

MINISTRY OF FINANCE OF UKRAINE



Sovereign and Sovereign-guaranteed Eurobond debt operation Investor Presentation

Kyiv - 02 October 2015





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I Presentation of the offer





List of Instruments included in the Perimeter of the Operation

DEBT PERIMETER - LIST OF INSTRUMENTS INCLUDED IN THE PROPOSAL

	Outst. Amount in USD maturing 2015-2018	Total Outst. Amount in USD	Currency	Issue Date	Maturity Date
<u>Sovereign and sovereign guaranteed debt instruments included in the perimeter of the operation</u>	11 536 155 404	18 036 155 404			
Government International Bonds	9 728 155 404	16 228 155 404			
<i>Ukraine USD Sep-15 6.875% bond</i>	500 000 000	500 000 000	USD	23/09/2010	23/09/2015
<i>Ukraine EUR Oct-15 4.95% bond (*)</i>	678 155 404	678 155 404	EUR	13/10/2005	13/10/2015
<i>Ukraine USD Dec-15 5% bond</i>	3 000 000 000	3 000 000 000	USD	24/12/2013	20/12/2015
<i>Ukraine USD Jun-16 6.25% bond</i>	1 250 000 000	1 250 000 000	USD	17/06/2011	17/06/2016
<i>Ukraine USD Nov-16 6.58% bond</i>	1 000 000 000	1 000 000 000	USD	20/11/2006	21/11/2016
<i>Ukraine USD Jul-17 9.25% bond</i>	2 600 000 000	2 600 000 000	USD	24/07/2012	24/07/2017
<i>Ukraine USD Nov-17 6.75% bond</i>	700 000 000	700 000 000	USD	14/11/2007	14/11/2017
<i>Ukraine USD Sep-20 7.75% bond</i>	-	1 500 000 000	USD	23/09/2010	23/09/2020
<i>Ukraine USD Feb-21 7.95% bond</i>	-	1 500 000 000	USD	23/02/2011	23/02/2021
<i>Ukraine USD Nov-22 7.8% bond</i>	-	2 250 000 000	USD	28/11/2012	28/11/2022
<i>Ukraine USD Apr-23 7.5% bond</i>	-	1 250 000 000	USD	17/04/2013	17/04/2023
Infrastructure International Bonds	1 808 000 000	1 808 000 000			
<i>Ukraine Infra USD Nov-17 8.375% bond</i>	568 000 000	568 000 000	USD	03/11/2010	03/11/2017
<i>Ukraine Infra USD Dec-17 9% bond</i>	550 000 000	550 000 000	USD	07/12/2012	07/12/2017
<i>Ukraine Infra USD Apr-18 7.4% bond</i>	690 000 000	690 000 000	USD	21/04/2011	20/04/2018

Instruments subject to the debt operation agreed with the AHC (USD18.04bn)

Note: (*) Using EURUSD exchange rate of c.1.13



CHARACTERISTICS OF NEW NOTES		FINANCIAL DETAILS OF NEW NOTES	
Issuer	Ukraine	Coupon	7.75% per annum for each series of New Notes
Format	Rule 144A / Regulation S	Coupon frequency	Semi-annual, payment on 01 March and 01 September in each year
Currency	USD only	Nominal haircut applied to outstanding amount	<ul style="list-style-type: none"> • 20% on the stock of the sovereign and Fininpro Eurobonds • 0% haircut on accrued interest (accrued interest up to 01 September will be capitalized in the form of new notes)
Listing	Irish Stock Exchange or EU or internationally recognized stock exchange, within 3 months after settlement date	Allocation mechanism	Each investor receives a basket of the nine series of new notes, except that holders of September 2015 and October 2015 Eurobonds will receive only new notes maturing 2019, see details below
Total Size	Nine series of notes of approximately equal size	GDP Linked securities	Yes, see details below
Tenor	Nine series of notes maturing on 01 September 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027 (Principal payments rescheduled to fall outside of the EFF program period (2015-2018))		
Applicable Law	English Law		

- Debt operation was approved by Parliament and a decision of the Cabinet of Ministers of Ukraine on 22 September
- Temporary suspension of payment on several bonds during the exchange period to facilitate orderly settlement

Main Features of the Value Recovery Instrument (VRI)

