



UKRAINE
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Zelensky about recipe of making Ukraine rich: not to interfere with business, invest in education, technologies

Ukrainian President Volodymyr Zelensky has said about his vision of how to make Ukraine the really rich country and called on business to invest money, time and ideas in Ukraine.

"We are carefully studying the experience of countries that are successful. We understand that they, first of all, invested in education, technology and infrastructure. Ukraine will do the same. Therefore, the role of the state in the economy in the next five years will be reduced to three things: do not interfere business; to build an excellent infrastructure for business and create conditions for doing business in Ukraine was simply convenient; third, focus on education, science and technology," he said at a meeting with the business community in Kyiv.

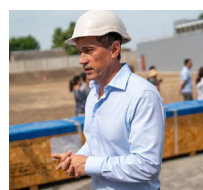
The president said that "to turn from a poor country into a middle-income country is not so difficult." "The recipes are simple, success stories are known. All these is a mandatory program for us, and we will do it in the next five years," he said.

"Half a year ago I decided to invest the most precious thing I have – my time – in Ukraine. I urge you to do the same: invest time, money, ideas in Ukraine. Let's change Ukraine together!" Zelensky said, addressing business at the end of his speech.

HEADLINES



DRAGON CAPITAL PLANS TO FINALIZE DEALS WORTH \$250 MLN IN 2019



BUSINESSMAN VASYL KHMELNYTSKY PLANS TO INVEST IN COMPOSITE PLANT CONSTRUCTION



ITALY'S ERNST AIRLINES TO OPEN OFFICE IN KYIV AND PLANS TO INVEST EUR 100 MLN IN UKRAINE



\$140 MLN MALL TO BE LAUNCHED IN KYIV



LVIV IT CLUSTER LAUNCHES REGIONAL INVESTMENT FUND



UKRAINIAN GRAIN PRODUCTION WILL INCREASE TO 94 MLN TONNES THIS YEAR

President of Ukraine discusses with owner of Viber opening company's office in Kyiv



President of Ukraine Volodymyr Zelensky and founder of the Japanese Internet company Rakuten Hiroshi Mikitani have discussed plans to enhance the company's presence in Ukraine, in particular the expansion of the office in Odesa and the opening of a new office in Kyiv. Zelensky and Mikitani met on June 25, the presidential website said.

In Ukraine, Rakuten is best known as the owner of the Viber service.

Hiroshi Mikitani says Ukraine is a priority market for Rakuten. He expressed his willingness to support the idea of increasing the number of investment projects from Japan.

He also approvingly responded to Zelensky's initiative "The State in a Smartphone" and expressed a desire to cooperate closely under this project, since Viber is an integral part of the smartphone of most Ukrainians.

Following the meeting, Zelensky invited Mikitani to join the National Investment Council whose secretary is IT entrepreneur David Arakhamia.

Growth of Ukraine's GDP in Jan-March 2019 was 2.5%

The growth of Ukraine's gross domestic product (GDP) in January-March 2019 was 2.5% compared to the same period in 2018, the State Statistics Service has reported, while according to its preliminary estimate made in mid-May this figure was 2.2%. According to statistics, GDP growth in the fourth quarter of 2018 was 3.5% and 3.3% in general for 2018.

According to the State Statistics Service, real GDP in January-March of this year (taking into account the seasonal factor) rose by 0.3% compared with the previous quarter.

The service said that nominal GDP for the first quarter of 2019 amounted to UAH 807.8 billion, while the figure per capita stood at UAH 19,179, the change in deflator was 11.7%.

In early May, the National Bank estimated GDP growth in the first quarter of this year at 2.4%, and the Ministry of Economic Development and Trade somewhat later at 2.2%.



At the end of April, the NBU confirmed the forecast for GDP growth for 2019-2021. According to its expectations, this year it will slow down to 2.5%, and in 2020-2021 it will accelerate to 2.9% and 3.7% respectively.

In early April of this year, the Ministry of Finance announced that the Ministry of Economic Development and Trade had worsened the forecast for Ukraine's GDP growth to 2.8% in 2019, while the national budget for this year was approved on the basis of the forecast of economic growth by 3%.

