



# UKRAINE

## OPEN FOR BUSINESS

Biweekly news digest

13 July 2018

## Bill on exit capital tax registered in parliament



Ukrainian President Petro Poroshenko has submitted a bill on exit capital tax to the Verkhovna Rada. According to a posting on the official website of the parliament, bill No. 8557 amending the Tax Code of Ukraine regarding exit capital tax was registered in the Rada on July 5.

As reported, Poroshenko at a meeting with representatives of business in Kyiv on July 4 said that Poroshenko has signed and intends to register a bill on exit capital tax in the Verkhovna Rada in the near future. He said that the bill, if adopted, will take effect only jointly with compensators for revenue of the national budget.

## HEADLINES



GENERAL ELECTRIC SIGNS CONTRACT WITH DTEK



BROOKFIELD & PARTNERS FROM CANADA JOINS IT PARK PROJECT IN UKRAINE



CHINESE MANUFACTURER INTERESTED IN JOINT PRODUCTION OF ELECTRIC BUSES IN UKRAINE



UKRAINIAN COMMERCIAL VEHICLE MARKET GROWS CONSIDERABLY IN JAN-JUNE



GLOBAL OPERATOR OF PORT SERVICES P & O MARITIME ENTERS CHORNOMOTSK SEAPORT



AGCO WANTS TO BOOST UKRAINIAN AGRI MACHINERY MARKET SHARE TO 20%

## Vitali Klitschko to hold exhibition fight against Lennox Lewis in Kyiv



Kyiv Mayor Vitali Klitschko, who was crowned the “Eternal World Heavyweight Champion” by the WBC, will again fight former world champion Lennox Lewis as part of the 56th WBC Congress to be held in Kyiv from September 30 to October 5, 2018. “This will be an exhibition fight, which will be held as part of a charity auction. The details of the auction and the format of the bout have not been publicized yet,” reads a report posted on the website of the official fan club of the Klitschko brothers.

A well-known fight between Klitschko and Lewis took place on June 21, 2003. A dramatic bout was stopped by the doctor after the Ukrainian boxer sustained a deep cut above his left eye. Klitschko was ahead 58-56 on the scorecards when the fight was stopped. Lewis defended his champion title thanks to that victory, a rematch was not held, and the Briton soon ended his career.

---

## Parliament passes bill on resumption of lending

Ukraine’s Verkhovna Rada passed at second reading bill amending some Ukrainian laws regarding resumption of lending. According to a posting, the adoption of the document would ensure the solving of existing problems creating systemic obstacles for resumption of lending to the economy and bringing additional risks for operations of national and foreign investors.

“In the conditions of the enhanced protection of rights of creditors banks would be able to announce more balanced requirements to borrowers. This, of course, would help to spread lending, cut the cost of borrowed funds and ease the access to bank products for economic entities and natural persons,” the NBU said.

---

## Volume of industrial products sold in Ukraine 18% up in Jan-May

The volume of sold industrial products (goods, services) in January-May 2018 stood at UAH 1.015 trillion, which is 18.1% more than in January-May 2017, in particular the volume sold abroad was worth UAH 284.354 billion, the State Statistics Service has reported.

According to the agency, in May 2018 compared to May 2017 the index of turnover of sold production grew by 20.8%, and by 6.1% compared with April 2018. Sales in extractive industry in May 2018 compared with May 2017 grew by 18.2% (0.2% compared with April 2018) and in processing industry – by 21.4% (7.3%).

In the total volume of sales, the largest share accounted for processing industry (63.4%), the supply of electricity, gas, steam and air conditioning (21.3%), metallurgical production (18.9%), production of cast iron, steel and ferroalloys (14.5%), mining and quarrying (14.3%) and

As reported, in 2017 industrial products (goods, services) worth UAH 2.153 trillion were sold, which is 21.9% more than in 2016.

## National Bank studying expediency of issuing electronic hryvnia

The National Bank of Ukraine (NBU) is technically ready to issue the electronic hryvnia, although the central bank continues studying the expediency of issuing it, head of the financial sector reform department at the NBU Yevhen Stepaniuk has said. "A pilot project on the technical issue of the electronic monetary unit of Ukraine has been launched. From the technical point of view, there is a high level of readiness, but from the point of view of the expediency of issuing and going beyond the pilot's limits, this issue is still being studied," he said.

