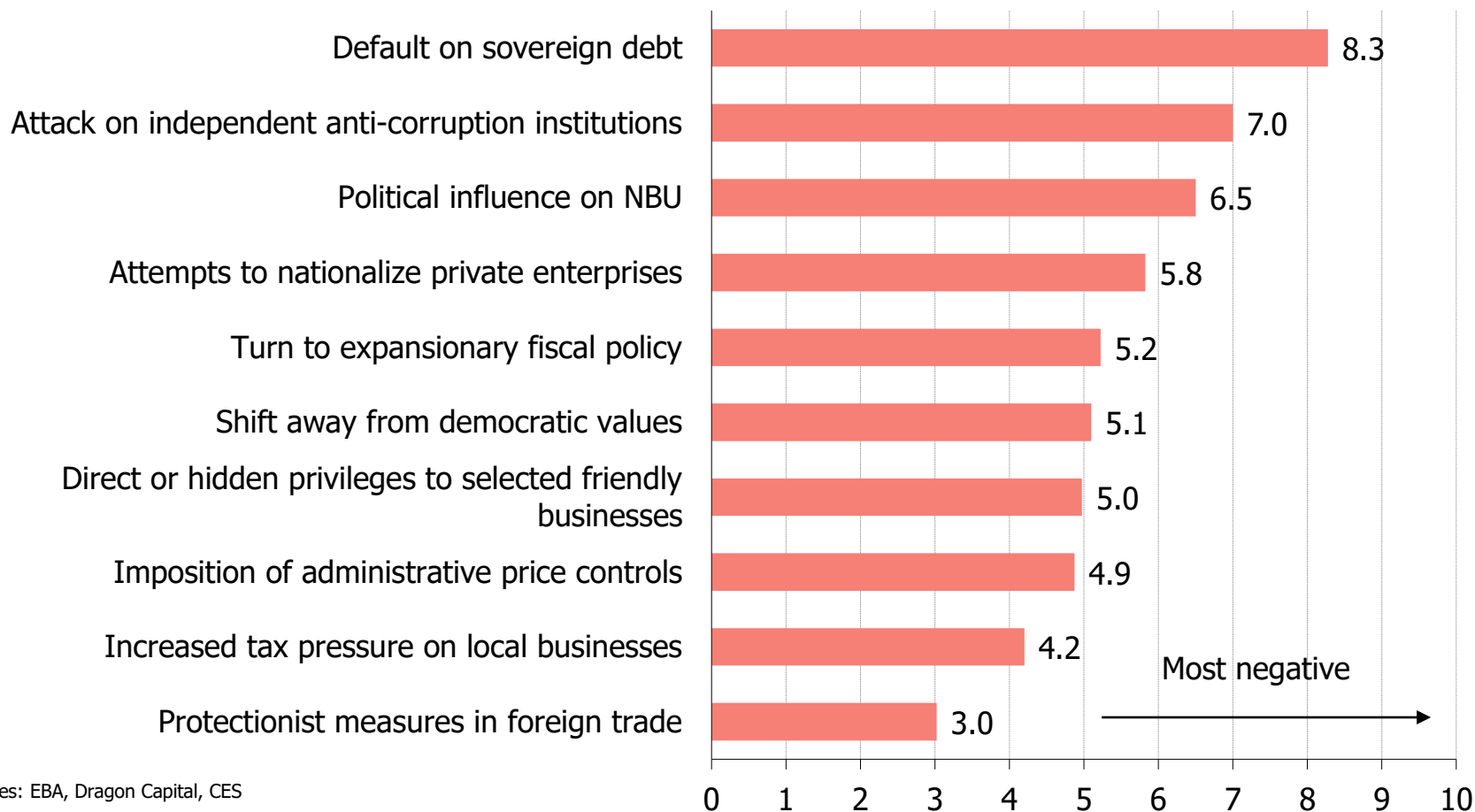
Direct investors



Sources: EBA, Dragon Capital, CES

Q4. Which of the following potential steps by Ukraine's next administration would have the biggest NEGATIVE impact on your investment decisions

