

2006 ANNUAL REPORT



Uniting Leading Companies from over 50 Nations Across the Globe

MESSAGE FROM THE CHAIRMAN:



Andreas Rickmers

In 2006, the Chamber has been actively involved in the President's Foreign Investment Advisory Council and well as a whole host of Public Councils and Working Groups under the Cabinet of Ministers and Verkhovna Rada. Our Committees, issue specific Working Groups and Policy Team have grown in size and strength in 2006 and we look forward to continuing the positive trend in 2007 and beyond for the benefit of Ukraine and our Membership. I would like to thank the many Members who have taken an active role in the Committees and Working Groups ensuring the information, opinions and advice we provide policy makers is professional and relevant. Without the Members active involvement the lobbying and advocacy initiatives of the Chamber would not be so successful. The Chamber has also aggressively expanded value added benefits, besides advocacy and lobbying, in the spheres of Networking and Information Dissemination through a wide variety of new targeted events and publications.

I would also like to take a moment to thank the 2006 Board of Directors who were instrumental in working with myself and the administrative team in ensuring the continued success of the Chamber. Their hard work and dedication were pivotal in providing the strategic direction of the Chamber and we are collectively proud of the results. The 2006 American Chamber of Commerce Board included: Executive Committee: Andreas Rickmers, Cargill Enterprises, Inc. - Chairman; George Logush, Kraft Foods Ukraina - Vice Chairman; James Hitch, Baker & McKenzie - Treasurer; Stuart McKenzie, Pulse Ltd. - Secretary. Directors: Axel Hluchy, METRO Cash & Carry Ukraine Ltd.; Boris Krasnyansky, PricewaterhouseCoopers; Bohdan Kupych, Kvazar-Micro Corporation; Jacques Mounier, Calyon Bank Ukraine; Nadir Shaikh, Citibank (Ukraine); Myron Wasylyk, The PBN Company; Adam Wojacki, Ukrainian Mobile Communications; Kamen Zahariev, European Bank for Reconstruction and Development.

Both the Chamber and Ukraine continue to have a lot of potential for further growth and development and the synergies and benefits that both can offer our current and future Membership will continue to unfold in 2007.

Regard

Andreas Rickmers
Chairman of the Board

Dear Chamber Members,

2006 was marked with interesting, and at times, tumultuous political wrangling that left the Chamber Membership unsure of the future direction of Ukraine in the spheres of both foreign and domestic policy. Despite the uncertainty and therefore lack of predictability, foreign direct investment into Ukraine grew at a steady pace further highlighting Ukraine's importance as a future candidate for EU and WTO accession being a large nation bordering on the new larger Europe.

In 2006 the Chamber embraced the challenges of the new environment strengthening our Policy Team, Committees and tapping into long standing relationships with key decision makers to work on issues that are of major concern to our Membership. In the same vein, the Chamber further developed segmented Networking events allowing our Membership to tap into the wealth of experience and opportunities that the Members of the Chamber bring to the table. The Chamber has focused on further developing a well rounded offering of benefits and services focusing on being proactive, innovative and customer service oriented. The results of our efforts were positively reflected in our 2006 Membership Satisfaction Survey which highlighted an overall sense that our Membership, both senior management and employees, find value in being a Member and participating actively. The Survey also pointed to a few areas where our team will work towards improving in 2007 and beyond to ensure that the Chamber continues to be the premier business association in Ukraine serving the needs of the leading organizations operating in Ukraine.

We are proud to say that we came very far in accomplishing our Vision to be: the undisputed voice of the domestic and international business community in Ukraine; a respected, influential and sought-after advisor to Ukrainian authorities, diplomatic and donor communities on business, investment and economic issues; as well as an indispensable partner of the business community and a role model for ethical behavior.

MESSAGE FROM THE PRESIDENT:

Jorge Zukoski

Dear Chamber Members,

2006 was another interesting year for Ukraine, the American Chamber of Commerce and our Members as investment into Ukraine increased despite the political uncertainty that was a hallmark of the 2006 parliamentary elections. The resulting political confrontations and rapid changes to the business and economic landscape, as the new government and president attempted to locate their centers of power, provided a strong need among our Membership to work towards protecting their interests in Ukraine as legitimate investors.

The Chamber worked very diligently in 2006 to adapt to the new political and lobbying environment by strengthening our Policy Team, Committees and Working Groups while at the same time introducing new and innovative value added benefits, including more focused Networking events, for the Membership to further assist in our Member's success in this difficult environment while doing our best to foster additional investment into the country.

The Chamber also undertook a Membership Satisfaction Survey in 2006 to provide relevant information into our strategic planning process to ensure that the Chamber is able to meet and exceed our Member's expectations in 2007 and beyond.

There will be additional challenges and issues that need to be addressed as Ukraine and her people continue down the road of reform and we at the Chamber look forward to continuing to assist in that process wherever and however we can to help ensure the future success of our Members and the great country in which we live and work.

This 2006 Annual Report is designed to provide you with a brief snapshot of the major activities and accomplishments of your Chamber over the last year.

Sincerely,



Jorge Zukoski
President



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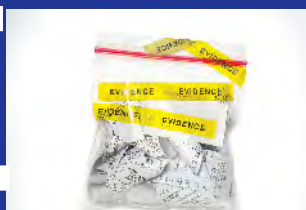
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42



MEMBER 2 MEMBER
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44



NEW MEMBERS IN 2006

51





The Chamber in Ukraine

The American Chamber of Commerce in Ukraine ("Chamber") is among the most active, respected and effective non-government nonprofit business organizations operating in Ukraine since independence. One of the principle activities of the Chamber is to represent the internationally oriented investment community as well as to facilitate the entrance of potential new investors into this market. The Chamber advocates on behalf of their Members not only to the Ukrainian government but also to all other governments who are economic partners of Ukraine on matters of trade, commerce and economic reform.

The Member organizations of the Chamber represent many of the largest companies from more than 50 countries operating in Ukraine with a majority of the foreign direct investment. The diverse Membership base unites companies from a variety of regions and countries, including North America, Europe, Asia, Russia and Ukraine. Members collectively employ hundreds of thousands of Ukrainians providing them with exposure to international business practices and an opportu-

nity to develop into leading Ukrainian professionals, bring international expertise and business knowledge to Ukraine and are among some of the largest tax-payers in Ukraine and strive to be good corporate citizens.

The Chamber is an active and engaged member of the Foreign Investment Advisory Council under President Yushchenko, the Entrepreneurs' Council of the Cabinet of Ministers as well as a wide variety of Public Councils within the Ukrainian Ministries and State Committees.

Chamber Membership benefits include but are not limited to: effective and proactive Advocacy and Lobbying Activities; access and involvement in Chamber Committees and Working Groups; value added contacts and stratified business Networking; informative publications; wide variety of socially oriented and family focused events and activities; streamlined Express Business Visa Services; a money saving Member 2 Member Discount Program; continuously expanding Gourmet Club, etc.

2006 MEMBERSHIP SATISFACTION SURVEY

In order to obtain a better understanding of the level of satisfaction of the Membership with the Chamber's activities and priorities the Chamber in cooperation with Chamber Member Hudson Global Resources and with the support of Chamber Member MacHouse implemented a 2006 Membership Satisfaction Survey.

The Survey's primary objective was to provide relevant information that would assist the Chamber serve the Membership more effectively. The information obtained from the Survey was then utilized by the Board of Directors and Administrative Team during the strategic planning process whereby the Mission, Vision and Principles were adjusted to ensure the Chamber's strategic direction matches the needs and expectations of the Membership in this rapidly changing environment.

The Chamber was pleased that well over 1200 Members responded to the survey providing a statistically relevant sample size enabling the Chamber's Board of Directors Strategic Planning Committee to receive a clear snapshot of the perception of the Chamber among the Membership.

Overall, the Chamber performed well in the eyes of the Membership with some brief snapshots including:

- The Chamber is perceived as an organization effectively providing companies business networking opportunities, supporting their business activities through the provision of information and protecting their interests through lobbying and advocacy

- 92% of Chamber Members are happy with the Chamber services and believe their expectations from Membership are mostly met

- 99% of Chamber Members would recommend the Chamber as a reliable business partner

- 74% of Members think that the Chamber manages to contribute to business reforms in Ukraine and the majority of Member companies (80%) believe the Chamber manages to fully represent the Member's interests

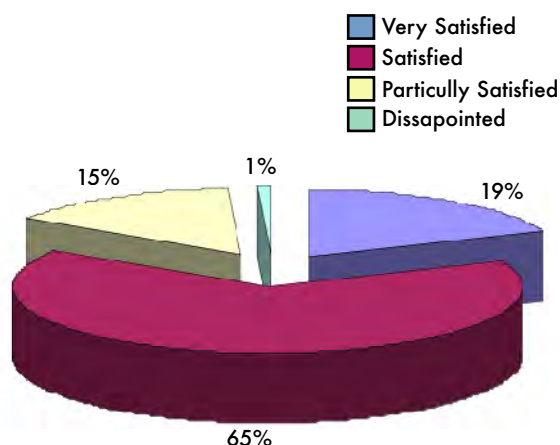
- Committees which are the most active and effective include: Agricultural, Banking and Financial Services, Human Resources, IT Committee, Legal and Telecom. 40% of people attend regularly and 45% from time to time depending on the issues discussed during the Committee Meetings.

- Members indicated that the Membership Directory, Business Networking Events, Chamber Electronic Publications, and Discount Program are very important and highly rated products and services of the Chamber.

Among areas that have been identified for further development and strengthening in 2007 include: improving the variety of focus of different communication channels; strengthening of Advocacy and Lobbying activities utilizing different mechanisms and tools; and focusing more attention to issues of small and medium sized companies.

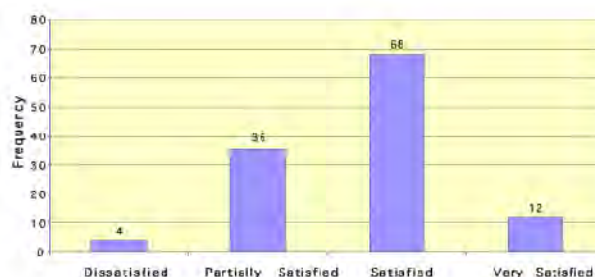
Hudson

Satisfaction with Responsiveness to Member's Needs



84% of respondents are very satisfied and satisfied with the Chamber's responsiveness to their needs

General Satisfaction Index GSI = 3.05



General Satisfaction Index
 (average of first 3 questions) = 3.05
 3.5 - 4 - Very Satisfied
 2.5 - 3.5 - Satisfied
 1.5 - 2.5 - Partially Satisfied
 Less than 1.5 - Dissatisfied

AMERICAN CHAMBER OF COMMERCE CALENDAR OF EVENTS 2006

JANUARY

JANUARY 2ND

Chamber's Young Professionals
Network (YP-Net) - McQuest Event

JANUARY 12TH

English Language Hollywood
Movie Premier with the Chamber
- "THE CHRONICLES OF NARNIA:
THE LION, THE WITCH, AND THE WARDROBE"

JANUARY 16TH

Telecom Committee Meeting

JANUARY 18TH

Banking Committee Meeting

JANUARY 18TH

English Language Hollywood
Movie Premier with the Chamber
- "Pride and Prejudice"

JANUARY 18TH

Toastmasters Committee Meeting

JANUARY 19TH

Chamber General Membership
Meeting with Mr. Pavlo Kachur,
Minister of Building, Architecture
and Housing and Communal
Services of Ukraine

JANUARY 19TH

Chamber "Welcome Back"
Networking Cocktail at
Arizona BBQ Restaurant

JANUARY 24TH

HR Committee Meeting

JANUARY 25TH

Toastmasters Committee Meeting

JANUARY 31ST

Annual Members Appreciation
Reception and New Chamber
Discount Card Presentation

FEBRUARY

FEBRUARY 1ST

English Language Hollywood
Movie Premier with the
Chamber - "Derailed"

FEBRUARY 1ST

Toastmasters
Committee Meeting

FEBRUARY 2ND

IPR Committee Meeting

FEBRUARY 7TH

Agricultural
Committee Meeting

FEBRUARY 8TH

Chamber Business Luncheon
with Mr. Igor Zaglada,
Head of the Ukrainian
Center on Attraction
of Foreign Investments

FEBRUARY 8TH

Chamber Networking on Ice

FEBRUARY 8TH

Toastmasters
Committee Meeting

FEBRUARY 9TH

Business Management Education
and Training Committee Meeting

FEBRUARY 15TH

English Language Hollywood
Movie Premier with
the Chamber - "Munich"

FEBRUARY 15TH

Toastmasters
Committee Meeting

FEBRUARY 16TH

Pharmaceutical Sub-Committee
Meeting, Healthcare Committee

FEBRUARY 17TH

Chamber General Membership
Meeting with
Dr. David A. Sampson, Deputy
Secretary of the
U.S. Commerce Department

FEBRUARY 20TH

Telecom Committee Meeting

FEBRUARY 22ND

English Language Hollywood
Movie Premier with
the Chamber - "Casanova"

FEBRUARY 22ND

Toastmasters
Committee Meeting

FEBRUARY 23RD

Chamber's Banking and Financial
Services Committee Business
Luncheon with Mr. Oleksandr
Shlapak, Head of the State
Treasury of Ukraine

FEBRUARY 23RD

IT Committee
Presentation in Lviv

FEBRUARY 24TH

Elections 'In-Focus' with Mr.
Roman Bessmertny, Head
of the Council, Party
"Nasha Ukraina"

FEBRUARY 27TH

Elections "In-Focus" with
Mr. Petro Symonenko,
Head of the Communist
Party of Ukraine

FEBRUARY 27TH

Tax Committee Meeting

FEBRUARY 28TH

HR Committee Meeting

AMERICAN CHAMBER OF COMMERCE CALENDAR OF EVENTS 2006

MARCH

MARCH 1ST

English Language Hollywood Movie Premier with the Chamber – “Derailed”

MARCH 1ST

Toastmasters Committee Meeting

MARCH 2ND

Banking and Financial Services Committee Meeting

MARCH 4TH

Maslyanitsa with the Chamber - Holiday of a 1000 crepes!!!

