



SPECIAL(FREE) ECONOMIC ZONE «RENI»

Location, area: Odessa, 94 hectares

Term of action: 30 years

Effective from: January 1, 2000

Legal basis:

Laws of Ukraine No. 1605 of March 23, 2000 «On Special Economic Zone «Reni»;

Laws of Ukraine No. 1606 of March 23, 2000 «On Amendments o Some Legislative Acts of Ukraine on Taxation in Connection with Creation of Special (Free) Economic Zone «Reni».

Priority types of economic activity:

- servicing of transits, their storage, grading and assortment work, packing, revision, rendering transport-forwarding and agent's services.

Privileges granted to investors:

special customs regime;
income tax rate obtained from investment project realization – 20%;
exemption from investment tax: the investment sum obtained in accordance

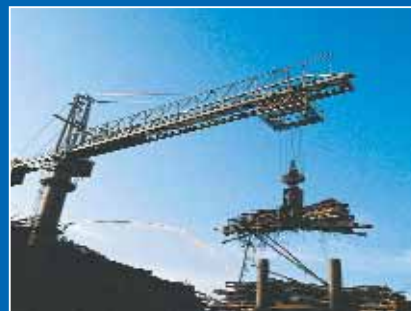
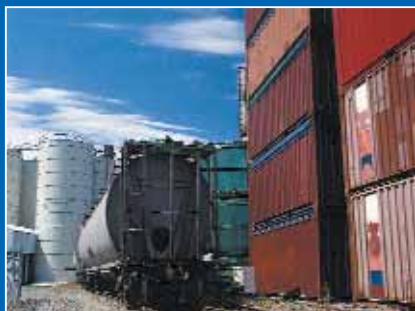
with the investment project is exempted from taxation;

earnings in foreign currency are exempted from compulsory sale.

Special conditions in which investors receive privileges:

realization of investment projects established on the territory of «Reni» SEZ by legal entities at the estimated costs not less than USD 200,000 on the ground of the agreement (contract) with the executive committee of the Reni town council.

The total sum of investments into free economic zones in Odessa region reached USD 17.5 mln (January 1, 2004).



Industry

The industry of Odessa region has always been an important element of Ukrainian national economy. There are enterprises of oil refinery, machine building, metallurgy and metalworking, chemical, food, light industry and other branches.

A special place is occupied by the machine-building complex, which comprises about 110 industrial enterprises, 10 of them are included into the list of enterprises of strategic importance (joint stock companies "Odeskabel", "Pressmash", "Micron" and others). A lot of machine-building enterprises in the region have unique technologies.

JSC "Odeskabel" cooperates with the representatives of Japanese telecommunication company "Fudjekura I Kanematsu Corp."

JSC "Odmez" produces equipment for dairy, canning and wine-making industry. The equipment for flour-grinding, bakery and dairy industry is the basic production of "Prod mash" plant.

JSC "Odessilmash" supplies the farmers with modern agricultural machinery.

Road-building machinery construction is represented by JSC "Building-processing machines' plant (pneumatic-equipment for cables laying, oil and gas pipe lines, pneumatic parquet polishing machines).

Production of automobile transport com-

ponents, chassis for automobiles, trailers and long vehicles is represented by JSC "Automobile assembly plant", "Trailer-refrigerator", trams of new generation of JV "Tatra-South". The branches of machine-building complex include agricultural machinery and equipment repair plants; tool-machine repair; production of metal reinforcement and equipment for construction purposes etc.

Nowadays the effective use of the capacities of ship-building and ship-repairing yards in Odessa region is constantly increasing. Kiilya ship-building and repair yard produces grain-carts, barges, barges container carts.

Ship repairing yard "Ukraine" cooperates with Bulgarian enterprises, as well as with Syrian, Greek, German ship owners. Izmail ship-repairing yard repairs barges for the Ukrainian Danube Shipping Company.

Food and food processing industries play an important role in the structure of goods production.

Construction materials plants produce bricks, natural wall materials, ferrous-concrete items and constructions. These producers rely on local raw materials.



Agriculture

Agriculture is one of the basic economy branches (according to production volume and employment of labor resources). Namely, 35 % of the population and over a half of production funds are engaged in it. More than 40 % of the Gross Domestic Product and 80 % of the consumer's goods are produced in the sector.