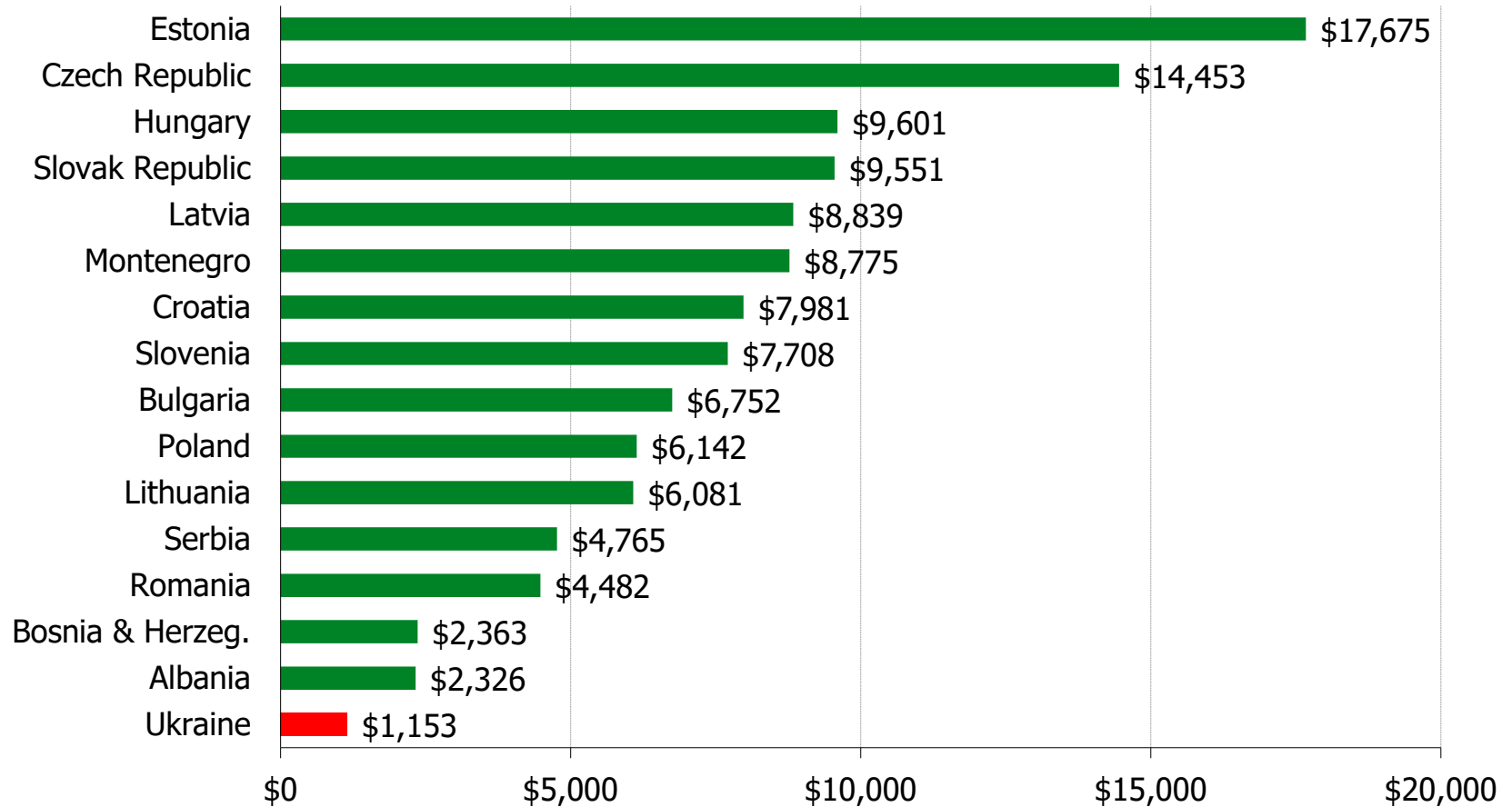
Portfolio investors



Sources: EBA, Dragon Capital, CES

