Survey
Impact of the economic crisis on Ukrainian companies
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Preface

Dear Readers,

We are pleased to present to you the results of a survey that studied the impact of the economic crisis on Ukrainian companies. Ernst & Young, a global leader in accounting and advisory services, conducted the survey from 22 to 31 October 2008. Overall, 143 major Ukrainian and foreign companies working in Ukraine filled out questionnaires providing us with an update on their state of affairs.

Many participants of the survey are members of the European Business Association and Ukrainian Union for Industrialists and Entrepreneurs (USPP). We are grateful to EBA and USPP for their kind support in running the survey and presenting the results to the public.

The objective of this ad hoc survey was to see whether companies working in Ukraine have already experienced the impact of the economic crisis and what measures they are implementing in their companies to mitigate its effect. It was also important to see the expectations of the business community with regard to their company’s financial standing and Ukraine’s economic performance in 2009. Special focus in this survey is given to the HR agenda. The survey results present you with information on how companies are amending their HR policies, salary arrangements, and how many companies plan layoffs.

We believe that the results of the survey will be interesting primarily to the Ukrainian business community. The survey will provide market players with an overview of the situation and will demonstrate how companies are meeting the challenge. We hope the survey will contribute to raising overall awareness of the situation as Ukraine navigates these turbulent economic times.

Sincerely,

Ernst & Young
Key findings

Overall, 143 companies participated in the survey; 18% were domestic enterprises and the other 82% were foreign companies working in Ukraine (multinational, European and regional). 43% of participants represent big businesses (more than 1,000 employees) and 41% small businesses (up to 200 employees); medium businesses (200-1,000 employees) accounted for 16%. Companies that took part in the survey work in the FMCG sector (20%), financial services (13%), chemicals and pharma (13%), and other areas.

78% of the polled companies confirmed that their business is feeling the impact of the downturn.

56% of the respondents indicated that one of the most evident impacts of the crisis is a decrease in consumer spending. Respondents named problems with cash collections (53%) and the lack of credit funds available for the company (46%) among the main problems that companies are now facing. Devaluation of the national currency is relevant to 46% of the respondents. 40% of the respondents are concerned with inflation.

The respondents indicated that the top three sectors most impacted by the economic crisis are: financial services – 74%; real estate and construction – 72%; metals and mining – 70%.

Projecting into 2009, 70% of the respondents indicated that real estate and construction companies, along with the metals and mining industry (66%), will be the hardest hit by the downturn; 64% of the respondents added the financial services sector as well.

The surveyed companies have identified various ways they are (or will) mitigate the negative effects of the crisis: cutting costs or implementing tighter cost controls – 76%; more carefully managed financial concerns and working capital requirements – 54%; downsizing (personnel redundancy) – 28%; reorganization – 27%.

More than half of the respondents (56%) reported having no reduction in sales during the first half of October 2008. The other 44% suffered reductions.

34% of the respondents believe that their 2009 profits will grow on the same level as in 2008, while another 34% anticipate that next year’s profits will be moderately lower than in the current year. Half of the respondents anticipate increases in 2009 profits, while the other half anticipates decreases.

86% of the respondents expect Ukraine’s economy to decline in the next 12 months: 53% of the respondents believe that the economy will decline moderately in 2009 while 33% anticipate significant decline.

65% of the companies have already changed their recruitment plans for the next six months. The majority of companies do not plan major layoffs (e.g. no layoffs are planned at the level of top management, 10% of participants plan to downsize their middle management, 15% of participants anticipate redundancies of professional personnel and 25% of companies planned to decrease the headcount of their manual workers). Those companies considering lay-offs plan to downsize in average 18% of their manual workers, 12% of professional/clerical staff, and 9% from middle management.

Among the participants 27% of companies have already changed their salary arrangements; however, slightly less than a half of our participants plan to keep their planned salary growth intact. More than 1/3 of all the participants plan to postpone further salary growth, up to 14% of companies plan to decrease the planned salary growth by 13-14% on average (figures vary depending on the category of personnel) and only 6% of the participants plan to cut the current salaries down by 19-20% across-the-board.

