# Ukraine

## Resilience and reforms for a new era of growth

Home to a large internal market, vast agricultural, energy, and mineral resources, and occupying a strategic geographic position at the crossroads of Europe and Eurasia, Ukraine's star is rising fast. Though the country was impacted by the Covid-19 pandemic, the effects were less severe compared to some of its neighbors. The economy is bouncing back as President Volodymyr Zelensky resumes an ambitious reform program that has seen the country become an increasingly attractive and competitive investment destination.

As the world's fifth-largest exporter of grain and a leading European producer of iron and steel, Ukraine benefits from a very open economy, with foreign trade accounting for 90% of GDP in 2019. It also benefits from Zelensky's ambitious plans to transform the economy.

When he came to power in 2019, Zelensky made it clear that attracting foreign direct investment (FDI) is a top priority. Months after his election victory, he outlined an ambitious reform agenda at the World Economic Forum, unveiling plans to privatize 500 state-owned companies, improve investor protection, offer five-year tax breaks for buyers of state-owned firms, and launch new services to facilitate project development:

"We will defend your investment. We offer an 'investment nanny' for those investing $100 million-plus that will include a separate contract with the state. A manager speaking five languages and available 24/7 will answer any questions. You will be in direct touch with officials who are here to help, and have no problems whatsoever," he told the audience.

These were not just empty words, and Ukraine is making major strides in reforming the economy under Zelensky's leadership. The country has won praise from the World Bank for several recent, ambitious undertakings, including significant fiscal consolidation, adoption of a flexible exchange rate, reforms to energy tariffs and social assistance, changes to enhance transparency in public procurement, and simplifying business regulations to better attract FDI.

Combined with efforts to stabilize and restructure the banking sector, as well as the establishment of new anti-corruption agencies, these reforms have had a measurable impact on


Volodymyr Zelenskyy
President of Ukraine

the country's investment climate.

Ukraine rose five spots on the World Bank's Doing Business 2020 survey to hit 64th out of 190 countries, and rose to hit second worldwide in terms of the speed and depth of improvements to its business climate. FDI inflows have soared in recent years, rising to hit $64 billion between 2015 and 2019, while merchandise exports rose from $38.1 billion in 2015 to hit $49.2 billion in 2020.

Rising FDI has seen more than 100 new manufacturing plants constructed since 2015, creating tens of thousands of high-added-value jobs. These include a $200 million, state-of-the-art seed processing facility built by German firm Bayer, and a $150 million grain terminal by American giant Cargill. Major multinationals have also flocked to the country in recent years, including General Electric, Ryanair, HEAD, IKEA, H&M, and Decathlon.

Not content to rest on his laurels, Zelensky is now focusing his attention on the industries of the future. Ukraine spends nearly 6% of GDP on education, one of the highest proportions worldwide, and more than 100 companies have opened innovation centers in the country, drawn in by an highly-skilled and low-cost talent base. They include Microsoft, which plans to invest $500 million in domestic cloud services. Advancing innovation is a top priority for the government, as Zelensky highlighted at a technology conference in San Francisco:

"Our country is rapidly transforming and adopting innovations. Over the past year, we have managed to make a real breakthrough in the digital sphere. At the same time, we still need to do a lot. Ukraine is open for investments in the IT sector in cooperation with U.S. businesses. We want your business to be interested not only in the possibilities of opening representative offices in Ukraine, but also in investing in Ukrainian innovative products."

All of these efforts will help the country maintain a strong growth trajectory. GDP growth was already increasing steadily in the years until the Covid-19 pandemic hit, reaching 2.5% in 2017, 3.4% in 2018, and 3.2% in 2019. Growth declined by just 4% in 2020, and recovered to hit 2.9% during the first eight months of 2021, buoyed by record grain harvests and steady manufacturing output. As Zelensky stressed at a virtual investment conference hosted late last year, Ukraine's unique competitive advantages will keep the country on stable growth path:

"Ukraine is a dynamic European country that is improving its investment climate to compete globally, create new business opportunities and increase FDI. We are open to the world as an investment harbor in a time of change."



# Metinvest - International steel giant commits to decarbonisation

Ranking in the top three economies worldwide in terms of ratings upgrades in the past five years, Ukraine is an "emerging-market success story", according to a September 2021 report by credit rating agency Fitch. No country has received more upgrades since 2016 than the Eastern European rising star, which was recently shifted to "positive" outlook from "stable" by Fitch. While the past few years have seen emerging market ratings slip overall, Ukraine has benefitted from the progress of its structural reform and fiscal consolidation programmes, which have also won praise from the World Bank and international investors. Fitch forecasts that Ukraine's government debt will drop to 50% of GDP this year, despite the impact of the covid-19 pandemic. Meanwhile, it expects GDP growth to rebound to 4.1%. The country's metallurgy industry is one of the key drivers of this growth, with steel output rising 7.5% in the first six months of the year, according to industry association figures.