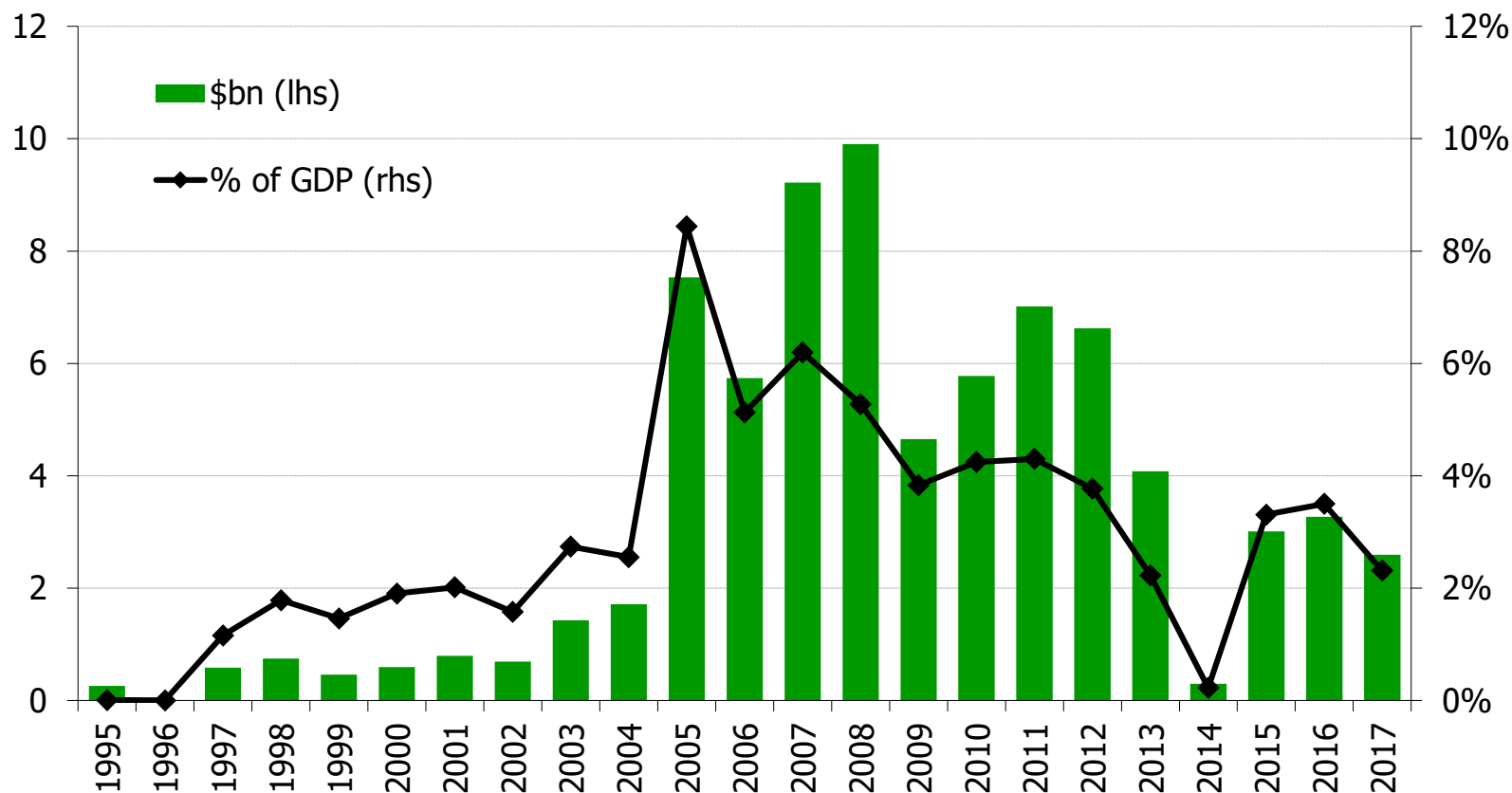
Investment in Ukraine: Key Facts

FDI stock per capita (end-2017)



