



UKRAINE OPEN FOR BUSINESS

Biweekly news digest

30 January 2018

Foreign investors show large interest in Ukraine House in Davos



Foreign investors show large interest in the Ukraine House in Davos, Chairman of the supervisory board of the Ukrainian Venture Capital and Private Equity Association (UVCA) Andriy Kolodiuk has said.

"The hall is crowded during all the panels we are holding. Each second visitor is an investor," he said on the sidelines of the Ukraine House in Davos.

Kolodiuk said that many businessmen know about Ukraine from news broadcast.

"Here we allow them to understand and show [what is going in Ukraine]... Finally, some investors have decided to arrive in Kyiv," Kolodiuk said.

Panels are sponsored by Horizon Capital, Bitcoin Foundation Ukraine, AgroHub powered by MHP, UNIT.City, Hacken and SocialBoost.

HEADLINES



FOREIGN INVESTORS SHOW LARGE INTEREST IN UKRAINE HOUSE IN DAVOS



UFUTURE INVESTMENT GROUP MULLING OPENING OF INNOVATION PARK IN KHARKIV



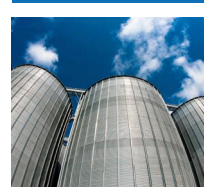
EBRD INVESTS EUR 800 MLN IN UKRAINE IN 2017



FIRST 4G TENDER IN UKRAINE TO BE HELD ON JAN 31



FIRST 3D LABORATORY IN UKRAINE OPENS AT KHARKIV POLYTECHNIC INSTITUTE



EBRD TO PROVIDE \$50 MLN LOAN FOR GRAIN LOGISTICS INFRASTRUCTURE IN UKRAINE

UFuture investment group mulling opening of innovation park in Kharkiv, Ukraine



UFuture Investment Group (UIG) is mulling the possibility of opening an innovation park in Kharkiv, the founder of the group, Vasyl Khmelnytsky, said on the sidelines of the Ukraine House in Davos. He did not confirm earlier announced information that the group plans to build innovation hubs abroad.



"I never promise things that I cannot make for sure. We plan to finish the first stage of Unit.City in Kyiv. These are around 30,000-35,000 square meters. Then we will build," he said.

The businessman confirmed the interest of potential foreign partners.

The park in Kharkiv could become the third park in the group's portfolio after Unit.City in Kyiv and Lvivtech.City.

As reported, Ukrainian entrepreneur and philanthropist Vasyl Khmelnytsky has put his business projects and social initiatives under one umbrella brand, UFuture Investment Group.

Khmelnytsky develops various businesses, preferring cooperation and joint management. Among the most famous projects are the restoration of the Kyiv airport, the construction of the Ocean Plaza shopping and entertainment center and residential complexes Novopecherski Lyvky, Bulvar Fontaniv, RiverStone and Parkove Misto in Kyiv. He invests in business UDP Renewables (alternative energy), Biofarma (pharmaceutical industry) and RTM (national advertising operator). Support for social projects in the field of economics and education is provided by K.Fund.

Petro Poroshenko sure Ukraine will soon enter TOP 50 in doing business rating



Ukrainian President Petro Poroshenko expects Ukraine to be among the first 50 countries in the World Bank's ease of doing business ranking (Doing Business).

"The head of state expressed confidence that Ukraine will achieve even better results and will be among the first 50 countries in the Doing Business rating," the presidential press service reported on Thursday, January 25, after Poroshenko's speech at the investor event of the Ukrainian Venture Capital and Private Equity Association (UVCA) at the Ukraine House in Davos.

"In a short period of time we will be in the first 50. That is absolutely realistic," he said.

Poroshenko noted the role of the European Bank for Reconstruction and Development (EBRD), the World Bank, the International Monetary Fund (IMF), international financial institutions and others in supporting reforms.

In this context, he noted that much had been done to improve the investment climate.

"Ukraine is different now. You can come and we'll show you that," Poroshenko said.

According to him, this year more than 80 companies – world leaders requested a meeting with the Ukrainian president.

"This is a good indicator how popular Ukraine is among the investors and how confident they are about our success," Poroshenko added.

He also provided examples of changes in Ukraine in the recent period. According to him, it was possible to achieve macro-financial stability, clean up the banking system, adopt education reform, healthcare reform, judicial and pension reforms, as well as important steps in cybersecurity and rural medicine. Poroshenko recalled that a new law on privatization had been adopted.