Metallurgy contributed with 12% to GDP in 2018, and is a major source of export earnings. Ukraine ranks fourth in the world and second in Europe in net steel exports in 2020, leveraging its location, natural resources, and highly-skilled but relatively affordable industry labour pool. Not only the biggest company in the sector, but Ukraine's largest privately-owned business, Metinvest is leading the way in the development of steel and mining in its home market and internationally. With a long-standing reputation for delivering solutions tailored for the needs of its global customers, the company's redoubled drive for operational efficiency goes hand-in-hand with both its ongoing M&A strategy and multibillion investments in environmental projects, providing a model of best practice for the industry as a whole.

"We export 70-80% of our output, and every time we work with a customer we have to prove why they should turn to us instead of producers in their local market," says Metinvest CEO Yuriy Ryzhenkov. "We have an excellent team focused on identifying and anticipating customer needs and matching them with our capabilities, working very hard on delivering best value in each case. We send technical teams to see how our customers will use our products, and bring customers to our facilities to understand what we can do and how we can serve them."

Metinvest's customers also benefit from the company's geographical diversification, which both brings production closer to the market, and allows rapid substitution if supply is disrupted or the customer's project changes. Metinvest owns rolling mills in countries including Italy, the UK, and Bulgaria, processing semi-finished products and providing a "final mile" in key markets. "There is only one competitive advantage in the steel industry: geography," says Ryzhenkov. "At Metinvest, we are sitting on the raw materials, but we also want to be close to the customer."

The importance of these two geographical factors and the overarching goal of ensuring high-quality, reliable, and well-priced supply drives Metinvest's merger and acquisition strategy. Recent acquisitions include Pokrovske Coal and production assets of steelmaker DMK. Pokrovske Coal is Ukraine's largest coking coal producer, and will provide an anchor supplier to bring efficiency through Metinvest's vertically-integrated value chain.

DMK was one of the largest steelmakers in Ukraine with a full-cycle metallurgical production facility. The DMK assets will add to Metinvest's


Yuriy Ryzhenkov
CEO - Metinvest

product range, including square billets, wire rod, rebar and shapes, with some going to the Bulgarian plant for processing according to regional customers' needs. "We are constantly monitoring possible M&A in the European market," says Ryzhenkov. "We need high-quality inputs, and a full range of products for customers from shipbuilders to construction companies."

The company's expansion strategy meshes with a renewed drive for operational efficiency launched two years ago. Everything Metinvest does is seen through the lens of greater efficiency, from day-to-day operations to health and safety and investment. This approach has proved highly successful, with savings of $376m in 2020 and already reached $368m in the first half of 2021.

Improvements in efficiency help reinforce Metinvest's investments in decarbonisation, a pressing priority for the company and the industry as a whole. With the European Union, Ukraine's single largest steel export market, aiming for carbon neutrality by 2050 and planning to introduce a carbon tax on imports, Ukrainian producers are under pressure to reduce emissions to retain market access and keep pace with EU-based competitors.

Many of those competitors are receiving government support for greening their production, with national authorities realising that change will not happen if left to the market. But Ukraine has provided little to fund or incentivise decarbonisation projects, despite the higher production costs and investment requirements that its steelmakers face. This situation has left it to the industry to take the initiative, with Metinvest a leader in the field even before the EU started its zero-carbon push.

The company's environmental investments in 2011-2020 totalled $3.5bn. As such, Metinvest reduced air emissions by 37% since 2011 entirely at its own expense. Dust emissions were reduced by 51% and water intake by 46%. To date, the most significant project in Metinvest's efforts to reduce its air emissions has been the modernisation of Ilyich Steel's sinter plant. The multi-year initiative is one of the largest such undertakings in Ukraine as an independent state. The overall investments exceeded $160mn. The aim of the work was to reduce the sinter plant's dust emissions by 90% and sulphur dioxide emissions by 46%.

In the past decade, Metinvest has reduced its carbon footprint by 68%. While our transformational journey to becoming a low-emission steel producer is well underway, the global drive for carbon neutrality is creating new business opportunities. At present, electric arc steelmaking has lower carbon footprint. Such a route requires higher-grade iron ore products as feedstock. The Group's magnetite ores are better suited to this than hematite fines produced in Australia and Brazil. In response to this opportunity, we completed the upgrade of Central GOK's beneficiation facilities in 2020, enabling us to launch production of 2.3 million tonnes of pellets with 67.5% Fe content used in DRI technology. Northern GOK is due to follow suit.

Metinvest is now considering a new electric arc furnace steel plant at one of its production plans, using electricity and DRI to replace sintering, coke-chemical, blast furnace and basic oxygen furnace production, and thus eliminating the CO2 emissions associated with them.

Capital-intensive though such projects may be, Metinvest views them as essential to its commitments as an international steel and mining company, dedicated to decarbonising for its stakeholders and the world in which it operates. "Despite the lack of support from the government in Ukraine, we are consistently investing record sums into environmental projects, aiming at decarbonizing our enterprises, exploring new technologies for making green steel," says Ryzhenkov.

