



## Austrian sports equipment manufacturer 'Head' moves world-wide winter sports equipment production to Vinnytsia

**HEAD investing in project in Vinnytsia. One of the world's leading sporting equipment companies HEAD International Holding GmbH signed a Memorandum of Understanding with the City of Vinnytsia and regional authorities to produce winter sporting equipment there. The multimillion investment project is expected to create a significant number of jobs over the course of the next 5 years.**

**UkraineInvest Director Daniel Bilak welcomed the agreement as an important development for Ukraine, as it will not only create high value production and jobs, but also boost the country's attraction for well-known global brands.**

### Agriculture >

**AgroGeneration to invest EUR 10 million to expand grain storage.** After significant losses in 2017, the Paris-listed firm is planning a project to expand its grain storage by 50 percent in Ukraine in order to be better able to respond to market volatility. AgroGeneration farms around 100,000 hectares in the country and is confident that the outlook for 2018 and beyond is promising. The Ukraine-based company has therefore begun talks with an undisclosed European partner, to fund the expansion project, Reuters reports.

**Ukrainian farmers exported almost 34 million tonnes of grain since July 2017,** UNIAN reports. During the last marketing year, wheat exports totaled 15.1 million tonnes, barley 4.1 million tonnes, and maize 14.3 million tonnes, the press service of Ukraine's Agrarian Policy and Food Ministry announced. Rye exports totaled 32,700 tonnes. 377,400 tonnes of flour were exported, including 376,000 tonnes of wheat flour and 1,400 tonnes of other types of flour. Ukraine harvested 61.3 million tonnes of grain and leguminous crops in 2017, which was 7.3% down from 2016, the State Statistics Service of Ukraine said.

**Ukraine, US discuss expansion of mutual access to markets.** Ukrainian and US veterinary services have agreed to continue close cooperation and to address issues of mutual interest, Ukrinform reports. A delegation of the Veterinary Services of the United States Agriculture Department visited Ukraine for this purpose. Among the issues discussed were: technical adjustments to a number of veterinary certificates for the imports of certain types of goods into Ukraine, in particular pet food, feed additives, poultry, technical gelatin (not for food use), milk and dairy; and, consideration of the Ukrainian application for the export of domestic poultry, the



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accreditation of which has been ongoing the last two years.

**Danes investing in meat processing plant in western Ukraine.** Danish-supported Goodvalley Ukraine (Ivano-Frankivsk region) will build a meat processing plant in Viktorivka, Halych district, Ivano-Frankivsk region. According to the Halych District Administration, an agreement to this effect has been signed after several years of competition within the region over the location for this investment, Interfax-Ukraine reports.

**Moratorium on sale of land costly and politicized, World Bank official states.** The moratorium on the sale of land extended by the parliament for a year in December 2017 is economically damaging, unfair to landowners, and sustains corruption. The full economic potential of Ukraine's agriculture so long after the demise of the USSR is still not being developed properly, Satu Kahkonen, the World Bank Country Director for Belarus, Moldova, and Ukraine, has told Bloomberg. "6.9 million landowners – every 6th Ukrainian – have the lowest salary in Europe for leasing their lands when the quality of agricultural soil in Ukraine is one of the best in the world," she said.

**Politics used to protect vested interests in maintaining the moratorium on privatization of land.** The authorities are reluctant to move ahead on the issue for fear of losing election votes and in the meantime businessmen and officials "create opaque schemes" to profit from the agricultural lands, the World Bank official Kahkonen elaborated. "Politicians consider the idea of a moratorium

on "farmers' security" as a tool to get electoral dividends," Maksym Martyniuk, Deputy Minister of Agricultural Policy, concurred, Ekonomichna Pravda reports.

## Anti-corruption >

**Addressing corruption in the land sector.** Ukraine's National Anti-Corruption Bureau (NABU) has drawn attention to the scale of corruption still continuing in the land sector. It is currently investigating 25 criminal cases concerning land plots, about a third of which have been forwarded to courts, the NABU says on its website. The scale of the alleged crime in these cases involving bribes to local officials in exchange for land exceeds UAH 450 million. According to the NABU, as reported by Ukrinform, the most common corruption scheme is for the local authorities to approve the allocation of land plots, which are then transferred to private developers in exchange for a commitment to allocate a certain number of apartments to employees of a respective state body. Often, the aggregate value of such apartments is significantly lower than the market value of the land.

**The National Bank (NBU) updating measures to prevent corruption.** As part of its mandatory regular corruption risk assessment process, the NBU is preparing to update its system for preventing and counteracting corruption and ensuring compliance with the current relative legislation, the Bank reports.

**Prime Minister stresses urgency and importance of creating an Anti-corruption court.** Groysman told the Cabinet of Ministers that the creation of an Anti-corruption court is needed, first

and foremost for Ukraine itself, rather than for the EU or IMF.»Next Monday two plenary weeks [in parliament] begin; this is enough time for consideration of the draft law on the Anti-corruption court...The Cabinet of Ministers, for its part, will do its utmost to launch the work of the court,» he said, as reported by the government portal. "It will be, among other things, a signal to investors,» he added.

