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# Yanukovich's Assets

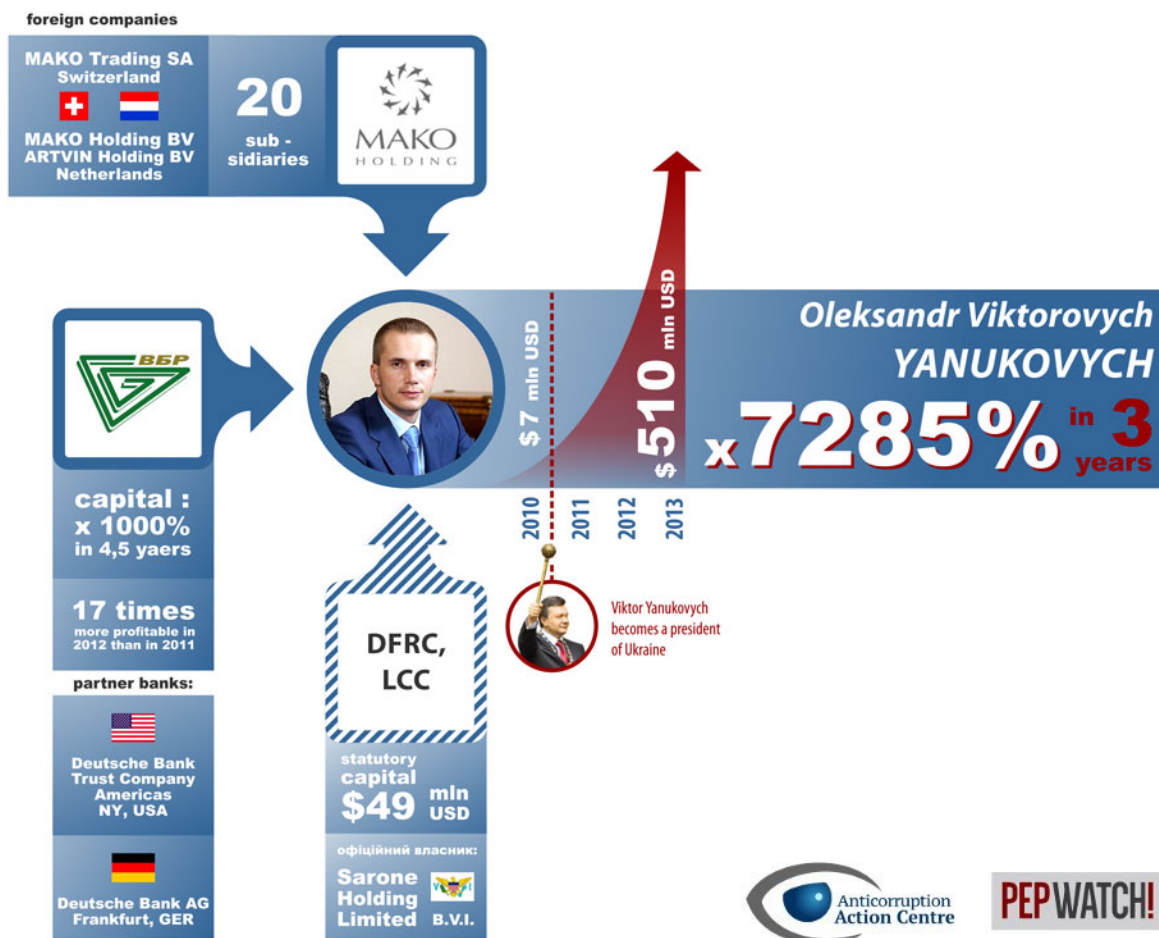
## Oleksandr Yanukovych

Thursday, December 5th, 2013

Oleksandr Yankovych, a dentist by training, was born in Donetsk in 1973 and, is currently one of the wealthiest businessmen in Ukraine and the second richest person in Donetsk after Rinat Akhmetov. As of November 2013 Oleksandr Yankovych's assets are estimated by Forbes to total **\$510 million** .