MARCH 6TH

Overseas Security Advisory Council (OSAC) Meeting

MARCH 7TH

Agricultural Committee Meeting

MARCH 7TH

Women's Day Networking Cocktail

MARCH 9TH

Business Management Education and Training Committee Meeting

MARCH 10TH

English Language Hollywood Movie Premier with the Chamber – “Failure to Launch”

MARCH 13TH

Elections “In-Focus” with Mr. Oleksandr Moroz, Head of the Socialist Party of Ukraine

MARCH 13TH

Legal Committee Meeting

MARCH 14TH

Travel and Tourism Committee Meeting

MARCH 14TH

Telecom Vendor Sub-Committee Meeting

MARCH 15TH

Toastmasters Committee Meeting

MARCH 16TH

Elections “In-Focus” with Mr. Nestor Shufrych, a Leadership Member of the “Ne Tak!” Opposition Bloc

MARCH 16TH

“Luck of the Irish” St. Patrick's Day Networking Cocktail

MARCH 20TH

Telecom Committee Meeting

MARCH 22ND

Toastmasters Committee Meeting

MARCH 25TH

Family Movie Weekend “Nanny McPhee”

MARCH 27TH

Customs and Transport Committee Meeting

MARCH 29TH

Toastmasters Committee Meeting

MARCH 30TH

Joint HR and Business Management Education and Training Committee Meeting

APRIL

APRIL 4TH

Agricultural Committee Meeting

APRIL 4TH

Banking and Financial Services Committee Meeting

APRIL 5TH

IPR Committee Meeting

APRIL 5TH

Telecom Vendor Sub-Committee Meeting

APRIL 5TH

Toastmasters Committee Meeting

APRIL 10TH

Telecom Vendor Sub-Committee Meeting

APRIL 10TH

Telecom Committee Meeting

APRIL 11TH

Joint Legal and Tax Committee Meeting

APRIL 12TH

Elections “In-Focus” Series - Post Election Analysis

APRIL 12TH

Toastmasters Committee Meeting

APRIL 13TH

Chamber Business Networking Cocktail “Thank God It's Almost Friday!”

APRIL 17TH

Parliamentary Elections “In-Focus” with the Chamber - Mrs. Yuliya Tymoshenko, Head of “BYUT” party

APRIL 18TH

Chamber Business Luncheon with Mr. Anatoliy Pakhlia, Head of the State Service on Tourism and Resorts of Ukraine

APRIL 18TH

M&A Taxation Working Group Meeting

APRIL 19TH

M&A Legal Working Group Meeting

APRIL 19TH

English Language Hollywood Movie Premier with the Chamber – “Inside Man”

APRIL 19TH

Toastmasters Committee Meeting

APRIL 20TH

Parliamentary Elections “In-Focus” with the Chamber – Mr. Mykola Azarov

APRIL 26TH

Toastmasters Committee Meeting

APRIL 27TH

“In-Focus” Meeting with representatives of the State Customs Service of Ukraine

APRIL 27TH

Legal Sub-Group of M&A Working Group Meeting

APRIL 27TH

Tax Sub-Group of M&A Working Group Meeting

AMERICAN CHAMBER OF COMMERCE CALENDAR OF EVENTS 2006

MAY

MAY 3RD

English Language
Hollywood Movie
Premier with
the Chamber –
"Scary Movie"

MAY 3RD

Toastmasters
Committee Meeting

MAY 11TH

Business Management
Education and Training
Committee Meeting

MAY 11TH

Open-Air Business
Networking
Cocktail "Spring
is Finally Here!"

MAY 13TH

2nd Annual Charitable
Corporate Tennis Cup

MAY 13TH

Chamber Silver Card
Holders Exclusive
Event - Charitable
Concert of Dmytro
Ageev and the Kyiv
Symphony Orchestra

MAY 15TH

Telecom
Committee Meeting

MAY 17TH

Banking and
Financial Services
Committee Meeting

MAY 17TH

Toastmasters
Committee Meeting

MAY 18TH

IPR Committee Meeting

MAY 20TH

Mayovka with
the Chamber

MAY 23RD

Travel and Tourism
Committee Meeting

MAY 24TH

HR Committee Meeting

MAY 24TH

Toastmasters
Committee Meeting

MAY 25TH

Agricultural
Committee Meeting

MAY 25TH

Tax Committee Meeting

MAY 31ST

Overseas Security
Advisory Council
(OSAC) Meeting

MAY 31ST

Toastmasters
Committee Meeting

JUNE 1ST

Business Management
Education and Training
Committee Meeting

JUNE 7TH

Travel and Tourism
Committee Meeting

JULY 13TH

Telecom Committee Meeting

JUNE 14TH

Toastmasters
Committee Meeting

JUNE 15TH

Networking Cocktail on
the Water with MODABAR

JUNE 16TH

Chamber Business Luncheon
with Mr. Viktor Ivchenko, Head
of the State Agency
on Investment & Innovation

JUNE

JUNE 20TH

Banking and Financial
Services Committee Meeting

JUNE 21ST

English Language
Hollywood Movie Premier
with the Chamber –
"The Da Vinci Code"

JUNE 22ND

Tax Sub-Group of M&A
Working Group Meeting

JUNE 26TH

Customs and Transport
Committee Meeting

JUNE 27TH

English Language
Hollywood Movie Premier
with the Chamber –
"The Da Vinci Code"

JULY

JULY 1ST

2006 Annual American
Independence Day Picnic

JULY 4TH

IT Committee Meeting

JULY 5TH

HR Committee Meeting

JULY 5TH

Chamber General
Membership Meeting
with Ambassador William
B. Taylor, the new U.S.
Ambassador to Ukraine

JULY 5TH

Toastmasters
Committee Meeting

JULY 10TH

Telecom
Committee Meeting

JULY 12TH

Business Luncheon with a Head
of the State Committee on
Technical Regulation and
Consumer Policy

JULY 13TH

Open Tax Committee
Meeting on VAT Issues
with Mr. Olexander
Kireev, Head of the
State Tax Administration

JULY 18TH

Banking and Financial
Services Committee Meeting

JULY 24TH

Customs and Transport
Committee Meeting

JULY 27TH

Chamber Silver Card
Holders Exclusive Event

AMERICAN CHAMBER OF COMMERCE CALENDAR OF EVENTS 2006

AUGUST

AUGUST 2ND

Toastmasters
Committee Meeting

AUGUST 9TH

Toastmasters
Committee Meeting

AUGUST 23RD

Chamber's Young
Professionals Network
(YP-Net) -
"Oh No - Summer is
Almost Over Party"

AUGUST 31ST

Chamber's "Welcome Back"
Networking Cocktail

SEPTEMBER

SEPTEMBER 2ND

Chamber's Young
Professionals Network
(YP-Net) - McQuest Event

SEPTEMBER 4TH

Telecom Committee Meeting

SEPTEMBER 5TH

Banking and Financial
Services Committee Meeting

SEPTEMBER 6TH

Toastmasters
Committee Meeting

SEPTEMBER 12TH

Tax Committee Meeting

SEPTEMBER 19TH

IPR Committee Meeting

SEPTEMBER 20TH

Seminar on Environmental
Issues Facing Investors
in Ukraine

SEPTEMBER 22ND

Chamber Silver Card
Holders Event - "Ryder
Cup with the Chamber"

SEPTEMBER 26TH

Agricultural
Committee Meeting

SEPTEMBER 27TH

Chamber's Young
Professionals Network
(YP-Net) Open
Toastmasters Meeting

SEPTEMBER 28TH

Healthcare Committee
Meeting with Mr. Yuroy
Konstantinov, Head of
the State Service of
Pharmaceuticals and
Medical Devices

SEPTEMBER 28TH

Business Management
Education and
Training Committee

OCTOBER

OCTOBER 2ND

Telecom Committee Meeting

OCTOBER 3RD

Banking and Financial
Services Committee Meeting

OCTOBER 8TH

Annual Chamber Football
Tournament (selection games)

OCTOBER 9TH

Telecom Committee Meeting

OCTOBER 10TH

English Language Hollywood
Movie Premier with the
Chamber - "Clerks II"

OCTOBER 14TH

Annual Chamber Football
Tournament (Selection
Games Day 2 and final games)

OCTOBER 16TH

Banking and Financial
Services Committee Meeting

OCTOBER 17TH

"In-Focus" Meeting with
Mr. Volodymyr Makukha,
Minister of Economy of Ukraine

OCTOBER 18TH

The Chamber's Annual
Exhibition "Holiday Expo"

OCTOBER 18TH

Toastmasters
Committee Meeting

OCTOBER 24TH

Agricultural
Committee Meeting

OCTOBER 24TH

OSAC Meeting

OCTOBER 25TH

HR Committee Meeting

OCTOBER 25TH

Toastmasters
Committee Meeting

OCTOBER 30TH

Chamber's Young
Professionals Network
(YP-Net) "Halloween"
Networking Party

AMERICAN CHAMBER OF COMMERCE CALENDAR OF EVENTS 2006

NOVEMBER

NOVEMBER 2ND

Business Management Education
and Training Committee Meeting

NOVEMBER 2ND

Business Networking Cocktail
at "Jules Verne" Tavern

NOVEMBER 6TH

Telecom Committee Meeting

NOVEMBER 8TH

"In-Focus" Meeting with Mr. Volodymyr Lanoyi,
Head of the Sub-Committee on the
Economic Aspects of Integration and
Cooperation with World Trade Organization
of Verkhovna Rada of Ukraine

NOVEMBER 8TH

Toastmasters Committee Meeting

NOVEMBER 13TH

Banking and Financial
Services Committee Meeting

NOVEMBER 15TH

Toastmasters Committee Meeting

NOVEMBER 16TH

"Competitiveness of Ukraine"
- Seminar on "Investors in People"

NOVEMBER 16TH

English Language Hollywood
Movie Premier with the Chamber
- "A Good Year"

NOVEMBER 21ST

EBRD's 2006 Transition
Report Presentation

NOVEMBER 21ST

Tax Committee Meeting

NOVEMBER 22ND

Toastmasters Committee Meeting

NOVEMBER 27TH

Chamber Networking Cocktail
at "Shato-Slavutich" Restaurant

NOVEMBER 29TH

Toastmasters Committee

NOVEMBER 30TH

"Competitiveness of Ukraine"
- Seminar on "Management System"

DECEMBER

DECEMBER 4TH

Telecom Committee Meeting

DECEMBER 6TH

English language Hollywood Movie Premier
with the Chamber - "Deck the Halls"

DECEMBER 6TH

Toastmasters Committee Meeting

DECEMBER 7TH

Business Networking Cocktail
"Meet the Candidates"

DECEMBER 11TH

Banking and Financial
Services Committee Meeting

DECEMBER 12TH

Annual General Membership
Meeting / Board of
Directors Election

DECEMBER 13TH

Toastmasters Committee Meeting

DECEMBER 18TH

Banking and Financial
Services Committee Meeting

DECEMBER 18TH

Chamber's Young Professionals Network
(YP-Net) - Christmas Party

DECEMBER 18TH

St. Nikolas Charity Drive

DECEMBER 20TH

Toastmasters Committee Meeting

DECEMBER 20TH

Silver Card Christmas Celebration



UKRAINIAN GOVERNMENT RELATIONS

During 2006 the Chamber's Policy Team in conjunction with the Board of Directors, Committee Leaders and active Members within the Chamber Committees and Working Groups were actively engaged in lobbying and advocating issues that are of importance to Members and keys for their success.

The Chamber's close working relationships with the Cabinet of Ministers, Parliament, Presidential Secretariat, State Committees and Public Councils have proven to be beneficial in moving the policy agenda of the Chamber forward by providing access to relevant decision makers, information and early warnings on draft legislation prepared by different State authorities, proactive involvement into the activities of a wide variety of Working Groups as well as participation in important meetings and round tables on priority issues for the private sector and investment environment.

In 2006, due to the new constitutional environment in Ukraine, the Chamber implemented new methods in regards to the realization of advocacy and lobbying activities. These included strengthening relationships with the Verkhovna Rada as well as introducing a new set of Chamber Policy Priorities, which were developed by the Chamber's Board of Directors Policy Committee. These Policy Priorities received a special focus from the Chamber Policy Team and all of the Chamber's Policy related activities were benchmarked against accomplishing these important goals.

- Tax Reform: VAT Administration; One Social Unified Tax; Automating of the Tax Reporting System, etc.
- WTO Membership: Draft Laws in the Parliament requiring support; IPR; Customs Duties; Standardization and Certification Policy, etc.
- Financial Sector Reform: JSC Law; Stock Market Development: Insurance Market; Leasing Legislation; International Standards in Financial Bookkeeping, etc.
- Liberalization of the Investment Environment: Registration and Permissions; Land Plot Allocation and Real Estate Market; Land Market - Land Code; Intellectual Property Rights; Customs Procedures, etc.
- Hi-Tech Industry Development: Techno-park and other incentives; Innovation Policy; Stimulation and Reforms in Education, etc.

In 2006 the Chamber worked closely with the Foreign Investment Advisory Council under the President of Ukraine and Entrepreneur's Council under the Prime Minister of Ukraine. These influential institutions met on a regular basis to address issues and provide analysis of

draft legislation in economic, humanitarian and social policy. This year a special emphasis has been made in regards to unified social taxation issues and reforming the taxation system, legislation regarding State control and supervision of economic activities, as well as implementation of the Law of Ukraine "On the Permit System for Economic Activity".

Parliamentary elections and implementation of new Constitutional amendments both took place in the beginning of 2006 bringing with it political uncertainty. Due to the rapidly changing political landscape the Chamber was pleased to organize the "Parliamentary Elections In-Focus Series" that provided an excellent opportunity for Members interested in Ukrainian politics to meet with and hear directly from key political figures who were leaders in their respective political parties and blocs before, during and after the 2006 Parliamentary election campaign.



The Chamber's Parliamentary Elections In-Focus Series hosted the following individuals:

ROMAN BESZSMERTNY,

Head of the Council of
"Our Ukraine" Bloc

PETRO SYMONENKO,

Head of the Communist Party of Ukraine

OLEKSANDR MOROZ,

Head of the Socialist Party of Ukraine

NESTOR SHUFRYCH,

Member of the Council of
the "Ne Tak !" Opposition Bloc

YULIA TYMOSHENKO,

Head of the "Block of Yulia Tymoshenko"

MYKOLA AZAROV,

Deputy Head of Party of Regions.

To analyze the election campaign process, results and nuances the Chamber also hosted leading political analysts Mr. Ilko Kucheriv, Ms. Iryna Bekeshkina and Mr. Mark Rachkevych from the Democratic Initiatives Foundation and Mr. Volodymyr Paniotto from the Kyiv International Institute of Sociology.

The Chamber Policy Team constantly explores ways to further improve cooperation between Member companies and the Policy Team regarding advocacy and lob-

bying initiatives of the Chamber and changes to legislation and regulations proposed by the Government and Parliament. In 2006 the Chamber launched a new project entitled "Policy Flashes" to inform interested Members properly and in timely manner on relevant issues that may impact their business.

The Chamber also continued to maintain an active and effective dialog with Governmental authorities through the network of Public Councils operating under the auspices of Ministries and State Committees and variety of Working Groups established under the umbrella of these institutions. The Chamber has been involved in the work of the Public Councils under the Ministry of Finance, Ministry of Foreign Affairs, Ministry of Healthcare, Ministry of Education and Science, Department on Intellectual Property Rights, Ministry of Industrial Policy, State Committee for Technical Regulation and Consumer Policy, State Committee for Regulatory Policy and Entrepreneurships, State Tax Administration, State Customs Service and the State Property Fund.

The Chamber also cooperated with different important institutions of both legislative and executive power operating on central and local levels including but not limited to: Verkhkhovna Rada Committees on Economic Policy, Banking and Finance, Agricultural Policy, Budget as well as the Council of National Defense and Security of Ukraine, National Department of Communication and Informatisation, State Committee on Stock Market and Securities and Kyiv State City Administration.