- Value Recovery Instrument based on real GDP growth, providing potential upside to holders from 2021 to 2040 (20 annual payments) under the following terms (exact definitions and formulas can be found in the Exchange Offer Memorandum):
 - No payments if real GDP growth is below 3%,
 - 15% of the value of the GDP growth between 3-4%,
 - 40% of the value of the GDP growth above 4%,
 - Annual payments capped at 1% of GDP from 2021 until 2025, and
 - No payments if nominal GDP is lower than US\$125.4 bn.
- Payments to be made in cash and in US\$

DETAILS ON

FINANCIAL CHARACTERISTICS

- This shall be calculated based on the following formula:
 - If $3\% \leq \text{Real GDP Growth}(t-2) \leq 4\%$, $\text{Payment}(t) = 15\% \times \text{UAH Nominal GDP}(t-3) \times (1 + \text{GDP Deflator}(t-2)) \times (\text{Real GDP Growth}(t-2) - 3\%)$
 - If $\text{Real GDP Growth}(t-2) > 4\%$, $\text{Payment}(t) = 15\% \times \text{UAH Nominal GDP}(t-3) \times (1 + \text{GDP Deflator}(t-2)) \times 1\% + 40\% \times \text{UAH Nominal GDP}(t-3) \times (1 + \text{GDP Deflator}(t-2)) \times (\text{Real GDP Growth}(t-2) - 4\%)$
- Aggregate notional amount of VRIs equal to upfront nominal haircut
- GDP and other indicators relevant for VRI payment calculation published in IMF World Economic Outlook
- No payment is made before May 2021. First Payment Date is 31 May 2021 (with payment on that date referring to 2019 GDP), then annually (e.g. on 31 May) in the second calendar year after the reference year. The last Payment Date is 31 May 2040 (with payment on that date referring to 2038 GDP)

LEGAL CHARACTERISTICS

- Detachable instrument from New Notes
- Among others, covenants:
 - To publish information required for calculation of Payment Amounts under VRIs
 - To maintain in full force and effect all authorizations needed for VRIs
 - To ensure notional amount of VRIs does not exceed maximum amount permitted by Trust Deed
 - Not to suspend payments or declare a general moratorium in respect of payments on all or any of the VRIs
 - To ensure lawfulness and validity of VRIs under Ukrainian law
 - To comply with dispute resolution mechanisms relating to VRIs
 - To ensure key Ukrainian legislation relating to VRIs remain in effect
 - To remain member of, and eligible to use the general resources of, IMF
- Put option (at price equal to notional value of VRIs) if (i) Ukraine declares a moratorium on some or all of its publicly tradable external indebtedness before 31 December 2018 or (ii) final judgement or award rendered in respect of certain breaches of covenants in the VRIs (subject to 60 day cure period)
- Cross-default into New Notes for certain breaches of covenants in the VRIs



“Following several months of constructive discussions, I am encouraged that an agreement has been reached between the Ukrainian authorities and the Ad-Hoc Creditor Committee on the parameters of an operation to restructure Ukraine’s Eurobonds. **These parameters substantively meet the objectives set under the IMF supported program to ensure that Ukraine’s debt remains sustainable with high probability and that the program is fully financed.** Together with full implementation of the program, they will provide the necessary external debt service relief, reduce annual post-program gross financing needs as envisaged, and place public debt firmly on a downward path.

High participation by all concerned Eurobond holders in the upcoming debt exchange is paramount, since Ukraine lacks the resources under the program to service its debts on the original terms. **Together with the authorities and the Ad-Hoc Creditor Committee, I call on all creditors to support this offer”**

- IMF Managing Director Letter to the Financial Community on Ukraine dated 22 September 2015

The IMF by the voice of its Managing Director Christine Lagarde called for broad support of all concerned Eurobond holders with regards the terms of the debt exchange offer



“The AHC (composed of BTG Pactual Europe LLP, Franklin Advisers, Inc., TCW Investment Management Company and T. Rowe Price Associates, Inc.) **supports the terms of the invitation of the Ukrainian authorities to participate in the exchange offer and consent solicitation launched on 22 September.** The announced debt operation will provide Ukraine with necessary fiscal breathing space and will support Ukraine's continued implementation of its IMF supported program. At the same time the debt operation provides holders of eligible debt instruments with the opportunity to share in a possible strong and sustained recovery of Ukraine's economy in future years through GDP linked securities.”