The exponential rise of Oleksandr Yanukovych's business empire occurred in 2010-2013, when his father held the post of President of Ukraine. Prior to 2010, Mr. Oleksandr Yanukovych owned only **the Management Assets Corporation, LLC (MAK, LLC)** with a statutory capital of 55 million UAH (less than \$7 million).

The business interests of Oleksandr Yanukovych are concentrated in the **Closed Joint Stock Company Ukrainian Bank of Development** and **the Closed Joint Stock Company Mako Holding**.



## 1. Ukrainian Bank of Development (UBD)

**CJSC Ukrainian Bank of Development** was founded on April 23, 2009 by **Donsnabtara LLC**, with a statutory capital of 80 million UAH.

**Donsnabtara LLC**, which was founded in 1995, was at the time headed by **Mrs. Valentyna Arbuzova**, mother of the incumbent Vice Prime Minister of Ukraine.

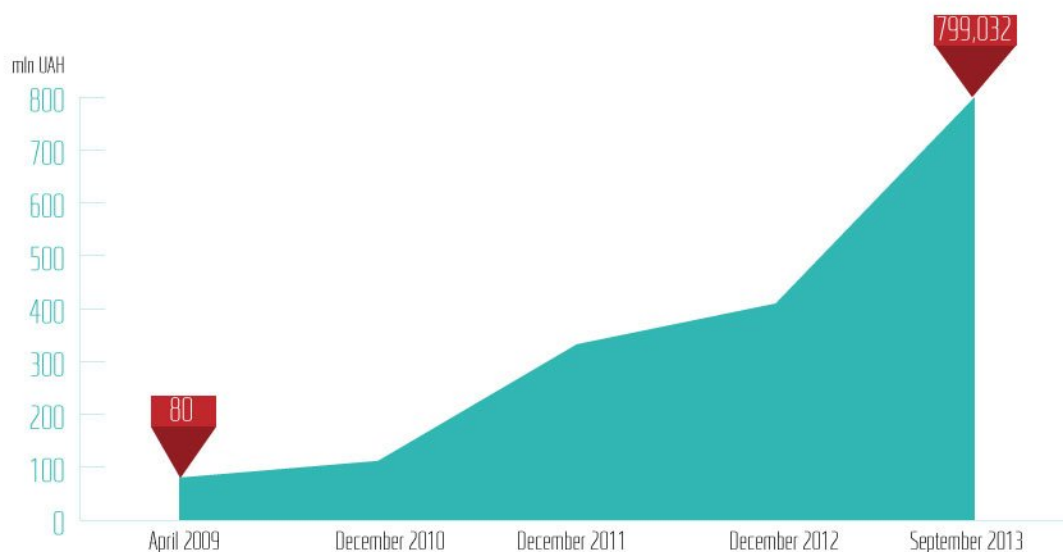
Since January 27, 2011 Oleksandr Yanukovich has acquired **100% ownership** over the statutory capital of **UBD**. This happened fewer than two months after Serhey Arbuzov, a close friend of Mr. Oleksandr Yanukovich, was appointed head of the National Bank of Ukraine. The mother of Mr. Serhey Arbuzov, Mrs. Valentyna Arbuzova has served as Head of the Executive Board of **UBD** since its creation.

Since its establishment in April 2009, **UBD** has increased its capital 10 times over. In 2013, **UBD** doubled its capital over the previous year. Interestingly, on December 24, 2012, Mr. Serhey Arbuzov, a son of head of **UBD** Mrs. Arbuzova, became the First Vice Prime-Minister of Ukraine.

The chronology of **UBD's** capital growth:

- April 2009 — capital totaling 80 million UAH
- December 2010 — capital totaling 111,7 million UAH
- December 2011 — capital totaling 332,2 million UAH
- December 2012 — capital totaling 409,3 million UAH
- September 2013 — capital totaling 799,032 million UAH

## The chronology of Ukrainian Bank of Development capital increase



**UBD's** capital was increased through the issuance of additional stock, which was all bought with cash by Oleksandr Yanukovych. Specifically, in May 2013 **UBD** issued additional stock worth 412 million UAH. Mr. Oleksandr Yanukovych bought the stock with his personal funds.

