

# Ukraine

Capital: Kyiv ++ Official Language: Ukrainian ++ Currency: Hryvnia

## Basic Facts



GDP	185 [bn USD]	IPO Volume	4th 1st
Population	46 [mn]	M&A Volume	4th 1st
GDP Growth	'02 - '08	VC Activity	4th 1st
Pop. Growth	'02 - '08	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Strong economic growth increased business opportunities in many sectors
- Extension of a US\$16.4bn emergency Stand-By Agreement from the IMF significantly reduced the likelihood of a sovereign credit default
- Decrease of inflation rate is expected in 2009 compared to 2008

### Weaknesses

- Corruption remains a serious problem
- Ukraine's economy is poised for a significant slowdown due to continuing deterioration in external credit conditions and the ongoing low demand throughout Europe
- Absence of developed stock markets
- Production facilities are outdated and require significant capex

### Opportunities

- Prospects of a more formal trade arrangement with the EU
- Financial pressure placed on business owners together with local currency depreciation may lead to unexpected deal flow
- Liquidity problems of Ukrainian firms might lead to low valuations
- Low labor costs
- Euro-2012 championship hosted by Ukraine and Poland

### Threats

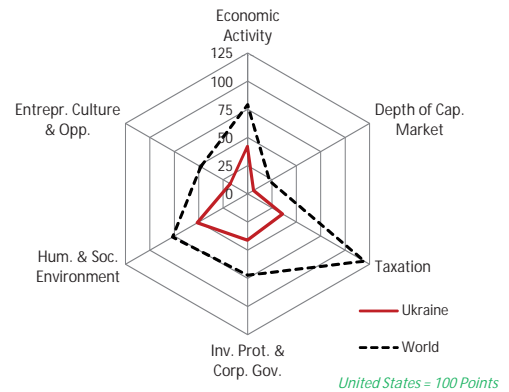
- Economic policy is likely to remain politically motivated as parliamentary fractions continue to compete for control and influence. The unstable political situation will continue to hamper the government's ability to respond to persistent macroeconomic challenges
- Economy highly depends on prices of natural gas imported from Russia
- Transparency, such as in the conduct of privatizations, will remain elusive

Aaron Johnson, Partner, Ernst & Young Ukraine

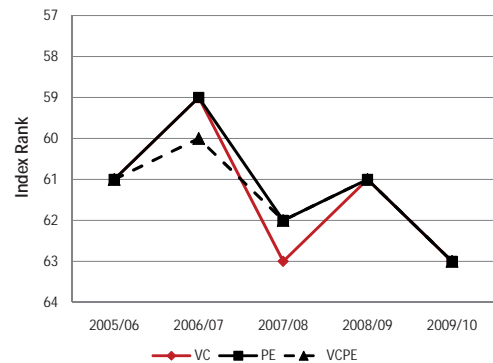
## VCPE-Ranking

	2005/06	2009/10		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>61</b>	<b>23,6</b>	<b>63</b>	↓	✗
Economic Activity	63	42,1	63	→	✗
Depth of Cap. Market	61	6,1	61	→	✗
Taxation	63	35,8	66	↓	✗
Inv. Prot. & Corp. Gov.	54	41,2	56	↓	✗
Hum. & Soc. Env.	47	51,6	48	↓	✗
Entrepr. Culture & Opp.	59	17,7	59	→	✗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2005/06	2009/10		Quartile	
	Rank	Value	Rank	4th	1st
Poland	41	45,8	31	↑	✗
Czech Republic	33	45,5	34	↓	✗
Estonia	30	44,5	35	↓	✗
Hungary	34	41,1	37	↓	✗
Lithuania	37	40,4	40	↓	✗
Croatia	47	38,6	45	↑	✗
Latvia	39	35,6	50	↓	✗
Bulgaria	48	30,6	55	↓	✗
<b>Ukraine</b>	<b>61</b>	<b>23,6</b>	<b>63</b>	<b>↓</b>	<b>✗</b>

## Details

### 1. Economic Activity

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
1.1 Gross Domestic Product	64	34,1	56	↑	☒	☐
1.2 Inflation	64	22,2	64	→	☒	☐
1.3 Unemployment	29	98,6	35	↓	☒	☐

### 2. Depth of Capital Market

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
2.1 Size and Liquidity of the Stock Market	55	8,7	49	↑	☒	☐
2.2 IPO Market Activity	46	1,7	34	↑	☒	☐
2.3 M&A Market Activity	41	1,7	46	↓	☒	☐
2.4 Debt & Credit Market	64	26,5	64	→	☒	☐
2.5 Financial Market Sophistication	61	13,5	62	↓	☒	☐

### 3. Taxation

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives	28	141,8	34	↓	☒	☐
3.2 Administrative Tax Burdens	64	9,1	66	↓	☒	☐

### 4. Investor Protection and Corporate Governance

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	43	58,5	41	↑	☒	☐
4.2 Security of Property Rights	58	33,1	58	→	☒	☐
4.3 Quality of Legal Enforcement	56	41,6	55	↑	☒	☐
4.4 Regulatory Quality	57	35,6	60	↓	☒	☐

### 5. Human and Social Environment

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
5.1 Education & Human Capital	31	57,2	38	↓	☒	☐
5.2 Labor Market Rigidities	40	70,2	28	↑	☒	☐
5.3 Bribing & Corruption	57	18,5	59	↓	☒	☐
5.4 Costs of Crime	51	95,4	48	↑	☒	☐

### 6. Entrepreneurial Culture and Opportunities

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
6.1 Innovation & R&D	48	11,9	47	↑	☒	☐
6.2 Ease of Starting & Running a Business	56	68,8	55	↑	☒	☐
6.3 Simplicity of Closing a Business	65	8,7	65	→	☒	☐
6.4 ICT Infrastructure	53	13,6	52	↑	☒	☐