

KyivPost 20TH ANNIVERSARY
SERIES

Dec. 2, 2015

UKRAINE'S SUCCESS STORIES

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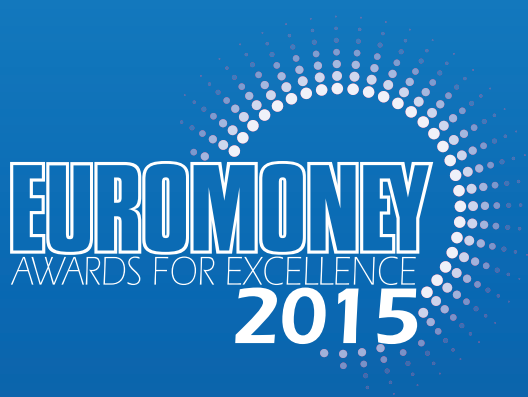
Horizon Capital



**A look at the nation's
top innovators**



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Editors' Note

Welcome to the Kyiv Post's first-ever supplement devoted to Ukrainian success stories and innovations. We hope that this will be a regular feature that proves to be at least as popular as some of our other special publications, including Doing Business in Ukraine, which made its debut last year, and our Legal Quarterly, which is now in its second year.

The world's headlines about Ukraine are dominated by stories of corruption, war and everything else that is either not going right in the nation or that could be improved.

But that's not the whole story. Ukrainians are highly entrepreneurial, when given the freedom, and highly adaptive. So when Lenna Koszarny, the CEO of Horizon Capital, spoke with Kyiv Post CEO Nataliya Bugayova about the need for more news coverage about what is going right in the economy, we gladly signed on.

More good news: Our journalists found too many success stories for the available space. So we refined the search to include a sampling of innovators whose achievements have improved the lives or have the potential to improve the lives of Ukrainians while helping the nation to build a new and more prosperous economy. Visionaries in business not only see the future, they anticipate people's needs and capitalize on them – making money for themselves by being better than the competition. The rest of us, in turn, benefit from their talents and ambition. So three cheers to all of Ukraine's successful innovators – we need more!



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KyivPost 20th ANNIVERSARY SERIES

Dec. 2, 2015

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On the cover: Ukraine has plenty of success stories and innovators who are creating a new economy. (Depositphotos)



An ode to Ukraine's visionary leaders, true heroes of the new economy



Lenna Koszarny

I remember that day, many months ago, when the idea was first born. The moment the words were said, forces began to put this idea into motion and I was sure that it would soon become reality.

"We need to profile those visionary entrepreneurs, the leaders who are transforming the landscape of Ukraine...not those who have merely taken over the helm from their predecessors, but the ones who have created something from nothing"...and boldly changed what we believed was possible in the process.

You are holding this idea in your hands, the first edition of "Ukraine's Success Stories: A Look At The Nation's Top Innovators."

Nataliya Bugayova, CEO of the Kyiv Post, and I were meeting to discuss the 2014 Doing Business in Ukraine supplement. We discussed the way that Ukraine is typically portrayed in the media: War, conflict, corruption, economic crisis...the news could not be worse.

Contrast this with the reality of what our team was seeing on the ground, at companies in which we are invested and others with whom we are developing relationships.

We are seeing bold leaders rising to the challenge against enormous geopolitical and economic headwinds by:

- inspiring teams to work harder than ever to generate sales and optimize costs in ways that they had never before considered;
- entering new markets and rapidly and radically changing their business models in response to Russian trade borders now closed for their goods and services;
- replacing raw material sources when supply chains that had been built over decades were cut off virtually overnight and long-term relationships broken, as former trusted suppliers now had the misfortune of being based in the "occupied territories;" and
- Seizing opportunities to grow market share on the back of decreased advertising rates or to pursue an M&A opportunity that seemed unattainable before.

Innovation. Bold vision. Solid execution.

These are the hallmark traits of leaders and their teams, motivated not only to survive but to thrive in these challenging times.

As a leading private equity firm in Ukraine, managing funds with a combined tenure going back 20

years, it has been a privilege to work with the visionary entrepreneurs who have created successful companies by imagining a vision of the future that does not yet exist; then setting goals and executing strategies to bring this vision to life.

Our slogan "We invest in visionary entrepreneurs transforming the business landscape in Ukraine" is not mere words. Rather, this describes the leaders who we seek to partner with, to build trust with and work alongside, to develop their businesses by contributing growth capital, new ideas, strategic thinking, operational expertise and managerial talent.

Leaders like:

- Vyacheslav and Iryna Chechotkin, the entrepreneurial couple from Odesa who grew Rozetka from a start-up in 2005 into the leading e-commerce platform in Ukraine, serving more consumers every day than the top 10 Ukrainian shopping malls combined;
- Torben Majgaard, the forward-thinking Danish entrepreneur who developed Ciklum from an idea into a 2,500 programmer-strong global IT service provider, achieving the ultimate seal of approval when world-renowned investor George Soros, through his Ukrainian Redevelopment Fund, announced a planned acquisition of a stake in the company in November;
- Ivan Telyuschenko, a serial entrepreneur passionate about quality bricks, who developed the façade brick market via his first venture, Slobozhanska Budivselna Keramika, and then in 2004, launched the first-ever clinker brick manufacturer in Ukraine, Kerameya, that continues to dominate the market today, growing volumes and operating profitably despite a huge drop in export sales and slump in the domestic construction market; and
- Mikhaïlo Veselsky, the dynamic entrepreneur behind the Evrotek group of retail chains who, faced with an unworkable business model in the post-2008 crisis, quickly changed course, acquiring two failing retailers and increasing stores from 9 to 80 to gain the necessary scale to improve supplier terms and the company's prospects.

Of course, vision is not limited to business only and the launch in October of the first ever, innovative, educational institution, the Ukrainian Leadership Academy by Western NIS Enterprise Fund, under the guidance of leadership guru Erez Eshel, brings to life Nelson Mandela's words that "Educa- ►

tion is the most powerful weapon which you can use to change the world.”

It is high time to shed the prevailing mistrust of entrepreneurs as “speculators” and “corruptioneers” and recognize their important contribution to Ukraine’s turnaround, to job creation, to developing their communities, to attracting badly-needed capital and to their positive impact in Ukraine.

We recently estimated the impact of WNISEF, the U.S. Agency for International Development-sponsored government fund whose investment portfolio Horizon Capital manages, and which has recently launched a \$30 million technical assistance program for Ukraine and Moldova under the leadership of President and Chief Executive Officer, Jaroslawa Z. Johnson.

WNISEF, through its own portfolio company investments and those of two follow-on funds managed by Horizon Capital, has employed over 25,000 people in a total of 135 companies. In addition, WNISEF’s commitment of \$150 million has unlocked about \$1.4 billion in capital



Ciklum’s office in Odesa. Billionaire George Soros recently bought a stake in the global provider of information technology services. (Ciklum)

for the region. The full impact of each visionary entrepreneur choosing to build a business in Ukraine is difficult to measure, but we must try nonetheless.

William Arthur Ward said: “If you can imagine it, you can achieve it; if you can dream it, you can become it.”

Visionary leaders are all around us.

We need to stop looking to one person or a few to lead us to the Promised Land.

Instead, we should do more to celebrate those who take the risks, pur-

sue their dreams and are leading the economic revival of the New Ukraine. We sincerely hope that this is the first of many supplements celebrating Ukraine’s top innovators and their success stories, and that more and more entrepreneurs will shape Ukraine’s successful future!

Lenna Koszarny is a founding partner and chief executive officer of Horizon Capital and the executive vice president in WNISEF.

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In its motto, Terrasoft pledges to create “the world’s best technologies for business management.” (Volodymyr Petrov)

Terrasoft’s top-notch software helps businesses manage relationships

By Alyona Zhuk
zhuk@kyivpost.com

The client base of any Ukrainian business in the early 2000s was usually kept in an excel file with each person’s name and phone number. Yet, Terrasoft has now provided an alternative: customer relationship management, or CRM.

CRM is a complex system for marketing, sales and service, and arranging all kinds of information about the client – from gender to hobbies and purchasing habits.

About 99 percent of Ukrainian compa-

Terrasoft

Established: 2002

Headquarters: Kyiv

Founders: Katerina Kostereva,
Alexander Popov

Claim to fame: Terrasoft designed one of the world best software for customer relationship management.

www.terrasoft.ua

nies have switched to using CRM systems in their work, according to Alex Khar-chyshyn, the chief operating officer of the Digital Future investment company.

In his words, CRM helps businesses to better understand their clients’ needs, and in turn to increase their loyalty and

the companies’ revenues. The software also ensures the company doesn’t lose ties with the client if the salesperson in charge of the account leaves, as the new employee could easily catch up just by reading the CRM files.

According to Taras Talimonchuk, chief operating officer at the Digital Bee marketing agency, Terrasoft’s partner, advertising systems built to transmit commercials to the user have already started integrating with the CRM systems. Such cooperation enables marketing managers to target the audience more precisely, and thus decrease the cost of advertising.

As a pioneer in the post-Soviet re-▶



INVESTING IN NEW UKRAINE



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► gion, Terrasoft designed its own CRM software from scratch. More than 10 years later, after several modifications, the program is called bpm'online. At a webinar on Nov. 20, Terrasoft presented its latest version of the product, bpm'online 7.7.

In its motto, the company says "it is inspired to create the world's best technologies for business management."

The company's team has more than 500 people. Terrasoft has offices in Kyiv, Moscow, Boston and London, as well as 400 partner companies in 35 countries.

Ukraine's biggest online retailer, Rozetka, leading employment service HeadHunter and Kyiv-based law firm Arzinger are among Terrasoft's clients, according to the company's website.

The company has been focusing mostly on the U.S. market lately, since at least 51 percent of the world's CRM market is located there, Katerina Kostereva, Terrasoft's CEO, said in an interview with AIN



Terrasoft CEO Katerina Kostereva

earlier this fall.

The Nucleus Research international agency described bpm'online as a leader on the CRM-vendors market in its latest report, CRM Value Matrix, published last September.

"Bpm'online moves from facilitator to a

leader because of continued investments in both usability and functionality, largely delivered in the 7.6 release," Rebecca Wettemann, the agency's vice president, was cited as saying.

Terrasoft's software has also earned a mention in another rating: last August, CRM Magazine ranked bpm'online among the CRM market leaders.

Kharchyshyn, also a former Terrasoft employee, championed bpm'online, saying it had "a combination of a well-thought-out interface and decent set of functions."

"There happen to be complicated systems that are difficult to start working with," he told the Kyiv Post. "Terrasoft's CRM was designed so that the user does not get lost or scared."

While Terrasoft is one of the world leaders of the CRM industry, he said, its leadership in Ukraine is uncontested.