Public union “All-Ukrainian Platform of Donbas” and Yulia Tymoshenko's party agree on joint actions to help IDPS

The public union “All-Ukrainian Platform of Donbas” and Yulia Tymoshenko's Batkivschyna party have signed a memorandum of cooperation in lawmaking in the newly elected parliament: human rights activists and MPs committed themselves to jointly lobby bills to help solve the problems of Donbas residents and displaced people. The signing of the memorandum took place on June 20, 2019 on the World Refugee Day. The document provides for the development and consolidation of the state strategy of assistance to the residents of Donbas, the gradual implementation of a comprehensive policy to restore peace and territorial integrity of Ukraine.

“The aggressive attitude towards people, inattention, and detachment from problems is unacceptable. The new government is obliged to view it in a completely different way and take real steps to help all its citizens,” Tymoshenko believes.



“The pressing issues for Ukrainians from Donbas are: the lack of permanent housing, restrictions in the passing of the contact line, legislative gaps in the issuing of identity documents, non-payment of pensions,” head of the All-Ukrainian Platform of Donbas Hennadiy Borysychiv said.

The parties agreed on the need to create an international fund for the restoration and development of Donbas, where donor funds will be used exclusively for the intended purposes.

“Over the past five years, international donors have provided the Ukrainian authorities with about \$1 billion in assistance to support the affected residents of Donbas and damaged infrastructure. However, they were inefficient: some money was stolen, and some were simply redistributed to other state needs, which is a crime against affected people. In addition, it undermines the credibility of donor states to Ukraine,” Borysychiv said.

The All-Ukrainian Platform of Donbas is a public union that united organizations and coalitions of internally displaced persons in order to protect and restore their rights.

Capital returns of Ukrainian banks exceed 20% in 2019

Capital returns of banks in 2019 would considerably exceed 20%, which is the contingent standard for banking sectors of emerging countries, Director of the Financial Stability Department Vitaliy Vavryschuk said at the presentation of the financial stability report.

“In the first five months, the profit is already more than for entire 2018 in January-May 2019, the net profit of banks was UAH 23.4 billion. We are confident that capital returns of banks in 2019 would considerably exceed 20%, which is the contingent standard for banking sectors of emerging countries. We do not see any risks to profitability in subsequent quarters,” he said.

According to Vavryschuk, banks should use high profits to form the capital stock. In the coming years, capital requirements will be toughened substantially: it will be necessary to form capital conservation and systemic importance buffers (for systemically important banks), as well as to cover operational and market risks with capital (now only credit risk is covered with capital),” he said.

Cancellation of mandatory sale of currency by business to entail active use of derivatives – Evris Law Firm

The decision of the National Bank of Ukraine (NBU) to cancel mandatory sale of currency by business could result into active use of derivatives, such as forwards, futures, options, and swaps, Senior Associate Lawyer of Evris Law Firm Kateryna Breduliak has said. She recalled that the regulation on mandatory sale of 30% of currency on the interbank currency market was canceled on June 20, 2019. Mandatory sale of currency from clearing accounts was canceled on June 19, 2019.

Breduliak said that the NBU's decision to cancel mandatory sale of currency was "rather predictable" taking into account the law on currency and currency transactions, which took effect on February 7, 2019, as well as the NBU's course towards currency liberalization.

"Despite another relaxation of currency rules by the NBU, several approved currency liberalization measures have no significant effect on the financial market. However, the regulator took a timely decision as long as demand for U.S. dollar and at the same time for currency earnings is expected in summer," the lawyer said.



"Bankers also hope for improvement as long as businesses will transfer currency in Ukraine more actively because now they can withdraw it any time," expert said.

The lawyer stressed that "in such situation it will be much more difficult to make dollar rate forecasts and the volume of currency on the market is also unknown."

Breduliak added that "cancellation of mandatory sale of currency will not have a dramatic effect on businesses." "For example, take an agricultural company. The farmers need hryvnias to prepare for the sowing campaign. Hence, there is no point in holding currency back and the agricultural company anyway has to sell currency to insure its further work," she said.

Ukraine calls on Black Sea Trade and Development Bank to expand presence in country

First Deputy Prime Minister and Economic Development and Trade Minister Stepan Kubiv at the annual meeting of the Board of Governors of the Black Sea Trade and Development Bank (BSTDB) has called the bank to increase financing of projects in Ukraine commensurate with the country's contribution in the bank's share capital, the Economic Development and Trade Ministry has reported on its website.

