

A portrait of Ruslan Demchak, a man with dark hair, wearing a dark suit, a light pink shirt, and a light pink tie. He is looking directly at the camera with a neutral expression. His right hand is slightly raised and open, palm facing up.

Diversification ensures stability

Following the November 2011 launch of Business Federation Kyiv's London office (BFK), UBI spoke to the chairman of the Federation, the successful 37-year-old entrepreneur Ruslan Demchak, owner of UBG and 'one of the 100 richest Ukrainians' who looks forward to the future of Ukrainian business in Europe

UBI: As Chairman of the Board of Business Federation Kyiv (BFK) can you explain the role of BFK's newly opened London office?

RD: London is the investment capital of the world and a home for international investors. It is important for Ukrainian companies to have access to financial resources to develop their infrastructure projects. Business Federation Kyiv is a public organisation, founded in 2009 and comprises more than 3,000 members.

The purpose of our representative office in London is to open investment opportunities to BFK members by creating direct contacts between Ukrainian businesses and international investors.

Our services include business and legal support. We plan to open the Ukrainian Business Channel TV studio at our office in London in 2012, and we are also planning to bring our first Ukrainian business road show to London in the first half of 2012.

We also aim to assist Ukrainian nationals and students living in the UK by providing them with informational support, financial emergency and social support.

UBI: How did you arrive at your current position as Head of the Ukrainian Business Group (UBG), a successful private venture incorporating six business sectors? What do you see as the main challenges and opportunities in each sector in Ukraine?

RD: I began in business in 1997, starting out in the securities market, where I helped many clients to manage their portfolios of shares and bonds. Today my business is diverse. The majority of my companies operate in the service sector and represent middle-size businesses. I would say that the service sector is the most challenging to operate in. I chose to keep shares in some of the enterprises I liked for myself, but I launched many start-ups myself, for example, my insurance, banking and medical businesses. Such diversification was almost a concern to me as I was trying to get a sense of and understand the most profitable business segments. During the economic crisis, this actually helped me, because as the financial business was registering a downturn, the medical business was growing, so that growth in one business helped to compensate for decline in the other. This diversification provided me with a good strategy to ensure stability for my businesses.

“Diversification provided me with a good strategy to ensure stability – growth in one business compensates for decline in another”

UBI: You have held up the US as a model of business practice, but what specific aspects appeal to you?

RD: I like the spirit of America, the idea of opportunity and America as a brand. I often refer to Roosevelt, who said that the US was an idea written on paper in the form of the Constitution. We aspire for UBG to be the US of Ukrainian business. Many people who leave for America to realise their dreams of excellence in their field are confident that they can do it there. People who come to work in UBG understand that they can realise their potential in the company, and as an employer we must create favourable conditions where they can do this. Our business secret is to create that spirit and desire to work, which ensures the success and image of the company.

UBI: You registered your own ERDE bank in 2007 and have said that your aim is that it should be one of the 50 largest banks in three years and a top 10 bank

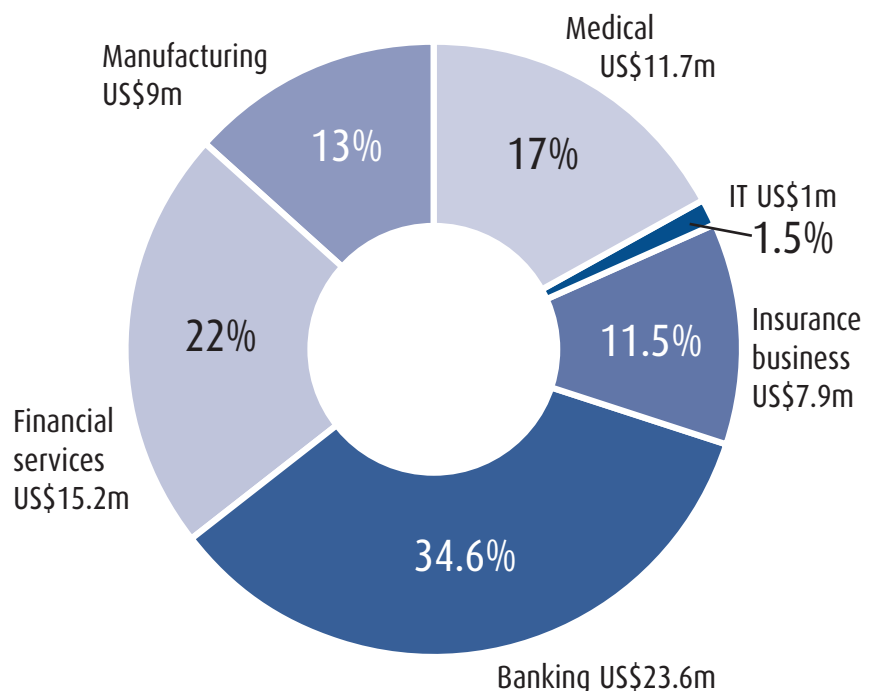
within 10 years. What was the thinking behind this aim?