## Automotive >

**Sales of new commercial vehicles up by 25% in Q1 (y-o-y).** Between January-April 2018, 4,060 vehicles were sold, 1,187 in April, the Ukrautoprom association has announced, according to Interfax-Ukraine. Sales were 20% higher in April than in March 2018. French companies had led the way. Citroen sold 223 vehicles in April (an 8.6-fold rise compared with April 2017 and 65% up on March 2018), while Renault sold 191 vehicles (12% more than in April 2017). Next come Ford (161 vehicles sold - 2.2 times more than in April 2017), Fiat (registering a 10% decline in sales year-over-year, to 97 vehicles), and Volkswagen (76 vehicles sold – up 65% up).

**Truck segment also showing decent sales results.** Ford Trucks was the leader in Q1 with 28% of the Ukrainian market. This resulted from a deal signed with Automagistral-Yug to buy 122 Ford dump trucks. MAZ occupied 58% of the medium truck market, followed by Scania with 10% of the market, and MAN and Volvo.

## Aviation >

**Wizz Air to fly from Kyiv to Vienna, Berlin, and Frankfurt.** Hungary's low cost airline Wizz Air is expanding its

flight network from Kyiv. New flights are scheduled for Berlin and Frankfurt from July, and to Vienna from October 2018. In June Wizz Air is renewing its flights from Kyiv to Lisbon and Tallinn, increasing the number of flights from Lviv to Berlin from 2 to 4 a week.

**Ukrainian International Airlines boosted net income by 27% in 2017.** The country's leading air carrier increased net income last year by UAH 4.273 billion, to UAH 22.103 billion, according to its annual report. Gross profit last year fell by 9.7%, to UAH 1.699 billion, while operating loss amounted to UAH 638.09 million against an operating profit of UAH 31.21 million a year earlier. The cost of fixed assets rose by 28.8%, to UAH 21.2 billion, in particular leased assets by 28.6%, to UAH 20.46 billion. UIA's total liabilities at the end of last year amounted to UAH 954.4 million.

**Ukraine International Airlines (UIA) opens direct flights to India.** On 1 May UIA launched direct flights from Kyiv to Delhi, the company's press service has told Ukrinform. The new long-distance flights will be three times a week and increase from 7 June to four. The minimum cost of a one-way ticket from Kyiv to Delhi, including all taxes and fees, starts from UAH 6,890.

**Passenger traffic at Chernivtsi airport soars by almost 70%.** The passenger traffic at the Chernivtsi airport grew by almost 70% in April 2018 compared to April 2017, the city council reports. In April, 5,593 people used its services as compared with 3,306 people a year ago. The increase has been noticeable as regards international flights (137 passengers in April 2017 against 1,519 passengers in April 2018).

**Ukraine, Turkey to build an An-188 military transport aircraft.** The two neighbours are planning a joint project to build an An-188 military transport aircraft, according to the Ukrainian government portal. "The military transport aircraft project involves the full westernization of all components, the introduction of modern and reliable technical solutions, as well as full compliance with NATO standards, both in terms of equipment and in terms of the tactics of the use of the aircraft," the report reads. The aircraft will be able to carry military hardware of all types, military and construction equipment, helicopters, up to 300 soldiers, as well as humanitarian cargoes, pallets and containers. Interfax-Ukraine reports.

**Kharkiv International Airport getting busier.** The volume of passengers using it in the first four months of 2018 was 20% more than a year ago and totaled 236,900. In April, Wizz Air low cost airline returned to the airport, and Ukrainian International Airlines also began a flight between Kharkiv and Milan.

**Government approves strategy to stimulate aircraft construction revival until 2022.** It is aimed, according to Ukrinform, to promote "the stable development of the aircraft industry and the creation of conditions for the formation in 2022 of cost-effective and high-tech production of aviation equipment to ensure a gradual growth of production and a sale of new competitive models of serial, modernized passenger and transport aircraft, helicopters, small and unmanned aircraft carriers."

## Banking & Finance >

**Fitch affirms Ukraine's ratings at 'B-'; outlook stable.** Fitch has also affirmed

Long-Term Foreign-Currency IDR at 'B-'; Outlook Stable; Long-Term Local-Currency IDR at 'B-'; Outlook Stable; Short-term foreign-currency IDR at 'B'; and Short-term local-currency IDR at 'B'. The Country Ceiling is affirmed at 'B-', Fitch Ratings said in a press release. "Ukraine's ratings balance weak external liquidity, a high public debt burden and structural weaknesses, in terms of a weak banking sector, institutional constraints and geopolitical and political risks, against improved policy credibility and consistency, the sovereign's near-term manageable debt repayment profile and a track record of bilateral and multilateral support," Fitch ratings elaborated.

**Real wages rise.** In March 2018 they increased by 9.5% compared to March 2017, the State Statistics Service reports. The average nominal wage of full-day workers in March 2018 amounted to UAH 8,382, whereas in January it was around UAH 7,711. The highest level of wages in March was recorded in Kyiv at UAH 13,388, the lowest in the Ternopil region at UAH 6,394. The average wage of a full-time employee grew by 24.1% over the past year.