EBRD invests EUR 800 mln in Ukraine in 2017

The European Bank for Reconstruction and Development (EBRD) in 2017 invested EUR 800 million in Ukraine, which is 37% more than a year ago, EBRD Director in Ukraine Sevki Acuner has said.

"This is a significant rise since 2016 and a strong start for 2018. We hope to reach the indicators of 2014 and 2015, when investments exceeded EUR 1 billion," he told Interfax-Ukraine.

According to the banker, the volume of investments in 2018 will depend on several reasons, including the privatization process.

"I think that in this context the law on privatization, passed in parliament last week, will allow attracting more large foreign investors," Acuner stressed.

Earlier, the EBRD director in Ukraine expressed opinion that the bank's investments in the implementation of Ukrainian projects in 2017 could reach EUR 1 billion.

As reported, in 2017 Ukraine became the third largest recipient of EBRD loans following Turkey, which received EUR 1.54 billion in loans, as well as Egypt with EUR 1.41 billion loans.

Strategic advisors group Head: FDI should be attracted to Ukraine



One of the important priorities of reforms in Ukraine should be attraction of foreign direct investment (FDI), as their amount is not enough for provision of potential economic growth of GDP of 6-7% a year, Head of the Group of Strategic Advisors for Support of Reforms in Ukraine Ivan Miklos has said.

"One of the most important priorities should be to bring more FDI... Today, for example, direct investment as their share of gross domestic product in Ukraine is around 15%. To have this growth (6-7% a year), and this is not a theory, this is the experience other countries, the share of investment should be around 25% of GDP," Miklos said on Channel 5 TV.

Trade between Germany, Ukraine rises by 21.5%



Mutual trade between Ukraine and Germany in 2017 grew by 21.5%, the press service of the Cabinet of Ministers of Ukraine has reported after a meeting of Ukrainian Prime Minister Volodymyr Groyshman with representatives of leading German companies operating in Ukraine.



"Last year the volume of mutual trade grew by 21.5%, and trade focus shifted towards goods of light and food industries," the press service said.

According to the report, the construction sector remained interesting sector for investors.

German Ambassador to Ukraine Ernst Reichel said that his country pays much attention to Ukraine's achievements in fighting corruption, judicial reform and cooperation with international financial institutions (IFIs).

Largest mobile communications operator of Ukraine Kyivstar submits application to take part in 4G tender

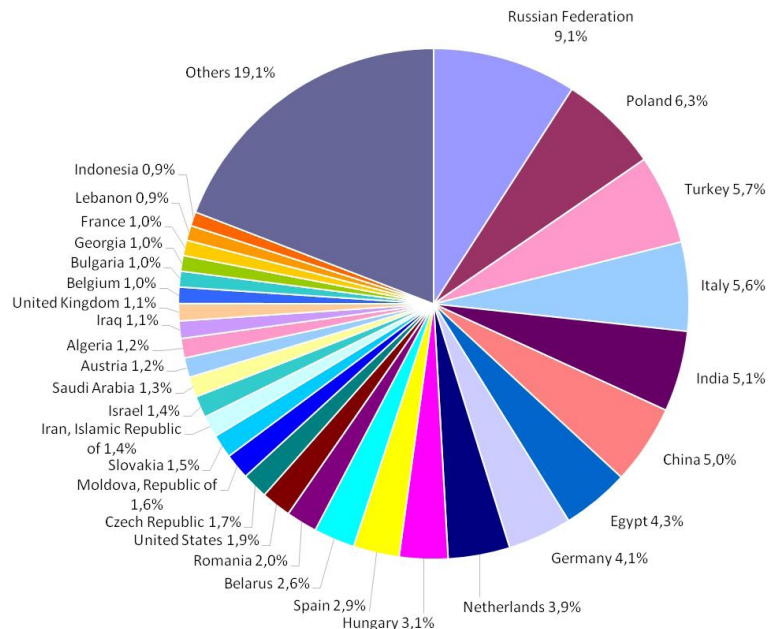
The largest mobile communications operator of Ukraine, Kyivstar, has submitted an application to participate in a tender to receive licenses to use the radio frequency spectrum of Ukraine for the introduction of IMT technology in the 1,710-1785 MHz and 1,805-1,880 MHz ranges, Kyivstar President Peter Chernyshov has said.