"It is important that the Board of Governors expands the activities of the bank and in 2018 approved 28 new projects worth EUR 569.7 million. At the same time, it is important that the active portfolio in Ukraine corresponds to the level of our contribution to the share capital of the bank, that is, 13.5% rather than 6% as we see today," the ministry's press service said, citing Kubiv speaking in Istanbul (Turkey).

He also proposed holding the 22nd annual meeting of the BSTDB in Ukraine in 2020.

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Dragon Capital plans to finalize deals worth \$250 mln in 2019

Dragon Capital Group plans to finalize deals worth \$250 million by the end of 2019, Dragon Capital CEO Tomas Fiala has said.

"We have several deals at the completion stage that we will finish anyway. Before the presidential elections we closed deals that we already had on the pipeline for six months or a year. We did not work on the new pipeline because we wanted to see what the outcome of the elections will be. So far, everything that President Zelensky and his team are doing does not scare us..." Fiala told Interfax-Ukraine on the sidelines of the RAU Investment Forum 2019 in Kyiv.

He said that the company has now resumed the process of creating a pipeline and plans to close about 10 deals in real estate and private equity by the end of this year.

"Within 12 months, if there are the correct appointments to the government, if the ministers suit investors, if they are clean reformers who can implement key structural reforms, if the president and the government do everything to restore the rule of law in the country, we will close about 10 transactions, and it can be an amount of about \$250 million," Fiala said.

He said that despite the rising cost of real estate offered on the secondary market, the growth potential for the company remains enormous.



"After the parliamentary elections, we and our partners can quietly double our investments in real estate and private equity in two or three years. We have invested \$500 million in the last three and a half years. With the right policy of the state, we can invest up to \$1 billion," he said.

In particular, according to Fiala, Dragon Capital is interesting, first of all, in warehouse and office real estate. He predicts further growth in rental rates in these segments due to limited new supply.

"In the warehouse real estate segment it will not make sense to build new facilities until the rates increase by 20%," he said.

According to Fiala, since 2015, Dragon Capital has acquired 22 properties with a total area of 620,000 square meters in different segments. "Half of this portfolio is warehouses, and more than 150,000 are offices, as well as commercial real estate... This is a big load on our resources... We had to create a real estate management team from scratch – more than 100 employees. The portfolio shows an increase in operating income of 10-15%. This year, growth may be even higher," he said.

Businessman Vasyl Khmelnytsky plans to invest in composite plant construction

The UFuture investment group of Ukrainian businessman Vasyl Khmelnytsky plans to invest \$2.5 million in construction of a composite plant in the Bila Tserkva industrial park within two years. "We together with Volodymyr Khmurych director of the Bila Tserkva industrial park laid the capsule of the new plant in the industrial park. Here in six months there will be a composite plant. In America, composite materials have already replaced metal by 15-17%," Khmelnytsky wrote on his Facebook page.

According to him, the plant intends to create 100 jobs.

He recalled that this will be the second plant in the Bila Tserkva industrial park, and by the end of the year it is planned to build three more. As reported, the first plant in Bila Tserkva industrial park – Plank Electrotechnic, which will be the first in Ukraine to produce modern electrotechnic systems, was officially opened in April of this year. UFuture invested \$ 2.8 million in its creation.

Volume of construction work in Ukraine in May increases by 15.7%

The volume of construction work performed in Ukraine in May 2019 increased by 15.7% compared with May 2018, while the indicator in April 2019 compared with April 2018 rose by 29.4%. According to the agency, the volume of construction work performed in May 2019 increased by 6.3% compared with April 2019 (according to seasonally adjusted data decreased by 4.1%), while in April 2019 it dropped by 4.1% compared with March 2019.

According to the report, in May 2019 compared with May 2018 the volume of construction work decreased only in residential construction and in engineering – by 13.4% and 25.6% respectively.

Nonresidential construction in May 2019 rose by 28.9%.

Italy's Ernest Airlines to open office in Kyiv and plans to invest EUR 100 mln in Ukraine



Italy's Ernest Airlines will open its office in Kyiv this summer, and in 2020 plans to place two planes in Kyiv, according to a posting on the website of the Sikorsky Kyiv International Airport. As the airport press service said, Ernest Airlines has already invested more than EUR 30 million in the Ukrainian market over the past two years, and plans to invest more than EUR 100 million in the next two years.