As reported, at the end of 2016, the NBU launched a research project on the possible introduction of e-hryvnia – the national currency based on blockchain technology.

According to the regulator, e-hryvnia can allow minimizing transaction costs for transferring money from one player in the payment market of Ukraine to another and simultaneously to conduct them with almost instantaneous speed.

---

## Turboatom and Japanese Toshiba sign memorandum on turbines modernization



Kharkiv-based JSC Turboatom and Japanese Toshiba Energy Systems & Solutions Corporation have signed a memorandum of understanding in the field of nuclear energy, the press service of SE NNEGC Energoatom has said. The companies agreed on the beginning of cooperation aimed to implement projects of turbine equipment modernization of machine halls at nuclear power plants (NPPs), it said.

"The cooperation between Turboatom and Toshiba will be based on high potential and great experience of both companies in studying and realizing new engineering and technical solutions in the field of nuclear energy," the press service said in a statement.

According to Turboatom's CEO Viktor Subotin, his company together with Toshiba will soon determine priority projects and will be able to agree on a plan of joint actions at the 10th International Economic Forum in Kharkiv in September.



***"The signed memorandum is a step that gives the possibility to contribute to the uprate of energy equipment for Ukrainian NPPs as well as for nuclear energy facilities in other countries," Vice President of Toshiba Energy Systems & Solutions Corporation Goro Yanase said.***

As reported, a memorandum of understanding in the nuclear power industry was signed between Energoatom and Toshiba Energy Systems & Solutions Corporation in October 2017 to develop cooperation on the modernization of turbines and generators at Ukraine's nuclear power plants.

Turboatom is the only manufacturer of turbine equipment for hydro, thermal and nuclear power plants in Ukraine. It exports commodities to 45 countries and regions in Europe, Asia, America and Africa.

## General Electric signs contract with DTEK



General Electric (GE) has signed a contract with DTEK to supply high-voltage equipment for the 150 kV central power distribution station and two 150/35/10 kV substations, which would ensure the transmission of electricity from the first stage of Prymorska wind farm (Zaporizhia region) to the Ukrainian power grid, the press service of the Ukrainian energy holding has reported.

"The innovative technology "digital substation" will be used at the wind farm... The digital substation technology allows making real-time assessment of the state of equipment and automatically reacting to deterioration or malfunctions. This relaxes maintenance of the substation, implementing it as soon as the event occurs and without scheduling repairs," DTEK said.

As reported, GE Renewable Energy will supply 26 wind turbines with a capacity of 3 MW each for the first stage of Prymorska wind farm and maintain them after the delivery. The turbines will be delivered to Ukraine and installed in 2018. The first stage would be launched in 2019.

DTEK was established in 2005 to manage the energy assets of System Capital Management Group (SCM, Donetsk) belonging to Rinat Akhmetov.

## Number of energy efficiency loans increases in Ukraine

Apartment building co-owners associations are demonstrating a growing interest in energy efficiency measures in 2018 compared to last year, as evidenced by the results of June, the State Agency for Energy Efficiency and Energy Saving has said. "More than 300 apartment building co-owners associations raised UAH 90 mln in energy efficiency loans this June, which is five times [or 80%] higher than last June. Around 90 associations received UAH 18.5 mln in energy efficiency loans then," the state agency's press service reported on July 8, 2018. The agency also said that the monitoring of the program implementation has shown homeowner associations' greater interest in getting energy efficiency loans as well as their growing trust and confidence in the mechanism of co-financing energy efficiency measures. Some 930 homeowner associations raised UAH 260 mln in energy efficiency loans over two and a half months in 2018, which is almost twice as much as UAH 140 mln – the sum of money they received for heat insulation projects throughout 2017.

### Business Partner Compliance Check

Apply to the only  
authorized partner of  
**D&B**

**+38 (067) 232-00-42**

**urakin@interfax.kiev.ua**

**Make your business safe!**

## Two companies founded by American and Lithuanian citizens to build wind power plants in Odesa region

Ukraine Power Resources and Yuzhne Energy intend to build wind power plants with an installed capacity of 120 and 72 megawatts in the Lymansky district of Odesa region, the press service of the Ukrainian Wind Energy Association (UWEA) has said, following the signing of a memorandum between these companies and Odesa Regional State Administration.