"I, of course, do not really like the way the frequencies were distributed. Initially, the telecom operators insisted that the three additional lots of 5 MHz that are 'released' as a result of the refarming, were next to the main lots or were distributed according to the generic lots principle. It allows you not to tie lots to specific frequencies, but to a winner in a separate lot to attach it to your main frequency band, getting a continuous spectrum. The regulator 'shuffled' lots with radio frequencies," Chernyshov wrote.

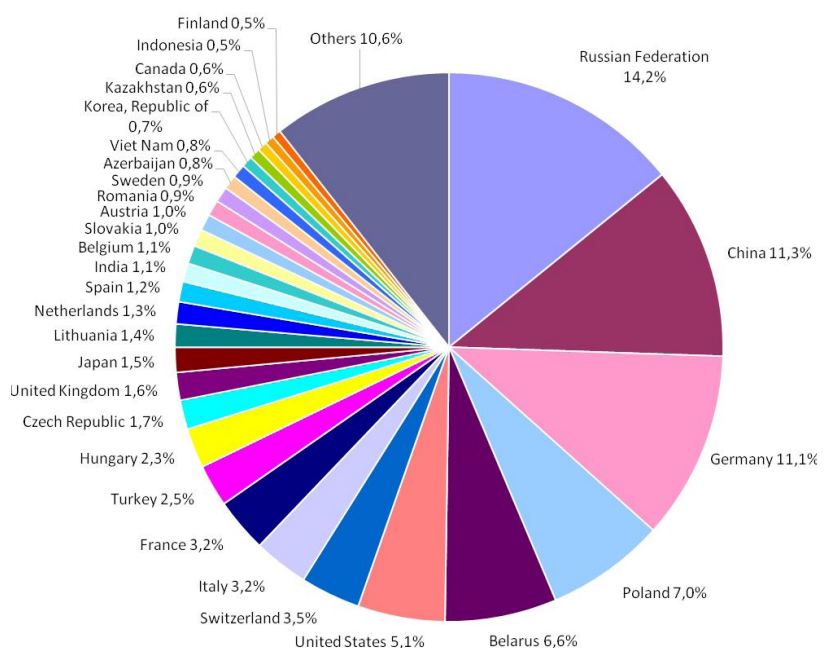
At the same time, he said that Kyivstar will still participate in the second tender.

As reported, Ukraine schedules a tender to issue 4G communications licenses for the 1,710-1785 MHz and 1,805-1,880 MHz frequency ranges for February 26.

Main trade partners of Ukraine (export from Ukraine to other countries) in January–November 2017



Main trade partners of Ukraine (import from other countries to Ukraine) in January–November 2017



First 4G tender in Ukraine to be held on JAN 31

The opening of envelopes with price offers from mobile communications operators for the introduction of 4G connection in Ukraine will take place on January 31 this year, Ukrainian President Petro Poroshenko has said.

"When I was elected president, Ukraine didn't have 3G connection because of corruption. Shortly, we will open the envelope for 4G connection. We have many companies ready to invest in that," he said at a meeting with investors at the Ukraine House in Davos on Thursday, January 25.

Earlier, a well-informed source told Interfax-Ukraine that the National Commission for State Regulation of Communications and Information Technology (NCCR) would schedule the tender to buy the 4G communications license for the 2,600 MHz frequency range for January 31, 2018.

First 3D laboratory in Ukraine opens at Kharkiv Polytechnic Institute



The first 3D laboratory in Ukraine has opened Kharkiv Polytechnic Institute to train specialists in the field of metrology and technical measurements for machine building and other industries, the institute's press service has reported.

"Our task, the task of business is to create new jobs and enterprises so that students who graduated from the university could receive decent work in Ukraine. There should be a practical laboratory at every university. Our task for the near future is to find companies that have professional experience in a particular area and that will work with the university and create new laboratories. Students should be able to quickly introduce their theoretical knowledge into practice, even if they are mistaken," the head of the supervisory board at Kharkiv Polytechnic Institute, Vasyl Khmelnytsky, said.

According to the report, "certification of measuring equipment for Ukrainian enterprises will be conducted at the center, and students and specialists will be able to study the work of equipment for 3D scanning and reverse modeling, as well as new 3D printers."

According to Rector of Kharkiv Polytechnic Institute Yevhen Sokol, today graduates should be able to effectively use theoretical knowledge that they receive, and this is impossible without modern equipment.