Kyiv Post staff writer Alyona Zhuk can be reached at zhuk@kyivpost.com



Terrasoft's team has more than 500 people, working in the company's offices in Kyiv, Moscow, Boston and London. (Volodymyr Petrov)

By Alyona Zhuk
zhuk@kyivpost.com

When Vladyslav Chechotkin and his wife Iryna were launching Rozetka in 2004, he says nobody believed he would be able to build successful store online. But Rozetka is today the country's biggest online retailer, boasting more than 1.5 million visits per day.

"We appeared out of nothing, and we owe our existence to new technologies," Chechotkin said at the Google Ukraine conference held in Kyiv on Nov. 11.

Chechotkin championed the flexibility given to businesses by the Internet.

"You can work wherever and whenever you want," he said. "And as effectively as you want. A single online store gets 10 times more visitors than monsters like (the Kyiv-based shopping mall) Ocean Plaza. Just think of the investments that had to be made in that building, (compared to) our business structure."

At first, Rozetka sold mostly consumer electronics. However, step-by-step, the list of goods offered for sale has been augmented with toys, clothes, sports goods, beauty care products, musical instruments and even pets supplies. Last year Rozetka started selling train and plane tickets. The website has 145,000 items available for purchase.

And for the third year in a row, Rozetka has won first place in the e-commerce ranking of the Ukrainian edition of Forbes magazine.

The total volume of Ukraine's e-commerce market last year was \$1.6 billion, according to the report. Rozetka's revenue was \$295 million in 2014.

Even though in dollar terms the market fell by 20 percent, Rozetka ended up far ahead of its competitors. In comparison, the revenue of online store Allo, which took second place in Forbes' rating, was just \$68 million.

Last fall Forbes also included Rozetka on its list of the 200 biggest Ukrainian ►

Rozetka

Established: 2001

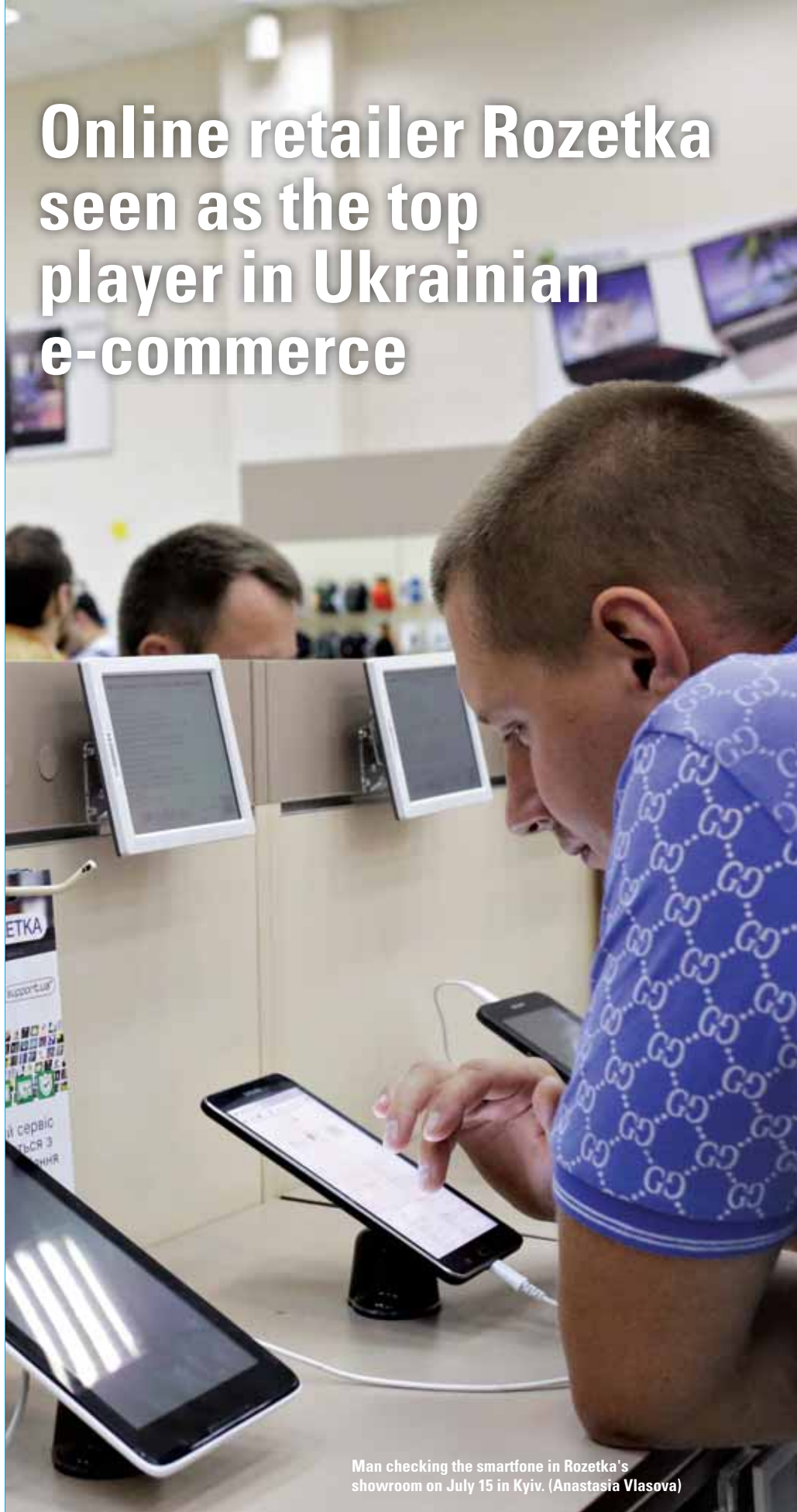
Headquarters: Kyiv

Founders: Vladyslav and Iryna Chechotkin

Claim to fame: Chechotkin's innovations changed Ukrainian shopping habits.

rozetka.com.ua

Online retailer Rozetka seen as the top player in Ukrainian e-commerce



Man checking the smartphone in Rozetka's showroom on July 15 in Kyiv. (Anastasia Vlasova)

► companies that make up the bulk of the state's economy. Rozetka was the only online business among five other retail companies, however.

Watcher, an online publication focused on Internet businesses and social media, in 2011 published a top 10 list of people who influence Ukraine's internet. Chechotkin was in second place.

"Everyone keeps asking what the secret behind our success is. Why did Rozetka succeed, and others didn't? Sincerely, I can't answer that question," Chechotkin said. "If we hadn't succeeded, I could have said it was because the taxes were high, the country was corrupt, and the competitors were mean. But we did (succeed), thank God."

And with that success comes investment: Last summer the Ukraine-based private equity fund manager Horizon Capital announced it was putting money into Rozetka.

Although neither side has revealed the value of the deal, industry experts said it could be one of the biggest ever deals



Rozetka started with selling consumer electronics, but today it has 145,000 items available for purchase, including clothes, beauty care products and railway and plane tickets. (Kostyantyn Chernichkin)

in Ukrainian e-commerce. Experts said the deal was good news not only for Rozetka, but also for the entire economy, as it meant that Ukraine remained attractive

to big investors despite being under attack by Russia in the Donbas.

Kyiv Post staff writer Alyona Zhuk can be reached at zhuk@kyivpost.com



Antonov's new AN-178 showcases at Dubai Air Show

Ukraine's premiere aircraft manufacturer Antonov presented the new AN-178 jet transport plane at the Dubai Air Show in early November. Developed to replace the famous AN-12, the new aircraft can be "effectively operated under conditions of the Middle East and Africa," the company said in a news release on Nov. 19. The aircraft's capabilities include operating under high temperatures in ambient or moist air, as well as landing on airfields with different runway surfaces.

"Returning from the Dubai Air Show, the AN-178 performed the most durable test flight. It overcame strong contrary wind with

a speed of about 150 kilometers per hour. It landed in the dark evening, without daylight," Antonov said.

Its versatility means it could be used in different logistical schemes to carry packaged cargo, pallets and containers, including maritime C1 containers.

"Besides, this airplane, with a payload of 15-18 tons, will be an effective replacement for the AN-12 and C-160 that are known in the (Middle East and Africa) region," according to Antonov First Vice President Oleksandr Kotsiuba.

– Mark Rachkevych

DE NOVO — A BUSINESS SUCCESS STORY IN THE UKRAINIAN CLOUD

De Novo is an innovative Ukrainian IT company and national provider of cloud and commercial DC services. It is the one-stop shop for the resources of Ukraine's most reliable Datacenter, as well as the Enterprise Class Cloud and project services. The team's expertise in designing public, private and hybrid clouds meets strict customer business-continuity requirements and ensures the flawless functioning of business critical systems. Through its innovative technologies, De Novo is helping Ukrainian businesses become more agile and is leading the nation's switch to cloud computing.

De Novo Datacenter: An ambitious start

The company was founded in 2008. This ambitious player in Ukraine's IT market, with a bold high-tech vision and cutting edge projects, has managed to attract investment from technology holding company KM Core, Intel Capital, and the International Financial Corporation — a part of the World Bank Group.

In 2009-2010 De Novo experts designed, constructed and launched the first Ukrainian Commercial Datacenter, which meets international standards and has a Tier 3+ reliability level. The De Novo Datacenter serves Raiffeisen Bank Aval, UniCredit Bank, UkrSibbank (BNP Paribas Group) and other leading banks and enterprises of Ukraine. The Datacenter has enjoyed 100% uptime, running uninterrupted since the start of its operation.

De Novo Cloud: gaining the trust of Ukrainian businesses

To provide Ukrainian businesses with on-demand computing resources and to speed up corporate IT projects, De Novo experts created the first Virtual Private Cloud in Ukraine and launched it

in 2012. De Novo Cloud provides users with a rapid access to services, infrastructure scalability and strict SLA (Service Level Agreement) commitments. The Trusted Cloud model ensures the security of customer applications and maximum protection against external threats.

De Novo cloud services are used by dozens of companies in the financial and insurance sectors, as well as in manufacturing, wholesale, retail, logistics and e-commerce. According to annual research findings, De Novo Cloud leads the market in its trust growth dynamics (IDC & De Novo, Ukrainian cloud market — 2015).

National Cloud Platform for Ukraine in the digital age

As a responsible company and a team passionate to see Ukraine overcome today's crisis with the help of technology, De Novo is participating in driving innovation into public entities and with the digitalization of government services. In 2014-2015, the company contributed to municipal modernization and provides a free National Cloud Platform for pilot public e-services projects from various regions of Ukraine.

Cooperation with Lviv Municipal Council is one of the pioneer projects in this initiative. De Novo Cloud Platform enabled LMC to save time and billions of hryvnias for Lviv's budget while developing and deploying an e-government portal for the city's residents. E-services provided by De Novo Cloud allow citizens to pay their bills, order certificates, submit applications and arrange appointments with the authorities. As of September 2015, Lviv leads Ukrainian cities in its digitalization rating. The project shows strong growth: multiple new e-service offerings for Lviv residents will be launched by the end of 2015 and into next year.