About 23% of the participants are planning certain changes to their HR policies and procedures connected with the downturn: about a half of them intend to change the salary denomination currency; two-thirds of them will change the list of benefits provided to employees.

30% of responding companies plan to change their training and development program with 43% of them planning to decrease overall training budgets.

63% of the respondents rely equally upon media, professional advisors, and financial institutions for information during the downturn.
General overview of the impact on the Ukrainian economy and companies’ financial performance

Experiencing the economic crisis

78% of the polled companies confirmed that their business is feeling the impact of the downturn.

56% of the respondents indicated that one of the most evident impacts of the crisis is in the decrease of consumer spending (e.g., a slowdown in sales and demand).

Tight liquidity in the world's and domestic financial markets increases the value of the monetary assets and, at the same time, increases its scarcity. As a result, respondents named problems with cash collection (53%) and lack of credit funds available (46%) among the main problems that companies are facing now. Devaluation of national currency is relevant to 46% of the respondents and yet remains a big issue for most of the companies having operations and doing business outside of Ukraine. Considering the current political and economic instability, 40% of the respondents are concerned with inflation, which is hard to forecast and estimate considering the current macro economic conditions.

Industries of the Ukrainian economy that are now experiencing the strongest impact of the economic crisis*

The respondents indicated the top three sectors that are most impacted by the economic crisis:

− Financial services – 74%
− Real estate and construction – 72%
− Metals and mining – 70%.

The global financial system facing the biggest crisis in the last 50 years, along with the political and economic instability in Ukraine, has greatly impacted the country’s financial sector. The near-collapse of the banking sector was a result of the liquidity crisis, credit crisis, rapid devaluation of the national currency and increase in inflation rates, complex access (or in some cases even closed access) to the global financial markets for national financial institutions, a decrease in foreign direct investments and a significant collapse in the stock market (e.g., the PFTS index down by more than 50% from the beginning of the year).

Considering the current conditions on global and domestic financial markets, Ukraine could not avoid negative impacts in construction, lending and real estate development. Ukraine has quickly become less attractive to foreign investors, greatly reducing the inflow of foreign capital. Strategic investors are no longer in line to enter the Ukrainian market due to extremely high real estate prices and a significant decrease in demand. Rent/sale prices for commercial and residential property have started to decrease while interest from potential buyers has not increased. Across much of the country, construction and development companies have stopped most of their projects.

Beyond the real estate and construction downturn, the financial crisis has caused a significant downturn in the metals and mining industry both worldwide and in Ukraine. This is especially important because metals have always been one of the key exports for the country. They constitute almost 40% of the country’s export, a quarter of the country’s GDP and a quarter of all tax revenues for the budget. Metals and mining enterprises are unable to continue production due to the decrease in world steel prices, absence of demand for metal products due to the liquidity crisis, high production costs due to heavy prices for raw materials, energy resources and logistics (railway transportation) and a limited amount of storage for steel and metal products. Moreover, the Ukrainian steel industry faces severe competition from Chinese exporters of metal goods with extremely competitive prices for similar quality product. Most Ukrainian companies have cut back on unprofitable production of steel and metal products and are considering (or already undergoing) a reduction of their employee numbers.

* Based on data of 50 companies that answered these questions.
Industries of Ukrainian economy that will experience the strongest impact of the economic crisis in 2009*

Projecting into 2009 and considering the economic, financial and political crisis in Ukraine, almost each sector of the country's economy, at some level, will be impacted by the crisis.

When questioned about who will be most impacted by the crisis, 70% of the respondents indicated that real estate and construction companies along with metal and mining industries (66%) will be hardest hit by the downturn; 64% of the respondents added the financial services sector as well.

Meanwhile, 48% of the surveyed companies mentioned that the automotive and machine building industries will be seriously affected because of the crisis. 34% of the respondents indicated that retail and consumer products will struggle through the crisis.

About a quarter of the respondents (24%) said that all sectors will experience some impact of the financial crisis in 2009.

The financial crisis will continue to influence major economic segments because of the high demand for financing during times of low liquidity and an underdeveloped financial infrastructure.

The economy will continue to experience a shortage of foreign currency inflows as a result of the decrease in exports. Metals and mining may rebound only after world prices for raw materials, steel and metals increase.