"In 2020, it is also planned to place two aircraft in Kyiv. This will give even more opportunities for work to even more people in Ukraine," the airport said.



According to the airport, Ernest Airlines services 13 destinations from Ukraine to Italy. In 2018, the airline transported more than 200,000 Ukrainian passengers, and in 2019 it is planned that the number of passengers from Italy to Ukraine and back will exceed 500,000 passengers.

"This year, Ernest will open a call center in Ukraine to attract even more Ukrainian operators who will be able to more effectively help all its passengers. Ernest also employs more and more crew members who speak Ukrainian to have such specialists on all their flights," the airport said.

In addition, Ernest Airlines already has a special call center in Italy with Ukrainian-speaking employees.

Ernest Airlines is an Italian airline headquartered in Milan. The main operations center of the company is located in Tirana (Albania). The airline is a low cost carrier and serves the Italian and Albanian markets. The airline flies from Kyiv to Rome, Milan (Bergamo and Malpensa), Naples, Bologna and Genoa, and also from Lviv to Rome, Milan (Bergamo), Naples and Venice; from Kharkiv to Rome and Milan (Malpensa), and from Odesa – only to Rome.

Consumer confidence in Ukraine continue improving rapidly

The Consumer Confidence Index (CCI) equals 82.8 in May, which is 11.2 points higher than the indicator in April, the values of indices can vary from 0 to 200, according to a study by Info Sapiens.

"The second month in a row the CCI grows rapidly. In May 2019 the Index reached the level of year 2013," Info Sapiens' analysts said. They said that the CCI overcame the mark of 100 points in Kyiv.



"Such growth is the result of the voter's optimism concerning the new President installation and future Parliament elections," experts said.

The analysts said that Indices of Expected Economic Conditions next year and Expected Changes in Personal Financial Standing experienced the most significant increase. Positive consumer confidence is also the result of stable situation on the currency market which is seen as Devaluation Expectations Index decrease by 20.2 points, to 123.4, according to the study.

Index of Propensity to Consume increased by 2.4 p. and reached the indicator of 82.3. Index of Expected Changes in Personal Financial Standing increased by 15.2 points comparing to the previous month and reached 86.2. In general, in April, Index of Economic Expectations (IEE) increased by 14.5 points to the level of 90.4. Since June 2000, GfK Ukraine has conducted a household survey to determine consumer confidence in the country. Since 2019, it is being conducted by Info Sapiens with the assistance of Dragon Capital. Some 1,000 respondents are polled.

Kyiv mayor Vitali Klitschko signs memo with French Veolia company on cooperation in solid waste management

Kyiv Mayor Vitali Klitschko has signed a Memorandum with the French company "Veolia Central & Eastern Europe S.A." on cooperation in the field of solid waste management, the press service of the Kyiv city state administration has reported. "Kyiv is committed to working with reputable international companies with successful experience in implementing projects in the field of waste management. The Veolia Group is one of the world leaders in developing solutions for managing water supply systems, waste and energy. Therefore, I am pleased to announce that today we are signing a Memorandum of Cooperation with the French company Veolia Central & Eastern Europe S.A.," Klitschko said.

The mayor of Kyiv noted that the capital has clear plans for a gradual departure from the technology of dumping garbage – both from an outdated and environmentally dangerous methodology.



"We plan to build a waste recycling complex, which will have a total processing capacity of 700,000 tonnes per year and will include a sorting stage. We plan to place this waste recycling plant next to the Energia plant, which will be made ecologically safe," Klitschko said.

The plans of the mayor include developing utility-type waste sorting, transferring of recycled materials for recycling, and also he plans to create a garbage processing complex with equipment for efficient processing of organic and other fractions.

\$140 mln mall to be launched in Kyiv

Former owners of bank Aval have invested over \$140 million in the River Mall located in Dniprovskya Naberezhna in Kyiv, which will be opened for visitors next week, the co-owner of the mall, Serhiy Vovchenko, has said.

