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October 25, 2013

## The Age Of Kurchenko

**The spectacular rise of Serhiy Kurchenko, the 28-year-old Kharkiv multimillionaire whose fortune was amassed quickly in the oil-and-gas business, says a lot about how Ukraine is run. It's not a pretty story.**

*Editor's Note: This investigation was conducted by Sevgil Musaeva for the Washington-based Organized Crime and Corruption Reporting Project, a Kyiv Post partner. The project was coordinated by Kyiv Post staff writer Vlad Lavrov. Musaeva, a former staff writer for Forbes Ukraine, interviewed the subject of this investigation, Serhiy Kurchenko, earlier this year, but he could not be reached for comment for this story.*

BY SEVGIL MUSAIEVA

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Serhiy Kurchenko is the latest Ukrainian gas-and-oil multimillionaire whose wealth is alleged to have come at least partially from government-blessed schemes at the expense of the rest of the nation. Kurchenko denies allegations of wrongdoing from members of parliament and media investigations, while Ukraine's general prosecutor has found nothing illegal in his dealings.

The 28-year-old Kharkiv native estimates his fortune at \$400 million, which has allowed him to go on a buying spree. He has acquired one of the nation's leading media companies, the Kharkiv Metalist football team and the Odesa → **16**

## As Kurchenko gets set to become a media mogul, journalists head for exit

*Editor's Note: This story was reported and written by Kyiv Post deputy chief editor Katya Gorchinskaya for the Washington-based Organized Crime and Corruption Reporting Project, a Kyiv Post partner.*

BY KATYA GORCHINSKAYA

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As an investigative reporter for Forbes Ukraine, Sevgil Musaeva was no stranger to threats or bribe attempts. But last year, as she and her colleague Oleksandr Akymenko investigated how a once-obscure young Ukrainian businessman mysteriously became a prominent multi- → **17**

Serhiy Kurchenko is remarkably one of Ukraine's richest citizens at the age of 28, with an estimated fortune of \$400 million. (UNIAN)

## Klitschko says he is running for president

BY OKSANA GRYTSENKO

[GRYTSENKO@KYIVPOST.COM](mailto:GRYTSENKO@KYIVPOST.COM)

World heavyweight boxing champion and opposition leader Vitali Klitschko officially announced on Oct. 24 that he plans to run for president in 2015. Polls show Klitschko may become the strongest contender to challenge President Viktor Yanukovich's re-election.

"In order to put an end to various rumors and attempts to finish me off as a potential candidate, I would like to announce the following: I am running for president," Klitschko said from the parliament's rostrum.

Klitschko's announcement came right after parliament, including most of Yanukovich's Party of Regions' faction, approved a law that could potentially strip him of the right to run for president. Disguised as an amendment to the tax code, the law says that holders of foreign residency permits are no longer considered as residents of Ukraine.

The measure appears → **10**

## Suspicious high over mystery firm in metro underground

BY ANNA BABINETS

[ANNA.BABINET@GMAIL.COM](mailto:ANNA.BABINET@GMAIL.COM)

It sounds like an exciting innovation – a single plastic card that can be used as a Kyiv resident ID and to ride the metro.

But it may just be too good to be true, in the case of the new card that in January will replace the familiar blue metro tokens with chestnut leaves that have been used by Kyiv's metro system for decades.

The switch is already causing controversy, for good reason.

Neither the metro nor the city of Kyiv is willing to give out the details about the private firm chosen by the city for the upgrade after an uncompetitive tender in which the Kharkiv-based company, Alfapay Terminal Ltd., was the sole bidder.

There are many questions about what guarantees and security → **18**

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# Ukrainian Catholic University's guiding light

BY DARYNA SHEVCHENKO  
SHEVCHENKO@KYIVPOST.COM

Prior to 2006, the Ukrainian Catholic University had operated without a government license for 12 years. Yet the number of students that trusted this private university in Lviv grew year by year.

"Though our diplomas were not recognized in Ukraine, students were still willing to study in our school because they thought they are getting enough in education," says Bishop Borys Gudziak, the university's president.

Moreover, when the city's IT industry decided it needed to back a university that would prepare a new generation of managers for the flourishing sector, it picked UCU over larger and older state schools, including Lviv Polytechnic Institute.

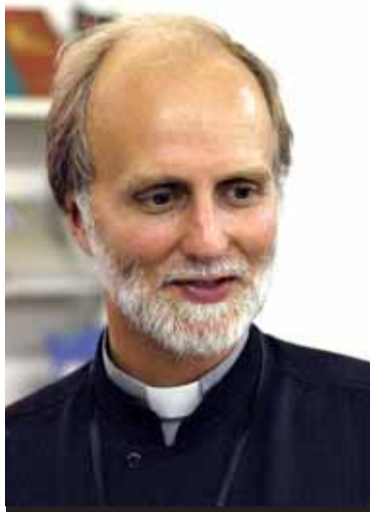
"I have a lot of trust in UCU," says Andriy Hankevych, head of the supervisory board of Lviv's IT cluster, an organization created by the business and the local authorities. UCU's flexibility, he said, was the other reason.

Inaugurated in 2002, UCU now has close to 600 full-time students as well as 1,000 part-timers and 170 teachers, according to Gudziak.

About 80 percent of its annual budget of \$3.5 million is filled by 10,000 donors, many of whom are non-Ukrainians, Gudziak says.

There are many reasons that justify this trust. "There are up to 700 universities in Ukraine and there is no need for 701 unless this university is providing the quality of difference and takes into consideration the integrity of a human being, that we believe is not just a mind," Gudziak explains.

In a country where 33.2 percent of students say they came across corrup-



Borys Gudziak

tion in universities, according to a 2011 Democratic Initiatives poll, UCU is one of the few that stand out. Exams are passed on merit, and students describe their education experience there as "extremely difficult" and very exciting.

"We are trying to do a few things, but to do them well," Gudziak says. UCU now has two faculties that offer about a dozen bachelor and master degrees taught by a dedicated staff.

He continued: "Many of us could earn much more working at other jobs and in other places in Lviv, but we work sacrificing, because the university offers for us to do things that we couldn't do elsewhere."

Amazingly, it's those enthusiastic teachers who got UCU in trouble with the Education Ministry in 2012, when it challenged the university's license. The majority of its professors have foreign degrees, which under Ukrainian

law give them no right to teach in Ukrainian higher institutions. Gudziak says the issue has been addressed with "the help of our international friends, diplomats and politicians."

Gudziak himself, 52, who was promoted in January as bishop of the eparchy in Paris of the Byzantine rite, remains one of those mentors at the school who inspire. Born to a family of Ukrainian expatriates in Syracuse, U.S., he moved to Lviv in 1992 after receiving multiple degrees abroad, including a Ph.D in theology from Harvard. He took an active part in the renewal of the Theology Academy that later became UCU.

He became its rector in 2002, but his duties in Paris now mean he is delegating a lot. "I no longer do anything there, just come and talk," he laughs.

Gudziak was the rector who in 2010 complained about the harassment of his university by the State Security Service, the KGB-successor agency, which had been instrumental in prosecuting the Greek Catholic Church in the Soviet times.

In his open letter at the time he condemned "the methods of the Soviet totalitarian past and to re-instill fear in a society that was only beginning to feel its freedom" and called on others to not be silent about pressure. The SBU then said its actions were legal and meant to prevent student riots.

Under Gudziak's watch, UCU along with Kyiv Mohyla Academy, another respected university, has protested against the Education Ministry's policies that erode school autonomy.

Gudziak says UCU is guided by two principles in his work, which he refers to as "MM." The first M stands for "models." "We have chosen the people

## Oct. 26 fundraiser

The Ukrainian Catholic University will hold its Sixth Charity Banquet and Silent Auction on Oct. 26 at the Fairmont Grand Hotel on 1 Naberezhno-Khreshchatytska St. The Kyiv Post is a media partner. The event starts at 6:45 p.m. Tickets are Hr 1,500 for the banquet and Hr 2,000 for a VIP cocktail at 6 p.m. with guests that include Greek Catholic Church Patriarch Svyatoslav Shevchuk. To book, call 425 3937 or +380 (97) 978 1224; e-mail: kyiv@ucu.edu.ua.

who stood up to totalitarianism in the 20th century as models and teachers; we believe that the main achievement happened in Ukraine where the human spirit overcame two greatest totalitarian regimes that really threatened to deprive human beings of their God given dignity," Gudziak explains.

The other M stands for "marginalized" and is implemented through giving people living with disabilities a chance to study alongside others. All UCU facilities are equipped to accommodate disabled students in their studies and when socializing.

The university charges about \$1,000 – \$1,200 per year, depending on the degree. The fees only partially cover per-student costs. "We calculated that the value of each student's studying is \$3,300 per year," Gudziak says.

UCU accepts students of any religious background. But the goal is the same for them all: "Helping young Ukrainians walk into the 21st century as whole human beings who have competencies, but who also have moral spine and who know how to live well."

*Kyiv Post staff writer Daryna Shevchenko can be reached at shevchenko@kyivpost.com.*



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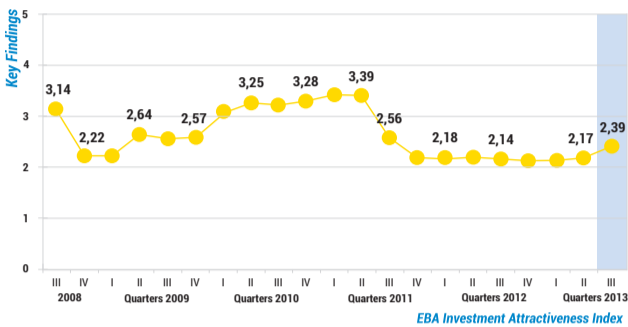
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# Results of the EBA Investment Attractiveness Index in the third quarter of 2013

## “GREAT EXPECTATIONS”

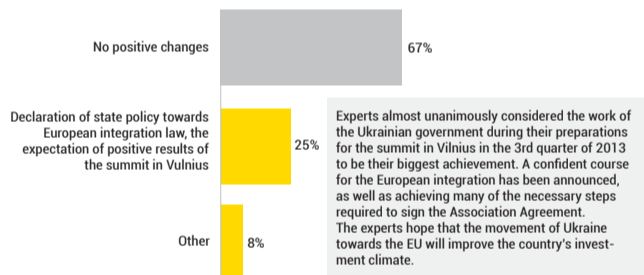
For the first time since the end of 2011, the European Business Association Investment Attractiveness Index of Ukraine shows a small but growing correlation. In the third quarter of 2013 the Index was fixed at 2.39 points — and for comparison, the previous rate was 2.17 points. However, despite some improvements, the EBA Investment Attractiveness Index still remains in a negative place.



After nearly two years of consistently low reviews by experts, the Index increased by 3 points — from 2.1 at the beginning of the year to 2.4 in Q3. The most significant increase can be seen in investors' expectations — with positive changes anticipated in the next 3 months, taking the Index from 2.4 to 2.7. The optimism of experts — 144 top managers of member companies of the EBA — is mostly based on their confidence in the European integration intentions of the government and related positive steps in business activity.

However there is no further positive feedback or opinions. In fact, 67% of respondents still see no favorable changes for businesses and they continue to complain about the permanent increase in fiscal pressure. Simultaneously 15% of those polled worry about the situation in the financial sector as well as the reaction of the government to this scenario and devaluation of Ukrainian hryvnya. Only 2% of businesspeople talk about the new wave of trade confrontation with the Russian Federation.

Positive Changes in Investment Climate during the last 3 months



**TOMAS FIALA,**  
EBA President, Chief Executive Officer,  
Dragon Capital

It is encouraging to see our Index finally make an upturn after languishing close to the bottom for almost two years. Its improvement was driven by expectations of the positive impact the signing of the AA/DCFTA will have on Ukraine's business climate and investment flows. European integration has had a positive effect on all countries of the former communist bloc and Ukraine will be no exception. We hope the positive energy of the Government will be sustained to fulfill all the remaining conditions, sign the Agreement and continue with its implementation at the same inspiring pace as shown recently.



**ANNA DEREVYANKO,**  
Executive Director  
of the European Business Association

The main significant problems still remain unsolved. Such barriers leave Ukrainian businesses struggling to breathe, particularly: unequal rules of the game, corruption, and the weakness of court system, which, by the way, provokes the spread of corporate raiding and deprives business of feeling confident when seeking redress through the Ukrainian legal system. In this context the long-awaited assignment and further ratification of the Association Agreement with the EU might be the instrument that helps our country to fight against any difficulties and consequently rescues our economy. Anyway, the Agreement is just a stimulus as everything depends on concrete business itself and undoubtedly political will.



**OLEG VERZHBITSKYI**  
EBA Board Member, Managing Director,  
DB Schenker

I'm very surprised about the increase in the Investment Attractiveness Index. This is likely to be a result caused by the positive sentiment of some companies. In my view, all things considered, the whole puzzle will be at the end of the year when we will fix the annual index measurements. As you know, the end of fourth quarter represents the peak activity for all businesses. I believe the business climate in Ukraine still needs to be improved. We see it when we talk to our partners and clients who are thinking about quitting the Ukrainian market. These discussions prove that no tangible improvements are taking place.



**ALEXEI KREDISOV**  
EBA Board Member, Managing Partner of  
EY in Ukraine, Co-Leader of the Emerging  
Markets Center at EY Global

The increase in the investment index is not primarily driven by improvements in the business climate, in the investment infrastructure or in legislation. Rather, the index rose because business leaders have positive expectations about the Ukraine-EU free trade agreement. Ukraine has yet to improve significantly its investment climate or its attitude to business in a way that could drive a sustainable improvement in the EBA investment index. The free trade agreement with the European Union could be a critical catalyst of that sort of improvement.



**KRZYSZTOF W. SIEDLECKI**  
MD, EBA Board Member, Country  
Manager, Astellas Pharma Europe B.V.

Growth of the EBA Investment Attractiveness Index in the 3rd Quarter appears to be a good sign. I would love to take it as a harbinger of the constant improvement of the investment climate in Ukraine. However, it is definitely too early to come to such a conclusion.

It is rather obvious that the improvement is directly related to the upcoming potential signing of the free trade agreement and indicates expectations rather than real progress. November will be a critical month for business in Ukraine. Depending on the Vilnius Summit results we may see a fast climb in optimism among investors or a dramatic fall. I want to emphasize that one should not expect instant changes in the economic environment. However, the psychological impact may be significant.



**ERIK VERSAVEL,**  
EBA Board Member, Chairman of the  
Management Board, ING Commercial  
Banking Ukraine

The slight improvement of the Investment Index is not in itself a reflection of an improved business environment. It just illustrates what enormous potential can be unleashed when a country has the prospect of improving its overall conditions. People want to believe in the future. Let's hope there is no setback to this process of gradual progress.

## Waste management: new challenges for business

Our yards, abandoned lots and forests do not look like other places in Europe. Overcrowded trash containers, abandoned lots heaped with garbage, and forests near large cities, where every now and again you can see an enormous trash heap, are the images of Ukraine. Specifically, the non-European part of Ukraine.

Why? The system of collection, sorting, processing and utilization of waste in Ukraine has not principally changed since Soviet times. It results in the non-efficient use of valuable land, which instead is used for trash, combined with the contamination of rivers and forests. Waste products are rarely used to contribute towards Ukraine's energy needs and other public requirements.

Moreover — if former Soviet citizens responded to appeals to save nature, and collected waste from utilities to reduce this deficit, e.g. by keeping a good book, on which residents react languidly when hearing an appeal, because they don't understand the economic benefits. "Today only an army of the homeless is engaged in sorting garbage. They professionally take away cardboard, aluminum, glass, and plastic from waste containers... All of that can then be sold", — says Mykhailo Dobkin, the Kharkiv regional governor.

Over the last few decades in most European Union countries, the system for handling household waste, which is based on market principles, has appeared complex. Four colored containers are the obvious feature of this system. However, actually there are nine such containers. In Europe not more than 20% of garbage is buried in the ground, compared with 80-85% in Ukraine.

The Ukrainian government has adopted tough measures concerning the questions of waste. In July 2001 the Cabinet of Ministers decided a new regime on the order of collection, purveyance and utilization of waste. Tariffs were set for treating waste which includes using containers and packaging made from nine types of materials. The state enterprise UkrEkoResursy was appointed as an operator.

Alas, UkrEkoResursy is not publicly reporting and doesn't conduct transparent activity. Their bosses have often been fired after corruption scandals. Packing producers have nothing to do but pay other operators for actually utilizing the used packing, in efforts to avoid payments to UkrEkoResursy.

As a result the level of waste utilization in Ukraine is 10-15%, which is significantly less than the 35% figure declared by the government. However, Directive 94/62/EU sets this indicator at the level of 50%. Moreover, since 2014 a new directive comes into force requiring 60% of waste to be utilized, and the general norm of processing separate materials rises from 55 to 80%. If we move towards European standards, Kyiv has to execute these EU requirements, early or late.

The President of Ukraine Viktor Yanukovich last week signed the decree #572/2013, which confirmed the decision of National Security and Defense Council regarding the state regulation of waste disposal. The leader of the state acknowledged that there was an "absence of complete data about the environment, and a virtually out-of-control and fast accumulation of industrial and domestic waste, that presents a threat to the nature and health of the population". In other words, Yanukovich called the present system inefficient and non-transparent.

The President announced 'The National Program of Handling Wastes in Ukraine in 2013-2020' and a bill about packaging and waste to be among his urgent measures. The Cabinet of Ministers has to bring both documents to parliament within a month.

There are three bills (#2295, #2611a, #2612a) that are already registered with the Verkhovna Rada. Members of Parliament are their authors. All the bills do not correspond to the principles of Directive 94/62/EU and widespread rules across Europe placing responsibility with the producer. The latter means that a producer or packager or importer must jointly work with the local authority to organize the processing and utilization of waste.