The establishment and operation of the Ukrainian Center on Attraction of Foreign Investments under the Ministry of Economy has also been a focus of the Chamber's activity in 2006 as a founding Board member and active supporter working to strengthen the Center's ability to provide relevant and timely assistance to new investors into the market.

Chamber Members were provided with a wide variety of opportunities to engage in a positive dialog with key decision makers within the Ukrainian Government through the Chamber Committees, Working Groups, General Membership Meetings, 'In-Focus' Meetings and Business Luncheons.



In 2006 the Chamber hosted the following individuals during working meetings:

- **MR. PAVLO KACHUR**,
Minister of Building, Architecture and Housing and Communal Services of Ukraine
- **MR. IGOR ZAGLADA**,
Head of the Ukrainian Center on Attraction of Foreign Investments
- **MR. OLEKSANDR SHLAPAK**,
Head of the State Treasury of Ukraine
- **MR. VIKTOR IVCHENKO**,
Head of the State Agency on Investment and Innovation of Ukraine
- **MR. OLEG VYSOTSKY**,
Head of the State Committee on Technical Regulation and Consumer Policy
- **MR. OLEXANDER KIREEV**,
Head of the State Tax Administration
- **MR. DENIS FUDASHKIN**,
Director of the Tax and Customs Policy Department of the Ministry of Finance of Ukraine
- **MR. VITALIY KORZH**,
Verkhovna Rada Deputy
- **MS. LARISSA TROFIMOVA**,
Director of Legal Department of the State Tax Administration
- **MR. YURIY KONSTANTINOV**,
Head of the State Service Pharmaceutical and Medical Devices of the Ministry of Healthcare of Ukraine
- **MR. VOLODYMYR MAKUKHA**,
Minister of Economy of Ukraine

The Chamber's primary mechanism of developing and implementing advocacy and lobbying related initiatives are through the active Chamber Committees and Working Groups. Working Groups focus on specific legislation / regulations that can impact the Membership and bring together Members who are experts on those issues to develop recommendations and execute action plans to resolve various problems. Members of the Working Groups are involved in amending legislation and regulations through effective cooperation with governmental decision makers. The following ad-hoc Working Groups and Sub-Committees operated under the Chamber's umbrella in 2006:

- **MERGERS AND ACQUISITIONS WORKING GROUP - A SUB-GROUP OF THE TAX AND LEGAL COMMITTEES**
- **WORKING GROUP ON WASTE PACKAGING MANAGEMENT**
- **WORKING GROUP ON CERTIFICATION AND STANDARDIZATION POLICY**
- **WORKING GROUP ON ILLEGAL RAIDER ATTACKS**

An effective and successful example of a specialized Working Group is dedicated to combating Illegal Corporate Raiders. The Working Group gathered many leading lawyers from prominent law offices in Ukraine and as a result the White Paper

was presented to appropriate State authorities including Parliament, Cabinet of Ministers, judicial bodies, etc. as well as relevant diplomatic and donor missions to address the recent increase of illegal corporate raider attacks.

During 2006 the Chamber continues to maintain close contacts with variety of Ukrainian non-government organizations and business associations, such as **Association of Franchising, European Business Association, League of Insurance Companies of Ukraine, National Association of Trade and Services, Ukrainian Grain Association, Ukrtytyun, Union of Small and Medium Enterprises** and many others.





United States Government Relations

The American Chamber of Commerce in Ukraine has enjoyed a long and successful history of close cooperation with the United States Embassy in Ukraine as well as various U.S. government agencies and lawmakers in Washington D.C. This close working relationship has benefited our Membership over the years by providing access to information and input into a wide variety of policy decisions in regards to Ukraine. The Board of Directors regularly meets with delegations of U.S. law and policy makers to provide relevant input into the current business environment.

In the middle of 2006 Ambassador William Taylor assumed the role of U.S. Ambassador to Ukraine and in July the Chamber held a General Membership Meeting inviting Ambassador Taylor to share his thoughts and plans with Member companies.

Many significant positive movements in the Ukraine-US relationships happened in 2006 and the Chamber played an active role serving as a reliable partner and long-term supporter of Ukraine's Government. In the very beginning of 2006 U.S. Trade Representative Rob Portman announced that the United States has reinstated Generalized System of Preferences (GSP) benefits for Ukraine. Ukraine lost these benefits in 2001 after Washington found the country guilty of failing to protect intellectual-

property rights, and since that time the Chamber through its IPR and IT Committees advocated on implementation of appropriate mechanisms to protect the intellectual property rights for all industry players.

The Chamber was pleased to host Dr. David A. Sampson, the Deputy Secretary of the U.S. Commerce Department in February during his official visit to Ukraine. Deputy Secretary Sampson was the most senior Commerce Department official to visit independent Ukraine. He announced the granting of Market Economy Status for Ukraine from the United States during the Chamber meeting with Members and the press.

The Chamber was pleased to participate in the Jackson-Vanik Graduation Coalition that was co-chaired by former U.S. Ambassadors to Ukraine, Steven Pifer and William Miller, and included over 250 organizations and businesses that actively encouraged the U.S. Congress to pass legislation to graduate Ukraine from the Jackson-Vanik Amendment. On March 8 the House of Representatives of the US Congress adopted a bill graduating Ukraine from the Jackson-Vanik Amendment. The legislation granted Ukraine normal trade relations status with the United States. In September the Chamber hosted Mr. Frank Mermoud, Special Representative for Commercial and Business Affairs at

the U.S. Department of State during his visit to Ukraine when he met with senior Ukrainian State officials addressing important issues and problems faced by the investment community in Ukraine.

The Chamber also served as an information partner of a wide variety of value added investment forums, exhibitions and conferences held in the U.S. as well as those which were held in Ukraine with the goal of attracting investment into the Ukrainian market including but not limited to: C3 Conference in New York, "Silicon Valley Open Doors" in Mountain View, California, Google meeting in Kyiv, Adam Smith Capital Markets meeting in Kyiv, etc.

On December 15th and 16th the Chamber was pleased to support the 2006 National Exhibition and Conference of Ukraine in Chicago. This high-level event was organized by the Ministry of Economy of Ukraine and Chamber president, Jorge Zukoski, was a moderator of the panel entitled "Doing business in Ukraine – investors and business professionals discuss current trends, opportunities as well as challenges in this rapidly growing and dynamic economy". The two-day conference and trade fair highlighted business and investment opportunities in Ukraine as well as included round tables and seminars where industry specific topics were discussed by professionals and investors.

European Union Relations

The Chamber is an active Member of the European Council of American Chambers of Commerce ("ECACC"), which unites Chambers from all of the European Union and recent accession countries. In 2006 the Chamber President served on the Executive Committee of the Board of Directors of ECACC and worked closely with Chamber colleagues in Brussels at the European Commission to protect and serve our Members interests within the expanding European Union. This active

relationship allows the Chamber to address Member's business interests at the European Commission in Brussels as well as provide timely and relevant input regarding Ukraine as she strives towards further Euro-Atlantic integration and World Trade Organization accession.

In 2006 cooperation between the European Union and Ukraine was based on the European Neighbourhood Plan and "Road Map" Ukraine-EU adopted by the

Cabinet of Ministers in 2005. The Chamber played an active role in preparation of this important document. In October 2006 the 10th EU-Ukraine Summit took place in Helsinki where the new Enhanced Agreement was discussed and both parties agreed on a joint comprehensive and ambitious approach to be started from official negotiations in early 2007 and the Chamber looks forward to once again providing relevant input on behalf of our multinational Membership.



International, Diplomatic and Donor Community Relations

The Chamber continues developing cooperative relationships with many of the Embassies in Ukraine to assist the Membership with the resolution of critical issues impacting their businesses and strengthening of policy initiatives. In 2006 the Chamber continued to meet Ambassadors and senior officials from many Embassies briefing them on the most important issues facing by the international business community. Also, the Chamber continues to facilitate the process of issuance of legitimate Business Visas for Members company employees. The United Kingdom and the United States Express Business Visa Service are based on formal arrangements and have proven to be both highly effective and valuable services for Chamber Members as well as for the Consular Sections of both Embassies. We also work informally with many Embassies to assist our Members to secure Business Visas for their key employees.

The Chamber continued to serve as information partner of many major strategic investment forums, conferences and seminars aiming to improve image of Ukraine and promoting investment opportunities and addressing key issues in the sphere of economic development and trade. To name only few of them: Ukrainian Banking Forum of the Adam Smith Conferences, Ukrainian Outsourcing Forum of the Ukrainian Hi-Tech Initiative, "PR-Days in Ukraine" by the International Public Relations Association (IPRA), Insurance Elite International Investment Congress of the Insurance Business, the "Made in Ukraine" series designed to highlight trade and investment opportunities in Ukraine organized in conjunction with USAID | BIZPRO and many others.

The Chamber continued to maintain contacts and hold meetings with leaders of the international financial institutions including European Bank for Reconstruction and Development, World Bank, International Monetary Fund, international rating agencies, etc.

The Chamber is an active member of the International Trade Club. This non-profit organization is based in Kyiv and is organized with the assistance of the Ministry of Economy of Ukraine. The Trade Club consists of representatives of more than 60 countries. This year the Chamber together with many of our affiliated Embassies visited Kharkiv, Khmelnytsky, Poltava and Zhytomyr regions.

During these trips the Chamber always uses these opportunities to meet and establish relationships with key State Regional officials, who present their regions and inform the delegation on investment opportunities. We also meet with representatives of different enterprises that have already established good relations with foreign partners and with those who are looking for attracting additional foreign investments. All materials and information is available at the Chamber administrative offices.

COMMITTEES

The American Chamber of Commerce's Committees and Working Groups are the core of the Chamber's advocacy and lobbying activities. Through the Committees the Chamber represents and actively lobbies Member's interest as investors in Ukraine.

In 2006 the Chamber had fifteen standing Committees as well as the Overseas Security Advisory Council and a changing number of Working Groups that focused on specific issues and industry sectors.

- Agricultural Committee

- Banking and Financial Services Committee

- Business Management Education and Training Committee

- Customs and Transport Committee

- FMCG Committee (Fast Moving Consumer Goods)

- Healthcare Committee

- HR Committee (Human Resources)

- IPR Committee (Intellectual Property Rights)

- IT Committee (Information Technologies)

- Legal Committee

- Overseas Security Advisory Council

- Real Estate Committee

- Tax Committee

- Telecom Committee

- Toastmasters Committee

- Travel and Tourism Committee

The Committee structure enables the Chamber to engage interested Members, over an extended period of time, in industry and sector specific policy related issues. The Committees are standing and many of which have been active for many years. On the other hand, the Chamber Membership utilizes Working Groups to focus on specific issues and bring together Members who are experts on that issue to develop and execute an action plan to resolve the problem and then disband. This structure is very effective in resolving specific issues in a short period of time. The Chamber will continue to strive to establish value added Committees and Working Groups as identified by the Membership.



AGRICULTURAL COMMITTEE

Co-Chairs:

DEXTER FRYE,

Bunge

SERGIY FEOFILOV,

UkrAgroConsult

The Chamber's Agricultural Committee Mission is to support and promote the development of a market-based agricultural sector as a significant contributor to the overall development of Ukraine's economy. The Agriculture Committee is a forum to proactively address issues within the Ukrainian agricultural industry and is open to all interested Members of the Chamber. The Committee's main goal includes developing the Ukrainian agricultural sector through positive interaction with relevant policy-makers and other stakeholders.

In 2006 the Committee held regular meetings on monthly basis and continued to serve as an excellent platform for topical information sharing, updates on harvest prospects/results, grain export, VAT reimbursement and legislative and taxation issues.

Examples of major issues that the Agriculture Committee was actively involved in included but is not limited to:

- **VAT reimbursement -**

VAT reimbursement is an ongoing long-term issue that the Chamber's Agricultural Committee and Tax Committee has been actively engaged within that was rather successfully resolved in the recent past.

Unfortunately, in the middle of 2006 problems with VAT refunds again

emerged on a large scale and the Agricultural Committee addressed Mr. Mykola Azarov, First Vice-Prime Minister to work towards a resolution of this contentious and ongoing issue. The Chamber was told that the Government had not permanently stopped VAT reimbursement but was in the process of conducting audit procedures due to a claim that a large number of violations in the sphere had taken place earlier in 2006 as well as in 2005. Despite the government imposed discontinuation of VAT refunds during the audit procedures, some reimbursements were being executed in a non transparent or equitable manner leading the Chamber community to continue to advocate for the improvement of the VAT reimbursement procedure. The Chamber will continue to address all relevant decision makers including the Cabinet of Ministers, Presidential Secretariat, State Tax Administration and the Council of National Security and Defense on the matter.

- **Grain Export Licensing -** Grain Export Licensing was introduced by the government at the beginning of fall 2006. The Chamber approached Vice Prime Minister Klyuyev addressing the problem of introducing grain export licensing in the middle of the year when export contracts have been already signed. After addressing the problem to Mr. Klyuyev, the Chamber continued to communicate with key decisions makers such as the Minister of Economy, representatives of the Ministry of Agriculture and the State Customs Service of Ukraine. Also,

Members discussed this issue in regards to the possible negative impact of the imposition of a licensing regime in Ukraine's WTO accession plans.

- **Bird flu -** another major issue that was of concern to the Agricultural Committee at the beginning of the year was bird flu that could have become a major problem during the migratory season. The Agriculture Committee kept their Members informed as to the latest steps being taken to combat this disease and will remain on their radar screen in the future.

- **Elevator storage price not higher than 5% of "minimum purchase price" -** Members understood that the Law that introduced this regulation was on the books for a while but was never enforced until 2006. The Agricultural Committee maintains position that the prices should be the subject of a market decision instead of State position supported by the law. It was decided to clarify some of the small problems inside this issue and to be ready to address it to the government.

- **Cooperation with Verkhovna Rada Committee on Agrarian Policy and Land Relationship -** Members were updated on draft legislation that was registered in the Verkhovna Rada Committee on Agrarian Policy and Land Relationship and discussed possible questions to address to Mr. Gladiy, Head of the Committee.



BANKING AND FINANCIAL SERVICES COMMITTEE

CO-CHAIRS:

JACQUES MOUNIER,

CALYON BANK UKRAINE

ANDRIY PIKULA,

ALICO AIG LIFE

SECRETARY:

SVETLANA DEKTYAR,

CITIBANK UKRAINE

The Banking Committee has identified its Mission to be an active participant in Ukrainian banking system development and promotion of high quality banking standards and values. The Committee supports and develops initiatives of the Ukrainian government and local banking associations towards establishment of local banking environment harmonized with the best international banking practices.

At the beginning of the year Banking Committee held a **Strategy Planning Meeting** were Members of the Committee agreed to issues that Committee should focus on during 2006 and decided to join the Banking Committee and Finance and Investment Committee into one Banking and Financial Services Committee.