De Novo CEO
MAXIM AGEYEV
on IT-landscape and trends

DC and cloud services: Their role in the Ukrainian IT-landscape

Companies' growing demand for IT drives calls for heavy computing equipment. At a certain point, businesses have to deal with enterprise-class needs for cooling, air-conditioning and power supply as a part of routine IT maintenance processes. It means companies have to build their own complicated engineering and computing facilities that bring numerous underlying threats, substantial non-core expenses and have a payback period of 7-15 years. This reality puts datacenter services in the limelight. DC operators relieve clients of the headache of building a specialized IT facility and keeping it up and running.

It's easy to understand the concept of the cloud if you think of it as of a water supply system that allows you to get just the right amount of water you need at the right time. The cloud enables consumers to access any set of computing resources they need at any given moment. Operators take building costs and the burden of development and continuous upgrade of computing platforms off clients' shoulders, offering unbeatable value and usability. In other words, cloud suppliers create a highly dynamic and attractive segment of the national IT market.

DC, cloud computing and IT market: What's trending for 2016

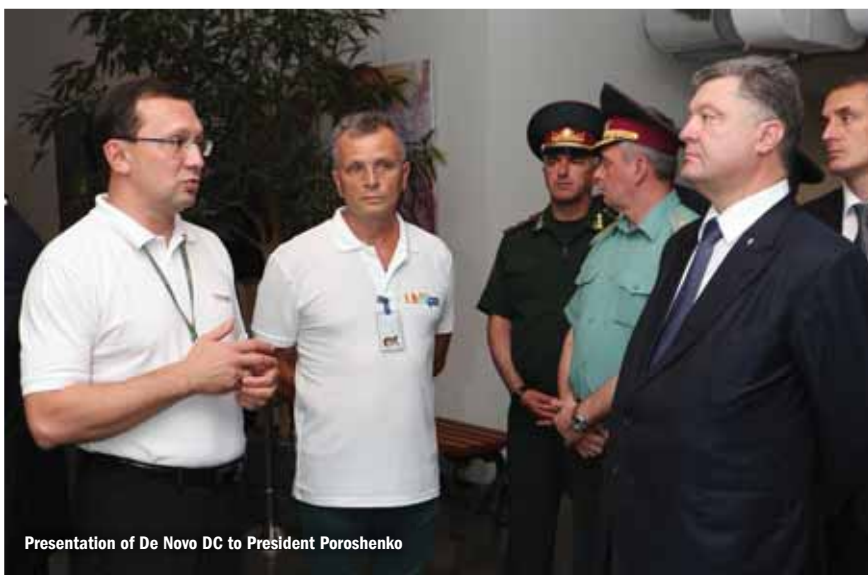
The development of the IT-industry reflects the state of the national economy, because Ukrainian IT performs just servicing and supporting functions. After two years of crisis, the following conclusions can be made:

- The post-Soviet quarter-century in Ukrainian IT is over.
- Serious IT investments don't necessarily convert into IT efficiency. Despite significant financial resources, government entities are still IT-blank and don't offer any up-to-date IT-services.

However, the next few years are likely to be bright and optimistic for Ukrainian IT. Businesses are in desperate need of modern and economical IT systems. We will go further down the transformation route, with cloud services being among the major trends removing obsolete corporate IT infrastructure concepts. I expect drastic alterations in the country's IT landscape.

De Novo in 2016: What's next in brief

The extreme turbulence in the IT-market makes it difficult to give forecasts and prognoses. But I'm sure that the hosted infrastructure and cloud services segment will grow aggressively in 2016. De Novo is now in the middle of R&D to design some new offerings for the public sector and e-government platforms, as well as for the SMB segment. In 2016 we'll continue to cooperate with regional municipal administrations and introduce e-services to Ukrainians across the country, and of course we'll be investing more resources in new infrastructure complexes and our cloud, getting it ready for things to come.



Presentation of De Novo DC to President Poroshenko

Ukrteplo helps cut energy costs, providing savings to government

By Nataliya Trach
trach@kyivpost.com

A boarding school in Shchaslyve village in Kyiv Oblast cut its heating expenses by 25 percent last winter. To do that, the school switched from burning natural gas to wood pellets, biofuel derived from wood waste.

The swap has also helped the school provide a warmer place for its 1,000 students. Heated with the wooden pellets, the halls stayed at 18-20 degrees Celsius last winter, while when heated with gas, the temperature often dropped to as low as 10 degrees, according to school principal Yuriy Yovbak.

The change in the school was implemented by Ukrteplo, an alternative energy company that operates in 16 out of 24 oblasts in Ukraine. The company installed a solid-fuel boiler at the school and supplies it with wood pellets.

The school spent nothing on the new boiler, as Ukrteplo installs them free of charge at state-run establishments and makes money by selling pellets. It also does the maintenance free of charge.

He heard about the wood pellets from a friend who was already using them, and he jumped at the opportunity. The school started cooperation with Ukrteplo a year and a half ago. The company started by building a boiler house for the school.

“We saved nearly Hr 300,000 last year, but it is not about money. Now, the temperature is nearly 20 degrees in winter,” Yovbak said.

Additionally, the school now can adjust the indoor temperature in accordance with the weather conditions, which saves both energy and money.

According to Ukrteplo, only 4.5 percent of all the heating in Ukraine comes from renewable energy sources. In Sweden, for comparison, the share is 50 percent.

Ukrteplo chairman Ivan Nadeyin ex-



A stoker moves wood pellets in a solid fuel-boiler in maternity hospital No. 5 in Kyiv on Nov. 24. Alternative energy company Ukrteplo installed the solid fuel boiler and supplies the hospital with pellets. (Volodymyr Petrov).

ported wood pellets to Poland, Italy and the Scandinavian countries since 2008. But only in 2011 he founded Ukrteplo and began building boilers in Ukraine.

“When the price of imported Russian natural gas went up, we saw an opportunity in Ukraine and started installing boilers and providing heating services in homes,” said Nadeyin.

Ukrteplo

Established: 2011

Headquarters: Kyiv

Founders: LLC Investment Management Agency, Dmytro Razumkov, Andreas Spyrides, Olha Nadeyina, Ivan Nadeyin

Claim to fame: Built more than 100 boiler houses, saving state budget Hr 42 million in heating expenses

Since 2011, Ukrteplo helped more than 400 municipal companies switch from heating their buildings by burning natural gas to using cheaper solid fuel. The company claims they help municipal establishments save up to 40 percent on their heating bills.

In 2015 alone, the company helped cut an estimated 37 million cubic meters in natural gas consumption by government-owned establishments, and as a

result saved Hr 23 million, according to Ukrteplo’s own data.

Ukrteplo is a vertically integrated company that produces boilers, provides its own wood and makes pellets and other fuel. It also has a logistics branch that delivers fuel to customers. Many of their boilers run on pellets produced from willow trees – chosen because they grow so quickly. The firm also produces boilers that run on biomass and exports its boilers to the U.K.

Over the last year, gas prices have dropped on cheaper oil, shrinking the market for Ukrteplo as potential customers have fewer incentives to switch to alternative fuel when gas prices are not exorbitant. With that in mind, Ukrteplo does not expect to bring in many new customers in the coming year, and instead plans to focus on improving their logistics in the meantime.

In June Ukrteplo signed an agreement with Kara Energy Systems, a Dutch manufacturer of renewable heating and electricity equipment, to jointly produce boilers for industrial consumers in Ukraine.

Kyiv Post staff writer Nataliya Trach can be reached at trach@kyivpost.com

MHP – TO RAISE A COMPANY IN UKRAINE: FROM SCRATCH TO A LEADER

What is more difficult to raise — a child or a company, when you treat the latter like your child? MHP is 17 years old now. Built from scratch, it's young, but already strong, mature and well-developed, with sound foundations, "A grade" credibility from investors and partners worldwide, lots of experience and a history of success.

The company was set up in the late 1990s by Yuriy Kosyuk, who says he raised it like his own child. It took a long time to build MHP's success, but the time has been well spent: MHP now is the leading poultry producer and agricultural company in Ukraine, which is well known for its industrial operations and quality products not only domestically, but in many countries around the world. From its basis in Ukraine, it has become one of the leading poultry producers in the European Union (fourth in the EU by production), and its strategy is to grow further to become a player in "local" European markets.

The two rules driving MHP are as follows: The first is that if you set the goal of being number one, you have to achieve it. The second is that if you want something done well, you have to do it yourself.

✔ CHALLENGE #1

In 1999 the company came to the market with fresh chicken produced at own facility, when everybody else was selling and buying imported deep frozen chicken legs ("Bush's legs" as they became called around that time, as much of it came from the United States, then under President George W. Bush). It is difficult to sell fresh chicken when you don't have the proper facilities at markets and supermarkets (there were no real Western-style supermarkets in Ukraine at that time). So a franchising system was introduced by the company, the required equipment was bought and franchisees were provided with it. In 2001, MHP established its "Nasha Ryaba" brand and franchised stores under the same name. MHP started promoting fresh quality meat, which was produced locally, which is fresh and better for you than frozen products. Then the company had to educate the buying public about the difference between fresh and frozen chicken — MHP started a marketing and advertising campaign. It was challenging, but doable. MHP customers now consume fresh, local, quality meat under "Nasha Ryaba" brand, which has 100% recognition.

Over the next five years a vertically integrated business was built, which included land, fodder mill facilities, breeding and hatcheries, broiler farms, meat-processing plants, an extended logistics and distribution network, as well as a sales network. This business model allows MHP to control each stage of production, hedge risks, decrease dependence of commodity price fluctuations and distinguish MHP from both its local and international peers. Moreover, it keeps the company's (EBITDA margin between 33–38%).

✔ CHALLENGE #2

In 2007 MHP started the construction of a green-field poultry complex — the biggest



High biosecurity and animal welfare standards

poultry facility in Ukraine and one of the biggest facilities in Europe — the Myronivka poultry complex. The project costs \$550 million, and consists of two lines with a total production capacity of around 260,000 tonnes of meat a year. The first goal was to increase local market sales, and the second to start and develop international sales. The project was successfully completed and brought to 100% capacity in 2009. In 2013 the facility became the number one poultry production plant in Ukraine, which received EU certification and started exporting chicken meat to EU countries. After the completion of Myronivka project, the next big project came onto the agenda — the Vinnytsia poultry complex (520,000 tonnes capacity), which is the biggest poultry production facility in the EU. Phase 1 is complete and also certified by the EU. The next phase will be completed by 2020.

MHP is number one poultry exporter in Ukraine to the EU market. Currently MHP exports around 30% (over 140,000 tonnes) of poultry products to over 60 countries in the world — the EU, the Middle East, Asia, Africa and CIS, with the potential to export over 450,000 tonnes in four to five years. For the international market the company has its "Qualiko" brand, which is already well-known in many countries worldwide.