"The state has already provided what it could provide, so today the only opportunity is business that is vitally interested in getting good and modern staff. It can support higher education at the world level. It is the combination of business and education that helps us open such laboratories, which will teach our students with the help of the most advanced equipment," Sokol said.

The laboratory is equipped with a universal tool for three-dimensional measurements and digitization, a portable coordinate-measuring system for high-precision measurements at extremely long distances, a 3D scanner, and a 3D printer.

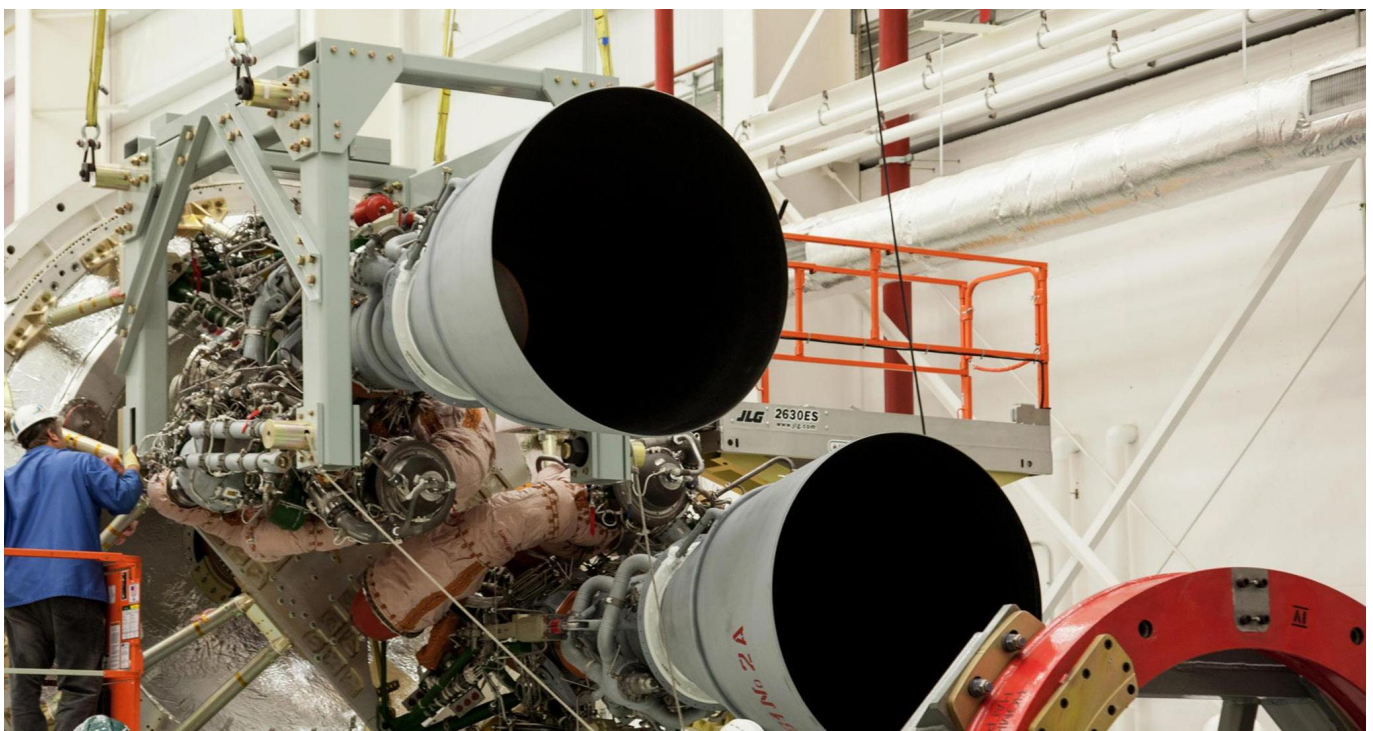
Kyiv announces tender for building subway for UAH 6.3 bln

Kyiv Metropolitan has announced a tender for the construction of a section of the Syretsko-Pecherska metro line from the Syrets station to the Vynohradar residential area.

According to the announcement in the ProZorro system, it is planned to build a section with an electric depot in Podilsky district (from the Syrets station to the Prospekt Pravdy station with the two stations of Mostytska, Prospekt Pravdy) and a section towards the Vynohradar station (the first stage of construction).