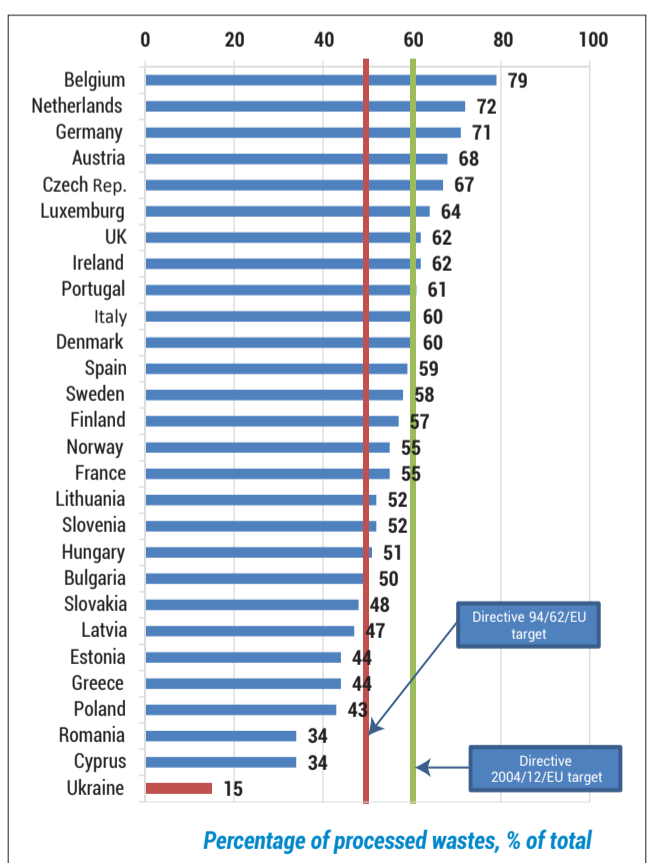
Bills #2611a, and #2612a, which relate to the introduction of tax on packaging at the legislative level, are based on the principles, set in 2001 by the Cabinet. Thus, the system of economically baseless tariffs is retained, which is conducive to discrimination based on the types of packaging.

Deputies also suggest directing money from packaging collection to the 'melting pot' of the state budget. However, that doesn't guarantee that these finances will be used towards utilizing waste.

Moreover, producers of packaging will be still responsible for waste utilization. An ecological inspection can be considered a new racket as a result of extra 'backdated' penalty charges for making incorrect collection payments.

Experts say that the deputies' bills reflect the points raised by the national project 'The Clean City', in which leaders plan to build 10 garbage-processing factories in Ukraine. These are however based on unknown technologies and enforce a single method for handling household waste in every region of the country. Thus MPs suggest licensing activity that will not stimulate competition in the market, given that in Ukraine there are hundreds of companies involved in waste processing.

Such innovations bring no benefits to importers, or packing producers, as they won't be able to control waste processing in exchange for payment on collection. Moreover, public accusations



regarding the contamination of the environment won't be halted against these companies.

Bill #2295 creates the new term 'services in the processing of domestic waste' and links it to public utilities, although these services are already prepaid at the collection for packing stage. The main scientific-expertise department of the Verkhovna Rada suggests rejecting the bill, as it contrasts the sphere of 'domestic waste utilization' with the sphere of communal utilities.

## Editorials

## Train wreck ahead?

Angela Merkel must be laughing somewhere in Berlin.

Laughter and scorn should be the responses of European leaders to ludicrous conditions being floated for letting imprisoned ex-Prime Minister Yulia Tymoshenko go to Germany for medical treatment.

President Viktor Yanukovich, through his supporters, is sending up these two blazingly ridiculous trial balloons: That European Union leaders must recognize the legitimacy of Tymoshenko's criminal conviction, and that Germany return her to Ukraine to finish out the rest of her seven-year prison sentence, now in its third year, once her medical treatment for spinal problems is finished.

Firstly, her "abuse of office" conviction is not legitimate and should not be recognized for anything other than what it is: political persecution. Secondly, the EU would be betraying its values on human rights and democracy to send Tymoshenko back to the Yanukovich wolves. We do not believe that Merkel, the German chancellor who seems wise to Yanukovich's ways, would go for such a deal. Tymoshenko, through her exiled husband and her party leaders, has rejected such conditions.

Here's a compromise both sides should take: Yanukovich lets her go to Germany with no pardon, but attaches no other conditions.

Tymoshenko's freedom is only one condition for reaching an association and trade agreement next month with the EU. Other astute EU leaders note that Ukraine still has work to do in reining in excess prosecutorial powers and ensuring democratic elections.

As of today, Ukraine's political leaders have only 24 days to free Tymoshenko and make satisfactory progress on the other issues. A decision on signing is expected by the EU foreign affairs council on Nov. 18, 10 days ahead of a Nov. 28-29 summit. It looks like Pat Cox and Alexander Kwasniewski, the special envoys who have made more than 20 trips to Ukraine to broker a deal, still have a lot more work ahead.

Yanukovich acts confident in his abilities to reach a deal. We hope that he lets the public in on the reason for his optimism soon, because a miscalculation in Vilnius could stall Ukraine's break to the West for many years to come.

## Enabling tyrants

In Ukraine's former Soviet neighborhood, democracy remains under threat by autocrats. This is sad but predictable. What's surprising is the complacency of democracies.

The most recent sorry turn came during the Oct. 9 presidential election in Azerbaijan, won with 85 percent of the vote by President Ilham Aliyev, who has ruled with dictatorial powers since the death of his father, Heydar, in 2003.

Aliyev has imprisoned opponents, controlled the news media and, according to investigative journalists, amassed huge personal wealth from the small Caucasus nation's vast oil and gas resources. His two main opponents weren't even in the race – one, Ilgar Mammadov, is in prison and the other, famous filmmaker and scriptwriter Rustam Ibragimbekov, was excluded because of his dual Russian-Azeri citizenship. The token opposition candidate, Jamil Hasanli, didn't stand a chance.

The electoral farce took on comical proportions when, a day before the election, the Azerbaijan Central Election Commission mistakenly sent out the results of the election, showing Aliyev easily winning. Officials said they were merely conducting a test of a new application with dummy numbers, but few found the explanation believable.

What was truly disappointing, however, was not fraud by Aliyev. It was the response to the election from some in the West. Representatives of two supposedly democratic organizations who should know better – the European Parliament and the Parliamentary Assembly of the Council of Europe – inexplicably praised the vote. Ukraine, which currently holds the OSCE chairmanship, likewise contributed to this chorus by praising the "important step" in Azerbaijan's "democratic development."

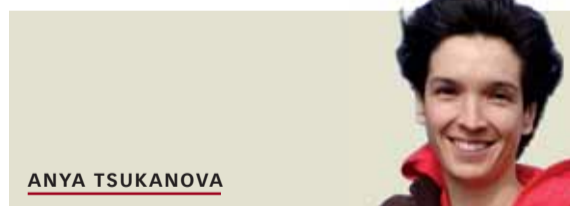
U.S. Ambassador to Azerbaijan Richard Morningstar downplayed differences with Aliyev and emphasized U.S.-Azeri cooperation in regional security, counterterrorism, energy security and economic diversification. The ambassador is just taking a cue from U.S. President Barack Obama. As Washington Post columnist Fred Hiatt noted this week, Obama's recent speech to the United Nations highlighted four core American interests: defending allies from aggression, ensuring access to oil, attacking terrorist networks that threaten Americans and stopping weapons of mass destruction.

When leaders of democracies muffle their voices about unfair elections, rigged economies and other human rights violations, they are betraying the hundreds of millions of people living in undemocratic societies who are trying to break free politically, economically and, in the case of political prisoners, physically as well.



**NEWS ITEM:** While President Viktor Yanukovich continues to insist that there is no legal basis for releasing Yulia Tymoshenko from prison, the ex-prime minister released a statement on Oct. 4, saying that she agrees to go to Germany for medical treatment. The ball appears to be firmly now in Yanukovich's court. European Union leaders say that Tymoshenko's freedom is an essential precondition for Ukraine to sign an association and trade agreement with the 28-nation bloc.

## Fix the apartments, then fix the nation



ANYA TSUKANOVA

"No to corruption of Ukraine's spirituality!" This is a slogan one could read on a piece of cardboard that was lying in a pit dug up in the hallway of my apartment block in Kyiv. It was used to cover up the rusty pipes that came out of the office of Svoboda party, which occupies a part of the first floor.

There is no talk about fixing the pipe or even better covering up the pit, which we, the residents, have to navigate over shaky wooden planks. Svoboda seems uninterested in this issue of no national importance. For them, it's just the humdrum of life.

Svoboda got an office in our building more than two years ago. Since then, the party has beaten its opponents a few times, got into parliament for the first time and chopped down fences. None of it, however, reflected in any way on

→ Svoboda's lofty goals, nationalistic slogans are not really helping to improve our lives

the environment they inhabit.

The hallway of our building has remained dark and quite dirty, despite the best efforts of its caretakers. The lock on the door to the hallway remains broken. The archway that leads to the building inevitably turns pitch dark in the evening, with silhouettes of smoking Svoboda activists lurking in its depth. Even after the memorable snowfall last winter I saw no trace of these brave fellows with spades in our yard.

The only regular activity that I have really noticed is the carrying in and out of the office of flags and banners, and singing of patriotic songs.

→ 18

**KyivPost**

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# Bigger, bolder, better



JAKUB PARUSINSKI

The Kyiv Post celebrated its 18<sup>th</sup> anniversary this month. There have been lean years and years of plenty, but the paper has always gone to print true those values inscribed on each week's issue: Independence, Community, Trust.

This is a source of great pride to all of us working here. It is also a source of inspiration amid the daily grind of keeping an independent and professional press alive in Ukraine – a condition we believe to be necessary for the country's freedom and prosperity.

Recent years have not been easy. A devastating financial crisis rocked the country, while the media industry suffered its own crisis, making earlier business models obsolete. It is no secret that since 2009 the paper survived on the subsidies of Kyiv Post publisher Mohammad Zahoor. As of the beginning of the year, however, this subsidy has been cut.

But just as Ukraine could enter a new era with the signature of an association and free-trade agreement in Vilnius this November, the Kyiv Post is turning a new page. In September, the paper broke even for the third month in four years.

Achieving this result was no easy task. We cut costs significantly, created new products and improved those we already had. The Kyiv Post remains, to my knowledge, the only news website in Ukraine to charge a subscription fee. While this has the disadvantage of limiting access, it has one big advantage that trumps all other arguments: the newspaper serves those who pay for it.

In a land of oligarch-dominated and politically connected media, I believe that counts for a lot.

The work never ends. We continue to bring our website up to par, which includes softening the paywall to give limited access for those just looking for a taste. Differences between the print and online versions are likely to sharpen. The Kyiv Post has to get in front of the changes in how people consume the news.

In recent weeks, I visited dozens of community leaders to ask them for feedback. Some advice was brilliant; all was helpful. I will continue to make the rounds.

I also want to thank the community for its unflinching support for the paper over the years.

But the Kyiv Post is no charity – we are proud to run our paper as a business, especially when so many do not. We do not sell stories, nor do we bow to political or business pressures to smear or polish anyone's image. The respected and influential audience we have built over the years is our reward.

Advertising is about more than just direct sales. It is about image, reassuring your shareholders and employees that the company is visible, a sign of prestige. And, at a time when businesses need to show a common front against the country's problems, I believe it is a sign of leadership and strength.

Faced with difficulties, the right answer is to tackle them head on, not retreat. Many of the Kyiv Post's fellow English-language papers in the Eastern European neighborhood have fallen into a death spiral, cutting people and pages until they were no more.

Instead, we have gone on the offensive, taking on new responsibilities. The Kyiv Post now offers marketing consulting, editorial services and event organization. The change in our bottom line vindicates this decision. Holding last week's 24-page paper, it feels better, too.

Looking forward, the Kyiv Post's second annual Tiger Conference will be held on Dec. 3 and hopes to build on our inaugural success featuring Georgian President Mikheil Saakashvili as the keynote speaker.

I joined the Kyiv Post as a staff writer in 2011, moving up through the ranks to chief editor and now the company's CEO. Every day has been full of excitement and pride. Seeing the Kyiv Post's chance to grow and tackle new challenges is more exciting still.

The experience hardens my conviction that both for us and our community – diplomats, government officials, businesspeople and all those who believe in Ukraine – the Kyiv Post plays and will continue to play a crucial role. There simply is no alternative.

*Kyiv Post CEO Jakub Parusinski can be reached at [parusinski@kyivpost.com](mailto:parusinski@kyivpost.com)*

## VOX populi

WITH ANASTASIA FORINA



**We asked members of the American Chamber of Commerce in Ukraine on Oct. 22 about how business is preparing for the potential signing of an association and trade agreement between Ukraine and the European Union.**



**Jorge Zukoski**  
*president, American Chamber of Commerce in Ukraine*

"We're starting now to look at the entire agreement, breaking it

down sector by sector, to understand what the requirements will be, so we can focus on legislative and regulatory changes that will need to happen for Ukrainian companies to take advantage of the EU as an export platform. So we're going to be focused on helping to educate not only international companies but Ukrainian companies about the intricacies of this agreement."



**Maria Krasilowez**  
*managing director, Tetra Pak Ukraine*

"We're preparing in two ways. One is ensuring that we're gearing our production facility

for future production requirements, and that's a long-term plan because it depends on how the integration goes. The second part is making sure that we provide the right environment and align ourselves with policies and procedures happening in Europe... When the association happens, for us it will be a very easy step forward."



**Geoffrey Pyatt**  
*U.S. ambassador to Ukraine*

"Our companies here see tremendous potential in the association agreement. They are confident if it is signed they

will be in a position to expand their sales across Europe as a result of the DCFTA (Deep and Comprehensive Free Trade Agreement). They're looking at opportunities to expand their investment and activity."



**Peter Chernyshov**  
*managing director, Carlsberg Ukraine*

"ACC has conducted a tender to get a good law firm to make a report for

us on what exactly will be changed with this agreement as there's been a lot of talks on it but hardly anybody can understand what is going to be changed. We would like to understand this road map and hope we will, when the report is done."

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## Investors in M&A market anticipate Ukraine-EU deal

BY OKSANA GRYTSENKO  
[GRYTSENKO@KYIVPOST.COM](mailto:GRYTSENKO@KYIVPOST.COM)

After an impressive growth in the first quarter of the year, merger and acquisition activity has slowed down.

About 40 big deals in Ukraine worth up to \$4 billion took place January through March. That figure dropped to 30 deals worth only \$1 billion from April through June, said Myroslav Tabaharnyuk, MT Invest founder.

Big investors are waiting for the results of the Eastern Partnership Summit in Vilnius, Lithuania, where Ukraine hopes to sign a landmark association and free trade agreement with the European Union in late November. They don't necessarily expect a more favorable business climate, but at least a more clear and predictable situation.

"For large investment projects there is a trend to put them on hold until results of the November summit," said Illya Tkachuk, a senior lawyer at Kyiv office of Gide Loyrette Nouel. Artur Vinglovskyi, a lawyer at global auditor and consultancy PwC Ukraine, said that there are also seasonal factors driving activity in this area, including a slow summer vacation period.

M&A activity in the first half of the year was concentrated in the media, oil and gas, energy, retail, telecommunications and banking sectors. "There were the landmark transactions in the first quarter of the year," Tabaharnyuk said.

The biggest deals so far, according to analysis by the Ernst & Young Group, were the purchase of U.A. Inter Media Group worth \$2.5 billion by Dmytro Firtash's Group DF and Serhiy Lyovochkin, chief of the president's administration.

Next in dollar size is the acquisition of fixed landline monopoly Ukrtelecom by System Capital Management – owned by billionaire Rinat Akhmetov – for \$1.4 billion. Also notable was the purchase of 98 percent of Ukrainian Media Holding, with 50 media brands,



Dmytro Firtash (R), the billionaire owner of Group DF, meets in 2012 with multimillionaire Valeriy Khoroshkovsky, then the deputy first prime minister, who sold him the U.A. Inter Media Group earlier this year. Khoroshkovsky now lives abroad. (UNIAN)

for \$450 million by the newly emerged VETEK company, founded by Serhiy Kurchenko. The sum of a deal is an estimate by Ernst & Young.

These three deals personify the current trend.

"The Ukrainian M&A market remains driven by domestic investors represented mostly by large conglomerates like Group DF, VETEK, SCM/METINVEST/DTEK," Vinglovskyi said.

He added that Ukraine's M&A scene is currently a buyer's market, with lots of potential sellers chased by fewer buyers in almost every sector. Banks are the most on offer, while the highest prices are being asked in fast-moving

consumer goods, energy and oil and gas industries.

The financial and banking sector will keep driving new deals, experts forecast, explaining this by the exodus of foreign banks from Ukraine. "Most subsidiaries of foreign banks have been on sale and the most active investors are Ukrainians and Russian investors in this sector," said Olyana Gordiyenko, partner at Baker & McKenzie law firm.

Large M&A deals are also expected in oil and gas, pharmaceutical, retail and agribusiness. Tkachuk said that the deals in the agricultural sector were considerably low up to now because of the seasonal nature of the deals. "After

### → M&A activity slowed down in the second quarter

completion of the harvesting works, we may note an increase of a number of investors' demands in this area," he said.

Ukrlandfarming, controlled by Oleh Bakhmatiuk, in September purchased Valinor for \$106 million an agricultural holding with 238,000 hectares and 123,000 hectares in Russia and Ukraine, respectively, according to Ernst & Young.

Additionally, AgroGeneration, which trades on the NYSE Alternext Stock Exchange in Paris, completed a merger with Kharkiv-based Kharmelia, bringing the new company's land bank to 120,000 hectares.

Vinglovskyi said that Chinese investors have been eyeing the agricultural sector, while Russians are showing an interest in Ukraine's IT sector. But on the whole "the interest of foreign investors is still rather theoretical than

practical," he said, adding that even Ukrainian businesspeople are seeking acquisition opportunities abroad.

Foreign investors are cautious over the negative macroeconomic situation in Ukraine, which reflected in Moody's recent downgrade of the country's credit rating. Tough currency regulations, political risks, high levels of corruption, and uncertainty over tax and customs policies are keeping investors at bay.

But European investors are still interested in the energy market, especially green energy, and big infrastructure projects, such as the construction of new metro stations in Kyiv or the building of a rail line connecting Kyiv with Boryspil International Airport, Tkachuk said. They are also interested in purchasing big state-owned enterprises, like Odesa Port Plant, which the State Property Fund said it wants to sell by year-end.

Gordienko added that foreign investors are also interested in pharmaceutical companies "which have significant profitability margins."

Experts agreed that a successful deal with the EU in November will be favorable for M&A activity.

"Signing of the association agreement...will increase foreign investors' confidence and may cause slight growth by the end of the year," Vinglovskyi said.

Kyiv Post staff writer Oksana Grytsenko can be reached at [grytsenko@kyivpost.com](mailto:grytsenko@kyivpost.com)

### Biggest M&A deals in 2013

	Company	Buyer	Share	Amount of deal, \$ million	Comment
1	U.A. Inter Media Group Limited	Group DF	100%	2,500	
2	Ukrtelecom	SCM	93%	1,400	
3	UMH group	VETEK	98%	450	Partial closing in 2013 and first quarter of 2014
4	IDS Borjomi	Alfa Group	56%	279	Partially Ukrainian deal
5	Odesa Oil Refinery Plant	VETEK	100%	250	
6	Naftogaz-vydobuvannya	SCM	50%	250	Two transactions of 25% stakes worth estimated \$125 million each
7	Swedbank	Delta Bank	100%	175	
8	Kyivoblenergo, Rivneoblenergo	VS Energy	89.12%, 84.56% respectively	150	Price for two companies
9	Valinor	Ukrlandfarming	100%	106	
10	Eldorado	Technopolis	100%	100	

Data collected by analysts of Ernst & Young based on open sources.

