

# Route to Ukraine



Ukraine Stock Exchange PFTS  
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Ukraine, an attractive emerging market, has significant economic potential as a result of its well educated labor force, large domestic market, and access to a variety of resources including some of Europe's best agricultural land, significant coal and some oil and gas reserves, and a strategic location connecting Europe, Russia and Asian markets.

Its economy has been growing steadily, with gross domestic product increasing an average of more than 7% per year. Strong growth has been spurred by increasing domestic demand, improved productivity in the private sector, low unemployment, and rising wages.

Ukraine's maturing private sector that is becoming increasingly globalized and transparent, the country's relatively inexpensive and well-educated work force and Ukraine's entry into the WTO have all contributed to the country's growth. Indeed, direct foreign investment was \$6.9 billion, up 170% from the same period in 2007, according to the State Statistics Committee. Furthermore, the European Union accounted for the majority of this FDI.

The PFTS Stock Exchange is the larger of Ukraine's two main stock exchanges (the other being the Ukrainian Exchange). The PFTS Stock Trading System has been in operation since 1996 and currently is the largest marketplace and self-regulatory organization in Ukraine's stock market. Daily trade volume is about \$30-60 million. Approximately 220 companies are listed on the PFTS, with a total market capitalization around \$140 billion.

Originally it was the Association of the professional participants of the

Ukraine stock market registered at the end of 1995. In September, 1998 the name was accepted, effectively keeping the Ukrainian abbreviation of the name PFTS unchanged.

PFTS Stock Exchange is a registered by Ukrainian SEC stock exchange which is in operation since 1997 and currently is the largest marketplace in Ukraine. There are more than 200 members of stock exchange and more than 800 securities in the stock exchange listing. PFTS Stock Exchange is a member of International Association of CIS Exchanges and correspondent member of the World Federation of Exchanges. PFTS Association owns PFTS Stock Exchange.

PFTS Association was founded in February, 1996 and as for today it is one of the largest and most influential associations of professional securities market participants acknowledged by representatives of the governmental authorities and investors on the securities market both in Ukraine and overseas.

According to PFTS, in November PFTS Stock Exchange turnover reached UAH 1.89 bn. The total quantity of trades made at PFTS was equal to 5,759. The majority of trades were made with Enakievo Metallurgical Plant (ENMZ), Azovstal (AZST), Ukrnafta (UNAF), Centerenergo (CEEN) and Alchevsk Metallurgical Plant (ALMK) equities. PFTS Index increased by 0.46% to 594.56 points during the month, while it increased by 97.25% during January – November.

According to the World Bank, Ukraine has experienced a solid recovery since the 1998-99 financial crisis, with annual growth averaging above 7 percent between 2000 and 2007. The financial crisis of 1998 led to a realignment of the real exchange rate, which together with fiscal and financial stabilization efforts, initial structural reforms, a favorable external environment (particularly after 2003), and significant idle industrial capacity, helped to jump start the economy.

# Energy and Natural Resources

Vasil Kisil & Partners represents domestic and international energy industry clients in matters related to operations, finance, restructuring, governmental regulation, tax, environment, litigation and arbitration. We counsel developers, operators and suppliers and represent clients engaged in upstream, midstream and downstream oil and gas business transactions in Ukraine.

The firm's services include: drafting and negotiation of licensing agreements, production sharing agreements, exploration and development agreements as well as contractor and sub-contractor service agreements; acquisition and sale of oil, gas and electricity assets; regulatory and licensing requirements; preparation of financing arrangements, from traditional debt and equity to asset-based structures secured by production payments, synthetic leases and forward-sales contracts tax structuring of onshore and offshore exploration operations, royal ties, and VAT; transaction support - including mergers and acquisitions, joint ventures and joint production agreements; dispute resolution.

Clients include companies involved in onshore and offshore oil and gas exploration and production, oil and gas transportation, as well as electricity-generating companies.

Vasil Kisil & Partners has particular strength in the area of upstream, midstream and downstream oil and gas business transactions, as well as acquisition of energy assets. Its familiarity with the industry and local realities, and our cutting-edge representations over the years, have made the firm's Energy Practice the leading local provider of legal services to the energy and utility industries in Ukraine. The firm's recent experience includes representation of Petrosibir AB (Sweden) in a merger transaction with Shelton Canada Corp



## VASIL KISIL & PARTNERS

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(acquisition of Ukrainian assets).

It has unique experience in advising on production sharing agreements, licensing and distribution agreements, hydrocarbon exploration and production deals, gas transit and transportation projects, joint operating agreements; pipeline transportation agreements; underground gas storage facilities; drilling contracts, farm-ins/out.

Oleg Alyoshin, Partner leading the firm's energy practice said, taking into account Ukraine's oil and gas potential in the Black Sea Shelf, Ukraine is a promising market for major international companies involved in up-stream business: "The up-stream investments are long-term and need to be supported by a stable legislative and regulatory framework. It should be noted that provisions of the main legislative acts regulating the issuance of special permits (licenses) for sub-soil use are not consistent and often allow for ambiguity and misinterpretation."

He added: "That results in frequent changes and inconsistency of legislation, which does not give sufficient level of certainty for investment decisions. Therefore, one of the key legislative tasks in the energy sphere now is the unification of the legislative framework with respect to the issuance of special permits, consolidation of all legal procedures regarding issuance, use, extension, suspension and annulment of special permits."

"We hope that the economic crisis, the exodus of oil and gas investors from Ukraine, the gas dispute with Russia, various threats to energy independence and other dramatic events of 2008 - 2009, will finally result in improvement of investment regime, particularly in the oil and gas sector."