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## INVESTMENT COMPANIES EXPERTS ON THE RUSSIAN BUSINESS IN UKRAINE

Gorshenin Institute has conducted an expert survey among the representatives of investment companies (IC) about the results and the most important events of the year 2010 for the Russian business in Ukraine and also about the prospects for Russian companies in Ukraine in 2011.

**Director of the Investment and Banking Department of the Investment Group 'Sokrat' Volodymyr Klymenko** thinks, that with the new government in power in Ukraine investment possibilities for the Russian business have increased. 'The new President and the new Government of Ukraine are more predictable for the Russian business circles. Besides, due to the purchase of big companies the influence of Russian business on the Ukrainian economy in general has increased. The purchases of ISD (Industrialnyy Souyz Donbassa) and 'Zaporozhstal' by the Russian businessmen were the largest mergers and acquisitions transactions in Ukraine in 2010. Considering also the purchase of Prominvestbank by the Russian Vneshekonombank Russian influence on the Ukrainian economy has significantly increased', - V.Klimenko noted. According to the expert, gas-transit assets, metallurgical complex plants, as well as the leading companies in the field of aviation and energy equipment construction will remain the most attractive assets for the Russian business.

**Director of the analytical department of IC Dragon Capital Andriy Bespyatov** thinks that thanks to the warming of political relations between Russia and Ukraine, Russian business has practically got back the influence that it had lost after the 'Orange Revolution'. 'The risks in general have become comparable to those any company faces at home in Russia. At the same time a stronger financial support provides a conducive environment and favorable basis for the expansion of their presence in many sectors', - he says. The expert also named a number of key events for the Russian business that happened in Ukraine in 2010: 'On the macro level - presidential elections were the utmost important event that have changed the Russian business's activities in Ukraine. The second most important and symbolic event was the signing of the Kharkov agreements between Russia and Ukraine. The key purchase of the year was undoubtedly the purchase of the controlling stake in ISD group and the purchase of 'Zaporozhstal' as well as the expansion into the chemical, heavy machinery industries and the financial sector.

**Head of the Analytical department of the IC Concorde Capital Andriy Gerus** also thinks that due to the improvement of political relations big Russian companies are now enjoying a more favorable environment for their business. 'But for now it only concerns big businesses', he says. The expert mentioned a number of key acquisitions by the Russian business: 'Privatization of Lugansteplovoy', the purchase of ISD and Zaporozhstal'. According to Andriy Gerus, in 2011 Russia will be interested in big assets comparable to ISD and 'Zaporozhstal', such as 'Motor Sych', 'Naftogaz', 'Ukrnafta', 'Stakhanov train factory'.

**Analytical Expert of IC Foyil Securities Andriy Yastreb** notes that traditionally Ukrainian oil and gas industry presents a big interest to the Russian business. 'The most desirable asset in this sector for the Russian business (or more likely the Russian Federation) will be Ukrainian oil and gas transportation system. Besides, Russian companies will show interest in other assets of oil and gas industry, including oil producing plants and gas stations. The main intrigue of the upcoming year will be the functioning of chemical plants that now belong to Ostchem owned by Dmytro Firtash. Consolidation of these assets by D.Firtash (including the purchase of Stirol) immediately provoked the rumors that these assets will be further resold to the Russian owners. Most likely this situation will be clarified in 2011. Chemical industry is a big consumer of gas and therefore potentially Russian business having access to cheaper

gas will be very interested in it', - the analyst thinks. The third sector that would draw Russian business, in this expert's opinion, is the agricultural sector. 'Ukrainian Agrarian Investment' associated with the Russian IC Renaissance capital still remains the largest renter of Ukrainian farmland. The new Government in Kiev intends to open up the land market in Ukraine in 2011. Many foreign investors will show interest in investing into this sector', - Andriy Yastreba thinks.