Territory of the Region is 3,3 mln. hectares, including 2,5 mln. hectares (76 %) of agricultural land, of which 2,0 mln. hectares (80%) is arable land, 19,900 hectares (0,8 %) – convulsions, 100,000 hectares (4,0 %) – perennial plantations, 53,000 hectares (2,1 %) -hay-mowing, 231,000 hectares (9,2%) – pasture land.

The gross field of agricultural production of Odessa Region as compared with the total national production exceeds 5,3%, grain 7,5%, sunflower – 8,1%, vine –

45,5%, meat – 4,6%, milk – 4,8%, eggs – 6,3%.

483 collective farms have been transformed into 1040 cooperative agricultural farms, 16,5% (172) of which are private enterprises, agricultural companies – 31,6 % (329), agricultural co-operatives – 25,4 % (264), individual farms – 22,9 % (238), other agricultural entities – 3,6 % (37).

The basic branches of agricultural production in the Region are grain-,sunflower- and wine-growing, live-stock breeding, poultry- and pig-raising.

The structure of agricultural gross output includes: grain – 29,9%, technical crops – 5,9%, sunflower – 4,1%, meat – 15,9%, milk – 13,3%, vegetables – 10,1%.

Output of main types of agricultural production

Main types of agricultural output	Unit	Volume of production in 2003
Cereals (by weight after revision)	thousand tons	1214.3
Sugar beet (factory made)	-	185.1
Oil totally	-	339.7
Vegetables and water-melons	-	436.0
Wine	-	210.7
Meat	-	115.6
Dairy	-	702.0
Eggs	million	688.1



Small enterprises

The regional program of small enterprise development for 2003-2004 was implemented to create favorable conditions for small entrepreneurs in the region.

By the end of 2003 the registration procedures had been completed for 44,900 entrepreneurs – juridical persons and 98,500 entrepreneurs – physical persons.

Share of small enterprises (23,800) in the main sectors of economy in Odessa Region (as of 01.01.2004):

Industry	13,4 %
Trade and food industry	34,7 %
Construction	8.3 %
Transport and communications	9.4 %
Agriculture	5.2 %
Other sectors	29.0 %

Foreign Economic Activity

According to the latest data total volume of foreign trade turnover in the Region has reached the sum of USD 2836.9 mln. in 2003, which is 162.7 mln. or 6.1 % more than in 2002, and USD 1038.4 mln. or 57.7 % more than in 2001.

Export volume in 2003 reached USD 1553.9 mln., which is USD 75.1 mln. or 5.1 % more than in 2002, and USD 521.1 mln. or 50.5 % more than in 2001, import volume was USD 1283.0 mln. (as com-

pared to USD 1195.4 mln in 2002 and USD 765.7 mln. in 2001).

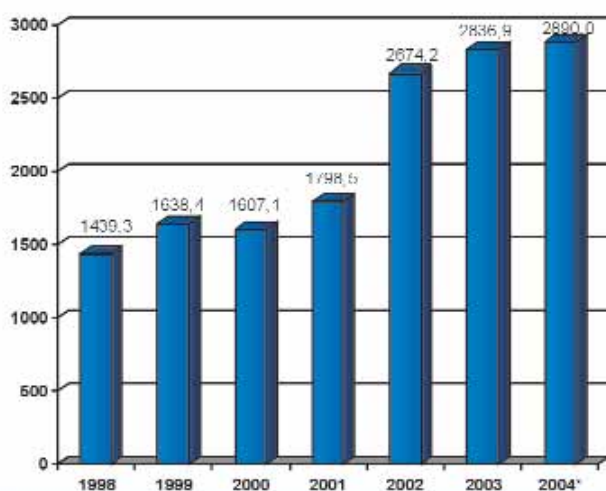
The account balance for import-export operations reached USD 270.9 mln, which is USD 12.6 mln less than the level of 2001.

Today Odessa region occupies the fifth place in foreign trade volumes in Ukraine (after Kiev, Donetsk, Dnipropetrovsk and Zaporizhzhya regions) and the second place – (after Kiev) in foreign trade in services. Odessa region accounts for almost 12% of service exports in Ukraine.

