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UKRAINIAN MARKET, PRODUCERS TO ADAPT TO EU STANDARDS THEMSELVES AFTER DCFTA TAKES EFFECT ON JAN 1, 2016 – OFFICIAL



When the Deep and Comprehensive Free Trade Area (DCFTA) between Ukraine and the European Union comes into effect Ukrainian companies will have to prove the compliance of their products with European standards, Director of the Government's Office for European Integration of the Secretariat of the Cabinet of Ministers Natalia Hnydiuk has said.

"On January 1, 2016 we would not have all four freedoms linked to the free trade area opened. We would have an opportunity of the use, but we should prove this possibility and prove in steps that [Ukrainian companies]... can supply goods and services to the European Union market," she told reporters.

She said that the DCFTA will take effect on January 1, 2016, however a lot depends on how effectively Ukraine introduces EU standards, as an open market for European goods and services will quickly start working in the country. "We have the quota for six groups of goods, but Ukraine does not supply all the goods under other groups' quotas, and the increase of quotas is the issue to be discussed by the EU," she said.

She added that as part of cooperation between Ukraine and the EU a meeting of the Sub-Committee on Energy, Transport and Environment will be held in October.

On July 12-16, the first meeting of the Ukraine-EU Association Committee took place in Brussels (Belgium). ■

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PRESIDENTIAL ADMINISTRATION, FISCAL SERVICE DRAW UP PLAN TO RELAX TAX REPORTING – OFFICIAL

The Presidential Administration and the State Fiscal Service of Ukraine are preparing draft laws to relax the administration of taxes and duties and they will be submitted to the parliament in autumn, Head of Presidential Administration Borys Lozhkin has said.

"The tax reform is the thing that could be approved by the parliament by October 1 if we focus on this. This required neither money nor other resources. I think that all factions of the coalition should be interested in this," Lozhkin said at a meeting of the National Reforms Council.

"Ukrainian business which faces hard times spends much time on reporting to the state. According to the Doing Business report, a company spends 350 hours a year on average to prepare reports. For comparison, in the United Arab Emirates, which are leaders in these indicators, it is 12 hours," Lozhkin said.



The next step should be uniting income tax, single social security tax and military tax into one wage tax. It will be proposed to introduce the single annual declaration for paying single tax and single social security tax and relax procedures for its submission, including the refusal from double confirmation of the submission of the declaration and application of fines if some more details are submitted or information is revised. The relevant draft laws are to be drawn up and submitted to the parliament by October 1 and will take effect from January 2016. ■



PARLIAMENT AMENDS TAX CODE TO REDUCE PRESSURE ON BUSINESS

The Ukrainian parliament has amended the Tax Code of Ukraine on reducing tax pressure on business.

A total of 233 lawmakers passed, at second reading, draft law No. 2004 on amending the Tax Code regarding the reduction of tax pressure on taxpayers on July 17.

Presenting the document, chair of the parliamentary committee for tax and customs policies Nina Yuzhanina said that it envisages the transfer of powers to present generalized tax consultations to the Finance Ministry with their obligatory publication on the ministry's website.

According to the comparative table to the draft law, it foresees the inclusion of the requirement to the Tax Code, according to which supervision and other agencies are banned from using the audit certificate as grounds for conclusions regarding the relations of taxpayers with contractors in the tax notification which was not handed to taxpayers after the drawing up of the audit certificate or if it is considered revoked.

The document also expands the Tax Code with the requirements to add foreign companies or organizations if they receive ownership rights to taxable property or land in Ukraine, if the way and goals of receiving property do not require the creation of subsidiary or a permanent representative office of nonresidents in Ukraine, to the register of supervision agencies. The companies are to submit the following documents: an application in the form approved by the Finance Ministry; a copy of an extract from the trade, bank and or court register issued in the country of the foreign company's registration and legalized under the established procedure with notary-endorsed translation into Ukrainian; notary-endorsed copy of title-establishing documents which confirm the ownership rights to property or the right to use land issued and registered to nonresidents; information on the representative of the taxpayer. ■

