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Ballyhooed energy deal brings embarrassment

BY MARK RACHKEVYCH
RACHKEVYCH@KYIVPOST.COM

A highly publicized signing ceremony on Nov. 26 for a landmark energy deal in Kyiv turned into a fiasco amid con-

fusion and contradictory government statements.

Acclaimed as an agreement with a Spanish energy company to build an onshore \$1.1 billion liquefied natural gas terminal, it appears now that

nothing legally binding was signed. The goal was to import gas 20 percent cheaper than what Russia's Gazprom charges.

The ceremony took place after year-long talks between Ukraine and two

Spanish companies – Gas Natural Fenosa and Enagas – as well as others to form a consortium, officials said. Under the plan, a Spanish company would be the lead investor bringing in 75 percent of financing for → 18

'We Have To Be In The European Family'



Georgian President Mikheil Saakashvili gives the key note address at the Kyiv Post Tiger Conference as the newspaper's publisher, Mohammad Zahoor, looks on. (Kostyantyn Chernichkin)

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Editorial staff: +380 44 591-3344 news@kyivpost.com

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Mailing address:

Kyiv Post,

31A Pushkinska, Suite 600, 6th floor

Kyiv, Ukraine, 01004

Advertising

tel. +380 44 591-7788

fax +380 44 591-7789

advertising@kyivpost.com

Editorial staff

tel. +380 44 591-3344

fax +380 44 591-3345

news@kyivpost.com

Subscriptions

Elena Grysiuk

tel. +380 44 591-3408

fax +380 44 591-7789

subscribe@kyivpost.com

Distribution

Andrey Beley

tel. +380 44 591-3409

fax +380 44 591-7789

distribution@kyivpost.com

Saakashvili talks up EU integration path

BY KYIV POST STAFF

The tiger is awake and moving, but almost imperceptibly. There is a chance that he will spring to life and start taking big leaps, but also a danger that he will go in the wrong direction. More likely, the tiger will not move far or fast for the next few years at least. But in 10 to 15 years, the tiger will be in full European stride – maybe.

Those were some of the answers to the metaphorical question of "Ukraine: Will The Sleeping Tiger Awaken?" posed by the Kyiv Post Tiger Conference held on Nov. 27 in partnership with the East Europe Foundation.

Consensus could be found on one point: Ukraine is not yet a tiger economy, meaning a fast-growing one.

Georgian President Mikheil Saakashvili gave the keynote speech at the event. Another 20 international and Ukrainian business leaders spoke, as well as several top members of Ukraine's government, during the day-long seminar attended by 200 people in Kyiv's Fairmont Grand Hotel.

Among the Ukrainian officials participating were Economy Minister Petro Poroshenko, Deputy Presidential Administration Head Iryna Akimova and Party of Regions member of parliament Serhiy Holovaty.

Other notable speakers included Moldovan Deputy Prime Minister Mihai Moldovanu, Malasian economic expert Tan Sri Sulaiman Mahbob and former U.S. Ambassador to Ukraine Steven Pifer.

"You need to learn and go through the democratic process," Saakashvili said in his 15-minute speech to open the conference. "And for the democratic process, the identity of society is the most important thing. And the identity of Ukrainians, Georgians, Moldovans – it is Europe."

His speech came at a time when Ukraine's democratic reversals since President Viktor Yanukovich took power in 2010 have stalled relations with the European Union and the United States.

But Saakashvili counseled patience. In the end, he said of Georgia



Economy Minister Petro Poroshenko takes the podium on Nov. 27 in the Fairmont Grand Hotel in Kyiv to introduce Georgian President Mikheil Saakashvili. (Kostyantyn Chernichkin)

and Ukraine: "We have to be in the European family, and the European family is not just structural things. One thing is to tackle the benchmarks, and the other thing is to really search for the side you're on. And that takes time, it takes adjusting. It's never just going up. There are ups and downs."

The benchmarks for both nations, Saakashvili said, include eventual ratification of free trade and political association agreements with the European Union that Ukraine and Georgia aspire to join someday.

"Europe will never be full until Ukraine is part of Europe, and I believe we're a part of this wider package," Saakashvili said. "It is going to happen. We just need to have patience. It takes a whole generation to get there, but we will get there."

While Ukraine has 10 times the population of Georgia, the nations have several similarities and differences in their quest for Western integration. Both are former Soviet republics try-

ing to shed the stifling influence of their former Russian overlords. By most accounts, Georgia has far surpassed Ukraine in rooting out corruption, slimming bureaucracy and attracting investment.

However, Saakashvili – the American-educated president credited with transforming his society from ex-Soviet backwater to democratic beacon since the 2003 Rose Revolution – is experiencing his own political reversals.

He will leave office after his second four-year term as president ends in 2013. His party lost the fall parliamentary elections to rival and Kremlin-friendly billionaire Bidzina Ivanishvili, who became prime minister.

Moreover, Georgian society is being roiled by arrests and criminal investigations involving former high-level government officials suspected of abuse of office or corruption. There is even talk that Saakashvili could come under criminal investigation after Ivanishvili

blasted the president for lavish spending, including living in the opulent presidential palace.

In Saakashvili's speech, he briefly mentioned the problems back home, but suggested at least some of the criminal investigations amounted to political persecution. He framed the events as an assault by foes of his democratic changes.

"What is happening in Georgia now is not easy because people go after reformers, they go after those who do some radical things. There have been some investigations, but I don't think it's my function to intervene in the judicial process," Saakashvili said.

After the speech, Saakashvili briefly elaborated on questions from Kyiv Post and other journalists.

"These are short-term attempts to flex muscles, a show by the new government how powerful they are. But it's not going to work," Saakashvili said. "People will tell the new government to uphold its promises, and they → 6

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The series explores Ukraine's bilateral relations, this time with the French Republic. Special focus is given to French businesses working in Ukraine, their achievements and the challenges they face.

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Welcome new EBA Board members!

ALEXEI Kredisov

Country Managing Partner,
Ernst & Young in Ukraine,
Co-chair of the Emerging
Markets Center,
Ernst & Young Global



During the two years of my term my highest priority will be to put the power and intellect of this great association to work changing the business climate in Ukraine for the better. Although it may be obvious that a better business climate means more jobs, higher public revenues and a stronger, more attractive country, we need to make this connection clear to the Ukrainian authorities in a more vocal and assertive manner. The more practical examples we give them, the better; the more opportunities we have to explain to them the situation, the better.

The next two years in our country may pass without major country-wide elections, which will provide the opportunity to score some quick improvements of the business climate and to continue our dialogue with the authorities about the broader reform agenda.

KRZYSZTOF W. Siedlecki

Country Manager Ukraine,
AstellasPharma Europe



I highly appreciate the confidence of the EBA Members who voted for my third term on the EBA Board. It is privilege, but also a great responsibility to represent over 900 companies in the biggest, and in my opinion the most influential, business organization in Ukraine.

I consider my reelection as a signal of support for the current strategy of the EBA. Without false modesty, one has to point to the dynamic growth of the organization, not only in numbers but also in its recognition and effectiveness. The voice of the EBA is being heard in the offices of top ranking authorities in Ukraine, as well as in Brussels and EU Member States representative offices.

The EBA is having a substantial influence on the law making process, as being a constructive partner at all levels. We are also not afraid to criticize unproductive decisions by the authorities, while always keeping in mind the interests of Ukrainian society, as part of the European family.

The Association's Investment Attractiveness Index has become a barometer of the business climate in Ukraine, and is both an excellent tool and an alarm bell for those who seek to influence the business environment. The majority of the association's everyday work is concentrated in the EBA Committees – they give our diverse organization the opportunity to focus on the real problems of its members, and the regional branches of the EBA are another excellent example of the association's flexibility and openness in tackling not just global problems.

Unfortunately, the complicated economic and political situation, both in Ukraine and in the EU, is weakening our efforts to promote Ukraine as a target for foreign investment.

Over the next two years of my service on the Board, I will set for myself the following goals – the first is to maintain the growth of the EBA's stature as a constructive and reliable but also critical partner at all levels of state administration, representing the best interests of its members and Ukrainian society in the frames of the EBA Charter, and European values.

Second: I personally believe that the EBA and its officers should pay more attention to medium and small businesses. They are the most vulnerable members of our organization, and the most exposed to mistreatment in the bureaucratic environment. Therefore, we will work out mechanisms to protect those members who do not always have the resources to protect themselves on their own.

I see a bright future for the EBA, and I am optimistic in terms of the EBA's development, but this is only possible if our members, and the country in general, prosper.

TARAS Lukachuk

Vice-President & Area
Director,
Kraft Foods Ukraina



I am honored to become a member of European Business Association Board. This organization is gaining more and more trust and respect every year, as it is making a real difference in helping to improve the business environment in Ukraine.

Making a difference is part of our company dream. We at Kraft Foods Ukraina see our country as a very favorable place for doing business - we make a difference by investing in Ukraine every year, and want others to take a similar approach. I hope to share our company's successful experience of doing business in Ukraine, and help in attracting more investments to the country.

Ukraine and Ukrainians have some really great competitive advantages. Taking Kraft Foods as an example, Kyiv hosts the company's headquarters for a region as big as Europe - 12 countries in Eastern Europe and Central Asia. Our global HQ wants more Ukrainians - they've sent us to develop businesses in the Gulf region, Asia Pacific, Europe and other countries and regions. However, we still have such great talent in Ukraine that often our employees aren't sure if they want to accept all of the international assignments.

And that's what I dream of - Ukrainians being invited to other parts of the world as the best in their class, while still longing to stay in their own country. We need to help the next generations of Ukrainians grow up in a transparent and competitive business environment, where success depends only on you doing your job better than anyone else.

Each of us is here to develop and protect our businesses. We want to advocate clear rules of the game, voice our concerns, and be heard. We want less government regulation and more market self-regulation. But the bigger goal behind all of this for me is to make this country more open, efficient and attractive, for both local talent, and for international investors.

VLADIMIR Zhmak

President
TNK Ukraine



Obviously, EBA's activities in 2013 have to be focused on building in Ukraine a civilized loyal to business environment keeping in mind European integration course declared by the country.

In fact as of today Ukraine's business climate is disadvantaged and even sometimes hostile. There are a lot of system-based and diversified reasons which root it. One of them is a huge number of different controlling authorities in Ukraine despite multiples promises of deregulation.

Among "tactical" priorities I should mention:

- a necessity to strengthen cooperation with parliamentary committees in order to avoid situations when significant alterations to law drafts appear just before the 2nd readings and it's practically impossible to monitor them;
- rationalization of EBA Committees' activity, i.e. to bringing up 1 or maximum 2 issues for a discussion; taking minutes of all decisions with fixing deadlines and persons in charge;
- rising up the level of EBA publicity: providing regular media releases, publishing open letters, etc. in order to let EBA's view on certain issues be known to large community.

OLEG Verzhbysky

Managing Director
DB Schenker Ukraine



First of all: It is with great pleasure that I join the Board of the EBA, to stand shoulder to shoulder with other rep-

resentatives of European business who are working actively to bring about improvements in the business environment, by taking the initiative and meeting challenges in order to make a difference. My vision for the EBA's activities in 2013, which I will initiate and actively support as a representative of the Logistics sector, rests on two main foundations: customs clearance simplification, and taxation simplification.

These two issues are the most important at present for any company involved in foreign economic activity. I hope that my background, having been educated both in Ukraine and Germany, and my experience of working in the logistics sector in various countries in Western and Eastern Europe, will make a significant contribution when lobbying in the interests of EBA members. I have a good understanding both of the realities that European countries face in Ukraine, as well as the European mentality, which helps me to understand the real needs, policies and principles of European companies.