**Raiffeisen Bank Aval to pay UAH 4.2 billion of dividends in Ukraine.** It's net profit for the past year amounted to UAH 4.469 billion, of which UAH 700,000 will be used to pay dividends to the holders of preferential shares, and almost UAH 223.5 million to the reserve fund of the bank. The shareholders have decided to change the type of their joint-stock company to a private joint-stock company, the bank has announced. As of January 1, 2018 Raiffeisen Bank International owned 68.28% of the charter capital of the financial institution, the EBRD some 30%.

Raiffeisen Bank Aval is ranked fifth among 84 operating banks in terms of assets (UAH 72.108 billion at the start of 2018), according to the National Bank of Ukraine.

**EU preparing new Reform Contract for Investment in Ukraine worth UAH 1.6 billion.** Commissioner for European Neighborhood Policy and Enlargement Negotiations Johannes Hahn has announced that the EU is developing a new investment program for the country, a 'Reform Contract for Investment, UNIAN reports. "Our proposal is that in the context of the new EU External Investment Plan, a total of UAH 1.6 billion (EUR 50 million) could be specifically earmarked for Ukraine this year, inter alia for on-lending by the banks and therefore investment in the real economy... if used wisely, it could leverage up to UAH 16 billion (EUR 500 million) in private investment," Hahn wrote on Facebook. Part of the EU funding would be in grant form.

**Conditions for receiving the new EU investment programme funds named.** EU Commissioner Hahn named three conditions that need to be met before the parliament starts its summer recess: Ukraine needs to introduce independent regulation in the energy sector and launch the full-fledged work of members of the National Energy and Utilities Regulation Commission (NEURC), finally endorse a business ombudsperson, and cancel e-declaration of anti-corruption activists' assets.

**EU interested in providing more assistance to Ukraine.** The EU is ready to cooperate in implementing programs on decentralization, energy saving and energy efficiency, vocational

education, assistance to IDPs, and cultural exchange. This was the message from the Head of the Delegation of the European Union to Ukraine Hugues Mingarelli delivered during a meeting with Chairman of Zaporizhzhia Regional State Administration Kostiantyn Bryl, Ukrinform reports.

**President approves ratification of agreement with IBRD on support of SMEs.** President Petro Poroshenko has signed a law on ratification of the guarantee agreement between Ukraine and the International Bank for Reconstruction and Development (IBRD) for lending to small and medium-sized businesses, his press service reports. Adopted by the parliament on 5 April, it creates a legal framework for the development of cooperation between the parties, attracting long-term investment resources amounting to \$150 million under state guarantees. Ukreximbank will receive the loans from the IBRD to provide Ukrainian SMEs with medium- and long-term financing of production needs, including investment lending and working capital financing.

**Apple Pay is to commence payment operations in Ukraine,** Norway and Poland within the next several months, according to a statement made by Apple CEO Tim Cook. He did not provide any specific details.

**Strategy for Privatbank approved.** The Supervisory Board of PJSC PrivatBank has approved the annual report and the strategy for the bank's development until 2022. According to the report, the strategy "provides for a balanced development of the bank with a focus on the retail segment, the development of SMEs and

an electoral corporate segment, as well as preparing the bank for sale to foreign investors." The bank expects to become profitable as soon as in 2018 and to generate at least UAH 8 billion in profits from 2020.

**Ukraine's balance of payments deficit reduced by 50% year on year to \$272bn** for Q1 2018 (January to March) according to NBU; the deficit in the balance of payments was estimated to be \$75mn in March 2018 alone Ukraine's national currency, the Hryvnia, strengthened against the US dollar by 1.2% in April 2018, and by 6.5% since the start of the year, according to the NBU's Macroeconomic and Monetary Review for April 2018 \$272bn deficit in its balance of payments over the period January March 2018 (Q1), which was 50% down from the deficit YoY, according to NBU; the deficit in the balance of payments was estimated to be \$75mn in March 2018 alone.

**Ukraine continues repaying debts to the IMF.** On 1 May Ukraine repaid almost \$81 million to the IMF, Ukrinform reports. In February it had repaid \$375 million. Ukraine currently owes the IMF a total of \$12.1 billion. This year the National Bank and the Government have to pay about \$7.4 billion in state debt, including under commitments to the IMF.

**Ukraine expected to repay \$27 billion over next four years.** Prime Minister Volodymyr Groysman confirmed this in an interview with Interfax-Ukraine. The country therefore needs investment to receive more budget revenue to service its debts, and for its economy to grow, he said. «In order to service our debts and ensure growth of our economy, we need investment to receive more revenue to our

budgets. On the other hand, we should manage our public debt well, service it, fulfilling our obligations, and here we need external support, because we have to pay \$27 billion over the next four years. It's a huge amount of money.» Groysman said.