METINVEST

# KADORR Group - Growing with Ukraine

Praising Ukraine's "resilient" credit fundamentals, "credible policy framework underpinned by exchange rate flexibility", and "commitment to…prudent fiscal policy", ratings agency Fitch upgraded Ukraine's outlook to positive in August 2021. Fitch noted greater macroeconomic stability and a marked reduction in general government debt, as well as progress on the country's reform agenda. The agency forecasts a narrowing of the budget deficit and lower government debt-to-GDP levels in the coming years, putting Ukraine in a stronger position to attract investment.

The upturn will help boost the real estate and construction sectors, which tend to be driven by broader economic growth and market confidence. Even in 2020, when the global economy was hit by the covid-19 pandemic and related lockdowns, Ukrainian construction output grew by 4%, according to official figures. It was boosted by the government's "Big Construction" programme, while private demand remains an essential part of the picture. The first five months of 2021 saw a 14.7% increase in residential construction.

Leading the way in the sector is KADORR Group, led by Adnan Kiwan, a Damascus born entrepreneur who came to Ukraine as a student in the 1980s and whose vision and commitment to the country has built a company with around $1bn in assets. The company has invested $4bn in the past decade, building more than 5m square meters of property, gaining the trust of banks, investors, and buyers, and cementing its position at the top of the market. "I am a builder," says Kiwan. "We build quickly, with high quality. My job is to give people apartments within 18 months. I have been doing that and fulfilling my promise from day one. And we have a lot of buyers, because they trust us. We have built and sold more than 100,000 apartments, totalling more than 2m sq m."

In 2019, he brought three residential complexes onto the market on a single day - a record in Ukraine. By the end of this year, KADORR's "Pearl" developments will have 70,000 residents. KADORR also owns 186,000 sq m of commercial property, worth around $500m.

The Odessa-based company has invested $500m in its home city, and $100m in Kyiv. KADORR plans to invest a further $350m in the capital over the coming two to three years.


Adnan Kiwan
President - KADORR Group

But Kiwan, who started business in metals trading following the collapse of the Soviet Union, is also putting his energies into diversification. He is leading a new direction in Ukraine's agricultural development through KADORR Agro, which owns an elevator complex in the Dnipro region handing grain receiving, cleaning, drying, storing, and shopping, with total capacity of 65,000 tons. "We have sold hundreds of thousands of tons of grain to countries including Bangladesh and Indonesia," Kiwan says. "Our next steps will be more aggressive - we will invest more than $150m in the next two years, with the aim of increasing profitability and increasing vertical integration."

KADORR has never sought investors as it has retained cash to operate its businesses, but Kiwan is open to partnerships for the next phase of development, with projects of $100m to $500m open to potential partners. Ukraine has long been one of the breadbaskets of the world, with huge agricultural potential, but the land remains under-invested. "We have the largest area of agricultural land, and the best land in Europe," Kiwan says. "But yields are half those of France. We need partners with technology."

KADORR is also planning investments in a hospital that will be the best in Ukraine and among the best in Europe, equipped with world-leading technology. The first KADORR Medical Hospital will be completed in Odessa in the next years, with an initial investment of $100m. It will include apartments for foreign doctors to come to teach local medics. Kiwan sees investments in healthcare as a duty to Ukraine as much as a business opportunity.

Over the past decades, KADORR has shown its commitment to the country, and it is a commitment that Kiwan is determined further to strengthen with visionary investments in the coming years. Foreign investors who also commit can benefit from a broadening range of opportunities. "This country needs investments," says Kiwan. "GDP could be five times higher. There are opportunities in agriculture, ports, and manufacturing. We believe in Ukraine and are ready to fight for it."



# BGV Group

## Leading mining innovator believes in Ukraine

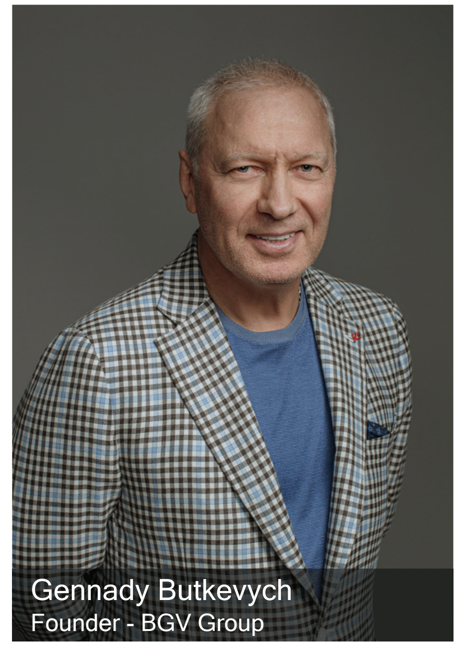
Ukraine's economy remains resilient, and the country is fast-becoming Europe's choice investment destination. The government already won praise from the World Bank for an ambitious and successful reform programme carried out between 2014 and 2019, with moves towards fiscal consolidation, reformed energy tariffs and enhanced transparency boosting growth and social development. Investors, too, have flocked to the country as the government moved to simplify business regulations and open up public procurement, and the National Bank of Ukraine reports that total foreign direct investment (FDI) stock in the country rose by 5% in 2019 alone to hit $51.4 billion.