According to UWEA estimates, the total investment in these two projects will be about EUR 270 million. The press service did not say when the projects would be implemented. Ukraine Power Resources was founded by American Peter A. Gish and Yuzhne Energy by Lithuanian Egidijus Simutis.

---

## EIB to grant Ukraine EUR 75 mln loan for road safety



Ukraine and the European Investment Bank (EIB) on the margins of the Ukraine-EU summit in Brussels on Monday signed an agreement on the allocation of a EUR 75 million loan for the implementation of the project on improving road safety in Ukrainian cities. "The EIB allocates EUR 75 million, which will be received by five largest cities in Ukraine – Dnipro, Kyiv, Lviv, Odesa and Kharkiv," the press service of Ukraine's Deputy Prime Minister for European and Euro-Atlantic Integration Ivanna Klymush-Tsintsadze reported.

The EIB said in a press release due to the signing of the agreement that in addition to the loan, an EU grant of EUR 4.25 million will be provided as part of the so-called Neighborhood Investment Facility (NIF), allocated for the preparation of the project, development and monitoring.

The executor of the project is the Ukrainian Infrastructure Ministry, and the recipients of financial assistance from the EIB are the authorities of these cities. Investment will be directed to eliminate the most dangerous sections by creating better interchanges and modern transport systems, as well as improving intersections and updating the road infrastructure, the bank said.

# Brookfield & Partners from Canada joins IT park project in Ukraine



Canada's Brookfield & Partners has headed a consortium of investors who joined a project to build a first stage of Innovation District IT Park in Lviv with gross area of 10 ha. The cost of the project is \$160 million. An Interfax-Ukraine correspondent has reported that investors jointly with Canadian ambassador to Ukraine Roman Waschuk, Lviv Mayor Andriy Sadovy and Lviv IT Cluster representatives, who would be the future tenants of the park, took part in the groundbreaking ceremony.

Founding Partner & CEO of Horizon Capital Lenna Koszarny told Interfax-Ukraine that the funds managed by Horizon Capital are among consortium investors. She said that a design company has been created. It owns a part of the land parcel where the project will be implemented.

Developer and investor of Innovation District IT Park, owner of Galereja Centre Volodymyr Zhenchak said that in coming months the design company plans to buy the rest of land parcels for the project. Today these parcels are leased. He also said that leasing arrangements for over a half of the area of the IT park have been made with the future tenants of the park.

He said that the first stage would be over 160,000 square meters, although it is incorrect to assess the project only in terms of square meters.

"How could 3 ha of green areas be assessed? The main thing is that the project would give 14,000 jobs," he said. The shares of the current participants of the project are not disclosed. The construction of the first stage of the IT Park will last about 2.5 years, which will cover about 90% of the entire project, and the first round of investment will reach \$95 million. The second stage of the IT Park provides for the construction of business centers and will last about five or six years. Six eight-storey Class A office buildings, three business centers, a hotel (5,700 square meters, 150-200 rooms), a kindergarten (2,000 square meters), a university (6,000 square meters), a health club, and a parking lot for 3,167 cars are to be built under the project.

SoftServe, N-iX, GlobalLogic, Intellias and Perfectial will be first residents of the Innovation District IT Park. They will occupy about 50,000 square meters of office space.

In addition, Lviv IT Cluster plans to open modern IT labs there that will be available to IT students of all Lviv-based universities.

Brookfield Asset Management is the largest Canadian investment company with widely diverse asset portfolio and a 115 year-long history. The company specializes in infrastructure and real estate operations, renewable energy, and direct investments.

## France's Auchan to open new format stores in Ukraine in July



Auchan Retail Ukraine, part of France's Auchan Holding, in July 2018 would open first proximity stores under the My Auchan brand in Ukraine, where Click and Collect points would be installed.

***"Auchan continues expansion into Ukraine. Now the company has 22 hypermarket and superstore formats and will soon open the first proximity stores under the My Auchan brand," the company said.***

The press service said that stores My Auchan will include their own cooked products, baked products and a cafe.

"In addition to a broader and more diverse range of products, there will also be free Wi-Fi and mobile charging points in the shops. Another feature of My Auchan stores will be the Click and Collect goods outlet, which will allow customers to order online the entire nonfood range of goods represented in the Auchan hypermarkets and get them in their proximity shop," the company said.