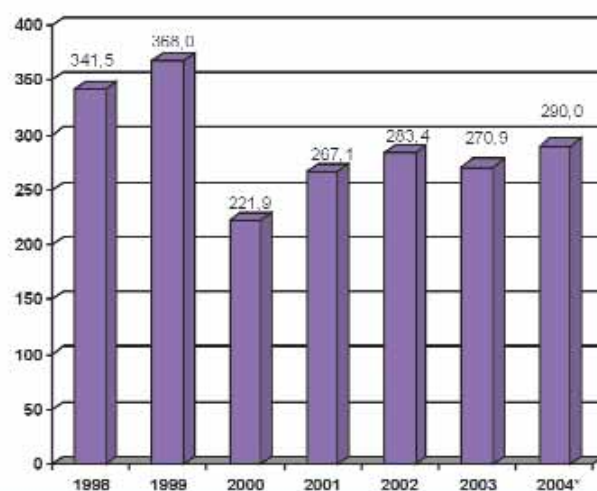
Commodities export in 2003 reached USD 1048.9 mln, which is USD 69.2 mln or 7.1 % more than in 2002. At the same time commodities import increased by 7.5 % (USD 1246.9 mln). Services export (88.5 % - transport services) reached USD 505.0 mln in 2003, which is USD 5.9 mln or 1.2 % more than in 2002.

The European Union countries (including 10 new membership) remain basic trade partners of Odessa region; they account for 28.3% of foreign trade in the Region, CIS countries – 26.2% (including Russian Federation – 16.3% - 462.4 mln). Other countries, except RF, should be taken into consideration as effective partners: China (12.2 %), Switzerland (6.0 %), Turkey (5.5 %), Moldova (5.4 %), the UK (4.4 %), Germany (3.8 %), the USA (3.5%).

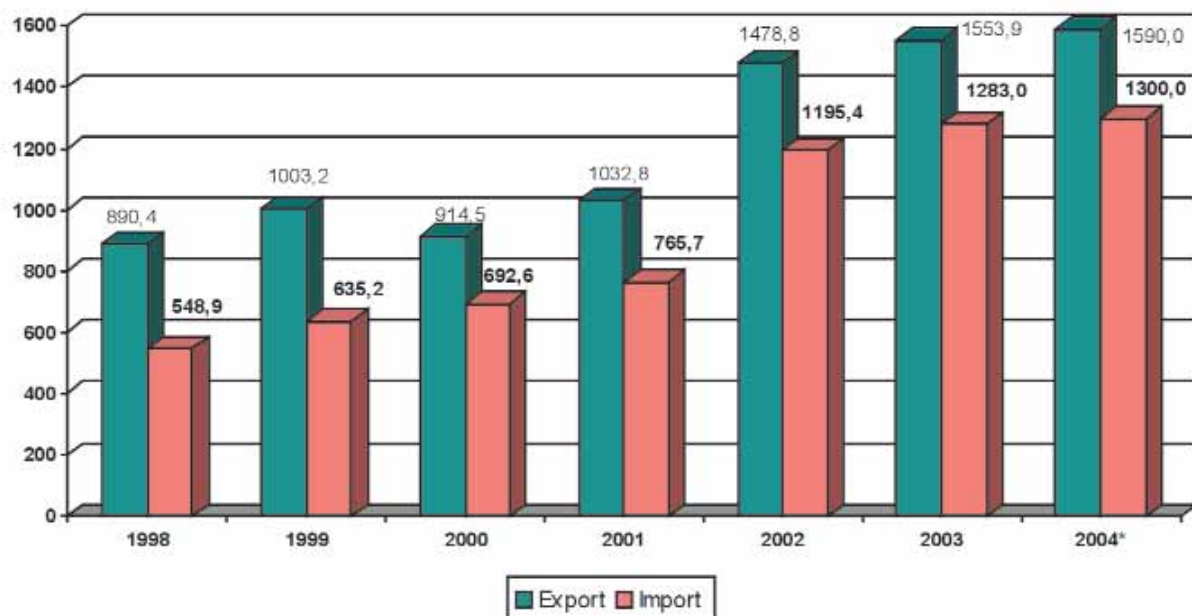
ODESSA REGION PROFILE



Foreign trade turnover of the Region (mln \$)



Foreign trade turnover account balance for import-export operations (mln \$)



Export, import of the Region (commodities and services) in 1998-2004 (mln \$)



Tourism Sector

Tourism is one of Ukraine's fastest growing industries. It has become one of the key factors driving the Ukrainian economy. The results achieved by the country for the last few years have placed Ukraine in the top 25 most visited countries in the world.

Ukraine joined the World Tourism Organization in 1998. The head of the State Tourism Committee of Ukraine was elected a member of the World Tourism Organization Executive Council in 1999.