The mining sector has been especially attractive for investors because of the enormous potential it offers. Ukraine is home to some of the world's largest deposits of iron and manganese ore, and holds significant reserves of rare, critical and strategic minerals, including Europe's largest titanium and beryllium reserves, and significant quantities of nickel, uranium, and graphite, among many others. With excellent access to these reserves, leading domestic mining developer BGV Group Management will play a crucial role in developing the industries of tomorrow, including electric vehicle batteries, solar wind farms, and advanced technology.

Established in 2015, BGV Group Management creates innovative, advanced, and unique businesses active in exploration and production of oil and gas and minerals, including rare earth minerals. The group invests in sites where large deposits of vital rare minerals are located, launching commercial ore production using both standard and cutting-edge extraction and processing technologies. As Gennady Butkevych, founder of BGV Group explained, group operations have benefitted from Ukraine's natural advantages.

"Ukraine is a rich country. We have a lot of different natural resources, but during the Soviet area, many of these sites were kept secret. Ukraine is opening up, and we see demand for Ukrainian minerals rising astronomically. The European Union, US and China are scrambling for rare earth resources, and Ukraine's reserves are located in the center of Europe, making them much more accessible to the world, and reducing transportation costs. So the value proposition is quite strong," he said.

Seven subsidiaries currently operate under the BGV umbrella, with business


Gennady Butkevych
Founder - BGV Group

lines dedicated specifically to graphite, beryllium, uranium, oil and gas, titanium, zirconium and rare earth elements, and granite. A strong focus on partnership, innovation, and zero-harm sustainability has supported development of a robust international portfolio, and the group works with partners around the globe, from Canada and the US to Turkey, Egypt and the UAE, and all the way to the Indo Pacific.

In Ukraine, the company is actively developing sites including some of the largest graphite deposits in Europe (Zarichna Graphite deposit in Odessa region and Balahovskoe Graphite deposit in Kirovograd region), together with the Perzhansky beryllium deposit, which is the largest on earth. In rare earths, it is working to produce from the Yastrebetsky zircon-rare earth fluorite deposit in the central area of the Suschchano-Perga tectonic zone.

Butkevych is already one of Ukraine's most prominent entrepreneurs, having co-founded ATB Corporation, one of the country's largest retailers. In the longer term, he's dreaming even bigger - Europe's transition to a carbon neutral future will require more investment in nuclear energy, and Butkevych hopes to one day build a small modular reactor to contribute to innovation in the sector.

"I think that nuclear energy is the future of our country, and all countries that can produce it. I was interested in small modular reactors. We've already purchased mineral sites at auction, some to supply a potential reactor and some for profit because if you want to manufacture small modular reactors, you need huge amounts of money. There are around ten countries working on developing and designing small modular reactors. We are with them in preparing for the future," he explained.

With that in mind, Butkevych is now seeking new partners and investors drawn in by Ukraine's ongoing political reforms, improved governance, solid macroeconomic fundamentals, and high profit potential.

"We want to do the full cycle of manufacturing. We know how to create the right big businesses in our country. We're concentrated on products with a high value-added proposition. And Ukraine itself is a value-added proposition - it has taken time, but with the President's support and vision for the future, we are improving the country's brand. The business community I think we are improving the brand of Ukraine. Brand is trust and trust is reputation," he concluded.

# InterChem
## At the cutting edge of pharma innovation

Ukraine's recovery from the covid-19 pandemic received a further boost with the announcement of a $2.7bn funding package from the International Monetary Fund in August 2021. The money is part of a global programme that IMF managing director Kristalina Georgieva has said will build confidence and foster resilience and stability. The money will come to Ukraine unconditionally and free of charge, providing a significant boost at a crucial time. The government expects a further $700m from the IMF in September, as part of an ongoing agreement linked to Ukraine's reform programme.

Restored economic momentum and growing confidence in Ukraine's stability and long-term outlook are likely to intensify interest in the country's strong pharmaceutical sector. The industry capitalises on a long history of scientific research and pharmaceutical manufacturing, access to a range of markets ranging from affluent European countries to fast-growing Asian economies, and the expertise of its labour pool. The sector was growing at more than 10% a year even before the covid crisis, according to official figures.

At the cutting edge of the nexus between scientific innovation and commercial skill is InterChem. Founded in 1992, the year Ukraine regained independence, the company was established by young scientists working in the world-renowned laboratories of the Ukrainian Academy of Sciences, and grew from that institution's pilot plant.