- Statement from Ukraine's Ad-Hoc Committee on 01 October 2015

The AHC is also supporting the terms of the debt operation



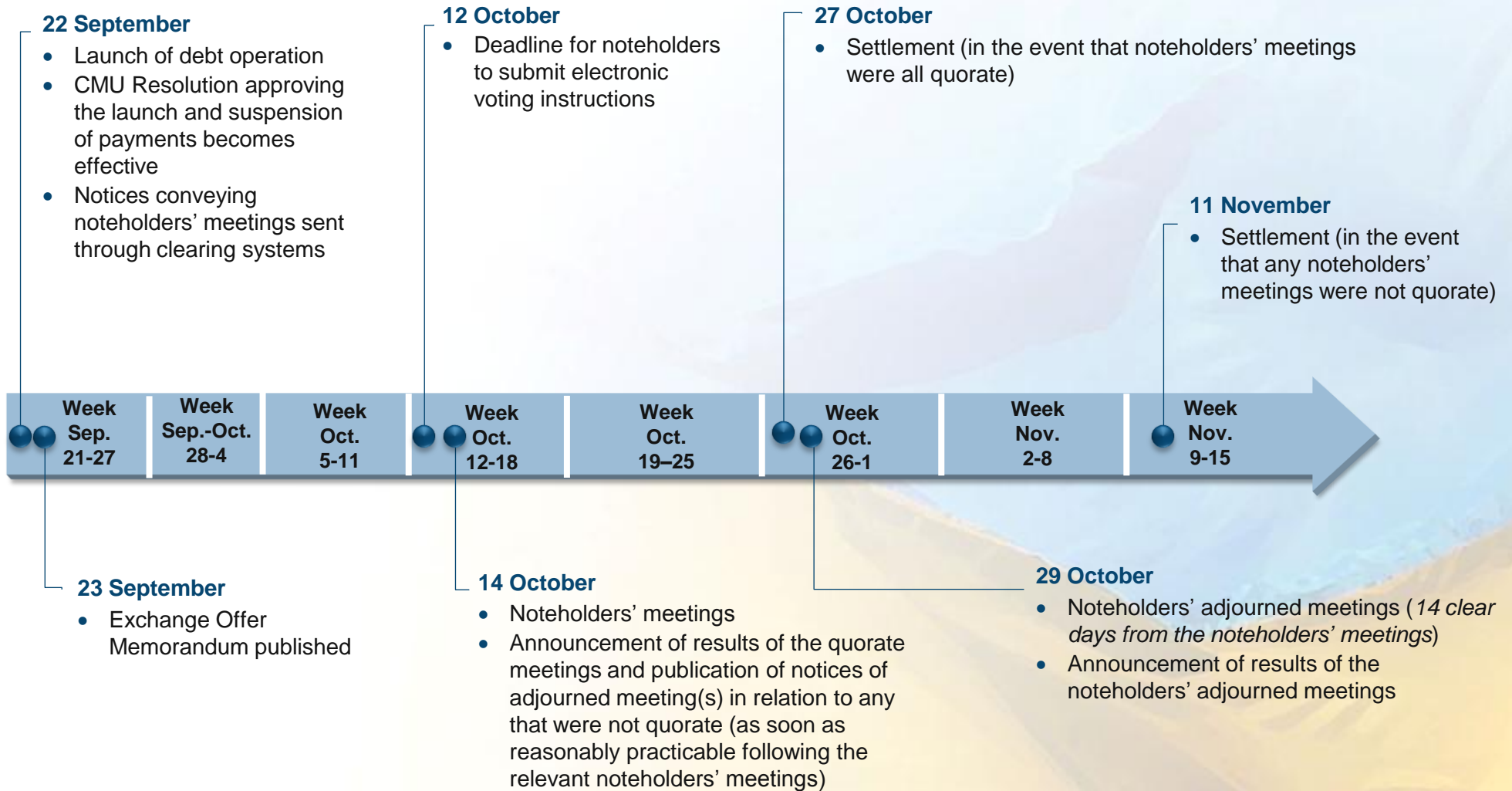
II Implementation





A Timeline and voting considerations







Noteholders' Meetings

- **Quorum:**
 - At initial meetings not less than 2/3 of outstanding notes (determined on series-by-series basis)
 - If adjourned meeting(s) are necessary, not less than 1/3 of outstanding notes (determined on series-by-series basis)
- **Affirmative vote of 75% of attending notes is required to adopt the requested Extraordinary Resolution for each series (at either an initial meeting or an adjourned meeting)**
- **If Extraordinary Resolution for a series is passed, all noteholders of such series shall be bound**