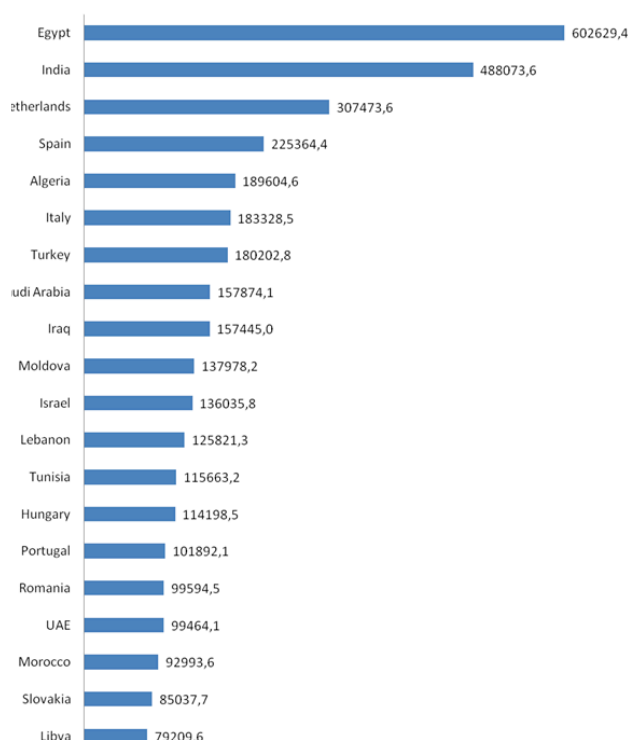
"Tenants have been working on their premises since February of this year. Next week River Mall doors will open for visitors, and the official opening is scheduled for the first decade of September, while the exact date has not yet been set. Among those 50% of tenants who will open their stores already next week is Silpo," he told Interfax-Ukraine.

According to Vovchenko, more than \$140 million have already been invested in the project.

"We did not attract foreign investment. The River Mall has seven founders from among the former owners of Aval Bank. The largest shareholder is Fedir Shpyh with a share of slightly less than 50%. Leased areas as of now are distributed by 90%. Inditex Group and H & M clothing retailers have come to us," the co-owner said.

He said that there are plans to launch the aqua park in the summer of 2020.

Ranking of Ukrainian trade partners by trade balance in thsd USD



Ukrainian corrugated packaging manufacturer attracts EUR 30 investments

Grigeo, one of the leading cardboard and wood board manufacturers in the Baltic states, which owns the Ukrainian corrugated packaging manufacturer PJSC Mena Pack (Mena, Chernihiv region), has attracted EUR30 million of investments from INVL Baltic Sea Growth Fund to develop cardboard business, according to a press release from Grigeo.

The corresponding agreement was signed on June 10 by Grigeo AB, which controls the cardboard business of the group, and BSGF Salvus, a subsidiary of INVL Baltic, and provides for phased investments of up to EUR30 million in Grigeo investicijų valdymas (a 100% subsidiary of Grigeo AB) with the acquisition of 49.99% of its shares. The transaction must be completed after the fulfillment of the contractual conditions, subject to approval by the Competition Council.

Grand Chamber of Supreme Court of Ukraine sends dispute over Corvalolum brand to court of lower instance

The Grand Chamber of the Supreme Court of Ukraine has sent the dispute over the Corvalolum well-known brand to the court of lowest instance for repeated hearing and partially satisfied cassation claims of the Economic Development and Trade Ministry of Ukraine and PJSC Farmak, annulling the ruling of the appeal court and the ruling of the court of lower instance.

Earlier, the Kyiv business court of appeals under the counterclaim of PrJSC Darnitsa Pharmaceutical Firm revoked the decision of the Appeals Chamber of the Ministry of Economic Development and Trade recognizing the designation Corvalolum as well-known.



"PJSC Farmak stands for civilized competition and for many years it has been defending its rights to the Corvalolum well-known brand. We defend our right only to the brand designation," Farmak Legal Director Dmytro Taranchuk said.

He said that "the medicine itself and its components are not protected by a patent, and it is not protected in Ukraine from the point of view of intellectual property."

"A similar medicine can be produced by any manufacturer who will prove its quality and effectiveness and undergo all the required licensing procedures. But under a different name, under its own brand," the lawyer said.

Lviv IT cluster launches regional investment fund



Lviv IT Cluster, a community of the largest IT companies, will present the first regional investment fund Lviv Tech Angels in support of start-ups in Lviv on June 28.

