

UKRAINE NEWSLETTER Q1/2019

ABOUT VI2 PARTNERS

VI2 Partners specializes in portfolio assets management, direct investments, investment banking, ICO, capital raising and debt restructuring, services for investors to enter new markets (Ukraine and Eastern European countries, EU). The activities of **VI2 Partners GmbH** are aimed at ensuring economic growth, efficiency and increasing customers' profitability. Our qualified and experienced team plans, scouts and executes investment opportunities, performing customers' tasks on a high-quality level, above the accepted standards.

POLITICAL AND ECONOMIC NEWS

- Ukraine is holding a **presidential election** on **March 31, 2019** and the race is too close to call. Experts say the election is a "three-horse race" between **Poroshenko, Tymoshenko and Zelensky**. The current leader of the race is showman and comic Volodymyr Zelenskiy with almost 25% of public support so far. The latest polls show that President Poroshenko with almost 17% and former prime minister Yulia Tymoshenko with just above 18% of support tie in second place. (Euronews)
- "IT sector of Ukraine currently provides **4% of gross domestic product (GDP)**, and in two years this figure **may reach 6.8% of GDP**," President Petro Poroshenko said. He also reminded the number of registered IT entrepreneurs in Ukraine had **grown by 45% in past three years** (Ukrinform)
- CEO of Mastercard Europe SA Mrs. Andreieva says **Ukraine ranked fourth in the world** in terms of the **number of contactless payments** made via mobile devices, including e-bracelets, and smartwatches. (Kyivpost)
- Ukraine's tech sector earned the country an estimated **\$4.5 billion from exports of tech services in 2018**, according to the "Tech Ecosystem Guide to Ukraine" factbook (Kyivpost)

STATISTICS AND FIGURES OF INTEREST

- Ukraine ranks 77th among 126 countries** in the World Justice Project (WJP) Rule of Law Index in 2019. According to the index, compared to preliminary estimates, Ukraine was four positions up and **ranks 7th out of the 13 countries** in the region (Eastern Europe and Central Asia). The WJP Rule of Law Index 2019 presents a portrait of the rule of law in 126 countries by providing scores and rankings based on eight factors: constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice, and criminal justice. (World Justice Project)
- Economic growth **picked up to 3.5 percent** in the first half of 2018. Growth was led by continued strong increase in key services (domestic trade +4,5 %), an early agriculture harvest (+ 11 %), and the resumption of growth in the mining sector (+1,4 %) (the World Bank)
- The forecast for 2019 year-end **inflation** remains unchanged at **6.3%**, while the projected dynamics of some of inflation components have been partially revised. The disinflation effects of lower global energy prices and a stronger hryvnia will be offset by the continued pressure on the part of wages and somewhat faster growth in administered prices. The National Bank of Ukraine maintained its forecast for the growth of real GDP in Ukraine at 2.5% amid 6.3% inflation at the end of 2019. (UNIAN)

UPCOMING EVENTS AND FAIRS

Waste Water Management

9-10.04.2019| Ukrainian Chamber of Commerce and Industry| Kyiv | Ukraine
 Tel.: + 380 44 584 2824

CISOLAR Solar Energy Conference

16-18.04.2019|AKKO International Exhibition Center| Kyiv | Ukraine
 Tel.: + 380 44 456 3804

International Forum of Food Industry and Packaging

18-20.04.2019| International Exhibition Center |Kyiv | Ukraine
 Tel.: +380 44 490 6203

World Build Kyiv

14-17.05.2019| International Exhibition Center |Kyiv | Ukraine
 Tel.: +380 44 496 8645

International Agroindustrial Fair AGRO

04-07.06.2019| International Exhibition Center |Kyiv | Ukraine
 Tel.: +380 44 496 8645

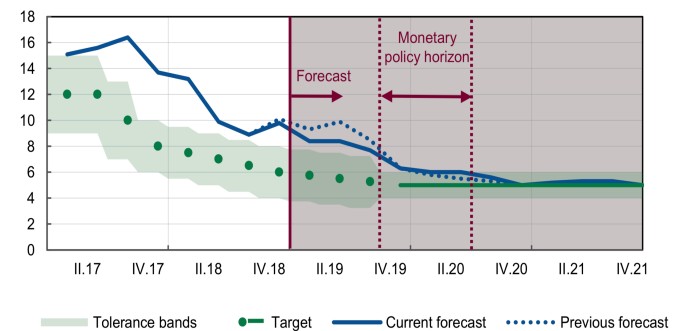
International Conference on Medical and Health Science

28-29.06.2019| Royal Olympic Hotel | Kyiv | Ukraine
 Tel.: + 380 93 377 7781

SELECTED CASE WORK

- VI2 has been mandated by one of the largest cryptocurrency exchanges of the world to prepare, build, and launch a cryptocurrency exchange platform in Ukraine.
- VI2 is mandated to find equity investors for cyber IT and cloud-storage companies, both in Central Europe and Ukraine.
- VI2 is actively looking for agricultural land for an Austrian investor in Ukraine and Romania.

Consumer Price Inflation (% yoy) and Inflation Targets



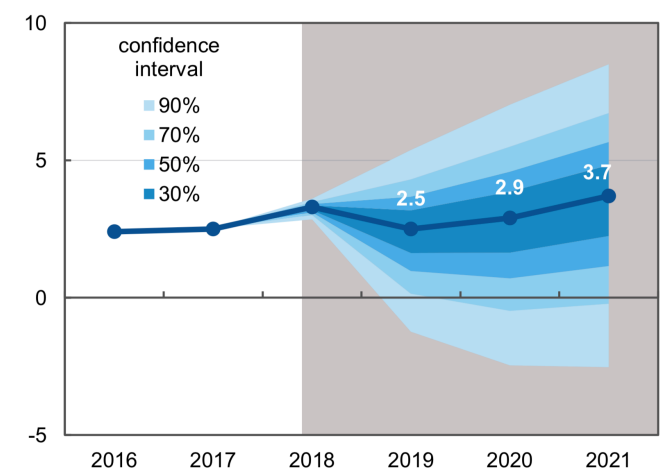
Source: Inflation report of the National Bank of Ukraine

Consumer price inflation declined to a five-year low of 9.8% in 2018, from 13.7% in 2017. The reversal of the inflation uptrend seen in 2017 is primarily due to the NBU's tight monetary policy stance. The NBU has raised the key policy rate six times since October 2017, by a total of 5.5 pp, to the current 18.0% per annum.

The deviation of inflation from the target was largely due to factors over which monetary policy has only a limited effect. These factors include the growth in administered prices and tariffs (which accelerated to 18% yoy) and the increase in global oil prices, which lasted for most of the year. The forecast for 2019 year-end inflation remains unchanged at 6.3%.

Headline inflation is expected to **decline** to the upper bound of the target range, **5% ± 1 pp, in early 2020**, and to reach the target level of 5% at the end of that year.

Real GDP Growth Outlook, % yoy



Source: Inflation report of the National Bank of Ukraine

The growth outlook depends critically on the pace of reforms and staying on track with an IMF program. If recently approved reforms are implemented swiftly and progress is made on the unfinished reform agenda, growth is projected at 3.3 percent in 2018 and 3.5 percent in 2019, rising to 4 percent in 2020 after election related uncertainties abate.

The growth will be propelled by a gradual easing of monetary policy, which will bolster domestic demand, and pick-up in investment activity as uncertainty about the political situation diminishes.