Documents for participation in the tender are accepted until February 19, 2018. The auction starts at 13:16 on March 7. In 2017 some 498.4 million passengers used the services of Kyiv Metropolitan, which is 2.8% more than a year ago.

Pivdenmash to supply 20 engines under European Space Agency program



State-owned enterprise Pivdenmash (Yuzhmash, Dnipro) is expanding its participation in the programs of the European Space Agency (ESA). The enterprise seeks to supply 20 more cruise engines for the fourth stage of European Vega light launch vehicle by 2020, the press service of the enterprise has reported.

According to a posting on its website, in 2017, Pivdenmash finished a contract to produce nine units of the cruise engine for the fourth stage of Vega vehicle under an order of Italy's AVIO S.p.A. signed in 2014.

"Totally, jointly with the previous contracts, 16 units have been shipped [to the European customer]," the press service said.

"A new contract to produce 20 more units was signed in 2017. Materials and purchased integrated parts were procured in 2017. Production will start in 2018," the press service said.

The Vega was designed by the European Space Agency (ESA) in collaboration with the Italian Space Agency (ASI) for carrying satellites with a weight up to 1,200 kilos to a 1,200-kilometer Sun-synchronous orbit and satellites with a weight of 1,500 kilograms to a 700-kilometer polar orbit.

The Ukrainian government and the ESA signed an agreement on cooperation in peaceful uses of outer space in 2008. Early 2014, the agreement was extended until 2019. The ESA unites 17 European countries.

National energy company Ukrenergo seeks to switch to RAB tariffs



National energy company Ukrenergo will initiate the transfer to Regulatory Asset Base (RAB) from 2019, the state-owned enterprise has said in a press release.

The press release recalled that the company is to appraise its assets and implement the investment program for the year preceding the switch to RAB by at least 95% for transfer to RAB tariffs.

Ukrenergo will focus on the implementation of the above-mentioned conditions and will initiate its switch to RAB in 2019 with the regulator.

"The introduction of RAB will allow Ukrenergo to operate more flexibly and play by the same rules with our European partners. One more desirable step for us from the regulator should be the transition to the approval of investment programs not for the coming year, but at least for the three or five years. This planning horizon will make the company more understandable for creditors, as the implementation of most projects is designed for several years" Ukrenergo Head Vsevolod Kovalchuk said.

RAB regulation applies almost in each European country. It allows attracting investment into power lines and increasing the quality of servicing. Ukrenergo operates trunk and interstate power grids, as well as performs the centralized dispatching of the united energy system in the country. The company is a state-owned enterprise. It is subordinate to the Ministry of Energy and Coal Industry.

Ukrtransgaz will cooperate with French Powernext to develop exchange trade in gas

PJSC Ukrtransgaz and Powernext (France) intend to cooperate in the creation of spot and futures exchange markets for gas trading in Ukraine, the company's press service has said, with reference to the signed memorandum.

"For Ukrtransgaz, this is another step towards integration with European gas transportation operators, a further development of the gas market in Ukraine," the report said.

According to the press service, Powernext is the provider of the pan-European gas trading platform PEGAS, which allows market participants to sell natural gas at 12 hubs in nine countries. Today it is the main trading platform for natural gas sales in Europe. After establishing cooperation with the Central European Gas Hub (CEGH) in 2016 and integrating the Czech gas pipeline into the PEGAS platform in December 2017, Powernext began to integrate into Eastern Europe.

PEGAS is a pan-European gas trading platform. It is part of EEX Group operated by Powernext. PEGAS provides its members with access to all products on a single platform and allows them to trade in natural gas contracts in the markets of Austria, Belgium, Denmark, Holland, France, Germany, Italy, the Czech Republic, and the UK.

General Electric to supply 30 diesel locomotives to Ukraine



Ukrainian Ambassador to the United States Valeriy Chaly held a meeting with President and CEO of U.S. General Electric Transportation Rafael Santana to joint project of Ukraine's railway modernization, the Ukrainian Embassy to the United States has reported.

"In particular, the Ambassador stressed the importance of finalizing of the Long-term Framework Agreement between Ukrzaliznytsia and GE, that will allow to bring the American company's world class locomotive technology to Ukraine," the embassy said on its Facebook page on Tuesday.

Special attention Chaly paid to the issue of localization of the production of new GE locomotives in Ukraine as well as the modernization of existing fleet.