In less than thirty years, InterChem has produced four new molecules (known in US legislation as new chemical entities), the innovative building-blocks of new medicines and the gold standard of pharmaceutical innovation. The fifth, which is in development now and has been patented globally, is to be used as a painkiller. "Clinical trials have started already in Ukraine and the first phase finished successfully in July 2021," says Dr. Anatoliy Reder, InterChem's CEO. "We are also working with a laboratory in Cambridge [UK] and expect that process to conclude early in 2022, after which we should move into the next development phase in Europe and USA."


Dr. Anatoliy Reder
CEO - InterChem

InterChem focuses on a few areas, such as drugs for the central nervous system and antiviral medicines, and around 70% of its sales are of original, rather than generic, products. The company leverages the strengths of its team, with more than 40 PhDs among the staff. The company was founded by scientists, rather than managers or businesspeople, and continues to put science and innovation first and foremost - and business success has been the result.

Reder sees the new molecule as epitomising InterChem's approach: seeking out under-explored areas of innovation, and committing strongly. "We take a blue ocean strategy - where we see no-one around, we dive," he says. "Original molecules take a lot of investment: money, time, and people. It takes hundreds of millions of dollars and ten to fifteen years to bring them to market. But R&D is important to us, and it gives us an advantage."

That advantage is apparent from the company's results. It achieved a remarkable revenue growth of 20-26% annually over the past three years targeting above $50m in revenue this year and an exceptional EBITDA margin.

InterChem's strengths have made it a partner of choice for pharmaceutical players internationally. The management is now considering further partnerships, including for the second phase of the development of the company's new molecule - and potentially a long-term strategic partner for the company. "It would be good to have a partner for the second/third phase, and we are sure that the coming years will see further growth," Reder says. "My business partners and I would be happy to see a strategic partner as interested in what we are doing as we are. We love what we do - it's not just about finance, but also support and a similar philosophy."

Any potential partner would be entering a flourishing, modern industry. Reder estimates that 90% of pharmaceutical production in Ukraine meets European Union good manufacturing practice regulations, giving manufacturers access to the world's largest market. "We are one of the few countries which offers very high-quality production at moderate costs," he says. "Risks are low - in some cases lower than in Western Europe, for those with the right partner. There is a highly-skilled labour pool. And businesses enjoy margins higher than almost anywhere else."

InterChem



# Yuria-Pharm - Strong at home, growing abroad

Surging by 5.7% in the second quarter of 2021, Ukraine's economy is well on the road to recovery following the covid-19 pandemic. Growth has been driven by private consumption, which rose a remarkable 17.4% year-on-year in the quarter, with consumer confidence returning strongly. Manufacturing also helped drive the resurgence, expanding by 8.2% year-on-year. The vigorous economic recovery has led to a surge in mergers and acquisitions, which rose by 77% in the first half of the year, according to global professional services firm KPMG, indicating that investors are as confident as citizens about the outlook. The healthcare and pharmaceuticals sector attracted major deals worth at least $26m, KPMG reported - not including smaller transactions.

The sector capitalises on the country's strong scientific knowledge base, relatively low costs, and access to both developed markets in Europe and emerging economies further afield. The domestic market is also strong, growing by 13% in 2020, according to industry figures, despite the deep recession caused by the covid-19 pandemic.

Yuria-Pharm, one of the country's largest pharmaceutical companies, embodies the sector's strengths in innovation and knowledge and internationalisation, while retaining a strong presence in Ukraine. Its success is built on its expertise, epitomised by founder Mykola Gumeniuk, who started as a leading scientist and has become one of the country's top pharmaceutical entrepreneurs. "The story stared in the USSR, where I was a senior researcher at a research institute," he says. "We started a small enterprise as young scientists when the first commercial initiatives were allowed, the first green shoots of entrepreneurship in the country."

Starting with research activities, Gumenyuk launched a retail pharmacy business in the early 1990s, during a period of hyperinflation, before moving into wholesale medicine sales and contract manufacturing. In 1998, Yuria-Pharm was formally launched as a manufacturing company. The company started with 68 employees and now has 2700, and its production has grown from 80,000 units a month to to 17m units; a product range that started with 4 medicines now boasts 150.

Yuria-Pharm continues to expand - Gumeniuk expects 20-25% growth this year, providing a platform for further development of the business. "We have always invested nearly everything we earned into our development, and we continue to reinvest


Mykola Gumeniuk
Founder - Yuria-Pharm

most of our profits," says Gumeniuk

The company has become a favoured partner for international counterparts, both those wishing to licence and manufacture products for the Ukrainian market, and those who licence its range of products on international markets. Yuria-Pharm now has operations in 41 countries worldwide. It is currently growing in Central and Latin American markets, while it continues to develop its footprint in the dynamic economies of East Asia. The company is now poised for expansion in Europe, keeping pace with Ukraine's path towards integration with the European Union, the world's largest economy and a market of 450m people.

