



UKRAINE

(“Ukraine” or the “Issuer”)

(Represented by the Minister of Finance of Ukraine acting upon instructions of the Cabinet of Ministers of Ukraine (the “Cabinet of Ministers”))

U.S.\$97,467,000 7.75 per cent. Notes due 2019 (the “Third Additional Further Series No. 1 Notes”)

U.S.\$78,535,000 7.75 per cent. Notes due 2019 (the “Fourth Additional Further Series No. 1 Notes”)

U.S.\$73,307,000 7.75 per cent. Notes due 2020 (the “Additional Further Series No. 2 Notes”)

U.S.\$31,521,000 7.75 per cent. Notes due 2021 (the “Further Series No. 3 Notes”)

U.S.\$28,872,000 7.75 per cent. Notes due 2022 (the “Further Series No. 4 Notes”)

U.S.\$25,117,000 7.75 per cent. Notes due 2023 (the “Further Series No. 5 Notes”)

U.S.\$23,985,000 7.75 per cent. Notes due 2024 (the “Further Series No. 6 Notes”)

U.S.\$22,855,000 7.75 per cent. Notes due 2025 (the “Further Series No. 7 Notes”)

U.S.\$22,536,000 7.75 per cent. Notes due 2026 (the “Further Series No. 8 Notes”)

U.S.\$20,933,000 7.75 per cent. Notes due 2027 (the “Further Series No. 9 Notes”)

(together, the “Further Notes”)

and

U.S.\$84,059,000 GDP-linked Securities (the “Third Additional Further GDP-linked Securities”)

and U.S.\$25,200,000 GDP-linked Securities

(the “Fourth Additional Further GDP-linked Securities” and, together with the Third Additional Further GDP-linked Securities, the “Further GDP-linked Securities”)

(The “Further GDP-linked Securities” together with the Further Notes are hereinafter referred to as the “Further Securities”)

The issuance of the Further Securities has been duly authorised by Ukraine pursuant to Resolution of the Cabinet of Ministers No. 912 dated 11 November 2015 (as amended by Resolution of the Cabinet of Ministers No. 1040 dated 18 December 2015) “On Settlement of Transactions in 2015 with Sovereign and Sovereign Guaranteed Debt for Purposes of Its Restructuring and Partial Write-off”, by Resolution of the Cabinet of Ministers No. 60 dated 11 February 2016 “On Carrying Out Transactions with State Guaranteed Debt”, by Resolution of the Cabinet of Ministers No. 101 dated 24 February 2016 “On Carrying Out Transactions with State Guaranteed Debt”, by Resolution of the Cabinet of Ministers No. 309 dated 27 April 2016 “On Carrying Out Additional Issue and Placement of 2015 Notes and GDP-Linked Securities of Ukraine” and by Resolution of the Cabinet of Ministers No. 310 dated 27 April 2016 “On Carrying Out Transactions with State Guaranteed Debt”. The Further Notes were issued by Ukraine pursuant to a trust deed between Ukraine and BNY Mellon Corporate Trustee Services Limited as trustee (the “Notes Trustee”) dated 12 November 2015 (as supplemented by a supplemental trust deed dated 22 December 2015, as amended and restated on 25 February 2016 (the “First Supplemental Notes Trust Deed”), a second supplemental trust deed dated 12 February 2016 (the “Second Supplemental Notes Trust Deed”), a third supplemental trust deed dated 25 February 2016 (the “Third Supplemental Notes Trust Deed”), a fourth supplemental trust deed dated 28 April 2016 (the “Fourth Supplemental Notes Trust Deed”), and a fifth supplemental trust deed dated 28 April 2016 (the “Fifth Supplemental Notes Trust Deed”) (the “Notes Trust Deed”). The Further GDP-linked Securities were issued by Ukraine pursuant to a trust deed between Ukraine and BNY Mellon Corporate Trustee Services Limited as trustee (the “GDP-linked Securities Trustee”) and, together with the Notes Trustee, the “Trustees”) dated 12 November 2015 (as supplemented by a supplemental trust deed dated 22 December 2015 (the “First Supplemental GDP-linked Securities Trust Deed”), a second supplemental trust deed dated 12 February 2016 (the “Second Supplemental GDP-linked Securities Trust Deed”), a third supplemental trust deed dated 25 February 2016 (the “Third Supplemental GDP-linked Securities Trust Deed”), a fourth supplemental trust deed dated 28 April 2016 (the “Fourth Supplemental GDP-linked Securities Trust Deed”), and a fifth supplemental trust deed dated 28 April 2016 (the “Fifth Supplemental GDP-linked Securities Trust Deed”) (the “GDP-linked Securities Trust Deed”). The Notes Trust Deed and the GDP-linked Securities Trust Deed are hereinafter referred to as the “Trust Deeds” and each a “Trust Deed”.

The Third Additional Further Series No. 1 Notes, issued on 28 April 2016 (the “Issue Date”), are to be consolidated and form a single series with the U.S.\$1,154,939,000 7.75 per cent. notes due 2019 (the “Original Series No. 1 Notes”) issued on 12 November 2015, the U.S.\$175,533,000 7.75 per cent. notes due 2019 (the “Further Series No.1 Notes”) issued on 22 December 2015, the U.S.\$284,152,000 7.75 per cent. notes due 2019 (the “First Additional Further Series No. 1 Notes”) issued on 12 February 2016 and the U.S.\$31,617,000 7.75 per cent. Notes due 2019 (the “Second Additional Further Series No. 1 Notes”) issued on 25 February 2016 on 12 May 2016. The Original Series No. 1 Notes, the Further Series No. 1 Notes, the First Additional Further Series No. 1 Notes and the Second Additional Further Series No. 1 Notes are hereinafter referred to as the “Existing Series No. 1 Notes”.

The Fourth Additional Further Series No. 1 Notes, issued on the Issue Date, were consolidated upon issue and, from the Issue Date, form a single series with the Existing Series No. 1 Notes.

The Additional Further Series No. 2 Notes, issued on the Issue Date, are to be consolidated and form a single series with the U.S.\$1,530,997,000 7.75 per cent. notes due 2020 (the “Original Series No. 2 Notes”) issued on 12 November 2015 and the U.S.\$175,533,000 7.75 per cent. notes due 2020 (the “Further Series No. 2 Notes”) issued on 22 December 2015 on 12 May 2016. The Original Series No. 2 Notes and the Further Series No. 2 Notes are hereinafter referred to as the “Existing Series No. 2 Notes”.

The Further Series No. 3 Notes, the Further Series No. 4 Notes, the Further Series No. 5 Notes, the Further Series No. 6 Notes, the Further Series No. 7 Notes, the Further Series No. 8 Notes and the Further Series No. 9 Notes, issued on the Issue Date, are to be consolidated and form a single series with the U.S.\$1,377,761,000 7.75 per cent. Notes due 2021 (the “Original Series No. 3 Notes”) issued on 12 November 2015, the U.S.\$1,354,820,000 7.75 per cent. Notes due 2022 (the “Original Series No. 4 Notes”) issued on 12 November 2015, the U.S.\$1,330,114,000 7.75 per cent. Notes due 2023 (the “Original Series No. 5 Notes”) issued on 12 November 2015, the U.S.\$1,315,072,000 7.75 per cent. Notes due 2024 (the “Original Series No. 6 Notes”) issued on 12 November 2015, the U.S.\$1,306,032,000 7.75 per cent. Notes due 2025 (the “Original Series No. 7 Notes”) issued on 12 November 2015, the U.S.\$1,295,404,000 7.75 per cent. Notes due 2026 (the “Original Series No. 8 Notes”) issued on 12 November 2015 and the U.S.\$1,286,228,000 7.75 per cent. Notes due 2027 (the “Original Series No. 9 Notes”) issued on 12 November 2015 (together, the “Original Series No.3 to Series No. 9 Notes” and, together with the Original Series No. 1 Notes and the Original Series No. 2 Notes, the “Original Notes”), respectively, on 12 May 2016. The Existing Series No. 1 Notes, the Existing Series No. 2 Notes and the Original Series No. 3 to Series No. 9 Notes are hereinafter referred to as the “Existing Notes”. The Existing Notes and the Further Notes are hereinafter referred to as the “Notes”.