**Fitch forecasts Ukraine could get \$1.9 bln disbursement from IMF in the third quarter.** Fitch Ratings forecasts that the fourth review of the Extended Fund Facility for Ukraine under a cooperation program with the International Monetary Fund (IMF) with the disbursement of US\$1.9 billion may take place in the third quarter. «In its baseline scenario, Fitch expects the fourth review to be finalised in 3Q18, leading to the disbursement of the next programme tranche (possibly \$1.9 billion),» it said in a statement posted on its website. Completing the next review, it added, would facilitate further multilateral financing.

**Largest bank registers tripling of profit in Q1 2018.** Ukraine's largest state-owned bank, PrivatBank, achieved UAH 3.7 billion of net profit in Q1 2018, which is a 3.3-fold rise year-over-year (UAH 1.108 billion), the bank reports. "In the first three months net commission income totaled UAH 3.4 billion... Net interest income came to UAH 3.3 billion. In Q1 2018, the bank earned UAH 6.7 billion of interest income thanks to the expansion of the loan portfolio of individuals by 6% (UAH 2.5 billion) and growth of the portfolio of corporate clients by 18% (UAH 1.1 billion)," the bank said. Nationalized in late 2016, PrivatBank in 2017 reduced its consolidated loss to UAH 23.99 billion from UAH 176.64 billion a year earlier.

**Ukraine transfers a further \$368 million to IMF to repay its main debt,** the press

service of the National Bank of Ukraine (NBU) reports. It was paid within a week of an earlier repayment of \$80.7 million. The NBU expects to receive around \$2 billion from the IMF in the beginning of the third quarter of 2018.

**Germany's technical assistance to Ukraine for last 20 years exceeded 500 million euros.** The Ministry of Economic Development and Trade has reported that the largest amount of assistance was directed to the restoration of the Donbas, support for internally displaced persons, regional development, decentralization, and good governance. „As of today, 27 projects with a funding volume of 250 million euros are in active phase, and they are executed by the German Society for International Cooperation (GIZ) and the Reconstruction Credit Institute (KfW),“ the Ministry elaborated. New projects are also being prepared, in particular, on development of social infrastructure and housing support programs for internally displaced persons, development of municipal infrastructure in eastern Ukraine, with an approximate value of Euro 49 million.

**National Bank of Ukraine: International reserves total \$18.4 billion.** “According to preliminary data, the international reserves of Ukraine increased by 1.3% in April and amounted to the equivalent of \$18,421.1 million as of May 1, 2018,” the press service of the National Bank of Ukraine reports. In April, the NBU bought a total of USD 326.7 million on the interbank market of Ukraine.

**Ukrainian migrant workers in Poland provided UAH 86 billion in remittances in 2017,** at the current NBU rate, Ukrinform reports. In 2016 the amount was UAH 64.7 billion.

**Use of the IBAN and BIC to become obligatory by 2020.** The National Bank of Ukraine (NBU) and the Independent Association of Banks of Ukraine (NABU) have begun cooperating on the adoption by national banks of the International bank account number (IBAN) standard and Business identifier code (BIC), the central bank has announced. Their use will become mandatory in 2020, the NBU has told Interfax-Ukraine. Currently, six national banks have confirmed the availability of the IBAN for use in cross-border transfers: Ukreximbank, Raiffeisen Bank Aval, First Ukrainian International Bank (FUIB), International Investment Bank, Alfa Bank and ING Bank Ukraine (all based in Kyiv).

**Largest wage debtors “named to be shamed.”** The Ministry of Justice has published a list of companies with the biggest wage debts. «Let Ukraine know its ‘record breakers.’ The government and the justice ministry intend to put an end to this shameful phenomenon of wage arrears,“ Justice Minister Pavlo Petrenko wrote on Facebook. The largest debtor is Kharkiv State Aircraft Production Enterprise, part of Ukraine's state-run military and industrial concern Ukroboronprom (UAH 74 million, or US\$2.8 million), Mykolayiv Shipyard (UAH 30.1 million, \$1.1 million), and Football Club Metalist Kharkiv (UAH 28.6 million, \$1 million). Since the beginning of 2018, the State Executive Service has recovered UAH 116.2 million (\$4.4 million) in arrears related to wage payments, UNIAN reports.

**Bank Credit Dnipro registers further losses.** According to its financial report, in Q1 2018, the bank, which is owned by oligarch Victor Pinchuk, lost UAH 116.924 million, which is double the y-o-y figure.

The bank's assets decreased by 9.36%, to UAH 8.417 billion, while operating costs increased by 4%, to UAH 127.942 million. The bank ranked 21st among 84 operating banks in the country as of 1 January 2018 in terms of total assets (UAH 9.411 billion), according to the National Bank of Ukraine.

**Ukraine's central bank registers new "Globus" payment system.** It will handle cash and non-cash transactions by individuals and legal entities. The Globus system is the eighteenth international payment system to appear on the Ukrainian market, UNIAN reports. Apple Pay is expected to be next.

**Hague court orders Russia to compensate Ukrainian companies for losses in Crimea.** The Permanent Court of Arbitration at The Hague has issued a unanimous judgment that Russia is responsible for violating the rights of Ukrainian investors and should compensate their companies for damages arising from its annexation of Crimea. The trial was initiated by 18 Ukrainian companies and one individual against Russia on 19 June 2015. Russia is obliged to pay compensation (worth about \$159 million) for losses caused.