CABINET APPROVES COMPENSATION WORTH UAH 742 MLN FOR INTERNATIONAL ROAD AGREEMENTS FOR 2015-2017

The Cabinet of Ministers of Ukraine has approved compensation worth UAH 742.208 million for costs associated with the implementation of international agreements on the construction, reconstruction and overhauls of the following highways: Kyiv-Kovel-Yahodyn, Kyiv-Chop, Kyiv-Odesa, Kyiv-Znamyanka, Kyiv-Kharkiv-Dovzhansky, Kyiv-Chernihiv-Novi Yarylovychi.

This is stipulated in government decree No. 498 of June 17, 2015 on some issues of using funds in 2015-2017 raised in the previous years under state guarantees by the State Agency of Automobile Roads.

The Cabinet has approved the list of works on the construction, reconstruction and overhauls of public roads of national importance for the realization of joint projects with international financial institutions and the volume of their funding in 2015-2017 at the expense of money raised in the previous years under state guarantees.

The sum indicated is UAH 104.2 million. ■

SURPLUS OF UKRAINE'S CONSOLIDATED BUDGET TOTALS UAH 12.27 BLN IN JAN-JUNE

The surplus of Ukraine's consolidated budget totaled UAH 12.266 billion in January-June 2015 compared to a deficit of UAH 20.776 billion year-over-year, the Finance Ministry of Ukraine said on its website.

Total revenue of the consolidated budget in H1 2015 grew by 33% year-over-year, to UAH 298.66 billion.

Total expenses rose by 16.8% year-over-year, to UAH 285.236 billion.

The national budget for 2015 foresees a deficit limit of UAH 75.82 billion with UAH 502.26 billion revenue and UAH 566.87 billion of expenses. ■



JARESKO CONFIRMS PLANS TO REDUCE 2016 BUDGET DEFICIT TO 3.75% OF GDP

The deficit of Ukraine's national budget in 2016 will be reduced to 3.75% of GDP from 4.2% of GDP in 2015, Ukrainian Finance Minister Natalie Jaresko said at the U.S.-Ukraine Business Forum on Washington.

"This year's budget deficit is 4.2% of GDP as compared to last year of 4.6%, and we have committed even farther to reduce it next year to 3.75% of GDP," she said.

"We will continue to do this while creating efficiency with the funds that we do have in the budget," she said.

As reported earlier, the four-year Extended Facility Program between Ukraine and the International Monetary Fund, which was made available in March 2015, foresees contraction of the deficit of the national budget from 4.6% of GDP in 2014 to 4.2% of GDP in 2015, with its further decline to 3.7% of GDP in 2016, 3.1% of GDP in 2017, and 2.6% of GDP in 2018.

Simultaneously, the EFF projects a reduction in the deficit of NJSC Naftogaz Ukrainy from 5.7% of GDP last year to 3.2% of GDP this year and 0.2% of GDP next year, and its zero level in 2017.

January through May 2015, the national budget saw a surplus of UAH 5.61 billion against a deficit of UAH 12.22 billion in January-May 2014. The Finance Ministry explains the surplus of the growth of revenues due to the weakening of the hryvnia and inflation, which considerably exceeded targets this year. What is more, Ukrainian Prime Minister Arseniy Yatseniuk announced the need to accumulate UAH 25 billion to pay energy subsidies in the fourth quarter this year. ■

SPF PLANS TO INTRODUCE DUTCH AUCTION PRINCIPLES BY END OF SUMMER FOR SMALL PRIVATIZATION – SPF HEAD

The State Property Fund of Ukraine (SPF) plans to start selling small privatization companies using the Dutch auction principle by the end of this summer, and in September 2015 the online site for these auctions will be launched, SPF Head Ihor Bilous said in Kyiv. "I think that by the end of the summer you will see the launch of an absolutely new thing – this is the sale of facilities using the Dutch auction," he said while addressing representatives of appraisers. Bilous said that by using Dutch auctions the fund plans to sell facilities it had failed to sell earlier.