RD: One shouldn't treat rankings at face value. The strategy of my corporation is to become a top 10 corporation in Ukraine, and each of its businesses will have its own development route. Being a top 10 corporation doesn't just mean being the largest business in terms of staff or sales, but also having a positive image in the market and being a reputable employer. A top 10 corporation not only means being the largest business by size, but also having a positive image in the market and being a respected employer.

UBI: Given that many believe the Ukrainian banking sector to be over-banked, with consolidation expected, what is your growth strategy?

RD: I plan to develop my bank organically. There are no plans to acquire other banks in the near future because, as a rule, Ukrainian banks that are open for acquisition have their own structural problems, and we wouldn't want to integrate them into our business. With regard to success, we want to create a spirit of opportunity in our bank, and these are not mere words. We recruit teams of people from other competitor banks and provide them with better opportunities for development in our own bank. That's how we create a group

UBG Turnover by sector 2011
Total turnover US\$68.4 million



of successful teams of employees who have already tried themselves in other banks, and they become quasi entrepreneurs. This is an example of team motivation.

UBI: On the investment banking side, the Investment Group Initiative saw a big hit on profits during the downturn, but seems to have bounced back. Why is this?

RD: The difference between Ukrainian business in the 1990s and those post-2010 can be compared to a teenager and someone over 30 years old. I can't say that I started my investment fund business in the 1990s because I had a far reaching strategy. On the contrary, I can be honest and say that my business route had a few trials and tribulations and became more polished as I matured and understood the importance of having a vision and a long-term strategy. The stock market, which was going through hard times in Ukraine, gave me the opportunity to understand business as a whole, to feel what can have an impact on a company's value and which companies tend to grow more rapidly than others. As a stock market expert, I believe that no matter which business sector you work in, you have to be ready to sell your enterprises. The only point is the price.

“We will focus on the agricultural sector because this activity ensures Ukraine's integration into the world economy”

UBI: What is your strategy for growth to achieve your ambitious aims of being a top 10 company in Ukraine? What sectors are you most interested in developing?

RD: I will continue to develop the sectors in which the company already operates, particularly banking, medical and IT and we will also focus on the agricultural sector, because it is this activity which ensures Ukraine's integration into the world economy. For me, the agricultural sector is very important and this is where our main focus will be. At the moment I can't boast that it is one of the main sectors in my corporation.

Our main interest in agriculture is in arable land, food processing and storage. Livestock is less profitable. Currently,



we only manage 10,000 ha and have been conducting due diligence on many agricultural businesses, receiving 10 proposals a month. We are planning to acquire 100,000 ha of land for long-term lease in the next three years. We are planning to grow into a large agribusiness company with plans to be listed on the stock exchange.

UBI: What's your view of foreigners being excluded from buying land?

RD: The land must be an asset and it is Ukraine's most important resource, but there is a strong social aspect too. Currently, large agricultural holdings in Ukraine lease land from farmers and also help them solve their social issues, because the government is not able to provide sufficient social funding. The reason private companies help them with social issues is because there is a risk in terminating the lease contract by a landowner, that is a risk of social conflict, and this is the only way that the social infrastructure is supported in the country at the moment.