**Cabinet of Ministers meeting on 10 May charts way forward.** The latest government meeting brought important clarification from the prime minister and others on key issues on the agenda and commitment to reform. It occurred against the background of time running out to meet IMF, World Bank and EU conditions to secure essential additional credits and funding, as well as internal positioning before the election season is formally declared open.

## Business >

**Foreign investors show more interest in Ukrainian assets.** Ernst & Young's latest Global Capital Confidence Barometer (CCB) reports greater interest of foreign investors in Ukraine, reflecting rising economic and corporate confidence.

**Consumer confidence recovering.** In March it improved by 2.3 points after a negative trend in the first two months of 2018, GfK Ukraine reports. The Index of Expectations of the Country's Economic Development concerning prospects for 2018 also grew, but fell as reads the longer 5-year outlook. Overall the, Index of Economic Expectations (IEE) increased by 1.8 points to 58.4 in March.

**Ukrzaliznytsia boosts profit by 20 times in Q1, 2018.** It recorded UAH 271 million of net profit in January-March 2018, which is 20 times more than in the first quarter of 2017, acting chairman of the company Yevhen Kravtsov has announced, as reported by Interfax-Ukraine. «For the first quarter of 2018, all the main financial and economic indicators of Ukrzaliznytsia were fulfilled and overfulfilled in accordance with the financial plan," he said. Revenues grew by almost 20%, by UAH 2.5 billion. Capital investments were 20% overfulfilled, and were three times more than in the first quarter of 2017. Ukrzaliznytsia paid UAH 1 billion more taxes than for the same period of 2017.

**Ukraine, Israel technically initial FTA agreement.** Ukraine and Israel have completed talks on the signing of a free trade area agreement and technically initialed it, Deputy Minister

of Economic Development and Trade, Trade Representative of Ukraine Natalia Mykolska has announced. According to UNIAN, it foresees “the annulment of import duties for 80% of industrial goods from Ukraine to Israel and some agricultural products within quotas.” For its part, Ukraine “will open 70% of the industrial goods market for Israeli producers and also abolish duties on a number of agricultural products.” It will partially reduce tariffs for certain seasonal vegetables and fruits from Israel.

#### **Ukraine to deliver trams to Egypt in July.**

The Ukrainian manufacturer Tatra-Yug has announced that it will deliver a first batch of trams to Alexandria in the summer and complete delivery by the end of the year. According to Minister of Economic Development Stepan Kubiv, Ukraine and Egypt are working on several other projects worth \$280 million.

**Ukrnafta net profit 17.7 times greater in Q1, 2018 than in 2017.** Ukrnafta saw net profit rise by 17.7 times (UAH 1.190 billion) in January-March 2018 compared to the same period last year, to UAH 1.261 billion. According to a company report Ukrnafta's net income for the first quarter of this year increased by 25.9%, to UAH 8.268 billion, and gross profit by 49.6%, to UAH 4.819 billion. Naftogaz Ukrainy owns a 50% plus one share stake in Ukrnafta, the former shareholders of PrivatBank (Kyiv) hold about 42% of the shares.

#### **Health Ministry purchasing medicines for UAH 6 billion through reformed procedures.**

By purchasing transparently through international organizations with the proper procurement standards, in 2016 up to 40% of the allocated funds were saved. Acting Health Minister Ulana

Suprun announced this during the signing of new contracts, Ukrinform reports. This year, the purchases will be carried out in 40 directions of the state's programme in cooperation with the United Nations Development Programme (UNDP), UNICEF, and the British agency Crown Agents. The new procurement contracts for medicines and medical equipment are worth UAH 5.9 billion.

**LCIA rules against Kolomoisky.** According to the website of Naftfogaz Ukraine, the London Court of International Arbitration (LCIA) has concluded that parts of an Ukrnafta contract reached in 2010, significantly favouring the oligarch Ihor Kolomoisky (via his companies holding minority shares – Privat Group, Littop Enterprises Ltd, Bridgemont Ventures Ltd, Bordo Management Ltd, Balliotti Enterprises Ltd, Renalda Investments Ltd), are “not enforceable.” Mr Kolomoisky via various corporate vehicles controls approximately 43% of Ukrnafta shares; the state 50 +1% of the shares, odessatalk.com reports.

**Significance of LCIA ruling.** According to odessatalk.com's report: Mr Kolomoisky “effectively had control over the entire corporate management simply by controlling sufficient numbers of the Supervisory Board to prevent any and all management meetings occurring and making any legal decisions, by instructing those he controlled not to attend – ergo repeatedly insuring that the management quorum contractually required was not met. Decisions were therefore made only upon the terms of Mr Kolomoisky.” This practice has been “actively pursued by the oligarchy with their minority stakes in numerous State owned enterprises,” and this ruling should help to stop the practice.