## Ukraine's housing stock totals 984.8 mln square meters of space

Ukraine's housing stock as of January 1, 2018 totaled 984.8 million square meters of space, which is 0.7% or 6.9 million square meters more than as of January 1, 2017.

The State Statistics Service has reported that the figures are presented, not taking into account the temporarily occupied territory of Crimea and Sevastopol and certain areas of Donetsk and Luhansk regions.

According to the report, 60.9% or 599.4 million square meters of housing space was located in urban areas.

The share of apartment-type houses was 98.4% of the entire housing stock, while the share of shared apartment-style housing space and housing space in nonresidential buildings was 1.6%.

According to the report, as of January 1, 2018, there were 17 million apartments in Ukraine, and the share of one-room apartments was 19.5%, two-room apartments – 36.6%, three-room apartments – 32.6% and four-room and larger apartments – 11.3%.

### Business Partner Compliance Check

Apply to the only  
authorized partner of  
**D&B**

+38 (067) 232-00-42

[urakin@interfax.kiev.ua](mailto:urakin@interfax.kiev.ua)

**Make your business safe!**

## IKEA officially announces hiring campaign for its first store in Kyiv



Swedish company IKEA, the world's largest retailer of furniture and household goods, has officially announced a hiring campaign for its first store in Ukraine.



***“The company is recruiting staff to work in a store in Kyiv, which will become one of the world's first IKEA stores of a new format,” IKEA told the Kyiv-based Interfax-Ukraine news agency.***

The company did not say where the first store will be located, but noted that it will have a city format. “More details about the city store in Kyiv, its location, assortment of goods and benefits the company will be given out in the near future,” the company said. As earlier reported, Ukrainian job agencies announced vacancies at IKEA's city store in Kyiv last week. The report of the Swedish retailer for 2017 says that the company is testing a new city store format, one with a smaller area and closer to the city. As was announced earlier, IKEA plans to open stores with an area of up to 5,000 square meters in Warsaw's Blue City shopping and entertainment mall (Poland) and in the center of Paris (France). They will stock a smaller assortment of goods, with emphasis shifted to online commerce services. As reported, in December 2017, IKEA announced plans to open the first facility in Kyiv within two years.

---

## Russian company sells three construction materials plants in Ukraine to Czech Sweetondale

Czech Sweetondale has finalized a deal to acquire three construction materials plants from Russia's Technicol and seeks to invest EUR 3.5 million in modernization of Cherkasy-based Techno Plant, Sweetondale CEO Tichomír Lelovics said during a press tour at the enterprise on Wednesday. He said that the company closed the deal to buy the mineral insulation plant in Cherkasy and two plants producing polymeric insulation and bituminous-mineral materials in Kamianske in February 2018.



***“In the near future, investments are planned around EUR 3.5 million in Techno Plant in Cherkasy. A special emphasis will be placed on improving the quality of products and increasing production,” Lelovics said.***

According to Oleh Khodakovsky, the director of the Techno Plant, investments will allow to increase production by 10-15%. According to him, for January-May 2018 the plant produced 600,000 cubic meters of mineral wool and it is boosting production in the period of preparation for the heating season. According to Khodakovsky, by now the company's share of the Ukrainian mineral thermal insulation market is 41%.

## Chinese manufacturer interested in joint production of electric buses in Ukraine

Chinese manufacturer of dual-layer capacitors Shanghai Aowei Technology Development Co. is interested in creating a joint production base for manufacturing electric buses at the Chernihiv Automobile Plant (ChAZ) of the Etalon Corporation, the press service of the Chernihiv City Council has informed. Representatives of the Chinese company met with city mayor of Chernihiv Vladyslav Atroshenko last week, prior to visiting the Chernihiv trolleybus management company for the general condition of the enterprise, trolleybus depot and networks, as well as the Chaz to study its capabilities to create a base for the production of electric buses.

Representatives of the Chinese company noted that they have similar successful experience with Belarus.

According to the message, a representative of the company Hua Lee noted the potential of the ChAZ to create such a base and said that soon negotiations would be held with the management of the plant to make a final decision on joint production.