In 2006 Chamber's Banking and Financial Services Committee hosted several interesting meetings with representatives of partner organization and international institutions including but not limited to:

- Business Luncheon with **Mr. Oleksandr Shlapak, Head of the State Treasury of Ukraine.** Mr. Oleksandr Shlapak presented the

policy and reforms the State Treasury of Ukraine planed to implement in 2006, new projects and initiatives, which he as a Head of the State Treasury consider as priority in nature as well as the dynamics of the relationship and cooperation with the National Bank of Ukraine and Ministry of Finance.

- Meeting with **Mr. Vladimir Daviduk, State Department on Financial Monitoring** regarding Law of Ukraine #3163-IV "On changes to some legislation regarding improvement of regulation of international cooperation in the sphere of preventing financing of terrorism" and it's implementation.

- Meeting with **Mr. Denis Fudashkin, Director of the Tax and Customs Policy Department of the Ministry of Finance.** Mr. Fudashkin was invited to present on the VAT electronic reporting system as well as changes in corporate taxation and insurance sector. Mr. Fudashkin also stated that there will be no abolishment of VAT in the nearest future and added that it is a principal question under discussion at the Ministry of Finance. The major problem, from Mr. Fudashkin perspective, with the implementation of the VAT electronic reporting system is the postponement of liabilities against future periods. To avoid this problem the Ministry plans to work out the provision that all the VAT sums should be declared by a certain period. Mr. Fudashkin said that the Ministry of Finance would focus on implementation of taxation of interest on deposits, and changes in taxation of provisions. He also informed that insurance companies,

except life insurance, should be subject to the general system of taxation.

- Meeting with **Ms. Angela Prigozhina, World Bank,** provided a very detailed informational update on the financial sector including banking, insurance and leasing sectors. Ms. Prigozhina briefed on non-State pension funds and mortgages which is 4% of GDP. As to banking sector, the concentration of banks grew - in total there are 165 banks, 5 new banks came into market, 23 banks with foreign capital, 10 large banks have 52% of assets of the banking sector.

- Meeting with **Ms. Natalia Guduma, General Director of the League of Insurance Organization of Ukraine** participated in the discussion of the current situation regarding ratings for banks. Members were informed that 25 banks are already rated: 15 are rated by Credit Rating and 10 are rated by international companies. Members agreed that after registration of international rating companies in Ukraine, the problem of the rating monopoly was finished.

Examples of major issues that the Banking and Financial Services Committee was actively involved in included but is not limited to:

- **Law of Ukraine #3163-IV "On changes to some legislation regarding improvement of regulation of international cooperation in the sphere of preventing financing of terrorism"** - this document requires financial institutions, including banks to stop a transaction, when and if in such transaction there is a reference, i.e. a name that matches with a "black list" to be ...



BANKING AND FINANCIAL SERVICES COMMITTEE



... developed and provided to the Ukrainian financial institutions by the Government of Ukraine. And, if those institutions let such transaction occur, their managers would be criminally liable. Banking and Financial Services Committee Members fully supported the idea and the goal of the law, but at the time did not see any real mechanisms on how to implement it effectively. The Banking and Financial Committee conducted several meetings with representatives of the State Department of Financial Monitoring as well as the NBU on the matter to ensure that all software and mechanisms developed will work well together allowing the system to operate effectively.

- **Development of Leasing in Ukraine** - during the year the Committee discussed leasing issues many times as well as listened to a presentation by Mr. Richard Caproni from a USAID project working on capital markets who informed Members of the Committee on recent developments within the leasing market and Draft Law "On Amending of Some Legislation on Taxation" (regarding leasing) # 2016, dated August 23, 2006 which was supported by the Committee Members. The Committee's position was addressed to the Verkhovna Rada Committee on Finance and Banking Activity.

- **Credit Ratings in Ukraine** - credit rating issue was an ongoing issue that was discussed at the meetings of the Banking and Financial

Services Committee. Main issues included the types of organizations that should be required to receive ratings as well as the situation with only one rating provider. When the discussion started only one rating agency worked in Ukraine who had a monopoly position on the market and later in 2006 three additional international rating agencies entered the market and the monopoly issue was resolved.

- **Draft Law on #2135 "On Amending Some Laws of Ukraine (regarding establishment of rule for development of financial services markets and protection of interests of many market players** - if adopted cancels obligatory credit ratings. The Committee agreed that in some instances there is a good reason to require credit ratings and it assists in the protection of the depositors / insurance subscribers which necessitates inter alia rating to be developed / imposed. Committee Members addressed Mr. Poroshenko, Head of Verkhovna Rada Committee on Finance and Banking Activity with the strong position against the adoption of the Draft Law.

- **Short-term derivatives** - the Banking and Financial Services Committee continued to approach the NBU on the development of short-term derivatives in the market and on the request of the NBU has sent all necessary documentation needed by the NBU regarding adoption of short-term derivatives.

- **VAT electronic invoices** - the question of VAT electronic invoices was covered and Members were informed that a pilot project was created and was implemented by the Ministry of Finance. The Chamber Policy Team contacted the appropriate person in the Ministry for more clarification and updates on progress and to make sure the Committee can get involved at an appropriate time to ensure the system works well for the Membership.

- **Draft Changes to Instruction on Cashless Calculations in Ukraine in National Currency, adopted by NBU Resolution #22** - the amendments will give power to the tax authorities to withdraw the debt amounts from taxpayer's bank accounts without a court decision or even special information. Chamber's Banking and Financial Services Committee addressed the NBU and STA with the Committee's position against adoption of such changes.

- Banking and Financial Services Committee was the advisor to the **Banking and Non-Banking Financial Institutions Working Group of Foreign Investment Advisory Council (FIAC)** under President Yushchenko and considered the FIAC related Presidential Decree #300 dated April 10, 2006 "On High Priority Measures in the Area of Investment Activities" that contains a majority of reform items that were suggested by the FIAC Working Group. After signing of the Decree the Committee continues to monitor implementation by the Government.

BUSINESS MANAGEMENT EDUCATION AND TRAINING COMMITTEE

Co-Chairs:

VICTOR KOSZARNY,

EBS

OLEKSANDER SYDORENKO,

CEUME

Secretary:

ELENA BARYSHNIKOVA,

BDO/Ukraine

The Business Management Education and Training Committee's Mission is to positively influence the working environment of educational and training organizations by clarifying issues and, when necessary, advocating for change. It serves as a bridge of understanding and cooperation between the business and education communities - raising awareness of the value of education and training, identifying key needs of business, and promoting services that satisfy those needs.

The Business Management Education and Training Committee started 2006 with a presentation on

"Professional Qualifications in Accounting and Finance: Their Role in Business"

by Mr. Brian Hock, HOCK Accountancy. During the meeting Mr. Hock informed the participants what types of qualifications are available, what each of them means as well as what benefits employees and employers gets from them.

During the year the Business Management Education and Training Committee focused on creation of a **matrix of business community needs vs management education and training services providers.**

For that reason a **joint meeting of Business Management Education and Training and HR Committees** was organized. The meeting was designed to obtain from the HR Committee Members information on their current and future human resource needs in regards to business management education and training. Also, during the meeting par-

ticipants figured out that there is lack of awareness among the Members in regards to the number of services available on the market.

Members of the Business Management Education and Training Committee developed a matrix, which has all the information about Chamber Members who provide trainings with the list of services that they provide.

The Business Management Education and Training Committee Members also focused on the possibility and needs of advocacy in changes to the educational system to properly align it with the needs of business. Members highlighted a couple of changes that they consider to be rather important, the first one is that all the education programs should be inline with current professional needs and time, and the second is that programs should be more practice oriented and should incorporate more trainings.



CUSTOMS AND TRANSPORT COMMITTEE

Co-Chairs:

OLEG MAZUR,

Nestle Ukraine

PIERRE A. SLEIMAN,

SkyNet Worldwide Express

Secretary:

JULIA CHALAYA,

Amway Ukraine

The Customs and Transport Committee's Mission is to provide assistance to the Ukrainian customs and transport authorities to meet EU/US standards of processing and clearing goods on permanent / transit / temporary entries. The Committee sees their long-term objectives in the implementation of: E.D.I. Electronic Data Integration between customs and brokers; free zone area for goods and materials and introduction of electronic pre-clearance procedure. The Customs and Transport Committee short term objective includes: simplification of customs formalities for personal belongings; clarification of laws interpretation; faster communication process in case of questionable formality; random checks for express courier shipments (import and export); regional consolidation of customs clearance; invitation of official customs officers by the customs authorities in Europe and the U.S. to observe and train on EU and U.S. systems.

The Chamber's Customs and Transport Committee serves as a platform to network and exchange recent news regarding changes in customs legislation and procedure as well as transport sector. In 2006 the Committee continued the active cooperation with Ukrainian customs authorities and conducted several meetings with senior officials as well as actively participated in the Public Council under the State Customs Service and worked on changes to the legislation on customs tariffs and procedure.

Examples of major issues that the Customs and Transport Committee was actively involved in included but is not limited to:

- **Import of special scientific and technical education literature** and customs duties for it. Members agreed that such changes should be developed by the Committee and provided to the Cabinet of Ministers or Verkhovna Rada Committee on Education and Science

- **"White lists" of importers** – these so called white lists were of interest to the Members of the Customs and Transport Committee and for that reason the Chamber Policy Team organized the meeting with representatives of the State Customs Service of Ukraine

- **Mrs. Iryna Liadenko, the Head of the Customs Cost Department and Mr. Sergiy Shut, the Head of Division of the Customs Cost Department.** Mrs. Iryna Liadenko and Mr. Sergiy Shut updated the Members on the details of the favorable customs regime and all conditions for enterprises to be a part of the so-called white list during customs clearance procedures and clarified what criteria they are using for including companies on to the white list. Members suggested that one of the criteria can be banking guarantee (customs bond guarantee) that will ensure the payment of all the duties if the company imports goods and will simplify the procedure of custom clearance.

- **Cooperation with other Chamber Committees** including but not limited to the IT Committee on such issues as definition of software, procedures of software import, methodology of calculation of royalty, etc.

- **Amendments to the Customs Code** regarding tariffs and implementation of pre-clearance procedures as well as increasing the value of shipments exempt from customs for express carriers up to \$200.

- **Law of Ukraine "On Chemical Sources of Electric Energy" # 3503-IV** dated February 23, 2006 that came into force on July 1, 2006 and stopped import of any chemical sources of energy due to the fact that after of adoption of the law the import of such products can be done only with licensing. The procedure of obtaining licenses had not been developed as of July 1, 2006 and the Chamber's Customs and Transport Committee addressed the issue to Prime Minister Yekhanurov and the problem was rapidly resolved

The Chamber Policy Team continues to be an active participant of the State Customs Service Public Council providing Customs and Transport Committee Members information on new legislation and legislative initiatives of the State Customs Service as well as providing an opportunity for Committee Members to supply their comment and amendments to draft legislation.

At the meetings some issues that are important for business operations were discussed including procedures of temporary holding on the special customs storages, phytosanitary control procedures and sanitary customs regulations. The Public Council successfully addressed the State Customs Service, with input from the Chamber, asking to exclude pasteboard packaging from the list of commodities for phytosanitary control.

HEALTHCARE COMMITTEE

Co-Chairs:

VLADISLAV STRASHNYY,

Pfizer Ukraine - Co-Chair

SVETLANA BALANOVA,

3M in Ukraine - Co-Chair

Secretary:

VITALIY USSENKO,

Pfizer Ukraine – Secretary

The Mission of the Chamber's Healthcare Committee is to improve Ukraine's business environment in the healthcare field, exchange of relevant and timely information, organizing discussions and taking joint actions aimed at promoting the commercial interests of Member companies. Among the issues the Healthcare Committee addressed is registration and licensing procedures in two primary spheres: registration procedures for pharmaceutical companies and licensing for pharmaceutical wholesalers. Since its creation the Committee has been working in close cooperation with the Association of International Pharmaceutical producers as well as the US Embassy Foreign Commercial Service

The key issues for 2006 were registration procedures, customs process-

ing, and tender purchases, data exclusivity, 20% VAT on clinical trials, import of medical equipment and batch control as well as Intellectual Property Rights protections including the problem of patent infringement.

- Open Committee Meeting with Mr. Yuriy Konstantinov, Head of State Service of Pharmaceuticals and Medical Devices - during the meeting Mr. Konstantinov updated participants with his vision of the priorities and issues that need to be changed to improve the pharmaceutical and medical device market. Mr. Konstantinov also shared information that the main focus of the State Service is standardization of all processes and implementation of quality management as well as certification. The Head of the Service also highlighted that there should be a process approach and never a human factor to make these decisions. Mr. Konstantinov said that he had signed the Order on Creation of Science and Experimental Institute on Pharmaceuticals and Medical Devices as well as the changes to article 4 of the Law of Ukraine On Permit Systems. Members asked Mr. Konstantinov questions on the

national list of drugs, terms of registration, standards of treatment, import of equipment for clinical trial, confidentiality issues and many others on new procedures in relation to the adoption of the Order on Creation of Science and Experimental Institute on Pharmaceuticals and Medical Devices.

- **Draft Law #2399 "On Changes of the Article 9 of the "Law on Drugs (Medicines)"** - this Draft Law was one of 16 drafts initially proposed by President Yushchenko as those which are necessary to be adopted by Parliament to proceed with the WTO accession process and registered in the Parliament on October 20, 2006. The Committee expressed support of the draft versus another variant, which was placed for public discussion on the web site of the Ministry of Healthcare.

- **Cabinet of Ministers Resolution #902** - at the end of last year the Chamber's Healthcare Pharmaceutical Sub-Committee addressed the Government to suspend Cabinet of Ministers Resolution #902 until 2007.



HUMAN RESOURCE COMMITTEE

Co-Chairs:

ROSTISLAV LESCHINSKIY,

Cargill AT, GJSC

ANNA RADYSH,

JT International Ukraine

The Chamber's HR Committee continued to accomplish their Mission of sharing experience, knowledge and skills with other HR professionals; promoting the professional development of Members through exposure to new knowledge, skills and information resulting in the enrichment of the personnel function within Member's respective organizations and increasing awareness of HR throughout the Chamber Membership. The HR Committee continued to meet regularly serving as an excellent networking, information and experience-sharing forum for all interested Chamber Members. A wide range of presentations were made during the year providing the Committee Members with valuable information they find useful in their day-to-day HR needs.

In 2006 participants in the HR Committee had access to the following presentations:

- **"Utilization of Assessment Center in the Practice of HR Management"** made by Ilona Sharova, Irina Grabskaya and Katherine Ostapchuk, Hudson Human Capital Solutions.
- **"Peculiarities of searching for personnel in the Internet"** by Ms. Marina Makoviy, Director and Ms. Tatiana Topchiy, PR manager, Headhunter. After the presentation participants held an active discussion of the information presented and addressed questions regarding placement of vacancies and resumes on different job sites, as well as talked about common mistakes of employers when reading resumes and choosing applicants.

- **"Board Simulations: A New and Innovative Approach to Business Education"** by Mr. Brenday O'Malley, Development Manager of CBSD/Thunderbird Russia. After the presentation participants discussed a couple of case studies and posed questions to the speaker.