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# Bolstered by recent deals, IT sector heats up M&A front

BY CHRISTOPHER J. MILLER  
MILLER@KYIVPOST.COM

With the global demand for innovative technology on the rise, Ukraine's start-ups and software development firms make up one of the most promising markets for mergers and acquisitions, various studies show.

More than \$500 million was invested in various types of IT companies so far this year, according to AVentures Capital, an early-stage venture firm, but 80 percent of deals are not publicly disclosed in the field.

"At present, the IT sector is booming in Ukraine," says Yuriy Astakhov, investment banking director at Dragon Capital, a leading investment bank. "We are approached more and more by company owners and management seeking financing."

Andrey Kolodiuk, managing partner of AVentures Capital agrees.

"I believe Ukraine's IT sector could be the next tiger to boost the Ukrainian economy and not only because of 30-50 percent annual growth, depending on the sub-sector," he says. "We see more than 10 companies with more than \$100 million valuations and more than 50 companies with (multi) million-dollar valuations."

Already, the sector has more than 100 research and development centers that employ more than 5,000 engineers. AVentures says the IT out-



An attendee tries Google Glass during a conference on May 17 in San Francisco. Google is using facial recognition software developed by Ukrainian tech company Viewdle, founded in 2006, which it acquired last year. (AFP)


sourcing market generates more than \$1 billion in annual revenue, while the size of the consumer internet market is \$2 billion, followed by software technology which is \$1 billion.

Their statements are bolstered by a 2012 report from professional services firm Deloitte and InvestUkraine, a department of the State Agency for Investment and National Projects of

Ukraine, which says Ukraine has a high potential for further growth and is becoming more attractive to foreign investors.

"The low level of IT expenditures and low share of IT services and software sales in the total market value means a high potential for further growth," the reports reads.

Kolodiuk says the coun- → 9



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Kyiv Oblast, where the nation's capital is located, is ground zero for much of Ukraine's information technology activity that includes e-commerce firms, online services, software and game developers, as well as others like online payment services. (AVentures research)



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## BUSINESS ADVISER LOOKING FOR A FARM? START HERE.

Now when the streets are covered with autumn leaves and farmers are finishing their harvesting works, it is a good time to think about an acquisition in the agricultural business in Ukraine, which continues to be one of the most attractive and the second largest sectors of Ukraine's economy, affecting its overall health.

When looking for good investment opportunities in the agricultural sector and considering various offers it is important to keep in mind the following points.

### 1. LAND

It is obvious that the land constitutes the main asset for any farm regardless whether it deals with cultivation of crops or breeding of cattle.

In Ukraine, farms mostly lease the land from natural persons or from a local municipality. As a matter of practice, these land lease agreements usually contain a number of errors and omissions, some of which can even lead to invalidation thereof.

When the farm has lease agreements for all land plots being cultivated, it operates under a so-called "white flag". It is worth noting that the farm can also cultivate the land under so-called "grey" and "black" flags. This is a purely practical flag legend for identification of a legal ground of the farm for using the land.

According to this legend, the grey flag means that the farm has not all or incorrect documents to the land. For example, there is a decision of the local municipality to grant the land into lease to the farm, however, the lease agreement has not yet been concluded. The black flag means that the farm has no documents to the land at all, which may be the case when the farm is using reserve lands which are not actively used by the state or a municipality.

### 2. CULTIVATION AGREEMENTS

From time to time, we face situations when a buyer of a farm wants to take control over planting works after the deal is reached and before completion of all formalities. In order to achieve this goal, in many European countries it is possible to conclude a so-called "planting or cultivation agreement" which allows the buyer to cultivate the land and to collect the future harvest. However, in Ukraine, this scheme is rather rare because of tax consequences.

Indeed, most farms have the status of special VAT payers as producers of agricultural products. This status allows farms not to pay VAT but to use these funds for further development of the business. In order to maintain such status, the farm should receive 75% of its income from agricultural activity.

It is important to note that the buyer will be the owner of the harvest collected under such cultivation agreement only if it has the right of lease (easement) or ownership over the cultivated lands. In most cases, the land is owned by numerous natural persons and leased to the farm and, as a matter of practice, certain lease agreements do not even provide for the right of sub-lease. In addition, the sub-lease should be notarized and therefore entails additional costs. Therefore, in order to be feasible, the cultivation agreement should be accompanied by notarized sub-lease agreements over the cultivated lands. All of this makes the cultivation and other similar agreements not very popular in Ukraine.

It is worth noting that Ukrainian practice invented several other solutions allowing achieving results of the cultivation agreement. One of the most popular is conclusion of a service agreement between the farming company and the buyer, according to which the buyer provides land cultivation services to the farming company. As a result, the buyer can ensure a desirable quality of the planted crops and cultivated lands. At the same time, the buyer and the seller specify in the sale and purchase agreement that all collected harvest should stay with the farming company until closing of the deal.

### 3. LOCAL PEOPLE AND NEIGHBORHOOD

Historically, many farming companies were created based on former collective enterprises owned by natural persons. It is a common case when the farming company is owned by one family or even one natural person.

Needless to say that such owner of the farming company is well known in the village or the city where the farm is located, whereas his authority defines the attitude of employees and local governmental authorities to the farming company.

Another important issue to be followed is the neighborhood of a farming company. Importance of this issue is caused by the fact that the main asset of each farming company is land, whereas in many cases this land is leased from natural persons under short-term land lease agreements.

Knowing that each 3-5 years the farming company must enter into new lease agreements for some of its land plots, it is important to know neighboring companies which potentially may compete for the lease of the land. The risk that the company won't be able to keep the land plots is especially higher when its 'neighbor' is a large agro holding with much more money and clout.

These are the two aspects of so called "local element" which should be considered when planning an acquisition of a farming company.

\*\*\*

Summarizing the above, we may note that the agricultural sector is now one of the richest areas of M&A transactions in Ukraine and it is hardly possible to find a better time for investment in this area. As always, there are issues requiring special attention from potential investors which only justifies involvement of lawyers and auditors in the acquisition process. At the end of the day, the role of professional advisors is to guide the client through known and potential pitfalls.

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# Local, Russian players scoop up foreign banks

BY ANASTASIA FORINA  
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Ukraine's banking sector has seen plenty of acquisitions in recent years, involving dozens of foreign banks that sold their badly performing Ukrainian assets. In just the last year alone, the share of non-Russian foreign capital in Ukraine's banking system has decreased from 33 to 25 percent, according to central bank data. The trend is continuing.

The latest subsidiaries of foreign banks to be sold were Greek Astra Bank and Swedish Swedbank. Both were sold to Ukrainian businessman Mykola Lagun earlier this year for \$82 million and \$175 million, respectively. More foreign banks are looking to exit the market, experts said.

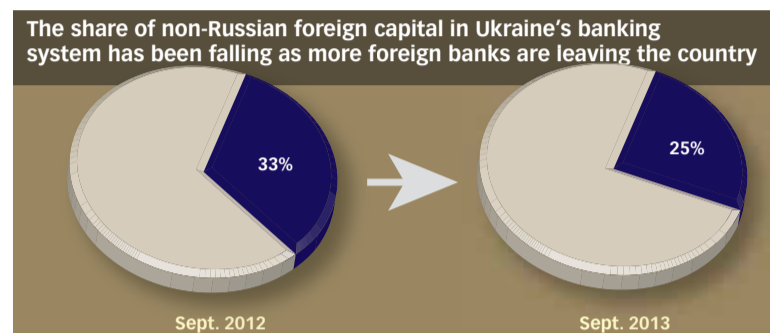
Ukrsotsbank, Ukraine's sixth largest bank by assets and purchased by Italian Unicredit Group in 2006, is expected to complete the merger with its parent company by the end of this or next year. But Unicredit chief executive officer Federico Ghizzoni announced recently that Ukraine's second-largest lender wants to unload its Ukrainian assets.

Private equity fund Horizon Capital currently is also shopping its 45 percent stake in Platinum bank.

Moreover, Raiffeisen Bank Aval, Ukraine's largest foreign lender, which announced a record half-year profit of \$65 million in July 2013, might be sold soon, Forbes reported recently. Pravex-bank, a subsidiary of Italian Intesa Sanpaolo Group, is reportedly on the market to let go of its local subsidiary.

"In 2013-2014 a few more international players could leave the market, which is linked to the hardships faced by their parent companies," says Olena Yefremova, deputy executive director of the Independent Association of Banks in Ukraine. "Another important reason is tough operational environment," she says, pointing out poor protection of lenders' rights, an inadequate judicial system and a ban on foreign currency lending.

Meanwhile, Greek and Cypriot banks



Source: Independent Association of Banks of Ukraine

in Ukraine, whose parent companies are facing financial troubles, have been desperately looking for buyers here for two years already, but have failed to find a reasonable price, says Ihor Olekhov, partner at Baker & McKenzie law firm.

"Despite the need to optimize foreign transactions, those banks will not accept a much lower price," Olekhov says. "They do understand that in a few years their assets in Ukraine could start bringing a profit and see no reason for selling them at half the value of capital invested by shareholders," he adds.

Bad loans are another problem that banks face. Ukraine's banking system had \$21 billion in bad loans as of July, which has grown tenfold since 2008, according to the central bank.

"(In this case) one way is to leave the market, while the other is to sell something in order to stay," says Leonid Antonenko, adviser at Sayenko Kharenko law firm, adding that bad loan portfolios are being sold very actively.

Exiting Ukraine, though, is not easy. In addition to receiving permits from the central bank and the government anti-trust body, which takes at least three months, sellers are obligated to pay a 1.5 percent tax for selling shares. While foreign shareholders end up paying a hefty sum to the tax service, Ukrainian ones turn to offshore schemes, according to Antonenko.

"Usually a large Ukrainian business

isn't sold in Ukraine. It gets transferred to an offshore company and then sold," Antonenko says. "When it comes to big banks owned by foreign banking holdings, (their shareholders) would not play in those games."

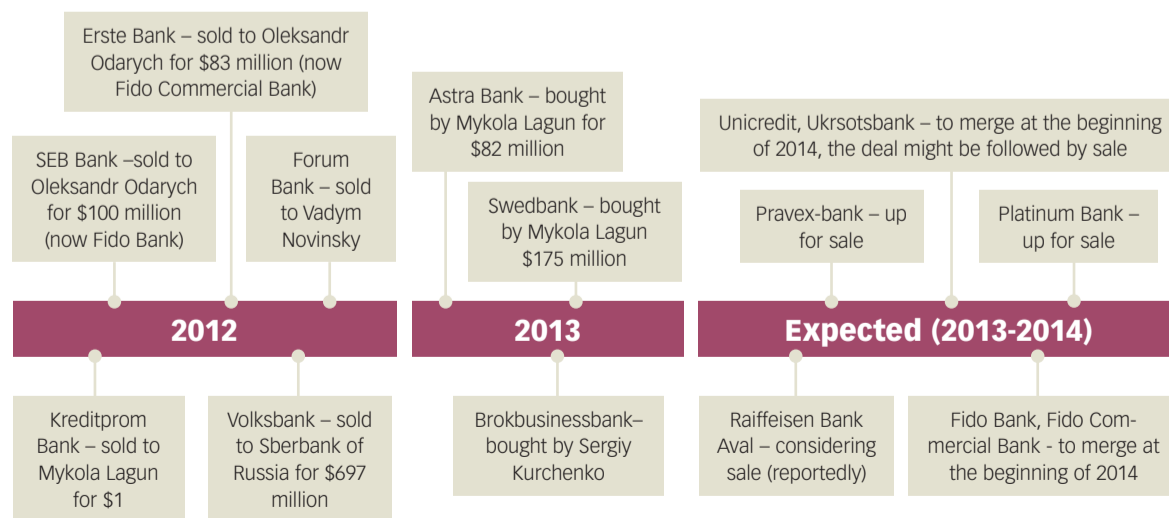
Ukrainian businesspeople are also known to use a scheme whereby shares are sold for \$1 with the remaining amount being paid in the form of a fee for purchasing rights for receivables – loans that parent companies gave to its subsidiaries in Ukraine, according to Antonenko.

As a result, a few Ukrainian business groups remain major players in this market. Apart from Ukraine's banking tycoon Lagun, Ukrainian billionaires Rinat Akhmetov, Dmytro Firtash and Vadym Novynsky became owners of Renaissance Credit Bank, Nadra Bank and Forum Bank, respectively, in recent years.

"Investors who are still buying banks in Ukraine are either Ukrainian or Russian business groups, who are able to exist and make money on this market, what foreign banks operating transparently are not able to do," says Olekhov. "As long as there are no transparent conditions (for doing business) in Ukraine, opportunities for foreign banks are closed and (the same) group of buyers continues buying banks in Ukraine."

Kyiv Post staff writer Anastasia Forina can be reached at forina@kyivpost.com.

## Major banking sector M&A deals in Ukraine (2012-2014)



Source: Real-economy.com.ua, Forbes.ua, Sayenko Kharenko law firm, Baker & McKenzie law firm

While no more acquisitions await Ukraine's banking sector this year, two mergers and several sales are expected in 2014, according to industry experts.

# IT sector has positive image among local and foreign investors

→7 try's IT sector has a positive image among Ukrainian and foreign investors. He points to deals such as Google's purchase of Ukrainian startup Viewdle for an estimated \$30 million, the initial public offering of Cupid PLC on the London Stock Exchange and the sale of e-commerce site Slando to South African media and e-commerce group Naspers as success stories often talked about by entrepreneurs and investors.

On top of those, this month there was the \$400-\$500 million acquisition of product development services company GlobalLogic by Apax Partners' Funds, Kolodiuk's fellow managing partner at AVentures Capital Yevgen Sysoyev points out.

"And more and more international funds like Bessemer, Intel, Accel, Almaz, Runa are interested in larger deals, Series B or so, up to \$10 million or more. During the next three to six months we expect at least two or three new big deals to be closed," added Sysoyev.

In Ukraine, IT development has followed the "Israeli" model whereby research and development teams form the backbone of companies registered in more developed markets.

For example, in May Korea-based Samsung Electronics opened new research and development centers in Kharkiv and Kyiv where the company will develop next generation software for many of its handheld services.

Samsung's Kyiv center, already open for some time, currently employs about 1,100 IT professionals. Company officials in May said another 900 would be added by the end of 2014.

AVentures alone plans to make upwards of 10 more investments in promising IT companies over the next two years, according to Sysoyev and Kolodiuk, which they believe will deliver more than 40 percent internal rate of return for the fund's limited partners and investors.

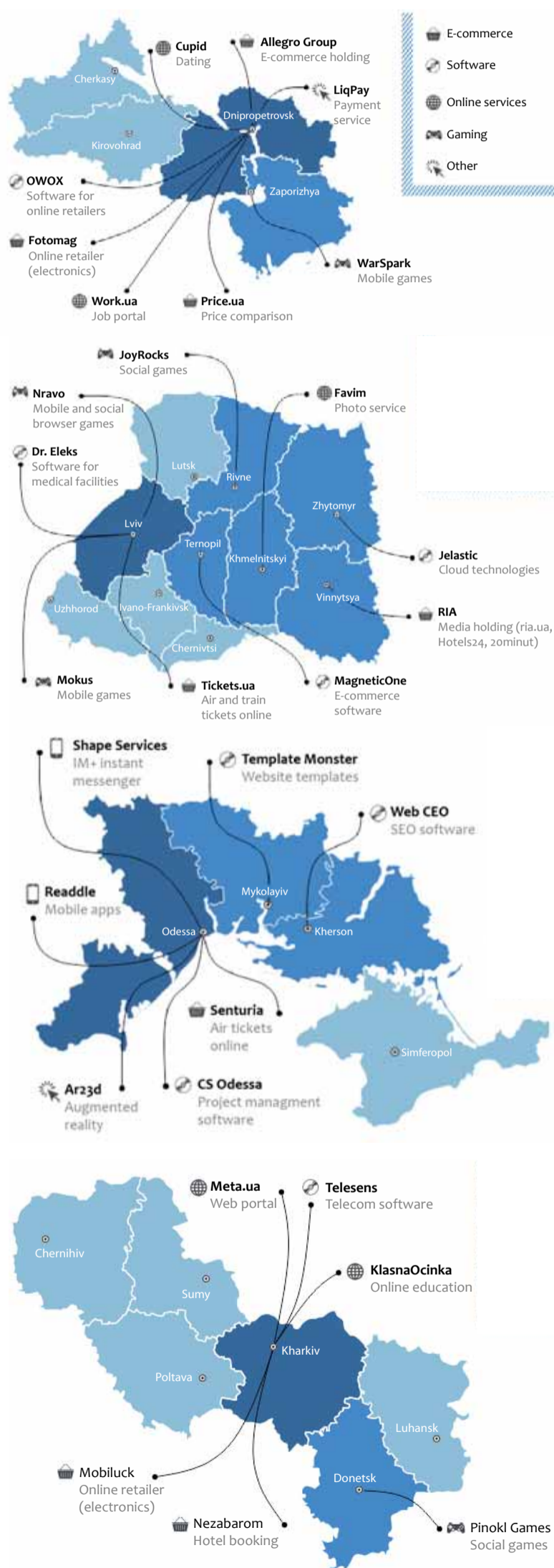
There are downsides, the biggest of which might be a high mortality rate among IT startups. For example, in Silicon Valley, an established IT fund gets 90 percent of its return from one company out of eight in its portfolio. While there are no such data for Ukraine, Astakhov believes it is no better here than in the prestigious Silicon Valley.

That is because "the industry here is still in a seeding stage," he says, adding that investors need to do their due diligence before floating startups cash for development, "especially at the beginning, when (the company's) key asset is people."

"It has become a market practice that well-educated and creative former employees of IT outsourcers leave their post-graduate studies full of ideas and enthusiasm to develop their own businesses," Astakhov explains.

And Ukrainian IT venture investors, the number of which is growing, are watching closely for attractive investment opportunities, so that they might get on board in time. They need just to act wisely, Astakhov says.

Kyiv Post editor Christopher J. Miller can be reached at [miller@kyivpost.com](mailto:miller@kyivpost.com), or on Twitter at @ChristopherJM. Kyiv Post staff writer Daryna Shevchenko contributed to this story.



A diverse spectrum of information technology firms prosper outside Kyiv, with game developers operating in Donetsk and Lviv, online dating services in Dnipropetrovsk and e-commerce companies in the east, south, west and north. (AVentures research)

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## BUSINESS ADVISER

### THESE DELICATE PARENTS-CHILDREN MATTERS...

In the world of humans, it goes without saying that up to a certain age parents assume full or limited legal responsibility for their children and their conduct. In the world of companies, this principle also gains increased support and recognition. The only conceptual differences are that in the latter case, the level of responsibility does not decline with the "age" of the daughter- or the son-subsidary, and that the levels of liability potentially involved are quite different.