Moreover, observing the political and economic situation today, the recent changes on the currency exchange market, and the attempts by the National Bank of Ukraine to intervene and regulate this sector, we are forced to admit that these changes will definitely raise new obstacles and create new difficulties for our businesses. Therefore, one of my tasks as a Board member representing the interests of European companies will be to work for liberalization, and the scrapping of unproductive regulations - especially in the area of currency controls affecting European companies.

I know that the current situation is difficult, and new, unforeseen challenges will also arise. But with the support of EBA members from almost every business segment and industry in the country, and with the strong belief that we can all build successful businesses in Ukraine, I believe we will together overcome all obstacles. I am proud to be part of an organization that is really helping this country to progress!

YANA Mikhailova

Managing Director
Nestlé
in Ukraine and Moldova



It is a great honour for Nestlé Ukraine to be a Member of European Business Association and to serve as a Board Member. Cooperation with the EBA, one of the largest and most influential business communities in the country, has always been a priority for our company - for years we have built a successful story of partnership and development for the benefit of all members of the EBA.

I will do my best to be an effective Board Member and bring our expertise and knowledge to this organization, using Nestlé worldwide network. We hope that our reputation will serve and contribute to creating a prosperous Ukraine that can take its rightful place in the international community, for the benefit of all Ukrainians.

We are looking forward to joining efforts with other EBA Members to improve the business environment, and to make this a better place not only for big multinationals, but for the entire business community working in this country.

From my perspective, our fundamental goals should be establishing transparent and fair regulations for all businesses and commercial practices in Ukraine, through maintaining a constructive and professional dialogue with the government and the newly elected parliament.

During 2013, we will focus on the work of EBA Food Committee as a platform for effective advocacy and lobbying for the food and beverages industry's priorities and needs. Among the top priorities for the committee will be the adoption of new legislation on food safety, and work on food labelling standards in Ukraine. Other priorities in 2013 will be facilitation in the development of international trade by achieving consistency and clarity in customs regulations as well as adoption of legislation in the sphere of the environment. We will coordinate this work with the EBA Customs Committee and the EBA Regulatory Committee, and I would like to take this opportunity to encourage all EBA members working in this sector in Ukraine to join in our efforts within the EBA Food Committee, as well as in the EBA's other committees, which are operating successfully as part of the Association.

Editorials

Fiasco

Ukraine watchers are asking how things could have gone so far without someone catching on and preventing what looks like an embarrassing fiasco.

On Nov. 26, the Ukrainian government claimed it had signed a landmark billion-dollar energy deal with a Spanish company to build a liquefied natural gas terminal. Journalists were puzzled because two government bodies named two different companies.

The agreement was praised as the fruit of yearlong talks: to form a bilateral consortium that would build the terminal, to help Ukraine to wean itself off expensive Russian gas, and to redeem the country's poor investment climate.

But the government's hopes were dashed when it became clear the signatory wasn't an employee or authorized representative of either Spanish company. Making matters worse, officials first insisted everything was normal, then turned to a range of excuses – from technical problems to Russia-orchestrated conspiracy theories. For all their best intentions, the plans went awry.

Whatever the actual reasons for the strange event, this would never have happened if the government had from the start adopted a policy of transparent public procurement and rules-based administration. If details about the investment were made public, journalistic and other scrutiny could have helped overcome the failings of official vetting. As is, the deal remains concealed by red tape and secrecy.

The whole affair could simply be a scam artist convincing Ukraine's top officials that he would arrange a billion-dollar investment as long as they grease the wheels.

Just as in the case of negotiations with the International Monetary Fund – when government officials left meetings in Kyiv to go to Washington, supposedly in hopes of finding someone that could “solve the problem” of a frozen lending program – Ukraine's leaders have shown that they prefer to pressure individuals rather than follow the rules of institutions.

The same attitude was visible after the Oct. 28 parliamentary election, when top government officials lashed out against employees of the Organization for Security and Cooperation in Europe, rather than address the concerns raised by the watchdog's report.

What the case exposed is a chaotic system that favors insider deals and other forms of corruption, leaving the country vulnerable on many fronts. As the old adage goes, if you keep digging holes for others, you might just fall into them.

Lucky billionaires

Ask a random person on the street how the year went, and the answer will most likely be a tirade against corruption, low wages, dishonest politicians and dim hopes for the future. But there is a group for whom life has never been better – Ukraine's 1 percent.

The economy was shrinking in the third quarter. More companies have adopted hiring freezes, slashed salaries or laid off staff. Economic stagnation, corporate raiding and a dismal investment climate means that few Ukrainians saw their incomes rise.

But for some it keeps getting better. Ukraine's 10 richest people, according to Forbes Ukraine, are worth an extra billion dollars compared to last year. Even more impressive is the jump in the two latest full rankings by Korrespondent magazine (2010 and 2011), which shows the worth of the top 100 jump from \$66 billion to \$83 billion – half the country's gross domestic product.

Despite coming in 109th in wealth per person, Ukraine comes in 23rd in a ranking of most expensive shopping streets (up three places compared to last year). Luxury auto sales have also hit record highs – both Mercedes and BMW are set to see their best year ever in Ukraine, now the region's second biggest market for premium car makers, after Russia.

But 2013 is not looking as bright for the rich. Steel exports are tumbling, agricultural revenues are down, and devaluation fears have driven rates up to the point where, for a small business, getting a loan is like playing Russian roulette. Just like other countries in the region, Ukraine is suffering from global factors, but unlike them it can no longer bet on domestic consumption to soften the landing.

This is the problem of highly unequal economies. Whenever a country's economy starts to stumble it can be revived, at least partially, by stimulating the small, prolific consumers and businesses: removing regulations, transferring wealth or borrowing from the future. But Ukraine lacks a big middle class, fiscal opportunities or the political will to use these methods effectively.

However, in a highly stratified society, where economic power is married to political clout, the winners get it all. Hence the raids and rules and rigged privatizations that squeeze ever more revenue towards the top.

But there's a reason why the pyramids have survived millenia, why towers crumble after centuries and why stilt-walkers come down after a couple of hours performing. In 2009, Ukraine saw the instability that inequality breeds. It looks like it's time for another round.



NEWS ITEM: Authorities in the eastern Ukrainian city of Donetsk are ready to protect the 1 million citizens from bird droppings. To keep birds away from the city center, authorities plan to purchase special devices that produce a sound or a laser light that is scary for birds but unnoticeable to humans. “The acoustical and optical influence of the device on birds will keep city monuments, benches and fountains clean of bird excrement,” the official statement from administration reads. “We are now working out the places where the first such devices will be placed.” It is unclear how much the devices will cost the city budget.



NEWS ITEM: The Ukrainian government is not very careful with whom they sign major deals. On Nov. 26, Vladislav Kaskiv, head of Ukraine's state investment agency, signed a deal with a man allegedly acting on behalf of Gas Natural Fenosa, a Spanish company. However, it turns out that the man was not authorized to act on behalf of the firm. The deal was aimed at creating a consortium for building a liquefied natural gas terminal on Ukraine's Black Sea coast. After Gas Natural Fenosa said the man was not representing the company, the Ukrainian government said they thought he was, since he was acting as an intermediary in the negotiations. The incident leaves Ukraine not only embarrassed, but without an investor for a project aimed at supplying the country with natural gas from the Caspian Sea and Persian Gulf.

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J. Michael Willard, Chief Executive Officer
Brian Bonner, Chief Editor

Editors: Katya Gorchinskaya, Jakub Parusinski, Mark Rachkevych
Staff Writers: Oksana Faryna, Anastasia Forina, Oksana Grytsenko,
Vlad Lavrov, Yura Onyshkiv, Denis Rafalsky,
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Photo Editor: Ganna Bernyk. Photographer: Kostyantyn Chernichkin
Chief Designer: Vladyslav Zakharenko

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Cabinet needs more than just new faces



KATYA GORCHINSKAYA
GORCHINSKAYA@KYIVPOST.COM

As I am writing these lines, Ukraine's new Cabinet of Ministers is being formed. Or maybe it's the old Cabinet that's being re-installed. In any case, the process is as murky as the waters of the Black Sea. A select few are in the know, and even fewer decide who will run the economy for the next couple of years.

The only thing we can be sure of is that the new Cabinet is extremely unlikely to usher in a new quality of governance, which Ukraine so desperately needs. And it's not for lack of worthy people who could take the high seats on Hrushevsky Street, where the main Cabinet building is located.

In fact, Ukraine has in two decades developed an impressive pool of young people that have the requisite background, knowledge, honesty, passion and a number of other qualities to change Ukraine. There are enough of them to form several Cabinets, all of which could be successful and would allow the nation to make a leap forward.

Right now, appointments to the government are made on the basis of political expediency, cronyism and corruption – most likely in reverse order.

Competence often has no relevance. What I would like to see in Ukraine is a government with top officials picked for their competence, who have the correlative education and work experience to perform on the job, and who possess a global outlook that would come from either their Western education or professional experience with international institutions and/or companies.

Ideally, I would like these people to be young, speak foreign languages and be completely self-made. In the best-case scenario, I would like them to have the kind of integrity and reputation that would not raise questions about how they made their first million or acquired certain assets.

I know a few such people, and have asked a select group of individuals in business, the expert community and media to suggest their own candidates who would be fit for a Dream Team Cabinet. The resulting pool of suggested candidates was very inspiring and optimistic.

Of course, Ukraine's Cabinet of 18 members is way too large and inefficient, and to change that a comprehensive administrative reform would be needed in the whole executive branch. Otherwise, even the most inspiring leader would get bogged down by infighting, intrigue and inability to realize any ideas. Luckily, there are people around capable of filling in those gaps, too.

Economy and finance

Economy and banking degrees have been prestigious in Ukraine for too many years and too many universities offer them. Apart from the obvious downsides, this fashion has the upside of having produced a number of really wonderful, international-caliber economists and bankers.

Ruslan Piontkivskiy, who has been working as a senior economist for the World Bank office that covers Ukraine, Belarus and Moldova, is one of them. Apart from having a good education and nearly 10 years of experience at a major international institution, he has an amazing ability to grasp the most complex economic models quickly, interpret them and communicate them to others – a great set of qualities for a minister to possess.

My finance minister would be Volodymyr Lytvyn, not the cunning speaker of parliament, but the one with a public financial management degree from Harvard University, an MSc in banking and international finance from Cass in France, and a BSc in economics from Kyiv Mohyla Academy. He was a deputy finance minister briefly, between 2007 and 2009, and has worked for the European Bank of Reconstruction and Development in the energy sector, as well as investment banking.

My justice minister would be Oleg Marchenko, a young Kyiv-based lawyer. Apart from a solid education, I chose him for his outstanding integrity. Once a partner at Magisters, a huge and successful Ukrainian company (which has since merged with a Russian firm) that produced many famous public figures, including Serhiy Vlasenko, the lawyer of Yulia



A conference room of the Cabinet of Ministers of Ukraine in Kyiv on Feb. 22. A reshuffling of the government is taking place in light of the Oct. 28 parliamentary election. (UNIAN)

Tymoshenko, Marchenko once told me why he quit the lucrative partnership at the big firm. He decided to set up his own company, Ulysses, because he believed that cases should be won through knowledge and skill alone, without bribes. This is how his company operates: they never give bribes for anything in courts, and they share risks with clients. These kinds of values are essential for a justice minister.

Although not formally a Cabinet member, the general prosecutor is an essential part of the justice system in Ukraine. My candidate for general prosecutor is Valentyna Telychenko, a brave lawyer, hard worker and uncompromising human being. She is the one who won former Interior Minister Yuriy Lutsenko's case in the European Court for Human rights, which shows both her qualifications and knowledge of how justice operates outside Ukraine.