The Further GDP-linked Securities, issued on the Issue Date, were consolidated upon issue and, from the Issue Date, form a single series with the U.S.\$2,916,421,000 in notional amount of GDP-linked Securities (the “Original GDP-linked Securities”) issued on 12 November 2015, the U.S.\$111,394,000 in notional amount of GDP-linked Securities (the “December 2015 Further GDP-linked Securities”) issued on 22 December 2015, the U.S.\$91,857,000 in notional amount of GDP-linked Securities (the “First Additional Further GDP-linked Securities”) issued on 12 February 2016, and the U.S.\$10,389,000 in notional amount of GDP-linked Securities (the “Second Additional Further GDP-linked Securities”) issued on 25 February 2016. The Original GDP-linked Securities, the December 2015 Further GDP-linked Securities, the First Additional Further GDP-linked Securities, and the Second Additional Further GDP-linked Securities are hereinafter referred to as the “Existing GDP-linked Securities” and together with the Further GDP-linked Securities, the “GDP-linked Securities”. The GDP-linked Securities, together with the Notes, are hereinafter referred to as the “Securities”.

Each series of Further Notes (other than the Fourth Additional Further Series No. 1 Notes) bears interest from and including 1 September 2015 at the rate of 7.75 per cent. per annum, payable semi-annually in arrear on 1 March and 1 September in each year, provided that the first interest payment, for the period from and including 1 September 2015 to but excluding 1 March 2016 shall be payable on 12 May 2016. The Fourth Additional Further Series No. 1 Notes bear interest from and including 1 March 2016 at the rate of 7.75 per cent. per annum, payable semi-annually in arrear on 1 March and 1 September in each year, commencing on 1 September 2016.

The GDP-linked Securities do not bear interest and will expire on 31 May 2040.

The Securities were issued as part of the overall debt operation undertaken by Ukraine to meet the requirements of the IMF's 2015 EFF (as defined below) (the "**Debt Operation**"). The Existing Notes and Existing GDP-linked Securities were issued in connection with the first four stages of the Debt Operation. See "*Description of Ukraine—Recent Political Developments—Ukraine's external debt restructuring*".

The Further Notes (other than the Fourth Additional Further Series No. 1 Notes) and Further GDP-linked Securities (other than the Fourth Additional Further GDP-linked Securities) have been issued together as a package to holders of Ukraine's then existing Eurobonds and state-guaranteed Eurobonds which were subject to the Debt Operation and for which an extraordinary resolution was successfully passed (the "**Old Notes**") in consideration for the exchange of their holdings of Old Notes. According to the terms of the exchange (the "**Sovereign Exchange**") (the "**Exchange Terms**"), (a) each non-participating holder of Old Notes (each a "**Non-Participating Holder**") who has submitted an eligible delivery certificate has received (i) the Further Notes (other than the Fourth Additional Further Series No. 1 Notes) in an aggregate principal amount equal to 80 per cent. of the principal amount of such holder's holding of Old Notes (plus accrued interest to 1 September 2015 on the Old Notes) and (ii) Further GDP-linked Securities (other than the Fourth Additional Further GDP-linked Securities) representing 20 per cent. of the principal amount of such Old Notes (together, the "**Consideration**"), and (b) each Non-Participating Holder who has not submitted an eligible delivery certificate has had the Consideration for the exchange of their Old Notes delivered to the account of The Bank of New York Mellon (the "**Settlement and Tabulation Agent**") to be sold in the market and will receive the net proceeds of such sale once available. Accordingly the notional amount of the GDP-linked Securities delivered to each Non-Participating Holder in the Sovereign Exchange (or to the Settlement and Tabulation Agent on their behalf) corresponded to the amount of the haircut accepted by such holder on the original principal amount of its Old Notes, thereby replacing the holder's principal claim on Ukraine under the Old Notes in such amount with potential value recovery linked to the GDP growth of Ukraine.

The Fourth Additional Further Series No. 1 Notes and the Fourth Additional Further GDP-linked Securities were issued as a fifth stage of the Debt Operation as a package in exchange for the termination of the loan facility (the "**VTB/Ukravtodor Facility**") extended by VTB Capital plc ("**VTB**") to the State Road Agency of Ukraine (Ukravtodor) (formerly known as The State Road Administration of Ukraine (Ukravtodor)) ("**Ukravtodor**") (the "**VTB Exchange**"). The VTB Exchange was carried out on a basis similar to the Exchange Terms, except that VTB received (i) the Fourth Additional Further Series No. 1 Notes maturing in 2019 in an aggregate principal amount equal to 75 per cent. of the principal amount of the VTB/Ukravtodor Facility (plus accrued interest to and including 29 February 2016) and (ii) Fourth Additional Further GDP-linked Securities representing 25 per cent. of the principal amount of the VTB/Ukravtodor Facility.

Following the issuance thereof, Further Notes and Further GDP-linked Securities trade separately. However, there are contractual connections between Further Notes and Further GDP-linked Securities, including through the default provisions in Further Notes and the put option in Further GDP-linked Securities. See "*Terms and Conditions of the Further Notes*" and "*Terms and Conditions of the Further GDP-linked Securities*".

SEE "*RISK FACTORS*" FOR A DISCUSSION OF CERTAIN FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SECURITIES.

This listing prospectus (the "**Listing Prospectus**") has been approved by the Central Bank of Ireland (the "**CBI**"), as competent authority under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The CBI only approves this Listing Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This Listing Prospectus constitutes a prospectus for the purposes of the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Further Notes and Further GDP-linked Securities to be admitted to the official list (the "**Official List**") and trading on its Main Securities Market (the "**Market**"). The Market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). References in this Listing Prospectus to the Securities being "listed" (and all related references) shall mean that the Securities have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. There is no assurance that a trading market in the Securities will develop or be maintained.

No person has been authorised by the Issuer to give any information or make any representation other than those contained in this Listing Prospectus and the accompanying documents and, if given or made, such information or representation must not be relied upon as having been so authorised. This Listing Prospectus will be published on the website of the CBI (www.centralbank.ie).

28 April 2016

IMPORTANT NOTICE

This Listing Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any security. None of the Securities shall be sold, issued or transferred in any jurisdiction in contravention of applicable law.

The Issuer accepts responsibility for the information contained in this Listing Prospectus. To the best of the knowledge of the Issuer (having made all reasonable enquiries and having taken all reasonable care to ensure that such is the case) the information contained in this Listing Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. This Listing Prospectus has been approved by the CBI, which is the competent authority for the purpose of the Prospectus Directive and the relevant implementing measures in Ireland. The CBI only approves this Listing Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. No person has been authorised to give any information or to make any representation other than those contained in this Listing Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

The listing of this Listing Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Listing Prospectus may only be used for the purpose for which it has been published.