✔ CHALLENGE #3

In 2006, the company first came to the international capital markets with a Eurobond maturing in 2013. This wasn't the first example of MHP's cooperation with international lenders, as the IFC had become an MHP shareholder in 2003, but it was a new experience for the MHP team. The next target was to go public, and the main market of the London Stock Exchange was seen to be the right place for the company. That happened in May 2008, when MHP became the number one Ukrainian agro company in the sector, issuing its shares (GDRs) on the LSE's main market and attracting around \$160 million in capital.

Going public meant strict stock market rules and a high level of corporate governance, disclosure, and so on, so the company's focus turned to even more transparency.

After those two deals, the company had two more Eurobond issues, with the latest one in 2013, maturing after seven years. Investor trust in the company is deep, and is constantly supported by good management, intensive CAPEX programs, and cost efficiencies. In April 2015, MHP was the only company in Ukraine to meet its obligations to bondholders in full, paying \$235 million on its 2010 Eurobond.

CHALLENGE #4...

The next step for the company's development is to start a business abroad. MHP is now considering a few opportunities in the EU — either through acquisitions or partnerships. The company is discovering new markets for exports such as Saudi Arabia, China, Japan and many others.

Being a vertically integrated company in an agricultural country and using all the advantages Ukraine can give you...

Complying with international and European quality and food safety standards (ISO, HACCP, FSSC, BRC) and working "shoulder to shoulder" with international financial institutions (EBRD, IFC, EIB etc.) while always being ready to adapt to change...

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www.mhp.com.ua

Centravis transforms Soviet factory into a leading global pipe exporter

By Oleg Sukhov
reaganx84@gmail.com

NIKOPOL, Ukraine – Vasyl Atanasov is the main shareholder in a family-owned business that makes highly specialized pipes for mostly Western markets.

Starting as a floor factory worker years ago, he has faced the behemoth task of turning an obsolete Soviet-era factory in the city of Nikopol in Dnipropetrovsk Oblast into a modern production site.

“We’re still modernizing,” his son Yury Atanasov, another shareholder of Centravis and its CEO, told the Kyiv Post. “I can’t say that it’s easy. Integrating modern production facilities into old Soviet infrastructure and manufacturing culture is not an easy task.”

His company, Centravis, is the sixth biggest supplier of seamless stainless pipes worldwide, fourth on the European Union market and second among former Soviet republics. Exporting 90 percent of what it produces, the company employs some 2,000 people.

The company’s share of the world’s seamless stainless pipes market is 4.2 percent.

Continuously improving product

Centravis

Established: 2007

Headquarters: Nikopol

Founders: Atanasov family

Claim to fame: the sixth biggest supplier of seamless stainless pipe worldwide
centravis.com

lines, Centravis has been introducing more complex types of steel and geometry and improving surface quality, Atanasov said.

“Since 2007, Centravis has pursued a strategy of increasing its share of high tech products,” he said.

Centravis has no direct competitor in this region because it has a very narrow focus –stainless seamless pipes, Daria Manzhuza, a spokeswoman for Centravis, told the Kyiv Post.

It is also unique in terms of the broad geography of its supplies, she added.

The EU accounts for 54 percent of Centravis’ sales, while 28 percent go to ex-Soviet republics and 10 percent to North America.

Centravis’ sales rose 1 percent year-on-year to \$230 million in 2014.

It is also one of the few companies in Ukraine where SAP enterprise resource

planning software has been introduced, Atanasov said.

Another innovation is the introduction of Japanese 5S workplace organization methods and replacement of obsolete Soviet-era workplace safety rules with modern ones, Atanasov said.

Moreover, the company has an education license and is providing its employees and potential workers with the skills that Ukrainian schools and colleges cannot provide, according to Manzhuza.

The buildings that are now owned by Centravis were launched in 1959 to 1961 as part of the Nikopol South Pipe Plant, founded in 1935. They were privatized in 2000. Subsequently the company started re-orienting its business from former Soviet countries to Western markets.

Centravis started upgrades in 2006 and has invested over \$150 million in them since 2007. Specifically, the company bought equipment from German engineering companies SMS and IAS.

The upgrade was partially funded by the European Bank for Reconstruction and Development. The bank bought a 12 percent stake in Centravis for €10 million in 2009 and gave it a €48 million loan, of which €33 was syndicated to commercial banks.

The Atanasov family own 88 percent in the company.

The company was hit hard during the 2008-2009 financial crisis and defaulted on the EBRD loan. It is also facing problems during the ongoing economic crisis.

Centravis’ unconsolidated net loss amounted to Hr 600 million (\$25 million) in 2014, compared with a Hr 120 million (\$5 million) net loss in 2013, according to Ukrainian financial reporting standards.

However, Centravis’ consolidated earnings before interest, taxes, depreciation and amortization rose 93.8 percent year-on-year to \$48.6 million in 2014, according to International Financial Reporting Standards.

Kyiv Post staff writer Oleg Sukhov can be reached at reaganx84@gmail.com.



Pipes being manufactured at Centravis’ production facilities in the city of Nikopol. (Centravis)

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Cadets of Lviv Academy of Land Forces stand in line for lunch at their military base. Better competition has led to better food for soldiers. (Yuri Biriukov)

Volunteers help push changes in defense that help frontline soldiers

By Oksana Grytsenko
grytsenko@kyivpost.com

When Russia launched its war against Ukraine in the spring of 2014, David Arakhamia started delivering bulletproof vests and camouflage for needy Ukrainian soldiers.

Later, Arakhamia, the owner of a Mykolayiv-based information technology company, organized a special crowdfunding campaign: People's Project,

Volunteer Airborne Brigade

Established: October 2014

Headquarters: Ministry of Defense

Founders: Volunteers headed by Yuri Biriukov and David Arakhamia

Claim to fame: Diversifying food supplies for soldiers, creating a single catalog of property objects, electronic medical cards

which collected hundreds of thousands of dollars for the army.

But the outdated military procurement system and abundant corruption made many of their efforts futile. The

crowdfunded clothes for the soldiers often ended up at the city markets.

So Arakhamia and a group of like-minded volunteers decided to change the system.

In late October 2014, they took their work to the Defense Ministry, calling themselves the “volunteer airborne brigade” and aiming to reform services.

After a year of their work, the clothes and equipment for the army met NATO standards, and the Defense Ministry's real estate property (some 42,000 ►

items) were collected in one catalog, which restricted the chances of their illicit sale.

Volunteers were also early proponents of the ProZorro electronic procurement system, which cuts off monopolist supplies by imposing transparency and competition. The number of military contractors in every area increased by 60 percent.

“We have broken a monopoly and made the process transparent,” said Arakhamia of the Defense Ministry’s adoption of ProZorro, which is credited with saving Hr 200 million (\$8.7 million) on purchases so far this year.

Volunteers also created electronic medical cards for soldiers. Under the new scheme, if a soldier is wounded, all of his movements at hospitals are recorded in this electronic card and kept in one centralized database, aiding treatment.

The Ukrainian army was also known for years for its poor and tasteless food, which was due to the fact that just a few companies were in charge of food preparation and delivery. But the volunteers managed to break this system, at least at the Yavoriv polygon in Lviv Oblast and at the Hetman Sahaidachny military flagship based in Odesa.

With the technical assistance of the Kozyrna Karta and Puzata Khata restaurant chains, the volunteers brought modern Italian equipment and developed a diverse menu on the level of a three-star hotel. They ordered food supplies and preparation from different firms. “And it all cost the same as it had with the previous contractors,” Arakhamia said.

But volunteers were also met with major disappointment. They failed to bring the officials to justice who were milking the ministry for years, allowing corruption to flourish. “We managed to totally break the schemes but failed to put anyone in jail,” Arakhamia said.

Arakhamia said his group reported nearly 10 cases to prosecutors but never heard about their future developments. “We investigated, found, documented this and then we hear, ‘Your evidence is not sufficient or it is too outdated to bring them (the suspects) to court,’” Arakhamia said.

But some 20 ministry officials who had been neglecting their jobs were fired thanks to the efforts of his group, he said.

In early October, the volunteers’ project was closed and most of its participants went back to their normal lives. Some of them, however, stayed to work at the specially formed Project Office, an independent reformist institution sponsored by the United Kingdom and other foreign donors, which will advise the Defense Ministry on future reforms.

“This institution will allow us to make the reforms in the Defense Ministry irreversible,” Arakhamia said.

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Kostiantyn Likarchuk
Director | Attorney at Law
LBL — Legal Bureau of Likarchuk

MANAGING CROSS-BORDER M&A DISPUTES. UKRAINIAN PERSPECTIVE

Ukrainian specifics of structuring M&A transactions

When considering taking business to Ukraine, one should bear in mind that M&A transactions involving Ukrainian targets are usually structured in a specific way. In particular, seller of the target may be a “shelf company” with no assets of its own, except for the target. An ultimate beneficiary of the seller controls negotiations from the seller’s side.

As a result, purchaser might seek for additional security to make sure the seller properly performs its obligations under the transaction documentation. In this context, personal guarantee of the beneficiary is widely used in M&A transactions in Ukraine. Such guarantee may be provided either:

- directly under the sale and purchase (subscription) agreement or shareholders agreement, or
- indirectly under a separate instrument (the deed of guarantee and indemnity, etc.).

How well are you equipped?

The beneficiary’s personal guarantee ensures certain degree of protection and flexibility for the purchaser in a potential dispute. For example, it makes available a wide range of legal instruments, including injunctions in support of arbitral or court proceedings:

- freezing orders
- disclosure orders
- proprietary injunctions
- other orders (search orders, seizure of passports, appointing receivers, etc.).

Foreign courts are usually competent to grant such injunctions provided that, inter alia, beneficiary has a close link to the relevant jurisdiction (e.g., the beneficiary is director of a company established in that jurisdiction or has assets or permanent residence in that jurisdiction).

Potential pitfalls

The Ukrainian business environment and the country’s legal system require complex knowledge and creative strategy in the resolution of disputes involving Ukrainian business. Standard approaches and best practices employed in other jurisdictions do not always work in Ukraine.

In addition, special attention must be paid to the following:

- Ukrainian courts will decline to grant injunctions in support of foreign arbitration or litigation;
- Ukrainian courts may decline to recognise waivers of the right to litigate. There is a risk that such provisions in a contract may not be enforced in Ukraine;
- although Ukraine is a civil law jurisdiction, we are aware of cases where Ukrainian courts apply common law or alike concepts.

What is important?

Proper strategies and literacy in diverse legal environment can help you build a smooth transaction and be on a safe side in a potential M&A dispute. Every multijurisdictional dispute crosses different legal cultures and concepts. When attempting to navigate in such disputes, simply understanding legal concepts is not sufficient to avoid potential pitfalls. Diverse international approach mixed with local background and market knowledge plays a vital role in the successful management of cross-border disputes coming out of M&A transactions.



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KM Core at forefront of promoting Ukrainian innovators, developers

By Alyona Zhuk
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KM Core, a holding company that manages the assets of high-tech companies, makes money by investing in innovation. It has parked more than \$100 million in the last six years in a portfolio that focuses on three fields: information technology, microelectronics and nanotechnologies.