Odessa is known all over the world. The geographic location, rich cultural heritage and rapidly growing business life have made Odessa the second most visited by foreigners Ukrainian city after Kiev. It has a developed infrastructure. The natural recreational resources of the Region are its sea-side climate, sandy beaches, curative mud, estuary salt water and mineral springs. Odessa Region ranks third after the republic of Crimea and the Lviv region, in terms of natural curative resources and health recreational facilities.

Nowadays Odessa Region offers diverse recreational and entertainment facilities (more than 800 sanatoria, hotels, camp sites etc.). There are 40 hotels in Odessa Region – 'Odessa', 'Mozart', 'Londonskaya' and 'Arcadia Plaza' being the most famous among them.

International market

In 2003, around 730 200 tourists traveled to or within Odessa Region, of which 202 700 were foreigners. The majority of the foreign tourists came from Russia, Germany, Italy, Moldova, Belarus, Poland and Turkey. Some 17% of the foreign visitors came to Odessa Region for business and others visited the region for pleasure of which approximately 128 600 arrived by cruise ships (about 17,6% of the total amount of tourists in the Region).

The Black Sea and the Danube cruises have always been popular among foreign tourists. International cruise passenger liners enter the region by river (Dnepr or Danube) or by sea. During the cruising season from May till October an average of 78 200 tourists per year visit Odessa. The passengers come mainly from Germany, Italy, France, Holland, Switzerland, Poland and Hungary.

In 2003 total turnover of all tourist services in the region amounted to UAH 189,2 mln.

Bilgorod-Dnistrovsky

The town of Bilgorod-Dnistrovsky (had celebrated the 2500th anniversary in last year) is known all over the world. It is famous for its fortress, the ruins of the antic cities Tira and Nikoniya in its vicinity and many other places of interest.



Zatoka and Karolino-Bugas

The Zatoka and Karolino-Bugas resorts have 187 holiday camps -the highest concentration in Odessa Region. A holiday camp or base is comprised of a large number of cottages, or apartments that are rented out on a daily or weekly basis. Next to holiday camps the area has many private dachas owned by the city dwellers.

Vilkovo

Vilkovo situated within the Danube Delta provides the major point of entrance to the Danube delta area. Vilkovo is unique in both historical and ethno-cultural terms. Now a town with the population of 12 000, it was established in the first half of the 18th century.

The Danube Biosphere Reservation was established as the fourth UNESCO biosphere reservation in Ukraine. The reservation evolved from the former Dunaisky Plavni Nature Reservation and was linked with the already existing

Romanian Danube Man and Biosphere Reservation. The Danube Biosphere Reservation is one of the four biosphere reservations in Ukraine, being the only one of its kind in Odessa Region. Its area is 46 400 hectares. For about 20 000 foreign tourists visit Ukrainian sector of the Danube Delta.

Tourist recreation resources of Odessa Region

Black sea coast line,	275 km
including sand beaches	175 km
Quantity of navigable rivers (Danube, Dniester)	2
Quantity of estuaries (Dniestrovsky, Kuyalnitskiy, Tiligulskiy, Suchoy, Shobolotskiy, Chajibeevskiy), including: with particularly valuable natural-recreation sources (Kuyalnitskiy, Shabolatskiy)	6
Quantity of cultural heritage facilities	2
Quantity of state and local objects of preserve fund	5166
Quantity of facilities with license on tourist activity	121
Including: registered in Odessa	557
registered in Odessa Region	285
Quantity of rest, reception and curative facilities	272
Including: hotels, camping, motels	748
tourist centers, rest centers, rest houses	102
sanatoria	604
Total amount of beds	42
Quantity of children resort facilities	104 300
Quantity of cruise ship call to ports of the Region (2003)	58
including Odessa Sea Commercial Port	142
(among them river cruise tours)	115
Quantity of thematic tourist tours, which are offered by regional tourist companies	(64)
including: ecological	136
Quantity of tourist periodicals	12
	2



Banking Sector

The Ukrainian banking system consists of the National Bank of Ukraine (NBU) and commercial banks of various types. The NBU is present in Odessa Region by its branch offices.

The NBU is responsible for monetary circulation, registration of commercial banks and supervision of their activities; it sometimes intervenes in the currency market to moderate changes in the exchange rate.