References herein to “**Terms and Conditions of the Further Notes**” shall mean to the Terms and Conditions of the relevant series of Further Notes a form of which is set out under “*Terms and Conditions of the Further Notes*” in this Listing Prospectus. References herein to “**Terms and Conditions of the Further GDP-linked Securities**” shall mean to the Terms and Conditions of the Further GDP-linked Securities as set out under “*Terms and Conditions of the Further GDP-linked Securities*” in this Listing Prospectus. As used in this Listing Prospectus, the terms “**Agency Agreement**” and “**Trust Deed**” refer to the “Agency Agreement” and the “Trust Deed”, respectively, as defined in the Terms and Conditions of the Notes or the Terms and Conditions of the GDP-linked Securities.

This Listing Prospectus does not constitute an offer to sell or an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction, nor does this Listing Prospectus constitute an offer or an invitation to subscribe for or purchase any Securities and it should not be considered as a recommendation by the Issuer that any recipient of this Listing Prospectus should subscribe for or purchase any Securities. The distribution of this Listing Prospectus and the resale or transfer of the Securities in certain jurisdictions may be restricted by law. The Issuer makes no representation that this Listing Prospectus or the Securities may be lawfully distributed in any jurisdiction or assumes any responsibility for facilitating any such distribution. Accordingly, neither this Listing Prospectus nor any other offering material may be distributed or published, and none of the Securities may be distributed, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations.

Persons into whose possession this Listing Prospectus may come must inform themselves about, and observe, any such restrictions on the distribution of this Listing Prospectus and the distribution of the Securities. Further information with regard to restrictions on offers, sales and deliveries of the Securities and the distribution of this Listing Prospectus and other material relating to the Securities is set out under “*Form of Global Certificates and Transfer Restrictions*”. Each recipient of this Listing Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) and status of the Issuer.

None of the Issuer’s legal, financial or tax advisers, the Trustees or the Trustees’ legal advisers have separately verified the information contained in this Listing Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted by the Issuer’s legal, financial or tax advisers, the Trustees or the Trustees’ legal advisers nor any of their affiliates as to the accuracy or completeness of the information contained in this

Listing Prospectus or any other information provided by the Issuer in connection with the Securities or their distribution. Neither the delivery of this Listing Prospectus nor the resale or transfer of any Securities shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Listing Prospectus. The contents of this Listing Prospectus are not, are not to be construed as and should not be relied on as legal, business or tax advice. Each prospective investor should consult its own advisors for legal, business, tax and related advice regarding an investment in the Securities.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this Listing Prospectus. Any representation to the contrary is a criminal offence in the United States.

All references in this Listing Prospectus to “**Government**” or “**Parliament**” are to the Government or Parliament of Ukraine, references to “**CIS**” are to the Commonwealth of Independent States, references to “**UAH**” and “**hryvnia**” are to the currency of Ukraine, references to “**U.S. dollars**” and “**U.S.\$**” are to the currency of the United States of America, references to “**JPY**”, “**yen**” and “**¥**” are to the currency of Japan, references to “**DM**” and “**deutschmark**” are to the currency of Germany prior to the introduction of the euro, references to “**CHF**” and “**Swiss Franc**” are to the currency of Switzerland and references to “**EUR**”, “**euro**” and “**€**” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union. References to “**SDRs**” are to special drawing rights allocated by the International Monetary Fund (the “**IMF**”). As at 28 April 2016, the official exchange rate of the National Bank of Ukraine (the “**NBU**”) was U.S.\$1.00 to UAH 25.21. References to “**2015 EFF**” are to the four year U.S.\$17.5 billion Extended Fund Facility programme for Ukraine approved by the IMF Executive Board on 11 March 2015. All references to “**Paris Club**” refer to an informal group of creditor nations who provide debt relief to over-indebted countries.

Conversions of amounts from hryvnia to U.S. dollars or euros are solely for the convenience of the reader and, unless otherwise stated, are made at various exchange rates. No representation is made that Ukrainian hryvnia or U.S. dollar or euro amounts referred to herein could have been or could be converted to U.S. dollars or euros or hryvnia, as the case may be, at any particular rate or at all.

Certain figures included in this Listing Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary to reflect such rounding, and figures shown as totals may not be the arithmetical aggregate of their components.

For the avoidance of doubt, the inclusion of any links to other documents in this Listing Prospectus shall not be construed as incorporating these other documents by reference.

Statistical data appearing in this Listing Prospectus has, unless otherwise stated, been obtained from the State Statistics Service of Ukraine (the “**State Statistics Service**”), the Ministry of Finance of Ukraine (the “**Ministry of Finance**”), the Ministry of Economic Development and Trade of Ukraine (the “**Ministry of Economy**”) and the National Bank of Ukraine (the “**NBU**”). Similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Information included in this Listing Prospectus and identified as being derived from information published by Ukraine or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of Ukraine. All other information herein with respect to Ukraine is included herein as a public official statement made on the authority of the Ministry of Finance. Although every effort has been made to include in this Listing Prospectus the most reliable and the most consistently presented data, no assurance can be given that such data was compiled or prepared on a basis consistent with international standards. Third party information contained in this Listing Prospectus has been

accurately reproduced and no facts have been omitted that would render the reproduction of this information inaccurate or misleading.

FORWARD LOOKING STATEMENTS

Certain statements included herein, as well as written and oral statements that Ukraine and its representatives make from time to time in reports, filings, news releases, conferences, teleconferences, web postings or otherwise, are or may be deemed to be forward looking statements. Statements that are not historical facts, including, without limitation, statements about Ukraine's beliefs and expectations, are forward looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. Therefore, undue reliance should not be placed on them. Forward looking statements speak only as of the date on which they are made and Ukraine undertakes no obligation to update publicly any of them in light of new information or future events. Forward looking statements involve inherent risks and uncertainties. Ukraine cautions that a number of important factors could cause actual results to differ materially from those contained in any forward looking statement. Forward looking statements include, but are not limited to: (i) plans with respect to the implementation of economic policy, including privatisations, and the pace of economic and legal reforms; (ii) expectations about the behaviour of the economy if certain economic policies are implemented; (iii) the outlook for inflation, exchange rates, interest rates, foreign investment, trade and fiscal accounts; and (iv) estimates of external debt repayment and debt service.

In addition to the factors described in this Listing Prospectus, including, but not limited to, those discussed under "*Risk Factors*", the following factors, among others, could cause future results to differ materially from those expressed in any forward looking statements made herein: (i) decisions of international organisations, such as the IMF, regarding the terms of their financial assistance to Ukraine and accordingly the net cashflow to or from such international organisations over the life of the Notes; (ii) adverse external factors, such as higher international interest rates, low commodity prices or recession or low growth in Ukraine's trading partners or increases in world oil and gas prices, which could each decrease Ukraine's fiscal and foreign exchange revenues and could negatively affect the current account, balance of payments and international reserves and cause or contribute to recession or low growth in Ukraine; (iii) adverse domestic factors, such as recession, decreases in foreign direct investment ("**FDI**") and portfolio investment, high domestic inflation, high domestic interest rates, exchange rate volatility, a reduction in gas supplies, difficulties in borrowing in the domestic and foreign markets, trade and political disputes between Ukraine and its trading partners, including Russia, political uncertainty or lack of political consensus, which could each lead to lower growth in Ukraine and lower international currency reserves; (iv) decisions of Ukraine's official creditors, including the European Union ("**EU**"), Germany, the United States and Japan, regarding the provision of new loans following the implementation of the Paris Club debt rescheduling agreed in July 2001; (v) decisions of international financial institutions such as the IMF, the World Bank, the European Bank for Reconstruction and Development (the "**EBRD**") and the European Investment Bank (the "**EIB**") regarding the funding of new or existing projects over the life of the Notes; (vi) political factors in Ukraine, which affect the timing and structure of economic reforms, the climate for FDI and the pace, scale and timing of privatisations; and (vii) the unpredictable outcome of the current crises in Crimea and Eastern Ukraine, which may affect the future economic, political and international policies of the Government and could lead to a period of heightened political and economic instability in Ukraine.