**Oksana Ilchenko**  
Partner, M&A  
and Corporate practice

Would it be correct to reply to an old-fashioned question about the limits of the parent company's liability for the acts and omissions of the subsidiary in the same old-fashioned way? Is the liability of a majority shareholder or a participant in a joint-stock company or a limited liability company, respectively, limited by the amount of the shares or participatory interests it holds? On the one hand, this is what the law says, while on the other — the right answer is "not really". In dealings with private parties, the limitation would normally apply, while as long as some areas of regulatory compliance are concerned, a company would not be viewed as a stand-alone entity, but rather taken together with its relatives, primarily parents and grand-parents and these are the latter that may bear the bigger part of liability. Actually, in some instances, the level of liability will be linked to the group's revenues, not to the revenues of the infringing subsidiary.

This time, the wake-up calls came not from Verkhovna Rada but from the European Commission and the Court of Justice of the European Union (CJEU) and, perhaps, this is the reason why they were not noticed by the businesses in Ukraine. In the El DuPont Case (C-172/12 P) and the Dow Chemical Case (C-179/12 P) related to a price-fixing and market-sharing cartel, the Commission, as supported by the Court, found both joint venture partners jointly and severally liable for the conduct and antitrust wrongdoing of their 50-50 joint venture on the basis of exercising "decisive influence" over it. In those cases, the "decisive influence" of both parent companies was rooted in their participation in the members' board of the joint venture that, in particular, resolved on some strategic management and business matters. The argument that each of the parent companies was able to apply its veto rights with respect to certain strategic decisions, and, therefore, could not be considered as exercising the "decisive influence" over the joint venture failed in all instances. In a number of other cases, the Commission and the CJEU created a solid chain of precedents indicating that a parent company holding all or almost all of the share capital in a subsidiary exercises "decisive influence" over the subsidiary. The other material factors that are taken into account when establishing the link of "decisive influence" are whether and to what extent the parent company or its governing bodies are responsible for appointment of the governing bodies of the subsidiaries, whether they control or allocate budgets and approve business plans, whether they finance the subsidiaries or some of the latter's projects, etc.

Importantly, the possible legal succession in the group, spin-offs, mergers and the existence of the holding companies between the subsidiary and the parent were not considered an obstacle to attributing liability for the subsidiary's wrongdoing to the parent companies. Neither were the attempts to invoke the doctrine of "corporate veil" and separate legal personality of the legal entities. The decisions mentioned above strongly motivated the businesses across the European Union to develop competition compliance programs across their groups and extend their application to the subsidiary companies, primarily in the EU. Indeed, in some European countries, existence and proper performance under such policies is a mitigating factor for the purposes of imposing sanctions for the competition wrongdoings.

This is something that also needs to be factored into by the foreign EU-based groups operating in Ukraine or planning acquisitions or joint ventures here. Indeed, if a Ukrainian subsidiary or a joint venture controlled by an EU parent but managed locally conducts activity on the EU markets, such a conduct may be attributable to the EU parent, and a sanction may be imposed on the latter. The relevant businesses are advised, therefore, to check to what extent their European competition compliance policies and procedures were rolled out to their Ukrainian group companies and are adhered to. The businesses planning acquisitions or joint ventures in Ukraine are advised to pay specific attention to their targets' competition compliance programs, policies and patterns and assess to what extent they:

1. can generate risks that can be uploaded to the new parent and
2. need to be aligned with those of the new parent during the post-merger integration process.

Antitrust regulation is not the only field where the parents become more vulnerable for the sins of their children and where the stakes in the game become higher. The other good examples are anti-fraud and anti-corruption compliance. On them, to be continued...

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## BUSINESS ADVISER INCENTIVE PROGRAMS FOR MANAGEMENT: Q/A Option Plans

1. Share option plans are considered to be one of the most wide-spread incentive schemes for the top-managers abroad. What is the purpose of such incentive?

Foreign companies (their shareholders) widely use share options to recruit, retain and motivate their employees. Moreover, the options are used to align interests of employees, in particular the top-managers, with those of the company's shareholders. Having become (or having a possibility to become) a company's shareholder, a top-manager turns to be more motivated to consider the best interests of shareholders in business management, than a hired employee.

Option plans benefits are the following:

- the company becomes more attractive for highly qualified specialists (for both recruiting new and retaining existing employees)
- employees get additional motivation to reach and overachieve operational and financial goals of the company. Moreover, option schemes contribute to "switching" attention of their participants from short-term to long-term goals
- managing succession planning by gradually transferring ownership to employees, rather than to new outside shareholders, if wished
- cost-cutting while rewarding employees (employees possessing shares or share options are likely to be more tolerant while discussing issues of salary increase and bonuses, than the employees without shares or share options)
- tax benefits (in some countries)

2. What are the types of option plans for employees?

There has been established a number of option schemes, in particular one can define:

- **Classic options:** if an employee fulfills the conditions for exercise of an option, he/she can buy a respective number of the company's shares (normally, at a price below the market value).
- **Pooled options:** a special company is established and a number of company's shares is transferred to it. Such special company will own and sell shares acting as a trustee for the benefit of participants of the option plan.
- **Phantom options:** if an employee fulfills the conditions for exercise of an option, he/she cannot buy shares in the company, but he/she gains the right to receive moneys, which he/she would receive (in the form of dividends or proceeds from the sale of shares) if he/she actually owned the respective number of shares.

3. Does Ukrainian law envisage share options and derived incentives for top-managers of a company?

The Ukrainian legislator hasn't paid its attention to such types of incentive schemes yet. As this issue is not regulated by law, there exist certain doubts an enforceability of option plans structured at the Ukrainian level. Therefore, most of the option plans in Ukrainian companies are structured at the foreign level.

4. Which companies use option plans most often?

One can define 2 large groups of companies which use option plans: (a) public companies listed on one of the reputable Western stock exchanges and (b) private companies. In the first case, companies may not have option plans before the IPO, but they are most likely to implement options in the course of the IPO. This is the result of expectations of Western investors and the common practice.

The situation with private companies is a different one. For historical reasons the implementation of option plans in private companies was less popular, than in public ones. This can be explained by the following:

- **The initial owner is not willing to share its stake in, and control over, business.** Such concerns of the owner may be addressed by: (a) the use of non-voting shares or (b) ensuring that the maximum amount of shares in the option plan does not exceed a certain threshold necessary for the owner to keep control over the company. Still, such problem does not occur with the phantom shares.
- **Lack of demand.** There exists a perception that employees of private companies do not expect to acquire the right to participate in an option plan.
- **There are no or limited possibilities for free circulation of private company shares.** Unlike listed shares, the private companies' shares have much lower liquidity, which makes them less attractive for employees. This problem may be solved in two ways: either (a) to tie in the exercise of an option with an "exit event" (sale of the company to a strategic buyer or IPO of the company) or (b) to implement a pooled option that will create the limited internal market for the circulation of shares.
- **The charter and the shareholders agreement may prevent or limit use of shares for option plans or restrict the disposal of shares.** In this case it is required to amend the respective documents before implementation of an option plan.
- **Problems with fair market valuation of shares.**
- **Confidentiality issues.** As a shareholder of the company, the manager may have access to the information that was previously inaccessible to him/her, which may be quite undesirable for the owner.

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# Will Yanukovych allow Klitschko's candidacy?

→1 designed to bar another political rival to Yanukovych. Under Ukrainian law, presidential contenders have to be a resident in Ukraine for 10 years to qualify for registration.

Klitschko had previously said before that he has German residency for tax reasons. He said that the new law is effectively an attempt to strip him of Ukrainian citizenship. It is yet to be signed by the president.

"Today, by approving changes to the tax code, those in power are trying to oust their political competitors," Klitschko said. "Yes, I have a residence permit in Germany, but it doesn't violate in any way neither the Ukrainian laws nor my Ukrainian citizenship."

Representatives of Klitschko's Ukrainian Democratic Alliance for Reforms (UDAR) faction said that the law was approved with multiple violations of procedure.

Klitschko, 42, spent much of his time over the past two decades living and training in Germany, where he won many of his boxing titles. He speaks fluent German and received Germany's highest civilian award, the Federal Cross of Merit.

"With this amendment they in fact open a legal option to consider that Klitschko didn't live in Ukraine," Oleksandr Chernenko, head of Committee of Voters of Ukraine told the Kyiv Post. He added that now Klitschko may be turned down by the Central Election Commission when he tries to register as a candidate for president.

According to the parliament's website, the controversial law was authored by Igor Brychenko, a member of the opposition Batkivshchyna party, an ally of UDAR. But he denied any involve-



**Vitali Klitschko receives congratulations from members of his opposition faction on Oct. 24, just minutes after he officially announced that he will challenge President Viktor Yanukovych's re-election in 2015. (Courtesy)**

ment, saying he had "nothing to do with them (the amendments)."

"The (pro-presidential) Party of Regions decided to withdraw Vitali Klitschko from registration on presidential elections and to do it with the hands of Batkivshchyna," said Arseniy Yatseniuk, Barkivshchyna's faction leader.

Klitschko claimed that Yanukovych was behind the attempts to oust him. "All that is being done to me has been done as to a rival of Viktor Yanukovych," he said.

Klitschko has a fair chance at the next presidency, according to numerous polls.

If the presidential elections were held this October, Klitschko would be the most popular choice after the incumbent and Tymoshenko, accord-

ing to Rating Group. In the second round Klitschko would have the highest chance of all opposition leaders to defeat Yanukovych. Klitschko would receive 37 percent of votes while Yanukovych would get just 22 percent, according to the same poll.

Chernenko, the election expert, expects that the new law will be canceled. "It was just a test. Then they (the Regions Party) will back out and remove these changes," he said. "If they really wanted to conduct such a special operation they would not do it more than a year ahead the elections, but rather when the campaign was in a full swing."

*Kyiv Post staff writer Oksana Grytsenko can be reached at grytsenko@kyivpost.com.*

# Retail businesses are now obliged to take plastic cards

**BY ANASTASIA FORINA**  
FORINA@KYIVPOST.COM

As of the beginning of this week, businesses no longer have the right to turn down a client's request to pay by plastic because of a new Cabinet regulation that came into effect on Oct. 21. Failure to comply can translate into a Hr 8,500 (\$1,060) fine for the retailers, regardless of their turnover.

According to the new regulation, any retailer with a cash register has to be able to process plastic cards. Customers who are turned down, can complain to the consumer rights protection agency and cause trouble for the business.

The regulation received mixed reviews from business. While some said it gives customers more options to pay, others complained about the processing fees they end up paying.

"It's for convenience of guests first of all. Not many would like to carry a lot of cash with them, while for the venue it makes no difference which way to get payments," says Tetyana Beregovenko, manager at ProRock restaurant, opened last month in Kyiv. She highly recommends other restaurants to install terminals.

"Of course (I would advise them to do it) as customer's dissatisfaction is what affects the reputation and status of venue (the most)," Beregovenko says.

But Andriy Shvets, a lawyer at the Kyiv association of entrepreneurs that unites about 1,000 kiosk owners and market traders, says new regulation will benefit neither its members, nor their clients who are used to buy stuff at kiosks.

"Implementing such a system in kiosks is unreasonable as those are meant for express and small purchases," Shvets says. "Paying for a bun (with a credit card) will not be convenient and consumers will switch to supermarkets which will affect the profit of entrepreneurs and make some of them leave their business."

Volodymyr Yeremenko, coordinator of committee on bank's infrastructure issues and payment systems at Independent Association of Banks of Ukraine, says that the new government measure might stimulate people to have more non-cash payments. He said at the moment, the annual cash payments in the economy are 10 times higher than what people have accumulated in their bank accounts. The savings account for about Hr 26-28 billion, he says.

However, the non-cash payments also mean that businesses incur additional costs. Each card transaction costs a business between 2.5-2.8 percent of the sum paid by the customer, depending on the bank which provides the service.

Moreover, there are other costs

involved. A card processing terminal costs between \$300 to \$600, according to Yeremenko. Installation expenses are covered by the bank, which ultimately benefits from fees it charges for providing the service.

But Yeremenko says people spend with more ease if they're paying by plastic, so the business wins overall.

"Taking into account the existing trade margin of 20-50 percent or even more, the fee is quite reasonable," he says. "In this case the profit rate of the entrepreneur decreases a little bit while the mass of profit increases when the turnover grows," he adds.

"For many consumers the opportunity to pay with credit card is crucial when choosing the restaurant or hotel," he says.

There are also fears that the new regulation will hit small business the hardest. According to Ukraine's fiscal legislation, only those private entrepreneurs who have a turnover under Hr 3 million and pay a single tax are exempt from having cash registers and card terminals. Typically, they are market and stall traders.

But Yeremenko says small business will still benefit from introducing card transactions. "Will small business benefit from it? Well, if it's been operating transparently, then definitely yes," he says.

*Kyiv Post staff writer Anastasia Forina can be reached at forina@kyivpost.com.*



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Going Out Guide


📍 – see address in the box below and on the pull-out map.

Comments and tips are welcome. Email the lifestyle team at [ls@kyivpost.com](mailto:ls@kyivpost.com)

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Lama

Nov. 1



(Courtesy)

After a long break, pop rock band Lama is coming out with its fourth album. The album, called Nazavzhdy (forever), combines brand new tracks and its hits from previous albums “Meni Tak Treba” (I Need It So, 2006) and “Svitlo I Tin” (Light And Shadow, 2008). The album, which features plenty of rock’n’roll and electric elements, will be presented on Nov. 1 at Tolstoy restaurant-club, a venue in the very heart of Kyiv.

**Lama concert. Nov. 1, 10 p.m. Tolstoy Restaurant-Club (19 Chervonoarmiyska St.). Hr 150**

Friday, October 25

Classical music

**Works of Buxtehude, Pachelbel, Liszt, Wagner, Mussorgsky** (organ). House of Organ Music. 7:30 p.m. Hr 30-100 📍

**Symphony Orchestra of the National Philharmonic of Ukraine Playing Beethoven.** National Philharmonic. 7 p.m. Hr 30-120 📍

**Classics on Fridays. Italian Music of Baroque Epoch Night. Works of Scarlatti, Vivaldi, Castello** (violin, chello, harpsichord). Master Klass. 8 p.m. Hr 50 📍

Movies

**Parajanov** (drama). Kinopanorama. 3 p.m., 7 p.m. Hr 30 – 50 📍

**Cottage Country** (criminal comedy). Oscar. 10:40 p.m. Hr 50 – 55 📍

**Jobs** (biography, drama). Kinopanorama. 12 p.m. Hr 30 – 50 📍

**Rush** (drama). Oscar. 12:10 p.m., 2:30 p.m, 5 p.m., 7:30 p.m., 10 p.m. Hr 30 – 55 📍

Live music

**Mad Heads XL & More Huana** (cover bands). Docker Pub. 10 p.m. Hr 100 📍

**Rock Four.** Docker’s ABC. 10 p.m. Hr 75 📍

**Top Orchestra** (Balkan music). Art Club 44. 10 p.m. Free 📍

Clubs

**DJ Phonique.** Mantra. 10 p.m. Hr 100 for women, Hr 200 for men 📍

**Injeer.** Caribbean Club. 11 p.m. Hr 100 for women, Hr 200 for men 📍

**Eight Hours of Summer.** Disco Radio Hall. 10 p.m. Hr 60-80 📍

Theaters

**The Hymn of the Democratic Youth** (dramedy). Ivan Franko Ukrainian Drama Theater. 7 p.m. Hr 15 – 150 📍

**26 Rooms** (comedy). Drama & Comedy Theatre on the left bank of Dnipro. 7 p.m. Hr 40 – 70 📍

Shows

**Loboda.** Stereo Plaza. 9 p.m. Hr 200-1,000 📍

**Pianoboy.** Forsage. 12 a.m. Hr 70-100 📍

Miscellaneous

**Photo Exhibition by Ulrich Seidl.** Mystetskyi Arsenal. 11 a.m. - 8 p.m. Hr 20 – 40 📍

**Flower Vernissage.** Master Klass cultural center. 9 a.m. - 9 p.m. Free 📍

**Titanic Exhibition.** NSC Olimpiyskyi. 10 a.m. - 9 p.m. Hr 50 – 150 📍

**Between Avant Garde and Tradition.** National Art Museum of Ukraine. 10 a.m. - 6 p.m. Free 📍

Saturday, October 26

Classical music

**Works of Purcell, Scarlatti, Vivaldi, Bach, Handel, Gounod, Puccini** (oragn). House of Organ Music. 7:30 p.m. Hr 50-200 📍

Movies

**Escape Plan** (action, thriller). Ukraina. 6:30 p.m. Hr 30 – 80 📍

**The Family** (action, comedy). Ukraina. 2:20 p.m. Hr 40 – 60 📍

**Gravity** (drama, thriller). Oscar. 12:30 p.m., 10:10 p.m. Hr 50 – 65 📍

Live music

**RHCP Tribute.** Docker Pub. 9:30 p.m. Hr 75 📍

**Mad Heads XL & Mama Mia.** Docker’s ABC. 10 p.m. Hr 75 📍

**Wake Up** (disco cover band). Art Club 44. 10 p.m. Free 📍

Clubs

**Halloween Party.** Decadence House. 11 p.m. Free for women, Hr 100 for men 📍

**Big Boom Halloween.** BoomBoomRoom. 10 p.m. Free 📍

**Halloween.** Mantra. 11 p.m. Free for women, Hr 200 for men 📍

Theaters

**Kvitka Budyak** (drama). Ivan Franko Ukrainian Drama Theater. 7 p.m. Hr 15-200 📍

**The Ideal Couple** (comedy). Drama & Comedy Theatre on the left bank of Dnipro. 7 p.m. Hr 70 – 120 📍

Shows

**Chris Norman.** Palats Ukraina.7 p.m. Hr 200-1,300 📍

**Jazz in Kiev.** Zhovtnevy Palats. 7 p.m. Hr 200-800 📍

**Leningrad.** Stereo Plaza. 8 p.m. Hr 250-1,600 📍

Miscellaneous

**Not Dual Art by Yuriy Akhmetzyanov.** Wunjo-Art gallery. 12 p.m. - 6 p.m. Free 📍

**Bodytown.** AVS-ART Gallery. 11 a.m. - 7 p.m. Free 📍

**Photo Exhibition by Ulrich Seidl.** Mystetskyi Arsenal. 11 a.m. - 8 p.m. Hr 20 – 40 📍

**Flower Vernissage.** Master Klass cultural center. 9 a.m. - 9 p.m. Free 📍

**Titanic Exhibition.** NSC Olimpiyskyi. 10 a.m. - 9 p.m. Hr 50 – 150 📍

**Between Avant Garde and Tradition.** National Art Museum of Ukraine. 10 a.m. - 6 p.m. Free 📍

Loboda live

Oct. 25



(Courtesy)

Svetlana Loboda, known for her puffy lips and in-your-face sex appeal, will be giving a solo performance in Kyiv. Loboda’s shows are big and energetic, with plenty of dancing. The singer will deliver her old hits, as well as some new numbers. And as a pleasant bonus, anyone who buys a ticket will get a chance to win a new iPhone 5s, which in Ukraine sells for about Hr 7,000.