- **"Payroll outsourcing. Staff leasing (Temporary staff)"** by Konstantin Tkachenko, Acumen Outsourcing

- **"Toastmasters - is it a proven tool or methodology?"** by Vitaly Fedchuk and Victor Koszarny, Chamber's Toastmasters Club.

- **"Individual Development and Career Planning"**, Julia Prisada, Cargill and Anna Radysh, JTI.

- Two presentations on **personal income tax for U.S. expatriates**. Olga Gorbanovskaya and Halyna Khomenko, Ernst & Young gave first presentation with an overview of Ukrainian personal income tax legislation with a focus on those issues, which might be of interest for US expatriates. The second presentation was devoted to U.S. Tax Increase Prevention and Reconciliation Act and was presented by Peter Reinhardt, Human Capital Partner and Anton Ionov, Human Capital Manager, Ernst & Young in Moscow. In the presentation they covered the following questions: general overview of U.S. taxation and avoidance of double taxation, highlights of the old rules - foreign earned income and housing exclusions, and informed on key changes in U.S. legislation and the impact on U.S. expatriates and businesses - Ukraine specific and gave examples and statistics. After presentations the floor was open for questions during which participants tried to see cost estimates and planning opportunities. Participants of the Committee agreed

to check what can be done to amend this Law and to make U.S. expatriates compatible on the employment market compare to the expatriates from other countries. The Chamber continues to work on this issue with our partners in Washington D.C.

Chamber's HR Committee and Chamber Member American Life Insurance Company AIG Life hosted an **HR Conference "Employee Benefits"** on May 11th, 2006. The Conference was opened by welcoming speeches of Mr. Pavol Norulak, General Manager of ALICO AIG Life Ukraine and Mr. Jorge Zukoski, President of the Chamber. The introductions were followed with a presentation by Mrs. Mandi Veil, Regional Vice President, Group Management Division Central and Eastern Europe, ALICO AIG Life Europe entitled "Review of employee benefits in Eastern Europe and AIG Life experiences and expertise". Mrs. Mandi Veil's presentation was followed by a presentation of review of employee benefits in Ukraine by Olga Gorbanovska, Human Capital consultant of Ernst & Young Ukraine. The Conference was a forum and great networking opportunity for HR specialists of difference fields of business.

The Human Resource Committee also conducted a joint meeting with the Business Management Education and Training Committee. The meeting that was dedicated to obtaining from HR Committee Members, as representatives of the business community, information on their current and future employment needs as to business management education and training for further utilization of this information for developing a matrix of business community needs vs. management education and training services providers.

IPR COMMITTEE

Co-Chairs:

Ruslan Drobyazko,

Baker & McKenzie

Evhen Sozansky,

Microsoft

The Chamber's IPR Committee was created with the Mission to advocate on behalf of the Chamber Members to protect Intellectual Property Rights in Ukraine. The IPR Committee's goals and objectives include:

1. Analyzing existing IPR-related law enforcement mechanisms in Ukraine

2. Organizing the lobbying activities to change the current Ukrainian legislation to ensure compliance with international standards and agreements with the simultaneous

3. Provision of information and to create networking opportunities to discuss issues related to the IPR development worldwide and in Ukraine

4. Establishment reliable multi-channel relationships with Ukrainian law enforcement agencies and business community to ensure the effective lobbying process related to Intellectual Property Rights

5. Education of companies, government sector representatives and media in Ukraine on the role and importance of intellectual property rights for investment, economic growth and tax revenues

6. Identification of key problems that require immediate resolution

The IPR Committee started 2006 with a strategy meeting that developed 3 priority issues that were to be achieved during the year. To gather relevant information from the Membership a survey was developed and implemented and after the survey was completed the fol-

lowing priority areas were adopted by the Committee:

- **Data exclusivity** as a very important issue for many industry sectors including pharmaceutical companies especially within the framework of WTO accession

- **Issues concerned with IT and the Hi-Tech** industry such as license agreement, ring tone definition as well as many others

- **Parallel import and unfair competition** in the IPR sphere. Members were working on the position to address to the Government

The Chamber IPR Committee defined the State bodies that the Committee will continue to work closely with in 2007. They include but are not limited to:

- State Department of Intellectual Property

- Higher Economic Court, specifically its Specialized IPR Chamber

- Antimonopoly Committee

- State Customs Service

- Verkhovna Rada and its Committees

Meeting of the Enforcement Cooperation Group in State Department of Intellectual Property - the Chamber Policy Team participated in the Second Meeting of the Enforcement Cooperation Group in State Department of Intellectual Property. The meeting gathered representatives of Ministries and other executive power institutions that are the Members of the Coordination Council on fighting the violation of IPR as well as representatives of international organizations like IFPI and others. The goal of the meeting was the intensification of coopera-

tion between Ukrainian Government and international industry of copyrights. Among the issues on the agenda, the Group discussed current situation in IPR protection sphere, progress that took place from the last meeting, measures that SDIP is taking to improve the system of IPR protection. Mr. Paladiy stated that regional coordination councils have been very active during last half a year and that during first four month of 2006 inspectors of SDIP had conducted 292 audits and issued 142 records on administrative violation, also 61 criminal cases were opened. During 2005 50 million control stamps were issued, which is 5.5 million more than last year. These positive dynamics highlight that the number of legal production is increasing. Participants also discussed the activity of collective management organization that SDIP registered in the number of 11. Participants agreed on further cooperation with State Department of Intellectual Property on intellectual property right protection issues.

Public Council under the State Department of Intellectual Property Rights - the Chamber Policy Team actively participated in the meetings of the Public Council under the State Department of Intellectual Property Rights. The agenda of the meetings included consideration of new documents that regulate relations arising in connection with acquisition and use of property rights to marks for goods and services in Ukraine, as well as discussed the Law of Ukraine "On the Protection of Rights to Marks for Goods and Services" that required amendments as the original provisions are not in line with current legislation, including the Civil Code of Ukraine.

INFORMATION TECHNOLOGIES COMMITTEE

Co-Chairs:

VALERY LANOVENKO,

Microsoft Ukraine

DMITRY SHYMKIV,

ALTA Eastern Europe

Secretary:

MARIA NIKISHANOVA,

Hewlett-Packard Representative
Office in Ukraine

The Mission of the Information Technologies Committee is to improve the environment for the further development of a sustainable and well-regulated Information Technologies market in Ukraine.

After creation of a Development Strategy for the IT Industry in Ukraine, within the framework of President Yushchenko's Foreign Investment Advisory Council (FIAC), the IT Committee continued to monitor the situation with implementation of suggested changes. Throughout the year the Chamber's IT Committee has participated in different forums such as the Outsourcing forum, Technobridge and others that were industry oriented and designed to highlight the competitive advantages that the Ukrainian IT market has to offer.

A major focus of the IT Committee in 2006 was **changes in the educational system of IT specialists**. Committee Leadership conducted a series of meetings with senior officials including Mr. Zhebrowsky, Deputy Minister of Education and Science, representatives of the Center of Innovation Technologies and Meaning of Education. During the meetings the Chamber Committee Leadership and Policy Team shared opinions gathered from the Committee on problems with IT specialist educational programs, discussed curriculums and agreed on further work on designing standards for the educational programs for IT specialists. After these series of meetings the IT Committee sent their comments and amendments to the suggestions of the Ministry of Education and Science Draft of list of bachelors degrees (majors).

Draft Law of Ukraine #9179 "On Changes to the Law of Ukraine on State Informatization Program" - would have required all computers, including servers to have integrated system "Slovnyky of Ukraine". The Chamber's IT Committee addressed their disagreement with this piece of legislation to the Speaker of the Parliament, Mr. Lytvyn as well as other lawmakers and as a

result the Draft Law was not adopted. In the second part of the year the IT Committee Leadership suggested a **new format of operations - Expert Group**. The Committee agreed that an Expert Group on IT means that Members do not have to meet on regular basis and can meet when pressing issues are identified. Participants were proposed to be the voice of the industry and when needed, able to comment on the current status and prognosis for the development of the IT industry.

Cooperation with IT Associations.

Presentation on the operation of IT Ukraine Association was given by Mr. Igor Menzebrovsky, representative of IT Ukraine to the Chamber's IT Committee Members. In the presentation he touched upon possible ways of cooperation between two organizations in coordination of cooperation of Government activities in the IT sphere.

Round Table discussion "Ukraine's Competitiveness in the Global Knowledge-Based Economy: meeting with Google" - members of the Chamber's IT Committee participated in the Round Table and had the chance personally to meet representatives from Google.



LEGAL COMMITTEE

Chair:

ALEXANDER MARTINENKO,
Baker & McKenzie

The Chamber's Legal Committee was created with the Mission to be a forum for professional exchange among attorneys from law firms and corporate entities. Members of the Committee represent a broad spectrum of legal professionals working in Kyiv. One of the Committee's main activities is to work in conjunction with other Chamber Committees when they need to address issues with specific legal ramifications.

In 2006 the Legal Committee organized meetings, cooperated with other Chamber Committees and participated in various Working Groups including but not limited to the following:

• **DEVELOPMENT OF FRANCHISING IN UKRAINE** – the Chamber's Legal Committee listened to the presentation on development of franchising in

Ukraine given by Mrs. Svetlana Koba, OSCE with the summary and suggestions to improve legislation on franchising agreements in Ukraine.

• **MERGERS AND ACQUISITION** – members of the Committee actively participated in the Chamber M&A Working Group and provided input to the White Paper that was a direct deliverable of the M&A Working Group that was presented to relevant Government and other appropriate authorities.

• **COMMERCIAL DISPUTE RESOLUTION STUDY** – Mrs. Patricia Shaughnessy, IFC international consultant introduced the recently launched Commercial Dispute Resolution Study which is being done to identify problems and benefits in existing methods of dispute resolution and the demand / interest in alternative methods of commercial dispute resolution (ADR) in Ukraine.

• **WORKING GROUP AGAINST ILLEGAL CORPORATE RAIDERS** – Legal Committee Members initiated the creation of the Working Group Against Illegal Corporate Raiders. Participants within the Working Group includes leading lawyers from prominent law firms in Ukraine and as a result a draft action plan and contents of the White Paper were developed. The Chamber then gathered input from the Membership on the issues and as a result developed and disseminated a White Paper as discussed. The White Paper then was presented to appropriate State authorities including Parliament, Cabinet of Ministers, judicial bodies, etc. as well as relevant diplomatic and donor missions to address the recent increase of illegal corporate raider attacks. Chamber has shared the White Paper with other interested stakeholders and organizations to solicit their support.



REAL ESTATE COMMITTEE

Co-Chairs:

NICK COTTON,
DTZ Zadelhoff Tie Leung
LINA NEMCHENKO,
Baker & McKenzie

Secretary:

TARAS DUMYCH,
B.C.Toms & Co.

The Chamber Real Estate Committee sees its goals and objectives in the following spheres of activity: information and experience sharing between the Chamber Members involved in the real estate sphere; cooperation with corresponding legislative and executive bodies with the objective to introduce necessary amendments into Ukrainian legislation which in turn will promote real estate development in the country; reduction of the bureaucratic obstacles involved in real estate transactions; transparency

in real estate transactions; facilitation of foreign investment in Ukrainian real estate development projects; as well as availability of long term financing for the real estate projects.

In 2006 the Chamber's Real Estate Committee hosted a meeting with **MR. PAVLO KACHUR, MINISTER OF BUILDING, ARCHITECTURE AND HOUSING AND COMMUNAL SERVICES OF UKRAINE.** Minister Kachur started an active and focused dialog with Chamber Members and during the meeting he provided the Membership with his vision of the priorities and issues that should be addressed to improve the investment climate and attract new investors within the real estate and construction markets. The Minister discussed the main focus of the new Ministry under his leadership and agreed to have his Public Policy teamwork with

the Chamber's Real Estate Committee and Policy Team to formulate relevant policy initiatives to stimulate the construction market in Ukraine.

The Real Estate Committee was actively involved in work of Public Council under the State Property Fund as well as into cooperation with related organizations and State Authorities.

STATE PROPERTY FUND OF UKRAINE PUBLIC COUNCIL -

among the issues of discussion of the Public Council was the update on the State Program of Privatization, draft legislation that State Property Fund planned to adopt in regards to the further development of the stock market as well as reports by State Property Fund on achievements and future plans.



TAX COMMITTEE

Co-Chairs:

RON BARDEN,

PricewaterhouseCoopers

OLEH MARCHENKO,

Magister & Partners

Secretary:

OLGA MELNYKOVA,

USAID - AgPLR

The Chamber's Tax Committee envisages their primary goal in the promotion of reform and improved application of the taxation system in Ukraine, recognizing that a predictable, equitable and effective tax system is a significant factor both in general facilitation of business and in positive development of the economy of Ukraine and facilitation of information-sharing on tax issues between the Membership. Top professionals from advisory firms and business entities have formed the core group of the Tax Committee. This year the Tax Committee continued to serve as the forum for Chamber Members to discuss tax issues that impact Chamber Committees actively involved both in lobbying and networking activities.

Examples of major issues that the Tax Committee was actively involved in included but is not limited to:

•**VAT ON SERVICES PROVIDED FOR NON-RESIDENTS** - after the discussion of the issue internally within the Tax Committee as well as after the meeting with the head of the State Tax Administration, Mr. Olexander

Kireev, Chamber Members agreed to work towards clarifying the situation with VAT taxation of services provided for non-residents.

•**VAT REIMBURSEMENT** - VAT reimbursement is an ongoing long-term issue that the Chamber's Tax Committee in conjunction with the Agricultural Committee has been actively engaged within that was rather successfully resolved in the recent past. Unfortunately, in the middle of 2006 problems with VAT refunds again emerged on a large scale and the Agricultural Committee addressed Mr. Mykola Azarov, First Vice-Prime Minister to work towards a resolution of this contentious and ongoing issue. The Chamber was told that the Government had not permanently stopped VAT reimbursement but was in the process of conducting audit procedures due to a claim that a large number of violations in the sphere had taken place earlier in 2006 as well as in 2005. Despite the government imposed discontinuation of VAT refunds during the audit procedures, some reimbursements were being executed in a non transparent or equitable manner leading the Chamber community to continue to advocate for the improvement of the VAT reimbursement procedure. The Chamber will continue to address all relevant decision makers including the Cabinet of Ministers, Presidential Secretariat, State Tax Administration and the Council of National Security and Defense on the matter.

•**MERGERS & ACQUISITIONS** - Tax Committee Members were one of initiators of the creation of M&A Working Group. Members worked on taxation treatment of M&A and corporate reorganization transactions in Ukraine that may pose significant obstacles to investments. They also covered dividends and other non-liquidating distributions connected with an M&A transaction and agreed on proposals on formation of the company including contribution of cash and property. The Committee also worked on amendments to Corporate Income Tax Law and VAT Law in regards to M&A transactions.