Initial noteholders' meetings

- **Voting deadline on 12 October 2015 (48 hours prior to the time of the relevant Noteholders' Meetings)**
 - Final deadline for receipt by the Settlement and Tabulation Agent of valid Participation Instructions: on 12 October 2015
 - Final deadline for receipt of valid Revocation Instructions by the Settlement and Tabulation Agent: on 12 October 2015
- **Please note that 12 October 2015 is Columbus Day in the United States. Therefore, the effective voting deadline for US-based holders is 09 October 2015**
- **Noteholders' Meetings will take place on 14 October 2015 (The specific time and date of the Meeting relating to the relevant Series of Designated Securities is set out in the applicable Notice for such series)**

Voting deadlines and dates of each meeting



Notes	Voting Deadline	Meeting** Date and Hour
Government International Notes		
<i>Ukraine U.S.\$500,000,000 6.875 per cent. Notes due Sep. 2015</i>	12 October 2015 at 10:00 am (London Time)	14 October 2015 at 10:00 am (London Time)
<i>Ukraine U.S.\$ 1,500,000,000 7.75 per cent. Notes due Sept. 2020</i>	12 October 2015 at 10:10 am (London Time)	14 October 2015 at 10:10 am (London Time)
<i>Ukraine U.S.\$ 1,250,000,000 7.5 per cent. Notes due Apr. 2023</i>	12 October 2015 at 10:20 am (London Time)	14 October 2015 at 10:20 am (London Time)
<i>Ukraine U.S.\$ 700,000,000 6.75 per cent. Notes due Nov. 2017</i>	12 October 2015 at 10:30 am (London Time)	14 October 2015 at 10:30 am (London Time)
<i>Ukraine U.S.\$ 1,000,000,000 6.58 per cent. Notes due Nov. 2016</i>	12 October 2015 at 10:40 am (London Time)	14 October 2015 at 10:40 am (London Time)
<i>Ukraine U.S.\$ 2,250,000,000 7.8 per cent. Notes due Nov. 2022</i>	12 October 2015 at 10:50 am (London Time)	14 October 2015 at 10:50 am (London Time)
<i>Ukraine U.S.\$ 1,250,000,000 6.25 per cent. Notes due Jun. 2016</i>	12 October 2015 at 11:00 am (London Time)	14 October 2015 at 11:00 am (London Time)
<i>Ukraine U.S.\$ 3,000,000,000 5.0 per cent. Notes due Dec. 2015</i>	12 October 2015 at 11:10 am (London Time)	14 October 2015 at 11:10 am (London Time)
<i>Ukraine U.S.\$ 2,600,000,000 9.25 per cent. Notes due Jul. 2017</i>	12 October 2015 at 11:20 am (London Time)	14 October 2015 at 11:20 am (London Time)
<i>Ukraine U.S.\$ 1,500,000,000 7.95 per cent. Notes due Feb. 2021</i>	12 October 2015 at 11:30 am (London Time)	14 October 2015 at 11:30 am (London Time)
<i>Ukraine € 600,000,000 4.95 per cent. Notes due Oct.2015(*)</i>	12 October 2015 at 11:40 am (London Time)	14 October 2015 at 11:40 am (London Time)
Infrastructure International Bonds		
<i>Ukraine Infra U.S.\$ 568,000,000 8.375 per cent. Guaranteed Notes due 2017</i>	12 October 2015 at 11:50 am (London Time)	14 October 2015 at 11:50 am (London Time)
<i>Ukraine Infra U.S.\$ 690,000,000 7.40 per cent. Guaranteed Notes due Apr.2018</i>	12 October 2015 at 12:00 pm (London Time)	14 October 2015 at 12:00 pm (London Time)
<i>Ukraine Infra U.S.\$ 550,000,000 9.0 per cent. Guaranteed Notes due Dec. 2017</i>	12 October 2015 at 12:10 pm (London Time)	14 October 2015 at 12:10 pm (London Time)

Meeting of the Noteholders to be held on 14 October 2015 at the offices of White & Case LLP, 5 Old Broad Street, London EC2N 1DW, United Kingdom