As a result of the tough policies required by the National Bank of Ukraine regarding financial lending (e.g., special permission of NBU required on loan granting, credit terms limited to three years maximum), companies that are highly dependent on financing will be unable to continue their rapid growth.

Real estate developers now believe that the current crisis will not allow them to reach their annual forecasts for the current (and next) year because of limited credit, bankruptcy of the banks, shortage of cash, and a shutdown of most construction projects.

According to most recent projections, the situation will remain the same with no real noticeable improvement until the first half of 2009; stagnation will continue unless there are significant changes worldwide.

* Based on data of 50 companies that answered these questions.

Measures to mitigate the effect of the downturn

The surveyed companies identified various ways in which they are or will mitigate the negative effects of the crisis. Most of these actions are measures that can be managed internally, rather than things which cannot. Respondents mentioned the following:

- Tighter cost controls – 76%
- Manage financials and working capital requirements – 54%
- Downsize (personnel redundancy) – 28%
- Reorganize – 27%

Reduction in sales during the first half of October 2008*

More than half of the respondents (56%) reported no reduction in sales during the first half of October 2008. The majority of these respondents are either European or multinational companies operating in Ukraine. One reason for this may be support by their parent companies to help local respondents avoid current business stagnation.

The other 44% of the surveyed companies, mainly Ukrainian companies and primarily small enterprises (up to 200 people), have suffered reductions: by more than 10% (25% of the respondents); by 5-10% (13% of the respondents); by less than 5% (6% of the respondents).

Half of the respondents (51%) have not yet considered plans on lowering production or service capacity, as they believe the crisis has not yet significantly affected their business activities. Again, the majority of these respondents are either European or multinational companies which are trying to avoid lowering production which, at this point, will only result in declining profits for their business.

Meanwhile, 27% of the respondents who have plans to lower production/service capacity by more than 10% are mainly Ukrainian companies with operations tightly linked with some form of production (e.g. metal and mining, pharmaceuticals, paper-pulp, chemicals, etc.).
23% of the surveyed companies (including real estate and construction, retail and consumer products) have reported that they plan to lower production capacities up to 10%.

* Based on data of 50 companies that answered these questions.

**Expectations for the year 2009**

34% of the respondents believe that their 2009 profits will grow on the same level as in 2008, while another 34% anticipate that their 2009 profits will be moderately lower than in 2008.

16% of the companies expect a dramatic increase in their 2009 profits compared with this year; another 16% of the respondents anticipate a dramatic fall in their 2009 financial performance.

Companies’ profitability projections and forecasts are highly dependant on their respective sectors. Those who responded optimistically for the upcoming year are ones with diversified businesses, operating in different sectors of the economy.

Overall, we observed half of the respondents expressing positive expectations while the other half were reserved, anticipating a decrease in profits in 2009.

Speaking about Ukraine’s economy, 86% of the polled companies expect a decline over the next 12 months. Considering the current economic outlook and political instability, 53% of the respondents believe that the economy will decline moderately in 2009; 33% are more pessimistic, reporting that the country’s economy will decline significantly. High declines in the Ukrainian economy are expected primarily by financial service sector representatives. Most of them doubt that a fast recovery is possible after such a large decline. Obviously, respondents realize the importance of national leadership which is required to bring the country, its economy and business out of crisis.

* Based on data of 50 companies that answered these questions.
Characteristics of the participants

List of participants

Total number of participating companies 143

Total number of employees

- <200, 41%
- 200-1000, 16%
- >1000, 43%

Sales Volume (mln USD)*

- <5, 3%
- 5-10, 8%
- 10-20, 8%
- 20-50, 27%
- 50-100, 10%
- 100-200, 13%
- 200-500, 10%
- 500-1,000, 11%
- >1,000, 11%

*Based on data of 63 companies that answered this question

Company location

- Regional (CIS only), 14%
- European, 22%
- Ukrainian company, 14%
- Multi-national, 46%