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SUMMARY IN RELATION TO THE FURTHER NOTES AND FURTHER GDP-LINKED SECURITIES

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type covering the Further Notes, Further GDP-linked Securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the nature of the Further Notes, Further GDP-linked Securities and the Issuer, it is possible that no relevant information can be given regarding that particular Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”. Words and expressions defined in the Terms and Conditions of the Further Notes set out in this Listing Prospectus and the Terms and Conditions of Further GDP-linked Securities set out in this Listing Prospectus have the same meanings in this Summary in relation to the Further Notes and Further GDP-linked Securities.

Section A – Introduction and warnings		
Element	Disclosure Requirement	Disclosure
A.1	Warning	<p>Warning:</p> <p>This summary should be read as an introduction to this Listing Prospectus. Any decision to invest in the Further Notes and Further GDP-linked Securities should be based on consideration of this Listing Prospectus as a whole by the investor. Where a claim relating to the information contained in this Listing Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area, have to bear the costs of translating this Listing Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Listing Prospectus or it does not provide, when read together with the other parts of this Listing Prospectus, key information in order to aid investors when considering whether to invest in such Further Notes or Further GDP-linked Securities.</p>
A.2	Consent	Not Applicable. No resale or final placement of Further Notes or Further GDP-linked Securities by financial intermediaries.
Section B – Issuer and any guarantor		
Element	Disclosure Requirement	Disclosure
B.17	Credit ratings	<p>As at the date of this Listing Prospectus, the foreign currency long term debt of Ukraine is rated B- by Standard & Poor’s Credit Market Services Europe Limited (“Standard & Poor’s”), Caa3 by Moody's Investors Service, Inc. (“Moody’s”), and CCC by Fitch Ratings Ltd. (“Fitch”).</p> <p>The Securities have been rated CCC by Fitch.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
B.47	A description	Ukraine, represented by the Minister of Finance of Ukraine acting upon