Yuria-Pharm offers its partners a strong commitment to innovation in a competitive sector; 50% of its new products are its own development, providing new income streams for both parties in export markets. The company also has its own distribution business, which adds value and protects margins in its large-volume business with hospitals in particular. "The distribution business is an advantage for our partners, as we know the market not only as manufacturers ready to share our platform, but as manufacturers in direct contact with customers," says Gumeniuk. "Relationships with partners are a priority; they can access the growing Ukrainian market, and take our own developments for export. The core of our business is international, and can be globalized."

More than three decades after he made his first steps into entrepreneurship as a young scientist, Gumenyuk is bullish about the opportunities that exist for businesses in Ukraine. With an economic and structural reform programme well underway, the investment case for the country is getting ever stronger, and the company's founder believes that it has the potential to be "a European China" - the next mecca of technology development. "There are a lot of talented, competent, and well-educated people in our country," Gumeniuk says. "Labour costs are affordable. There are a lot of companies here that could be targets for investment, or localise production for international companies. Investors should enter Ukraine now, while the opportunities are there, and get ahead of the competition."

YURiA·PHARM

# ERU - Energy entrepreneurs bridge East and West

Signalling the country's strong recovery from the covid-19 pandemic, merger and acquisition volumes in Ukraine surged by 77% in the first half of 2021, according to professional services company KPMG. The firm recorded 46 \$5m-plus deals in the first six months of the year, and stated that 2021 has the makings of a successful year for both domestic and international deal-making in the country. It noted several positive developments for foreign investors in the country, including strong exports, progress with judicial reforms, and re-engagement with the IMF over the fund's \$5bn loan to Kyiv. The energy industry is a major driver of investment in Ukraine; the oil and gas and power and utilities sectors between them accounted for 20% of deal volume in the first half of 2021, KPMG reported. Meanwhile, the government is committed to generating 25% of energy from renewable sources by 2035, unleashing a wave of green investment.

Energy Resources of Ukraine (ERU) is the ideal partner for international investors looking to tap into this growth. Led by two highly-experienced senior energy industry professionals - the Ukrainian Yaroslav Mudryy and the American Dale Perry - the company provides a bridge between East and West. The company is increasingly diversified, with growing activities in energy efficiency and asset management, while retaining its strong core of trading. "Partners can be assured that we have the capacity to purchase gas and store it, all under the protection of EU legislation," says Mudryy, ERU's managing partner. "Last year we had record profits as we were able to import gas to our Ukrainain storage, store it, and then sell it at higher prices. We were able to manage the fluctuations in pricing."

Mudryy and Perry have built this highly-successful business through their entrepreneurial dynamism and skill. They have overcome the challenge of initial scepticism of international financiers, starting ERU "literally from a credit card", proving their business case to the market and partners - and doubtless leaving some of those who did not invest early on to regret their decisions.

When Ukraine's new natural gas market was created through liberalisation in 2014, ERU was a first-mover bringing much-needed innovation to the sector, based on its founding partners' long experience. Starting with a single contract to supply 10,000 cubic metres of gas, in five years the company became one of the largest private importers of natural gas to Ukraine, supporting the country's drive for energy security.

Yaroslav Mudryy
Managing Partner - ERU

ERU's transparent ownership structure, international corporate governance and business standards, and political risk insurance under contract with the United States International Development Finance Corporation (DFC) all make it a reliable partner in a region in which some investors are still overly wary of risk profile. It works with leading international gas suppliers, as well as major companies in sectors including metallurgy, construction, and food processing. With its partners, ERU organised the first delivery of LNG to Ukraine in 2017, and the first imports of US LNG in 2019, bringing new competition to the domestic gas market. Since early 2019 the company has been active in the end-consumer electricity market, and the same year became the first importer of electricity from Europe to Ukraine. At the end of the year, ERU signed an agreement for joint hydrocarbon exploration and exploitation activities in western Ukraine with the Polish oil and gas company PGNiG, one of the biggest energy companies in the region.

The Ukrainian company is now driving forward the development of its energy efficiency business, which could play an important role in bringing down the country's $CO_2$ emissions. In March 2021, the Ukrainian government committed to achieving carbon neutrality by 2060 - an important target with climate change a pressing priority globally, but also a challenging one given the country's traditionally carbon-intensive economy. Ministers have said that investments in green projects will need to triple by 2040 to meet the goal.

Combined with the rising global cost of carbon, and institutional investors' increasing appetite for green investments and wariness of emissions-heavy projects, the scene is set for a boom. ERU is primed to participate, including through direct investments with counterparts. "I see a lot of great opportunities in the area of reduction of $CO_2$ emissions," says Mudryy. "We are ready to put our equity into energy efficiency projects, and also bring our resources, management and expertise."

Indeed, the ERU managing partner sees green developments as one of the keys to unlocking his country's huge potential. "Ukraine is underinvested, and there are many projects that can give relatively quick returns," he says. "If you find a bridge like our company, you can make business here."