Industry sector

- FMCG 20%
- Chemical & Pharma 13%
- Banking Sector / Investment Companies / Insurance 13%
- Other 13%
- Trade 8%
- Automotive and machine building 6%
- Energy (Oil & Gas) 5%
- Transport / Logistics 5%
- IT / Telecom 5%
- Real Estate / Construction 4%
- Agriculture 3%
- Professional services 1%
- Heavy Industry 1%
- Advertisement and mass media 1%
- Hotel and restaurant business 1%
The impact of the downturn on different industries

<table>
<thead>
<tr>
<th>Industries of the Ukrainian economy that are experiencing now the strongest impact of the economic crisis*</th>
<th>Industries of Ukrainian economy that will experience the strongest impact of the economic crisis in 2009*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
<td>Real estate, hospitality, construction</td>
</tr>
<tr>
<td>Real estate, hospitality, construction</td>
<td>Metals and mining</td>
</tr>
<tr>
<td>Metals and mining</td>
<td>Financial services</td>
</tr>
<tr>
<td>Automotive and machine building</td>
<td>Automotive and machine building</td>
</tr>
<tr>
<td>All sectors</td>
<td>Retail and consumer products</td>
</tr>
<tr>
<td>Chemicals</td>
<td>All sectors</td>
</tr>
<tr>
<td>Retail and consumer products</td>
<td>Chemicals</td>
</tr>
<tr>
<td>Transportation</td>
<td>Energy</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Agriculture</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>Transportation</td>
</tr>
<tr>
<td>Energy</td>
<td>Pharmaceuticals</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Based on data of 50 companies that answered these questions
Overall impact of the downturn on businesses in Ukraine

Impact of the downturn on the activities of companies

<table>
<thead>
<tr>
<th>Impact of the downturn on the activities of companies</th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of companies feeling the impact of the downturn</td>
<td>78%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main problems that companies are now facing</th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slowdown in sales and demand</td>
<td>56%</td>
</tr>
<tr>
<td>Problems with cash collection</td>
<td>53%</td>
</tr>
<tr>
<td>Devaluation of the hryvnia</td>
<td>46%</td>
</tr>
<tr>
<td>Lack of credit funds available for the company</td>
<td>45%</td>
</tr>
<tr>
<td>Inflation</td>
<td>40%</td>
</tr>
<tr>
<td>Internal tensions and low morale of personnel</td>
<td>31%</td>
</tr>
<tr>
<td>Liquidity problems</td>
<td>22%</td>
</tr>
<tr>
<td>Production decrease</td>
<td>15%</td>
</tr>
<tr>
<td>Other problems</td>
<td>10%</td>
</tr>
<tr>
<td>Market fluctuations and, as the result, the reduced market capitalization of our company</td>
<td>8%</td>
</tr>
</tbody>
</table>

Other problems

- Forecasted decrease of production and sales volume of our clients
- Modification of demand
- Political crisis exacerbation, market volatility, stock market problems
- Problems with current assets
- Necessity to switch to manual business management due to the environment volatility
- Establishing correspondence between currency exchange rate and salaries
- Absence of reliable market forecasts
- Absence of new valid legislative acts, regulating price setting
- External panic (employees layoffs and other anti-crisis measures of market players)
- Complications with advance currency payments and confirmation of letters of credit in foreign banks
- Employees’ concerns regarding their personal credit repayments
- Perspectives of worsening of situation in the nearest years

Comments

Downturn influence more likely to be felt within upcoming months
Companies' reaction to the downturn

<table>
<thead>
<tr>
<th>In view of the downturn companies plan to:</th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut costs / tighter cost controls</td>
<td>76%</td>
</tr>
<tr>
<td>Manage financials and working capital requirements</td>
<td>54%</td>
</tr>
<tr>
<td>Downsize (personnel redundancy)</td>
<td>28%</td>
</tr>
<tr>
<td>Reorganize</td>
<td>27%</td>
</tr>
<tr>
<td>Other</td>
<td>17%</td>
</tr>
<tr>
<td>Change the strategy of business development</td>
<td>13%</td>
</tr>
<tr>
<td>No special measures</td>
<td>12%</td>
</tr>
<tr>
<td>Sell some assets</td>
<td>5%</td>
</tr>
<tr>
<td>Acquire other companies or expand business</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Other actions**