She has learned the workings of the prosecutor's office intimately over the last decade when she represented the family of slain journalist Georgiy Gongadze, seeking justice and fighting the system. She knows exactly what is wrong with the system, which is essential to fixing it.

There are worth candidates to head the education and health ministries, which affect the quality of life of all Ukrainians.

For health minister, there is Borys Todurov, a highly professional, world class surgeon, with a vision of what it takes to reform the sector, and who is a moral authority in the profession. There is Kateryna Bulavinova, a UNICEF expert, also an extremely competent and authoritative figure.

In education, there is academician Volodymyr Nikitin, a person who reinvented an education system that already exists in Scandinavian countries. He believes in teaching people to think and to learn – in the broadest sense of the word education, and that the teacher is an important personal guide in this process. These concepts are still pretty alien here, for the most part. Another recommendation for this job was Pavlo Kobzei of the Ukrainian Catholic University in Lviv, one of the most innovative universities at the moment. He has taught in schools and universities, has been trained through international

NEWS ITEM: Hundreds of supporters and political allies have gathered near the hospital in Kharkiv to congratulate Yulia Tymoshenko, one of the opposition leaders, on her 52th birthday on Nov. 27. The ex-prime minister is serving a seven-year prison sentence after her conviction last year for abuse of office. She is now in the hospital for treatment of a bad back. Supporters released pigeons and balloons, sang songs and brought flowers. A smaller crowd of Tymoshenko protesters was also present. At one point, a fight broke out between people.



VOX
populi

WITH
SVITLANA TUCHYNSKA



We asked participants in the Nov. 27 Kyiv Post conference whether Ukraine, as a sleeping economic tiger of Europe, will awaken and become prosperous.



John Shmorhun,
Harmelia Holdings
"Yes it will. Absolutely. I think the government needs to wake up and realize it has

a very important role to play to support the business and not to interfere with business. I need a stable, predictable investment climate. And that is to be created by the government. Once the government realizes its true role, then the sleeping tiger will awaken. Because Ukraine can grow incredibly, it has so much to give."



Daniel Bilak,
CMS Cameron McKenna
"I like the analogy made here that (the tiger) is not being fed,

it's on its leg, but inevitably it will awaken. I think it will take some time, as it is an animal which is going through some operations and abuse it needs to recover from."



Steven Potter,
Canadian Embassy
"I hope it will. And events like this conference are very important

in that perspective. When international investors, national companies, experts have the opportunity to exchange their views openly, and the government participates, it is a good way to ensure the waking up of the tiger."



Kris Verhelst,
Russell Finex
"It definitely will. For me, to come to Ukraine is very precious, not only business-wise to

present my company, but to enjoy the lively discussion and hear from very serious people. I have been in many Eastern European countries, but what I have seen these days in Ukraine is exactly what I hoped for Ukraine to be. I am your biggest fan."

Vox Populi is not only in print, but also online at kyivpost.com with different questions. If you have a question that you want answered, e-mail the idea to kyivpost@kyivpost.com.

How can nation end economic slumber?

→2 were not about political persecutions." Asked whether he feared arrest, Saakashvili said: "I am never afraid."

Here are some highlights of the panel discussions:

Main Panel: Ending the Slumber; Section 1 – Ukraine: Finding Its Place In The World

Steven Pifer, the American ambassador in Kyiv from 1997 to 2000, sounded the alarm about Ukraine returning to a "gray zone" geopolitically because of democratic regression under President Viktor Yanukovich.

Ukraine, Pifer said, has gone from being a darling of American foreign policy in the 1990s – when the nation commanded \$225 million a year in U.S. aid – to one in which all 100 U.S. senators in September unanimously passed a resolution that mentions the possibility of visa bans and financial sanctions against those responsible for the imprisonment of ex-Prime Minister Yulia Tymoshenko and other incidents the West regards as abuses of human rights.

While noting that it's up to Ukrainians to choose their economic alliances, Pifer questioned the wisdom of joining the Russian-led customs union rather than establishing a free-trade area with the much larger European Union economy. "The customs union will kill EU free trade: Do you want a customs union with a \$2 trillion a year economy or do you want to go to the largest economy in the world, (representing) some \$15 trillion to \$16 trillion a year?" he asked.

The former U.S. envoy also said Ukraine's investment climate is dismal. "People say corruption has gotten worse in the last two years. They see an absence of critical mass of reform. They see arbitrary court decisions. The factors that make people want to come are absent," Pifer said.

Serhiy Holovaty, the former justice

Armen Khachatryan, senior partner with Asters law firm in Kyiv, moderates the Nov. 27 panel entitled "Leaning East or West: Does It Matter To Business" as International Monetary Fund representative Max Alier looks on. (Dmitriy Serzhantov)



minister and a current member of parliament with the pro-presidential Party of Regions, acknowledged that Ukraine's judiciary is still "corrupt and not independent." He also said that Ukraine's oligarchs have worryingly extended their control over not just the economy, but also the judiciary and elections. But this oligarchic state capture has some positive aspects, Holovaty said, in contrast to Russia where President Vladimir Putin "owns the oligarchs" and calls all the shots. "Yanukovich does not direct democracy and doesn't own the oligarchs. The oligarchs put their people in parliament. It's pluralism," he said.

Holovaty said he remains optimistic as long as the EU recognizes Ukraine's individuality and adopts a consistent policy to the state and not just a particular government.

While criticizing the seven-year

prison sentence that Tymoshenko is serving after being convicted last year of abuse of office, Holovaty said the fate of the nation shouldn't be linked to hers. "The case of Tymoshenko is a shame, is a disaster for Ukraine in general," Holovaty said. "From the point of view of political prosecutions and rule of law, it is a shame. But it shouldn't be used as a pretext for closing the door on Ukraine. It shouldn't be the price for the destiny of the whole nation."

Tan Sri Sulaiman Mahbob, a member of the board of the Malaysian Central Bank, said the Southeast Asian nation achieved progress when it reached political consensus about its national goals, something sorely lacking in Ukraine.

Moderator Daniel Bilak, managing partner of the Kyiv office of CMS Cameron McKenna, argued the current government lacked direction and

strategic thinking about where the country should be in 30-40 years. But he called on the West not to adopt policies that hurt ordinary Ukrainians and urged to "ease up on visas," allowing more people to travel to the EU and America.

Bilak was encouraged by the Ukrainian nation's fierce opposition to the permanent political monopolies found throughout the former Soviet Union.

"What gives you hope for the future is that every single government (in Ukraine) has had a grand plan to stay in power forever," he said. And every plan has failed – "crashed on the ground of the Ukrainian electorate" who vote for whomever they want and will revolt if their votes are stolen, he said. Bilak said the electorate has moved past its political leaders, many of whom retain a Soviet mentality.

Main Panel: Ending the Slumber; Section 2 – "Leaning East or West: Does It Matter To Business"

Iryna Akimova, President Viktor Yanukovich's top economic adviser, highlighted the progress Ukraine has made in fixing the nation's business climate, noting improvement in Ukraine's rankings in the World Economic Forum's Global Competitiveness index and the World Bank's Doing Business index.

Akimova also said the government welcomes advice from business, government and nongovernmental organizations. She said the government will continue to reduce the powers of bureaucrats – and the potential for bribes and corruption – by streamlining regulations and permits required for doing business.

However, Pavlo Sheremeta, president of the Kyiv School of Economics, said that the improvements amount to baby steps since Ukraine is still near the bottom of both business rankings cited by Akimova.

Moderator Armen Khachatryan, senior partner of Asters law firm in Kyiv, highlighted the need for Ukraine to diversify its economy away from raw material exports as a path to prosperity.

'Ukraine's Information Technology Outsourcing Boom and What We Can Learn From It'

The message from the information technology speakers was loud and clear: Ukraine has a critical shortage of website programmers and software developers. They want government to step in and improve educational opportunities to increase the supply.

Karl Robb, executive vice president of global operations for EPAM Systems, a software service and IT outsourcing company, said Belarus' govern- →7

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Experts chart path for IT, agriculture, energy and finance sectors at event

→ **6** ment offers much better support for the IT industry than Ukraine. "That country is next door and much smaller and way ahead of Ukrainian authorities in terms of expanding its education," Robb said.

Torben Majgaard, the founder and CEO of Ciklum, an IT outsourcing company, contrasted the stability of his native Denmark to Ukraine's unpredictability. In Denmark, "any kinds of changes in tax laws or legal laws would be announced years in advance after discussion with the industry and usually they would amount to minor adjustments," Majgaard said. Ukraine must "try to create some predictability to the legal framework."

'Growth Sector To Watch: Agriculture and Food Security'

If there is one sector that Ukraine is pinning its future economic hopes on, it's the agricultural one, given the nation's abundant supply of fertile black earth. It's the sector that many view as resistant to oligarchic domination, unlike heavy industry, although

→ **Experts say nation stunted by oligarchs' grip over economy**

some fear that opening up Ukraine's land market could lead to concentration of ownership.

Despite the high hopes, agribusiness is underperforming. Experts on the panel say that Ukraine could easily and quickly double or triple its output with the right mix of government policies and investments.

John Shmorhun, president and general director of Harmelia Holdings, which manages nearly 75,000 hectares

of farmland in Kharkiv Oblast, said "the biggest problem is lack of investment." He estimates that 20 percent of Ukraine's crop is lost due to poor storage and other factors.

Lack of stable government policies is also a problem, most recently highlighted by legislation to extend the moratorium on land sales to 2016. "Investors want long-term and stable lease agreements and trade policy in Ukraine," Shmorhun said, noting the changeability can mean "today we can export wheat, tomorrow we cannot export wheat."

'Growth Sector To Watch: Energy and Energy Efficiency'

As moderator Daniel Bilak noted the sector underwent rapid changes in the last year, driven by Ukraine's need to cut expensive natural gas imports from Russia. "We've had a revolution," Bilak said, but added: "We have the problem of mixed messages. Sometimes realities don't meet the rhetoric. This sector has perhaps three major challenges: capacity, cronyism and corruption."

Graham Tiley, the country manager for Shell Ukraine, said that the challenge by 2050 will be to meet the increased energy demands of 9 billion people while reducing carbon dioxide emissions. Even with the development of renewable energy sources, hydrocarbons are still projected to supply 60 percent of the world's needs. "Oil, gas and coal will be with us for a long time," Tiley said.

Shell is negotiating a 50-year production sharing agreement with Ukraine's government for exploration of the Yuzovska field in Kharkiv and Donetsk oblasts. Stable, long-term deals are essential, Tiley said, because energy companies often make multibillion-dollar investments up front in the hopes of eventual profit.

But Ukraine's investment climate has been anything but stable and secure.

Peter Justin O'Brien, country manager of EuroCape Ukraine, involved in wind power, said the government



From left, East Europe Foundation board member Adriaan Jacobovits de Szege, Moldovan Ambassador to Ukraine Ion Stavila and Czech Ambassador to Ukraine Ivan Pocuch. (Kostyantyn Chernichkin)

started changing what were meant to be 20-year wind-power agreements within four years by changing required share of local content required in turbines – something many regard as an artificial barrier to competition, designed to protect powerful domestic interests. "If our industry can't get four years into a 20-year marriage, I hope you have better luck with 50 years," O'Brien told Tiley.

'Finance and Corporate Governance'

Ukraine's banking sector suffered greatly during the 2008-09 crisis, when dollar loans became too expensive to repay after the hryvnia devalued 40 percent and collateral lost value. Four years later, as much as 40 percent of loans are non-performing.

Pavel Cetkovsky, CEO of Erste Bank, expects more consolidation in the sector, but noted weak creditor rights meant many loans were intentionally not being repaid.