The Dutch auction foresees a deposit fee of 10% and the preliminary selection of bidders to avoid the participation of non-transparent and doubtful buyers in the auctions, Bilous said.

"I hope that in September we will launch the online platform. Everything will be open, always to everyone. We want to allow individuals to take part in auctions," he said, adding that foreign investors are showing great interest to Ukrainian facilities of small privatization.

Among the top priorities are stake stakes in six regional electricity supply companies in Zaporizhia, Kharkiv, Cherkasy, Mykolaiv, Khmelnytsky and Ternopil, he said. Along with the above-mentioned facilities, it is likely that state stakes in Sumykhimprom, Zaporizhia Titanium and Magnesium Combine, President Hotel in Kyiv and other companies will be put up for sale in 2015.

"A total of around 40 facilities will be brought to the market, and if we cope with our sale program using the Dutch auction, there will be more companies, as we will launch this online," he said. ■

UKRAINE HARVESTS 8.7 MLN TONNES OF GRAIN AS OF JULY 14

As of July 14 Ukraine had threshed early grain and leguminous crops on 2.8 million hectares (27% of the forecast) and harvested 8.7 million tonnes of grain, the Agricultural Policy and Food Ministry has reported.

According to its data, barley was threshed on 1.2 million hectares, and the harvest reached 3.4 million tonnes with the average yield being 29.4 centners per ha. Wheat harvest totaled 5 million tonnes from 1.5 million ha with the yield being 33.8 centners per ha.

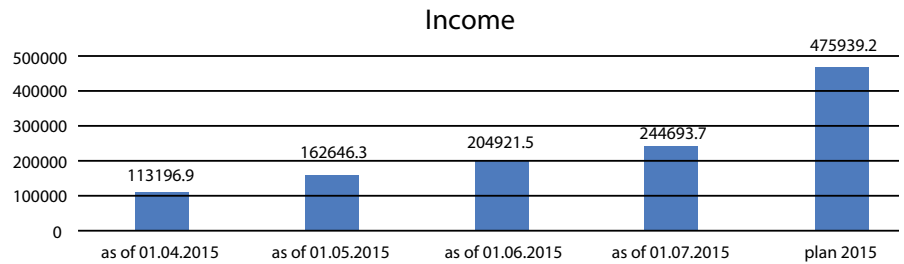
In addition, Ukraine harvested 238,000 tonnes of peas from 114,000 ha, 516,000 tonnes of rapeseed from 240,000 ha.

As reported, with reference to data from the State Statistics Service, the grain harvest last year was 63.8 million tonnes. In 2015, under the ministry's forecast, it is expected to reach 59-60 million tonnes. ■



STATE BUDGET INCOMES OF UKRAINE IN 2015 (MLN UAG)

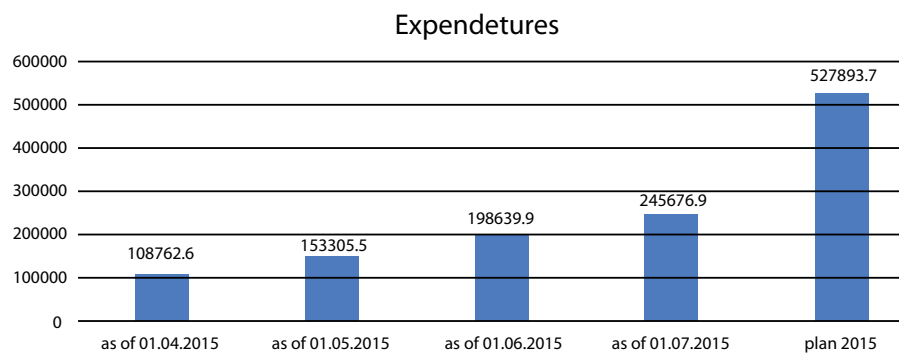
2015	Income		
as of 01.04.2015	113196,9		
as of 01.05.2015	162646,3	Apr	49449,4
as of 01.06.2015	204921,5	May	42275,2
as of 01.07.2015	244693,7	June	39772,3
plan 2015	475939,2	execution	51.4%