- Optimization of operating working capital
- Development of activities that are mostly demanded on market
- Adjustments to the assortment and products' policy
- Establishing sales network in Ukraine
- Implementation of advance payments or payments after delivery
- Increase of payment term in order to keep the clientele
- High-expense projects suspension (implementation of ERP systems halting)
- Re-directing investments to the areas/actions/programs critically important for the business
- Revision in treasury operation methods, fund balance management
- Staff redundancy and focus on personnel efficiency to increase competitiveness
- Regular communication to personnel on current and future company's goals and plans

**Comments**

Different contingency scenarios are being developed
Reduction in the sales during the first two weeks of October 2008*

- No: 56%
- Yes, by less than 5%: 6%
- Yes, by 5-10%: 13%
- Yes, by more than 10%: 25%

Plans of lowering production or service capacity*

- No: 51%
- Yes, by less than 5%: 8%
- Yes, by 5-10%: 14%
- Yes, by more than 10%: 27%

Companies expectations of the further impact of the downturn in 2009*

- Profits will grow at the same level as in 2008, 34%
- Profits will fall moderately lower than in 2008, 34%
- Profits will fall dramatically lower than in 2008, 16%
- Profits will be higher than in 2008, 16%

Expectations for the Ukrainian economy over the next 12 months*

- High decline, 33%
- Moderate decline, 53%
- Moderate growth, 14%

*Based on data of 50 companies that answered these questions
Helpful sources of information

The most needed and helpful information

- Detailed objective professional estimation of current situation on markets, including labor market
- Ways of expenses reduction
- Reliable forecasts over economic situation in Ukraine and world on 2009
- Situation with Ukrainian banking system
- Planned legislative and normative adjustments with regards to crisis
- Estimation of clients' solvency

The most helpful sources of information during the downturn

<table>
<thead>
<tr>
<th>Source</th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass media</td>
<td>63%</td>
</tr>
<tr>
<td>Professional advisors</td>
<td>63%</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>63%</td>
</tr>
<tr>
<td>Friends, colleagues</td>
<td>42%</td>
</tr>
<tr>
<td>Trainings, seminars, conferences</td>
<td>24%</td>
</tr>
<tr>
<td>Other</td>
<td>18%</td>
</tr>
</tbody>
</table>

Other sources

- International analytical editions with brake-downs on every country (reports of EBRD, Economist Intelligence Unit, etc.)
- Partners
- Professional Associations
- Business communities

Comments

Attention must be paid to adequateness and reliability of information based on its origin and reputation of its providers
HR Agenda

Recruiting plans

% of companies that have changed their recruitment plans for the nearest 6 months 65%

Changes of recruitment plans for the next 6 months - by category of personnel

- Keep the current number of employees stable and leave further recruitment plans unchanged
- Keep the number of employees stable but postpone further recruiting plans
- Downsize
- Other

*Senior Management* 62% 35% 0% 3%

*Middle Management* 49% 37% 10% 4%

*Professional/Clerical* 34% 42% 15% 9%

*Manual Workers* 34% 32% 25% 9%

Other changes

Implementation of personnel outsourcing system
Reduction of the number of front-line employees to a minimum required to meet the expected sales volume, simultaneously revising performance standards

Personnel cut off

Planned percentage of personnel cut off

Middle Management  Professional/Clerical  Manual Workers

*Lower decile* 5% 5% 5%

*1st quartile* 5% 6% 6%

*Median* 10% 10% 12%

*3rd quartile* 10% 19% 20%

*Upper decile* 12% 20% 32%

*Average* 9% 12% 18%

Job families and categories to be cut off first

- Assistants, sales managers
- Auxiliary and production positions
- Administrative and workings positions which can be replaced by outsourcing
- Engineers, technicians of a construction department, drivers of administrative department
- Manual workers with the low level of qualification
### Salary arrangements changes*

**% of companies**

| % of companies that changed salary arrangements | 27% |

*From 93 companies that answered this question*

#### Planned changes towards current salary arrangements

- Keep salaries and further salary growth unchanged
- Keep current salaries unchanged and postpone further salary growth
- Keep current salary unchanged and decrease planned salary growth
- Decrease salaries