On the investment front, Natalie Jaresko CEO of Horizon Capital, said that "today it's very difficult if not

impossible to raise private equity" because investors don't believe there's enough liquidity to sell companies. "We can make good investments. The companies can be profitable. But the investor makes a return only when we sell the investment," she said.

As for the hryvnia, Tomas Fiala, CEO of Dragon Capital, said businesspeople "would prefer a floating exchange rate" instead of the current peg. "Ukraine's foreign exchange policy has been driven by political considerations not economic considerations," Fiala said. "We hope this period will be ending shortly." He expects the hryvnia to slip to Hr 8.4/\$1 by the end of the year and Hr 8.8/\$1 by the end of the next, though some expect greater devaluation.

Likewise, the experts noted, mergers & acquisition activity and initial public offerings have dried up.

This report was written by Kyiv Post chief editor Brian Bonner with contributions from Kyiv Post editors Katya Gorchinskaya and Jakub Parusinski and Kyiv Post staff writers Svitlana Tychynska and Maryna Irklyienko.



Kyiv Post staff members register conference participants at the Fairmont Grand Hotel in Kyiv on Nov. 27. (Kostyantyn Chernichkin)

→ On the move

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VOLODYMYR YAKUBOVSKYY has joined Kiev office of Noerr as the Head of Commercial department. Noerr is a first-class European law firm – with 15 offices and over 470 attorneys, tax advisors and auditors, who advice in all areas of commercial law in Germany, Central and Eastern Europe and USA. In his new position, Mr. Yakubovskyy oversees firm's commercial practice in Ukraine. Prior to joining Noerr, Mr. Yakubovskyy practiced corporate and commercial law at well known CIS-law firms in Ukraine and Russia. Volodymyr has gained a substantial experience in representing leading

national market players and foreign blue-chips in various commercial and investment matters. Mr. Yakubovskyy holds an LL.M. degree in corporate and commercial law from University of Cambridge, UK and an master's degree in American and international business law from Boston University School of Law, USA. Volodymyr was also a participant of the Program on Negotiation at Harvard Law School, USA. He obtained his first degree in law from Lviv National University.

SHOPPING AND ENTERTAINMENT CENTER RESPUBLIKA WAS PRESENTED IN CANNES

Advertisement

Respublika, Ukraine's most large-scale shopping and entertainment center was presented at MAPIC-2012, an international retail real estate show that took place in Cannes on 14-16 November.

Megapoliszhytlobud, the investor of the project, K.A.N. Development, the developer, and UTG (the Ukrainian Trade Guild), the broker, announced for the first time on the international market about the opening of the center.

Respublika Project was presented in a form of a large model – 4.5 x 2 m. Also, the team of the investor of the center was the only one that presented their project in a form of augmented reality at the show and that aroused a great interest among visitors of the MAPIC.

More than 60 guests visited a joint presentation of Respublika Project and Auchan's top management, represented by Thierry Martin, Director of International Development and Partnerships.

Also, Vitaliy Boiko from UTG gave a presentation on the topic "Why do international retailers have excess profit in Ukraine?" that drew a lot of attention of international tenants.

During the show agreements on cooperation were reached with such well-known international retail chains as Decathlon, Debenhams, Kiabi, Subway, LIUJO, LCWaikiki and others. Meetings with representatives of 120 retail chains and brands were conducted (it is planned to place the largest gallery of boutiques in the shopping and entertainment center – more than 450 shops, where 30 percent of the brands will be new for Ukraine). Representatives of well-known brands assessed the project as the most promising one in the next five years due to its scale and unique concept.



Respublika Shopping and entertainment center – (gross building area – 295,000 sq. m., gross lease area – 135,000 sq. m.) will be a part of Ukraine's largest multi-functional center Respublika of total area of 129 hectares. In addition to the SEC, the multi-functional center will include a housing development of total area of 1,200,000 sq. m. (45 low-rise houses that will provide more than 14,000 apartments), a hotel 2*, a bus terminal, a policlinic, pre-school institutions for children, general education schools, multi-level ground parking lots and park zones.

Opening of Respublika is planned for 2014.

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Special news coverage ahead on the following topics in Business Focus:

Dec. 7. **Auditing & Accounting**

Chef conquers Kyiv in 'strictly Italian' way

BY DARYNA SHEVCHENKO
SHEVCHENKO@KYIVPOST.COM

Niccolo Rossi doesn't conform to the stale stereotype of a chef being overweight, drunk and rude. The Italian culinary artist is actually in top shape, and cracks jokes on every topic, including himself.

"I don't drink. I am a boring person," laughs Rossi, 37, who has lived in Kyiv for two years.

"At the beginning of my career I was burning instead of cooking," he recalls cooking with his mother at three or four years old in Florence, his hometown. "But that is how my career got started."

It was followed by formal training at cooking schools, though, and master-classes from several prominent world chefs. He's been traveling the world for more than 12 years as a professional cook, visiting Great Britain, the U.S., the Netherlands, Poland, Hungary and Libya before arriving in Ukraine. "You can see the world while you are work-

ing and this is probably the best thing about being a chef – you can move around and learn something new, but you have to be really open-minded," he says.

Despite continuous learning and being constantly on the move, Rossi has kept to traditional Italian cooking. That's exactly why he demanded "Strictly Italian" be written at the top of the menu of Mille Miglia restaurant at Radisson Blu hotel in Kyiv, where he works. "When you come here you are in Italy," says Rossi. "The only difference is that it's a bit colder outside... Well, much colder."

For example, Rossi said he would never put sour cream in seafood risotto even if a customer begged for it. "Italian means Italian and if somebody wants to try something else they can go to whatever restaurant, but I'm not going to do this," Rossi said. "My rule is never change the approach."

While convincing clients isn't always easy, Rossi says he never tries to avoid them. "I like talking to customers," he



Niccolo Rossi

says. "Sometimes I come out myself or they call me. Mostly it is to compliment my dishes, though sometimes they don't understand some tastes or combinations and then I have to explain and I feel okay with this."

Rossi says Ukrainian customers are

no less demanding than Europeans, though local restaurants and cafes are not always as good. "I often go eat somewhere to see what the others are doing and the prices here usually don't reflect the quality," says Rossi.

He does recommend Arbequina Café de Paris, and he smiled when he mentioned Lviv Chocolate Shop, having worked as a chocolatier and a pastry chef in Italy at the beginning of his career. "Now I cook everything, but I still like dessert, because I just like desserts, even though I almost don't eat them," he says and reveals that he mostly "eats to survive" while cooking is rather a kind of art for him.

This art demands a lot of learning and creativity. "It was truly hard to cook in Libya – without no pork and no alcohol, at all," Rossi says. "Almost every Italian recipe contains some wine and that's where I had to be on top of my creativity trying to substitute the necessary things," he said.

By contrast Ukraine is much easier. "Most ingredients are easy to find here,

more or less. The only problem is probably gluten-free products, (it's) almost impossible to find them fast enough," he explained.

For now, Rossi is not planning to move unless Radisson Blu wants him somewhere else. Rossi has worked for the company for four years and says he plans to stay on despite getting several offers.

Even though money is good, it's not the main point, Rossi said, and actually "you are paid peanuts when you compare how much you work." But the cooking profession is always in demand, he added, and is not less paid in Ukraine than elsewhere.

There is a drawback to being a chef, Rossi concedes: "I don't have a personal life at all, for me living in Kyiv mostly means working... Basically I am happy here, and this is not because you are interviewing me. My job is about making people happy," he said.

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



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Restaurants reward techies with discounts, freebies

BY OLGA RUDENKO
RUDENKO@KYIVPOST.COM

When it comes to attracting clients, street charcoal boards with menu specials just don't cut it anymore. To keep up, cafes and restaurants must interact with customers using new technologies. And in Kyiv, they do well.

One of the tools employed by cafes and restaurants is Foursquare, a location-based social network gaining popularity in Ukraine. They offer customers discounts or free beverages, known as Foursquare specials. That way, customers are rewarded for a couple of clicks on their smartphones to "check in" at a venue on Foursquare, while the cafe, in turn, moves up the Foursquare list of popular places.

Half of Ukrainian Foursquare users live in Kyiv, a client base of some 28,000 active people who visit all kinds of venues, check in them and sometimes look for tips on where to have cheap lunch or beers on Saturday night. To reach customers, restaurants open Foursquare pages.

"Being represented on Foursquare is a matter of image for a restaurant now," says Maksym Paraska, online projects manager for the Kozyrna Karta chain.

According to Paraska, 10 of the chain's Kyiv restaurants offer specials for Foursquare activity.

Often a first check-in made by a Foursquare user will be specially rewarded, but others go further, offering free drinks or food for every third check-in. The most frequent visitor, or



Foursquare, a location-based social network is one of the tools employed by cafes and restaurants that is gaining popularity in Ukraine. (Courtesy)

the "mayor" of a venue, in Foursquare terminology, can get even better deals, including up to 50 percent discounts.

Tarelka cafe, opened in September 2011, has aptly played the Foursquare game from the get go, changing its offers every couple of months to keep customer interest.

"At first we offered specials for each check-in, but then we saw it was actually a waste, because some people would come in every day, check in Foursquare and get free stuff. So now we only reward a customer on his first check-in," says Elena Nikitina, administrator of Tarelka.

Now Tarelka offers a cup of herbal tea for the first check-in, and gives away about 15 teas every week. At a

minimal expense, it gets Tarelka good recommendations.

Recommendations are featured in "tips," short messages users post in Foursquare about venues. In tips, they put photos of the meals they've ordered, share Wi-Fi passwords and mention that they've just had a Foursquare special.

"Now Foursquare is not the best way to attract new customers, since there are not many people using smartphones yet," says Paraska of Kozyrna Karta. "But soon it will become more important. In the last six months the number of check-ins in our restaurants grew twice."

Kyiv Post staff writer Olga Rudenko can be reached at rudenko@kyivpost.com.

Where Foursquare users get specials in Kyiv:

1. Tarelka 62/20 Dmytrivska St. 220-2060 www.tarelkafun.com Special: Herbal tea on the first check-in.	2. Yakitoriya 27 Lesya Ukrainka St. (and more addresses) 285-8161 Special: Espresso on check-in. Mayor gets 50% discount.	3. Bigoli 7A Kloviskiy Uzviz 591-1700 Special: Espresso or limonchello	4. Sepia Pub 8/10 Sagaidachnoho St. 425-4535 www.sepiapub.com Specials: 7% discount card on the first check-in.	5. Tomatoes 6 Simona Petlyuri 067-409-8543 Special: Espresso on each third check-in.	6. Chorne Porosya 8/14 Velyka Zhytomyrska 067-434-7077 www.chorne-porosya.com.ua Special: Beer on the first check-in. Shrimp chips on company with three check-ins.	7. Staromak 37-41 Artyoma St. 461-9109 www.staromacek.com.ua Special: Coffee on the first check-in. Maxi-Beton cocktail for the	8. Varenie 22 Simona Petliury St. 288-2877	9. Il Molino 120 Saksahanskoho St. 351-1177 www.ilmolino.ua Specials: Coffee or beer for check-in.	10. Divan 2 Bessarabska Square 235-7366 www.festrestdivan.com.ua Specials: Cocoa on first check-in. Khachapuri for company with four check-ins. Mayor gets 20% discount.
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Top 15 Kyiv cafes with most check-ins

1. Aroma Espresso Bar 3 Mechnikova St.	5. Lina'ss 5 Velyka Vasylykivska St. (Arena, 2 floor)	8. Mocco 15 Khreschatyk St.	12. Divan 2 Bessarabska St.
2. Aroma Espresso Bar 5 Dimitrova St.	6. McDonald's 22 Velyka Vasylykivska St.	9. McDonald's 19A Khreschatyk St.	13. McDonald's 10 Borychiv Uzviz
3. Aroma Espresso Bar 75 Zhylanska St.	7. Foodtourist 2A Basseina St.	10. McDonald's 3 Melnykova St.	14. Sepia Pub 8/10 Sagaidachnoho St.
4. McDonald's 2B Borshchahivska St.	11. Gastrorock 10B Vozdvizhenska St.	15. McDonald's 1 Sevastopolska Square	

EXCLUSIVE INITIATIVE

Forbes&Manhattan's project on development of Shymanivske Deposit in Ukraine will enable the company to become one of the biggest iron ore exporters of this country and will be bankable even at the times of unfavorable world market conjuncture.