Meanwhile, in 2011 **UBD's** increased net profit increased 17 times over 2010.

It is unclear what the origin is of the hundreds millions of cash invested by Oleksandr Yanukovych into his bank over the last three years. It could perhaps be from activities of **Mako Holding**, which are described below.

The closeness of Mr. Oleksander Yanukovych to the President of Ukraine allowed **UBD** to get an array of extremely profitable contracts in 2010–2013 to serve and credit state institutions.



1. In February 2012, all employees of the central department of the Tax Service of Ukraine stopped receiving their salaries via the state-owned **Ukreximbank** and began receiving them via the relatively new **UBD**. The head of the Tax Service of Ukraine, Mr. Klymenko, is known to be a good friend of Mr. Oleksandr Yanukovych and Mr. Arbuzov, the latter who at that time was head of the National Bank of Ukraine. Each of the more than one thousand employees of the Tax Service received a «salary card» and a «deposit card» at the **UBD**. Each employee receiving their salary on a «salary card», had a fixed amount of their salary transferred to deposit card. The employee had no choice about the transfer of the funds to the deposit card. In 2013 **UBD** became one of several banks receiving a large portion of the «salary projects» for government employees, including those at the Ministry of the Interior and, court administrations in Kyiv and Donetsk. According to the **Head of the Association of Ukrainian Banks**, civil servants are forced to use the services of **UBD** by imposition.

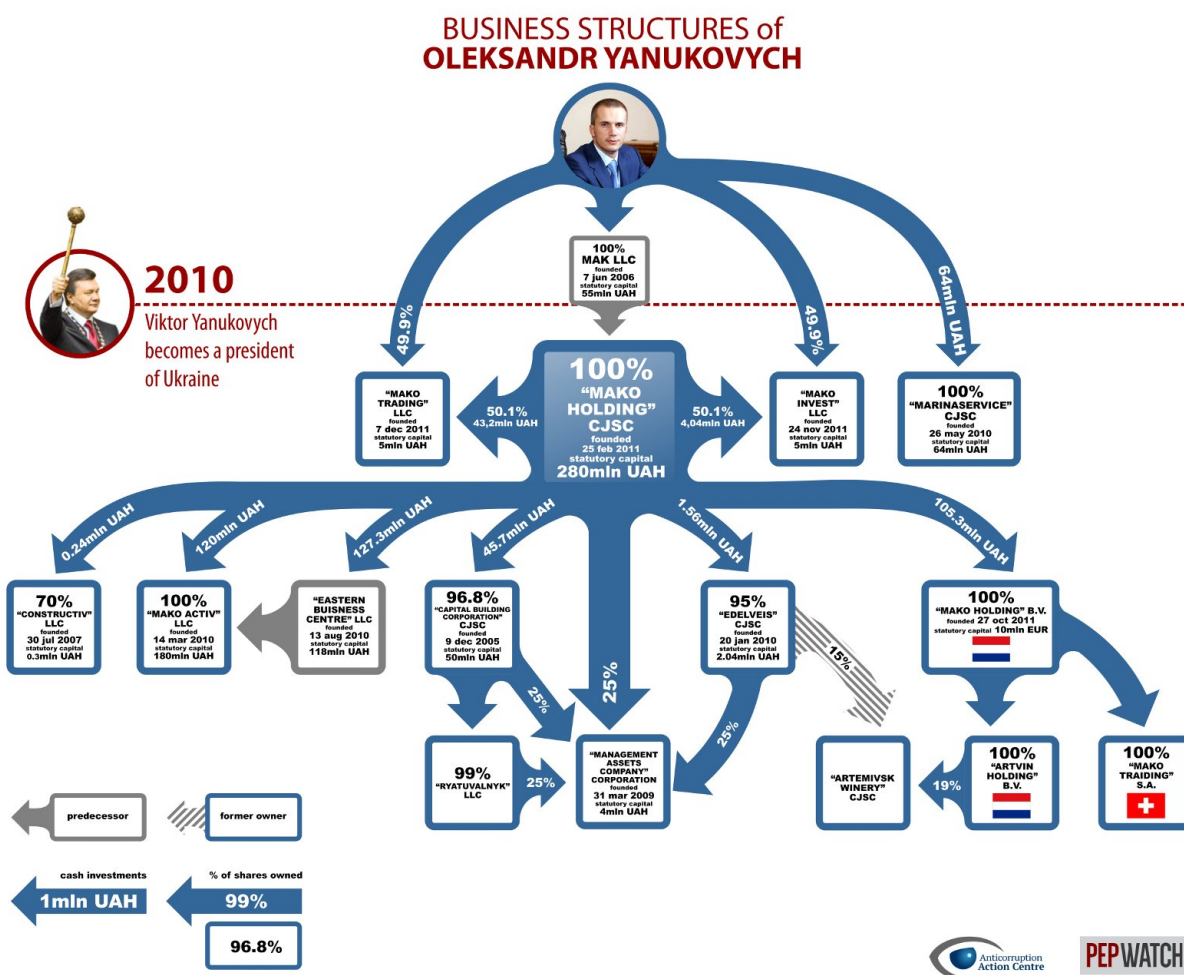
2. In 2013 **UBD** won a series of public procurement contracts to provide credit to state-owned railway enterprises totaling 978 million UAH. In particular, on November 14, 2013, the state-owned **Odesa Railway** signed a contract with **UBD** to receive a line of credit in U.S. dollars of 55,61 mln UAH with a 10.5% interest rate. On November 8, 2013 **the Donetsk railway** signed a similar contract with **UBD** to receive a credit line for 55,64 million UAH.