Way Forward

- In order to vote, Noteholders should immediately contact their custodians or securities brokers
- Any Noteholder having an account directly with Euroclear, Clearstream and/or DTC should contact the relevant clearing system immediately
- Each Beneficial Owner may either
 - Vote by submitting or instructing a Direct Participant (through whom the Notes are held) to submit a Participation Instruction stating:
 - The principal amount of the relevant series of notes held by such Beneficial Owner
 - Whether the Beneficial Owner wishes to (i) tender its notes for exchange and vote in favor of the proposed extraordinary resolution, or (ii) vote against the extraordinary resolution
 - Appoint a proxy to attend and vote at the relevant Meeting on their behalf (Noteholders should contact the relevant custodian for details of the process to be followed)

Technical Considerations

- Please note that Euroclear, Clearstream, DTC, custodians and/or securities brokers may impose earlier deadlines for voting than those stated in the notices issued by the Ministry of Finance and Noteholders should consult them as to any applicable procedures well in advance of the planned meetings
- Once an Electronic Instruction is submitted, there is no need for the Noteholder to submit a new Electronic Instruction for the purposes of an adjourned Noteholders' Meeting
- Please note that the relevant Notes will have to remain blocked in the relevant accounts until the conclusion of the Noteholders' Meeting or any adjourned Noteholders' Meeting
- Noteholders who tender their notes for the exchange will be deemed to vote in favor of the extraordinary resolution, and noteholders may not vote in favor without also tendering their notes for exchange (other than US holders who are not QIBs or AIs, who may not participate in the exchange offer)



Conditions to Settlement

- **Settlement is at discretion of Ukraine; however, if Ukraine elects to settle any part of the debt operation, all valid tenders of bonds in the exchange offer will be accepted and all Extraordinary Resolutions which have been passed will be declared effective**



B Allocation mechanism, minimum denomination threshold, and rounding convention



Description of the Allocation Mechanism

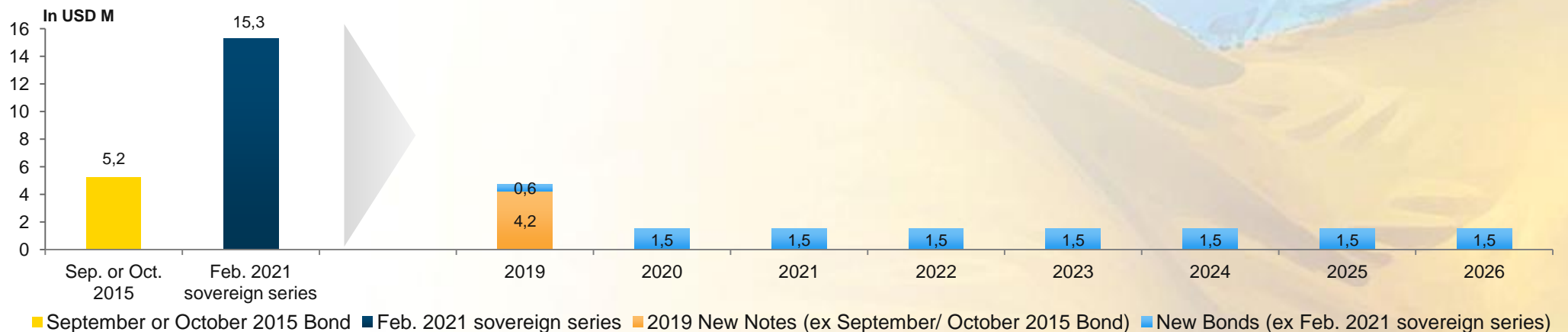
Upon the debt operation being declared effective:

- **All participating noteholders would receive**
 - (i) a ratable amount of all 9 series New Notes (i.e. 1/9th of each series) on the basis of their holdings in principal amount of old notes after the 20% debt reduction plus the full amount of any accrued interest as at 1 September 2015 and subject to the implementation of the priority allocation described below and
 - (ii) VRIs with notional value corresponding to the actual amount of debt reduction (20%) applied on their holdings in principal amount of old notes
- **Priority allocation: holders of Ukraine's notes due September 2015 and October 2015 will be allocated their full consideration in New Notes due 2019 only and VRIs. The extra share of 2019s which the September and October 2015 noteholders will receive will reduce the amount of New Notes due 2019 available to other noteholders. Accordingly other noteholders will receive (i) a smaller allocation of New Notes due 2019 and (ii) a larger allocation of New Notes allocated ratably (i.e. 1/8th of each) across New Notes due 2020 to 2027**
- **Allocation to be processed on every single individual holding of each series of notes**

