

Contents

EDITORIAL

THE LAW IS MORE IMPORTANT THAN FAMILY / 6

UKRAINE IN 2007 / 8

POLITICS

THE SECOND REPUBLIC / 12

The efforts of both President Viktor Yushchenko's team and the supporters of the Prime Minister Viktor Yanukovich to concentrate power in one centre have led to the political crisis in Ukraine. However, the attempt to defy Ukraine's transition from a presidential to a parliamentary model based on a separation of powers is an exercise in futility

ECONOMY

FAST GROWTH, BIG OPPORTUNITIES, INCREASING RISKS / 16

If elections rerun takes place in the next six months, and if they do not affect business activity negatively, they will actually be beneficial for the Ukrainian economy

INDUSTRY

HIGH TIME TO TAME METHANE / 20

If the Ukrainian state creates an investment-friendly environment, and the coal mining sector seizes the opportunities offered by the Kyoto Protocol, the use of coal mine methane could bring millions of dollars to Ukrainian manufacturers

INVESTOR FOR UKRTELECOM / 26

Plummeting profits from fixed-line telephony propelled Ukrtelecom to start looking for new sources of revenue. However, none of them can improve the company's present position. What Ukrtelecom needs is a strategic investor

PROPERTY

LAND GAMBLING / 30

The transition from the system of commercial land transfer into lease to land sale through tenders will result in growing local budget revenues and in revitalising investment activity

INFRASTRUCTURE

OFFICE BUILDINGS, NOT PLANTS / 34

Despite the fact that there is a persistent deficit of office space in Kiev, leaseholders have begun to set out the rules of the game

FINANCE

EXHAUSTED BULLS, THIN BEARS / 38

The growth of the Ukrainian stock market has exceeded all expectations. Many analysts predict that there could be a large-scale correction

DEBT MARATHON / 42

An ever increasing number of Ukrainian banks and companies are entering the foreign debt market. Should this tendency persist, Ukraine's foreign debt will reach a critical level within a few years' time

A LOAN'S SECOND LIFE / 48

Loan-backed bonds have been issued for the first time in Ukraine. It will, however, take some time before interest rates on mortgage loans go down and mortgage bonds become widespread

RATINGS

HIGHER DEMAND — HIGHER PRICE / 52

The rapid growth of the Ukrainian banking system has had a positive impact on the reliability ratings of the country's financial institutions, especially state-owned. Foreign-owned banks continue to top the list of the most reliable banks in Ukraine

COMPETITION WITHIN A FAST-GROWING MARKET: THE UKRAINIAN CASE / 60

Competition in the banking sector remains weak. This has allowed financial institutions to thrive by using a diverse set of strategies in their struggle to secure market share

CULTURE

THE DIRECTOR, THE ACTOR, HIS PLAY, AND HIS AUDIENCE / 62

Theatre becomes successful when those who run it understand that the audience is just as integral to the play as the playwright, the director, and the actor

EXPERT'S GALLERY / 66

EXPERT

UKRAINE

EDITORIAL

Expert Ukraine June 2007 issue 2 (4)
Founder & Publisher Expert Ukraine Ltd

Project manager, Editor-in-Chief

Iskander Khisamov

Executive Editor, Science Editor

Andrey Blinov

Chief Executive Aleksandr Kharebin

Deputy Editor-in-Chief Inna Shinkarenko

Editors Max Blagonravin, Igor Lubchuk,

Gleb Prostakov, Sergey Semyonov,

Oleg Voloshin, Natalia Zaderey

Art Director Aleksandr Reshetnikov

Liason Adip Khisamov, Yulia Vereshchaka

Translation Nina Kozlova, Alisa Voznaya

PR Manager Alime Abyaeva

Advertising MS Media agency

Chief Executive Natalia Dmitrieva

Distribution Sport Media Group Ltd

Director Marina Kolesnikova

EDITORIAL NOTE

In preparation of the news sections the following sources have been used: Interfax-Ukraine, Ukrainian News

Material marked as  is published as advertising feature.

Disclaimer: Expert Ukraine will not be responsible for any error or inaccuracy in advertising material or in material sourced from news agencies. The editors do not respond to information queries.

All rights reserved; reproduction in whole or in any part without permission is prohibited.

The **Expert Ukraine** is registered in Ukraine-Certificate-KB # 11188-68P of 28.04.06.

Editorial and executive office:

60, O.Honchar str., of.2, Kiev, 01054, Ukraine.

Telephone: +380 44 207 0880

E-mail: info@expert.ua, www.expert.ua

Circulation 10000.

Printed by **Olbi**, Kiev, Ukraine.

© Copyright 2004.

MS Media agency: 44, Hlybochyt'ska str.,

Kiev, 04050, Ukraine.

Telephone: + 380 44 391 5260

E-mail: ndmitrieva@msmedia.com.ua

Sport Media Group Ltd: 44, Hlybochyt'ska str.,

Kiev, 04050, Ukraine.

Telephone: + 380 44 494 2814

We would like to know your opinion of this issue of *Expert Ukraine* quarterly. We should be very grateful if you would fill out the questionnaire on our website: www.expert.ua