**Poland's Adler Company wants to expand in Ukraine.** Adler International plans to develop the CCC shoe franchise store chain in Ukraine. According to a posting on the website of CCC, reported by Interfax-Ukraine, Adler International sold 41 CCC stores in Poland from which the investment will be financed. "Under to the agreement, the seller [Adler International] intends to use part of the funds received from the sale of the retail chain to accelerate the expansion of CCC franchise stores in Ukraine and to open 50 new CCC stores by 2021," the company said. As reported, CCC Ukraine LLC (Lviv), developing the shoe store chain of the Polish CCC brand, seeks to open up to 15 new stores in the country in 2018.

**Ukraine, Turkey complete tenth round of FTA talks.** The latest one focused on access to the agricultural commodity, telecommunications and e-commerce markets, Ukrinform reports. "Our task is to create conditions for the exports of the processed high added value products, the products involving the latest technologies, because the latest technologies are also being used actively in the food and processing industry," Natalia Mykolska, the head of the negotiating delegation from Ukraine, Deputy Economic Development and Trade Minister of Ukraine and Ukraine's trade representative, said.

**US cancels duty-free benefits for 155 types of Ukrainian goods.** The Office of the United States Trade Representative has suspended the effect of the Generalized System of Preferences for 155 types of Ukrainian goods, Ukrainian media have reported. They include some types of food and products from light industry, woodworking, and machine

engineering, as well as certain electrical appliances. The Economic Development Ministry says it is trying to resolve this issue with the U.S. government, but acknowledges that it hinges on the adoption of a draft law by the parliament designed to establish an effective and transparent system of collective management of property rights in the field of copyright and related rights.

**Kyiv pharmaceutical plant confident about its prospects.** The Borschahivsky Chemical and Pharmaceutical Plant (Kyiv) has begun exporting its products to Australia, Estonia and Portugal, its press service reports. One of the top national pharmaceutical manufacturers, the plant's products are currently exported to 19 countries, including Lithuania, Latvia, and the CIS countries. "In 2017 the company exported products worth UAH 152.3 million, which is 37% more than in the previous year," according to Interfax Ukraine. It intends to expand to broaden the range of veterinary drugs and biologically active additives it produces.

**Ukraine's major arms exporter boosts profit by 69% in Q1.** The state-owned company Ukrspecexport, Ukraine's main exporter of military weapons and equipment (up to 85% of all military-technical cooperation), increased its net profit in the first quarter of 2018 (y-o-y) to UAH 64.34 million (\$2.4 million) from UAH 38 million (US\$1.4 million). Net income from sales of products totaled UAH 364.1 million (\$13.8 million) y-o-y, which was 7.85% up from UAH 337.6 million (\$12.8 million) y-o-y, according to UNIAN. Ukrspecexport increased its net profit by 1.33 times in 2017 to UAH 144 million (\$5.5 million) from UAH 108 million (\$4.1 million).

### **Ukraine, Macedonia seeking to enhance trade and economic cooperation.**

Bilateral talks in recent days have focused on improving trade and economic cooperation and preparations for a forthcoming round of FTA talks, Ukrinform reports.

### **Large state-owned companies are to have supervisory boards.**

The prime minister announced that all large state companies, starting with Ukrzaliznytsia, Ukrenergorynok and Ukrposhta, will have supervisory boards. Such a type of control is considered necessary in order to improve the efficiency of the companies, Ukrinform reports.

### **Cabinet of Minister adopts plan for supporting development of SMEs.**

The government has adopted a plan of measures to implement the Economic Development and Development Ministry's strategy for the development of small and medium-sized enterprises (SMEs) in Ukraine for the period until 2020, Ukrinform reports. «There are almost two million small and medium enterprises operating in Ukraine, accounting for more than half of the country's gross domestic product," First Deputy Prime Minister and Minister for Economic Development and Trade of Ukraine Stepan Kubiv said. The plan is aimed at enhancing the government's work in promoting the development of this sector of the economy.

### **Components of government's plan to support SMEs.**

The strategy, according to Ukrinform, includes a number of directions for creating a supportive environment for SME development, increasing access to finance, simplifying tax administration, promoting entrepreneurial culture

and developing entrepreneurial skills, enhancing the competitiveness and innovation potential of small and medium enterprises.

## **Commodities >**

### **Rolled steel production increases slightly, while steel output decreases correspondingly.**

In January-April 2018 rolled steel output increased by 1% year-over-year, to 6.072 million tonnes, but steel smelting fell by 1.4%, to 6.913 million tonnes. Cast iron output grew by 8.9%, to 6.885 million tonnes. In April 2018, Ukrainian metal companies produced 1.639 million tonnes of cast iron (98% of the previous month), 1.687 million tonnes of steep (99%) and 1.479 million tonnes of rolled steel (98%). "A slight reduction in production of the key types of products in April compared with the previous month is linked to repair works at some facilities," the Ukrmetallurgprom association said, as reported by Interfax-Ukraine

### **Metallurgy accounted for almost a quarter of exports in Q1.**

Metallurgy accounted for 22.57% of Ukraine's total exports during Q1, earning \$3.488 billion from ferrous metal exports. This was an increase of 32.2% y-o-y, according to Ukraine's State Fiscal Service. Metal ware export grew by 34%, to \$351.4 million, accounting for 2.27% of the country's total exports. But imports of ferrous metals increased by 32.3% to \$385.3 million, while shipments of metal ware from abroad grew by 18.2%, to \$267.8 million. In 2017 revenue from exports of ferrous metals rose by 19.6% to \$8.7 billion, and earnings from metal ware exports by 30% up to \$896.7 million, UNIAN reports.