•**DRAFT TAX CODE** - Tax Committee Members were actively involved in discussion of the Draft Tax Code; they submitted their questions, comments and suggestion to the Chamber's Policy Team for submission to the State Tax Administration. Also, the Chamber Policy Team organized a meeting with representatives of the State Tax Administration that were working on Draft Tax Code - Mrs. Larissa Trofimova, Director of Legal Department of State Tax Administration and Oleg Nikitin, Leading State Tax Inspector participated in the meeting.

•**STATE BUDGET 2007** - the Draft 2007 State Budget was a priority for consideration and discussion by the business community in Ukraine. The Chamber Policy Team took part in the State Tax Administration Public Council meeting devoted to the ...



TAX COMMITTEE

...discussion of the Draft State Budget 2007 and updated the Membership in regards to outcomes of the meeting.

In 2006 the Tax Committee of the Chamber held several meetings with State authorities including but not limited to:

•**MR. OLEXANDER KIREEV, HEAD OF THE STATE TAX ADMINISTRATION** - the Tax Committee meeting was dedicated to the discussion of VAT issues such as VAT processing, discrepancies in VAT legislation, VAT in the Draft Tax Code and reimbursement of VAT. One of the Chamber Policy Priorities in 2006 was Tax Reform in Ukraine and in particular improving of VAT administration, implementing of Social Unified Tax and Automating of the Tax Reporting System.

•**MRS. LARISSA TROFIMOVA, DIRECTOR OF LEGAL DEPARTMENT OF STATE TAX ADMINISTRATION AND OLEG NIKITIN, LEADING STATE TAX INSPECTOR.** The meeting was dedicated to the discussion of the Draft Tax Code. Members were updated on the background of the creation of the Draft Tax Code and she also stated that it would be optimistic that this Draft Tax Code will come into force starting from 2008. Ms. Trofimova also said that the State Tax Administration at the time was in the process of discussion of the Draft and had incorporated many suggested changes from the Chamber. The Chamber had developed additional comments and amendments and presented them to the speakers after the meeting.

•During the year the Chamber continued to be an active participant of the **PUBLIC COUNCIL OF THE STATE TAX ADMINISTRATION** and discussed VAT reimbursement, introduction of electronic VAT procedures, participated in the public discussion of the Draft Tax Code, as well as considered many others State Tax Administration legislative initiatives. Also, the Public Council with participation of the Chamber discussed the implementation of Social Unified Tax and Automating of the Tax Reporting System.



TELECOM COMMITTEE

Co-Chairs:

ANDRII DRONIUK,

Golden Telecom

MARK BURDEN,

UMC

The Telecom Committee's Mission in lobbying the interests of the Chamber Member companies operating in the Ukrainian telecom industry by providing the most efficient solution to the various challenges faced by its Members. The Committee works in close conjunction to pursue mutual goals that stimulate the creation of a necessary environment for efficient development of the telecommunications sector.

At the beginning of 2006 Members of the Telecom Committee created two sub-committees:

•**CERTIFICATION SUB-COMMITTEE** – the Certification sub-Committee was created to focus on telecom equipment certification issues. At the beginning of the year the Sub-Committee gathered senior management from vendor companies that face certification issues in their every day business. The gathered executives decided to develop and present an action plan to harmonize EU and Ukrainian standards of certification of telecom equipment as well as to prepare examples of overlapping Ukrainian certification with certification carried out in EU. They also gathered information on the volume of certification bodies, terms for receiving certificates; certification costs for different types of equipment in the EU and U.S. and implementation of EU Directive 1999/5/EC. Ms. Olga

Zabavchuk, Ericsson, made a presentation on Certification issues.

•**INTERCONNECT SUB-COMMITTEE** – in 2006 the Interconnect Sub-Committee focused on a new settlement order including new boundary tariff approval and implications, direct numbering issues and the impact of Ukrtelecom's new non-monopoly status regarding international and intercity communications. Members of the Sub-Committee participated in the international conference for National Commission on Communication Regulation and Telecom industry Members with invitation of independent consulting companies and regulators from European countries on the process of tariffs and interconnect rates utilized in European countries. Also, the Sub-Committee worked on the direct numbering issue and agreed that there should not be joint action of the Committee in that respect.

All meetings of Telecom Committee start with a Telecom Industry Regulation update that is very timely and informative. After creation of the Public Council under **National Commission of Communications Regulation (NCCR)** and subsequent involvement of the Chamber's Policy Team it became of interest to Telecom Committee Members that each Committee meeting also contains an update from the Chamber on the activity of the Public Council.

During the year Telecom Committee was the forum and useful source of information. Members had the chance to listen to the following presenta-

tions that were followed up by actions on the issue:

•Presentation on 3G by Mrs. Olga Dubovik, Astelit Olga presented 3G licensing policies and strategies in different countries, as well as licensing requirements. Members discussed the letter sent to the Prime Minister on 3G and worked on following up on this issue to ensure all interested mobile telecom providers have access to 3G licenses in clear and transparent tenders.

•Presentation on interconnect methodology by Mr. Yuri Makarenko, UMC during which he presented methodology to determine interconnection rate, pros and cons of LRIC and FAC models as well as EU countries experience of using these systems

•Presentation on Wi-Max given by Mr. Yuri Chuikov, UHT

•Presentation on National Roaming by Mr. Kyril Kozlov, Golden Telecom Ukraine

•Presentation on CDMA development in Ukraine by Mr. Vitaliy Vorozhbit, General Director of Ukrainian Telesystems

•Presentation on Direct Numbering by Anna Podvysotskaya, UMC

•Presentation on Fixed-mobile convergence (FMC) Andrii Droniuk, Golden Telecom Ukraine

At the beginning of the year, the Chamber's Telecom Committee successfully addressed President Yushchenko regarding recent changes in legislation that would increase...
...the risk of cancellation of licenses for



TELECOM COMMITTEE

mobile operators asking to veto the legislation and send it ...back to the Verkhovna Rada with comments from the Chamber's Telecom Committee.

In 2006 the Telecom Committee conducted several meetings with officials including but not limited to:

•**Mr. Yatsuk, Head of the State Department of Informatization and Communication** - under the Ministry of Transport and Communications in Ukraine. At the meeting Mr.Yatsuk discussed the split of responsibilities between the State Department of Informatization and Communication, NKRZ and the Ministry of Transport and Communications of Ukraine. He also talked about recent initiatives of the

Department regarding distribution of radio frequencies and the Plan of use of those radio frequencies. Mr.Yatsuk also answered questions from Members on NDC (national destination codes) shortage in Ukraine, on physical protection of primary communication network (cables), certification procedures simplification and national roaming. The participants agreed to continue such meetings and cooperation including developing documents together and initiating changes in legislation on telecommunication.

•**Mr. Vitaliy Korzh, Verkhovna Rada Deputy** - the meeting was mainly dedicated to the discussion of the Draft Law "On Telecommunications". At the beginning of the meeting Deputy Korzh updated the participants on the his-

tory and background of the creation of the Draft Law, and main provisions of the Draft. After a short presentation, Andrii Droniuk, Telecom Committee Co-Chair, Golden Telecom, updated the attendees on the Committee's activity and priority issues that Committee works on. After his presentation the floor was open for questions from the Members and Mr. Korzh provided informative answers. At the end of the meeting it was agreed that the Chamber will prepare comments on the Draft Law and will submit it to Mr. Korzh for his consideration. It was also agreed that the Chamber will be included in the Working Group on the Draft Law and will meet shortly.



TOASTMASTERS COMMITTEE

President:

VITALY FEDCHUK,
British American Tobacco
Secretary:

ANNA PRYMAKOVA,
UCAN (Ukraine Citizen
Action Network) project

The Chamber Toastmasters Committee was established in 1999 to provide employees of Chamber's Member organizations and businesses with a unique opportunity to develop leadership, communication, and public speaking skills. The Committee fully follows the educational curriculum and procedures of Toastmasters International, a worldwide organization with a well established reputation, eighty years of experience and over 211,000 members in 90 countries.

Over the last seven years the Committee has become a venue for those who want to build on their public speaking skills and improve their career opportunities.

Simply attending and participating in weekly Toastmasters meetings, members of the Committee have a chance to try various public speaking roles, ranging from funny and easy to very demanding and serious. Keeping time or monitoring mistakes made by other speakers, presenting a project or evaluating someone else's, leading a discussion or giving a mock press conference – all these tasks contribute to rapid growth of personal confidence and the ability to express thoughts clearly, to get right to the point, and to motivate and lead others. Communication with different people turns into a work of art instead of a daunting exercise.

In 2006 the Ukrainian Toastmasters community was full of events and interactions including but not limited to: the all-Ukrainian speech contest, Toastmasters presentation for the Chamber's Business Management Education and Training Committee, Negotiations Skills seminar, Open meeting for Young Professionals of

the Chamber, Communication trainings, open debates on actual topics, and attraction of new members.

In 2006 the Chamber's Toastmasters Committee received the President's Distinguished Club Award in recognition of the excellent accomplishments in the art of public speaking. The most advanced Committee member received an Advanced Toastmasters Gold Award, and six more members have become Competent Toastmasters. To move each step up along the Toastmaster's career, a member needs to show a lot of energy, work hard, and complete ten public speaking projects.

The participants of the Toastmasters Committee have maintain a positive and warm atmosphere and are able to successfully support new comers and experienced members alike. The keys to the Committee's success are learning through helping, leading by motivating, and speaking with confidence and smile.



TRAVEL AND TOURISM COMMITTEE

Chair:

VALERIA LYUK,

Sky Travel BTI Ukraine

The Chamber's Travel and Tourism Committee was created with the Mission to encourage the participation of the Chamber Members in an organized policy initiative to promote Travel and Tourism related issues in Ukraine. The Travel and Tourism Committee's goals and objectives include increase of Ukraine's participation in international travel and tourism organizations and forums; promotion of the development of the Ukrainian business and leisure hospitality infrastructure; simplification of the bureaucratic requirements for foreigners to travel in Ukraine; increase the ready availability of international standard business facilities; promotion of Ukraine as a desirable destination for international holiday travelers; sharing knowledge and experience among Chamber Members involved in the travel and hospitality arenas.

In 2006 the Travel and Tourism Committee maintained their close relations with the State Tourism Administration of Ukraine and hosted Business Luncheon with **MR. ANATOLIY PAKHLIA, HEAD OF THE STATE SERVICE ON TOURISM AND RESORTS OF UKRAINE.** Mr. Pakhlia shared information regarding the current activities and priorities of

the State Service on Tourism and Resorts and his thoughts regarding the 2006 Action Plan and new legislation that the State Service plans to initiate. He also provided more details on the structure and functions of the State Service under his leadership.

Among the issues of discussion of Travel and Tourism Committee were:

• **CHANGING OF CONDITIONS OF INTERNATIONAL AIRLINE TICKETS SALE AND ADOPTION OF ELECTRONIC TICKETS**

- Valeriy Luyk, Sky Travel BTI, Committee Chair, made a presentation showing advantages of the new procedures of air ticket sales and changes in service fees. As to electronic ticketing procedure, it makes travel easier and more comfortable for the tourist. She also highlighted that some of the airlines have stopped working with paper tickets.

• **RAILWAY TICKETS SALES ISSUES**

- participants highlighted the following problems: absence of booking of railway tickets, necessity of passport for buying railway ticket, inability of doing group orders, as well as a lack of general service orientation. Members agreed that without good railway booking system, development of tourism in Ukraine will procrastinated.

• **DRAFT RESOLUTION ON NEW PROCEDURE FOR PRODUCTION AND REGISTRATION OF AIR TRANSPORT DOCUMENTS**

- the major hesitations regarding the

Draft were in obligatory registration of ticket stock and abolishment of electronic ticket issuance. After the meeting the Chamber Policy Team, through their channels, worked on the issues and received information that the State Administration of Ukraine for Aviation Safety Oversight was working on changes and explanations to the Draft Resolution including comments and suggestions, which are aimed to clarify many questionable issues. It says that Resolution, if adopted, will only apply to paper tickets to those companies from countries that do not have bilateral agreements with Ukraine shielding Member airlines from these onerous and unnecessary regulations and allowing electronic tickets to continue to be issued. The Chamber will continue to work on this issue to ensure that international best practices and transparency is incorporated into the regulatory system that impacts the airline industry in Ukraine.

• The Travel and Tourism Committee addressed the Verkhovna Rada Committee on Family, Youth Policy and Tourism with the suggestion of creation of sub-Committee on Tourism.

• Chamber also followed up on the differing **VISA REGIMES** and updated Committee Members on the changes in the procedure, simplification of the process.



NETWORKING AND SOCIAL EVENTS



**CHAMBER
EVENTS**

One of the main pillars of the Chamber's activities has always been providing Members with effective and fun Networking opportunities that are segmented according to the differing needs of the Chamber's diverse Membership.

In 2006 the Chamber was proud to have organized more than 70 highly successful Networking events.

As the Chamber continues to strive to constantly improve value added services provided to the Membership, the Chamber has developed a dedicated Events Team and they work on the following grouping of events that have different target markets and fulfil different needs: Business Networking, Social / Family, Team Building and Corporate Social Responsibility related events. The Chamber Event Team prides itself in being innovative and in 2006 they launched several new exciting projects such as Travel with the Chamber, the Marketing Club and expanded the activities focused on the Young Professionals Network.

BUSINESS NETWORKING

CAPTAINS OF INDUSTRY

The Chamber's Captains of Industry events take place a few times during the year providing CEOs, Country Managers

and General Directors of Chamber Member Companies, Ambassadors and other prominent guests an opportunity to engage in high-level Networking with fellow Members and VIP guests while enjoying delicious food and beverages in an interesting venue.

In 2006 Captains of Industry events were held in June and October and these events gathered the leaders of the business community who value quality Networking with similarly minded individuals.

The Chamber would like to extend a special thank you to the Primary Sponsor of this year's Captains of Industry Events, Chamber Member UMC, and thank them for their loyalty, support and attention that were instrumental in organizing and assuring the success these events.

SILVER CARD EVENTS

Last year the Chamber launched a series of exclusive evenings only open to Chamber Discount Card holders. These Silver Card events are targeted to those Members who are holders of the Chamber Silver and Gold cards bringing them additional benefits besides the wide variety of discounts

on offer throughout Ukraine.

On example of a Silver Card Event in 2006 was the Chamber Wine Tasting that took place at Gourmet Club member Panorama Restaurant on their terrace with an unforgettable picturesque view over Kyiv. Attendees enjoyed Networking in a friendly atmosphere accompanied by a live jazz performance by a string quartet, a wine tasting and delicious appetizers. Most Silver Card Holders spent the evening relaxing after a hard day at work discussing business as well as chatting about the latest political and economic issues.

Later in the evening, after guests had voted for their favourite wines, a business card lottery took place awarding bottles of the wonderful wine served that evening that were chosen by the sommelier at Metro Cash and Carry.



NETWORKING COCKTAILS

Networking Cocktails remain one of the most popular events in the Chamber's Networking offerings and over the years has grown dramatically and is always a very effective Networking opportunity open to all Chamber Members.

One of the hallmarks of a Chamber Networking Cocktail is that guests have an opportunity to Network with the right people in a relaxed atmosphere and these events are usually hosted by one of the Chamber Gourmet Club Restaurants who work hard to ensure that Chamber Members have a nice evening.