Allocation Mechanism – Selected Example

- Assuming:
 - 100% participation from all holders (including September and October 2015 holders)
 - Total amount of accrued interest of c.USD330m of which USD45m for September and October 2015s
- Then:
 - Each of the 9 New Notes amount to c.USD1,640m = $(c.18,000m \times (1-20\%) + c.330m) / 9$ (*)
 - Fraction of 2019s that non September and October 2015 holders can receive as a result of the priority allocation mechanism: c.40%
- For example if a holder holds a USD20m position in principal amount:
 - Principal: USD5m in the September or October 2015 series and USD15m in one of any other sovereign or Fininpro bonds (for example in Feb. 2021 sovereign bond)
 - Accrued interest: USD200k for the September or October 2015 series and USD300k for the other bond
- This holder will receive in total USD16.5m nominal value of New Notes (20m x (1-20%) + 500k) of allocated in the following way:
 - In exchange of the September or October 2015 Notes: USD 4.2m of 2019 New Notes (5m x (1-20%) + 200k)
 - In exchange of the other bond:
 - c. USD 550k of 2019 New Notes in exchange of the other bond $(15m \times (1-20\%) + 300k) / 9 \times c.40\%$
 - c. USD11.8m (16.5m – 4.2m - 550k) allocated ratably across 2020s to 2027s series, i.e. c.USD1.5m per series (11.8m/8)
 - And GDP linked securities with notional amount of USD4m (20m x 20%)

GRAPHICAL OUTCOME OF THE ALLOCATION MECHANISM INCLUDING ACCRUED INTEREST





Treatment of amount below minimum denomination

- **If any holder's total allocation of New Notes is inferior to USD100k, then its allocation shall be sold in the open market following settlement and such holder will be given the corresponding cash proceeds**
- **If non September 2015s and October 2015s holders' allocation of 2019 New Notes is inferior to USD100k, then such allocation will be added instead to such holders' allocation of 2020 New Notes, after implementation of the Waterfall mechanism below, if applicable**
- **If post application of the priority allocation, non September 2015s and October 2015s holders' allocation of 2020 to 2027 New Notes is inferior to USD100k per series of New Notes, then the allocation of 2020 to 2027 New Notes shall be implemented as per the following mechanism (the “Waterfall”):**
 - Such holder shall receive a single New Note of USD100k of each individual series of New Notes in ascending order of maturity, starting with the 2020 New Notes and moving up by one maturity (i.e. 2021, then 2022, etc.) for each full USD100k until the aggregate balance of the consideration remaining due to such holder falls below USD100k
 - Then, such balance shall be divided ratably across each series of New Notes for which a full USD100k principal amount was allocated to such holder



Example #1:

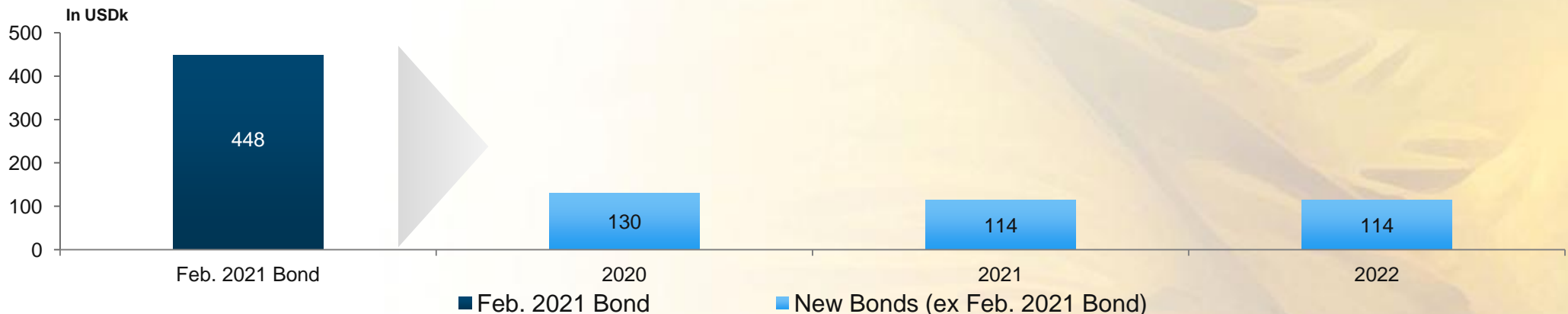
- On the basis of the same assumptions as for the allocation mechanism example above
- An investor holds a USD100k position in principal amount:
 - Principal: USD20k in the September or October 2015 series and USD80k in one of any other sovereign or Finipro bonds (for example in Feb. 2021 sovereign bond)
 - Accrued interest: USD1k for the September or October 2015 series and USD2k for the other bond
- This holder should receive in total USD83k nominal value of New Notes ($100k \times (1-20\%) + 3k$). However, given the minimum denomination threshold of USD100k for each series, such holder will receive instead the cash proceeds of the sale of the following notes:
 - In exchange for the September or October 2015 Notes: USD17k of 2019 New Notes ($20k \times (1-20\%) + 1k$)
 - In exchange for the other bond: c. USD 66k of 2020 New Notes ($80k \times (1-20\%) + 2k$)
- And GDP linked securities with notional amount of USD20k ($100k \times 20\%$) (not sold)