Bohdan Kypych, the company's Canadian-born vice president for business development, says that although Ukraine has huge potential to pioneer technical innovations, it is not utilizing it.

A lot of people are talking about the hot IT market, but few understand what it is, he says. ▶

Bohdan Kypych came to Ukraine from Canada 23 years ago. (Volodymyr Petrov)

“Those are mostly the outsourcing companies that hire specialists, developing products for export,” Kupych told the Kyiv Post. “By the way, the IT market – in terms of system integration and selling of computers – has fallen by 50 percent in each of the last two years; we’re now back at the level of 1998. People are not buying computer systems; neither do they care about their modernization.”

IT companies sell Ukrainian brainpower abroad, Kupych said, adding that those people have bright ideas and want to make innovative devices here, but they lack financing, as well as government support. Ukrainian government officials “are putting out fires, not thinking 20 years ahead.”

Ukraine’s Defense Ministry is one of the government agencies KM Core has been talking to. “Our idea for the Defense Ministry is that the devices they need to buy have to be Ukrainian – if there are ‘made in Ukraine’ ones,” Kupych said. “The ministry also has to help (Ukrainian companies) to produce new technologies.”

With this in mind, the firm about a year-and-a-half ago started the Ukrainian Advanced Project Agency (UaRpa) to develop defense and security products. The agency is currently working on at least 18 projects such as anti-sniper technologies, secure radio communications and tablet computers for artillery systems.

While most of them are still under development, UaRpa has already sent 5,000 tablet PCs to Ukraine’s army in the war-torn Donbas, Kupych said.

KM Core provides UaRpa with seed money so that developers have enough money to build a prototype – a key element for drawing in investors.

According to Kupych, his company works in this way with each of its portfolio companies. Apart from UaRpa, KM Core has six innovation startups. All of them are at the early stage of development, with each showing potential, Kupych said.

The startups are developing dual-use drones for military and civilian purposes, nanopowders, microchips, software products for physical microcircuit verification, smart farming technologies, and virtual reality devices – from interactive schoolboards to Kalashnikov simulators.

Physical microcircuit verification, Kupych explained, involves using a device to perform final checks on whether a microchip actually works.

“If you go to production and find out that your chip has flaws and it isn’t working, it could cost you millions of dollars – plus you’re wasting time,” Kupych said. “Microchips are getting smaller and smaller, and we need software to verify these chips.”

KM Core

Established: 1990

Headquarters: Kyiv

Founders: Evgeni Utkin

Claim to fame: KM Core invests in Ukrainian developers of innovative technologies.

www.kmcore.com

Smart agriculture, according to Kupych, is another important field.

“Ukraine has black soil, but Ukraine’s agriculture is five times less productive than in Germany, which hasn’t got such good soil,” Kupych said. “Ukraine needs new technology.”

KM Core’s e-farmer project is working on tablet computers that farmers can use together with GPS and agronomist maps.

Its data center operator, De Novo, which is also a cloud service provider, has already achieved success. De Novo counts some of Ukraine’s biggest banks and businesses among its clients, Kupych said, including Raiffeisen Bank Aval, mobile operator Kyivstar, and oil company BRSM Nafta.

“Big banks need big data centers, as

they have lots of transactions, lots of users, and lots of affiliates,” Kupych said. “They can put their computers in their own data center or rent someone else’s. If they put their equipment into our data center, and we provide all the necessary infrastructure – cooling, electricity, and security. About 40 percent of the financial transactions in Ukraine now go through our data center.”

Kupych is a veteran of the Ukrainian IT industry.

Born in Canada to a Ukrainian family, he came to Kyiv in the early 1990s to open the office of Digital Tech Company for his employer. In Ukraine, he met Evgeni Utkin, the founder of Kvazar-Micro Company, which was a distributor of Intel microchips and later started making computers. Kupych joined Kvazar-Micro. In March 2010 he and Utkin started KM Core that incorporates Kvazar-Micro.

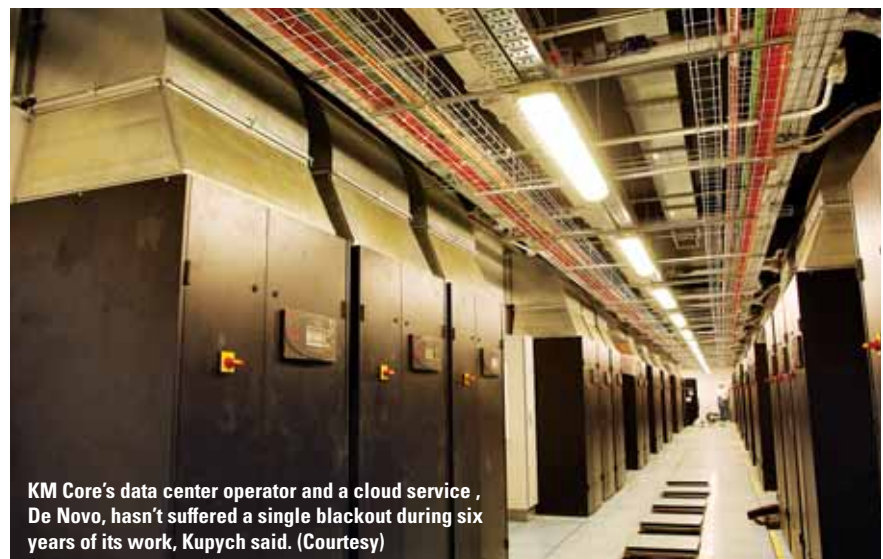
About 400 employees celebrated the company’s 25th anniversary on Nov. 12.

Another goal, Kupych said, is to create a tech incubator – a laboratory where inventors from all over Ukraine can come and “play with the technologies” like lasers or 3D printers, to bring their ideas forward to the prototype stage.

“We’re working on creating a competitive industry, whether it is defense and security, IT or technology. We know that Ukraine has this potential, but it hasn’t been realized,” Kupych said.

“And Ukraine needs more like us.”

Kyiv Post staff writer Alyona Zhuk can be reached at zhuk@kyivpost.com



KM Core’s data center operator and a cloud service , De Novo, hasn’t suffered a single blackout during six years of its work, Kupych said. (Courtesy)

Jane Limanskaya and Artem Zavyalov launched Highbrow as their side project, however, soon it became their full-time work. (Anastasia Vlasova)



Highbrow's quick daily courses catch on with Western audiences

By Alyona Zhuk
zhuk@kyivpost.com

The Internet is full of free information on practically every topic. But it's not always clear where to look for reliable information, and you could waste hours.

That was the problem facing Jane Limanskaya, 25, who always had the vague notion of wanting to learn about art, but never knew where to find relevant articles, and didn't know how to motivate herself to read something on a daily basis.

So she teamed up with her friend Artem Zavyalov, 26, and they started an online service that provides users with a short educational piece on a chosen topic by email every morning.

Their time-proven motto is that every-

Highbrow

Established: 2014

Headquarters: Kyiv

Founders: Jane Limanskaya and Artem Zavyalov

Claim to fame: Less than in a year Highbrow courses attracted 70,000 subscribers.

www.gohighbrow.com

one can become a bit wiser with a little learning every day.

Having started with the Russian language website Eggheado in March 2014, in less than a year they launched its English-language twin – Highbrow. As of this fall, they have more than 100,000 subscribers on both websites, about 70,000 of whom signed up for Highbrow.

More than 60 percent of Highbrow's subscribers are from the United States, 15 percent from Canada, Australia and the United Kingdom, and the rest from Africa, Asia and the rest of Europe.

“At first it was just a hobby,” Zavyalov told the Kyiv Post. “The subscribers of Eggheado just got articles that we found online. We didn't produce anything.”

Soon they realized there was a huge interest in their service, so they started writing for their audience. This was doable for their Russian-speaking subscribers, but Highbrow required native English speakers. For that they hired two freelance writers and an editor from the United States.

Highbrow is now their priority.

It offers 58 courses on 10 subjects: art, health, history, literature, logic, nature, philosophy, productivity, psychology and science.

Each course contains 10 lessons, short enough for a subscriber to digest in five minutes. Zavyalov compares it to daily morning exercises. ▶

“There are people who visit the gym once a week and work out for a couple of hours. And there are people who work out for five minutes every day. For me, the second approach is more effective,” he said. “It motivates you to do more and more. There is why we suggest learning something new every day, to make a habit of it. A daily morning habit.”

What bothers many users at first is that Highbrow doesn't allow multiple course subscriptions, Limanskaya said. But those who complained at first have now ended up thanking them, she said.

“They say: ‘I was upset at first, but I'm taking a 10th course now, and I realize that had I subscribed to all of them, I'd have given up the next day,’” Zavyalov said. “The idea is that the courses are short. After 10 days you take another topic, so you don't get bored or tired.”

Feedback from subscribers has become a steady source of inspiration, he added.

“It is fascinating how involved our subscribers are. They tell us what topics they want, and we often take up their ideas,” Zavyalov said.

Even Hollywood celebrities like Jessica Stroup, who starred in the 90210 series, championed the service on her Twitter blog and called it “my favorite way to learn.”

She was followed by Brittany Snow, another U.S. actress, who thanked Highbrow “for making my mornings fascinating.”

“That's how we expand,” Zavyalov smiled.

There is one request that Highbrow co-founders say they will never grant, according to Limanskaya.

“People ask us why we don't design a mobile application for Highbrow,” Limanskaya said. “And we say, look, there is an application on your mobile phone, it's called an email app.”

The technical part of the project requires at least \$1,000 per month and the operating costs grow with each month. Sponsors were brought in to cover expenses, including royalties to writers, so that Highbrow can remain a free service.

Sponsors don't influence the content, but they are mentioned in articles. However, they still don't account for a steady income stream, Zavyalov says.

“We're focusing more on expansion now, not income. Our main goal is to cover expenses, we earn about \$3,000-\$4,000 per month now, but we started this sponsorship thing only in August,” Zavyalov said.

In the future, Zavyalov said, Highbrow plans to broaden its range of topics – from general knowledge to specific and practical courses. They have already started discussions with experts who might design courses for Highbrow.

It also wants to introduce paid premium accounts that would allow users to customize their subscriptions – for example, to set the time of the day when they receive their lesson.

The content will stay the same for everyone though – free and laconical, Limanskaya said.

“There is plenty of information on the Internet – books, online courses, Wikipedia at least. However, almost nowhere is there such short and clear material as we produce. If you want more – you have endless possibilities. Just go and take them,” she said.

“We just want to inspire people, to make them want to learn more, read more, to get into the habit of learning.”

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Snapchat's \$150 million acquisition of Lookserly stands as Ukrainian record

By Denys Krasnikov
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Skype or Facetime distort a person's image – or simply show the less-than-flattering reality.

But with state-of-the-art imagery from Lookserly, everyone can present the image they want - a slimmer self, different eye color or even a transformation into an animated cartoon character.