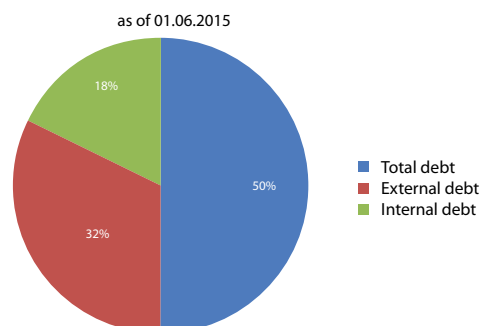
Source: The Ministry of Finance

STATE BUDGET EXPENDITURES OF UKRAINE IN 2015 (MLN UAG)

2015	Expenditures		
as of 01.04.2015	108762,6		
as of 01.05.2015	153305,5	Apr	44542,9
as of 01.06.2015	198639,9	May	45334,4
as of 01.07.2015	245676,9	June	47037,0
plan 2015	527893,7	execution	46.5%



Source: The Ministry of Finance



INVESTMENT IN UKRAINIAN IT PROJECTS COULD TOTAL \$100 MLN BY LATE 2015 – UVCA



The Ukrainian Venture Capital Association (UVCA) has forecast that around \$100 million will be invested in Ukrainian IT projects, UVCA Board Chairman and Managing Partner of AVentures Andriy Kolodiuk wrote on his blog.

He said that in H1 2015, 34 Ukrainian companies raised \$11 million of investment, and 20 of them received investment for the first time.

"For all the skeptics and those who judge information only by sums, not paying attention to the core and trends, I have two peaces of news. The first one: \$100 million will be invested into Ukrainian IT projects and startups by late 2015, which is several times up on 2014. The second news: two new international investors that are working on investment in the IT area are coming to Ukraine and will invest by the end of the year," Kolodiuk said.

As reported, Kolodiuk told Interfax-Ukraine that the most promising sectors for investing in Ukraine are projects linked to healthcare, payments, cloud projects and mobile applications. ■

ULIE STEPS UP WITH NEW INITIATIVE: DOMESTIC ENERGY FACILITIES SHOULD BE MODERNIZED BY DOMESTIC MANUFACTURERS

This initiative was articulated at a roundtable meeting entitled "Interaction of Energy Companies and Manufacturers of Ukraine in Providing Services of Repairing, Modernization, Reconstruction and Operation of Equipment," which was organized by the Ukrainian League of Industrialists and Entrepreneurs, the Committee for the Fuel and Energy Complex, Nuclear Policy and Nuclear Safety, and the Energy and Coal Industry Ministry of Ukraine. The meeting took place at Trypilska thermal power plant (TPP).

According to experienced energy specialists, Ukraine cannot allow itself to become dependent on other countries for energy, or lower the requirement of its energy security amid the deepening social and economic crisis. However, the moral and physical depreciation of the fixed assets of enterprises engaged in the energy cycle is now significant, and production facilities require not only repairs but also accelerated modernization. This task is especially important pending Ukraine's accession to a free trade zone with the European Union, when competition will considerably increase. Thus, a direct need has been identified to strengthen the connection between the domestic engineering manufacturer and the domestic power engineer, to introduce programs for import substitution and localization of production. What is more, an algorithm needs to be developed for equipment manufacturers and power engineering companies to get access to loans and investment.

Participants in the event discussed in detail the possibility of the joint efforts of machine building enterprises and power generation companies. They identified certain directions for investment, namely projects for the reconstruction and modernization of thermal power plants and co-generation plants, life extension of nuclear power units, hydroelectric power plants, and mainstream and distribution power grids.

Director of Trypilska TPP Petro Kravets told the participants of the event that the plant's second unit had been modernized by Ukrainian companies, the share of Ukrainian-made equipment and components exceeds 90%, and everything works perfectly well.