In mid-November, in the framework of the venture project by Forbes&Manhattan represented by Black Iron, a Bankable Feasibility Study (BFS) was completed for Shymanivske Project connected with banded iron formations (Dnepropetrovsk Region). As a result, this project's efficiency parameters, which had been estimated based on its Preliminary Economic Assessment (PEA), were optimized to the maximum.

This was due to positive results of the metallurgical test work making it possible to plan a large annual production of iron ore raw materials and reduce capital intensity of the project and operating costs by simplifying the flow chart.

"Annual production estimated in the BFS appeared to be 26% higher than that estimated in the PEA, while operating costs appeared to be 16% lower instead" – says George Mover, Black Iron's Chief Operating Officer.

Potential for growth

It will be recalled that Forbes&Manhattan, which along with Black Iron comprises 33 similar companies, is a large Canadian financial and industrial group specializing in the implementation of investment projects in mining in different countries of the world.

"In particular, we are successfully implementing such projects in Canada, including iron ore deposit development, says Matt Simpson, CEO of Black Iron. For example, in 2005 we acquired Consolidated Thompson. We've done all design work and built a plant with annual capacity of 8 million tons of iron ore concentrate. Since then we are regularly addressed by deposit owners from all over the world and we study a new project almost every 2 weeks."



In the framework of this operation, in 2010 Forbes&Manhattan made a decision on acquiring Ukrainian limited liability companies Shymanovskoe Steel and Zelenovskoe Steel holding licenses for the development of the relevant deposits. Black Iron was founded for implementation of the development project and by October 2011 the company completed PEA.

PEA data indicated that economic potential of Shymanivske Project allows for construction of either a mining processing plant for producing iron ore concentrate with iron grade of 67% and project capacity of around 7.3 million tonnes a year, or a pellet plant for producing pellets with iron grade of 65% and production output of 7.6 million tonnes a year. Accordingly, in case of scenario 1, IRR of the project could reach 42.1% and NPV – 3bn US dollars, while in case of scenario 2 IRR could be 35.2% and NPV – 4.1bn US dollars.

Thus, according to the latest data, total reserves of the deposit are estimated at 645.8 million tons of ore grading 31.6% iron, of which 355.1 million tons are measured and 290.7 million tons are indicated. Additionally, study results show that the deposit also has inferred ore reserves of 188.3 million tons grading 30.1% iron.

"Even if we consider proven reserves alone, both Shymanivske and Zelenivske deposits are rather large. Data received from the test work indicate that the project has a significant potential for growth", states Andrei Popov, Chief Development Officer of Kreston GCG JSC.

Indeed, it was calculated that the deposit reserves will be enough to ensure project life of 16 years. At the same time, company experts are convinced that after conducting additional exploration, potential project life may add 5 years.

Strategic partnership

Now that BFS is completed, it has become clear that in case of applying production scenario 1 implying construction of a mining and processing plant, the company will be able to produce 9.2 million tons per year of high-grade 68% iron ore concentrate projecting a 45.9% IRR and a U.S. \$3.5 billion NPV. As for scenario 2 implying construction of a pellet plant, its parameters have also been considerably optimized.

"Opting for one or another scenario will depend on the needs of our future strategic partner. If it appears to be some metallurgical company from Asian countries, we will produce ore concentrate. If our prospective partner is from Turkey or Europe, we will produce ore pellets", Mr Simpson explains.

Partnership implies that the majority of produced raw material will be supplied to the plants of the relevant company, which therefore will get an opportunity to purchase it at a special discounted price. It goes without saying that partnership relationship will be formalized in the form of a long-term contract.



"To date, a few companies have already signed confidentiality agreements with us and are currently studying technical specification of the project", Black Iron CEO added.

Whatever production scenario the company gives preference to, construction work will start already in 2013, and the first product batch will be released in the fourth quarter of 2015. For the purpose the company is planning to attract between U.S. \$900 million and \$1.57 billion.

"We reckon that about 60 to 70% of these funds will come from a strategic partner, specifies Mr Simpson. They may be provided either in the form of loans, or by shareholding."

Obviously, there will be more than enough prospective candidates for strategic partnership with Forbes&Manhattan as it's all about a project which is a leader in mining by the level of capital and operating cost reduction.

"To reach minimal cost of IORM production two key resources are needed: skilled labor force and developed adjacent infrastructure, states Mr Simpson. In our case, both are available."

In fact, production facilities will be constructed 35km from the city with the population of 750 thousand people, of whom the majority are professional miners. The region has considerable energy resources, a developed rail system and is located in comparative proximity to a sea port.

Due to all these factors, payback period of the project is about 2 years. "Besides, high economic viability of the project, coupled with close proximity to Turkish, European and Middle East consumers, means that this operation has the potential to remain profitable despite fluctuations in the iron ore price in the global market", concludes Mr. Mover. In other words, as all possible risks are leveled down in advance, the project has the largest margin of safety as possible, which as is well-known, is a hallmark of Forbes&Manhattan's style.

by Mariia Ivanova

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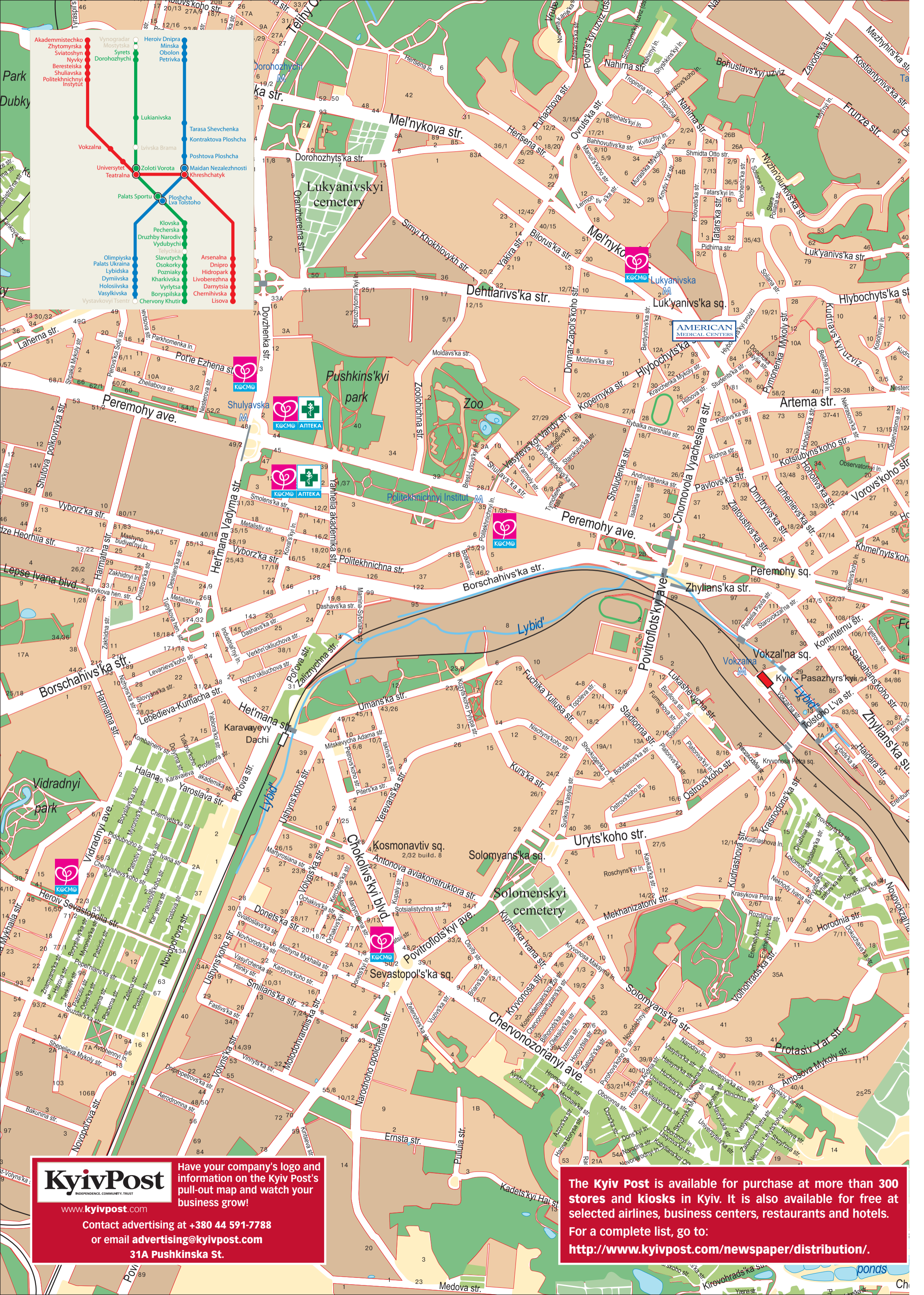
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The Kyiv Post offers our heartfelt thanks for the tremendous support we received from special invited guests, sponsors, panelists and participants at the inaugural launch of the Kyiv Post / East Europe Foundation Conference in Kyiv on Nov. 26-27.

Your support showed that independent journalism in Ukraine is a valued asset to the community and made this memorable and newsworthy event possible.

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Kyiv Post Tiger Conference



Former U.S. Ambassador to Ukraine Steven Pifer (R) attends the conference-evening reception on Nov. 26.



Graham Tiley of Shell Ukraine talks about the promising developments in oil and gas development in Ukraine.



Serhiy Holovaty, a former justice minister and current member of parliament, urges the West not to punish the entire nation because of its displeasure with Ukraine's current leadership.



A break at the Fairmont Grand Hotel in Kyiv provides the opportunity for networking.



Two participants exchange notes at the conference.

➔ The Kyiv Post Tiger Conference on Nov. 27 posed the question: Will Ukraine become a tiger economy that grows rapidly. The consensus seems to be that the nation's economy will grow slowly until long-debated structural reforms are in place. The nation's strong points are educated citizens and abundant natural resources. The weak points are numerous. Among them: an oligarchy, corruption, bureaucracy, and a lack of strategic vision by the government. Ukraine has "all the ingredients, you don't know how to mix them. The way you are mixing them, it's not coming out right," said Max Alier, the International Monetary Fund's representative in Ukraine. (Photos by Kostyantyn Chernichkin and Dmitriy Serzhantov)



About 200 people attended the Nov. 27 conference, including Georgian President Mikheil Saakashvili, seated in front row, sixth from left.



Iryna Akimova, President Viktor Yanukovich's top economic adviser, explains the modest progress the government has made in curbing corruption and bureaucracy to create a better investment climate.

Poroshenko still hopes for improved business climate

BY MARYNA IRKLIYENKO
IRKLIYENKO@KYIVPOST.COM

When Ukraine's Economy Minister Petro Poroshenko introduced Georgian President Mikheil Saakashvili at the Kyiv Post Tiger Conference in the Fairmont Grand Hotel on Nov. 27, it was a meeting of two reformers, one accomplished and one still hopeful.

Both politicians have similarities in the paths they have followed, graduating from the Kyiv Institute of Foreign Affairs and lobbying for pro-market agendas and closer ties with Europe for their respective states. Both were at the forefront of peaceful revolutions in their nations – Georgia's 2003 Rose Revolution and Ukraine's 2004 Orange Revolution, respectively. But their paths have since diverged.