	<p>of the Issuer, including:</p> <ul style="list-style-type: none"> • The legal name of the Issuer and a description of the issuer's position within the national government framework. • The legal form of the Issuer. • Any recent events relevant to the evaluation of the issuer's solvency. • A description of the Issuer's economy including its structure with details of its main sectors. 	<p>instructions of the Cabinet of Ministers.</p> <p>Ukraine is a sovereign state. The Constitution of Ukraine was adopted by Parliament on 28 June 1996.</p> <p><u>Recent events relevant to the evaluation of the Issuer's solvency:</u></p> <p>Since the Euro-Maidan Revolution in February 2014 which led to the removal from power of former President Yanukovich, a number of significant geopolitical events and economic developments have occurred which together have severely impaired the Ukrainian economy and resulted in Ukraine's external debt burden becoming unsustainable. These developments include the de facto annexation of Crimea by Russia in March 2014 and the temporary loss of effective central government control over certain areas of Eastern Ukraine due to continuing terrorist operations by Russian-backed separatist militias supported by Russian armed forces. As a result, the Ukrainian economy has been deprived of significant sources of productive economic capacity and tax revenue at a time when it has had to increase expenditure to cater for, among other things, the needs of large numbers of internally displaced persons and national defence against continuing Russian-sponsored military aggression on Ukrainian territory.</p> <p>As a result, Ukraine's industrial production fell by over 10 per cent. in 2014 and by 13.4 per cent. in 2015 compared to 2014. In 2014, Ukraine's GDP declined by 6.8 per cent. and in 2015 Ukraine's GDP declined by a further 9.9 per cent.</p> <p>Economic contraction has been accompanied by a decline in foreign exchange reserves and a sharp depreciation of the hryvnia, so compounding the difficulty Ukraine has in meeting its obligations under primarily U.S.\$-denominated external debt. As at 31 December 2013, immediately prior to the Euro-Maidan Revolution, the NBU official UAH/U.S.\$ exchange rate was pegged at UAH 7.9930 to one U.S.\$\$. In February 2014 the NBU allowed the exchange rate to float, and as at 31 December 2014, the NBU official UAH/U.S.\$ exchange rate was UAH 15.7686 to one U.S.\$\$. As at 31 December 2015, the NBU official UAH/U.S.\$ exchange rate was UAH 24.0006 to one U.S.\$\$.</p> <p>In response to the economic difficulties faced by Ukraine, on 11 March 2015, the IMF agreed on the 2015 EFF, being a four-year U.S.\$17.5 billion extended fund facility programme. The first disbursement of approximately U.S.\$5 billion was made in March 2015 and the second disbursement of approximately U.S.\$1.7 billion was made in August 2015.</p> <p>On 4 April 2015, the Cabinet of Ministers passed a resolution permitting the restructuring of certain state and state guaranteed debt obligations of Ukraine, including the Sovereign Securities and the Guaranteed Securities, in order to meet its financing obligations under the 2015 EFF.</p> <p>Commencing in April 2015 the Ministry of Finance engaged in negotiations with an ad hoc committee of creditors (the "AHC") made up of some of the largest holders of its outstanding notes and on 27 August 2015, it was announced that the Government reached an agreement in principle with the AHC on restructuring Ukraine's Eurobonds and state-guaranteed Eurobonds of the State Enterprise "Financing of Infrastructural Projects" (FinInPro) ("FinInPro"). This agreement in principle provided, inter alia, for a 20 per cent. nominal haircut, a change in coupon to 7.75 per cent. per annum, a change of the maturities of the notes to fall in the period of 2019-2027, and introduction of GDP-linked securities providing potential value recovery to holders from 2021 to 2040 conditional on real-GDP growth reaching certain thresholds. The Notes and GDP-linked Securities issued as a result of this restructuring were issued together as a package as the consideration for the exchange of Ukraine's existing Eurobonds and state-guaranteed Eurobonds of FinInPro. The notional amount of the GDP-linked</p>
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	<p>Securities delivered to participating holders in the restructuring corresponded to the nominal haircut on the Notes delivered to such holders. Certain terms and conditions of the Further Notes and Further GDP-linked Securities are cross-conditional and certain events or actions under the GDP-linked Securities constitute an event of default under the Notes. See Condition 8(i) (Events of Default) of the Terms and Conditions of the Further Notes set out in this Listing Prospectus.</p> <p>On 12 November 2015, the Ministry of Finance of Ukraine announced the settlement of Ukraine’s debt restructuring operation in respect of thirteen series of Ukraine’s Eurobonds and the state-guaranteed FinInPro Eurobonds. Following the passage of extraordinary resolutions for each of those series of Eurobonds at bondholder meetings held on 14 October 2015, the holders of such Eurobonds who submitted valid and timely participation instructions received distributions of Notes and GDP-linked Securities on 12 November in accordance with the terms of the exchange offer. Only one series of eligible debt instruments did not participate in the exchange offer, being the U.S.\$3 billion 5 per cent. notes due 20 December 2015 (the “December 2015 Notes”). In November 2015, the Ministry of Finance of Ukraine stated that the Government of Ukraine remained open to finding a solution with the holders of the aforesaid December 2015 Notes. On 18 December 2015, the Cabinet of Ministers announced the imposition of a moratorium on the payments under the December 2015 Notes until a solution on restructuring is found. The moratorium also applies to certain state-guarantees loans.</p> <p>A number of further debt operations have been or will be conducted in order to meet the 2015 EFF’s three financing targets. On the instructions of the Ukrainian authorities, the external notes of Ukreximbank and Oschadbank (the two largest state-owned banks) were successfully reprofiled on 7 July 2015 and 3 August 2015. Further, on 22 December 2015 the City of Kyiv authorities announced the successful restructuring of its U.S.\$250 million 8 per cent. loan participation notes due 2015 and U.S.\$300 million 9.375 per cent. loan participation notes due 2016. On 14 March 2016, the Public Joint-Stock Company “Ukrainian Railways” successfully completed the exchange of its U.S.\$500 million 9.5 per cent. loan participation notes due 2018 for its new U.S.\$500 million 9.875 per cent. loan participation notes due 2021.</p> <p>The Original Notes and the Original GDP-linked Securities, issued on 12 November 2015, as well as certain other series of notes, were issued together as a package to holders of the Old Notes in consideration for the Sovereign Exchange, each participating holder of Old Notes received (i) Original Notes in an aggregate principal amount equal to 80 per cent. of the principal amount of such holder’s holding of Old Notes (plus accrued interest to 1 September 2015 on the Old Notes) and (ii) Original GDP-linked Securities representing 20 per cent. of the principal amount of such Old Notes. Accordingly the notional amount of the GDP-linked Securities delivered to each participating holder in the Sovereign Exchange corresponded to the amount of the haircut accepted by such holder on the original principal amount of its Old Notes, thereby replacing the holder’s principal claim on Ukraine under the Old Notes in such amount with potential value recovery linked to the GDP growth of Ukraine.</p> <p>The Further Series No. 1 Notes, the Further Series No. 2 Notes and December 2015 Further GDP-linked Securities, issued on 22 December 2015, were issued as a second stage of the Debt Operation as a package in exchange for the then outstanding loan participation notes (“LPNs”) of the City of Kyiv (the “City of Kyiv Exchange”). The City of Kyiv Exchange was carried out on a basis similar to the Exchange Terms, except that (i) participating holders of LPNs received Further Series No. 1 Notes and Further Series No. 2 Notes maturing in 2019 and 2020, respectively, in an aggregate principal amount equal to 75 per cent. of the principal amount of such holder’s holding of LPNs (plus accrued interest to 2 November 2015 on the LPNs) and (ii) December 2015 Further GDP-linked</p>
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		<p>Securities representing 25 per cent. of the principal amount of such LPNs.</p> <p>The First Additional Further Series No. 1 Notes and the First Additional Further GDP-linked Securities, issued on 12 February 2016, were issued as a third stage of the Debt Operation as a package in exchange for the termination of certain state-guaranteed loans extended by Sberbank of Russia (“Sberbank”) to state-owned entities (Ukravtodor and Yuzhnoye) (the “Sberbank Exchange”). The Sberbank Exchange was also carried out on a basis similar to the Exchange Terms, except that Sberbank received (i) the First Additional Further Series No. 1 maturing in 2019 in an aggregate principal amount equal to 75 per cent. of the principal amount of the relevant guaranteed loans (plus accrued interest to 12 February 2016 on the guaranteed loans) and (ii) the First Additional Further GDP-linked Securities representing 25 per cent. of the principal amount of such guaranteed loans.</p> <p>The Second Additional Further Series No. 1 Notes and Second Additional Further GDP-linked Securities, issued on 25 February 2016, were issued as a fourth stage of the Debt Operation. The Second Additional Further Series No. 1 Notes and the Second Additional Further GDP-linked Securities were issued together as a package in exchange for the termination of a state guaranteed syndicated loan (the “Syndicated Ukravtodor Loan”) between Ukravtodor, in its capacity as borrower, and Citibank N.A. London and Sberbank, as lenders (the “Lenders”) (the “Syndicated Exchange”). The Syndicated Exchange was carried out on similar terms to the previous stages of the Debt Operation (except that the Lenders received (i) the Second Additional Further Series No. 1 Notes in an aggregate principal amount equal to 75 per cent. of the principal amount of their respective holdings of the Syndicated Ukravtodor Loan (plus accrued interest to 25 February 2016 thereon) and (ii) the Second Additional Further GDP-linked Securities representing 25 per cent. of the principal amount of their respective holdings of the Syndicated Ukravtodor Loan).</p> <p>The Further Notes (other than the Fourth Additional Further Series No. 1 Notes) and Further GDP-linked Securities (other than the Fourth Additional Further GDP-linked Securities) have been issued together as a package to holders of the Old Notes in consideration for the exchange of their holdings of Old Notes. According to the Exchange Terms, (a) each Non-Participating Holder who has submitted an eligible delivery certificate has received (i) Further Notes (other than the Fourth Additional Further Series No. 1 Notes) in an aggregate principal amount equal to 80 per cent. of the principal amount of such holder’s holding of Old Notes (plus accrued interest to 1 September 2015 on the Old Notes) and (ii) Further GDP-linked Securities (other than the Fourth Additional Further GDP-linked Securities) representing 20 per cent. of the principal amount of such Old Notes (together, the “Consideration”), and (b) each Non-Participating Holder who has not submitted an eligible delivery certificate has had the Consideration for the exchange of their Old Notes delivered to the account of the Settlement and Tabulation Agent to be sold in the market and will receive the net proceeds of such sale once available. Accordingly the notional amount of the GDP-linked Securities delivered to each Non-Participating Holder in the Sovereign Exchange (or to the Settlement and Tabulation Agent on their behalf) corresponded to the amount of the haircut accepted by such holder on the original principal amount of its Old Notes, thereby replacing the holder’s principal claim on Ukraine under the Old Notes in such amount with potential value recovery linked to the GDP growth of Ukraine.</p> <p>The Fourth Additional Further Series No. 1 Notes and the Fourth Additional Further GDP-linked Securities were issued as a fifth stage of the Debt Operation as part of the VTB Exchange. The VTB Exchange was also carried out on a basis similar to the Exchange Terms, except that VTB received (i) the Fourth Additional Further Series No. 1 Notes maturing in 2019 in an aggregate principal amount equal to 75 per cent. of the principal amount of the VTB/Ukravtodor Facility (plus</p>