**Imports of nickel ore grow slightly in Q1.** They increased by 6.6% compared in 2017, to 458,917 tonnes. The main suppliers were Guatemala (60.81% of supplies in monetary terms), and Indonesia (39.19%).

**Iron exports soar, imports decrease.** In Q1 2018 Ukraine boosted exports of steel-making pig iron by 87.7% y- y, to 1.023 million tonnes. In monetary terms this meant an increase by 2.2 times, to \$339.946 million. Almost half of the deliveries were to the United States (47.66%), with Italy (19.33%) and Turkey (10.94%) accounting for much of the remainder. In the same period, Ukraine imported 414 tonnes of similar products costing \$256,000, as compared to January-April 2017 when the figures were 1,022 tonnes, valued at \$522,000. The main suppliers were Russia (67.97% of deliveries in monetary terms), and Germany (32.03%).

**Coal imports increase.** During the cold first four months of 2018 Ukraine imported 7.4 million tonnes of coal, mainly from Russia (64%, costing \$643.6), the U.S. (28.7%, \$288.4 million), and Canada (4.8%, \$48.4 million), which constituted an increase of 30% % y-o-y. The total costs of the expenditures to cover hard coal and anthracite imported so far in 2018 reached \$1.004 billion, as compared to \$2.744 billion in 2017, \$1.467 billion in 2016, the State Fiscal Service reports.

**Coal production falls.** Meanwhile, coal output fell by almost 20% in the first quarter of this year. This followed the trend seen in 2017 when production of thermal and coking coal shrank by 14.6% against 2016, to 34.916 million tonnes. Russia's aggression in the Donbas

deprived the country of coal, particularly thermal anthracite and has forced it to import.

## Energy >

**Naftogaz raises gas prices for natural gas for industrial consumers by 5.2-5.5%** compared to the prices for April 2018. According to Ukrinform, The company elaborated that "the proposed prices for natural gas are differentiated depending on the volume of procurement, payment terms and the state of previous payments with Naftogaz, and on the fact that the final consumer separately has to pay the cost of gas transportation via main and distribution pipelines."

**Ukraine increases electricity production.** Electricity production in Ukraine's power grid increased by 3.8% in January-March 2018 year-over-year, to 44.543 billion kWh, according to the Ekonomichna Pravda online newspaper. Electricity production by unconventional sources (wind power, solar plants, and biomass) grew by 29.5% in the first quarter of 2018, to 532.8 million kWh.

**The impact from the Energy Efficiency Fund** will help reduce the consumption and import of natural gas to ten billion cubic meters and increase the annual capacity of the new energy efficiency market to UAH 60 billion, Deputy Prime Minister and Minister for Regional Development, Construction, Housing and Utilities Hennadiy Zubko says. According to him, as reported by Ukrinform, the main condition for effective work of the Fund is qualified staff - energy auditors, project organizations, energy service companies and, especially, the demand

from municipalities that want to be energy-efficient and help the population implement energy-efficient measures in the residential sector.

**Gazprom cuts gas transit through Ukraine by 9.2% in Q1.** Between January and April, "The volume of gas transportation from the Russian Federation to European countries and Moldova through Ukraine amounted to 27.7 billion cubic metres. Since the beginning of the year the transit volumes decreased by 2.8 billion cubic metres, or 9.2%, compared to the same period in 2017," Ukrtransgaz reports. The volume increased slightly in April, growing 0.3 billion cubic metres, or 3.7%, and amounted to 7.6 billion cubic metres.

**Price of imported gas exceeds \$300 for the first time in three years.** The price, which in March 2018 stood at \$275 per 1,000 cubic metres, shot up to around \$ 309.9 in April, Ukraine's Economic Development and Trade Ministry said on its website. In January-April 2018 Ukraine reduced natural gas imports by over 54% year-over-year (y-o-y) to 2.2 billion cubic metres (bcm). In 2016, Ukraine imported 11.1 bcm of gas from Europe alone. Natural gas imports in 2017 were estimated at \$3.228 billion.

**Ukraine boosts export of electricity.** In Q1 2018 Ukraine exported electricity worth \$109.331 million, in April \$28.86 million: Hungary imported to the value of \$69.146 million, Poland, \$26.466 million, Moldova, \$10.939 million, and other countries, \$2.779 million. In monetary terms exports in Q1 increased by 33.5% (y-o-y). In Q1 Ukraine imported electricity costing \$562,000, from Russia, worth \$539,000, Belarus, \$22,000 and Moldova, \$1,000.