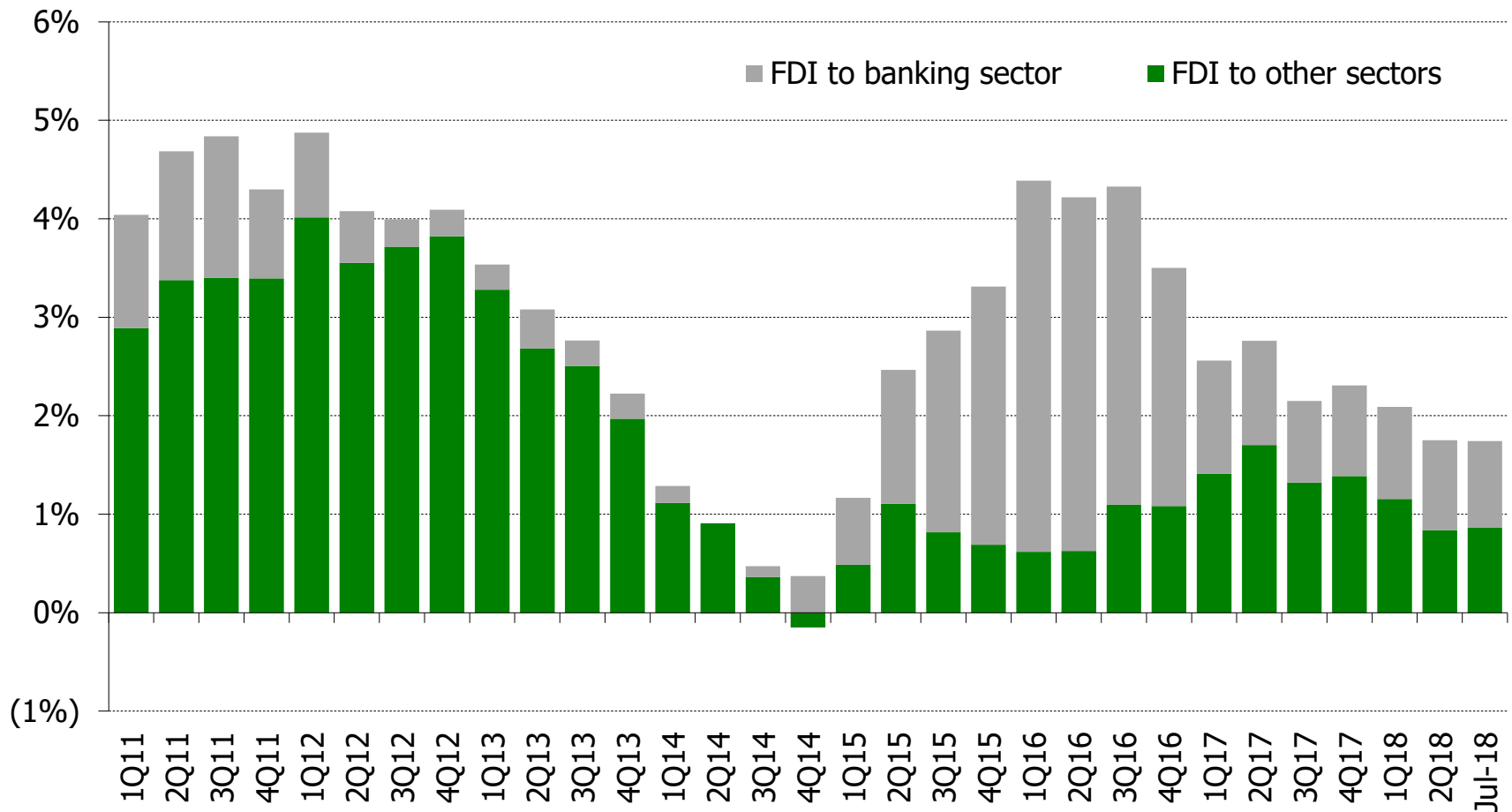
Source: UNCTAD

Net FDI inflow to Ukraine