**UBD** serves **Mako Holding** company and its subsidiaries, which are either controlled or belong to Mr. Oleksandr Yanukovych.

**UBD** uses the following **intermediary banks** for transfers in USD and Euros:

1. **Deutsche Bank Trust Company Americas**, New York, USA
2. **PJSC Commercial Bank KHRESCHATYK**
3. **Deutsche Bank AG**, Frankfurt am Main, Germany

## 2. Closed Joint Stock Company Mako Holding



**Mako Holding** is the parent company of about 20 spectacularly successful companies in Ukraine, the Netherlands and Switzerland, most of which significantly expanded in 2010-2013, during the presidency of Mr. Viktor Yanukovych.

1. Oleksandr Yanukovych is the sole owner of **Mako Holding CJSC**, which was established on February 25, 2011 with statutory capital of 55 million UAH. The

company is the successor of the now defunct **MAK LLC**. **MAK LLC** was registered on June 7, 2006 and was wholly owned by Oleksandr Yanukovych.

2. Once established in 2011 **Mako Holding** had a negative profit on its balance sheet. In a year the company **showed** an official net profit totaling 197 million UAH.
3. On November 22, 2011 **Mako Holding** **issued** an additional 450 000 shares with a total value of 225 million UAH. In January 2012 Mr. Oleksandr Yanukovych officially purchased all of this stock with cash.
4. In September 2013 Oleksandr Yanukovych issued an **interest-free loan** to **Mako Holding** worth 150 million UAH.

**Mako Holding** is the parent company of a series of energy, coal and development companies, which significantly expanded in 2011-2013, specifically:

1. **CJSC Edelveis** was registered on January 20, 2010 in Donetsk by **MAK LLC**. In 2012 **Mako Holding** invested 1,56 million UAH in **CJSC Edelveis**, receiving a 99% share of **Edelveis**. During 2010 – 2012 the company was not profitable. In 2011 **Edelveis** received 15,02% of **Artemivsk Winery CJSC**, which appeared to be quite profitable; **Artemivsk Winery** reported net profits of 13,2 million UAH, 17,7 million UAH, and 13,1 million UAH in 2010, 2011 and 2012, respectively. In June 2013 **Edelveis** transferred its stock in **Artemivsk Winery** to the Netherlands' based company **ARTVIN Holding BV**. **Edelveis** since 2011 has 25% shares of **Corporation Management Assets Company**.
2. **Architecture-Engineering Company Constructiv LLC** was registered in 2010. **Mako Holding** owns 70% shares of the company; in 2012 **Mako Holding** invested 248,200 UAH in the company.
3. **Mako Invest LLC** was registered on November 24, 2011. Its statutory capital is 5 million UAH divided between **Mako Holding** (51%) and Oleksandr Yanukovych (49%); in 2012 «Mako Holding» invested an additional 4,04 million UAH in **Mako Invest LLC**.
4. **Mako Trading LLC** was registered on December 7, 2011. Its statutory capital is 5 million UAH divided between Oleksandr Yanukovych (49%) and **Mako Holding** (51%); in 2012 **Mako Holding** invested 43,2 million UAH in **Mako Trading LLC**. During the first quarter of 2013 **Mako Trading** exported 370 thousand tons of energy coal with a price of 835 UAH per 1 ton (totaling 308,95 million UAH). The key beneficiary of the exported coal became Swiss **MAKO Trading SA**, which is controlled by **Mako Holding** as well. Additionally, in 2013 **Mako Trading** exported coal to Italian **Energy Coal SPA**, Croatian **Nasicecement DD** and Portuguese **Carbol LDA**. In 2012 **Mako Trading** exported 200,000 tons of coal, which was received from state-owned enterprises **Shakhterskantratsyt**, **Snezhnoye antratsyt** and **Torezantratsyt**.
5. **Mako Activ LLC** was registered on March 14, 2012. Its statutory capital is 180 million UAH and is 99% controlled by **Mako Holding**; in 2012 **Mako Holding** invested 20 million UAH in **Mako Activ LLC**.
6. **Management Assets Company Corporation** was registered on March 31, 2009. Its statutory capital is 4 million UAH, which is equally shared by **Mako Holding**, **Edelveis LLC**, **Capital Building Corporation CSJC**, and **Ryatuvalnyk LLC**.
7. **Ryatuvalnyk LLC** shares are 99% controlled by **Capital Building Corporation**.
8. **Eastern Business Centre, LLC** was established on August 13, 2010. In 2012 **Mako Holding** invested 127,3 million UAH in the company; on April 25<sup>th</sup>, 2013 **Mako Activ**

LLC became the successor of **Eastern Business Centre**.

9. **Capital Building Corporation, CJSC** was established on December 9, 2005. Since 2010 the company had been controlled by MAK LLC; in 2012 **Mako Holding** invested 45,7 million UAH in **Capital Building Corporation** receiving 96,8% of its shares. In August 2013 Mako Holding issued an interest free loan totaling 20 million UAH to the Capital Building Corporation.
10. **MAKO Holding B.V.** was established on October 27, 2011 in the Netherlands by **LiFe Holding AG**, which was its sole shareholder until December 23, 2011, when **Mako Holding** bought all shares of the company. The **statutory capital** of **Mako Holding B.V.** is currently 10 million Euro. In 2012 **Mako Holding** invested 105,3 million UAH in **MAKO Holding B.V.**, which as of December 31, 2012 didn't have any employees in the Netherlands, or abroad. **Mako Holding B.V.** is the sole shareholder of **ARTVIN Holding BV**, which owns **19% of Artemivsk Winery**. **MAKO Holding B.V.** is the sole shareholder of the Switzerland based **MAKO Trading SA**.
11. **Marinaservice CJSC**, was registered on May 26, 2010 by **LLC MB Service** with an initial statutory capital of 55 million UAH. The initial statutory capital of **Marinaservice CJSC** was increased to 64 million UAH in November 2012. Since the third quarter of 2011, Oleksandr Yanukovych became the sole owner of the company. In 2010 **Marinaservice** bought four historical buildings in Balaklava Bay and received from the Ministry of Transportation an open-ended lease of hydro-technical facilities. In 2011 the company bought floating pantones, wave-breakers, administrative buildings and two apartment buildings. In total, **all of the buildings** in Balaklava Bay cost **Marinaservice** 54,6 million of UAH. In 2010 the Ministry of Defence of Ukraine allowed the privatization of 8.4 hectares of land belonging to ship yard Metalist near Balaklava Bay and 1.8 hectare of Cape Aya, which were **leased** by **Marinaservice**. In 2011 **Marinaservice** leased 1.8 hectares of Balaklava Bay. On July 16, 2013 the Sevastopol city administration gave 1.32 hectares of Balaklava bay land to **Marinaservice**. Thus in total, **Marinaservice** acquired more than 10 hectares of precious access to the water near Sevastopol.