Example #2:

- On the basis of the same assumptions as for the allocation mechanism example
- An investor holds a USD440k position in principal amount:
 - Principal: USD440k in one sovereign or Fininpro bond other than September and October 2015 series (for example in Feb. 2021 sovereign bond)
 - Accrued interest: USD8k for this bond
- This holder will receive in total USD360k nominal value of New Notes ($440k \times (1-20\%) + 8k$) of allocated in the following way:
 - In exchange of its old notes, such holder should receive:
 - c. USD 16k of 2019 New Notes in exchange of its old notes $(440k \times (1-20\%) + 8k) / 9 \times c.40\%$
 - c. USD344k ($360k - 16k$) allocated ratably across 2020s to 2027s series, i.e. USD43k per series ($344k/8$)
 - The above allocations are below the USD100k minimum denomination threshold. In order to ensure a minimum USD100k per series, USD344k must be divided among 3 series and will therefore be reallocated as follow:
 - c. USD130k of 2020 New Notes ($c.344k/3 + 16k$)
 - c. USD114k of 2021 New Notes ($c.344k/3$)
 - c. USD114k of 2022 New Notes ($c.344k/3$)
 - And GDP linked securities with notional amount of USD88k ($440k \times 20\%$)

GRAPHICAL OUTCOME OF THE MINIMUM DENOMINATION THRESHOLD





Rounding Convention

- **In case of rounding, fractional amounts will be aggregated and New Notes maturing 2019 will be issued in that principal amount. Such New Notes will be sold and proceeds distributed to holders entitled thereto following settlement**
- **Principal or notional amount of New Notes and VRIs will be rounded down to nearest USD1,000 and no New Notes or VRIs will be issued in amounts less than USD100,000 or USD1,000 respectively**



Cash Proceeds Arrangement

- Holders of a specific series of notes will be subject to the Cash Proceeds Arrangement if the Extraordinary Resolution relating to such series is declared effective in the three scenarios below. The third scenario is also applicable in the case of any series of Notes which is subject to the Exchange Offer:
 - 1. If they submit a voting instruction but fail to provide the requisite details for New Notes/VRIs due to them to be delivered to their account by the Expiration Date.
 - 2. If no voting instruction is submitted or the holder otherwise fails to certify its status as an Eligible Holder.
 - 3. If such holder is due New Notes or VRIs with a nominal or notional amount under USD100k or USD1k, respectively, or has had their allocation of New Notes or GDP-linked Securities rounded down to the nearest USD1k.
- In such cases the New Notes and VRIs due to such holders shall be delivered to an account of the Settlement and Tabulation Agent until the earlier of:
 - A. Where applicable, a holder provides evidence of their eligibility to receive the consideration, in which case the relevant consideration is released to the holder; and
 - B. The date falling 150 days after the settlement date.
- Then, the remaining New Notes and VRIs shall be sold in one or more transactions over the course of the period falling 150 to 180 days after the settlement date.
- The price, terms, timing and manner of such sale will be on the best terms reasonably available at the time using a transparent open market process and shall be for cash.
- The pro rata shares of the net proceeds of such sale will be delivered to the relevant holders as soon as practicable after the date that falls 180 days after the Settlement Date.