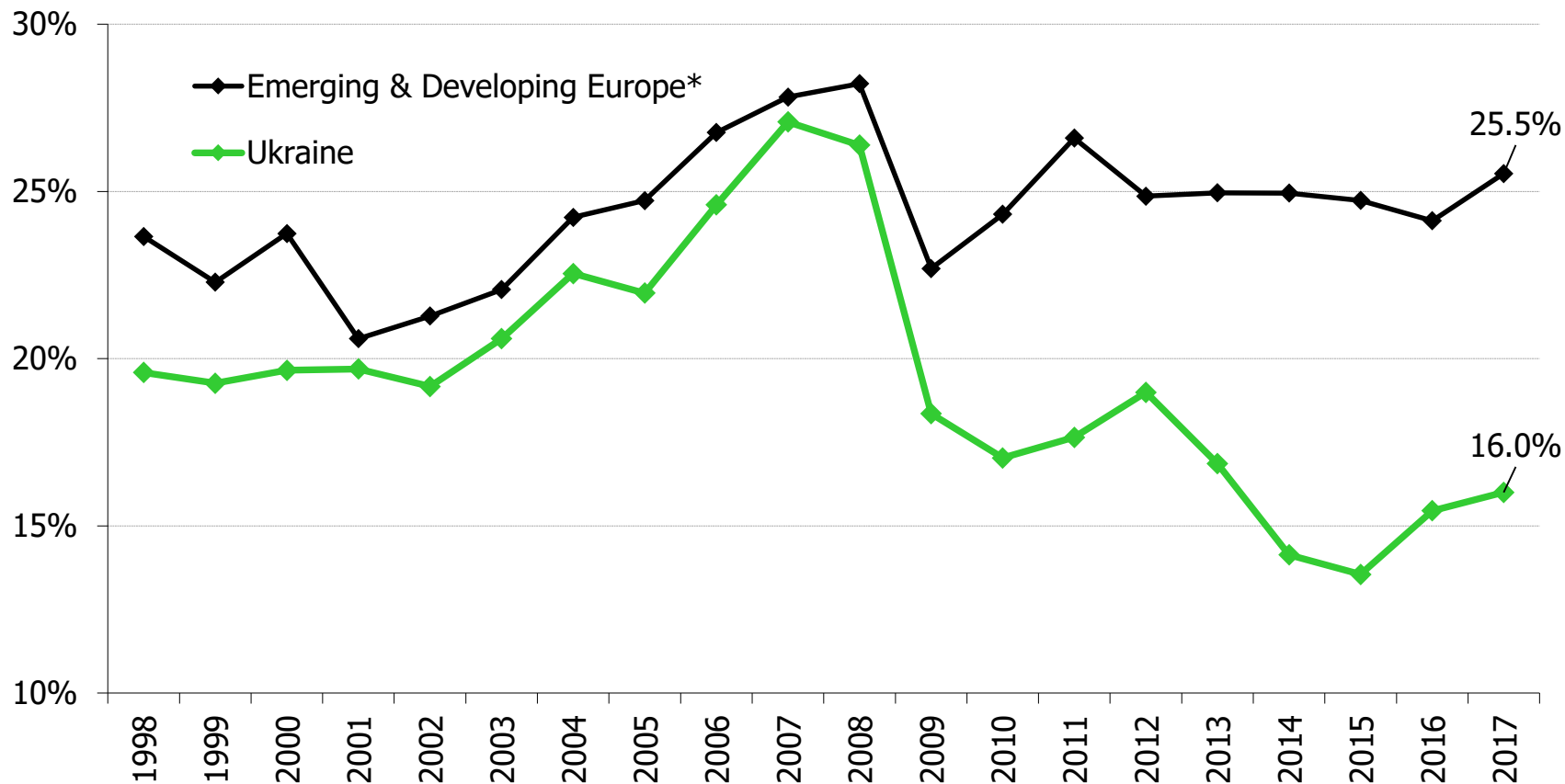
Source: NBU

Net FDI inflow by sector (12 month trailing, % of GDP)