The Lookserly facial recognition app was an instant download hit when it was launched in Apple's App Store and Google's Google Play in October 2014. From launch until September, it racked up 10 million downloads over a range of mobile devices, according to Julie Krasnienko, the marketing and business development head at Lookserly.

On Sept. 15, the Odesa-developed Lookserly became part of U.S. video messaging application Snapchat. According to the sources of the Ukrainian online tech journal, AIN.UA, Snapchat paid \$150 million for Lookserly, making the acquisition the biggest in Ukrainian tech industry history.

Lookserly Inc. is a San Francisco Bay Area company founded in 2013 by Victor Shaburov, an entrepreneur from the Black Sea port city of Odesa. The company, which has a team spanning the United States and Eastern Europe, specializes in developing face modification technologies for real-time video.

It launched a crowdfunding campaign on Kickstarter the same year it was founded, and overshot its fundraising goal, collecting around \$50,000, pledged by 164 backers from around the globe.

"At the core we are mathematicians – coding and developing facial mapping algorithms," the Lookserly team wrote in their profile on the Ukrainian online journal DOU, which is focused on the IT sphere.

"Together with a hard-core group of designers, marketers, and more, we are



Julie Krasnienko, the marketing and business development head at Lookserly (C), delivers her speech at the Kyiv Post 20th Anniversary Charity Gala in Hilton Kyiv after winning one of five awards for Best Ukraine-produced Mobile Application in Kyiv on Sept. 19. (Kostyantyn Chernichkin)

Lookserly

Established: 2013

Headquarters: San Francisco Bay Area

Founders: Victor Shaburov

Claim to fame: More than 10 million downloads from launch by September

www.lookserly.com

here to solve hard problems to make big things happen," they go on.

In September, the Lookserly app disappeared from the mobile app stores of Apple and Google. The Snapchat app, however, has introduced a new feature, called Lenses, that modifies your face, making eyes bigger, the face leaner, adding graphic symbols like emojis, turning you into a ghost or monster, or making your skin look wrinkled.

The way Snapchat's Lenses feature works is almost identical to how the Lookserly app used to change your appearance. Users can add cartoon-like images of eyeballs or other exaggerating filters to spruce up their selfies.

Snapchat now offers seven free lenses,

with one of the seven being replaced every day with a new one.

In addition to the seven free animated selfie lenses, since November, Snapchat has been offering 30 additional ones priced at 99 cents apiece. Unlike the free lenses, the paid ones can be kept by the buyer forever. According to TechCrunch, an online publisher of technology industry news, the strategy will help Snapchat return the money it spent on the acquisition of Lookserly at a rapid pace.

Noting that the Lookserly acquisition was the biggest and most successful in the history of Ukrainian tech startups, managing director of venture capital company GrowthUp Denis Dovgopoliy told AIN.UA on Sept. 16 he was sure that the deal would show the world that global companies are not afraid of buying Ukrainian startups.

"It seems to me, this is a perfect example of how the Ukrainian IT sector should be grown and developed," Dovgopoliy said.

Kyiv Post staff writer Denys Krasnikov can be reached at krasnikov@kyivpost.com

Porcelain: 20 years of success

Olga Nemchenko, president of the Swiss-Ukrainian medical group Porcelain and her co-founder, Patricia Shmorhun-Hawrylyshyn, have proven that such a responsible business as medicine – when carried out by a united professional team – can become a real example of stability and success

Why despite all the objective difficulties do you continue to develop your business in the market of private medicine?

Olga Nemchenko: Two models of private medical business exist in Ukraine. The first and most common is where the doctor runs the practice. As neither of us, founders, are not dentists, we chose another type of model where two divisions work hand in hand: Porcelain as a business-company and Porcelain as a medical institution. According to this concept we have managers who are actually running the clinic and head doctors who are responsible for all medical practice.

Patricia Shmorhun-Hawrylyshyn: We decided from the start that doctors should focus on medicine while management should focus on business and administration. This and our twenty year partnership makes us distinct from the other clinics. Our longevity gives us the confidence, professionalism and team loyalty to compete and best serve our community.

What are your priorities today?

O.N.: Honesty is our main priority. Treatment is offered to the patient strictly according to medical needs. We will never recommend a tooth implant if the tooth can be saved. Patient health, not profits, is most important for us. Our equipment and materials are state-of-the-art and this is our great advantage. Maybe this is the reason why most doctors have stayed with us since our first days. Many of them (up to 65% today) came to us from local institutes as young doctors and worked as interns learning and progressing to several stag-



Olga Nemchenko



Patricia Shmorhun-Hawrylyshyn

es: first as assistants, than as hygienists, and than pediatric dentists. Only after the successful completion of this program did they become curators. A doctor-curator is actually a personal doctor responsible for a patient's treatment and logistics.

P.S.-H.: Today medicine is moving towards complex systemic solutions to health problems. We feel these trends and have broadened our services to include an eye clinic, aesthetic medicine and a medical SPA. A few years ago we united these companies under one roof, so our clients can spend their day in our clinic, attending several of the medical and wellness needs. To make this experience as pleasant as possible we designed a unique space to welcome our patients with a café, a wi-fi zone and a kids' playground.

What innovations are available at Porcelain?

O.N.: Porcelain provides unique digital tooth scanning by Cerec Connect, and 3D models which perform virtual operations. Our E-max ceramic crowns look and feel exactly like natural teeth. By the way, we can make those crowns in a few hours via our virtual laboratory. Today we are in-

spired by the new concept of digital smile design (dsd) by Christian Cochman. Under this concept a doctor creates a digital model of a new smile, places it on a photo of the patient, and together they choose the best smile according to the face and gestures of this particular person. This means that the client can "try" his new smile before he starts treatment for it.

P.S.-H.: Besides digital technologies, Porcelain is the one clinic in Kyiv with an official license for treatment under general anesthesia. This is an absolutely safe technology and we use it for children and adults alike.

Porcelain is very popular in the international community. How did you enter this market?

P.S.-H.: Since its creation, Porcelain has reached out to the foreign and diplomatic community to offer them the highest standards of care they should expect in their country of home and Ukraine. We are multi-lingual, have long-lasting partnerships with more than 20 embassies and number of international companies and organizations. We have kept a steady 35-40% of foreign patient load and look forward to our continued growth together.



Porcelain Swiss-Ukrainian dental clinic

26B Otto Shmidta St., Kyiv, Ukraine | Tel. +38 044 593-77-87 | www.porcelain-dent.com.ua

Readdle gains Apple's recognition and millions of downloads worldwide

By **Bozhena Sheremeta**
sheremeta.bozhena@gmail.com

More than five years ago, Ukraine had barely a few dozen technology companies.

But that didn't stop four Odesa-based programmers from creating mobile applications that millions of people around the globe now use daily.

Their company, Readdle, formed three days after Steve Jobs introduced the first iPhone in 2007 as a producer of mobile iOS applications – focused on time management and making documents, books, images and PDF files easier to read, edit and share. Now it boasts over 45 million downloads of its eight applications.

In 2009, Wall Street Journal technology columnist Walter Mossberg listed Readdle Docs as one of his “favorite apps that make the iPhone worth the price.”

With 85 employees based primarily in Odesa and Kyiv, Readdle focuses on the American market, which accounts for 45 percent of its business. Another 30 percent comes from European Union countries.

The founding members of the company, friends who graduated from the Odesa Mechnykov University, bought their first iPhone shortly after its release and figured it was useless for reading books.

For its first year, Readdle existed as a web service through which one could upload and read a PDF book on an iPhone. A few months before the App Store was to be launched in the summer of 2008, Igor Zhadanov, Readdle's chief executive officer, received a promising offer from one of his former colleagues who worked for Apple at that time.

“In short, it sounded simple and huge – ‘we want you to be in our App Store,’” said Denys Zhadanov, Igor's brother and the head of marketing at Readdle.

Readdle's team started working day and night. Within four months of intense coding, they presented Readdle Docs, a \$14.99 file manager for storing and opening any



Ivan Nasikivskyy, account executive at Readdle, diagrams the company's sales structure on Oct. 27. (Courtesy)

Readdle

Established: 2007

Headquarters: Odesa, Ukraine

Founders: Igor Zhadanov, Alexander Tyagulsky, Andrian Budantsov, Dmitry Protserov

Claim to fame: 45 million users worldwide
www.readdle.com

file extensions on an iPhone, including Microsoft Office files, PDFs, images and videos. It became a part of the package of 500 apps available on the first App Store version on July 10, 2008. Now the app is called Documents 5 and is free to download.

“The app was sold widely and that meant it was useful for people, as they would not spend their money for nothing. That was in fact our primary intention – to make value, to make people's lives easier, with smartphones having more instruments to arrange one's daily schedule,” Denys Zhadanov said.

Shortly after, they created Scanner Pro, a text recognizer that now has 7 million downloads and the reputation as a product leader. With a price tag of \$2.99, the app makes the phone work like a real scanner.

“After Scanner Pro was featured by Apple as App of the Week in early 2014, almost everyone in the U.S. knew about us,” Denys Zhadanov said. “So once at a bar, when I told a guy that Scanner Pro is made by us, he told me ‘No way! Did you guys really make it? I have it on my home screen, let me shake your hand.’”

Now three of Readdle's apps – Documents, Scanner Pro and PDF Expert 5

– are constantly rotated as pre-installed items on mobile demonstration devices in Apple's retail stores in the U.S., the U.K and other major countries where Apple's official retail stores are located.

The company declined to provide revenue figures, however, since “it's not as big as we would like it to be,” said Denys Zhadanov. Readdle has eight million active users monthly, with over a million average monthly downloads.

Readdle's recent apps include options to edit PDF documents, managing one's calendar and emails.

Its latest creation, released last year, was Fluix, a document management program that is also usable on iPads. The software offers a “potential opportunity to build a new business,” Denys Shadanov said. Enterprises are its target audience, but versions are available for individual and group document management. The price ranges from \$5 to \$20 per user, depending on the service package. Over 300 companies worldwide are currently using it, including Siemens, Pandora, BMW, Yamaha, and Henry Schein.

Ian Robinson, a tech expert from the U.K., has all the Readdle apps. “I've bought and tried all the other popular PDF apps for the iPad and iPhone. They all pale in comparison to Readdle's offerings. Either the user interface is cluttered and hard to use, or the app is slow. PDF is the lingua franca for document exchange and Readdle's applications on iOS make everyone a fluent speaker,” he said.

Readdle's success is a rare case of a Ukrainian product being widely accepted. Without any investment or permanent presence in the Silicon Valley, the heart of the global tech industry, its products are in demand. So far, the team plans to stay in Odesa.

“It is always great to visit the Valley several times a year to get new connections, absorb inspiration, ideas and entrepreneurial spirit, but then (we) return to Odesa for the real work,” Denys Zhadanov said.

Ukrainian Leadership Academy aims to mold new generation of leaders

By Yuliana Romanyshyn
romanyshyn@kyivpost.com

A newly established educational institution, the Ukrainian Leadership Academy, aims to form a generation of youth leaders by developing their intellectual and physical skills.