***“We want to introduce our technologies together with the local manufacturer. We would like to create a production base, as we did it in Belarus,” the press service quoted Hua Lee as saying.***

Shanghai Aowei Technology Development intends to send a group of designers to Chernihiv in late July and early August to research the existing contact network and the state of public transport, then provide reports and options for resolving these issues in a comprehensive manner. Shanghai Aowei Technology Development is an export-oriented enterprise specializing in the development, manufacture and sale of electric double-layer capacitors and ultra capacitors which was established in 1998. They are used in the construction of electric motors and other electronic equipment for electric buses. It exports its products mainly to Asia.

---

## Ukrainian commercial vehicle market grows considerably in Jan-June



The new commercial vehicle market in Ukraine (including trucks) grew by 24% in January-June 2018 year-over-year, to 6,400, the Ukrautoprom association has reported. In June, the market grew by 38% year-over-year, to 1,241 vehicles. Renault vehicles sales grew by 19%, to 1,174, being first in the number of vehicles sold. Citroen is second with 588 vehicles sold (a 3.5-fold rise). Fiat is third with 3% growth, to 573 vehicles. Ford is fourth with 555 new commercial vehicles sold (28% more), and Belarusian MAZ is fifth with 503 vehicles sold (64% up). In June alone, Renault vehicles were also most popular with 244 registered vehicles (almost 30% more than in June 2017). Mercedes-Benz is second with a 53% rise on June 2017 and a 2.2-fold rise on May 2018. Fiat is third with 111 vehicles sold (30.6% up on June 2017), Ford is fourth with 88 vehicles sold (1% up) and MAN was fifth with 79 vehicles registered (18% up).

Ukrainian commercial vehicles are seen in the top twenty most popular vehicles only with ZAZ brand (13 vehicles sold compared with 21 in June 2017 and seven in May 2018).

## Borschahivka pharmaceutical plant to invest UAH 176 mln in production of pills and capsules

JSC Research and Industrial Center Borschahivka chemical and pharmaceutical plant plans by the end of 2018 to invest UAH 176 million, including in the completion of the upgrade of the new production line. "We invested UAH 76.9 million in development in 2017. Until the end of 2018, we intend to invest UAH 176 million in the production update. This money will go, including, to complete the construction of a new site for the production of pills and capsules, the launch of which is scheduled for 2019," Director General of the plant Yulia Zdarevska told Interfax-Ukraine.

She said that the capacity of the new workshop will be 500 million pills and capsules, which will increase the total production capacity of these dosage forms by 27%.

Zdarevska also said that in the fourth quarter of 2020, the plant plans to put into operation a finished goods warehouse for 5,000 pallet positions.

In addition, she recalled the company's plans to expand the geography of exports and establish relations with foreign partners, invest in the development and conduct of research.

---

## Global operator of port services P & O maritime enters Chornomotsk seaport



P & O Maritime Ukraine, a subsidiary of the global operator of port services P & O Maritime, providing tugboat services at the Yuzhny port since early 2018, has started providing these services in the Chornomorsk seaport (both based in Odesa region).



***"Thus, now the company is present in two largest seaports of Ukraine – Yuzhny and Chornomorsk," P & O Maritime Ukraine said.***

According to the report, the company sent three tugboats to the Chornomorsk seaport, and their crews also consist of employees of the Chornomorsk port fleet.

P & O Maritime Ukraine Director General Mykhailo Sokolov said that the arrival of the company to the Chornomorsk port would help to increase the quality of services in the port.

As reported, in January 2018, P&O Maritime, a fully owned subsidiary of DP World Group, received control over LB Shipping company and started providing tugboat services at the Yuzhny port. The co-investor of the deal was SD Capital investment company belonged to Andriy Stavnitser and Filip Hrushko.

## Largest sugar producer to open three new silos in Poltava region

Astarta agroindustrial complex, the largest sugar producer in Ukraine, in July will launch three grain storage complexes in Poltava region: Yareski grain silo (with the capacity of 100,000 tonnes), Lutovynivka grain silo (100,000 tonnes) and Skorokchodove grain silo (30,000 tonnes)

According to the press release of the company, total CAPEX for the projects was around EUR 32 million.

"Two intake lines with 150 mt/hr capacity each are in operation at Yareski and Lutovynivka silos and one 150 mt/hr line at Skorokchodove silo. All are equipped with an automatic control system and necessary transport infrastructure," the company said.

