

UKRAINE NEWSLETTER Q2/2019

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

- The Ukrainian president's "Servant of the People" party won a landslide victory in snap elections to the Verkhovna Rada with **over 43%** of popular support, securing the best result over the entire history of Ukraine's independence. The party will receive **254 seats out of the 450** in total in the parliament. (Kyivpost)
- Правління at its first meeting formed a new government, while the newly appointed (voted by 290 MPs) Prime Minister, Oleksiy Honcharuk, called his priority boosting economic development and continued cooperation with the IMF. (UNIAN)
- Ukraine is among the leaders of the respective income group in the **UN's Global Innovation Index 2019**. The UN's intellectual property agency says Ukraine "performed above expectations" for its level of economic development". **Ukraine ranked second for economic innovation** in the lower-middle income bracket. (UNIAN)
- The Ukrainian parliament has **lifted lawmakers' immunity** from prosecution, implementing a groundbreaking constitutional change that has been promised for over two decades. (Kyivpost)
- Ukraine made the **last payment** under a stand-by program with the **International Monetary Fund (IMF)** launched in 2014 in the amount of **156.4 million dollars**. (NBU)
- Japanese rating agency R&I **upgrades Ukraine's credit rating** by two positions **from CCC+ to B**, rating outlook is **stable**. The analysts note that Ukraine's economic stability has increased thanks to disciplined fiscal policy, as well as monetary policy focused on inflation control. The agency reports that with foreign reserves expanding, Ukraine's resilience to external shock is improving. R&I analysts stress that Ukraine's GDP is rising, inflation is slowing, and temporary widening of the current account deficit to 3-4% will have no impact on Ukraine's creditworthiness. (Ministry of Finance of Ukraine)
- The total amount of electronic money issued over the period under review **almost doubled y-o-y, to \$3.4 million**, while the number of "electronic wallets" **grew by 20%**. Transactions with electronic money in Ukraine in the first half of 2019 (H1) **skyrocketed by 60%** year-over-year (y-o-y), **to UAH 4.9 billion** (US\$195.3 million). (National Bank of Ukraine)

UPCOMING EVENTS AND FAIRS

Fifth Ukrainian Gas Forum

9-10.10.2019 | InterContinental Hotel Kyiv | Ukraine
 Tel.: +38 050 447 63 42 | ukrgasforum.org/en/forum-registration

Architecture of the Future – Conference on Emerging Technologies

9-11.10.2019 | M82 Forum Conference Hall | Kyiv | Ukraine
architectureofthefuture.com

Ukrainian Blockchain Day 15.10.2019 | National Sport Complex

Olimpiyskiy | Kyiv | Ukraine
blockchainday.org

International Industrial Forum

19-22.11.2019 | International Exhibition Center | Kyiv | Ukraine
 Tel.: +38 (0)44 2011161 | lilia@iec-expo.com.ua

Kyiv International Property Show

27-28.11.2019 | Hilton Hotel | Kyiv | Ukraine
 Tel.: +38 096 194 66 29 |

Business Forum Top 100 Best Ukrainian Companies

12.12.2019 | International Exhibition Center | Kyiv | Ukraine
 Tel.: +380731404016

SELECTED CASE WORK

- VI2 is structuring a **EUR 100 Mio. private equity fund** with private investors and supranational institutions to profit from accelerating growth and privatization activities in Ukraine's key sectors. The fund shall be open for investors from year end of 2019.
- VI2 is mandated as a sell-side advisor for a significant retail chain in Moldova.
- VI2 is supporting a Ukrainian real-estate investor to **restructure a USD 60 Mio. loan** with an international bank.

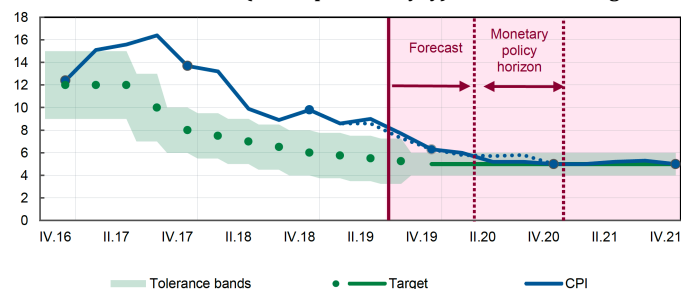
Ukrainian Hryvnia Increasing in Value



Source: xe.com

The hryvnia has strengthened by **9.6% YTD** against the dollar as foreigners keep pumping money into the hryvnia-denominated so-called "Borscht bonds". Foreign investors have already **bought some USD 2.5 bn worth of local bonds** and their **share** is now circa **7%** of the total bonds outstanding from next to nothing a year ago. (BNE Intellinews)

Consumer Price Inflation (end of period, % yoy) and Inflation Targets



Source: National Bank of Ukraine, Inflation Report

The NBU sees **consumer inflation declining to 6.3%** by the ends of this year and reaching the target range of **5% ± 1pp** in early 2020. It is to hit the medium-term target of **5%** at the end of 2020.

STATISTICS AND FIGURES OF INTEREST

- Ukraine **boosts grain exports by 40%** in H1 2019. Asian, African and European countries remain the major buyers of Ukrainian grain in the six months of 2019. The country's agribusinesses in **2018-2019 exported 49.7 million tons of grain**, which was a record high over Ukraine's independence.(UNIAN).
- The NBU has **revised its real GDP growth forecast upward to 3.0%** from 2.5% **for 2019** and to **3.2%** from 2.9% **for 2020**.
- Ukraine's Economic Development, Trade and Agriculture Ministry says the GDP growth in Ukraine in January-July 2019 was estimated at 4%. In total, **GDP growth in seven months of 2019** is tentatively **estimated at 4% (+/- 0.2%)**.
- The **largest growth in foreign investment** was recorded in **financial and insurance activities** in the amount of **\$318.5 million**, another \$184.9 million and \$176.4 million in mining and processing industries respectively, \$113.8 million in wholesale and retail trade, \$122.6 million in real estate transactions. (State Statistics Service of Ukraine)