Despite having lost the recent parliamentary elections in Georgia, Saakashvili continues to be a powerful symbol in the post-Soviet region, having achieved wide-ranging economic and political reforms and bringing his country closer to Europe.

Poroshenko commented on the difficulty of carrying out such initiatives. He said: "The situation in Georgia demonstrates again that the way of reforms isn't strewn with roses. This shows one more time that (implementing) reforms is an ungrateful (task)."

In his eight years as president, Saakashvili set an example for Ukraine and other former communist countries in easing impediments to development by reducing corruption and bureaucracy while creating a more welcoming investment climate.

Meanwhile, Ukraine squandered the window of opportunity after its color revolution, as change took a backseat to political infighting, leaving broken promises and dashed hopes.

Nonetheless, recent progress gives reason for modest optimism. The country jumped 15 places in the latest Doing Business report by the World Bank, from 152nd to 137th. It is also the highest position since the post-Orange Revolution euphoria brought Ukraine to 128th in 2006.

Of the 10 key criteria comprising the ranking, the biggest progress had been made in ease of starting businesses, thanks to simplified procedures and reduced costs. Registering property and paying taxes also saw considerable improvements.

Nonetheless, investor protection took a big hit, the report noted. Besides lagging on implementing new legislation, Ukraine has failed curb corporate raiding or improve its rule of law. "The improvement of the investment climate and pressure on investors will be one of the important issues we'll



Economy Minister Petro Poroshenko leans over to greet Georgian President Mikheil Saakashvili. (Kostyantyn Chernichkin)

pay attention to," Poroshenko said at the conference.

He added the economy ministry has developed a plan to protect and attract investors to Ukraine. These include greater ease of doing business, aided by the newly adopted criminal code.

Other measures would lessen pressure from authorities, he added, by banning law enforcement agencies

except for tax police from interacting with foreign investors. Moreover, shareholders could be better protected by eliminating the right to transfer ownership on a local level. Instead, registering corporate activity would take place with the Ministry of Justice, according to Poroshenko.

Meanwhile, experts point to bigger problems for Ukraine. "You will never

be able to do a comprehensive stable regime to attract investors if you don't fix the judiciary," said Jorge Intriago, partner at the auditing and consulting firm Ernst & Young.

In a ranking of 97 countries by the World Justice Project, set up by the American Bar Association, Ukraine ranks 10th from the bottom on their rule of law index.

"Ukraine ranks 87th in government accountability due to political interference, impunity and corruption," the report states. "Administrative agencies are ineffective in enforcing regulations (ranking ninety-first globally and second to last among lower-middle income countries), and the courts, although accessible, are inefficient and corrupt."

While acknowledging the gravity of the court system's problems, Poroshenko said the justice system "is outside of my responsibility." But he expressed hope in the Justice Ministry. "As far as I know they plan to make a second stage of court reforms," said Poroshenko. Doing so would "return trust to the courts and try to add transparency to the court procedures and give a possibility for investors to defend their rights," he said.

Kyiv Post staff writer Maryna Irkliyenko can be reached at irkliyenko@kyivpost.com.

Businesses reap event benefits

BY MARYNA IRKLIYENKO
IRKLIYENKO@KYIVPOST.COM

Why so many business conferences? The answer is simple: to meet the demand from businesspeople seeking to learn and network.

That's why so many conferences are taking place inside and outside of Ukraine, from global investment summits to targeted gatherings by topic or industry sector.

The Ukrainian Investment Summit, conducted annually by Adam Smith conferences, has been considered the big event in business circles. It takes place in London, Europe's financial capital, bringing together investors from around the world with Ukrainian businesspeople and government representatives.

However, the latest 8th Adam Smith Ukrainian Investment Summit in April showed a drop in investor interest in Ukraine. Consequently, instead of the regular summit next year, the organizer is only scheduling topic-specific conferences in Ukraine and Russia.

Into this mix, the Kyiv Post decided to launch its own conference on Nov. 27. The event focused on Ukraine's most promising and vital sectors: agriculture, energy, information technology and finance.

Daniel Bilak, the managing partner of international law firm CMS Cameron McKenna, has been to Adam Smith conferences in London before. He moderated two Kyiv Post Tiger Conference panels and said the events have much in common.

"This is the first shot at doing something at that scale (Adam Smith), so it's smaller," he said. "But in terms

of format, the quality and the issues that are being raised I think it's very comparable."

Bilak was particularly happy with the speakers. "I think they did an excellent job here not just getting locally-based speakers, but they also found people from other countries with different perspectives," he said.

Some business representatives saw benefits elsewhere.

Karl Robb, president of EPAM in Europe, an IT company, said the Kyiv Post conference was among the few offering an international dimension. "This is a conference which got more of a global audience and it was dealing with some of the issues that are relative to my industry, which is outsourcing," Robb said.

Meanwhile, Volodymyr Lavrenchuk, chairman of the board Raiffeisen Bank Aval, saw the importance of such business gatherings as social. "I believe it's about community development to think again where Ukraine is and should go and that links to business," Lavrenchuk said. "I see a big need for such conferences in Ukraine where different points of view can be presented on a very high level of speakers. This morning we've seen the government, we've seen Georgian President (Mikheil) Saakashvili, (deputy) prime minister from Moldova, and many speakers whose experience and methods are highly appreciated within Ukrainian society."

Would he participate again? "For sure," Robb said. "Absolutely," agreed Bilak.

Kyiv Post staff writer Maryna Irkliyenko can be reached at irkliyenko@kyivpost.com.

Government officials often no-shows at conferences

BY SVITLANA TUCHYNSKA
TUCHYNSKA@KYIVPOST.COM

Ukrainian officials often shy away from attending investment and business conferences. While some notable exceptions exist, the rare appearances are still too often limited to delivering some platitudes and leaving.

But the Kyiv Post Tiger Conference on Nov. 27 was attended by three government officials who participated in discussions and spoke English – Economic Minister Petro Poroshenko, first deputy head of the Presidential Administration Iryna Akimova and deputy Minister of Ecology and Natural Resources Volodymyr Ignashchenko. Serhiy Holovaty, a member of parliament from the ruling Party of Regions was also present and speaking Shakespeare's tongue. Better still, the four stuck around long enough to answer questions from participants and journalists.

But experts say this is one of the exceptions to the rule of Ukrainian officials rarely showing up, speaking little or no English and avoiding substance. Officials often act "as if they do not care about what the experts and business community has to say," said one Kyiv Post conference participant who asked not to be named for fear of retribution.

Pavlo Sheremeta, president of the Kyiv School of Economics, said the disinterest of Ukrainian officials is a contrast to the active interest he sees by representatives of other governments. "Two weeks ago I was at the summit of World Economic Forum in Dubai and I met one of the key ministers of Malaysia. During the summit he was present at the several different sections, where he was taking detailed

notes. Meanwhile, Ukrainian officials were nowhere to be found after day one," Sheremeta said.

Andrey Bespyatov, president of CFA Ukraine, said the financial institution's annual investor conference, held Nov. 21, was ignored by major Ukrainian government officials. They found Polish and Georgian officials, by contrast, much more receptive to coming.

Natalie Jaresko, CEO of Horizon Capital, has noticed the same phenomenon of disinterest on the part of Ukrainian officials. "It is rare that a Ukrainian official stays beyond his or her own personal appearance to hear what the other speakers discuss," Jaresko said.

Another big exception is the Yalta European Strategy conference, organized annually by billionaire Viktor Pinchuk in Crimea, which typically features a broad range of Ukrainian officials. Jaresko particularly praised former Deputy Prime Minister Sergey Tigipko, who "not only participated as a speaker, but also stayed in the audience and listened – taking notes – to the other panelists throughout the day."

Tomas Fiala, CEO of investment bank Dragon Capital, said members of the current government of President Viktor Yanukovich and Prime Minister Mykola Azarov are doing a better job of showing up than previous governments. "There are quite a few ministers that usually try to participate and give good presentations," Fiala said.

The European Business Association and other major business lobbying groups also usually have no problem arranging private meetings for its members with top government officials.

At the Kyiv Post conference, Poroshenko introduced Georgian

President Mikheil Saakashvili by noting how much Ukraine has to learn from Georgia in "improvement of investment climate, sharp growth of living standard of population, deregulation, and impressive achievements in fighting corruption."

Poroshenko said: "First and foremost, the economy needs reforms... Our main goal should be diversification of the economy, opening up of new directions. Ukraine has great potential in IT, color metals, biotechnology, and other." He continued to list several specific initiatives.

Akimova talked about the government's attempts to battle a corrupt bureaucracy by simplifying procedures. "A sign of corruption is excessive number of licenses and allowance documents," she said. "We have reduced the quantity of allowance documents and licenses."

Despite the progress, more has to be done, she acknowledged. "I am not saying we should rest and be proud," she said. Referring to the theme of the conference, Akimova said the tiger "is not sleeping, it already opened its eyes. It just needs some time to jump."

Volodymyr Ignashchenko, deputy head of the Ecology and Natural Resources Ministry, attended the energy panel and noted Ukraine's progress. "Just several years ago there was no such discussion on shale gas, efficiency, alternative energy and diversification of Ukraine's energy sector, as we have now," he said. He also pointed to the introduction of production sharing agreement contracts, long-term deals between the government and companies, as a positive step.

Kyiv Post staff writer Svitlana Tuchyńska can be reached at tuchyńska@kyivpost.com.



One Hyde Park in London's Knightsbridge. (icij.org /Graham Turner)

Investigation: London complex with Ukrainian billionaires shows 'blatant' secrecy

BY VLAD LAVROV
LAVROV@KYIVPOST.COM

London's upscale residential complex in Knightsbridge is a shady place, according to an investigation by the Washington, D.C.-based International Consortium of Investigative Journalists.

Most of the 72 hyper-luxury apartments at One Hyde Park, where Ukraine's mega-billionaire Rinat Akhmetov has keys to a residence, have been bought in the name of anonymous, offshore entities to protect their owners' identity. This presents the "most blatant case" of British Virgin Islands secrecy in Britain, according to a joint investigation by

the London Guardian newspaper and the ICIJ.

The investigation found that registering the apartments at One Hyde Park, which cost from \$4.8 million to \$217 million, in the British Virgin Islands – a tiny Caribbean nation of a little more than 27,000 people – was a win-win solution for their foreign owners who, according to the Guardian, some would call "the obscenely rich." The offshore zone enabled their foreign owners to not only avoid British capital gains and inheritance tax, but also the attention of tax authorities in their own countries.

Akhmetov, according to the investigation, didn't hesitate to copy →20

Touted Spanish energy deal ends in fiasco, but Ukraine vows to move ahead anyway

→1 the construction and operation of the liquefied natural gas terminal. Ukraine was to come up with the rest.

Moreover, over the course of the year, a subsidiary of Gas Natural had conducted a feasibility study that proposed building the costly land-based terminal.

"This is a historic moment... We've taken the first really big step in securing Ukraine's energy independence," Prime Minister Mykola Azarov announced proudly in Kyiv after the signing.

Instead, journalists witnessed Jordi Sarda Bonvehi, a Spanish-speaking negotiator without authorization from either Spanish company sign a non-binding document with Vladyslav Kaskiv, head of Ukraine's state investment agency, that hasn't been made public. It was all done in the presence of Azarov and Energy Minister Yuri Boiko.

The Spanish companies quickly denied having signed any agreements with Ukraine. Gas Natural officials stated that they don't know the negotiator and that he doesn't work for them or their subsidiaries.

Confusion ensued when Ukrainian officials expressed shock at Gas Natural's statement and claimed the deal was sealed.