On the one hand, as an economist, I believe that there needs to be a land market in Ukraine, but on the other, as a citizen with a social position, I think it is too early for Ukraine, because in a few years' time millions of people will be left

without any social infrastructure support – no road maintenance in the countryside, no school and nursery support or basic medical healthcare, because agro industrial holdings will have no reason to provide benefits for the rural communities.

MEDICAL

UBI: Your medical business Dobrobut has seen continued growth in sales, despite the economic crisis, and has been influenced by increasing issues with public sector provision. As someone who has shown corporate social responsibility in relation to the treatment of your own staff, do you see your private health facilities ever forming part of public provision, or is the intention to always remain as a separate private service?

RD: State medical care in Ukraine has many pitfalls. Unlike in the West, where dentistry and cosmetic surgery, for example, are well accepted private medical services, the situation is totally different in Ukraine, where private medical care ranges all the way from polyclinic services to surgery. And we found our niche very successfully. We currently have eight clinics and plan to open our first aid clinic in Kyiv in 2012. I am confident that by 2012 Dobrobut will be the market leader in the private medical sector in Ukraine.



With regard to private-state partnership, we made an offer to Kyiv municipal authorities to take control over one of seven maternity hospitals in Kyiv.

UBI: What IT opportunities are being explored by the Group?

RD: Our interest is predominantly in IT payment processing centres. We see great potential in developing and investing in electronic payment systems and e-commerce. We have no interest in providing outsourcing services. We want to acquire successful IT projects providing ready-made IT services.

UBI: As a blogger yourself, you are clearly interested in the media and have launched the UBC and Kupol TV channels. What are your aims in the media sector and do you believe your media outlets can be an independent source of information?

RD: Our media division includes five digital TV channels – UBC (business), Dobro TV (health and lifestyle), A-One (music), Ukrainian Fashion and Z-TV delivered via the SES Astra satellite system, which allows Ukrainian channels to be received anywhere in the world. Our channels will be included in the London hotel network and received via cable networks by most

“By 2012 Dobrobut will be Ukraine’s private medical market leader”

hotels in Europe. Our business channel focuses on reporting current affairs and business news. I myself do not belong to any political party in Ukraine and believe that neutrality is the key to business success. No political priority will impact on the media’s independence.

UBI: In your blog you suggested that the government has clearly decided to pursue the EU route rather than closer cooperation with a Russian-led customs Union. Do you believe this is right for Ukraine and does it matter to the business community?

RD: To answer this question one only has to look at where we send our children to study and that is to Western Europe. Whatever politicians say, the most important thing remains that they want to teach their children European cultural values. This is the fundamental truth. Ukraine’s true path is towards Europe and this has a big impact on the business community.

UBI: What has been your best business decision? And what was the least successful?

RD: My best decision was investment in the development of my medical business. At the beginning of 2000, when I started, it looked the most risky and most challenging but it proved to be the most successful. The least successful has been my construction company, where I overestimated its growth and business gains. My most valuable resource is my employees and, with their creativity, they have brought the best clients which has led to the geometrical progression of my company. **UBI**

Ruslan Demchak

37 years old. Married. 3 children.

1997 – Founder and owner of Ukrainian Business Group Corporation (UBG) employing 1,750 staff.

Social activity:

Since 2010 – Chairman of the Business Federation of Kyiv

Since 2009 – President of NGO “Protection of rights of consumers of financial services.”

Education:

Since 2009 – PhD student of Institute of Strategic Studies. Thesis: “Reforming the public administration system by social protection of the population in Ukraine.”

In 2005 graduated from the National Academy of Public Administration, PhD in Public Administration. Thesis: “State regulation of the securities market of Ukraine.”

In 2001 graduated from the Institute of Management (Kyiv) in accounting and auditing.

In 1996 graduated from the Ukrainian Transport University as a mechanical engineer.

UBG comprises:

ERDE Bank

Initiative Investment Group

Dobrobut medical network

Budivelyk construction materials

Budmekhanizatsia construction machinery

Consulting and law group

Ukrainian Financial Network processing centre

UBC TV Channel

Kupol TV Channel