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		<p>accrued interest to and including 29 February 2016) and (ii) Fourth Additional Further GDP-linked Securities representing 25 per cent. of the principal amount of the VTB/Ukravtodor Facility.</p> <p>Following the issuance thereof, Further Notes and Further GDP-linked Securities trade separately. However, there are contractual connections between Further Notes and Further GDP-linked Securities, including through the default provisions in Further Notes and the put option in Further GDP-linked Securities.</p> <p><u>Description of economy:</u></p> <p>Ukraine is a country at war. Substantial parts of its territory have effectively been either annexed or are under de facto control of Russian-backed separatist militias. The annexation of Crimea has led to substantial losses due to illegal confiscation of property of more than 4,000 enterprises. An important industrial region in Eastern Ukraine has been devastated by the conflict, along with the industrial and social infrastructure therein resulting in industrial output declining 34.7 per cent. in Donetsk and 66.0 per cent. in Luhansk Oblast regions in 2015, as compared to 2014. The conflict also led to decline in GDP caused by disruption of business in the conflict areas, deterioration of relations with Russia, a reduction of foreign direct investment and disruption of privatisation programme. The crisis has exacerbated the negative economic trends experience by Ukraine in recent years. In 2014, Ukraine's GDP declined by 6.8 per cent. and in 2015 Ukraine's GDP declined by a further 9.9 per cent. This, along with the associated loss of tax revenue and the increased military and social welfare expenditure, has had, and continues to have, a very significant detrimental effect on the Ukrainian economy and financial position as a whole.</p> <p>The main sectors of Ukraine's economy include:</p> <p>Industry – industrial sector is mainly composed of: extraction; food, beverages and tobacco; coke and oil refining; chemicals; metallurgy; machinery manufacture and conditioned air production. In 2015, industry accounted for approximately 20.1 per cent. of Ukraine's nominal GDP, as compared to 20.5 per cent. in 2014.</p> <p>Mining - Ukraine possesses a large mineral reserve base, with approximately 8,000 deposits of 80 different minerals. It has more than 70 per cent. of the CIS countries' reserves of manganese ores, 60 per cent. of kaolins, approximately 30 per cent. of iron ore deposits, 25 per cent. of cooking salt and 15 per cent. of coal deposits. Ukraine is the world's fifth largest producer of iron ore and has the second largest reserve of manganese after South Africa. In 2013, extractive industry accounted for approximately 5.7 per cent. of Ukraine's nominal GDP, as compared to 5.9 per cent. in 2012. In 2014, extractive industry accounted for approximately 5.1 per cent. of Ukraine's nominal GDP and approximately 5.7 per cent. in the second quarter of 2015.</p> <p>Agriculture, forestry and fishery - In 2013, agriculture, forestry and fishery accounted for 8.7 per cent. of Ukraine's nominal GDP, as compared to 7.8 per cent. in 2012. In 2014, agriculture, forestry and fishery accounted for 10.2 per cent. of Ukraine's nominal GDP. Agriculture, forestry and fishery accounted for 11.9 per cent. of Ukraine's nominal GDP in 2015.</p> <p>Fuel and energy - Ukraine imports a significant portion of its primary energy needs, mainly in the form of natural gas and crude oil from Russia and certain other CIS countries. In 2013, 28.0 billion cubic metres of natural gas were imported, compared to 32.9 billion cubic metres in 2012. In 2014, 19.5 billion cubic metres of natural gas were imported. In the eleven months ended 30 November 2015, 16.5 billion cubic metres of natural gas were imported.</p> <p>Oil and Gas Transit - Ukraine has well developed pipelines to transport gas and</p>
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		<p>oil from the CIS to Western Europe. In 2014, 62.2 billion cubic metres of gas were transported via Ukraine, as compared to 86.1 billion cubic metres in 2013. In 2015, 67.1 billion cubic metres of gas were transported via Ukraine.</p> <p>Electricity Generation and Nuclear Power - In 2014, the total electricity generating capacity of Ukraine was approximately 55.8 million kW. Production in 2013, 2014 and 2015 was recorded at 194.4 billion kWh, 182.8 billion kWh, 163.3 billion, respectively, of which 83.2 billion kWh, 88.4 billion kwh and 87.6 billion kWh, respectively, was provided by nuclear energy. Ukraine currently operates 15 nuclear energy reactors located at four nuclear power stations.</p> <p>Construction – In 2015, construction accounted for 2.3 per cent. of Ukraine’s nominal GDP, as compared to 2.3 per cent. in 2014 and 2.5 per cent. in 2013.</p> <p>Transport and Communication - The transport infrastructure of Ukraine includes a wide network of roads and railways which requires significant investment.</p>																																												
<p>B.48</p>	<p>A description/ the key facts of public finance and trade information for the two fiscal years prior to the date of the prospectus. With a description of any significant changes to that information since the end of the last fiscal year.</p>	<p><i>Public finance information</i></p> <p>The following table sets out the actual revenues, expenditure, lending, deficit/surplus, and deficit/surplus as a percentage of GDP as calculated by the Ministry of Finance for the Consolidated and State Budgets for the years ended 31 December 2014 and 2015:</p> <table border="1" data-bbox="523 936 1284 1355"> <thead> <tr> <th rowspan="2"></th> <th colspan="2" style="text-align: center;">Year ended 31 December</th> </tr> <tr> <th style="text-align: center;">2014⁽²⁾</th> <th style="text-align: center;">2015⁽³⁾</th> </tr> </thead> <tbody> <tr> <td>GDP</td> <td style="text-align: right;">1,586,915.0⁽¹⁾</td> <td style="text-align: right;">1,979,458.0⁽¹⁾</td> </tr> <tr> <td>Consolidated Budget</td> <td></td> <td></td> </tr> <tr> <td>Revenues</td> <td style="text-align: right;">456,067.3</td> <td style="text-align: right;">652,031.0</td> </tr> <tr> <td>Expenditure</td> <td style="text-align: right;">523,125.7</td> <td style="text-align: right;">679,871.4</td> </tr> <tr> <td>Lending</td> <td style="text-align: right;">4,972.1</td> <td style="text-align: right;">3,057.8</td> </tr> <tr> <td>Surplus (Deficit).....</td> <td style="text-align: right;">(72,030.5)</td> <td style="text-align: right;">(30,898.2)</td> </tr> <tr> <td>Surplus (Deficit)(% of GDP)</td> <td style="text-align: right;">(4.5)</td> <td style="text-align: right;">(1.6)</td> </tr> <tr> <td>State Budget</td> <td></td> <td></td> </tr> <tr> <td>Revenues</td> <td style="text-align: right;">357,084.2</td> <td style="text-align: right;">534,694.8</td> </tr> <tr> <td>Expenditure</td> <td style="text-align: right;">430,217.8</td> <td style="text-align: right;">576,911.4</td> </tr> <tr> <td>Lending</td> <td style="text-align: right;">4,919.3</td> <td style="text-align: right;">2,950.9</td> </tr> <tr> <td>Surplus (Deficit).....</td> <td style="text-align: right;">(78,052.8)</td> <td style="text-align: right;">(45,167.5)</td> </tr> <tr> <td>Surplus (Deficit)(% of GDP)</td> <td style="text-align: right;">(4.9)</td> <td style="text-align: right;">(2.3)</td> </tr> </tbody> </table> <p><i>Source:</i> Ministry of Finance</p> <p>Notes:</p> <ol style="list-style-type: none"> (1) GDP for 2014 was calculated according to the System of National Accounts (2008) and does not include data of temporarily occupied territory of the Crimea and the City of Sevastopol. GDP for 2015 does not include data of temporarily occupied territory of the Crimea, the City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine. (2) The data on performance of the State and Consolidated budgets for 2014 includes data of the temporarily occupied territory of Crimea and the City of Sevastopol, which was recorded in the reports for January to March 2014. (3) The data on performance of the State and Consolidated budgets for 2015 does not include data of the temporarily occupied territory of Crimea, the City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine. <p><i>Trade information</i></p> <p>In 2014, the trade deficit of goods and services was U.S.\$4.6 billion, as compared to the U.S.\$15.6 billion trade balance deficit in 2013. This decrease was due to a decrease in external demand, which, in turn, led to a reduction in the exports of goods and services by 19.9 per cent., as compared to 2013, the devaluation of the hryvnia and reduced economic activity that caused a decrease in the imports of goods and services by 28.1 per cent.</p> <p>The exports of goods and services in 2014 amounted to U.S.\$65.4 billion,</p>		Year ended 31 December		2014⁽²⁾	2015⁽³⁾	GDP	1,586,915.0 ⁽¹⁾	1,979,458.0 ⁽¹⁾	Consolidated Budget			Revenues	456,067.3	652,031.0	Expenditure	523,125.7	679,871.4	Lending	4,972.1	3,057.8	Surplus (Deficit).....	(72,030.5)	(30,898.2)	Surplus (Deficit)(% of GDP)	(4.5)	(1.6)	State Budget			Revenues	357,084.2	534,694.8	Expenditure	430,217.8	576,911.4	Lending	4,919.3	2,950.9	Surplus (Deficit).....	(78,052.8)	(45,167.5)	Surplus (Deficit)(% of GDP)	(4.9)	(2.3)
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		<p>representing a 19.9 per cent. decrease as compared to 2013. This decrease was due to weak external demand and the deterioration of relations with Russia. Exports of chemical products decreased by 26.4 per cent. due to reduced supply of inorganic chemicals (a 33.8 per cent. reduction) and fertilizers (a 40.7 per cent. reduction). Exports of engineering products decreased by 36.4 per cent. mainly due to reduced supply of the railway transport (a 69.7 per cent. reduction) to Russia. Exports of metallurgical products decreased by 11.0 per cent. due to lower supplies to CIS countries of pipes and other ferrous metal products.</p> <p>In 2014, exports of agricultural products decreased by 2.2 per cent.</p> <p>In 2014, import of goods and services decreased to U.S.\$70.0 billion, representing a 28.1 per cent. decrease as compared to 2013. Non-energy imports decreased by 29.0 per cent. due to lower domestic demand for mechanical engineering (a 40.9 per cent. decrease), chemical products (a 20.9 per cent. decrease) and agricultural products (an 26.4 per cent. decrease). Energy imports decreased by 28.6 per cent. due to a decrease in natural gas prices.</p> <p>In 2015, trade deficit of goods and services decreased to U.S.\$1.7 billion as compared to U.S.\$4.6 billion in 2014. The low domestic demand and devaluation of hryvnia caused a decline in the imports of goods and services against export (29.3 per cent. and 26.9 per cent., respectively).</p> <p>In 2015, exports of goods and services decreased to U.S.\$47.8 billion or by 26.9 per cent. as compared to 2014. The deterioration of the external economic environment and trade relations with Russia and the armed conflict in Eastern Ukraine were the main factors causing the negative dynamics in exports in 2015. Exports of metallurgy decreased to U.S.\$9.2 billion or by 38.7 per cent. and engineering products decreased to U.S.\$3.3 billion or by 38.5 per cent. as compared to in 2014. In 2015, exports of food products declined at a slower rate, by 13.1 per cent. as compared to 2014, due to the high yield of crops and unilateral removal of import duties by the EU, therefore the share of agricultural products in exports increased by 40.9 per cent. in 2015.</p> <p>In 2015, the imports of goods and services decreased to U.S.\$49.5 billion or by 29.3 per cent. as compared to U.S.\$70.0 billion in 2014. The low domestic investment and consumer demand caused a rapid decrease in all commodity groups. In 2015, imports of metallurgy products declined to U.S.\$7.5 billion or by 30.0 per cent. as compared to 2014, exports of mineral products declined to U.S.\$11.2 billion or by 26.7 per cent. in the same period. A main feature of 2015 was the diversification of natural gas supplies, as a result, the share of gas imports from Russia decreased to 37.2 per cent. (as compared to 68.9 per cent. in 2014). The reduced imports of chemical products (by 26.9 per cent. or to U.S.\$7.5 billion), including pharmaceutical products (by 44.7 per cent. or to U.S.\$1.4 billion) and food products (by 43.4 per cent. or to U.S.\$3.4 billion) may indicate the beginning of the import substitution process.</p> <p>Since 31 December 2015, there has been no significant change in the Issuer's (a) tax and budgetary systems, (b) gross public debt or the maturity structure or currency of its outstanding debt and debt payment record, (c) foreign trade and balance of payment figures, (d) foreign exchange reserves including any potential encumbrances to such foreign exchange reserves as forward contracts or derivatives, (e) financial position and resources including liquid deposits available in domestic currency and (f) income and expenditure figures.</p>
Section C – Securities		
Element	Disclosure Requirement	Disclosure
C.1	Type and	Further Notes