C Incentives for participation

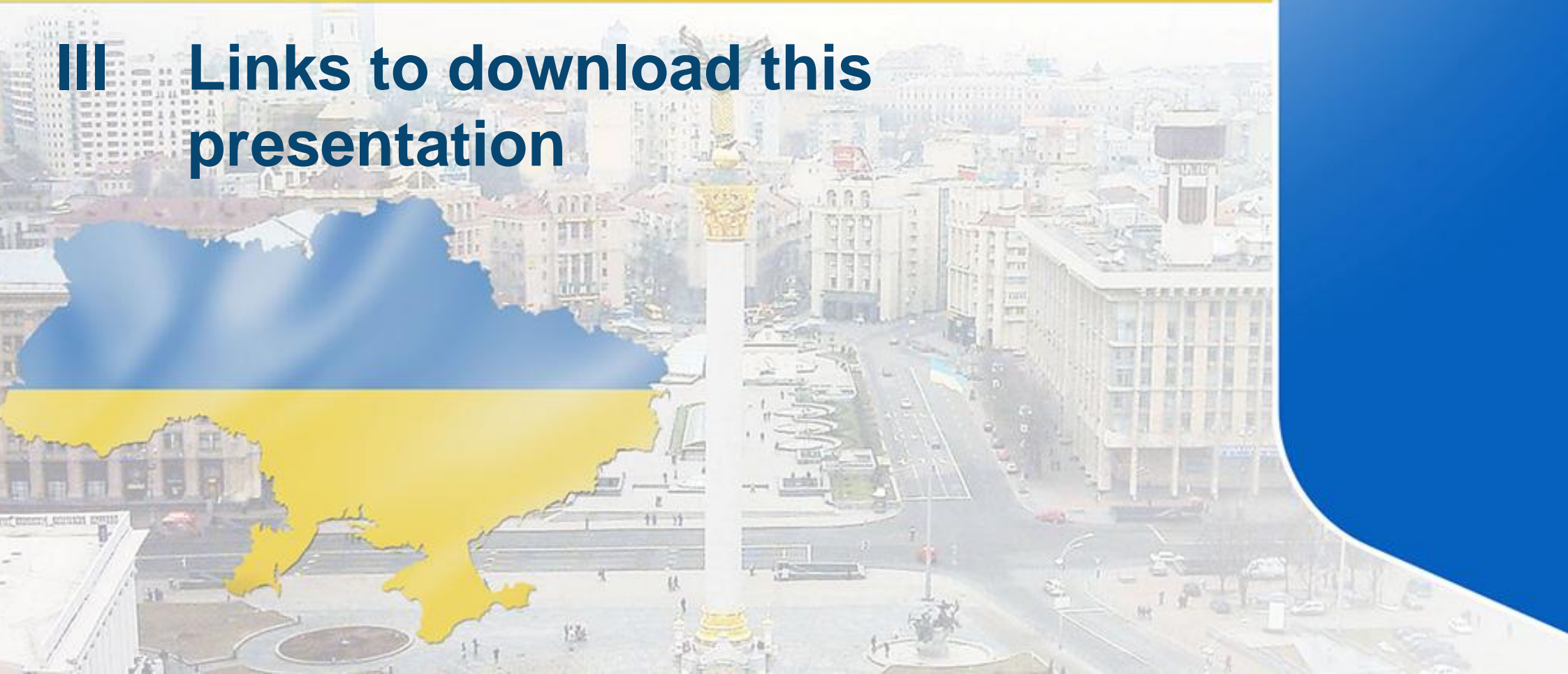


Four key contractual and legal measures have been put in place to incentivise participation

- 1** The Most Favored Creditor Clause in the exchange documentation prohibits Ukraine from (i) paying holdouts in accordance with original contractual terms or (ii) settling with holdouts on more favourable terms (based on NPV) than those received by exchanging holders in this operation (without reference to any value attributable to the VRIs) unless an offer is made on the same terms or with equivalent value to holders of New Notes.
- 2** Holdouts will not receive any VRI as part of any future settlement
- 3** The priority legislation adopted by the Rada, when combined with the power vested in the CMU by Ukrainian law to declare a suspension of payments on possible holdouts, will make it more difficult for holdouts to pursue successful litigation strategy
- 4** Any default on or legal action under existing instruments held by holdouts will not affect the new notes or VRIs – there is no “cross default” in these circumstances



III Links to download this presentation



- **The presentation is available on the Ministry of Finance website at the following links**
 - English website:
http://www.minfin.gov.ua/control/en/publish/article?showHidden=1&art_id=427208&cat_id=411235&ctime=1443713473300
 - Ukrainian website:
http://www.minfin.gov.ua/control/uk/publish/article?art_id=427202&cat_id=411251



IV Q&A Session