**Loboda concert. Oct. 25. 9 p.m. Stereoplaza (119 Krasnozverdnyy Ave.). Hr 200 – 1,000**

National Art Museum of Ukraine. 10 a.m. - 6 p.m. Free 📍

Sunday, October 27

Classical music

**Symphony Orchestra of the National Philharmonic Playing Telemann, von Biber, Handel, Buxtehude, Mahler, Schnittke, Schulhoff, Schenfield.** National Philharmonic. 7 p.m. Hr 45-90 📍

Movies

**Justin and the Knights of Valour** (cartoon). Oscar. 10:20 a.m., 12:10 p.m., 4 p.m., 5:50 p.m., 7:40 p.m. Hr 40 – 80 📍

**Romeo and Juliet** (drama). Ukraina. 10:20 a.m., 5 p.m. Hr 30 – 60 📍

**Haunter** (thriller). Oscar. 4:50 p.m. Hr 60 – 65 📍

**The Family** (action, comedy). Ukraina. 2:20 p.m. Hr 40 – 60 📍

Live music

**Beefeaters.** Docker Pub. 9:30 p.m. Free 📍

**Whistlin’ Dixie** (country rock). Docker’s ABC. 10 p.m. Hr 75 📍

**Soyuz 44** (jam jazz session). Art Club 44. 10 p.m. Free 📍

Clubs

**Miami Party.** Vodka Bar. 10 p.m. Free 📍

**Back to USSR.** Ajour. 9 p.m. Free for women, Hr 100 for men after 11 p.m. 📍

Theaters

**The Taming of the Shrew** (comedy). Ivan Franko Ukrainian Drama Theater. 7 p.m. Hr 15-150 📍

**Three Sisters** (by Anton Chekhov). Drama & Comedy Theatre on the left bank of Dnipro. 3 p.m. Hr 80 📍

Miscellaneous

**Naple’s Soul by Gianni Strino.** Greter art-center. 11 a.m. - 9 p.m. Free 📍

**Straight Projection** (paintings exhibition). Greter Art Gallery. 11 a.m. - 9 p.m. Free 📍

**Photo Exhibition by Ulrich Seidl.** Mystetskyi Arsenal. 11 a.m. - 8 p.m. Hr 20 – 40 📍

**Dress Code by Alena Naumenko.** Mystetskyi Arsenal. 11 a.m. - 8 p.m. Hr 20 – 40 📍

**Flower Vernissage.** Master Klass cultural center. 9 a.m. - 9 p.m. Free 📍

**Titanic Exhibition.** NSC Olimpiyskyi. 10 a.m. - 9 p.m. Hr 50 – 150 📍

**Between Avant Garde and Tradition.** National Art Museum of Ukraine. 10 a.m. - 6 p.m. Free 📍

Monday, October 28

Classical music

**Kyiv Symphonic Orchestra and Choir Conducted by Roger McMurrin** (organ). House of Organ Music. 7:30 p.m.

Movies

**Cloudy 2: Revenge of the Leftovers** (car-

Alessandro Safina set to awe concertgoers

Oct. 29



(Courtesy)

One of the most recognizable voices in music industry, Alessandro Safina, combines classical and modern music, calling his style “opera rock.” The singer is turning 50 and is bringing to Kyiv his show accompanied by the Kyiv Symphony and Pops, a great concert orchestra.

**Alessandro Safina concert. Oct. 29. 7 p.m. Palats Ukraina (103 Velyka Vasylkivska St.). Hr 150 – 1,450**

Tuesday, October 29

Classical music

**My Soul Glorifies the Lord. National Revutsky Male Choir of Ukraine Performing Prayer Tunes, tunes of Univ Lavra, Ancient Chants, Ukrainian Folk Songs.** National Philharmonic. 7 p.m. Hr 45-90 📍

**Ancient German Organ Music. Works of Bach, Buxtehude, Pachelbel** (organ). House of Organ Music. 7:30 p.m. Hr 30-100 📍

Movies

**+1** (thriller). Oscar. 2 p.m., 9:30 p.m. Hr 35 – 60 📍

**Runner Runner** (thriller). Oscar. 10:20 a.m. Hr 20 📍

**Romeo and Juliet** (drama). Ukraina. 10:20 a.m., 5 p.m. Hr 30 – 60 📍

**The Philosophers** (fantasy, thriller). Oscar. 1:20 p.m., 8:30 p.m. Hr 30 – 50 📍

Live music

**Tex-Mex Company.** Docker Pub. 9:30 p.m. Free 📍

**More Huana** (cover band). Docker’s ABC. 10 p.m. Hr 20 📍

**Laura Marti.** Art Club 44. 10 p.m. Free 📍

**DomRa.** Divan. 8 p.m. Free 📍

Theaters

**Love Crazy** (musical). Lesya Ukrainka

Wednesday, October 30

Classical music

**Kyiv Camerata National Ensemble of Soloists. Works of Beethoven, Mozart, Schubert** (violin, viola). National Philharmonic. 7 p.m. Hr 45-90 📍

**Works of Bach, Grieg** (organ). House of Organ Music. 7:30 p.m. Hr 20-80 📍

Live music

**The Magma.** Docker Pub. 9:30 p.m. Free 📍

**Rockin’ Wolves** (rock). Docker’s ABC. 10 p.m. Hr 30 📍

**Jazz Wednesday with Trio Soma & Alexander Pavlov.** Divan. 8 p.m. Free 📍

Theaters

**The Seagull** (drama). Ivan Franko Ukrainian Drama Theater. 7 p.m. Hr 15 – 200 📍

Shows

**Aleksandr Gorodnytskyi.** Palats Ukraina. 7 p.m. Hr 250-300

**Evgeniy Margulis.** Caribbean Club. 8 p.m. Hr 300-1,600

**Electro Opera.** Ukrainian House.7:30 p.m. Hr 200-400 📍

Miscellaneous

**Not Dual Art by Yuriy Akhmetzyanov.** Wunjo-Art gallery. 12 p.m. - 6 p.m. Free 📍

**Naple’s Soul by Gianni Strino.** Greter art-center. 11 a.m. - 9 p.m. Free 📍

**Straight Projection** (paintings exhibition). Greter Art Gallery. 11 a.m. - 9 p.m. Free 📍

**Flower Vernissage.** Master Klass cultural center. 9 a.m. - 9 p.m. Free 📍

Thursday, October 31

Classical music

**Chamber Music Night. Traditional Jewish Tunes, Shostakovich** (piano, cello). National

## Salewa Table Boulder Tour

Table Boulder is a brand new sport, and it's hot. The sport is basically climbing a piece of equipment that looks like a simple picnic table, but dotted with elements that typically adorn climbing walls. This competition is open for anyone to participate. If you want to practice the moves and strategy, visit Corgany.com (11B Mishuhy St.). The winner is the person who manages to climb the Salewa Table faster than others without touching the ground. **Salewa Table Boulder Tour. Oct. 27. 2 p.m. Corgany.com (11B Mishuhy St.). Preregistration is needed. For more information go to [www.forum.gorgany.com/?p=7008](http://www.forum.gorgany.com/?p=7008)**



Oct. 27

Philharmonic. 7 p.m. Hr 45-90 ❶

**Masterpieces of Opera Classics. Works of Verdi, Tchaikovsky, Lysenko, Gounod** (piano, organ). House of Organ Music. 7:30 p.m. Hr 20-80 ❷

### Live music

**Whistlin' Dixie.** Docker Pub. 9 p.m. Hr 50 ❶

**Red Rocks.** Docker's ABC. 10 p.m. Hr 50 ❷

### Theaters

**The School of Scandal** (comedy). Lesya Ukrainka Russian Drama Theater. 7 p.m. Hr

20 – 130 ❷

### Shows

**Aleksandr Serov.** Palats Ukraina. 7 p.m. Hr 180-1,300 ❶

**Car Man.** Caribbean Club. 8 p.m. Hr 160-800

**Moonspell, Hollow Haze, Carved.** Bingo. 7 p.m. Hr 25-350 ❷

### Miscellaneous

**Not Dual Art by Yuriy Akhmetzyanov.** Wunjo-Art gallery. 12 p.m. - 6 p.m. Free ❷

**Naple's Soul by Gianni Strino.** Greter art-center. 11 a.m. - 9 p.m. Free ❷

## Meditation day

This is a seminar by Daniel Mitel (Canada), a Martial Arts Master. Mitel will teach The Tibetan Heart Meditation, Cleaning The Past Meditation and Chakra Cleaning. The participants will be introduced to nine different types of meditation and relaxation techniques. The seminar will be interesting for both beginners in meditation and advanced students – but for a steep price of Hr 1,200.

**Meditation Day with Daniel Mitel. Oct. 29. 10 a.m. – 5:30 p.m. Development center "Era Vodoleya" (24 Starovokzalnaya St.). Hr 1,200**



Oct. 29

(Courtesy)

## Addresses of venues

### Classical Music

❶ National Philharmonic of Ukraine  
2 Volodymyrskyi Uzviz, 278-1697  
[filarmonia.com.ua/en](http://filarmonia.com.ua/en)

❷ House of Organ Music  
77 Velyka Vasyliivska St., 528-3186  
[organhall.kiev.ua](http://organhall.kiev.ua)

❸ School of Jazz and Pop Art  
7-A Chelyabinsk St., 517-6188

❹ National Tchaikovsky Academy of Music  
1-3/11 Horodetsky St. 279-1242  
[opera-nmua.kiev.ua](http://opera-nmua.kiev.ua)

### Movies

❶ Zhovten  
26 Kostyantynivska St., 205-5951  
[zhovten-kino.kiev.ua](http://zhovten-kino.kiev.ua)

❷ Kyiv  
19 Velyka Vasyliivska St. (former Chervonoarmiyka), 234-7381  
[kievino.com.ua](http://kievino.com.ua)

❸ Kinopanorama  
19 Shota Rustaveli St., 287-3041  
[kinopanorama.com.ua](http://kinopanorama.com.ua)

❹ Budynok Kino  
6 Saksaganskogo St., 287-6780

❺ Ukraine  
5 Gorodetsky St., 2796750, 279 8232  
[kino-ukraina.com.ua](http://kino-ukraina.com.ua)

❻ Outdoor cinema  
31 Nyzhniyurkivska St. <http://kinokombo.blogspot.com/>

❼ Oscar  
Dream Town  
18 Obolonsky Av. 520-5533  
[oskar.kiev.ua](http://oskar.kiev.ua)

❽ For more schedules visit [kino.ukr.net/cinema/kiev/](http://kino.ukr.net/cinema/kiev/)

### Live Music

❶ Docker Pub  
25 Bohatyrsk St., metro Heroyiv Dnipra, 537-1340  
[docker.com.ua](http://docker.com.ua)

❷ Docker's ABC  
15 Khreshchatyk St., 278-1717,  
[abc.docker.com.ua](http://abc.docker.com.ua)

❸ Art Club 44  
44B Khreshchatyk St., 279-4137  
[club44.com.ua](http://club44.com.ua)

❹ Divan  
2 Bessarabskaya Square, 235-7366  
[festrestdivan.com.ua](http://festrestdivan.com.ua)

❺ Bochka  
22 Verhnyi Val St. 067-433-0433  
[bochka.ua](http://bochka.ua)

❻ Route 66  
87/30 Zhylyanska St. 584-3865  
[www.route66.com.ua](http://www.route66.com.ua)

### Clubs

❶ Bionica  
128 Borschahovska St., 277-4747  
[bionicaclub.com.ua](http://bionicaclub.com.ua)

❷ Seven Music Club  
1G Saksahanskoho St. 205-4451  
[se7en.com.ua](http://se7en.com.ua)

❸ Party Room  
5/3 Velyka Vasyliivska St. (former Chervonoarmiyka), 093-815-1468  
[partyroom.com.ua](http://partyroom.com.ua)

❹ Cinema Club  
1 Entusiastov St., 295-5854

❺ Saxon Club  
4 Trutenko Onufriy St., 257-4070  
[saxonclub.com.ua](http://saxonclub.com.ua)

❻ Dorothy Pub  
16/43 Saksahanskoho St., 287-0530  
[pubdorothy.com.ua](http://pubdorothy.com.ua)

❼ Sky Bar  
5 Velyka Vasyliivska St. (former

Chervonoarmiyka), 465-8880  
[skybar.com.ua](http://skybar.com.ua)

❶ Sullivan Room  
8 Prorizna St., 095-455-7724  
[sullivanroom.kiev.ua](http://sullivanroom.kiev.ua)

❷ Forsage  
51A Harmatnaya St., 406-7600  
[forsageclub.com.ua](http://forsageclub.com.ua)

❸ Prime Club  
8 Nauky Av., 524-2209  
[primeclub.in.ua](http://primeclub.in.ua)

❹ Arena Entertainment  
2A, Baseina St. 492-0000  
[arena-kiev.com/eng](http://arena-kiev.com/eng)

❺ Mantra  
4 Baseina St., 504-2555  
[mantra.dj](http://mantra.dj)

❻ Egoist  
124/140 Gorlivska St., 223-3633  
[egoist-club.com.ua](http://egoist-club.com.ua)

❼ Fiesta  
115D Horkogo St., 353-7685  
[fiesta.im](http://fiesta.im)

❽ Vegas  
44 Shchorsa St. 063-772-4972

❾ Museum Le Club  
10 Muzeinyi Lane. 221-1101  
[museum-club.com](http://museum-club.com)

❿ D'Lux  
3 Grushevskogo St. 200-2991  
[dlux.com.ua](http://dlux.com.ua)

❻ Krasnaya Shapochka  
37/41 Artyoma St. 096-027-1111  
[red-cap.kiev.ua](http://red-cap.kiev.ua)

❽ Home  
2 Perova Blvd., 558-2545, 383-7738  
[home-club.kiev.ua](http://home-club.kiev.ua)

❿ Green Theatre  
2 Park Alley 093 5912514  
[greentheatre.com.ua](http://greentheatre.com.ua)

❶ Ajour  
3 Leontovicha St., 234-7494  
[avalon.ua/en](http://avalon.ua/en)

❷ Xlib Club  
12 Frunze St., Thu-Sat 417-2546  
[myspace.com/xlibclub](http://myspace.com/xlibclub)

❸ Vodka Bar  
Maidan Nezalezhnosti, Globus mall, 2nd line, 371-1102  
[vodka-bar.com.ua](http://vodka-bar.com.ua)

❹ TransForce  
28B Moskovskyi Ave. 221-8981

❺ Sharpei  
1-26 Moskovskyi Ave. 390-1712  
[sharpai.ua](http://sharpai.ua)

❻ Disco Radio Hall  
32 Moskovsky Av. 428-7388

❼ Manilov  
13A Porika Av. 067-230-0272

❽ Boom Boom Room  
33 Taras Shevchenko Blvd. [boomboomroom.com.ua](http://boomboomroom.com.ua)

❾ Decadence House  
2A Basseina St. Arena Entertainment

❿ Kalinka-Malinka  
47 Volodymyra Mayakovskogo Ave. 5015-0322  
<http://kalinka-malinka.com.ua>

❶ Coyote Ugly  
9 Mechnikova St. 280-0678  
[coyoteugly.ru/kiev/](http://coyoteugly.ru/kiev/)

❷ Sorry Babushka  
18/24 Dmytrivska St. 486-0300  
[www.sorrybabushka.com.ua](http://www.sorrybabushka.com.ua)

❸ Dali Park  
16 Parkova Road 221-4949  
221-4433

❹ Shooters  
22 Moskovska St. 254-2024

[shooters.kiev.ua](http://shooters.kiev.ua)

❶ L8 Cafe  
8 Illinska St. 585-3800

❷ Caribbean Club  
4 Petliury St. 38-067-224-4111

### Theaters

❶ Ivan Franko Ukrainian Drama Theater  
3 Ivana Franka Sqr., 279-5921  
[ft.org.ua](http://ft.org.ua)

❷ Lesya Ukrainka Russian Drama Theater  
5 Bohdana Khmelnytskogo St., 234-4223  
[rusdram.com.ua](http://rusdram.com.ua)

❸ Koleso Theater  
8 Andriivskyi uzviz St., 425-0422  
[koleso.teatr.kiev.ua](http://koleso.teatr.kiev.ua)

❹ Drama & Comedy Theatre on the left bank of Dnipro  
25 Brovarsky Avenue, 517-8980  
[drama-comedy.kiev.ua](http://drama-comedy.kiev.ua)

❺ Kiev Academic Drama Theater in Podil  
4 Kontraktova Pl., 425-5489  
[Theateronpodol.com](http://Theateronpodol.com)

❻ National Opera Theater of Ukraine  
50 Volodymyrskaya St., 279-1169  
[opera.com.ua](http://opera.com.ua)

❼ House of Actors  
7 Yaroslaviv Val St., 235-2081  
[actorhall.com.ua](http://actorhall.com.ua)

❽ Molody Theater  
17 Prorizna St., 234-6251  
[molody.kiev.ua](http://molody.kiev.ua)

❾ Kyiv National Academic Theater of Operetta  
53/3 Chervonoarmiyka St., 287-6257  
[kiev-operetta.kiev.ua](http://kiev-operetta.kiev.ua)

❿ New Theater on Pechersk  
5 Nemirovich-Danchenko St., 253-6550  
[newtheater.kiev.ua](http://newtheater.kiev.ua)

❶ Kiev Opera and Ballet Theater for Children and Youth  
2 Mezhyhirska St., 425-4280  
[musictheater.kiev.ua](http://musictheater.kiev.ua)

❷ Dakh Modern Art Theatre  
13B Velyka Vasyliivska St., 529-4062  
[dax.com.ua](http://dax.com.ua)

❸ Art Union Chorny Kvadrat  
1-5 Artema St., 353-0843  
[artkvadrat.com](http://artkvadrat.com)

❹ Shows  
❶ Palats Ukraina  
13 Velyka Vasyliivska St. 247-2316  
[npmu.com.ua](http://npmu.com.ua)

❷ Koleso Hall  
134 Frunze St. 425-0422  
[freedomhall.com.ua](http://freedomhall.com.ua)

❸ Stereo Plaza  
17 Kikvidze St. 222-8040  
[stereoplaza.com.ua](http://stereoplaza.com.ua)

❹ Palats Sportu  
1 Sportyvna Square 246-7405  
[spalace.com.ua](http://spalace.com.ua)