Presently, commercial banks in Ukraine are able to issue loans, process and guarantee payments, accept deposits, offer factoring and leasing services, conduct foreign currency transactions and offer consulting services (with the proper licenses). Commercial banks in Ukraine are incorporated, registered and licensed according to the NBU regulations issued in April 1996. The regulations allow citizens and foreigners to establish commercial banks as joint stock companies or limited partnerships. The new regulations also allow Ukrainian commercial banks to open affiliate offices in foreign countries after obtaining an NBU license.

Transport Network

Transport plays a leading role in the economy of Odessa region. Transport companies share 25% of the main funds, the branch provides employment for 15% of working population. Last year transport companies' balance profits constituted

51 % of balance profits of all economy branches in the region.

The routes of 5 important international transport corridors pass through Odessa Region territory: Cretan #7, Cretan #9, Baltic Sea – Black Sea, OBSEC «Black Sea transport circle», TRACECA (Transport Corridor Europe-Caucasus-Asia).

Sea and river transport are represented by the State shipping company «Black Sea Shipping Co.», OSC «Ukrainian Danube Shipping Co.», «Ukrferry» and «Ukrtanker», eight sea trade ports: Odessa, Illichivsk, Bilgorod-Dnistrovsky, Izmail, Reni, Yuzhny, Ust-Dunaisk, Illichivsk fishing port.

The total amount of cargoes transported by the fleet of shipping companies in 2003 had increased by 6.3 % (5,9 mln tons) comparing to 2002, cargo turnover – by 8.5% (7,5 mln tkm), and passengers turnover – by 4,1% (63,8 thousand pass.)

Ports of the Region

The biggest ports are Odessa port, Illichivsk port and port Yuzhny, through which annually for about 65 mln tons of cargoes are handled in 2003.

Odessa port has 38 moorings with the total length of 8,0 km and receives vessels with the draft of 13,5 meters, an oil harbor, through which 25 mln tons of oil products can be annually reloaded.

Illichivsk port has 28 moorings with the length of 5,6 km and receives vessels with the draft of up to 13 meters.



Port Yuzhny has 8 moorings with the total length of 2,5 km and receives vessels with the draft of up to 13 meters.

The growing importance of the port Yuzhny among other Ukrainian ports is determined by the favorable geographic location, access to Mediterranean sea region, relative proximity to main sources of cargo, convenient transport connection with the main railways, all-year navigation and the possibilities of receiving modern large-tonnage fleet, which allows to have on the Black Sea the single deep-sea port for the vessels with tonnage upto 150 thousand tons.

Bilgorod-Dnistrovsk port has 9 cargo moorings (total length – 1,1 km). Because of small depth, the port can receive vessels with D.W. upto 5 thousand tons. Besides the mentioned above universal ports, there is a specialized Illichivsky fishing port.

The construction of an oil terminal for the oil pipeline „Odessa – Brody – Gdansk« has been completed. This opens new prospects for the development of new international oil-transporting systems.

Along with the above mentioned sea trade ports, ship-repairing plants, shipping companies Odessa region transport network includes about 140 private crewing agencies and more than 200 forwarding agencies, transport-building plants, scientific-research and design institutes, a variety of marine educational establishments, Odessa railways, over 140 automobile transport enterprises, state airline „Odessa

airlines“, private airlines „Pivdenni Airlines“ and „Tavriya“, international airports Odessa.

Roads

Odessa region has a wide network of automobile roads connecting the center of the Region (Odessa) with other regions of Ukraine.

Exploited length of:

Railways 1,100 km

Including:

electrified railways 670 km

Automobile highways 8,300 km

Density of railways per 1 square meter of territory 32.9 km

Bridges 859

Telecommunications

City telephone exchanges in Odessa and Odessa region currently serve 506,5 thousand subscribers; in rural area- 61,5 thousand subscribers.

International and inter-city telephone connection is executed through nationally produced equipment of the type „Quartz“ with the help of the Ukrainian-American-German-Dutch joint venture „Utel“.

Mobile cellular radiotelephone connections are provided by the Ukrainian-Danish – Dutch- German joint venture „Ukrainian mobile connection« (UMC) and „Kyivstar GSM“; their technical systems working in two frequency diapazones: 900-1800 MHz (system GSM).