ERU
ENERGY RESOURCES OF UKRAINE

Content from
The International Investor

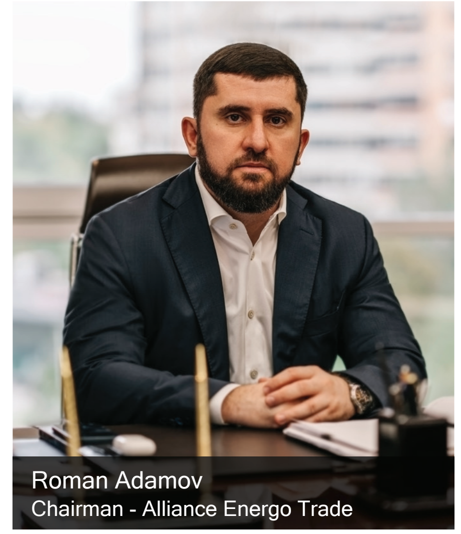
# Alliance Energo Trade - Ukraine's reliable energy partner

Ukraine's economy is bouncing back, with GDP growth expected to rise by eight percentage point this year, and demand for energy and raw materials is rising in lockstep. In the bitumen market, for example, grew by 24% y-o-y to reach a balance of 190,000 tons in August 2021, while fuel and oil imports rose by 34.2% y-o-y between January and June 2021. Alliance Energo Trade, a leading domestic bitumen and fuel trader, sees a bright future for its business.

Founded in 2008, Alliance Energo Trade is a supplier of bitumen, diesel, LPG, aviation fuel, gasoline to agricultural holdings, factories, and transport and construction companies in Ukraine. The company has risen to become a major player in the Ukrainian market because of a strong team spirit and synergy, led by its founder, Roman Adamov, who started with one truck, small volumes, and a laser focus on reliability:

"I believe our reputation is important. Our business is a high turnover business, and stakes are high. Our company made a reputation by always fulfilling its obligations; we have built an excellent team that adopts a flexible approach with all of our partners," he explained.

Although Alliance Energo originally began by trading products from Ukrainian producers,


Roman Adamov
Chairman - Alliance Energo Trade

its operations expanded rapidly and it now imports from countries in the Mediterranean, as well as Russia, Poland, Turkmenistan, Turkey and Bulgaria. The company holds a 35% share of the Ukrainian bitumen import market, and a deep understanding of how it works.

With demand for bitumen reaching new highs in Ukraine and across the continent, Adamov is looking to secure the future with an ambitious new project that will allow the company to diversify its supply chain and support organic growth: a domestic bitumen refinery.

At present, there is only one such refinery in the country, which produces common bitumen. Higher-quality product must be imported from Poland and other countries, making the business case for a Ukrainian facility producing high-quality bitumen particularly strong. Alliance Energo is ready to invest equity, in partnership with a forward-thinking foreign partner via a new joint venture.

"If we compare Ukraine to western European countries, where industries are deeper, Ukraine's competitive advantage is that it has many sites with high potential for developing production. This applies not only to the food industry, transport and petrochemicals, meaning the country holds a lot of promise. So, for a company with advanced know-how and expertise, Ukraine is a good platform for establishing production, cooperating with experienced local companies and creating new jobs," he concluded.

Alliance Energo
TRADE

# PrivatBank - A well-defined growth strategy

Ukraine's years of bold reform put it in a position to weather the economic impact of the covid-19 pandemic, according to the World Bank. The institution has noted the effect on both growth and the country's fiscal position was less than had been expected, while terms of trade improved to deliver a current account surplus of 4.4%. The bank praised Ukraine's progress in reforms in a range of areas, including the banking sector.

Indeed, the banking system has proved strong enough to withstand the impact of the pandemic, posting overall profit of \$1.5bn in 2020, and achieving its highest month-on-month profit in four years in December, according to the central bank. Retail lending in particular has proved robust, with an average new loan book of \$7.8bn a month last year.

All this bodes well for Ukraine's largest bank, PrivatBank, under the leadership of seasoned banking leader Gerhard Boesch. The bank is now strongly on investors' radars following the approval of its privatisation strategy by the government in August 2021. The government has yet to confirm a date for the potential sale, or decided on the specifics of the process. "We have 20m customers, and a market share close to 65% of the adult population," says Boesch, who was appointed in June 2021 to oversee the process of preparing the bank for privatisation.


Gerhard Boesch
Chairman of the Management Board - PrivatBank

"I don't know any market where one bank has such a market share. The bank has achieved this starting from zero in 1992. We have much more scale than any other bank in the country, and operate with by far the highest margins."

PrivatBank was nationalised in 2016 after the government stated it was left with no alternative following the discovery of a massive deficit in its financial accounts, and under new management has been turned around, with a strong focus on retail lending, as well as financing SMEs and microenterprises. The aim is to create an operationally strong and competitive bank that can support Ukraine's financial stability while paying dividends to shareholders, as well as becoming an attractive asset for investment. The strategy is bearing fruit: the once loss-making bank achieved profit of \$950m in 2020, despite the economic recession.