A letter with a proposal to establish a process of operation, modernization and repairing of power generating facilities in Ukraine mainly due to the involvement of domestic manufacturers was sent to the country's leaders. ■



TURBOATOM TO MODERNIZE ALL EIGHT TURBINES OF PAKS NPP IN HUNGARY BY 2019

Public joint-stock company (Kharkiv), Ukraine's largest producer of turbine equipment, has signed a large contract on modernization of eight turbines of all four reactors of Paks nuclear power plant (NPP) in Hungary, the company said on its website.

Under the contract, the cost of which is not disclosed, Turboatom will implement modernization of eight turbines K-220-44 with the nameplate capacity of 220 MW. As result, the capacity and life-time of the turbines will be increased and the overhaul life will be increased from four up to six years.

Turboatom has been the core supplier of equipment for Paks NPP for over 30 years.

"We have long-time cooperation with Turboatom and we've decided to entrust the new modernization of turbines to the Kharkiv enterprise. This is explained by the fact that all manufacturing and design rights belong to Turboatom and under law of our country these conditions allow not carrying out a tender, but work with Kharkiv directly," the press service said, citing Paks NPP Specialist Dula Pasti.

Chief Designer of Steam Turbines Viktor Shvetsov said that specialists have been working on this pilot project for five years.

One of its main innovations is a seven-stage, instead of existing six-stage, setting of high pressure cylinders, he said. The equipment will be installed on the existing foundation without the change of the construction structures. Turboatom will also supervise the assembly, carry out the field supervision and participate in guarantee tests before and after reconstruction.

The term of equipment delivery is March and June 2016.

Turboatom is the sole producer of turbine equipment in Ukraine for hydro, heat and nuclear power stations.

Paks NPP is the only operating NPP in Hungary. It generates over 40% of electricity in the country. ■



CARGILL TO INVEST \$100 MLN IN CONSTRUCTION OF NEW TERMINAL AT YUZHNY PORT – YATSENIUK



Cargill, one of largest producers of food, agriculture, financial and industrial products and services in the world, will invest \$100 million in the construction of a new terminal at Yuzhny port (Odesa region), Ukrainian Prime Minister Arseniy Yatseniuk has said.

"One of the largest U.S. companies which has large experience of operation in Ukraine, Cargill, has decided to additionally invest around \$100 million in Ukrainian infrastructure and construction of a terminal with the handling capacity of 4 million tonnes. The memorandum was signed, and the new terminal will be built at Yuzhny port," he said in the parliament on Friday while speaking about results of his recent visit to Washington to attend an investment conference.

Earlier in July, Cargill said that the company was mulling the possibility of building a deep-water terminal with M.V. Cargo (Odesa) at Yuzhny port.

Cargill said that in recent years it had shown interest in building a port grain terminal on the Black Sea which could promote the development of a long-term strategy for grain and oilseed business in the Black Sea region.

The port could become another joint project of Cargill along with the Constanta (Romania) and Novorossiysk (Russia) ports. According to the state register of companies and individuals-businesspeople, M.V. Cargo was founded in 2004. Its founder is Cypriot Cornlex Impex Limited. The previous owners of M.V. Cargo were Valentyna Mushynska, Yehor Hrebennikov and Andriy Stavnitser (head and co-owner of TIS terminal group). ■

COMMISSIONING OF SOME 76,500 SQ M OF NEW OFFICES DECLARED IN KYIV FOR 2015-2016 – COLLIERS INTERNATIONAL

New supply on the office property market in Kyiv in 2015-2016, if all declared projects are commissioned on time, will total around 76,500 square meters, and by late 2015 it is planned that three key business centers with a gross lettable area (GLA) of some 37,000 square meters will be commissioned, Colliers International consulting company said in a press release issued on Monday.

"Among key projects that would enter the market by late 2015: Sigma business center with GLA of 19,500 square meters, a business center at 56, Chervonozoriany Avenue with GLA of 12,000 square meters and a business center at 3, Novovokzalna Street with GLA of 5,500 square meters," the company said.