So far, the academy has recruited 39 students between the ages of 17 and 19 who have graduated from high school and finished their first year at university from all over Ukraine. They come from all over, including the Donbas and Ukraine's Russian-occupied Crimea peninsula.

In order to study at the academy, students have to put their education in schools and universities on hold for a year and move to the institution's campus in Kyiv.

"We're working on developing the body, spirit and intelligence," Roman Tychkivskyy, an academy coordinator, said at the institution's grand opening on Oct. 22. On campus, students study six days a week, getting up at 6 a.m. and start the day with yoga, running or the Chinese martial art – wushu. After training, they study until midnight.

The academy teaches Spanish, Polish, French, German and English, as well as

Ukrainian Leadership Academy

Established: 2015

Headquarters: Kyiv

Founders: 20 activists from politics, journalism, culture

Claim to fame: training committed and patriotic young leaders

Ukrainian. "We learn Harry Potter by heart, listening to audio books and reciting them," student Marta Kasianova said about the Ukrainian phonetics lessons.

Students also discuss personal finances management and study math. In the evenings, they take lessons in the culture of thinking and take part in discussions about movies. Students also have to devote a half-day each week to a volunteer job in an animal shelter, raising money for sick children or working at a military hospital.

Students at the academy are overseen by mentors and tutors, who are only a few years older than the students. Drinking alcohol, using drugs, smoking or having a sexual relationship on campus is strictly forbidden. If they break a rule for a second time, students are suspended from the academy.

The idea for this type of educational institution is borrowed from Israel, which in turn combined ideas from the leading British universities of Oxford and Cam-

bridge. The first academy in Israel was founded in 1996 by Erez Eshel, who is now in Ukraine as a consulting manager and mentor. In Israel only, the network of academies he started has expanded to 30 institutions and 30 leadership programs.

Eshel believes students shouldn't rush their decision to apply for enrollment in universities. In Israel, young people have to perform national service, three to four years for men and two years for women. That is why when they apply to a university at the age of 22-23 they are "focused and mature," Eshel says.

Besides having a high intellectual level, leadership potential and good character, students have to be committed. "When you develop leadership, you develop a commitment," Eshel said. According to him, there are five necessary commitments: to personality, the family, professionalism, the community and the nation. Loyalty in these five spheres will generate young leaders in professions such as politics, business, medicine, science, education, the legal sphere, or journalism.

However, it's important that all these budding professionals decide to stay in their country. "If you look at the diaspora – they are the most talented people in the world, but you export yourself," Eshel said, adding that the academy's students should stay and work in Ukraine.

Following the example of Israel, the Ukrainian team behind the academy plans to set up sister institutions in another four Ukrainian cities in 2016 – Lviv, Kharkiv, Dnipropetrovsk and Odesa, recruiting 300 students according to their academic performance.

"Forming the future leaders of the country is a difficult mission, but talking to these inspired children day by day, we believe in their success more and more," said Yaroslava Johnson, the president and CEO of the Western NIS Enterprise Fund, which funded the academy. "We're seeing the first fruits."

Kyiv Post staff writer Yuliana Romanyshyn can be reached at romanyshyn@kyivpost.com.



DepositPhotos gains worldwide affection with 40 million images

By **Bozhena Sheremeta**
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In today's business world, visual content often speaks louder than words. This spurs demand for image banks, or online photo libraries, and Ukraine happens to be home to one of the most popular ones.

DepositPhotos, which has more than 40 million royalty-free images, videos and vector graphics for sale, was founded in Kyiv in 2009. Its core development office remains there. Like many information technology firms with Ukrainian roots, it is based in the United States, in New York. There it competes with such giants as Getty Images and Shutterstock photo banks.

Its staff of 300 also works in offices in Russia and Poland.

"Our heart is in Ukraine because it's awesome here and there are so many talented people," said Dmitry Sergeev, DepositPhotos founder and CEO.

While the firm admittedly has not made any technological breakthroughs and certainly did not invent photobanks, Sergeev said the company owes its spectacular success to high-quality customer service.

"Innovations are in the details. It works wisely. That's the secret," Sergeev said.

A native of Russia, Sergeev, 37, moved to Ukraine 12 years ago and immediately "went mad for Ukraine: fell in love, got married, and the rest of the usual things that happen to those who fall in love with Ukraine."

Ukraine is a great place to live, he said, since "the most interesting events of modern times happen here," including the 2004 Orange Revolution and the 2013-14 EuroMaidan Revolution.

He initially set out to start a business in the music industry in Kyiv, but instead set up two technology firms.

DepositFiles, an online file-sharing service, was his first venture to gain global recognition. In 2007, it broke into the ranks of the 100 most visited websites



Employees of DepositPhotos work at the company's Kyiv office on June 24. (Courtesy)

DepositPhotos

Established: 2009

Headquarters: New York, U.S.

Founders: Dmitry Sergeev

Claim to fame: One of top five photo banks in the world.

www.depositphotos.com

globally. The service enabled people to upload and share any files through the website. The business was quite burdensome, however. There were constant complaints from copyright holders, and some content was pirated or shared through the service illegally. That's why Sergeev sold the business in 2009.

As a professional photographer, his wife inspired the launch of his next project: DepositPhotos.

And like many startups, Sergeev started working on it out of a basement in Kyiv in 2009.

He spent \$1 million developing the service and buying content. Within six months, the service got noticed by investors and TMT Investments venture fund bought 30 percent of its equity for \$3 million.

While refusing to discuss finances in detail, Sergeev said the company is worth \$100 million now, citing recent trends among competitors. "Last year, Adobe Systems bought Fotolia for \$800 million. Fotolia isn't that much bigger than us," he said.

Sergeev found talented people willing to work for free in the beginning. "Now many employees are option holders and, given the perfect circumstances, they all will become millionaires."

He chose Kyiv as the base for the company's development arm for more profound reasons than just cheap labor, however.

"I love Ukraine and that's why I'm here," he said. "We're in the IT field, and in terms of workforce, here it's the same as anywhere else in the civilized world – expensive."

Most of the firm's clients are in the United States, Russia, the United Kingdom, Germany and Brazil.

Users can register on the website and buy any image, video or vector graphic for \$1 to \$80 per unit. Frequent users benefit from different pricing packages as well.

Hundreds of thousands of professional and amateur photographers, illustrators and artists provide the service with content. They get up to 75 percent of the price of each purchased unit, while the rest goes to the company.

"Earlier, to illustrate something, you had to order a photo shoot or hire an illustrator, which would cost you big money," Sergeev said. Now, businesses can buy digital content from the photo banks.

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The Grammarly developers work at the company's Kyiv office on Nov. 2. (Anastasia Vlasova)

Grammarly rivals Microsoft Word's spell checker for better English

By **Bozhena Sheremeta**
sheremeta.bozhena@gmail.com

Good writing is a sign of knowledge and professionalism. Thanks to two Ukrainians, the world now has an online grammar checker for English writing that is used by millions of people.

Grammarly is a web-based service where one can upload a text in English and have it scanned for errors within a matter of seconds. The service checks more than 250 grammar, spelling and punctuation rules, and has 10 million unique users. Over half

Grammarly

Established: 2009

Headquarters: San Francisco, U.S.

Founders: Max Lytvyn, Alex Shevchenko

Claim to fame: over 10 million unique users

www.grammarly.com

of them are native speakers from the United States, the United Kingdom, Australia, Canada and other countries.

The service was developed in 2009 for academic needs, but later, Max Lytvyn and Alex Shevchenko, the co-founders

of Grammarly, expanded the circle of potential customers and developed it to serve anyone on the Internet who wants to make their writing flawless.

One can register on Grammarly's website and check texts for free. In this case, the service checks the most obvious common mistakes. Signing up for a premium version guarantees a more complex check-up. This version costs from \$29.99 monthly to \$139.95 yearly.

"If a user just wants to write an email to his friend, the free version is enough. When a user wants to apply for a job, or write a report, then they buy the premium product," Lytvyn said. ▶

The service can also automatically detect what type of English the client wants to use, American or British, and it fixes mistakes accordingly.

The team started with 10 people, but now the company employs 150. More than half are developers situated in a Kyiv office, while the rest of the team is in San Francisco.

Ukrainians account for 7 percent of Grammarly users. This rather large number can be attributed to the presence of the company's office in Kyiv and its regular attendance at events organized by the Ukrainian tech community.

"We don't hide the fact that we have an office in Ukraine... In fact, we managed to make this product because we started in Ukraine and found talented specialists," Lytvyn said. "It's just that we started to do a product not for Ukraine, but for the world. This is a good rule for all product companies."

According to Lytvyn, the company is now the leader in its niche, not to mention a pioneer in its field.

"It's a big innovation. Nobody else in

the world does what we do. But the success of this innovation is explained by the fact that there is a place on the market for it," Lytvyn said. "If people didn't need it, no matter what innovation it is, it wouldn't be successful."

The company did encounter challenges on its way to success, however, including widespread distrust in electronic checks of writing.

"The existing companies created a very negative impression of the electronic checking of writing. That's why people who tried it were sure that the computer cannot check orthography," Lytvyn said.

The built-in spell checkers of Microsoft Word and Google Docs have been and still are the biggest rivals of Grammarly.

But Grammarly's website said it "checks your text for 10 times more mistakes than Microsoft Word."

Microsoft Word's spell checker was developed more than 10 years ago, according to Lytvyn.

"While developing our technology, we targeted the web from the very beginning. All work is done on web servers

and then displayed on a laptop or any other client's device," Lytvyn said.

Lytvyn and Shevchenko were friends long before starting Grammarly. They met in 1997 and studied together at the International Christian University in Kyiv. That's where they started MyDropbox, their first tech service that checks texts for plagiarism.

It was a non-profit at first, then commercialized in 2004, after which the partners started selling the service to universities. It gained popularity with more than two million students in 800 American universities. The partners then sold it to the U.S. educational technology company Blackboard in 2007.

Afterwards the duo started Grammarly with their own money.

They think it will be quite difficult for others to enter the niche that Grammarly occupies.

"It demands a big investment, and it's difficult to make a technology that can check the quality of writing," said Lytvyn. "But we always work with the assumption that someone will overcome this barrier."



Grammarly developers work at the company's Kyiv office on Nov. 2. (Anastasia Vlasova)

Zakaz.ua delivers groceries to home so people can skip trip to groceries

By Olga Rudenko
rudenko@kyivpost.com

In September, Bostonians were introduced to a new grocery delivery service, CartFresh, so that people can skip the visit to groceries.

What most Boston clients probably don't know is that CartFresh is a sister company of Zakaz.ua, a Ukrainian grocery delivery service.

After five successful years of operation in Ukraine, Zakaz.ua started expansion abroad and entered the U.S. market in Boston.

