

World in Ukraine **EXCLUSIVE**

## World in Ukraine: Finnish business briefs

By Evan Ostryzniuk. Published Oct. 30, 2014. Updated July 31 at 1:30 pm



Inside the Zaporizhkrans Plant, a manufacturer of lifting and conveying machines in Zaporizhzhya Oblast, owned by Finland's Konecranes since 2005.

Photo by Courtesy

Annual trade turnover between Finland and Ukraine is €429 million, but according to Ambassador Arja Makkonen, there are some 70 companies of Suomi origin doing business here, mostly in the financial and chemical sectors, some of which have had a presence since the early 1990s.

The following is a snapshot of Finnish business interests in Ukraine:

Accountor Kyiv is one of the largest providers of financial management services in Northern Europe, with subsidiaries throughout Scandinavia, Russia, the Netherlands, and Ukraine. It services about 50 clients in Ukraine of the 30,000 it has worldwide, mainly from Scandinavia, Germany and France, providing accounting, auditing, payroll and legal consulting services. According to the company's business development officer, Egor Paanukoski, the Ukraine office has been ranked No. 1 in the Accountor group for customer satisfaction in Eastern Europe.

In recent years, the company has expanded the scope of its operations to include financial management recruiting, which means finding highly qualified Ukrainian professionals to work in senior positions in European companies as well as contract work. "Companies were complaining about bad service by other providers," explains executive director Oksana Kochmarska. "The testing takes up a lot of our time, but we find very good people."

Despite the ongoing financial crisis and now political crisis in Ukraine, Accountor Kyiv sees a few Finnish companies at this moment trying to get their feet in the door. "This wind of change is good for us," Paanukoski says. Even so, both Paanukoski and Kochmarska see the threat of some Finnish and other European companies pulling out of Ukraine, mainly because of the sharp decline in the value of the hryvnia this year and the draconian currency controls imposed by the central bank, which is making it difficult for foreign companies to service debt and pay suppliers.

Accountor Kyiv has also gone into legal consulting. It has very few Ukrainian clients because, as Paanukoski explains, their accounting needs and standards are different. While Accountor would like to see the international accounting standard IFRS used widely in Ukraine, Ukrainian companies are not in a hurry to adopt it.

Another Finnish accounting firm doing business here is Leinonen Ukraine, opening its doors in 2012. Part of the Leinonen Group, which operates in 11 countries, the company specializes in accounting and outsourcing-related services, and also takes care of payroll management issues and provides professional advice related to accounting and international business operations.

The group has over 20 years of experience as an accountancy and advisory company internationally, having acquired vast Eastern European knowledge while employing over 150 professionals. The company is privately owned, having been established in 1989 under the name Tehotilit Oy.

Its clientele includes mainly international companies with permanent operations in its service region. Moreover, the clients are either subsidiaries or branches of larger companies.

Finnish pharmaceutical giant Orion has a representative office in Kyiv, which focuses on medicine for the central nervous system, critical cardiology and oncology.

It's one of the largest pharmaceuticals in Northern Europe, and has been operating in Ukraine for 20 years. Last year demand for its prescription medicines significantly decreased as the purchasing power of citizens shrunk along with hospital budgets.

"Companies haven't felt any real changes in the ease of doing business, government pressure on business or deregulation... However, increasing civil control over government actions should bring positive results and Finnish companies count on that," said Viktor Poushkarev, Head of Finnish Business Group and Head of the CIS region at Orion Pharma Ukraine.

Recent changes to medicine-related regulations have been positive, driven by the desire to bring legislation in line with EU legislation. Notably, many costs have been eliminated that international pharmaceutical companies had to bear, and which were regrettably passed on to consumers.

Konecranes specializes in lifting equipment production, trade and maintenance. It entered Ukraine in 1993 and has long been one of the largest Finnish investors in Ukraine. In 2005, it purchased the Zaporizhkrans plant and now consists of two entities: Zaporizhkrans production facilities and front-line division trading with equipment produced both in Ukraine and abroad. It experienced growth in 2008-2013, making Hr 230 million in revenue last year.

Regarding the current crisis and war in eastern Ukraine, Konecranes Ukraine CEO Sergey Tarasov said, "The overall situation is producing a negative impact on our clients' investing plans and discourages new companies from entering."

Being located in Zaporizhzhya Oblast, the company continues to operate in the war-torn Donbas with around 30 people involved in sales operations in that region. Moreover, Ukrainian army uses one of the company's construction sites for own needs.

In 2011, it established an industrial park at the plant with over 50,000 square meters of space. In addition to 10 Ukrainian companies being based there, Heraeus Electro Nite, a German-Belgian maker of sensor and measurement systems for the steel, aluminum, and foundry industries, also is part of the park.

Ukraine's market is so promising and big that Teknos, a producer of paint and other coatings, has five sales distribution outlets here. It entered Ukraine in 2008, and founded a subsidiary in 2010. It sells industrial wood and floor coatings, and powder coatings, among other related products.

Finpro is a Finnish government-funded outfit that promotes the country's exports, investments into the Nordic state and incoming tourism.

Its Ukrainian office used to provide paid consulting services to Finnish companies but today promotes Finland's exports by providing free advice, while promoting the nation as a brand. It recently incorporated the Visit Finland and Invest in Finland organizations.

There is almost no interest to invest in Ukraine, any cooperation established is highly situational. "There is no trend and there have been very few cases of Finnish investments. They are usually based on a Ukrainian company's initiative to establish cooperation, or a decision of a Finnish company to launch a subsidiary, a limited liability corporation, and start of trading," said Sergii Malynovskiy, Finpro Ukraine Country Representative.

However, some companies that import Finnish goods such as paper products, have increased their turnover as many Ukrainian customers now switch to them from Russian suppliers.

Meanwhile, the flow of Ukrainian tourists to Finland grows, with some travel agents in Russia asking for tours to be organized for them via Ukraine. Currently, the Helsinki-Kyiv flight operates five days a week.

Editor's Note: The story has been corrected on Nov. 4 in order to give a more accurate description of Konecranes's operations in the Donbas.