Source: NBU

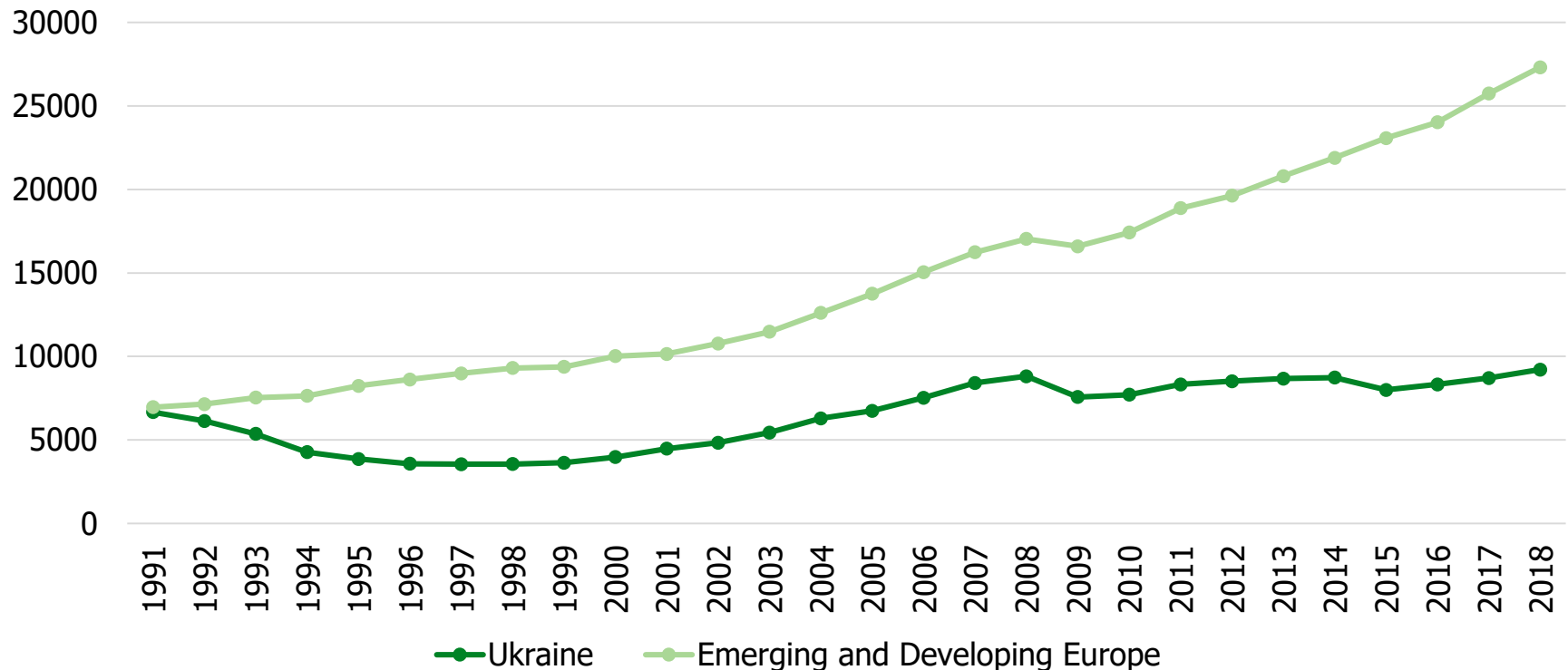
Gross fixed capital formation (% of GDP)



Notes: *Emerging & Developing Europe includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, FYR Macedonia, Montenegro, Poland, Romania, Serbia and Turkey. Source: IMF

GDP per capita based on purchasing power parity (PPP)

GDP per capita, current prices
(Purchasing power parity; international dollars per capita)



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