<table>
<thead>
<tr>
<th>Category</th>
<th>Senior Management</th>
<th>Middle Management</th>
<th>Professional/ Clerical</th>
<th>Manual Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>47%</td>
<td>46%</td>
<td>47%</td>
<td>46%</td>
</tr>
<tr>
<td>Percentage decrease</td>
<td>38%</td>
<td>38%</td>
<td>36%</td>
<td>34%</td>
</tr>
<tr>
<td>Percentage increase</td>
<td>9%</td>
<td>10%</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>Percentage increase</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

#### Percentage by which the planned salary growth will be decreased

- Senior Management
- Middle Management
- Professional/ Clerical
- Manual Workers

<table>
<thead>
<tr>
<th>Lower decile</th>
<th>1st quartile</th>
<th>Median</th>
<th>3rd quartile</th>
<th>Upper decile</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Management</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Professional</td>
<td>5%</td>
<td>9%</td>
<td>10%</td>
<td>13%</td>
<td>9%</td>
</tr>
<tr>
<td>Clerical</td>
<td>10%</td>
<td>10%</td>
<td>13%</td>
<td>20%</td>
<td>13%</td>
</tr>
<tr>
<td>Manual</td>
<td>28%</td>
<td>25%</td>
<td>26%</td>
<td>30%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Percentage is indicated for the companies that are going to reduce the previously planned salary growth.

#### Percentage of salary decrease

<table>
<thead>
<tr>
<th>Lower decile</th>
<th>1st quartile</th>
<th>Median</th>
<th>3rd quartile</th>
<th>Upper decile</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Management</td>
<td>12%</td>
<td>14%</td>
<td>14%</td>
<td>18%</td>
<td>14%</td>
</tr>
<tr>
<td>Professional</td>
<td>20%</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Clerical</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Manual</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Percentage is indicated for the companies that are planning to decrease salaries.
Other changes to HR Policies & Procedures

<table>
<thead>
<tr>
<th>Other changes to HR Policies &amp; Procedures</th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of companies that plan other changes to HR Policies and Procedures connected with the downturn</td>
<td>23%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Companies plan to change*</th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency of salary denomination</td>
<td>48%</td>
</tr>
<tr>
<td>List of benefits provided to employees</td>
<td>67%</td>
</tr>
<tr>
<td>Other</td>
<td>57%</td>
</tr>
</tbody>
</table>

*Data is represented as percent of companies that plan to change HR Policies and Practices

Currency of salary denomination change

<table>
<thead>
<tr>
<th></th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition from hard currency to hryvnya</td>
<td>50%</td>
</tr>
<tr>
<td>Transition to the currencies’ basket (USD+UAH)</td>
<td>20%</td>
</tr>
<tr>
<td>Other</td>
<td>30%</td>
</tr>
</tbody>
</table>

Other

- Periodical review of exchange rates
- NBU exchange rate monitoring with respective adjustments
- Indexation of local currency salaries to reflect USD exchange rate fluctuations

Changes in list of benefits provided to employees

List of changed or eliminated benefits

- Review of business trip policy (approved flight classes, hotel stars, per-diems), mobile calls limits etc. to decrease expenses
- Mobile phones
- Office cars
- Certain types of trainings
- Team-building events
- All privileges
- Social programs
- Corporate festive events

Other changes

List of other changes in HR Policies and Procedures

- Revision of personnel incentivisation as well as training and development systems in order to increase productivity and decrease expenses for personnel outsourcing
- Implementation of individual performance appraisal for every employee
Changes in employees' training programs

<table>
<thead>
<tr>
<th>% of companies planning to change training &amp; development program</th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of companies</td>
<td>30%</td>
</tr>
</tbody>
</table>

Training costs
- Increase, 8%
- Leave unchanged, 49%
- Decrease, 43%

Training programs
- Change, 41%
- Leave unchanged, 59%

Training programs changes
- Teaching expenses shortening
- Focus on trainings, that affect personnel productivity
- Postponement of planned trainings

Training location
- Change, 28%
- Leave unchanged, 72%

Training location changes
- Transition to internal trainings

Training providers
- Change, 28%
- Leave unchanged, 72%

Training providers changes
- Transition to less expensive training services providers
- Training services providers stay unchanged, but trainings that can be delivered in-house are transferred to the own trainers
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