❺ Artist's House  
1/5 Artema St. 272-0547

❻ International Exhibition Center  
15 Brovarskyi Avenue 538-0827  
[iec-expo.com.ua](http://iec-expo.com.ua)

❼ Lavra Gallery  
17 Ivana Mazepy St. 280-0290

❽ Underground Music Hall  
13B Moskovsky Avenue 360-9594  
[underground.co.ua](http://underground.co.ua)

❾ Zhovtnevy Palats  
1 Instytutska St. 279-1582  
[icca.kiev.ua](http://icca.kiev.ua)

❿ NAU Center of Culture and Arts  
1 Kosmonavta Komarova Ave., 406-6835

**Straight Projection** (paintings exhibition). Greter Art Gallery. 11 a.m. - 9 p.m. Free ❷

**Between Avant Garde and Tradition.** National Art Museum of Ukraine. 10 a.m. - 6 p.m. Free ❷

## Friday, November 1

### Classical music

**Classics on Fridays. Works of Kanershtein, Saint-Saens, Bloch, Barber** (piano, violoncello). Master Klass. 8 p.m. Hr 50 ❷

### Live music

**MadHeads UkrainSka & RockFour.** Docker Pub. 10 p.m. Free ❶

**Bangladesh Orchestra & Red Rocks** (rock). Docker's ABC. 10 p.m. Hr 75 ❷

### Theaters

**Madame Butterfly** (opera). National Opera Theater of Ukraine. 7 p.m. Hr 10 - 200 ❸

**Golgotha** (drama). Ivan Franko Ukrainian Drama Theater. 7 p.m. Hr 30 – 70 ❶

**Little Family Crimes** (psychological thriller). Ivan Franko Ukrainian Drama Theater. 7 p.m. Hr 10 – 120 ❶

### Shows

**Valeriy Meladze.**Palats Ukraina. 7 p.m. Hr 150-450 ❶

**Pavlo Tabakov.** Theater of Operetta. 7 p.m. Hr 125-400 ❹

**Jose Luis Merlin.** House of Architect. 7 p.m. Hr 80-150 ❷

**Lama.** Tolstoy Restaurant-club.10 p.m. Hr 150 ❷

### Miscellaneous

**Not Dual Art by Yuriy Akhmetzyanov.** Wunjo-Art gallery. 12 p.m. - 6 p.m. Free ❷

**Straight Projection** (paintings exhibition). Greter Art Gallery. 11 a.m. - 9 p.m. Free ❷

**Titanic Exhibition.** NSC Olimpiyskyi. 10 a.m. - 9 p.m. Hr 50 – 150 ❷

## Saturday, November 2

### Classical music

**Works of Bach** (organ). House of Organ Music. 7:30 p.m. Hr 30-100 ❷

### Live music

**Mama Mia.** Docker Pub. 10 p.m. Hr 75 ❶

**Dobranoch** (Saint Petersburg). Divan. 8 p.m. Free ❷

### Theaters

**The Lady and the Bureaucrat** (comedy).



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Lesya Ukrainka Russian Drama Theater. 6 p.m. Hr 60 ❷

**Indian Summer** (lyrical comedy). Lesya Ukrainka Russian Drama Theater. 7 p.m. Hr 20 – 130 ❷

**Carmen** (opera). National Opera Theater of Ukraine. 7 p.m. Hr 10 – 200 ❸

### Shows

**Valeriy Meladze.**Palats Ukraina. 7 p.m. Hr 150-450 ❶

**Marcus Miller.** Zhovtnevy Palats. 7 p.m. Hr 190-1,990 ❹

**Auktsyon.** NAU Center of Culture and Arts. 7 p.m. Hr 180-550 ❷

**Korol i Shut. Farewell.** Stereo Plaza. 8 p.m. Hr 230-450 ❸

### Miscellaneous

**Straight Projection** (paintings exhibition). Greter Art Gallery. 11 a.m. - 9 p.m. Free ❷

**Between avant garde and tradition.** National Art Museum of Ukraine. 10 a.m. - 6 p.m. Free ❷

**Titanic Exhibition.** NSC Olimpiyskyi. 10 a.m.

- 9 p.m. Hr 50 – 150 ❷

## Sunday, November 3

### Live music

**Underwood & Partizanskie Vytivky.** Docker Pub. 9:30 p.m. Call for the fee ❶

**Mushmellow.** Divan. 8 p.m. Free ❷

### Theaters

**Cinderella** (musical, fairytale). Ivan Franko Ukrainian Drama Theater. 12 p.m. Hr 15 – 50 ❶

**Ladies and Hussars** (comedy). Ivan Franko Ukrainian Drama Theater. 7 p.m. Hr 20 – 200 ❶

**Backyard Games** (drama). Lesya Ukrainka Russian Drama Theater. 6 p.m. Hr 30 ❷

### Shows

**Jose Luis Merlin.** House of Architect. 7 p.m. Hr 80-150 ❷

**Catharsis.** Bochka. 7 p.m. Hr 150-200 ❷

**Ennio Morricone.** Palats Ukraina. 7 p.m. Hr 800-5,900 ❶

❶ X-Park Entertainment complex Druzhby Narodiv Park [www.xpark.kiev.ua](http://www.xpark.kiev.ua) 229-2617

❷ Babuin 10 Petliury St. [www.babuin.ua](http://www.babuin.ua) 8-050-356-3326

❸ Atribut Gallery 30b Shovkovychna St. 253-4135 [www.tribut.com.ua](http://www.tribut.com.ua)

❹ National Taras Shevchenko Museum 12 Shevchenko Blvd. 224-2556, 224-2553 [www.shevchenkomuseum.com.ua](http://www.shevchenkomuseum.com.ua)

❺ AVS-ART gallery 10b Vozdvizhenska St. 425-9090 [avsart.com.ua](http://avsart.com.ua)

❻ Natural History Museum 15 Bohdana Khmelnytskogo St. 235-6266 [museumkiev.org](http://museumkiev.org)

❼ Museum of Bogdan and Varvara Khanenko 17 Tereshchenkivska St. (044)235-3290 <http://www.khanenkomuseum.kiev.ua>

❽ Alta-expo 95 G Vidradnyi Ave. 361-6699 [www.alta-expo.co](http://www.alta-expo.co)

❾ Chasopys 3 Lva Tolstogo St. 094 928-7710 <http://www.facebook.com/ProstirChasopys>

❿ Parsun's Gallery 48 Khoryva St. [www.parsuna.com.ua](http://www.parsuna.com.ua) 428-8264, 097 494-0865

❻ Kyiv History Museum 7 Bohdana Hmelnytskogo St. (044) 223-98-92

❽ Camera photo gallery 22 Prorizna St. [www.gallerycam.org](http://www.gallerycam.org) 279-5070

❾ Anti-Art Center 21 Prorizna St. <http://fakeart.com.ua>

❿ Gryshko national botanic garden 1 Tymyazevska St. 285-4105 [nbg.kiev.ua](http://nbg.kiev.ua)



# KEYS to the map

**UKRSIBBANK**  
BNP PARIBAS GROUP  
**ATMs**

- 1 15 Volodymyrska st.
- 2 1 Maidan Nezalezhnosti
- 3 14 Pushkinska st.
- 4 5 Franko sq.
- 5 7 Andriivska st.
- 6 5 Spaska st.
- 7 4-B Verkhni Val st.
- 8 38 Shota Rustaveli st.
- 9 57/3 Velyka Vasylivska st.
- 10 15 Moskovska st.
- 11 24 Khreshchatyk st.
- 12 55 Saksahanskoho st.

- 1 **Hotel Europeyskiy**  
14<sup>a</sup> Dimitrova str.
- 2 **Intercontinental Kyiv**  
2<sup>a</sup> Velyka Zhytomyrska st.
- 3 **Kidev Restaurant**  
8<sup>th</sup> km Boryspil Road.  
In 5 minutes from the Boryspil airport
- 4 **Massimo Restaurant**  
15 Saksahanskoho st.
- 5 **Queen Bakery**  
102 Saksahanskoho st.
- 6 **Sanskriti**  
7<sup>th</sup> Lesi Ukrainki Boulevard (A-section)
- 7 **Sofiyskiy fitness center**  
6 Rylskiy Ln.
- 8 **Dream House hostel**  
2<sup>a</sup> Andriivskiy descent

Nov.

**28**

*The 3<sup>rd</sup> Eastern Partnership  
Summit in Vilnius*

Nov.

**29**

Nov.

**30**

Dec.

**1**

Dec.

**2**

Dec.

**3**

*The Tiger Conference*

Dec.

**4**

Dec.

**5**

*20<sup>th</sup> OSCE*

Dec.

**6**

*Ministerial Council in Kyiv*

The annual Kyiv Post conference, organized on December 3 at Premier Palace Hotel, will explore the future for Ukraine's International Relations, Agribusiness, Energy Security, IT Development, Finances and Business Climate.

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**The Tiger Conference**

# Without inventing anything, Kurchenko amasses wealth

→1 Oil Refinery, among other prize assets.

Since February, Kurchenko's business activities have been conducted through the newly established East European Petrol and Energy Company (VETEK) with offices in Kyiv and Moscow. In an interview with Forbes Ukraine, Kurchenko also admitted owning GazUkraine-2009, the source of some of this wealth.

So how did Kurchenko make money? The Kyiv Post tried to ask Kurchenko, but he did not respond to messages seeking comment for this story. Here's what others have pieced together:

## Liquefied gas monopoly

According to a 2010 report in Delovaya Stolitsa newspaper, Kurchenko appeared to have the backing of those in power to participate in uncompetitive auctions – allowing him to buy state-produced liquefied natural gas cheaply and sell at huge markups in the private sector.

State companies produce about 70 percent of the 550,000 tons of LNG in Ukraine. Once a month, an auction of state-produced LNG takes place at highly discounted prices set by the Cabinet of Ministers of Ukraine, headed by Prime Minister Mykola Azarov.

The gas is supposed to be purchased by local gas distributors and sold to the country's households at a subsidized rate.

But that didn't happen in 2010, according to Delovaya Stolitsa business newspaper. Instead, the Ukrainian business weekly reported that one company – GazUkraine-2009 – bought the 8,000 tons of fuel offered by state-owned enterprises Ukrzadobycha and Ukrnafta.

This appeared to be a complete change of game rules: Before, private companies were not allowed to buy the cheap gas supposed to be sold to households at discounted prices. Instead, this gas showed up at petrol stations, where the selling price was four to five times higher than the auction prices, according to a complaint to prosecutors made by parliamentarian Yuriy Syrotyuk of the opposition nationalist Svoboda Party.

Moreover, energy experts say the auction appeared to be rigged, since other traders in LNG were not allowed to participate. Additionally, in autumn 2012, two gas companies said they could not buy LNG from abroad because of customs problems.

As a result, energy experts say, was that GazUkraine-2009 had a de facto government-supported monopoly. Syrotyuk's complaint alleges that the Kharkiv companies that make up the GazUkraine-2009 group control more than 80 percent of all state production of LNG.

Sergiy Piven, chairman of the



Serhiy Kurchenko (middle) and Energy Minister Eduard Stavitsky (right) participate in a symbolic March 29 launch of the Odessa Oil Refinery, one of Kurchenko's latest acquisitions. (UNIAN)

Liquefied Gas Producers Association, has complained repeatedly about the monopolization of the industry but has never named the offending company.

## Oil trade schemes

Kurchenko apparently has the golden touch in oil as well.

Syrotyuk, the Svoboda Party parliamentarian, alleged to Prosecutor General Viktor Pshonka that Kurchenko-linked companies are involved in oil smuggling and export fraud.

Ukraine is heavily dependent on oil imports because it produces only three million tons yearly while consuming 10 million tons.

Syrotyuk alleged that during nine months of 2012, the State Customs Service granted customs clearance for 397,000 fewer tons of oil products than the actual amount delivered to the Ukrainian market by railway. This way, Syrotyuk alleges, a considerable quantity of gasoline is imported to Ukraine without paying excise duties.

The lawmaker also alleges other shady businesses in faking oil exports.

According to Syrotyuk, Kurchenko-linked groups used a scheme called "interrupted transit" to avoid paying excise duties. Goods are supposedly delivered from Ukraine to another country, allowing the exporter to escape paying excise tax because the oil is considered to be merely in transit. But the commodities do not actually leave the country and are sold on the internal market.

The oil products are "exported" through the companies Armada Plus and Zovnitransgaz, which according to documents transported petrol to tankers operated by a Belize company Zevidon Trading, Ltd.

According to the State Statistics Service, trade with Belize first took off in October 2012, when Ukraine exported nearly \$60 million worth of gasoline to the tiny Caribbean nation. In total, gasoline exports for the last quarter of 2012 reached \$209 million.

This year's growth has been even more impressive. In the first five months of 2013, Ukraine more than tripled last year's total exports to Belize, including some \$740 million worth of oil products, which is nearly 400,000 percent growth, compared to the first five months of 2012.

## Checking the numbers

But numbers are clearly fake. According to the Statistical Institute of Belize, Ukraine is not even a major trade partner with Belize, a nation whose

total trade with its largest importer, the United States, for the same period is less than \$200 million. The Ukrainian figures exceeds Belize's trade with every country on earth in January-May.

Following Syrotyuk's complaint, GazUkraine 2009 issued a statement denying his allegations, claiming that as of January it controlled only 14 percent of the country's liquefied gas market. The group also denied that any of its affiliates are directly involved in imports of gasoline.

The General Prosecutor's Office, likewise, found no violations in the activity of the GazUkraine 2009 group.

In June, Oleh Medunytzia, a member of parliament with the opposition Batkivshchyna faction, submitted a bill calling for an independent investigation into the role of state authorities in smuggling, market monopolization and violations in public procurement involving GazUkraine-2009 group, following the investigations by Forbes and Mirror Weekly.

The bill is still listed as being under consideration as this issue of Kyiv Post went to the print.

Other oil traders, who say they are locked out of the market by government favoritism to Kurchenko, find plenty wrong.

By the fall of 2012, when GazUkraine 2009 started to import oil products to Ukraine, competing Ukrainian oil products importers started to face numerous problems and delays from state customs officials. "We paid taxes and transferred the advance payment to the account of the State Customs Service" on time, said Andriy Kuzmenko, CEO of Rompetrol, in November 2012. "But the customs officials wanted to collect samples to confirm the petrol quality. However, they did not do it, and now they do not accept declarations, and the process of customs clearance is delayed."

## First gas job at 16

Making money from the gas-and-oil trade is a well-worn path to riches for Ukraine's tycoons, including Yulia Tymoshenko, Ihor Bakai and Dmytro Firstash.

In a biography on the Kharkiv Metalist football club website, Kurchenko said that he got his first job at 16 in the Kharkiv-based company Ekspogaz. In an interview with Forbes Ukraine magazine this summer, he said that he started there as a delivery boy. The company belonged to Kharkiv Igor Humennyi, who sold liquefied natural gas. After a few years, Kurchenko became

head of the company's wholesale department.

Kurchenko launched his own business when he was 21, registering the real estate company Kaskad KSV. Kurchenko told Forbes that his company bought land from residents of Kharkiv Oblast.

Public sources offer little more information. The website of GazUkraine-2009 (currently inactive) only indicated that the company specializes in selling liquefied gas and oil products and intends to gain leadership in these markets in the future.

## Probing GazUkraine 2009

In November 2012, a former employee of GazUkraine-2009 provided Forbes magazine with a list of 54 companies that purportedly belong to the group. The enterprises had been registered between 2008 and 2011 in Kharkiv, Simferopol and Kyiv by residents of Kharkiv. Their founders were also the CEOs.

Many companies from the list participated in governmental tenders for delivery of equipment for oil and gas sector enterprises. Some of them, while filing the tender papers, indicated the phone number contained in the registration data of the website of the company GazUkraine-2009 as a contact number.

Other companies, purportedly part of GazUkraine 2009, have been identified in numerous court rulings containing such statements as "fictitious entrepreneurship" to create "a pretense of carrying out financial and economic activity".

By the fall of 2012, GazUkraine-2009 representative Andriy Koshel, who introduced himself as Kurchenko's deputy, said the list of companies provided to the magazine had nothing to do with the group. The group's press service claimed that GazUkraine 2009 consisted of about 30 companies, but refused to name them. Currently, Koshel is listed as the sole shareholder of Skhidno-Evropeyska Palyvno-Energetychna Kompaniya (VETEK), a holding company managing some of Kurchenko's key assets. Kurchenko admitted being Koshel's employer in his Forbes interview.

In July, Kurchenko also answered a question about the group's corporate structure. He told Forbes reporters that in a couple of months VETEK would present a list of 10 companies cooperating among themselves. He said the holding's structure would be "clear and legitimate" However, Forbes journalists resigned before receiving any information.

As the VETEK group continues its spectacular rise, the question remains whether Kurchenko is his own man or a front for other interests.

"I am sure that he is a man simply representing other persons, who are known to the public, but who do not want to be known to act in this sphere," said opposition leader and member of parliament Vitali Klitschko. "I have no facts and I don't want to comment on rumors. But it looks very strange when people at such a young age" become so wealthy.

If Klitschko is right, then the question of who stands behind Kurchenko is one that remains to be answered.

Kyiv journalist Sevgil Musaeva can be reached at [sevmusaeva@gmail.com](mailto:sevmusaeva@gmail.com).

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# Kurchenko's rise as media mogul

→ **1** millionaire, they became frightened enough to ask their publisher for a bodyguard.

"We were in a panic because all the sources were telling us: 'Don't write this story,'" Musaeva says.

Vladimir Fedorin, chief editor of Forbes Ukraine magazine until July, confirmed that the journalists "were pressured obscenely" by associates of Serhiy Kurchenko, the target of the journalistic investigation.

Kurchenko would not be interviewed for this story. But he has told others that journalists have nothing to fear from him and has denied any threats.

As it turned out, the threat that emerged was not physical.

Instead, the journalists were shocked to find that the subject of their investigation had bought Forbes and 50 other brands in UMH Group, one of the nation's leading media companies. The reported \$340 million deal was announced in June. Kurchenko is expected to take control next spring, when the final payment is made.

The change in ownership prompted the exit of Musaeva, Akymenko and some of their colleagues, including Fedorin, from the magazine.

Kurchenko says he has big plans for the media company. He has pledged to invest \$100 million into his new business. He also promised to preserve editorial independence of its news publications.

In a statement explaining the purchase, Kurchenko said: "We are looking for profitable and promising Ukrainian media assets. UMH is one of them. We're interested in the holding becoming an attractive business asset."

But many of the journalists who quit or got forced out were uncomfortable working with an owner that their own reporting suggested was close to President Viktor Yanukovich.