### 3. Donbass Rozrahunkovo Finansovyi Centr, DRFC

While **UBD**, **Mako Holding** and **Mako Holding's** subsidiaries officially belong to the business empire of Mr. Oleksandr Yanukovych, there remain a number of corporate structures with no direct legal ownership links to the son of Viktor Yanukovych. However, dozens of journalistic investigations provide evidence that Oleksandr Yanukovych is their beneficiary owner. Thus, allegedly Mr. Yanukovych is a beneficiary owner of highly profitable **DRFC LLC**, which is one of the leading businesses in the coal and energy sector in Ukraine.

**The Association Donbass Rozrakhunkovo-Finansovyi Centre (DFRC)** was established in 1997 and until 2010 **was controlled by Eduard Prutnik**, an MP from the Party of Regions and close friend of Mr. Viktor Yanukovych.

In June 2012 the Association was reorganized into **the Public Joint Stock Company Central Enrichment Factory Comsomolska**, the ownership of which is divided between 3 companies:

- **DRFC LLC**, which invested 200,1 million UAH giving it 74,18% shares
- **Eastern Transport Company LLC**, which invested 0,02 million UAH giving it 0,01%

shares

- Regional Department of State Property Fund (State), which invested 69.6 million UAH giving it 25,81% of shares

Since November 26, 2013 **DRFC LLC** has bought all the shares which previously belonged to the other parties.

In turn, **DRFC LLC** officially belongs to **Sarone Holdings Limited**, a company registered in BVI, where the beneficial owner is hidden.

According to a number of journalistic investigations Mr. Oleksandr Yanukovych has controlled the company since 2010.

In 2011 **DFRC LLC** won state tenders totaling to 949,3 millions UAH.

In summer 2012 **DFRC** privatized five state-owned factories that enrich coal, specifically **Uzlovskaya, Chervona Zirka, Komsomolskaya, Ukraine** and **Russia**.

The factories provide services to dozens of state-owned coal mining companies and win multimillion UAH tenders.

Enrichment of excavated coal improves its quality and often coal-mines work with enrichment factories, each of which enriches an average of 2-2.5 million tons of coal per year.

In November 2012 the Ministry of Energy and Coal Mining contested the privatizations, claiming that it was illegal to issue more than 50% of state-owned factories' shares to a private company **DFRC**. The commercial court in Donetsk, however, issued a decision in favor of **DFRC**, relying on changes in legislation adopted in March 2012, a few months before the privatization by legislative initiative of the President Viktor Yanukovych.

**DFRC** has been actively buying coal from so-called «little mines» or «coal pits». According to the data of the Ministry of Energy and Coal, at least 9 mln tons of coal are produced at coal pits, which neither have safe working conditions nor provide social benefits to miners. The coal from pits is cheaper and can be purchased for 300-400 UAH per ton, versus what the regular coal mines sell for 800-1000 UAH per ton. Taking into consideration that **DFRC** sells its coal to the electric stations for 925 UAH per ton, the difference in is a pure profit for **DFRC**, which when combined with heavy state subsidies enables **DFRC** to be one of the leading companies in the coal business in Ukraine.

According to journalistic investigations conducted since April 2012 **Mako Trading** is acting as a guarantor of export operations conducted by the **Chervona Zirka** coal enrichment factory, which belongs to **DFRC**. During the first quarter of 2013 **Chervona Zirka** exported about 4300 tons of coal to Poland and the Czech Republic at a price of 820 UAH per ton.

Finally, there is one more company called **LE MARE, LLC**, which could be included in the list of the Yanukovychs' business structures. **Olena Yanukovych**, the wife of Oleksandr Yanukovych, is owner of the company with 20 mln UAH of statutory capital. The company allegedly owns a luxurious fitness centre in Donetsk called **LE-MAREE**.



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