In 2006 Networking Cocktails took place in the following Chamber Gourmet Club Restaurants: Arizona BBQ, Jules Verne Tavern, Kaleydoskope, Modabar, O'Briens Irish Pub, Tabu and T.G.I. Fridays, Shooters, Shato Slavutych..

Traditionally, the Chamber organizes Welcome Back Networking Cocktails jointly with Arizona BBQ that take place after Winter and Summer Holidays.



YOUNG PROFESSIONAL NETWORK

In 2006 the Chamber re-established the Chamber's Young Professionals Network ("YP-Net"). YP-Net's mission is bringing young professionals together to motivate them to take a more active role in business, social and community life in Ukraine.

YP-Net, under the auspices of the Chamber, is the premier vehicle for expanding social networks, fostering professional and intellectual growth, and sustaining informational exchange within the diverse community of Chamber Young Professionals.

YP-Net is reaching its goals through activities in the following four areas that are often interrelated:

- Networking & Social Opportunities
- Fostering Community Service & Social Responsibility
- Teamwork and Skills Development
- Healthy Lifestyles through Sports & Recreation



This year examples of events that YP-Nets have participated include: Summer is Over Party, MacQuest Game, YP-Net Toastmasters Meeting, IPR Conference, YP-Net Halloween Party, Winter Clothing Drive, etc.

MARKETING CLUB

The Chamber in conjunction with our first event Primary Sponsor, Pulse, have started a series of innovative Networking and educational events, entitled **THE CHAMBER MARKETING CLUB**, where the leading marketing and advertising minds in Ukraine join together to socialize and Network while sharing best practices and catching up on the last trends in the fast paced and creative sphere of marketing in Ukraine. The target audience is focused but not limited to marketing, PR, advertising and other similarly related spheres of activities.

The first event took place in the Dance and Groove Club in downtown Kyiv in Fall 2006 in the early evening. Hundreds of people gathered to sip complimentary beverages while Networking with like-minded professionals and experiencing the first of many Chamber Marketing Club meetings. Chamber Marketing Club guests were surrounded by a sea of hip, smart and sophisticated marketing execs who enjoyed the evening and made valuable contacts.



The evening included a presentation entitled "How to build a brand with no money" from Brent David of Pulse and a challenging contest - the idea to show off the massive creative talent in the Club through providing slogans / tag lines for the next advertisement for the Marketing Club. The meeting was closed with the business card lottery where all guests could win prizes kindly provided by the Sponsors.

SOCIAL / FAMILY AND TEAM BUILDING EVENTS

TRAVEL WITH THE CHAMBER

In 2006 the Chamber launched a new Project entitled "**TRAVEL WITH THE CHAMBER**". The main goal of the Project is to provide Chamber Members with unique cost effective weekend travelling opportunities by providing special offers on a variety of destinations that are low cost and have exciting extra benefits and perks. This program encourages Members to travel with their friends and colleagues while utilizing the high quality services of Chamber Member companies.



The Chamber has already visited Riga (Latvia) organized jointly with Aerosvit Airlines and ViaKiev Travel Agency, Istanbul (Turkey) together with Soleans Svit Travel Agency and Tbilisi (Georgia) with the assistance of Sky Travel HRG Ukraine. The Project has been very popular and successful within the Chamber Membership and has stimulated demand for new and exciting travel opportunities.



ANNUAL FOOTBALL TOURNAMENT



The Chamber has been organizing an Annual Football Tournament for many years and this fun and highly competitive sporting event is an excellent team building and Networking opportunity that has grown in size and popularity among Chamber Members bringing out the best the Membership has to offer. It is an exciting competition that highlights sportsmanship and enables employees of Member companies to show off their talents both inside and outside the office.



In 2006 the Football Tournament gathered 27 teams from 26 Companies that all competed for the Chamber Cup. The following companies participated in the Tournament (in alphabetical order): ALICO AIG Life, American Machinery Company, Amway Ukraine Ltd., Astelit LLC, BBH Ukraine, British American Tobacco Ukraine, British American Tobacco Ukraine Priluki, Coca-Cola Beverages Ukraine Limited, Deloitte., DHL, INGO, Insurance Company "Providna", Jahn & Jensen Group Ukraine, KPMG, Kraft Foods Ukraine, Kvazar-Micro Corporation, Louis Dreyfus Ukraine, Magister & Partners, Mars Ukraine, MGI Consulting Ltd, MTI, PrioCom Corp., QBE Ukraine, Survey Software Services, TMU, UDEC and US Embassy.

This year's winners were:

1ST PLACE - TEAM "KVAZAR-MICRO" (KVAZAR-MICRO CORPORATION),
2ND PLACE - TEAM "SLAVUTICH" (BBH UKRAINE),
3RD PLACE - TEAM "DHL" (DHL).

The tournament's referees also awarded winners in the following categories:

Best Player - SHEVCHENKO ALEXEY ("LIFE:"), ASTELIT LLC),
Best Goalkeeper - LIGIRDA VASILYIY ("SLAVUTICH", BBH UKRAINE),
Best Forward - ZAYKIN RUSLAN ("DHL", DHL),
Best Full-Back - STRUTINSKY EUGENE ("KVAZAR-MICRO", KVAZAR-MICRO CORPORATION)

FAMILY EVENTS

Family oriented events remain popular within the Chamber community gathering parents and kids who are able to play sports, celebrate national holidays and work together for the benefit of charities and those who are in need.



This year the Chamber jointly with Chamber Member, McDonald's and charity fund "Ukraine 3000" organized a **Networking on Ice Family Event**, that was held within World Children Day (WCD), a traditional charity event initiated and sponsored by McDonald's. Every guest, who wanted to attend the party, had to bring a special promo key chain or a bracelet which were available at McDonald's restaurants across Kyiv and a cute cuddly stuffed animal that was given to orphans.

Another in the series of Family Events was the **Mayovka** project that was designed to re-create the positive tradition of socially oriented community activities reminiscent of the komsomole days that were so popular during the Soviet times. This was a very successful event that united Members and their families and everyone who participated had a chance to plant arrow-woods and rowan trees in the main valley of the national Park of the Museum of Second World War. All participants then received a Certificate of Degree of Gardeners and enjoyed an impressive excursion in the Museum.

SOCIAL/FAMILY AND TEAM BUILDING

CORPORATE SOCIAL RESPONSIBILITY RELATED EVENTS



INDEPENDENCE DAY PICNIC

The Chamber was pleased to once again organize the Annual American Independence Day Picnic in Kyiv that was held on Saturday, July 1st.

Thousands of guests came out to the new venue, Aerodrome Chayka, to enjoy live music, a Golden Telecom parachute show, Gala Chill Zone and great contests, complimentary Clearwater, Coca Cola and Manzano Products as well as Lakomka and Nestle ice-cream, Nestle and Manzano coffee, tasty cold draught Stella Artois and Chernigivske beer, traditional (and not so traditional) American Picnic Food provided by Chamber Partner Restaurants and, of course, the Grand Raffle! The young ones had fun in the Kid's Zone while every child walked away with a goodie bag filled with fun stuff.

The event wrapped up with a fantastic fireworks display sponsored by UMC.

The Chamber thanks all guests who came out to enjoy the Picnic as well as the Sponsors of the 2006 Annual American Independence Day Picnic with whose generosity and active participation the event was even more successful than last year. Also, special thanks to our MC, DJ Pasha from Gala radio and the hundreds of volunteers who donated their time to help with the Picnic.

All funds raised were donated to worth charities around Ukraine through the Chamber's Corporate Matching Grants partner Ukrainian Citizens Action Network (UCAN).

LIST OF SPONSORS: INDEPENDENCE DAY PICNIC 2006

SPECIAL SPONSORS:

Fireworks Sponsor

UMC (Ukrainian Mobile Communications CJSC)

Primary Soft Drinks Sponsor

Coca-Cola Beverages Ukraine

Limited Primary Beer Sponsor

SUN Interbrew Ukraine

Exclusive English Language Media Partner What's On Kyiv

GOLD

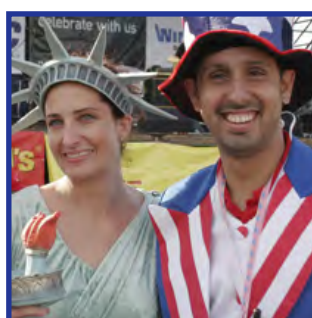
1. ALD Automotive Ukraine
2. AeroSvit Airlines
3. Air France
4. Amarcord-Alex Lakomka
5. American Medical Centers
6. Boris, Ltd.
7. Cargill AT, GJSC
8. DIALOG PRESS, Center for Advertising and Printing
9. DKT Corp.
10. DLA Piper Ukraine
11. Delta Air Lines, Inc.
12. Ernst & Young LLC
13. Gala Radio
14. Golden Telecom
15. INGO Ukraine Joint-Stock Insurance Company
16. Kiev City
17. Kiev Sport Club
18. Lavina Muzic
19. Leater
20. Leo Burnett
21. Motorola
22. Nestle Ukraine
23. Property Times
24. Radioactive Film
25. SICH, LTD.
26. Ukraine International Airlines
27. Winner Automotive, LLC
28. Zinteco

SILVER

1. ClearWater Ukraine
2. KODAK UKRAINE L.L.C.
3. METRO Cash & Carry Ukraine Ltd.
4. MacHOUSE
5. McDonald's Ukraine
6. Office Solutions Ukraine
7. Premier Palace Hotel
8. Prime Moving
9. Yuridicheskaya Practika Publishing (logo of Journal of Business Law)

BRONZE

1. AES Ukraine
2. ALICO AIG Life
3. ALLES BUSINESS AUTO
4. Boston Animation
5. British American Tobacco Ukraine
6. COFICOFI
7. Chips "Kracks"
8. Chadbourne & Parke LLP
9. "Crimean Riviera" Hotel
10. DHL
11. Denza Workspace
12. Doubinsky & Osharova
13. EBS
14. Konnov & Sozanovsky
15. Kraft Foods Ukraina
16. LOGOS Translation Agency
17. MARRIOTT HOTELS INTERNATIONAL
18. MARY KAY
19. Magister & Partners
20. Mimoza Mobile Spa
21. ORFEY UKRAINE
22. PROCTER & GAMBLE
23. PUMA UKRAINE
24. SC Johnson - A Family Company
25. Saint-Gobain Group
26. SKYNET Worldwide Express
27. Volia Cable



CHARITABLE TENNIS TOURNAMENT

The International Mortgage Bank and American Chamber of Commerce in Ukraine held the **2nd Annual Charitable Corporate Tennis Cup** at "Nauka" Central Courts. Members of the Chamber put forward their amateur tennis teams, which for two days competed to win the coveted top prize - the 'Corporate Cup'.

Following Chamber Members participated in the Tournament: Bayer, Brain Source International, BUNGE, Castle Finance, Citibank (Ukraine), Danone, Deloitte (2 teams), European Commission Delegation, Foyil Group, HVB Bank, Hewlett-Packard Trading SA, International Mortgage Bank, INGO Ukraine, Kyivstar GSM (2 teams), Kontract Bank, Leo Burnett, Leater, Nestle Ukraine, Philip Morris Ukraine, QBE Ukraine, Raiffeisenbank Ukraine, UkrSibbank, UkrSotsBank, VABank.

During the event all players and fans had an opportunity to relax, support the participants, learn the basic skills of playing tennis as well as raise money for needy charities in Ukraine. In addition, Special guest, Dmitriy Polyakov, champion of USSR, first Ukrainian professional, included in the Top 100 of world rating, presented a master class for all interested.

The Chamber congratulates the winners of the Tennis Tournament:

- **1ST PLACE - QBE Ukraine**
(Yuriy Marchenko, Natalia Tokareva) and their Captain, Oleg Sosnovskiy
- **2ND PLACE - Bayer**
(Artur Zgardan, Andrey Razimovskiy, Tatiana Tkachuk)
- **3RD PLACE - Citigroup/Danone**
(Stephane Batoux, Albert Vignolet, Valerie Vignolet, Alina Havrysh).

Also winners in the following categories:

BEST MALE PLAYER

- Yuriy Marchenko - QBE Ukraine

BEST FEMALE PLAYER

- Svetlana Kordina - Raiffeisen Bank

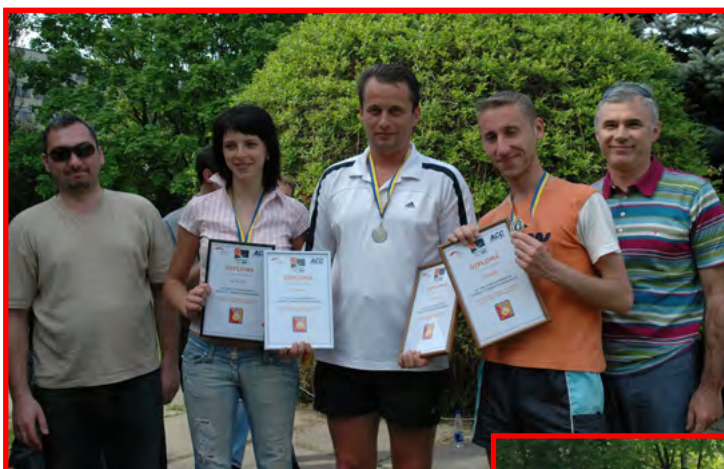
BEST TEAM SPIRIT

- Deloitte

BEST SUPPORTIVE TEAM

- UkrSibbank

All funds raised were donated to worth charities around Ukraine through the Chamber's Corporate Matching Grants partner Ukrainian Citizens Action Network (UCAN).



GIVING BACK TO THE COMMUNITY

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE OF THE BOARD OF DIRECTORS

In 2006 a new Board of Directors Sub-Committee on Corporate Social Responsibility (CSR) was established. The Committee monitors Chamber charitable activities, partnership with external funds, CSR events designed to educate, etc. It was decided that the principles of the Chamber's CSR policy would be developed over time utilizing the feedback from the 2006 Membership Survey to help to understand what the needs and expectations of the Membership are in relation to CSR and the Chamber's involvement.

CHAMBER-UCAN COOPERATION

Over the past 2 years the Chamber and our non-profit partner the Ukraine Citizen Action network (UCAN), a USAID funded project, have created and continue to develop a ground breaking

matching grant program. Through the program, the Chamber and UCAN have worked with more than a dozen Ukrainian non-profits to creatively address urgent and recognized needs in their communities. Carefully selected Ukrainian organizations have utilized these funds to meet priority social needs and create entrepreneurial projects that serve to further finance their work.

Charity funds have been distributed to worthy Ukrainian organizations through two grant programs: social needs grants and social enterprise grants. Both programs direct corporate dollars to apolitical organizations that are judged to be in a unique position to create positive change for disadvantaged or disenfranchised people in their communities.

SOCIAL ENTERPRISE GRANTS are being used by Ukrainian organizations to develop entrepreneurial projects to generate funds for their causes.