Colliers International said that in January-June 2015 four office facilities were commissioned in Kyiv with a total GLA of around 41,300 square meters: a business center at 132 Holosiyivsky Avenue with a GLA of around 15,300 square meters, a business center at 10 Verkhniy Val Street with a GLA of some 10,000 square meters, and a business center at 46 Gorky Street, and a business center at 8 Dorohozhytska Street, with a GLA of around 8,000 square meters each.

In H1 2015, the total supply of offices in Kyiv reached around 1.731 million square meters, the company said. ■



ANTONOV STRENGTHENS PRODUCTION, ECONOMIC MANAGEMENT

The leadership of state enterprise Antonov (Kyiv) has hired new managers, according to the press service of the company.

According to the report, Oleksandr Kotsiuba has been appointed as first vice president of the plant, Andriy Tarasiuk - vice president for financial and economic activities.

They have been tasked with increasing aircraft production and sales.

According to the press service, Kotsiuba has ten years of leadership experience, including in industrial companies, and has a reputation as a successful crisis manager. Over the last 11 years, Tarasiuk had headed companies in the automotive industry, including a large corporation with a network of 20 offices in five regions of Ukraine.

According to Antonov Acting President Mykhailo Hvozdev, the reshuffle is "aimed at forming a united team of professional managers, united by a common purpose of the development of the enterprise and the aviation industry of Ukraine as a whole."

Antonov is the leading Ukrainian developer and manufacturer of aircraft, the recognized world leader in the niche of general-purpose transport aircraft. It cooperates with 76 countries. Since April, under the decision of the Ukrainian government, state enterprise Antonov has been part of Ukroboronprom state concern. ■





ANOTHER 82 INVESTMENT PROJECTS WORTH UAH 360 MLN FROM 12 REGIONS APPROVED – CONSTRUCTION MINISTRY

The interagency working group on the selection of investment programs and regional development projects, financed at the expense of the State Fund for Regional Development, has approved 82 new investment projects in 12 regions of Ukraine.

The working group made the corresponding decision at a meeting on July 21.

"Given the projects [that were] submitted, sometimes I see that regional state administrations do not fully understand the strategy of the development of their region. They are trying to solve the problems that arise, but that are not associated with the development of the region," Deputy Prime Minister, Minister of Regional Development, Construction, Housing and Utilities Services Hennadiy Zubko said.

As a result, he urged regional state administrations to expedite the preparation of perspective plans for the development of regions to stimulate the development of investment projects. Zubko refused to rule out changes to the Budget Code, according to which the regions that will be first to provide investment projects will receive additional bonuses.

According to the ministry, 726 investment projects are planned to be implemented by 2018, of which 645 should be implemented in 2015. ■



UKRAINE'S NUCLEAR FUEL CONCERN, CHINA'S CNEIC PLAN TO COOPERATE IN NUCLEAR SECTOR

Ukraine's Nuclear Fuel state concern and China Nuclear Energy Industry Corporation (CNEIC) have signed a memorandum of cooperation in the nuclear fuel cycle area.

"The memo envisages the analysis of directions of potential cooperation, in particular, in the area of exploration and development of uranium fields, production and processing of uranium ore, modernization of existing mines and a hydrometallurgical plant, introduction of newest technologies in zirconium production, and attraction of investment for developing the nuclear fuel cycle in Ukraine," the concern said in a report.

According to the report, in the near future a working meeting of specialists will be organized, and CNEIC will study the operation of nuclear industrial enterprises in Ukraine.

Nuclear Fuel was formed in order to organize various elements of the nuclear fuel production cycle in Ukraine, such as the production of nuclear fuel components for nuclear plants and fuel assemblies.

Nuclear Fuel includes four state enterprises: Skhidny Mining and Enrichment Combine, Smoly State Enterprise, Dnipropetrovsk Precision Pipe Plant State Company, and Ukrainian Industrial Technology Scientific Research and Project Exploration Institute. ■

ARCELORMITTAL TO INVEST \$1.2 BLN IN UKRAINE IN COMING YEARS – POROSHENKO

ArcelorMittal, one of the largest mining and metal companies in the world, which owns ArcelorMittal Kryvyi Rih (Dnipropetrovsk region), plans to invest \$1.2 billion in Ukraine in the coming years, Ukrainian President Petro Poroshenko has said.