The new silos are to operate starting from this harvesting campaign. New facilities are aimed to cover both Astarta subsidiaries' and local partners' needs.

---

## AVK confectionary enters Malaysian market

One of the largest confectionary producers in Ukraine AVK Confectionary has supplied first 50 tonnes of its products to Malaysia, the company's press service has reported. "AVK is one of the first Ukrainian confectionery companies that supplied chocolate products to the Malaysian market. We have already carried out the first three deliveries of sweets and are working on the next orders," Deputy Director General for Strategic Development of the company Andriy Radchuk said in the message.

The company plans to develop this direction, gradually increasing its sales volumes. As reported, AVK group of companies was founded in 1991. Now it produces goods at a confectionery factory in Dnipro.

---

## MHP invests \$300 mln in poultry farm



Myronivsky Hliboproduct (MHP) early July launched the second line at Vinnytsia poultry farm, the company's press service has reported. According to the report, total investment in the second line was \$300 million.

The company said that at present, production at the farm is around 280,000 tonnes of poultry a year. By 2020 it is planned to boost it to 560,000 tonnes.

Myronivsky Hliboproduct is the largest poultry producer in Ukraine. It is also engaged in production of grains, sunflower oil, and meat.

MHP supplies cooled semi-carcasses, which are processed, including at its enterprises in the Netherlands and Slovakia. The company's land bank as of late 2017 was around 370,000 ha. The founder and majority shareholder in MHP is Ukrainian businessman Yuriy Kosiuk.

# AGCO wants to boost Ukrainian agri machinery market share to 20%



AGCO, a global leader in production and delivery of agricultural machinery and equipment, seeks to occupy 20% of the Ukrainian imported agricultural machinery market in three years. "Last year we finished with the 9% share of the Ukrainian market of foreign agricultural machinery, and by 2018 we are planning to reach the market share that will have a two-digit number, and with favorable business conditions we plan to reach around 15% of the market by the end of this year. And in three years they are going to have 20% and this will be an excellent result," Senior Vice President and General Manager of AGCO in Europe and the Middle East Rob Smith said in an exclusive interview with Interfax-Ukraine.

According to him, in 2016-2017, the market of agricultural machinery in Ukraine tripled, and last year hit a record for the supply of imported equipment during the country's independence.



***"According to our forecasts, in the coming years the market for foreign brand tractors in Ukraine will increase to 4,000 units," Smith said.***

The vice president of the company said that currently AGCO in Ukraine is represented by its main brands Fendt, GSI, Massey Ferguson and Valtra. In addition, by the end of 2018, the tracked tractor Fendt 1100 MT will be introduced, and in 2019 the company plans to introduce the Ideal combine harvester on the Ukrainian market.

Kyiv International Economic Forum – KIEF – is a new major international conference focused on the future of economic development. Held annually in Kyiv, it is not just an event about or for Ukraine, but an innovative forum that covers the global agenda. KIEF has been envisioned to become a leading discussion platform at an intersection of civilizations based in the capital of the biggest country in Europe.

This year Kyiv International Economic Forum supported by the Prime Minister will take place on October 18 – 19, 2018.

Forum Organizing Committee:

[info@forumkyiv.org](mailto:info@forumkyiv.org) or +38 (044) 496 30 36

[www.forumkyiv.org](http://www.forumkyiv.org)

[www.facebook.com/kyiveconomicforum](https://www.facebook.com/kyiveconomicforum)

The Interfax-Ukraine News Agency has been working on the Ukrainian market for political and economic information since 1992. Currently, the agency offers over 50 economic, financial and political information products in four languages – Ukrainian, Russian, English and German. According to the GfK-Ukraine International research company, Interfax-Ukraine is the leader in all of the key operational indicators among the news agencies in Ukraine.

Maksim Urakin is a project director of the Biweekly news digest of KIEF.

Contact Info:

[urakin@interfax.kiev.ua](mailto:urakin@interfax.kiev.ua) or +38(044) 270 65 74

[info@open4business.com.ua](mailto:info@open4business.com.ua)

[www.interfax.com.ua](http://www.interfax.com.ua)

## SUBSCRIBE FOR UPDATES