	<p>class of the Securities and ISIN number</p>	<p>The issuance of the Further Notes has been duly authorised by Ukraine pursuant to Resolution of the Cabinet of Ministers No. 912 dated 11 November 2015 (as amended by Resolution of the Cabinet of Ministers No. 1040 dated 18 December 2015) “On Settlement of Transactions in 2015 with Sovereign and Sovereign Guaranteed Debt for Purposes of Its Restructuring and Partial Write-off”, by Resolution of the Cabinet of Ministers No. 60 dated 11 February 2016 “On Carrying Out Transactions with State Guaranteed Debt”, by Resolution of the Cabinet of Ministers No. 101 dated 24 February 2016 “On Carrying Out Transactions with State Guaranteed Debt”, by Resolution of the Cabinet of Ministers No. 309 dated 27 April 2016 “On Carrying Out Additional Issue and Placement of 2015 Notes and GDP-Linked Securities of Ukraine” and by Resolution of the Cabinet of Ministers No. 310 dated 27 April 2016 “On Carrying Out Transactions with State Guaranteed Debt”.</p> <p>The Original Notes were issued by Ukraine pursuant to and constituted by a trust deed between Ukraine and the Notes Trustee dated 12 November 2015, in respect of the Original Notes:</p> <ul style="list-style-type: none"> - U.S.\$1,154,939,000 7.75 per cent. Notes due 2019 - U.S.\$1,530,997,000 7.75 per cent. Notes due 2020 - U.S.\$1,377,761,000 7.75 per cent. Notes due 2021 - U.S.\$1,354,820,000 7.75 per cent. Notes due 2022 - U.S.\$1,330,114,000 7.75 per cent. Notes due 2023 - U.S.\$1,315,072,000 7.75 per cent. Notes due 2024 - U.S.\$1,306,032,000 7.75 per cent. Notes due 2025 - U.S.\$1,295,404,000 7.75 per cent. Notes due 2026 - U.S.\$1,286,228,000 7.75 per cent. Notes due 2027 <p>The Further Series No. 1 Notes and the Further Series No. 2 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 22 December 2015 (as amended and restated on 25 February 2016), in respect of the Further Series No. 1 Notes and the Further Series No. 2:</p> <ul style="list-style-type: none"> - U.S.\$175,533,000 7.75 per cent. Notes due 2019 - U.S.\$175,533,000 7.75 per cent. Notes due 2020 <p>On 1 March 2016, the Further Series No. 1 Notes and the Further Series No. 2 Notes were consolidated and, from that date, form a single series with the Original Series No. 1 Notes and the Original Series No. 2 Notes (as applicable).</p> <p>The First Additional Further Series No. 1 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 12 February 2016, in respect of the First Additional Further Series No. 1 Notes:</p> <ul style="list-style-type: none"> - U.S.\$284,152,000 7.75 per cent. Notes due 2019 <p>On 1 March 2016, the First Additional Further Series No. 1 Notes were consolidated and, from that date, form a single series with the Original Series No. 1 Notes.</p> <p>The Second Additional Further Series No. 1 Notes were issued by Ukraine and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 25 February 2016:</p> <ul style="list-style-type: none"> - U.S.\$31,617,000 7.75 per cent. Notes due 2019 <p>On 1 March 2016, the Second Additional Further Series No. 1 Notes were</p>
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		<p>consolidated and, from that date, form a single series with the Existing Series No. 1 Notes.</p> <p><u>Further Notes</u></p> <p>The Third Additional Further Series No. 1 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 28 April 2016, in respect of the Further Notes (other than the Fourth Additional Further Series No. 1 Notes):</p> <ul style="list-style-type: none"> - U.S.\$ 97,467,000 7.75 per cent. Notes due 2019 <p>The Third Additional Further Series No. 1 Notes will be consolidated and form a single series with the Existing Series No. 1 Notes on 12 May 2016.</p> <p>The Fourth Additional Further Series No. 1 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 28 April 2016, in respect of the Fourth Additional Further Series No. 1 Notes:</p> <ul style="list-style-type: none"> - U.S.\$78,535,000 7.75 per cent. Notes due 2019 <p>The Fourth Additional Further Series No. 1 Notes, issued on the Issue Date, were consolidated upon issue and, from the Issue Date, form a single series with the Existing Series No. 1 Notes.</p> <p>The Additional Further Series No. 2 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 28 April 2016, in respect of the Further Notes:</p> <ul style="list-style-type: none"> - U.S.\$73,307,000 7.75 per cent. Notes due 2020 <p>The Additional Further Series No. 2 Notes will be consolidated and form a single series with the Existing Series No. 2 Notes on 12 May 2016.</p> <p>The Further Series No. 3 Notes, the Further Series No. 4 Notes, the Further Series No. 5 Notes, the Further Series No. 6 Notes, the Further Series No. 7 Notes, the Further Series No. 8 Notes and the Further Series No. 9 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 28 April 2016, in respect of the Further Notes:</p> <ul style="list-style-type: none"> - U.S.\$31,521,000 7.75 per cent. Notes due 2021 - U.S.\$28,872,000 7.75 per cent. Notes due 2022 - U.S.\$25,117,000 7.75 per cent. Notes due 2023 - U.S.\$23,985,000 7.75 per cent. Notes due 2024 - U.S.\$22,855,000 7.75 per cent. Notes due 2025 - U.S.\$22,536,000 7.75 per cent. Notes due 2026 - U.S.\$20,933,000 7.75 per cent. Notes due 2027 <p>The Further Series No. 3 Notes, the Further Series No. 4 Notes, the Further Series No. 5 Notes, the Further Series No. 6 Notes, the Further Series No. 7 Notes, the Further Series No. 8 Notes and the Further Series No. 9 Notes will be consolidated and form a single series with the Original Series No. 3 Notes, the Original Series No. 4 Notes, the Original Series No. 5 Notes, the Original Series No. 6 Notes, the Original Series No. 7 Notes, the Original Series No. 8 Notes and the Original Series No. 9 Notes, respectively, on 12 May 2016.</p> <p>Each of the series of Notes will mature on the respective date indicated below and will be redeemed at par on that date:</p> <ul style="list-style-type: none"> - the Series No. 1 Notes - 1 September 2019;
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- the Series No. 2 Notes - 1 September 2020;
- the Series No. 3 Notes - 1 September 2021;
- the Series No. 4 Notes - 1 September 2022;
- the Series No. 5 Notes - 1 September 2023;
- the Series No. 6 Notes - 1 September 2024;
- the Series No. 7 Notes - 1 September 2025;
- the Series No. 8 Notes - 1 September 2026; and
- the Series No. 9 Notes - 1 September 2027.