"In this regard, sides agreed that the delivery of the 30 new diesel GE Evo locomotives will be the first step for further partnership between Ukraine and General Electric, including cooperation in the energy sphere, infrastructure and healthcare," the embassy said.

Interpipe completes certification of premium joint for oil and gas pipes in Italy

Interpipe international vertically integrated pipe and wheel company has completed CAL IV certification of own Ukrainian Premium Joint (UPJ-M) gas tight coupled and threaded connection for OCTG pipes (Oil Country Tubular Goods) meeting ISO 13679 standard of CAL IV level, the company said. At the same time, as gas and oil are more often produced in the complex geological conditions, the wells become not only obliquely directed, but also horizontal, which results in the toughened requirements to the pipes. Threaded connections play the key role in the reliable operation of pipes in a well.

The obtained certification confirms the correspondence of the Interpipe UPJ-M threaded connection to the highest level of CAL IV requirements (CAL – connection application level). Qualification tests were held in Italy.

Connection type CAL IV is a mandatory requirement in many oil and gas projects in the Middle East, Asia-Pacific, Latin and Central Americas and the CIS. The presence of this connection will allow the company to meet the technical requirements of previously inaccessible projects.

Nibulon to build new transshipment terminal in Ukraine (Zaporizhia region)

Nibulon plans to build a new transshipment terminal in Ternivka (Zaporizhia region), according to the website of Zaporizhia Regional State Administration.

According to the report, head of the administration Kostiantyn Bryl discussed with the company representatives the procedure of land allocation, energy supply, the need for dredging, other problems.



“Before building anything, you need to do a lot of work with documents, coordinate and resolve problematic issues. Well-coordinated work on the creation and processing of documentation that will not violate the law are now required from a large number of government instances,” he said.

Nibulon LLC was established in 1991. It is one of the largest operators in the grain market of the country. It has elevators with a total capacity of about 2 million tonnes, as well as its own transshipment terminal with a capacity of 5 million tonnes in Mykolaiv.

First Ukrainian agricultural cooperative to create agricultural clusters



An agricultural cluster in Khmelnytsky region could be created on the basis of 16 enterprises of the First Ukrainian Agricultural Cooperative.

“We have 16 enterprises in Khmelnytsky region. On their basis we will make a cluster that will allow a small farmer with 200-300 hectares to have his elevator, a grain drier and an approaching road for a car. We are now facing the issue of building and investing in elevators, wagons and traction,” Executive Director of the First Ukrainian Agricultural Cooperative Oleksandr Buyukli said in an interview with Interfax-Ukraine.

According to him, only 2% of agricultural products are sold through cooperatives in Ukraine, so there is a great potential for uniting and developing cooperatives.

In December 2017, the First Ukrainian Agricultural Cooperative held a meeting with members of the cooperative, the European Bank for Reconstruction and Development (EBRD) and Rabobank.

“The First Ukrainian Agricultural Cooperative is actively cooperating with the EBRD, as they provide not only important support at the level of specialists, but also technical support for meetings and fundraising. The EBRD and Rabobank see great potential in the development of cooperatives,” the cooperative head said.

He said that the EBRD is preparing a number of projects for the cooperative to process soybeans, wheat and sunflower. In January-August 2017, the cooperative sold around 90,000 tonnes of grain and bought around 20,000 tonnes of mineral fertilizers.

EBRD to provide \$50 MLN loan for grain logistics infrastructure in Ukraine



The European Bank for Reconstruction and Development (EBRD) will provide up to \$50 million loan to JV Nibulon LLC to support the expansion and modernization of Nibulon's grain logistics infrastructure in 2018-2019. EBRD Senior Adviser Anton Usov told Interfax-Ukraine that the project was approved by the bank's board.

The project will support Nibulon's strategy aimed mainly at the expansion and optimisation of its river grain logistics facilities in order to increase grain trading volumes reducing the share of road and rail transportation, which will lead to the improvement of profitability, efficiency, as well as to the reduction of environmental footprint.

The total cost of the project is near \$140 million. Technical Cooperation funds are provided by Japan-EBRD Technical Cooperation Fund to partially cover project's external legal costs.

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 5 – 6.

Forum Organizing Committee:

info@forumkyiv.org or +38 (044) 496 30 36

www.forumkyiv.org

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.

urakin@interfax.kiev.ua or +38(044) 270 65 74

www.interfax.com.ua

SUBSCRIBE FOR UPDATES