"In coming years ArcelorMittal Kryvyi Rih will invest \$1.2 billion in Ukraine," Poroshenko wrote on his Twitter page during a visit to the enterprise in Kryvyi Rih after a meeting with Board Chairman and Co-owner of ArcelorMittal Lakshmi Mittal. Poroshenko was attending the launch of a modernized blast furnace which had \$132 million in it. As reported, ArcelorMittal Kryvyi Rih saw a 1.9% decline in rolled steel output in 2014, to 5.56 million tonnes, steel output fell by 2.2%, to 6.29 million tonnes, and cast iron output was dropped by 1.1%, to 5.55 million tonnes. ■



UKRAINIAN-DUTCH AGRO-COMPANY INVESTS UAH 10 MLN IN LAUNCH OF MILK FARM IN SUMY REGION

Ukrainian-Dutch agro-company LLC (Sumy region) has invested UAH 10 million of own funds in the launch of a milk farm in Chapliyivka of Sumy region.

According to a report on the website of Sumy Regional Administration, the company finished building the cowhouse with a milk pipeline for 226 cows.

The company's director, Vitaliy Hudymenko, said that today the farm has 718 heads of cattle, including 338 cows. In 2015, UAH 6.8 million was invested in the development of the facilities.

According to the state register of companies and individuals-businesspeople, the founders of Ukrainian-Dutch agro-company LLC are Dutch Elzasel B.V. and Bontrup Ukraine. ■



NGER EXPANDS UKRENERGO'S 2015 INVESTMENT PROGRAM BY 45.6%

Ukraine's National Commission for Energy, Housing and Utilities Services Regulation (NGER) has expanded the investment program of national energy company Ukrenergo by 45.6% or UAH 2.179 billion, to UAH 6.959 billion (VAT not included).

Commission Head Dmytro Vovk said that the extension of the investment program would entail an increase in the electricity tariff for industrial consumers of within 1%, although in the medium-term outlook the tariff would be decreased thanks to work being completed. Ukrenergo acting Director General Yuriy Kasich said that the increase of expenses in the 2015 investment program by UAH 2.179 billion is less than 35% of expenses foreseen in the draft development plan of the average annual needs of the company.

"Out of 36 electrical devices that are to be installed at facilities of trunk power line network, according to the proposed changes to the investment program, 19 units are new equipment to realize power line development programs [including one unit to be in reserve], eight units

is the replacement of damaged equipment and nine units is the replacement of equipment in the unsatisfactory state," he said.

"The technical state of equipment of truck power lines and interstate power lines today are highly deteriorated. Around 70% of main equipment of power substations has operated for their life cycle of 25 years and requires urgent replacement. The further exploitation of equipment over their life cycle increases maintenance and repair expenses," he said.

Ukrenergo operates mainland and inter-state power transmission lines, as well as centralized control of the national power grid. The company is state-owned and controlled by the Coal Ministry.

The National Commission for Energy, Housing and Utilities Services Regulation regulates the activity of monopoly entities in the fields of energy, heating supply, central water supply and drainage, oil and gas industries, solid waste treatment, and implements state price and tariff setting policies in these sectors. ■

The Ukrainian League of Industrialists and Entrepreneurs (ULIE) is the largest union of business associations and individual enterprises in Ukraine with its members ranging from vertically integrated corporations to small and medium enterprises (SMEs). For already more than 20 years the League's key mission is to promote and protect interests of the Ukrainian business within Ukraine and beyond. With its central offices in Kyiv, ULIE manages 28 regional subsidiaries, 73 branches, 22 representative offices and 34 commissions on key sectors of the economy. The League is also a signatory to 155 international agreements on cooperation and has representative offices in 21 countries, including Representative Office in the EU in Brussels.

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