One of the nation's leading media watchdogs says the skepticism is justified. Natalya Ligachova, head of Telekritika in Ukraine, said the purchase of Forbes Ukraine "is a sign that oligarchs are trying to take over everything, and of course they're tempted by the international formats that have a lot of prestige." Ligacheva said the potential loss of Forbes as a source of reliable information would remove one of the few remaining independent outlets in Ukraine.

## Discovering 'gas king'

Forbes Ukraine's original discoveries about Kurchenko, in a cover story headlined "The Gas King of All of Ukraine," were revealing. Kurchenko gained his fortune after Yanukovich came to power in 2010. Such a speedy rise in Ukraine often suggests high government connections. Kurchenko's companies won lucrative government tenders to buy liquefied gas at a discount, and the companies' gasoline trade was ballooning.

The article by Musaeva and Akymenko, both 26, represented the first comprehensive investigation of Kurchenko's business. They spent months untangling webs of seemingly unrelated companies. They knocked on the doors of their directors and plowed through databases to find hidden patterns in business schemes. Their report came out online on Nov. 12, nine months before Kurchenko bought the company, with a version published in the December print edition.

## Denies threats

Kurchenko denied threatening the journalists who investigated him. In an interview with Forbes published on July 1, Kurchenko said that at the time his company had outsourced communication and that he would "punish the guilty."

However, the Forbes staff said they had received other threats from a company linked to Kurchenko. Leonid Bershidsky, the former chief editor of the online version of Forbes, says the publishing company also received "official threats of legal prosecution that arrived from the group GazUkraine-2009," the predecessor of Kurchenko's current holding.

There are even suggestions that Boris Lozhkin, the outgoing president of UMH, resisted selling to Kurchenko. Two sources, speaking on the condition of anonymity because they are not authorized to make public comments on the issue, said Lozhkin complained about pressure to sell. Lozhkin, who refused to comment for this story, has publicly denied pressure in interviews. Instead, he portrayed the sale as a positive step by turning over the company to an owner with ample resources to invest.



Boris Lozhkin, who sold United Media Holding to Serhiy Kurchenko, speaks at the World Newspaper Congress in Kyiv in 2012. (Ukrinform)

## Yaroslavsky's story

Moreover, accusations of bullying tactics have come from Oleksandr Yaroslavsky, another Ukrainian tycoon. When Yaroslavsky sold his Metallist football club to Kurchenko in December, he said that he faced pressure from the local authorities in Kharkiv, Kurchenko's hometown.

"I was forced to do it," he told the press at the time of the sale. Asked by a reporter whether there was any chance to settle the conflict with the people who pressured him, Yaroslavsky replied shortly. "Have you seen them? Can you refer to them as people?"

Yaroslavsky is the nation's 11th richest man, with a fortune estimated by Forbes at \$980 million, while Kurchenko doesn't make the top 100 list, possibly only because his wealth is difficult to track. Yet he has been on a spending spree in the last year, buying an oil refinery, a stadium and a bank in just half a year, among other assets.

## Exodus of journalists

When Kurchenko acquired the UMH Group, Fedorin, the then chief editor of Forbes, released a blockbuster statement:

"I consider the sale of Forbes to be the end of the project in its current form. I am convinced that the buyer pursues one of three aims (or all three at once): to shut the journalists' mouths before the presidential election, to whitewash his

own reputation, and to use the publication to solve problems that have nothing to do with the media business."

Fedorin announced in June he would quit in October, but ended up getting forced out in July, only a month after his public criticism. While Fedorin described his exodus as amicable, his departure prompted other journalists — including Musaeva and Akymenko — to quit. The new chief editor is Russian Mikhail Kotov.

## Forbes undeterred

Rather than being concerned about the potential damage to the brand's reputation, representatives of global Forbes said they welcomed the June acquisition as bringing "new opportunity" to Forbes Ukraine.

Moreover, American Miguel Forbes, a fourth generation co-owner and top executive, now advises Kurchenko on "management and development of the media business and external activities" of VETEK, Kurchenko's recently created holding, according to a statement on the VETEK website.

Forbes declined to answer questions about advising Kurchenko for this article. He oversees business development and the company's expansion into financial services via the Forbes Family Trust and the Forbes Private Capital Group. "Globally, Forbes' mission is to seek outstanding business partners with the same values and integrity that Forbes embraces," the company said

in written comments to the Organized Crime and Corruption Reporting Project, a Kyiv Post partner.

Forbes also maintains that editorial independence remains its primary focus. "Any breach of Forbes' editorial standards is grounds for termination of the license," the company said. Forbes attempted to deliver the same messages to Forbes Ukraine journalists at a staff meeting in July, but his effort was described by Fedorin as "pathetic."

Musaeva called Forbes "the worst motivator imaginable" after he publicly questioned the motives behind the original November investigation into Kurchenko and suggested journalists were victims of rival business interests.

## A big prize

There's little doubt that acquisition of UMH and the Forbes brand is a big prize.

"On the eve of the 2015 campaign we're seeing a concentration of media resources for those in power," says Oleksiy Haran, a political sciences professor for Kyiv-Mohyla Academy, a leading Ukrainian university. Haran says that Kurchenko needs the media conglomerate to "advance his business interests and support the political interests before the campaign of 2015."

In 2012, United Media Holding posted a \$163 million net profit, making it one of the few profitable media ventures in Ukraine. Part of its success came through a business strategy to venture into the larger Russian-language market, improve its retail network and acquire licenses for famous international brands such as Vogue.

The company's websites reached half of Ukrainian Internet users, according to the May figures by Gemius, a company specializing in online research in Eastern and Central Europe. Its print titles reach 45 percent of Ukraine's offline readership, according to MMI Ukraine, a marketing and media index produced by TNS Ukraine, a market research company.

How many of these readers will stay with Forbes, Korrespondent or any of the other popular titles remains to be seen — and may depend on whether the journalists have true editorial dependence or become mouthpieces for another rich businessman.

Kyiv Post deputy chief editor Katya Gorchinskaya can be reached at katya.gorchinskaya@gmail.com.

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# Tsukanova: New options needed from opposition

→4 This makes it really difficult for me to understand what this party has to offer me as a voter, when they are totally uninterested in the surrounding mess, and only care for the abstract "spirituality." From my philistine point of view this is what their pitch looks like:

- People, vote for us!
- Why?
- Because we're great!
- What's so great about you?
- We can carry flags around.

Don't get me wrong, I am not calling for Svoboda to refrain to be street sweepers (although, maybe, considering the number of rough guys in its ranks, this would not be a bad idea). Nor am I trying to take responsibility off myself and the rest of the residents for the state of the building we live in. However, I do think that any person or group do affect the environment they inhabit.

Being a popular movement, and even an influential parliamentary party as of last year, Svoboda, unlike the rest of the residents, claims that it's capable of changing the life of the whole nation for the better. However, during the years of our co-habitation I have not seen any changes in our common environment that would allow me to believe in their ability to implement much more complex plans.

This December, Ukraine will have a by-election to parliament in five constituencies. My own constituency number 223 will have Svoboda member Yuriy Levchenko running for parliament, just like last year.

Even through he is young and seems intelligent, and studied in London and Magdeburg, once again I will not support him. It's not just about the busted light bulbs, though.

His own election program says he will fight with "propaganda of sexual perversions. (This is a bit of a strange priority for a 29-year-old man. Do they really teach them this kind of things in London?) But, unlike the



Svoboda party's Yuriy Levchenko ran for parliament in Kyiv's district 223 in Kyiv last fall. But the result of his district's contest – and four others – could not be determined because of massive violations. New elections will be held on Dec. 15. (Ukrainian News)

light bulbs, those perversions don't bother me even a bit.

What I am bothered with is a possible implementation of his party's program. It promises, among other things, to ban abortions (which in Ukraine will mean the opening of a flourishing market of criminal abortions in the best traditions of the Stalin era, which is much easier than design a proper prevention program), and ban adoption of Ukrainian children by foreigners (I just wonder how many orphans have been adopted by the deputies of Svoboda).

These must be the most urgent problems in the nation, which takes the 78th spot out of 187 in the UN Human Development Index.

The anti-semitic statements and homophobic actions of Svoboda, covered by both Ukrainian and international press, must also be designed to raise this political force to the new heights of spirituality.

Levchenko's alleged victory in the same constituency was impossible to establish because of multiple viola-

tions that occurred during the vote count last October. This time he once again will be a single candidate from three oppositional forces, including Batkivshchyna and Ukrainian Democratic Alliance for Reform. This calls for a number of questions to Svoboda's partners.

Are they really unable to suggest a candidate capable of offering their voters not only an opposition label, but an adequate program of actions, and with no tail of controversy?

The opposition, of course, is not the only problem. A few days ago, Svoboda's opponents also came to our yard with a protest. They shouted some slogans and spray-painted the adjacent building with swastikas.

Actually, they would have been better off concreting the pits in the yard. It would at least add some sense to their actions in the eyes of the local residents. Otherwise, it's the same old stuff, camouflaged as the fight for spirituality.

Anya Tsukanova is a Kyiv journalist currently on maternity leave.

## Editor denies allegations of link to black PR site

BY CHRISTOPHER J. MILLER  
MILLER@KYIVPOST.COM

Roman Kostyrtzia, chief editor of Evening Kyiv, a municipal newspaper, has denied any link to Ukrainska Kryvda (Ukrainian Lies). Media experts have accused Kostyrtzia of editing the website that is using the hacked emails of Ukrainian journalists and civic activists to smear them.

"I am being accused of a link with hogwash sites that I have no relation to," he told the Kyiv Post.

Kostyrtzia said the Telekritika media watchdog also accused him of being behind Ukrainska Kryvda, but lost a libel case in court and was forced to retract its accusations.

Natalia Ligacheva, Telekritika's chief editor, said the organization asked for an extension but the court ruled right away.

Kostyrtzia also said that the Kyiv Post should have sought his response before publishing the accusations against him in an Oct. 18 front-page story headlined "Hackers Wage War On Journalists."

The Kyiv Post attempted to contact Kostyrtzia through a Facebook profile that associates said belonged to him. However, Kostyrtzia operates a differ-

ent Facebook page and did not receive the request ahead of publication.

The Kyiv Post apologized to Kostyrtzia for not making a better effort to reach him. "We should have called him at his newspaper or went to his office," said Kyiv Post chief editor Brian Bonner. "If someone had accused me of wrongdoing, I would expect more than a message on my Facebook page from a journalist seeking my response."

Ukrainska Kryvda, since its inception in August, has published stories smearing journalists and activists with the evident aim to discredit them.

Internet tracking sites trace Ukrainska Kryvda's Internet Protocol address to a rural area near Frankfurt, Germany, and its domain name to the Registrar of Domain Names REG.RU, LLC, which has a postal address on Petushkov Street in a northwestern suburb of Moscow.

It remains unclear exactly who owns and operates Ukrainska Kryvda.

Kostyrtzia said that he has no other jobs or affiliations other than his position at Evening Kyiv, which he has headed since 2007.

Kyiv Post editor Christopher J. Miller can be reached at [miller@kyivpost.com](mailto:miller@kyivpost.com), or on Twitter at @ChristopherJM.

## New metro controversy

→1 arrangements are attached to this deal involving significant amounts of public money. The city is not providing answers.

The city's Department of Economy and Investment said that it could not provide information about metro-card operator Alfapay Terminal Ltd. without permission from company officials.

### New metro fare

As of next year, passengers will have to buy a plastic or paper card to ride the metro. Moreover, the standard per-ride tariff will be replaced by four options.

The simplest one of them all will be the time-limited card, valid for 75 minutes after purchase in all types of public transport, except privately run minibuses.

The next tariff up is called "a tourist ticket." The paper card will be valid for one, two or five days.

The third type of card is called "1 to 100." It will be plastic and will allow purchases of up to 100 rides. The more rides purchased, the cheaper the trip.

The fourth type of card will be unlimited and personal, and designed especially for active metro users. To get it, travelers will have to come to an office in the metro station with an ID. Their picture will be taken and superimposed on the card, and the owner will be the only person able to use that card.

Paradoxically, less than three months before launching the new system, city officials claim they have no idea how much a metro ride will cost. Oleksandr Kubrakov, adviser to head of the Kyiv City Administration, told Stolytsia news program on Oct. 10 that "we don't have calculations now. We are just talking about the concept."

### Mystery operator

The new metro fare is far from the only puzzling element in the upcoming metro overhaul, though. Another one is Alfapay Terminal.

The Kharkiv company will upgrade all entry terminals and payment systems in Kyiv's metro, but its officials refuse to take calls from journalists to explain the details. "Our managers don't comment on it. If you have any

questions, call the Kyiv city administration," a company representative told Kyiv Post over the phone.

According to the conditions of the tender, which was conducted by the Kyiv city authorities between December 2012 and April 2013, the bidding company had to invest Hr 113 million into the metro upgrades. Kyiv city authorities said the company was the only bidder in the competition in the capital city.

In exchange, the city will pay 8.47 percent of proceeds from metro fees to the operator of the card terminals. In 2012, the Kyiv metro earned Hr 744.6 million from passenger traffic.

Even if one assumes that metro fares stay flat, Alfapay Terminal will be receiving about Hr 63 million in the next 10 years. But if the metro tariffs double from the current Hr 2 per ride, the company will recoup its investment in less than a year.

Alfapay Terminal has been operating electronic tickets in the Kharkiv metro since April.

### Person behind company

Alfapay Terminal's winning bid was presented to the Kyiv City State Administration in April by its co-owner Mykhailo Leonov. According to his profile on LinkedIn, a global professional networking site, he has been at the helm of this company since 2008.

This 26-year-old businessman from Kharkiv also works as an adviser to the chairman of Investment Union, a bank in Russia. He could not be reached for comment for this article.

Ruslan Kramarenko, deputy head of the Kyiv City State Administration, said in May that the concept of giving a share of turnover from metro fares to a private company was proposed by the European Bank for Reconstruction and Development.

But Anton Usov, principal adviser for external affairs for EBRD in Ukraine, says the bank only connected Kyiv officials with specialists of other European municipalities in the electronic ticketing program and gave no further advice.

Kyiv Post freelance journalist Anna Babinets can be reached at [anna.babinet@gmail.com](mailto:anna.babinet@gmail.com).

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## Where to get spooked for Halloween

Halloween, an ancient Celtic pagan rite, started as a celebration of the dead and the harvest season. These days, it's mainly an event for costume-wearing children seeking candy. But it also gives adults an excuse to dress up like their favorite ghou, as in this 2012 file photo from America. People also carve pumpkins into frightening or comical faces and place them on their doorsteps after dark during Halloween, celebrated on Oct. 31. (AFP)

BY OLGA RUDENKO  
[RUDENKO@KYIVPOST.COM](mailto:RUDENKO@KYIVPOST.COM)

Autumn's scariest and possibly most fun day is just around the corner.

Kyiv, which has happily adopted Halloween, offers plenty of locations and parties to choose from for celebration on Oct. 31. In fact, parties start from Oct. 26 and just keep going through the holiday.

### An eerie clubbing night

Spending Halloween in a nightclub can be the best option – and not just for the frequent clubgoers. Home creatures can find joy in creeping out of their caves once a year and joining the world of light and electronic music – the next best thing to what Halloween

is supposed to be in the first place.

And don't forget that it's the night of spirits. While waiting for spirits from the other world to arrive, check out the spirits at the bar. One destination that combines all of the above is BoomBoomRoom.

On the night of Oct. 26, it offers performances by witches of electronic music, including German musician Ellen Allien and DJ Anja Schneider, followed by sets from Camea and Shinedoe.

The Ajour club offers a traditional Halloween party with costumes, lots of fake blood and free cocktails for ladies. A dance show is also listed as part of the program.

*Big Boom Halloween.*  
*BoomBoomRoom (33 Shevchenko Blvd.).*

Oct. 26. 10 p.m.

*Halloween Party. Ajour (3 Leontovycha St.). Oct. 31. 9 p.m.*

### Heavy metal show

Halloween is no time for goofy pop, right? It seems that a couple of the Kyiv nightclubs think so, too. Instead of running typical dancing parties, they went for heavy metal Halloween shows.

Bingo club offers performances of Portuguese heavy metal band Moonspell and their Italian fellows Hollow Haze and Carved. In fact, their songs like "Coming from Hell" and "Devilred" do seem suitable for Halloween.

The Underground club will host the gothic metal band Inferno, industrial

Error: Genesis and symphonic metal band Mysterya, along with several other bands of similar genres.

*Bingo (112 Pobedy Ave.). Moonspell, Hollow Haze, Carved. Oct. 31. 7 p.m. Hr 200-350*

*Gothic Halloween Party. Underground Music Hall (13B Moskovskiy Ave.). Oct. 26. 6 p.m. Hr 70*

### Scaring wits out of kids

The Ball of Magic Forces is meant for kids, but the plot sounds good enough to attract adults, too. Hosted by Grand Admiral Club, the ball will feature Count Dracula as the host, a giant flesh-eating spider as a DJ and a magic show. If that's not enough, there are also dwarfs, fairies, a science show and a fire show thrown in → **20**

## City Life

WITH CHRISTOPHER J. MILLER  
[MILLER@KYIVPOST.COM](mailto:MILLER@KYIVPOST.COM)

### Mercedes-Benz Kiev Fashion Days, as seen through eyes of an American photographer

The recent Mercedes-Benz Kiev Fashion Days (Oct. 18-20) was graced by an appearance from a Western celebrity. American street style photographer and blogger Scott Schuman, perhaps better known as The Sartorialist, turned up at the event.

Schuman, 44, left a career as a men's fashion director in 2005 and began photographing people on the streets of New York, posting the images to an online blog, which he titled The Sartorialist. It didn't take long before he amassed a large following of admirers, and inspired nearly as many copycats.

While he spends a majority of time at home in New York City and working in Western Europe, he managed to find time to visit Poland and Ukraine last week, countries whose fashion scenes, he says, are on the up and up.

"Kyiv is a little behind, but it's a good moment for it. Kyiv's taking a big leap, but it's not in mid-air yet," Schuman told the Kyiv Post. "I think if Kyiv continues to build strong diversity, especially in womenswear... it can be (a major city for fashion)."

Schuman knows what he's talking about. He collaborates with some of the biggest labels, such as Burberry, GAP and DKNY Jeans, to name a few. He was hired by Vogue to shoot a series of photographs in Paris, Milan and London, locales he visits often to this day. Using the images posted to his street style blog over the years, he's released two photo books, "The Sartorialist" in 2009, and "Closer" in 2012.

Kyiv isn't all that different from Milan and Paris, he said. "There is a great variety of style and fashion here, and the same kind of tribes. You've got 'it' girls, smart girls, sexy girls, interesting guys. It's not the same as Milan, but similar in the sense that Kyiv has these different tribes."

But Schuman was struck by one thing in particular. "I've been really impressed by number of very, very bright young ladies who really seem to have a chance at creating what Ukraine and Eastern Europe can be about," he explained.