SOCIAL NEEDS GRANTS have been used by Ukrainian organizations to address urgent needs in their communities and involve local citizens and businesses in their charitable activities.

SOCIAL ENTREPRENEURSHIP GRANT COMPETITION.

UCAN in partnership with the Chamber announced an Innovation Grant Competition for Social Entrepreneurship. Social Entrepreneurship grants are for non-governmental non-profit organizations that have ideas for or are experienced in raising revenue from their activities or in cooperation with business structures or private entrepreneurs; and/or from opening a new business or developing the current one.

Social Entrepreneurship grants are aimed at enhancing the financial viability of the non-profit organizations and at successful accomplishing of their social mission by implementing of the market mechanism and entrepreneurship skills into their activities.

Social Entrepreneurship grants will allow the Ukrainian organizations:

- to provide more stable and independent financing for the organization's activities towards its mission;
- to achieve "social effect" aiming at improving the quality of life of the targeted audience;
- to develop and implement new approaches to the social problems /issues solution.





The Chamber and the Global Compact Initiative

On April 25, 2006 the Global Compact Initiative was officially launched in Ukraine by UN officials in conjunction with many corporations and NGOs operating in Ukraine.

The Global Compact was set up in 1999 by the UN Secretary-General Kofi Annan as an attempt to gather global community to solve challenges of globalisation. Today it is an international network of companies, governments, UN agencies, NGOs and labour organizations working together to generate inclusive economic development. Business practice in these areas is governed by a set of 10 principles, which companies signing the Global Compact agree to adopt in their day-to-day operations. The social and political legitimacy of these principles is universally recognized, thus giving the Global Compact a leading edge.

The Chamber, to set a positive example for our Membership, has joined the UN Global Compact and committed to promoting the ten Global Compact Principles in the day to day operations:

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

Labor Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor.
5. The effective abolition of child labor.
6. The elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against all forms of corruption, including extortion and bribery.

CSR EVENTS

The Chamber was proud to organize a number of charitable events that raised money for those in need in 2006 and would like to thank all Sponsors and participants for their support. Charitable events included but were not limited to: Annual American Independence Day Charity Picnic, and the Annual Charitable Corporate Tennis Cup. You can learn more about these events in the next section of the Annual Report.

The Chamber continues to work on other CSR related events throughout the year such as the winter clothing drive, gathering toys for underprivileged kids during the holiday season, Chamber Young Professionals Network events working with soup kitchens, orphanages, pensioners etc. as well as giving back to the community by planting trees during the Mayovka event at a local Kyiv park, etc. The Chamber has also started to develop business-focused events such as the Chamber, European Bank for Reconstruction and Development and Baker & McKenzie Seminar on Environmental Issues that impact investment financing decisions.



ANNUAL REPORT

The Annual Report is an electronic publication that is designed to summarize the Chamber's activities during the year as well as highlighting Chamber Events, Publications, Advocacy and Lobbying Activities, Committees and Working Groups, Corporate Social Responsibility, Discount Card Program information, etc.

COMMERCE MAGAZINE

Commerce Magazine is an informative and practical English-language publication that was successfully launched in 2005 as an answer to a rapidly changing business environment that required new business skills and strategies. We believe 2006 remained an ideal time for the publication of Commerce magazine, a complete guide to successful business in Ukraine, which provides a comprehensive overview of events and services to investors and senior business professionals both in Ukraine and abroad. Commerce focuses on being a value added information source for all who need to be aware of the current political and economic situation in a rapidly changing Ukraine.

Commerce Magazine is distributed to the offices of American Chambers of Commerce in other countries, to the embassies in Ukraine and beyond its borders, to hotels and international airlines.

Among Commerce readers are not only the Chamber Members but also the owners and top managers of major international companies, financial institutions and other professional organizations worldwide.

Commerce is based on international best practices regarding business publications and Chamber Members play a major role in contributing to the magazine's content.

MEMBERSHIP DIRECTORY

The Chamber's **Membership Directory** is highly sought after Members Only benefit that is published on an annual basis that provides the contact details and an in depth description of each Member company as well as other useful information about the Chamber and the business and diplomatic community.

The Membership Directory also contains a **Country Profile** comprised of articles in relation to specific economic and business interest areas as well as political trends provided by Chamber Members who are experts in their respective fields. Each Member receives two copies of the Membership Directory free of charge.



The Chamber's electronic publications are sent to our Membership and externally to a wide variety of individuals and organizations that the Chamber works with in the process of obtaining positive changes in the Ukrainian business and investment environment.

In 2006, with the aim to ensure the Membership and stakeholders are properly informed about the important lobbying work the Chamber is doing, the Chamber launched the Advocacy Update and Committee Report that includes updates on Committees and focus on Lobbying and Advocacy initiatives undertaken by the Chamber Policy Team in conjunction with the many effective standing Committees and ad-hoc Working Groups. Each Member receives these every Friday in addition to the Weekly Bulletin that is sent out every Monday.



CHAMBER ADVOCACY UPDATE

A brief snapshot of the Chamber's current Advocacy and Lobbying initiatives in an HTML format e-mail including success stories, on going initiatives and issue updates designed to keep our Members informed and enable their involvement and input into Working Groups and Chamber's Policy Agenda is sent on Fridays.



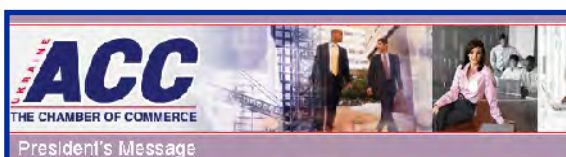
CHAMBER COMMITTEE REPORT

A comprehensive overview of the activities and issues being addressed by Chamber's many Industry and Sector specific Committees in an HTML formatted e-mail. The Chamber's Committees provide much of the Policy drivers of the Chamber by gathering Members who are experts in their respective fields to share information and address common issues that impact the Membership. These are also sent on Fridays.



CHAMBER WEEKLY BULLETIN

Member Companies receive an HTML based Electronic Bulletin each week via e-mail which describes activities in and around the Chamber which will take place in the near future. It provides schedules and agendas for upcoming Committee meetings and other activities that the Chamber organizes as benefits for our Members.



PRESIDENT'S MESSAGE

A brief Executive Summary distributed via e-mail exclusively to the senior management of the Chamber Membership that highlights policy and advocacy initiatives undertaken by the American Chamber of Commerce on behalf of our Members as well as other relevant information that maybe of interest to senior management regarding Chamber activities.



CHAMBER WEBSITE

WWW.AMCHAM.UA

The Chamber website is an important means of communication and up-to-date source of information for all our Members and interested parties in Ukraine and abroad. It contains a wide variety of useful information about Chamber's lobbying and advocacy activities, Networking events, Committee activities, as well as tax, legal, banking and legislative updates.

The Chamber's website is as well the source of important news and useful information about our Member Companies. All Members have the possibility to post press releases and newsletters to the Members News Section on the Chamber's website. This value added benefit is provided to Chamber Members free of charge.



MEMBER 2 MEMBER DISCOUNT PROGRAM

In 2006 one of the most sought after benefits for Chamber Members was the Member 2 Member Discount Card Program. The Chamber promotes the use of Chamber Gold and Silver Discount Cards among the Membership to create a reputable well-recognized promotional vehicle for fellow Members to utilize. This Program not only allows participating Members to raise the awareness, profile and revenues of their companies, but it also gives the representatives of every Chamber Member Company the benefit of having access to the many discounts that are on offer.

Throughout the years the Discount Program has been regarded as an effective promotional tool for Chamber

Members. At the end of 2006 over 120 companies participated in the Member 2 Member Discount Program providing savings on a wide variety of high quality goods and services for the benefit of the Membership. Our Members enjoy the discounts in around 40 of the best restaurants in Ukraine, which are united under the Chamber Gourmet Club brand launched in 2005. We are pleased that all participants of the Program notice increased awareness and popularity of their goods and services used by the Chamber Membership.

2006 Discount Cards were designed in cooperation with **Chamber Member and Creative Partner 5th Element Eastern Europe** and promoted in the mass media by **Chamber Member and Media Partner What's On Magazine**.

Today Member companies enjoy discounts for the following services:

- Advertising, Media & Printing Services
- Airlines & Travel Services
- Business Services
- Car Leasing, Transportation, Delivery & Moving Services
- Consultancy, Investment & Marketing Research
- Educational & Training Services
- Healthcare and Beauty Services
- Hotels
- Insurance
- IT/Telecom Services
- Legal Services
- Retail Establishments
- Real Estate Services

MEMBER 2 MEMBER DISCOUNT PROGRAM

AGS Worldwide
Movers Kiev



Bytsko Travel Company



ALL+TOGETHER

ClearWater Ukraine



Action Data Group

Colliers International



adidas-Ukraine SC

Consortium for the
Enhancement of Ukrainian
Management Education (CEUME)



AeroSvit Airlines

Crimean Riviera Hotel



Alles Business Auto

DHL



American Medical Centers

DKT Corp.



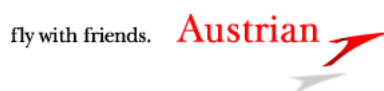
Atlantic Group

Denza Workspace



Audit Firm Gallor

Design Time



Austrian Airlines

Dnipro Hotel



Avis Rent A Car & Leasing

Domar Travel Education



BDO in Ukraine

Doubinsky & Osharova



EBS



The Imperial Tailoring Company



Empire of the Water



Informational Group Expert Ukraine



Enran-Akros



Insurance Company "Galaxy", CJS



Evolution Media LLC



Insurance Company "NOVA" OJSC



First Realty Brokerage Ltd.



International Trading Network, LLC



Gala Media (Gala Radio, Gala TV, Gala Net)



International Institute of Business



Golden Telecom



Jones East 8



Gurme Ltd.



HOCK Accountancy Training



Konnov & Sozanovsky



Hertz International Franchisee - First Rental LLC



Kyiv Symphony Orchestra and Chorus



IFD KAPITAL INSURANCE



Kyivstar GSM JSC



INGO Ukraine Joint-Stock Insurance Company



Lavina Music



MEMBER 2 MEMBER DISCOUNT PROGRAM

Leater



LiveRepair.com, Inc.



Lybid Hotel Complex



Manzaro Global Ventures



Mimoza Mobile Spa



Mirasoft Group



OSG Records Management



OTIS ZAT Ukraine



Office Solutions Ukraine



Orfey Ukraine Ltd.



PSB Films



Pakharenko & Partners

Palmira-Palace



Pilot Ltd.



President-hotel Kyivsky JSC



PrioCom Corp.



Pulse Ltd.



Radio "Rocks-Ukraine"



Rus Hotel



Sherborne Guest House



SigmaBleyzer



SkyNet Worldwide Express



Soleans Svit



Superweb Ukraine Ltd.

MEMBER 2 MEMBER DISCOUNT PROGRAM

Target



Ukrainian-American Liberal
Arts Institute "Wisconsin
International University (USA)



U M C



Quality above all!

Ukrainian-German Clinic



УКРАЇНСЬКО-НІМЕЦЬКА
КЛІНІКА

U P S



US Optics,
Ukrainian-American
JV Intra Ocular lenses
laboratory-clinics



Unitrade



Winner Automotive, LLC



UTICO



Xerox The Document Company



Ukraine International Airlines



Yuridicheskaya Practika Publishing



Ukraine Plus Group



AVALON



Buket



CORSAIR



Centrale Restaurant



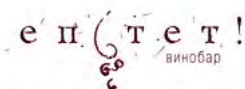
Concord



Decadence House



EPITHET



Exotica



Fashion Cafe Marocana



Fiji Bar



Harem
(Happy Days Group)



IKRA



IL Patio



Jacobs Cafe de Luxe



Kaleidoskope



Kofein

Korona-Club
(XXI Century)



Limoncello Fusion
(Happy Days Group)



Magnit



Mandarin



Memphis



Modabar



Nobel Restaurant



Nouvelle



O'Panas



O'Brien's Irish Pub



Panorama



Pervak
(XXI Century)



Planeta Sushi



SAN TORI



Sochi



Soho Restaurant Complex



Swing Restaurant - Bar



T.G.I. Friday's



TERRACE



Terrazza
(Happy Days Group)



Tsarske Selo
(XXI Century)



USSR
(XXI Century)



WELCOME TO OUR NEW CHAMBER MEMBERS IN 2006

I849 PLC	INFORMALL-GROUP LTD	Real Estate Review
ADAY	IREX - International Research and Exchanges Board	Renaissance Life
AICE Ukraine JSC	Information Buro Deutsche Messen	SEB Bank, Open Joint Stock Company
ALVONA LTD	Insurance Company "Galaxy", CJS	SPN Ogilvy Public Relations
Accessori	Insurance Company "NOVA" OJSC	Saint-Gobain Group
Advanced Hockey Training	IntelCOM LLC	Silver Centre, LTD.
Alpha Life Systems LLC	International Law Firm "Arzinger & Partners"	Sonopia
Alphanow Ukraine Ltd	International Trading Network, LLC	Superweb Ukraine Ltd.
Ancor SW Agency	Internet Securities, Inc.	Survey Software Services
Apollo-Rida Ukraine	InvestInRivne Agency	Taragon Invest & Trade Inc.
Audit Firm Gallor	Kiev Branch of TUEV NORD UKRAINE Ltd.	Telesystems of Ukraine
BOSSdev Ukraine	Kiev City Real Estate	Two Freedoms Foundation
Brain2brain	Klimasan Ukraine	UDEC LTD
Concorde Capital	Kuehne+Nagel Ltd.	USAID - Agricultural Policy, Legal, and Regulatory Reform Project - AgPLR
Conference World, LLC	Kyiv Economics Institute	USAID - Capital Markets Project - FMI
Contour Global LLC	Laboratory of Security Technologies JSC	USAID - Commercial Law Project - Commercial Law Center, Implemented by Emerging Markets Group, Ltd. (an independent firm associated with Deloitte Touche Tohmatsu)
DNEPROSPETSSTAL, JSC	Lingo	USAID - Ukraine Local Economic Development Project - Chemonics International
Design Time	MIROPLAST LLC.	UZTS, JSC
Edvantis Software, Inc.	Media Resources Management	Ukraine Plus Group
Empire of the Water	Mireille for Swarovski	Ukrainian Debt Company
Eurofinance	Nokia Ukraine LLC	Ukrainian Financial Holding
FIM Group	Onyx LTD	Ukrainian-German Clinic
First Realty Brokerage Ltd.	Opera Hotel	UniCredit Leasing LLC
Gelenor, Inc.	PHONESTORE UKRAINE	VIA KIEV
Gide Loyrette Nouel	PRP Ukraine Ltd.	Venali
GildBankers Ukraine	Parker&Obolensky	Virton Consultants Ltd
Goodyear Dunlop Tires CZ	Pedersen and Partners	Willis Insurance Brokers Limited
Health Life	Philips Ukraine LLC	
Hertz International Franchisee - First Rental LLC	Play Mobile Technology	
Horizon Capital	The Pragma Corporation	
IGK Ukraine Audit (an Independent Member of Baker Tilly International)	President Hotel	

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