The Financial Times reported that Azarov's spokesperson later described the turn of events as disappointing and stressed that the country would pursue the construction of the strategic LNG terminal, with or without Gas Natural or other investors.

Then in an interview with online news portal Ukrainska Pravda, Kaskiv said he will resign "if it helps realize the LNG terminal project."

What is certain is that Ukraine commenced construction on Nov. 26 in Odesa Oblast on a pipeline that would connect Ukraine's vast gas transit network with the proposed Black Sea coast LNG terminal, as shown on live video feed.

Another certainty is that Edward Scott from the U.S. Excelsite Energy, a pioneer industry firm, also signed a non-binding cooperation agreement with Kaskiv that wasn't revealed.



Jordi Sarda Bonvehi (left, sitting) on Nov. 26 signs what the Ukrainian government called an agreement on behalf of a Spanish company to construct a liquefied natural gas terminal on the Black Sea coast, but who turned out to be simply an intermediary with no authorization to conclude the deal. (kmu.gov.ua)

a Kyiv Post phone call and email to Houston-based Excelsite Energy went unanswered by the time this edition went to print.

As it turns out, the cutting edge American company has a floating terminal unit that it could possibly lease to the Ukrainians and which costs much less than the proposed \$1 billion onshore project.

"The most realistic scenario," said Dmytro Marunych, director of the Energy Studies Institute in Kyiv, "is that over the course of the year, the Ukrainians found that it's much cheaper to lease the American technology than to go ahead with the Spanish onshore proposal."

But this doesn't rule out having one onshore and one offshore terminal, or a combination of both, as long as there are willing investors to move ahead.

"If there are investors that are ready to invest, to possibly put in a second floating terminal or the land-based ter-

terminal, we are very interested to talk," Kaskiv told the Financial Times.

In an earlier interview with Ukrainska Pravda news site, Kaskiv implied Russia had pressured the Spanish company to cancel at the last moment.

Whatever the causes, after the signing ceremony, Ukraine is left without a consortium to finance an LNG terminal project.

"The Spanish could still be on board as investors and suppliers of the gas, but why should they come to (Kyiv) to sign something that wasn't what it had originally proposed," said Marunych.

When asked whether Ukraine wanted to upstage Russia, which hasn't begun constructing its South Stream pipeline to circumvent Ukraine's gas transit system to Europe, Marunych said: "I wouldn't speculate, but Ukraine evidently wanted to do this quickly and better, but the outcome was the same as it always is."

Kyiv Post editor Mark Rachkevych can be reached at rachkevych@kyivpost.com.

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Is there a future for comics in Ukraine?

Many talented comics artists work in Ukraine, but say they have never gotten widespread recognition. (Daria Zadorozhnaya)

BY DARIA ZADOROZHNAJA
ZADOROZHNAJA@KYIVPOST.COM

From cave paintings to murals and tableau, the art form of comics has a long, rich history. And although comics filled their share of magazine pages in the Soviet days, they never gained cult status or international fame like Batman and Spider Man did in the U.S. Still, Ukrainians love to watch

Hollywood movies about superheroes. Yet many don't know that their plots are based on comics or graphic novels. Comics in the U.S. evolved from short strips placed in early 20th century newspapers to entire stories with graphic images. Today, comics are an integral part of America. Japan's manga comics are also a part of everyday life. Homegrown comics in Ukraine have their own niche but aren't mainstream.

The field's authors are trying to change that. Recently authors of comics gathered at an international festival of graphic stories, which took place at Kyiv's ArtPrichal gallery on Nov. 10-25. "We decided to organize the festival to make more people familiar with this art and to meet old friends from Ukraine and abroad," said Andriy Humeniuk, the festival's organizer and

manager of the Black and White association of artists. Works of artists from Russia, Kazakhstan, Belarus, Poland and the Czech Republic were also presented at the festival. Local artists are gaining in prominence too. In October, experts embraced the nation's first top notch product: a graphic novel about the fantastic adventures of Ukrainian → 19

Food Critic



WITH DARIA ZADOROZHNAJA
ZADOROZHNAJA@KYIVPOST.COM

Esperanto adds dose of healthy Italian taste to Kyiv cafe scene

Kyiv's coffee market is becoming increasingly crowded, with unique little shops and large franchises opening new locations all the time. And each one is looking for that edge to make them stand out. For Esperanto, the edge is bringing a wide range of Italian tastes to those craving more than just a good espresso.

The little cafe near Lvivska Square first opened in December last year and quickly gained popularity among the capital's residents. The place's specialty is that, in addition to cappuccino and sandwiches, clients can also purchase Italian products at reasonable prices – an idea that came to the director after a visit to Italy.

The range of products includes: imported mozzarella, prosciutto, pasta, coffee and other Italian goods. You can also grab a fresh salad or sandwich with lemonade, filling one of the biggest gaps on the Kyiv food scene: Places to get a healthy meal to go.

Part of a franchise that started in Dnipropetrovsk, where the chain already operates six cafes, this is Esperanto's first venture into the capital. According to the manager, Tatiana, another one is set to open in January, also in the center.

The Italian atmosphere hits straight upon entry. Bags of coffee, bottles of wine, olive oils, sauces and cheeses fill the room. Appetizing salads and sandwiches are found on shelves, a delight both for the eyes and nose.

The staff is both helpful and knowledgeable about each product. Together with a friend, I picked a salad with prosciutto cured ham for Hr 23 with curry sauce (Hr 3), cheese-cake (Hr 17) and a cherry strudel (Hr 15), as well as a fragrant sandwich with Provence herbs and olives (Hr 14) and a cappuccino (Hr 16).

We decided to eat right there in the small cafe area. Salad consisted of cherry tomatoes, mozzarella, prosciutto, grated Parmesan cheese and lettuce that was both tasty and fresh. The desserts and cappuccino were not extraordinary but were good.

Disposable cutlery and cups took away from the experience, but the venue is primarily focused on takeaway. Before leaving, I bought 100 grams of Neapolitan salami for Hr 22 to enjoy a small taste of Italy at home.

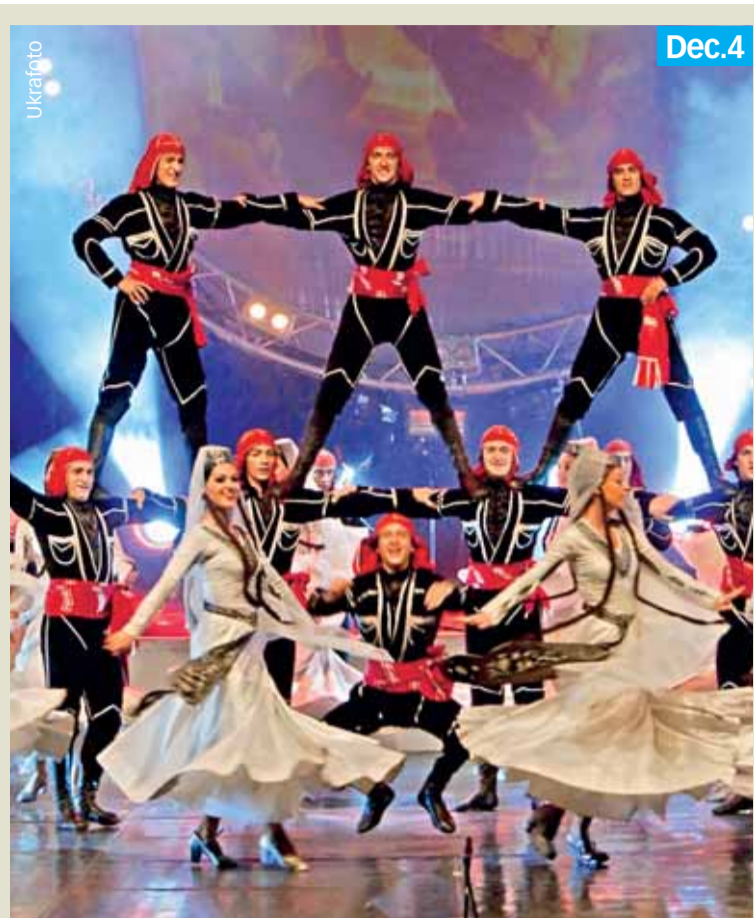
If you are looking for a quick and healthy meal, especially an Italian one, drop by Esperanto. You just might find me there, too.

Kyiv Post staff writer Daria Zadorozhnaya can be reached at zadorozhnaya@kyivpost.com

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Georgian history in music and dance

An unforgettable night of traditional Georgian dance accompanied by national melodies awaits the attendants of the Georgian National Dance and Music Ensemble Erisioni's concert, scheduled for Dec.4 in Palats Ukraina.

About 100 actors will perform in a colorful show featuring the most important events from Georgian history, from the old times till today. Established in 1885, Erisioni was first a choir of folk song amateurs before becoming a national ensemble.

Erisioni. Dec.4. Palats Ukraina. 7 p.m. Hr 170-1,100

Dutch bike exhibition opens in Kyiv center-

BY OKSANA FARYNA
FARYNA@KYIVPOST.COM

For the Dutch, bicycles are more than just a means of transportation. They are a way of life, a philosophy and a designer item at the same time – something that can be clearly seen at the Dutch Design Bike exhibition that opened at Domosfera shopping center on the outskirts of Kyiv earlier this month.

Organized by famous Dutch design group Yksi, the show consists of 10 remarkable bicycles, commercial and designer, plus a collection of objects created out of bicycle parts or inspired by them. There are chairs made of bicycle frames as well as a handbag, a rug and even jewelry made from bicycle tires.

"In Holland we have this bicycle feeling for the last 60-70 years," said Leonne Cuppen, a designer and member of Yksi group who came to Kyiv to open the exhibition. "Holland is flat," she explained. "Therefore everyone has a bike, some two, some three. Children learn to ride it at the age of 4."

Cuppen said she has two bikes and can often be seen riding one of them with her bag in front of the wheel and her two kids behind her back. Her husband has three bikes. The designer said a bike for her means one word: "freedom."

Statistics show bikes outnumber people in the Netherlands, with 19 million bikes for 16 million residents.

In Ukraine the situation is quite different.

"In Kyiv it's really suicide to go by bike. I would not do it here," Cuppen, who lives in Eindhoven. Asked what could be done to make Kyiv more bicycle friendly she says "a lot" but then adds: "You have wide streets. Take two meters from both sides of each and that's it. You have to make the lanes otherwise it's impossible."

For those critics who say that Kyiv is



Dutch Design Bike exhibition in Domosfera offers commercial and designer bicycles. (Oksana Faryna)

too hilly to be convenient for cyclists, the exhibition offers a solution – an electric bike. It has five gears and a battery that can last for 70 kilometers without recharging. Its only disadvantage is a price tag of around two thousand euro.

Apart from ultra modern orange electric bicycles, the exhibition features bamboo, oak and copper bikes that can be used for regular travel. Other bicycles are designers objects decorated with flower pots and baskets or knitted over by bright threads.

Since its creation in Eindhoven in 2008 the popular exhibit has come to

Bratislava, Moscow, Tallinn, Brussels, Tunis and Budapest. After Kyiv it will go to Saint-Petersburg, Milan, Tel Aviv and Prague.

Kyiv Post staff writer Oksana Faryna can be reached at faryna@kyivpost.com.

Dutch Design Bike exhibition

Domosfera shopping center, 101 Stolychene Highway.
Open every day from 10 a.m. until 10 p.m. through Dec. 10.
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Many buyers in London's luxury One Hyde Park favor offshore secrecy

→ **18** his neighbors. In 2007 he paid \$217 million for the most expensive property at Hyde Park One – two penthouse flats occupying the top three floors knocked together – using British Virgin Islands-registered Water Property Holdings.