The goal of the new investment project is to give an incentive for the development of IT business in Lviv and Ukraine, create favorable conditions for growth of companies, and build a strong start-up culture in Ukraine, Lviv IT Cluster said on its website.



"The club of investors will bring together top managers of Lviv IT companies who would select the best Ukrainian start-ups for investment, mentoring, and consulting. Intellias co-founder and COO Mykhailo Puzrakov, Sigma Software co-founder Volodymyr Chyrva, and N-iX CEO Andriy Pavlov are the initiators of the projects," reads the statement.

As reported, Canada's Brookfield & Partners headed a consortium of investors who joined a project to build the first stage of Innovation District IT Park in Lviv with gross area of 10 ha. The cost of the project is \$160 million.

DTEK Renewables raises EUR 90 mln from German banks to build wind farm



DTEK Renewables, an operating company that manages DTEK assets in the field of renewable energy sources, has concluded a deal on foreign investment of EUR 90 million in the construction of the stage 2 of Prymorska wind farm (Zaporizhia region).



“DTEK has proven once again its status as a key investor in the renewable energy sector in Ukraine. Last year, the company's investments accounted for about a half of the total investments in the renewable energy sector,” CEO of DTEK Renewables Philipp Leckebusch said on the press release.

The press service said that the loan was issued by a consortium of German banks (Bayerische Landesbank, KfW IPEX-Bank, and Oddo BHF Aktiengesellschaft) with risk coverage provided by German export credit agency (ECA) Euler Hermes and Spanish CESCE. The loan term is 10 years after the technical commissioning of the plant.

This is the third renewable energy project of Euler Hermes and DTEK. Earlier the agency insured financial deals for the construction of the stage 1 of Prymorska wind farm and Botiyevska wind farm, the first big wind energy project of DTEK. For CESCE this is the first agreement in Ukraine in recent years.

Ukrainian grain production will increase to 94 mln tonnes this year

Grain production in Ukraine in the 2019/2020 MY (marketing year, July-June) will increase to 94 million tonnes (in the 2018/2019 MY the figure was 92 million tonnes), President of the Ukrainian Grain Association (UGA) Mykola Horbachev has said at a press conference.



“We expect 94 million tonnes of grain. Any overproduction will be in demand in the foreign market. Over the next three to four years, we expect production to increase to 100 million tonnes, and exports to 70 million tonnes,” he said.

According to him, areas under grain crops in Ukraine are stable, and the volume of production depends on the climate. Western regions of Ukraine are leading in production, and this trend will continue.

The expert also stressed that in the current season the maximum monthly volume of grain transshipment was 6 million tonnes, which dispels doubts whether the country will be able to increase exports to 70 million tonnes of grain in future.

Ukraine could increase grain exports to China



Ukraine could increase grain exports to China in the 2019/2020 marketing year (MY, July-June), Olena Neroba, the adviser to the president of the Ukrainian Grain Association (UGA), has said at a press conference. According to her, China this year has experienced a significant reduction in the number of pigs due to ASF, and since substitution of pork with imports is quite expensive and time consuming, China is likely to compensate for the deficiency of protein in poultry.

This factor and the trade war with the United States will lead to an increase in demand for barley and other grains, which Ukraine can take advantage of, Neroba said. If earlier practically the only importer of Ukrainian barley was Saudi Arabia, then the opening of a new market will allow increasing the volume of exports of this crop and raising the price. She also noted that Ukraine this season has felt some U.S. influence on the Egyptian market, which is one of the main consumers of Ukrainian corn. According to the expert, although the absolute figures of exports to Egypt increased slightly compared to last year, however, the share of Egypt in the structure of Ukrainian grain exports declined.

Ukraine agrees on vet certificate for dairy export to Saudi Arabia

The State Service of Ukraine for Food Safety and Consumers' Rights Protection has agreed on the form of the international veterinary certificate for milk and dairy export to the Kingdom of Saudi Arabia. This was reported on the website of the state service on June 24.



In 2018, Ukraine opened 85 export markets for various types of products and increased the number of enterprises that received the right to export food products of animal origin. A total of 126 producers of the country can export food products to EU countries.

As reported, Ukraine agreed on certificates for export of dairy products to Oman and Qatar as well as for export of beef and products made of it to Saudi Arabia.

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