Financial-credit system

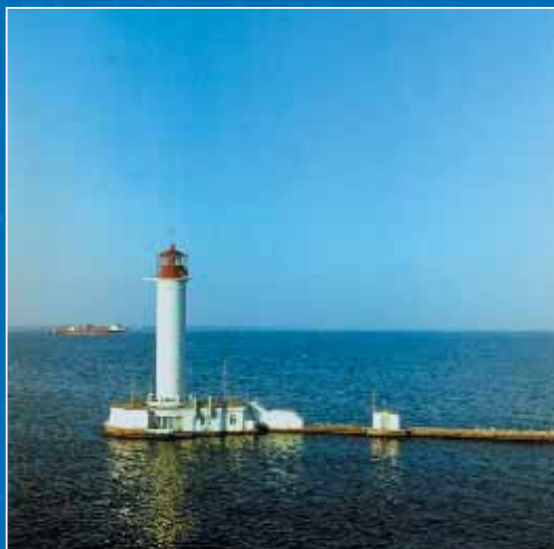
Commercial Banks and State Financial Institutions, Banks and Investment Structures

Nº	Name	Address
1.	SCB (Shareholders Commercial Bank) „Marine transport bank"	68003, Odessa obl., Illichivsk, Lenina str. 28; Odessa, Gogolia 2
2.	SCB „Imeksbank"	65058, Odessa, Shevchenko pr. 8a
3.	CSC (closed shareholders company) SCB „Odessa-Bank"	65029, Odessa, Knyazheska 32
4.	SCB „Investbank"	65012, Odessa, B.Arnavtska str.2-B
5.	SB (shareholders bank) „Pivdenny"	65044, Odessa, Sabansky lane 2/4
6.	SCB „Porto-Franco"	65026, Odessa, Pushkinska str. 10
7.	CB (Commercial bank) „FEB"	65104, Odessa, Akademika Glushko pr. 13;
8.	SCB „Finbank"	Odessa, Belinskogo str. 16
9.	CB CSC „City Bank"	65038, Odessa, Fontanska doroga str. 11
10.	Branch of the OSC (open shareholders company) „State export-import bank of Ukraine"	65009, Odessa, Cherniahovskogo str. 8
11.	Odessa central division of „Prominvestbank"	65011, Odessa, Pushkinska str. 36
12.	Odessa regional branch of the bank "Aval"	65000, Odessa, Sadova str. 10
13.	Odessa Regional Department of the OSC „State savings bank of Ukraine"	65014, Odessa, Bazarna str. 17
14.	Odessa Branch of the SC „Ukrinbank"	65044, Odessa, Shevchenko pr. 1

15.	Odessa Branch of the CSC CB „PrivatBank"	65036, Odessa, Shchorsa str. 125/1
16.	Branch of the SCB „Nadra"	65078, Odessa, Kosmonavtiv str. 36
17.	Odessa Branch of the SB (shareholders bank) „UkrGasbank"	65104, Odessa, Akademika Glushko pr. 29
18.	Odessa Branch of the SB „Express-Bank"	65023, Odessa, Panteleimonivska str. 17-A
19.	Odessa Branch of the OSC „International Commercial Bank"	65045, Odessa, Troyitska str. 43
20.	Odessa Branch of the CSC „Bank Petrocommerts Ukraina"	65091, Odessa, Leningradska str. 11-A
21.	Odessa Branch of the SCB „National Credit"	65011, Odessa, B. Arnavtska 44
22.	Odessa Branch of the CB „Finance and credit"	65044, Odessa, Armiyska str. 16/1
23.	Odessa Branch of the SCB „Praveks-Bank"	65004, Odessa, Katerynynska str. 4
24.	Odessa Branch of the SCIB (shareholders commercial investment bank) „UkrSibBank"	65045, Odessa, Zhukovskogo str. 11
25.	Branch of the First Ukrainian International bank	65045, Odessa, B. Arnavtska 92/94
26.	Odessa Branch of the SCB „Reiffeisen Bank Ukraine"	65026, Odessa, Bunina str. 10

Investment companies operating in Odessa Region

Nº	Name	Address	Telephone
1.	Isma-Invest	Pushkinska str. 32	34-89-92, 34-89-91
2.	Prymorye	Panteleymonivska str. 8/4	60-07-44
3.	Ukraina-Invest	Mykhailivska str. 25	32-28-13
4.	Innovation-mortgage center	Sadykovska str. 1	32-86-22, 26-24-29
5.	Regional Department of the Ukrainian state innovation company	Bazarna str. 1	25-83-17, 21-79-24
6.	Odessa Foundation for small business and investment	Marshala Zhukova str. 4, office 30	44-04-17



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