"My motivation coming here was to transform the bank, to grow it further in key customer target groups, products and businesses, to make it ready for a successful privatization," says Boesch. "We plan to keep our market position, show our clients that we can compete in pricing and quality products and services." Boesch can draw on his 35 years of experience across the banking industry, from trading to asset management and restructuring, and his experience of multi-faceted management roles at banks in markets including Austria, Germany, and Ukraine. He describes his initial approach as "total immersion" - travelling Ukraine to visit PrivatBank's regional directors, meeting as many colleagues as he can.

Despite PrivatBank's past problems, he takes over a bank that is on the up. It has a fresh, diverse, and experienced management team. It is Ukraine's undisputed leader in banking technology, while also owning a huge branch network. With further streamlining, Boesch says, "we will be a very attractive investment opportunity."

Content from
The International Investor

# Intergal-Bud - Building Ukraine's future

**Rising a remarkable 84 places globally in the World Bank's Ease of Doing Business rankings between 2011 and 2020, Ukraine has proved an international trail-blazer for economic reform over the past decade. Despite political turmoil and geopolitical tensions, successive governments have managed to improve the business environment while consolidating public finances and overhauling public institutions. A trade deal with the European Union, which came into effect in 2017, has also bolstered trade and investor confidence. The current government is committed to further improvements, including simplifying licencing processes, removing unnecessary or burdensome regulation, improving the regulatory framework, and modernising the auditing system.**

Ukraine's strongest area in the Doing Business rankings is "dealing with construction permits" in which it ranks 20th in the world - higher than the United Kingdom or United States. This has helped create a very favourable environment for real estate developers, particularly combined with rising incomes among the growing Ukrainian middle class. Local developers delivered 11m square meters of residential property in 2019, and the market continued to grow in 2020, despite the impact of the covid-19 pandemic. The trend is set to continue, as economic growth picks up again and middle-income Ukrainians seek larger and more modern homes.

That rising middle class is the key market for Intergal-Bud, one of the country's three largest property developers, and its leading private-sector developer. The company's success is closely tied to that of this upwardly-mobile demographic. With real wages expected to grow at 8.6% this year, and 3.9% in 2022, according to central bank forecasts, the outlook for both is excellent. "We work for a huge market of consumers," says Intergal-Bud President Volodymyr Zubyk. "These are people who might have an initial investment of $15,000 to $20,000 for are ready to purchase an apartment worth $50,000. We have delivered three million square meters since 2003, 90% residential and 10% commercial, in Lviv and Western Ukraine, and now Kiev, Odessa, and Kharkiv."

Intergal-Bud has completed nearly 80 projects, housing 18,000 families, and now has a further 1.1m sq m under construction, and a total project portfolio of up to 4.5m sq m.

In 2020 it delivered RC Malachite, a modern housing complex in central Kyiv including a green promenade, sports areas, and playgrounds, as well as a rooftop terrace on one of the five buildings. The 1178-apartment development sits on 2.75 hectares, and has units ranging from 42.5 to 190 sq m.

Projects under construction include RC Intergal City, a premium housing complex with 707 apartments in the heart of Kyiv, and

Volodymyr Zubyk
President - Intergal-Bud

the 5760-apartment, 50-building RC Ozernyi Hai Hatne in Gatne, south west of the capital. The latter project is one of Intergal-Bud's largest, and will boast a lake with beaches, as well as a kindergarten and school, a swimming pool and fitness centre, a clinic, and a restaurant, as well as sports areas.

One of Intergal-Bud's strongest competitive advantages is delivering competed projects, including finished interiors with best-in-class construction materials. Complexes such as Intergal City have high-speed silent elevators, façade systems, and panoramic windows with stained-glass aluminium glazing systems incorporating energy-saving double-glazed windows and sun protection system with weather sensors. "There are few operators in the market who have workers qualified to do this kind of interior work," says Zubyk. "We value our contractors and have managed to keep them with us, when others have left the country."

The company has become a partner of choice for investors seeking openings in the booming Ukrainian real estate sector, and has proved a reliable and trustworthy presence on the market for all stakeholders.

In the wake of the 2008 global financial crisis, when much construction in Ukraine ground to a halt, Intergal-Bud continued to finance its projects to ensure their completion. "We took money out of our own pockets, and kept building at own expense, fulfilling our obligations despite lower profit," says Zubyk. "But it's not just about our achievements then. We have proven discipline, quality of construction, and adherence to deadlines."

With its emphasis on a skilled workforce and staff retention, Intergal-Bud has flourished partly thanks to one of Ukraine's great strengths: its people. Zubyk sees human resources as the key to the country's future. "We have highly-educated people, who are proactive, industrious, and hard-working," he says. "The country has great human potential; everyone understands that the human resources available in Ukraine are the highest value. This has every chance of becoming a truly successful country."