Ever since 2010, when Ukrainian tech entrepreneur Yegor Anchishkin founded Zakaz.ua, technology has been his big advantage. Before Zakaz.ua, he launched Viewdle, a tech startup that developed facial recognition software. Google bought it in 2012, paying at least \$30 million. By that time, Anchishkin stepped out of Viewdle's operations to work on Zakaz.ua.

Anna Matsyuk, CEO of Zakaz.ua, recalls that the company employed five people when she joined it a few months after the launch in 2010. Today, there are 150 employees. The company's turnover in 2014 was \$3.5 million, according to Anchishkin. Although that's almost the same turnover that Anchishkin revealed in 2013, he emphasizes that the company did grow in hryvnia.

In 2014, Zakaz.ua received \$2.5 million investment from Chernovetskiy Investment Group, the fund of ex-mayor of Kyiv Leonid Chernovetskiy.

The service operates in Kyiv and Dnipropetrovsk and delivers

Yegor Anchishkin



A picker working for Zakaz.ua puts together a grocery order in a supermarket in Kyiv. The order will then be packed and delivered to the client. (Courtesy)

Zakaz.ua

Established: 2010

Headquarters: Kyiv.

Founders: Yegor Anchishkin

Claim to fame: Biggest grocery delivery company in Ukraine. Expanded to U.S. in 2015.

groceries from three big supermarkets: Metro Cash & Carry, Novus and Fozzy, and a marketplace Stolychniy. Delivery is just Hr 39 for orders under 40 kilograms.

The company has a few smaller competitors, including a delivery service Ekipazh and in-house delivery services of supermarket Furshet. But Zakaz.ua has a trump card: photos of nearly all items it offers.

Assuring that each of around 280,000 items in an online catalogue has a real photo was the biggest challenge Zakaz.ua faced. And they found the way – through technology.

The company designed a mobile photo studio that can take a 360-degrees photo of an

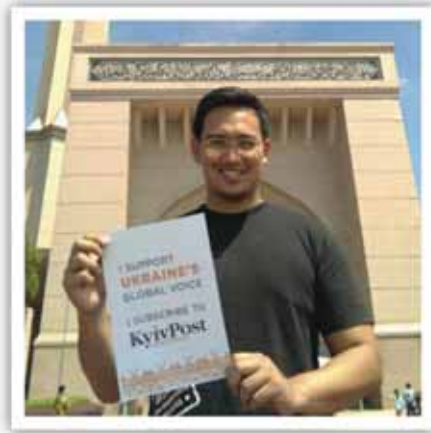
item in just one minute. The invention looks like a plastic barrel with a rotating platform inside and a camera installed in it. To make a photo, the employees put a product on a rotating platform inside and wait for the camera to finish the shooting. Special software needed to be developed to operate the camera.

The invention assured the company's leadership in the market. While other grocery delivery services have only text description on items like fruits or meat, Zakaz has photos.

Technology is used on other stages, too.

After a customer places an order, someone collects the ordered groceries from the supermarket shelves, consulting an app in his smartphone. When something is not right – for example, a producer changes the design of a milk package – the picker puts a comment in an app, and the new milk package gets rephotographed.

Today, Anchishkin lives in U.S. and is focused on CartFresh. While he admits that the American market is “hypercompetitive,” he believes that his startup has a chance against the giants like Amazon Fresh, Instacart and Google Express.



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Homegrown software helps clean up public procurement, reduce corruption



Natalia Abesadze, a member of the ProZorro team, looks through a report on the electronic public procurement system on Sept. 29 in Kyiv. (Volodymyr Petrov)

By **Bozhena Sheremeta,**
Olena Gordiienko
and **Mariana Antonovych**

“You can’t bribe a computer,” the not-so-old saying goes, and a new innovation in Ukrainian government procurement is attempting to put that principle into practice.

Overseen by officials looking for kickbacks, Ukraine’s old, flesh, bones and paper system of procurement whittled away on average about \$2.3 billion a year due to shady schemes. That’s 20 percent of taxpayers’ money that the government allocates to buying goods, labor and services for public needs.

To put a plug in that corrupt drain, the Economy Ministry, in cooperation with civic activists, created ProZorro – a full-service electronic public procurement system that started operating in pilot mode on Feb. 12. As of Oct. 2, the system had processed 12,260 electronic tenders worth Hr 3.72 billion and saved the state an estimated Hr 306.4 million on procurement.

The new software was designed to tackle some of the key problems of the old state procurement system – little transparency, rigid barriers that prevented competition among bidders, and crooked officials.

ProZorro is operated by Transparency International Ukraine, a corruption watchdog. But by the end of the year, its databases will be transferred to a state enterprise managed by the Economy Ministry, while bidding platforms will remain privately owned.

The electronic system has so far received funds from partners, who donated \$10,000 for product development, along with \$50,000 from the Western NIS Enterprise Fund and \$17,000 from the European Bank for Reconstruction and Development.

More than 100 people work on ProZorro, including specialists in technology, support services and those who attract new suppliers for participation. Transparency International pays some employees, while others are paid by providers that work with ProZorro. Economy Ministry employees are also involved in

ProZorro, but they don’t get paid for the extra work.

Andriy Kucherenko, who is in charge of IT system coordination at ProZorro, says the reaction of public officials to ProZorro vary.

“There are those who have a positive attitude towards the platform and become leaders in using it. For example, the Defense Ministry, Infrastructure Ministry, Kyiv State City Administration, Energoatom and others,” according

ProZorro

Established: 2014

Headquarters: Kyiv

Founders: Many activists, including Alexander Starodubtsev and Andriy Kucherenko

Claim to fame: Transparency in state purchases, saving at least \$14 million.

to Kucherenko. Other agencies are not as accepting, and legislation will be needed to get them to use ProZorro.

Altogether more than 800 state agencies use the system.

While the Kyiv City State Administration and two ministries – infrastructure and energy – use it the most, the Defense Ministry has held the most expensive tenders by far. Its share is Hr 2.73 billion, accounting for 74 percent of the total amount.

A similar system in Georgia spurred the development of ProZorro in Ukraine.

In comparison to closed-door paper tenders, where administrators see all bidders and can adjust terms to manipulate who wins, administrators of the tender cannot see applicants in ProZorro.

The system reviews the cheapest offer

and, if it meets requirements, is automatically accepted.

In addition, the platform opens up data on the tender to anyone, not only to potential bidders. The terms of the tender and the bids are also visible to anyone, while competing bidders cannot see each other in the system.

Deputy Economy Minister Max Nefyodov is the official who was tasked with bringing the new system into being. In February, he gave up his managerial post at Icon Private Equity fund to take on the challenge of fixing the state’s broken public procurement machine with the reformist team of Economy Minister Aivaras Abromavicius.

“Losses through the public procurement sector are one of the main channels through which black cash gets into the economy,” Nefyodov said in an interview with the Kyiv Post.

“The more we put procurement into an electronic format, the easier it is for everyone to work with it – including procurement officers, suppliers, regulators ... police, prosecutors, ministers, anti-corruption activists, journalists and others,” Nefyodov said.

Despite funding difficulties, resistance from vested interests, bureaucratic battles, and effort to get parliament to pass the innovative legislation to adopt the system, the tremendous effort has been well worth it, Nefyodov said.

“I understand that unless we build the country ourselves, unless we reform the economy, there just won’t be any place for complex business, for investment funds, for investment banks, and for professionals in general,” he said.



The drivers of the city buses in Kyiv protest against the unfair results of the tender among the transport firms on Feb. 26, 2013. (Anastasia Vlasova)

Stepan Veselovskyi and Lviv IT Cluster create favorable conditions for business

By Yuliana Romanyshyn
romanyshyn@kyivpost.com

When Stepan Veselovskyi, 28, became the CEO of Lviv IT Cluster at the beginning of 2013, the organization united only four companies. Now, Cluster unites 34 information technology businesses and continues to expand.

“Over the last three years we have grown into the largest operating organization in Ukraine, but we still remain a local one,” Veselovskyi said.

Before joining Lviv IT Cluster, Veselovskyi worked at the Lviv City Council and at municipal analytical center City Institute.

In 2013, he launched Startup Depot, the first co-working place in Lviv. “We had an idea to create a project that helps entrepreneurs to build their business,” Veselovskyi said.

Later, he developed the same concept at IT Cluster.

IT Cluster aims to create favorable conditions for IT business in Lviv. To achieve that, they work with local colleges to improve IT education, assist with networking, connect the businesses with local authorities, provide loyalty programs and discounts for IT employees, and even construct an apartment building for them.

The Cluster is financed by member contributions. Fees vary depending on the size of the company, with the smallest payment amounting to just \$950 a year.

The Cluster’s education department works with Lviv universities to modernize their curriculum. Cluster’s members and representatives of the IT companies present real cases to students.

In addition, Cluster has launched a new program with Lviv Business School – the Master of Science in Technology Management.

To boost professional networking, Cluster organizes one of the biggest IT conferences in Ukraine: Lviv IT Arena. In 2015, it brought together 1,400 developers, entrepreneurs, top managers, de-

Lviv IT Cluster

Established: 2012

Headquarters: Lviv

Founders: SoftServe, Eleks, N-iX

Claim to fame: Uniting 34 IT companies.

www.itcluster.lviv.ua

signers, and programmers.

“We made the conference from scratch, and it became a success,” Veselovskyi said.

He has an ambitious plan to throw a conference for 10,000 participants in 2016.

“We do it all in order to invite businesses and people and boost the role of Lviv and Ukraine in the IT world,” he said.

Apart from communication and education, IT Cluster focused on infrastructure. The organization ordered the construction of an apartment building where flats are offered only to employees of the companies that are members of the Cluster. Construction began in mid-October, and most of its 72 apartments have already been sold.

Veselovskyi says that the Cluster didn’t profit from the construction, but the company did it for marketing reasons, to emphasize the city’s support for the industry.

In recent months, some top Ukrainian IT companies have suffered from authorities searching their offices, seizing data and equipment. Veselovskyi believes that this would not happen in Lviv thanks to the close ties his

organization has established between the companies and city authorities and re-elected Mayor Andriy Sadoviy.

Veselovskyi says that cooperation between authorities and IT companies is part of the development strategy for Lviv. He says the IT industry will pay around \$12.4 million in taxes in 2015, while the planned yearly budget of Lviv is \$180 million.

“Who among the officials, realizing that this is the basis of the city economy, will cut the branch on which he sits?” he asked.

Veselovskyi ran for City Council in the October election, but lost. He says he and his team aimed to “provide the council with intellectual capital, because people from IT have an understanding of innovation, globalization, and competition on the global market.”

The next step for Veselovskyi and IT Cluster is building an IT Park – a huge space that will unite offices for IT companies, hotels, restaurants, and conference rooms. He says that the park will be a place to launch new companies and develop old ones.

“And that would be a landmark of the city,” he said.

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Stepan Veselovskyi gives a lecture in Vinnytsia during Lviv IT Tour. (Oleh Ibrahimov)

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