"I think there's nothing better in the world than a smart, sexy girl," he said. "From some I've met (in Kyiv), it seems they are growing that kind of girl here. I'm very happy to see some of these girls using their brain and beauty to create a new history. There is such a great culture of → **22**

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# Molodist directors compare Ukraine, Austria filmmaking

BY DARYNA SHEVCHENKO  
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Right before "Sickfuckpeople" (2013), an Austrian documentary by a Ukrainian director, screened at the ongoing Molodist film festival in Kyiv on Oct. 21, Ukraine was generously added to the credits at the end in the list of countries of production.

"We just wanted Ukraine there, after all the movie was shot in Ukraine and for Ukraine," says Juri Rechynsky, the director.

By that time, the Austrian-funded documentary about street people in Ukraine already won a Heart of Sarajevo, the main prize at Sarajevo International Film Festival.

Rechynsky says his home country provided nothing for his film, except plenty of material. "Sickfuckpeople" is about a small group of homeless people who are residing in a basement of an apartment building in Odesa.

The short version of the movie, 42 minutes long, came out in 2010 and was funded by the director himself since no other financing was available. "I ran out of money but I understood that there was a lot more to shoot," Rechynsky explains.

The short version was presented at Molodist Film Festival and Docu Days Festival in Kyiv, and other festivals in Moscow and Madrid. "After that, suddenly three Austrian producers came and suggested making a cinema ver-

sion, which means 72 minutes minimum," Rechynsky says proudly.

Austria has now become Rechynsky's base, while Ukraine remains a destination for harvesting material. He says Austrian producers, unlike Ukrainian, give him complete artistic freedom. "(They) don't try to offer money for implementing their ideas," he says.

Ulrich Seidl, a famous Austrian film director, whose retrospective is also screening at this year's Molodist film festival, remembers shooting his own feature movie, "Import. Export," in Ukraine in 2006.

"I travelled all over the country from west to east and picked the east, Luhansk region," he says. The film features life of ordinary people showing the difference between Eastern and Western Europe. "It could be any European country - Moldova, Romania, Czech Republic, but Ukraine appeared to be the longest way from the West."

The movie tells a story of a nurse from Ukraine who leaves her homeland for Austria in search of a better life, while an unemployed man from Austria heads east for the same reason.

The Ukrainian audience got only a short glimpse of this movie, and has no chance to see "Sickfuckpeople" at all because it's so far from the mainstream films favored by cinema chains.

"We have found distributors for Balkan countries, but if we talk about Ukraine - I don't see a chance to screen



Austrian director Ulrich Seidl says one day Ukraine's film industry will shine. (Anastasia Vlasova)



Director Juri Rechynsky finds Austrian producers for his films, and plenty of material at home, in Ukraine. (Anastasia Vlasova)

the movie even in a single Ukrainian cinema," Rechynsky says. The film will soon travel to more international film festivals and will be screened in Austrian cinemas starting Nov. 6.

Seidl gives high praise to the film, but says Ukrainian cinema in general is having hard times.

"There is a great potential in Ukraine, huge film studios, but after the collapse of the Soviet Union and the arrival of the powerful American cinema the strong filmmaking tradition you had here just broke down and

you just didn't have time or money to produce a lot of new stuff," he says. "After all, money is a problem in all the countries and everyone stands for oneself and dies alone in filmmaking."

His own problems were quite different when he was shooting in Ukraine in 2006. "We had to shoot at 40 degrees below zero, people said then it was the most severe winter since the Stalingrad occupation," he jokes.

Rechynsky, however, believes that lack of information is a problem for successful movie-making and distribu-

tion in Ukraine. He says looking at the audience of Molodist festival, which is taking place for the 43rd time in Kyiv between Oct. 19-27, he can see that there are not so many people interested in art house films. But he is optimistic about the quality of Ukrainian movies, though mostly shorts have been the most successful thus far.

"Let's wait, good feature films will also come," Rechynsky says.

Kyiv Post staff writer Daryna Shevchenko can be reached at shevchenko@kyivpost.com.

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## Halloween-themed parties kick off early in Kyiv this season

→19 the mix. The Queen and King of the night will be chosen, and other funny contests are expected to take place. It is preferable to come wearing Halloween costumes, but for lazy partygoers, the club will provide help to change appearance. The show program is recommended for children four years and older.

Ball of Magic Forces. Grand Admiral Club (116 Sovetskaya St., Irpen, Kyiv Oblast). Oct. 26. 4 p.m. Hr 350

### Medieval disco ball

Chateau Mystique may be styled as a medieval castle, but its choice of music is always very modern. This Halloween, the club throws a costume ball where vampires, witches, zombies and all other evil spirits are invited. Music program for the night will feature disco, house and hip hop hits. And last but not the least, free bar and snacks are promised.

The party will have a dress code and face control, so be sure to look spooky and glamorous at the same time. Guests under 20 will not be allowed in so get your ID ready. It might turn out to be tricky with a lot of make-up, though.

Costume Ball. Chateau Mystique (39

Lenina St.). Nov. 2. 10 p.m. Hr 300

### Spooky shopping

Some of the biggest shopping malls in Kyiv will have special events on the night of Halloween or close to the date.

Karavan mall invites everyone to enjoy discounts of up to 66.6 percent at 30 shops. Entertainment program includes a live music show and contests by a team of actors dressed as vampires.

Everyone wearing a Halloween costume of at least three pieces will get an hour of free roller skating.

Dream Town mall will celebrate Halloween early. The celebration will begin at 2 p.m. on Oct. 26 with shows for children and a pumpkin carving contest, and move to the main show program at 5 p.m. The night will end with musician Eva Bushmina and Vremya I Steklo band giving live performances. Those coming in costumes will be awarded, according to the organizers.

Karavan (12 Lugova St.). Nov. 1. 9 p.m.

Dream Town (21B Obolonskiy Ave.) Oct. 26. 2 p.m.

### AmCham party

The American Chamber of Commerce in Ukraine is holding its own Halloween party in Dejavu restaurant this year. The event will feature all classic treats,

including a prize for the best costume, Halloween-themed entertainment and music by one of Kyiv's cover bands. Moreover, free beer and soft drinks will be offered. Costumes are encouraged, but if you don't feel like it, guests are asked to wear typical Halloween colors - black and orange. Participation is free of charge for employees of the chamber's members companies. The rest will have to pay an entry fee.

ACC Halloween Party. Dejavu (30 Bohdan Khmelnytskyi St.). Oct. 30. 7 p.m.





The floor of Orekh pub is littered with peanut shells. This feature has remained a part of the bar's attraction over years. (Pavlo Podufalov)

# These old haunts worth revisiting around capital

BY KYIV POST STAFF

There are places in Kyiv that seem almost legendary. They are dirty, dingy, old and terrible – but are still going strong and are loved by their patrons. They pack in crowds on regular work days, and evoke the same emotions as the old teddy bear from one's childhood – tattered, ripped, but too precious to bin. The Kyiv Post revisits some of these timeless venues.

## Palata #6

This place is four years old, but it seems to get more popular with each passing year, not less. Themed as a mad house, as the eponymous ward in an Anton Chekhov novel, it features waitresses dressed as nurses (black stockings, very short gowns and head dresses), shots of hard liquor from dinky lab tubes and cocktails injected into the patients' mouths through syringes. In other words, it's a favorite college hangout.

Prices match this description. A Chernihivske beer here goes for Hr 10, while a shot of vodka is Hr 8. Simple snacks like salted herring go for Hr 20, while French fries are Hr 15.

This is not the cleanest of places, and it can get really busy even on regular weekdays after 7 p.m. This is quite amazing considering the location – off the beaten track, away from the metro, in the courtyard of a residential building, and with no sign. Yet the place

thumps like a heaving beehive full of young drinkers and party-lovers.

**Palata #6**  
31-A Vorovskoho Street  
[www.palata6.io.ua](http://www.palata6.io.ua)  
+38-044-486-51-52

## Ocheretyaniy Kit

The folksy cafe Ocheretyaniy Kit (Jungle Cat) has been sitting by the waterfront in Kyiv's Hydropark for nearly a decade, acquiring a cult status among the city's art crowd, and other like-minded individuals. After all, it does take an artistic, or at least an open mind to appreciate the sort of ambiance encountered at Ocheretyany Kit, as the place is literally swarmed with pets: cats, dogs, black crows and its newest addition, a she-badger. While there is at least some effort to keep the raven and badger at a distance from eating and drinking guests, the cats literally rule the place. As a result, getting a table at the establishment often requires sharing it with one or several sleeping cats, so well fed and lazy that even the smell of food cannot force them to move.

Food at the Cat can best be described as simple and homey, with the pork shashlyk (Hr 70) being a house specialty. Washing it down with Chernihivske beer (Hr 14), while enjoying the breathtaking view of the Dnipro River is a worthwhile experience definitely off the beaten track of Kyiv's restaurant scene. The downside? Its infamous toilets and cold weather makes it nearly

impossible to sit comfortably at the tables on the beach.

**Ocheretyaniy Kit**  
Hydropark  
[www.jcat.com.ua](http://www.jcat.com.ua)  
+38-044-561-83-12

## Orekh

Orekh, or The Nut, originally managed by German restaurateur Erik Aigner, has been around for more than a decade. Aigner, who has been credited with transforming Kyiv's nightclub and bar scene in the 1990s, helping to open some 18 venues throughout the city, came back to Orekh last year as creative director, breathing new life into the place. On a given night, a DJ might be spinning records or Morrissey songs could be blaring from the bar's sound system. But every night one can count on hip, 20- and 30-somethings gathering there, strutting in clad in their black leather jackets, boots or heels, crunching the peanut shells beneath their feet.

Here, Aigner's influence is salient – the wait staff smiles and greets patrons as they walk in or approach the bar, the beers on offer are both domestic and European, not to mention cheap. On a chilly night, this warm basement pub is a good place to gather. Just be sure to show up early or make a reservation, as there isn't much space in the front room, which is where everyone wants to be.

**Orekh**  
126 Chervonoarmiiska Street  
[www.efif.ua](http://www.efif.ua)  
+38-044-529-42-32

## Baraban

The Drum, or Baraban, has been a bohemian hangout for years that had an eclectic mix of journalists, diplomats, musicians and artists mixed in with NGO types and the occasional diaspora Ukrainian. Opened in early 2001, it was ground zero for civic leaders and the observers of the Orange Revolution in late 2004 because of its proximity to Independence Square. Over time management changed as did the menu, which switched from pub food to Hungarian, then to fusion as it is today. Gradually, the bar's musically-themed interior faded, being replaced by lounge sofas. Live music is still staged as is the



Palata #6 on Vorovskoho Street (top) and Jungle Cat in Hydropark are cheap and cheerful. (Anastasia Vlasova, courtesy)

occasional open microphone poetry night. The famous Baraban burger (Hr 60) is still available, and now includes a fried egg. Cheese and meat plates (Hr 45 each) can be had with beer (Hr 20-30) or wine; as well as five different types of fajitas (all for Hr 60) or seven types of hotdogs (Hr 30).

**Baraban**  
4A Prorizna St.  
[www.facebook.com/baraban.bar](http://www.facebook.com/baraban.bar)  
+38-044-279-23-55

## Kupidon

Despite its name, Kupidon, or Cupid, is not all about hearts or arrows. The café that calls itself "the last shelter for Ukrainian intellectuals" in fact looks like a shelter for old furniture found in the attic.

Public in Kupidon is very diverse. Twenty-something hipsters come there

for a free and strong wi-fi signal and inexpensive coffee (Hr 15). Managers and office workers show up to grab a lunch (during lunch hours there is a 30 percent discount) in a relaxing atmosphere. Artsy people enjoy the coziness of the place, too. Also, Kupidon was once known as a usual meeting place for Femen protest group members, but since the bare-breasted protesters left Ukraine to seek safety in France in August, the venue has lost this special attraction.

Its cuisine features some nice snacks, including meat plates (from Hr 55), salads (from Hr 25) and especially good potato pancakes (Hr 30). The bar offers a wide range of beer (from Hr 20 for 0.5 liter), several types of wine, liquors and strong cocktails.

**Kupidon**  
1-3/5 Pushkinska St.  
+38-044-279-71-71



Baraban bar on Pushkinska Street is not all about hearts and angels. (Anastasia Vlasova)





Oksana Zabuzhko receives a trophy after winning the Angelus book prize in Poland on Oct. 19. (angelus.com.pl)

## Author Oksana Zabuzhko becomes second Ukrainian to win Polish book prize

BY DARYNA SHEVCHENKO  
SHEVCHENKO@KYIVPOST.COM

For best-selling author Oksana Zabuzhko, winning a prestigious Polish book prize was not completely unexpected.

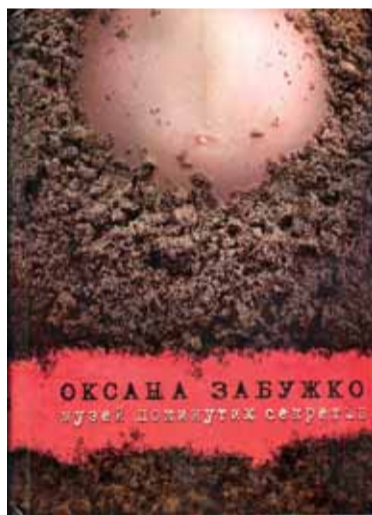
"Come on, the (book) was on top of all the Polish book rankings since the translation came out – and not only the rankings of translated literature. Of course I expected some nomination," Zabuzhko says proudly. "But with Angelus you never know until the very end of the award ceremony."

Her book, "Museum of Abandoned Secrets," won the Angelus prize on Oct. 19. Over 800 pages in hardcover, it spins a love story, tangled up with decades of Ukrainian history, a little everyday magic and a pinch of reality of modern-day Ukraine.

The photos from the award ceremony in Wrocław betray a grinning, exhilarated Zabuzhko, the second Ukrainian writer to win the honor, a statue of an angel, since the award was launched eight years ago. The first ever Angelus was given to Ukrainian Yuriy Andrukhovych in 2006.

Angelus awards Central and Eastern European authors whose books are translated into Polish over a given year. Her award-winning novel was published in Ukraine in 2009.

"This prize is a kind of an Eastern Booker and is also a bridge between the European and the post-Soviet culture," Zabuzhko explains. She swift-



The Ukrainian version of the Museum of Abandoned Secrets came out in 2009.

ly adds that the award is apolitical, proved by the fact that her book tells the story of the Ukrainian Insurgent Army (UPA), which operated in western Ukraine and killed many Poles during World War II.

Had it not been for Zabuzhko's novel, the prize would have probably gone to Polish writer Szczepan Twardoch for his "Morphium," which she described as "a great novel." Seven novels in total were short listed for the competition.

"But again – Ukraine wins," she smiles.

Andrzej Zawada, one of the jury members of Angelus, said that the books of Zabuzhko and Twardoch have a lot in common. "I mean not the problems, but a common vision of certain problems. The writers start their story in the past, during World War II and finish with modern life and a modern outlook on the nation, history, patriotism, and at the same time – love and human solidarity," Ukrainska Pravda website quoted Zawada as saying during the award ceremony.

On top of a pretty trophy, the author wins €35,000 in cash for her achievement. "It is not such a great load of money, of course, but I already have plans about what to do with it," Zabuzhko laughs.

Zabuzhko plans to inject the cash into Komora, a publishing company that she established with her husband this year. The writer presides over the supervisory board of this new company, and says that her plans usually crash against a lack of funds.

"Now I can just say that I give the money (away)," she smirks. "These €35,000 translate into about half a dozen published books."

Aged 53, the former Fulbright Fellow at Harvard University has published five novels and seven books of poetry to date, as well as a number of academic works. Her fiction has been translated into 15 languages, including English. She has won multiple literary awards in Ukraine, but Angelus is her second international award after the 1997 Global Commitment Foundation Poetry Prize.

Zabuzhko says that the "Museum of Abandoned Secrets" is her strongest work yet. The book is already translated into five languages and the sixth, in Croatian, is coming out shortly. The English version came out in October 2012 and is currently one of top 100 best-seller fiction books on the U.K. Amazon's Kindle and printed book store.

The Kindle version of this book sells on Amazon for \$6.99, while a paperback goes for \$ 8.97. In Kyiv, the book is available in hardcover at the Ye chain of bookstores for Hr 120.

Kyiv Post staff writer Daryna Shevchenko can be reached at Shevchenko@kyivpost.com.

## Scott Schuman of The Sartorialist fame says Ukraine's fashion gets more exciting

→19 history and beauty here that has been oppressed for so long, and I think there's a good chance of rediscovering that with some of the girls I've met here."

However, he said, there is one sort of impeding attitude that persists. "There is a sense that one person here cannot influence change. From what I've seen in Eastern European countries, they have an ability or willingness to say 'I can't do this, it's out of my control' when a challenge comes up. They give up too easily. Whereas Americans will say 'If this door closes, I'm going to look at seven other ways of getting it done.'"

In all, Schuman said he was impressed by Ukraine's young designers and the many stylish people he was able to photograph on the streets of Kyiv. He also enjoyed seeing the city's golden-domed monasteries and browsing the market along Andriivskiy Uzviz street, where he managed to find some souvenirs.

"I bought a really cool pilot's outfit from a vendor that has all these crazy straps and tubes coming out of it. I saw it and thought 'that is so

cool,'" he said. "And I bought this great jacket, very traditional Cossack-looking. It flares out and has these slim sleeves. I don't know where I'm going to wear it. I'm thinking maybe I'll wear it on Halloween. I'll be either a pilot or Cossack, or a combination of the two – a pilot Cossack."

Kyiv Post editor Christopher J. Miller can be reached at miller@kyivpost.com, or on Twitter at @ChristopherJM.

Scott Schuman, who authors popular fashion blog The Sartorialist, speaks with the Kyiv Post on Oct. 20. The street style photographer believes Ukraine could soon be a big player in the fashion world. (BriAnne Wills)



### Scott Schuman's tips for looking good

"Make sure your clothes fit. That's the number one thing. It doesn't matter if they are \$60 jeans or a \$2,000 jacket. You need to make sure they fit. Often that means having them tailored specifically to you.

"Buy clothes that fit your lifestyle. For women, figure out how to play with your sexuality. There are intelligent women who need to realize that they can dress seductive, and then there are seductive women who need to figure out how also to look smart."

Oct. 25 – Nov. 20



## Industrial Eden art show

Industrial Eden is a collection of works of some 30 artists that will go on display on Oct. 25. The display is a reflection on the outcome of the industrial revolution in different forms of art. The show features modern Ukrainian artists. Through their paintings, installations and media art they aim to show the modern humans' dependence on technology.

Industrial Eden. Oct. 25 – Nov. 20. 10 a.m. – 8 p.m. Modern Art Research Institute (18D Shchorsa St.). Free

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