In the past, Akhmetov spokesperson Olena Dovzhenko said the record-breaking London penthouse was a "portfolio investment" made by Akhmetov's holding company System Capital Management and "was not used by Akhmetov." However, SCM representatives would not tell the Kyiv Post how exactly the One Hyde Park property is used. Akhmetov's spokesperson, Olena Dovzhenko, did tell the Kyiv Post that Water Property Holdings paid \$8.7 million in government duties to the British government when it purchased the property.

"If Akhmetov's family decides to move and live in the One Hyde Park complex, Mr. Akhmetov will finance this move from his own pocket," Dovzhenko told the Kyiv Post.

Akhmetov is far from being the only rich Ukrainian with an affinity for upscale London real estate. In 2008, the \$124 million 10-bedroom Kensington villa was purchased, according to the Daily Telegraph, by the Victor and Olena Pinchuk family. Pinchuk's press service said the property in London was purchased as part of the family's global investment strategy, but details remain confidential.

Victor Pinchuk became a billionaire by snapping up some of Ukraine's best industrial assets when his father-in-law, Leonid Kuchma, served as Ukraine's president from 1994 until 2005.

London also appears to be the choice for Gennadiy Bogolyubov, co-owner of Ukraine's so-called Privat business group which controls lucrative assets spanning energy, banking, ore mining and passenger airlines. As the Daily Telegraph reports, in 2010 he purchased a landmark Victorian office building at One Trafalgar Square for more than \$260 million and has since gone to court over the commission fees

related to the purchase. The Kyiv Post didn't get an immediate response for comment from Bogolyubov.

While ICJ and the Guardian haven't established any wrongdoing behind the secrecy in Akhmetov's real estate dealings in London, some of his Hyde Park neighbors have reasons to hide behind offshore jurisdictions. At least one of them, the bankrupt Irish property developer Ray Grehan, is attempting to cheat his creditors, according to the journalists' investigation.

Meanwhile, more than 30 owners of the four-tower hyper-luxury residential complex still remain anonymous. As the investigation found, they are shielded in the British Virgin Islands or, even more controversially, non-transparent jurisdictions such as Liechtenstein, St Vincent and Liberia. Overall, almost 80 percent of Hyde Park One apartments, estimated at more than \$1.2 billion in total, have been bought using offshore entities.

Kyiv Post staff writer Vlad Lavrov can be reached at lavrov@kyivpost.com.

Comics creators fight to get their artistry known

→ 19 Cossacks titled Daogopak by Maxim Prasolov, Oleksiy Chebikin and Oleg Kolov.

Moreover, Ukrainian creations are moving beyond the country's borders.

At the comic festival Comissiya in Moscow,

ber the once popular K9 magazine, which was published monthly until 2009, and widely available. Now the first issue of Ukrainian manga stories Hakken Seimei was published, but only 300 copies were printed with the authors funds.

Some people believe that paying for

Local artists are getting better. "Daogopak," a first Ukrainian graphic novel, was presented at Knizhkovy Arsenal in October. (Courtesy)

Ukrainian artists took top honors, including Igor Baranko for his Maksim Osa (also about Cossacks), as did Yevgeniy Pronin for his work Well. Both were published by Eugenios, practically the only publishing house that prints comics in Ukraine, located in Odesa.

Unfortunately there are still no periodicals in Ukraine, but change may be around the corner. Fans of comic books still remem-

ber the once popular K9 magazine, which was published monthly until 2009, and widely available. Now the first issue of Ukrainian manga stories Hakken Seimei was published, but only 300 copies were printed with the authors funds.

Some people believe that paying for pictures is silly, even though the work is hard. Arkadiy Medvedev, who owns an anime goods store and is the owner of Anime Line group, said: "Many magazines, with the transition to Internet space, are free to read so why

pay when you can read for free. But a magazine is hard work, a classic, you can hold it, smell the ink." Medvedev laments that the average person isn't interested in comics. Stores do not want to take alternative magazines, especially homegrown ones. They buy foreign goods, some of which are of worse quality, and thus do not give opportunity to authors and publishers to make money. Authors often do the



Ukraine doesn't have its own printed comics periodicals. Shops buy them from abroad. (Daria Zadorozhnaya)

→ There is no place to learn how to draw comics in Ukraine. But the website comics.com.ua draws artists together online.

drawings themselves at their own expense, and incur losses.

Unlike in America and Japan, there is no place to learn how to draw comics in Ukraine. Octane, the comic book author of Elven Magic said he first started drawing comics in grade school. After five years of drawing, he visited the site comics.com.ua, where Ukrainian comic artists gather.

"A piece here and a piece there, and I made a list of rules of how I should or should not draw," said Octane.

For Aleph, the artist of the Mystery

comic book, drawing "is still more of an art, (and) not commerce."

There's no shortage of Ukrainian talented artists and there are fans of comics in Ukraine despite distribution problems and building an understanding within a wide audience. Perhaps its' possible to have a Ukrainian comic superhero depicted on T-shirts. And that day may come sooner than later.

Kyiv Post staff writer Daria Zadorozhnaya can be reached at zadorozhnaya@kyivpost.com.



Dec.1-2 Mafia World Championship

The most skillful and experienced Mafia players from Russia, Ukraine, Poland, Germany, Moldova, Kazakhstan, Belarus and Israel will get together in Kyiv this weekend.

They will compete for the title of Mafia world champion. Six games will take place on Dec. 1 in order to select 10 winners who are set to compete for the main title on Dec. 2.

"This game will feature professionals, the best in Ukraine and abroad. We are planning to develop it into sport (competition) with time," said Ernest Fedorov, president of the Mafia intellectual game federation organizing the event. For invitations call 067-656-8948. Red-black-and-white dress-code is required.

Mafia World Championship 2012. Dec.1-2. Dream Town. Hr 200

IWCK holiday charity bazaar

The goodies for any taste and budget from all around the world will go on sale on Dec. 1 at Kyiv Expo Plaza exhibition center which will be hosting 20th annual Holiday Charity Fair organized by the International Women's Club of Kyiv.

The embassies of more than 40 countries including Italy, Czech Republic, Sweden Japan, Austria, USA, Poland, Netherlands, Great Britain are expected to participate in the event. The visitors will have chance to try delicious dishes of various cuisines, buy souvenirs, Christmas-tree decorations, toys and other stuff.

All proceeds will go to charity. Holiday Charity Bazaar. Dec.1. Kyiv Expo Plaza. 10 a.m. - 5 p.m. Hr 30



Unforgettable Birthday of "Kuvshyn" Restaurant, Kozyrna Karta

On the 13th of September "Kuvshyn" restaurant celebrated its 7th year birthday with a partnership of Nemiroff, the International Brand! All these years, "Kuvshyn" with traditional Caucasian hospitality and politeness, welcomed its guests with tasty dishes. Many close friends and famous celebrities came to congratulate the restaurant and to celebrate its birthday.

The celebration took place in the style of BBQ party. Tables were served with different kinds of meat, cooked on the grill, baked sheep on a skewer, tasty pilaf, variety of beverages. Beautiful girls of gypsy's camp delighted guests with their dancing, colorful costumes and songs. On the lower terrace, all people, who like body art, were able to make an exclusive design of aqua Grimm. The Birthday was really colorful. Happy Birthday to you, "Kuvshyn"!

Touring Kyiv's pay-for-time spaces

BY OLGA RUDENKO
RUDENKO@KYIVPOST.COM

Time is money, tea isn't. That could be the motto for Kyiv's pay-for-time establishments. They are like anti-cafes. They offer comfortable seats, hot beverages, sweets and board games for free. The only thing you pay for is time. The trend started when Moscow's Tsyferblat came to Kyiv this spring. It was followed with other creative places downtown, free of alcohol and tobacco and providing wireless Internet connections.

Chasopys

3 Lva Tolstoho St. Hr 30 for the first hour, Hr 15 after that. Personal cards are used to count time.

Working hours: 8 a.m. - 11:30 p.m.
Tel: 384-0710. A list of events and sign-up forms can be found at www.chasopys.kiev.ua.

First opened in early September, it only took a couple of weeks to become one of most popular establishments in downtown Kyiv. Now Chasopys hosts lectures and presentations almost every day. In evenings it is often full, but its several halls mean there should always be a seat somewhere around.

When I entered Chasopys with a friend on a Monday night, its two largest halls were hosting lectures, one free and one with an entrance fee. We



Guests enjoy talking and hot beverages at Chasopys pay-for-time establishment. (Kostyantyn Chernichkin)

found seats in the coziest part of the British-style hall with classic beige armchairs and coffee tables, where a dozen office workers were participating in

some kind of team-building event.

Another hall has books, magazines and cafe-style tables. There is a cinema hall, a room with board games and bean bag chairs, a room with benches imitating a park, a bathroom-styled hall and a conference room.

Hot beverages and some food are available at Chasopys' coffee points. Here one can find a coffee machine, tea bags, a toaster, bread, jam and cookies.

In general, Chasopys seems the most suitable for meetings, including business ones. Even though there is some entertainment to be found, the atmosphere seems a bit on the serious side for hanging out with friends.

Bibliotech

120 Saksahanskoho St. Hr 36 for the first hour, Hr 18 after that. Bracelets are used to count time.

Working hours: 10 a.m. - 11 p.m.
Tel: 351-1990. www.bibliotech.com.ua.

This is Kyiv's geek haven. It bears

the slogan "Being smart is back in style," and has portraits of prominent geek-culture figures – like Albert Einstein, Woody Allen and the characters of The Big Bang Theory TV series – on its walls. Located on the second floor of a modern business center at Saksahanskoho Street, near Kyiv's main railway station, it remains quite isolated.

Bibliotech offers more entertainment than its rivals. It has two foosball tables, two Xboxes, a ping pong table and some classic board games. Their book collection is quite nice, too.

Treats are also more generous. Besides the usual coffee, tea, bread and jam, there are candies and oranges to make juice. It's a good weekend hangout and even on crowded evenings there is some place to sit and a game to play.

Bibliotech is the most expensive of Kyiv's pay-for-time establishments, but it offers some discounts. Workdays before 4 p.m. are half-price, with the whole day going for Hr 72. Also, a

→ Cafes charge by the hour for space and offer Internet and place free of alcohol and smoking

Foursquare check-in will give you 10 percent discount.

For me, Bibliotech was a strange mix of friendliness and hostility. Almost all clients are extremely relaxed, friendly and always willing to help when you don't know how to beat someone to death in an Xbox game. By contrast, the receptionist's rudeness reminds of Soviet-style shops and doesn't suit the otherwise modern venue.

Besednizza

7/1 Tarasa Shevchenko Alley (near Maidan Nezalezhnosti). Hr 16 per hour. Personal cards are used to count time. Working hours: 10 a.m. - 11:30 p.m. Tel: 270-6005. www.besednizza.com.

Besednizza is perhaps the least known of Kyiv's pay-for-time spaces, which is weird since it is just 100 meters from Maidan Nezalezhnosti Square and is the cheapest. Besednizza is rather small. Its two rooms are designed with much less effort than those of Chasopys and Bibliotech. This gives it a homely feel, which is reinforced by its location in the basement of an old building.

Treats are modest and include coffee, tea and tasteless cookies, so those with a sweet tooth should bring something with them. The choice of board games is pretty much the same as everywhere, and table football is replaced with a small billiard table. Mafia is also a popular game, and there's always a chance to join in. Also, one can buy an hour in Besednizza and leave it for a stranger to use later.

Kyiv Post staff writer Olga Rudenko can be reached at rudenko@kyivpost.com



Bibliotech, the most expensive of Kyiv's pay-for-time establishments, offers more entertainment than its rivals. (Courtesy)



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