**NATO sees energy security of Ukraine as part of pan-European energy security.**

Andriy Kobolyev, Head of the Board of the National Joint-Stock Company Naftogaz of Ukraine, has discussed energy security with NATO officials in Brussels, Ukrainian media reported. He focused on the negative implications of the Nord Stream-2 project not only for Ukraine, but Europe as a whole, and apparently secured the understanding and support of Ukraine's allies.

**Toshiba and Kharkiv's Turboatom to sign cooperation agreement.** The Energy and Coal Industry Ministry has announced that the Japanese Embassy has confirmed Toshiba's readiness to sign a memorandum of understanding next month "to cooperate with Ukraine in modernization of equipment for the nuclear energy sector, in particular, production and modernization of turbines, including for nuclear facilities in third countries." The details of the agreement have not been disclosed.

## Infrastructure >

**Government prioritizing road repairs.** Over UAH 50 billion from different sources, including UAH 32 billion from the Road Fund, will be provided for the repair of roads in Ukraine. Infrastructure Minister of Ukraine Volodymyr Omelyan announced this while visiting the southern city of Mykolaiv, Ukrinform reports.

**Mykolaiv region being allocated UAH 1 billion for road repairs.** Minister Omelyan told his hosts in Mykolaiv that the region could receive more funding if it carries out the repairs effectively, Ukrinform reports. The Infrastructure Ministry will monitor

that state funds are used to the full, and the region receives high-quality roads at a competitive market price, he said.

**Government recognizes need to develop regional airports.** Minister of Infrastructure Volodymyr Omelyan has acknowledged the need to construct and repair runways at regional airports, which in turn will stimulate investment. Speaking on Channel Five TV, he said: «A lot of airlines are ready to enter Ukrainian regional airports, but... there are no runways, there are no terminals that would accelerate servicing, while this is one of the key issues for low cost air carriers. Therefore we must invest in the runways as a state to get a highly competitive market and business for the state as well.»

**Odesa airport prioritized for reconstruction.** Minister Omelyan has already announced that the reconstruction of Odesa airport will be completed in 2019. It will include construction of a new runway that can accept heavier aircraft, including the Boeing-767, which, in turn, can double passenger traffic, Interfax-Ukraine reported.

## Privatization >

**Land prices in Ukraine may triple – World Bank.** The World Bank predicts that land prices in Ukraine may triple to US\$3,000-3,500 per hectare from the current \$1,000-1,500 in case the moratorium on farmland sale is lifted, UNIAN reports. According to Bloomberg, Ukrainian landowners have Europe's lowest land rent rates, while the quality of the Ukrainian soil is one of the world's best. The moratorium on farmland sale in Ukraine has been extended until 2019.

## Prime Minister stresses need to advance privatization, but done properly.

«We need to create the foundation for economic growth...Privatization will enable us to leverage investment, start modernization and achieve the said target», Prime Minister Volodymyr Groysman stressed. "I understand that there is a negative experience of the privatization held in the '90s. Our objective is to sell non-strategic enterprises. We should find effective owners that will ensure creation of new jobs, modernization (of production),» he elaborated. But a transparent process of attracting new owners is needed to eradicate corruption. «We are opening a new page of qualitative process by taking appropriate decisions,» the government portal reports him as saying.

## Groysman outlines plans for transparent privatization.

«Strategically important state-owned enterprises will be kept in state ownership,» the prime minister announced "Small-scale privatization objects will be sold through an online auction. There will be a market sale of assets. The privatization of large-scale objects (non-strategic) will be implemented with the involvement of highly qualified advisers, who will give the right information to all stakeholders. After, open auctions (for such enterprises) will be conducted too. We will put an end to the shadow privatization», the government portal reports him as saying.

## Travel >

**Number of Ukrainian holidaymakers in Egypt expected to reach one million in 2018.** According to Minister of Foreign Affairs Pavlo Klimkin, "The number of

Ukrainian tourists in Egypt was about 800,000 in 2017; this year they will increase to one million tourists." Klimkin was in Egypt last week, the first visit at this level since 2010. His Egyptian hosts, expressed gratitude to Ukraine for amending the traveling instructions to Egypt on 18 April 2018, and the restoration of direct flights between Cairo and Kyiv, UNIAN reports.

## Transportation >

**Rail link between Mukachevo and Budapest planned.** Ukrzaliznytsya and the Hungarian railway company MÁV-START nemzetközi utazások have concluded negotiations about launching a Mukachevo-Budapest train. According to the acting head of Ukrzaliznytsya Yevhen Kravtsov, the Hungarian side "are ready to provide rolling stock that will run along the European railway lines that link the two cities." Mukachevo railway station will be reconstructed in order to serve as a hub for travels to the EU countries.

**Kyiv modernizing its trams with Polish company's help.** Kyiv is buying 40 trams from Poland's Pesa Company and seven from Electron in Lviv, the capital's mayor Vitaliy Klitschko has announced. 400 trams are used in Kyiv, and 90% of them are more than 30 years old, he elaborated. The tram fleet has not been upgraded for at least 30 years. «We need to buy 165 more new trams, over 230 buses and 230 trolleybuses to fully upgrade the fleet." The new trams, he said, will be "high-tech low-deck European transport with air conditioners, video surveillance and wi-fi."



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