The table below sets out the ISIN, Common Code, US ISIN and CUSIP information with respect to the Existing Notes:

Series	ISIN	Common Code	US ISIN	CUSIP
U.S.\$1,646,241,000 7.75 per cent. Notes due 2019	XS1303918269	130391826	US903724AV45	903724AV4
U.S.\$1,706,530,000 7.75 per cent. Notes due 2020	XS1303918939	130391893	US903724AM46	903724AM4
U.S.\$1,377,761,000 7.75 per cent. Notes due 2021	XS1303920083	130392008	US903724AN29	903724AN2
U.S.\$1,354,820,000 7.75 per cent. Notes due 2022	XS1303921214	130392121	US903724AP76	903724AP7
U.S.\$1,330,114,000 7.75 per cent. Notes due 2023	XS1303921487	130392148	US903724AQ59	903724AQ5
U.S.\$1,315,072,000 7.75 per cent. Notes due 2024	XS1303925041	130392504	US903724AR33	903724AR3
U.S.\$1,306,032,000 7.75 per cent. Notes due 2025	XS1303925470	130392547	US903724AS16	903724AS1
U.S.\$1,295,404,000 7.75 per cent. Notes due 2026	XS1303926528	130392652	US903724AT98	903724AT9
U.S.\$1,286,228,000 7.75 per cent. Notes due 2027	XS1303927179	130392717	US903724AU61	903724AU6

The table below sets out the Temporary ISIN, Temporary Common Code, Temporary US ISIN and Temporary CUSIP information with respect to the Further Notes (other than the Fourth Additional Further Series No. 1 Notes, which were consolidated upon issue and, from the Issue Date, form a single series with the Existing Series No. 1 Notes):

Series	ISIN	Common Code	US ISIN	CUSIP
U.S.\$97,467,000 7.75 per cent. Notes due 2019	XS1398336518	139833651	US903724BA98	903724BA9
U.S.\$73,307,000 7.75 per cent. Notes due 2020	XS1398336781	139833678	US903724BB71	903724BB7
U.S.\$31,521,000 7.75 per cent. Notes due 2021	XS1398336948	139833694	US903724BC54	903724BC5
U.S.\$28,872,000 7.75 per cent. Notes due 2022	XS1398337243	139833724	US903724BD38	903724BD3
U.S.\$25,117,000 7.75 per cent. Notes due 2023	XS1398337326	139833732	US903724BE11	903724BE1
U.S.\$23,985,000 7.75 per cent. Notes due 2024	XS1398337599	139833759	US903724BF85	903724BF8
U.S.\$22,855,000	XS1398338308	139833830	US903724BG68	903724BG6

7.75 per cent. Notes due 2025				
U.S.\$22,536,000 7.75 per cent. Notes due 2026	XS1398337839	139833783	US903724BH42	903724BH4
U.S.\$20,933,000 7.75 per cent. Notes due 2027	XS1398338217	139833821	US903724BJ08	903724BJ0

The GDP-linked Securities

The issuance of Further GDP-linked Securities has been duly authorised by Ukraine pursuant to Resolution of the Cabinet of Ministers No. 912 dated 11 November 2015 (as amended by Resolution of the Cabinet of Ministers No. 1040 dated 18 December 2015) “On Settlement of Transactions in 2015 with Sovereign and Sovereign Guaranteed Debt for Purposes of Its Restructuring and Partial Write-off”, by Resolution of the Cabinet of Ministers No. 60 dated 11 February 2016 “On Carrying Out Transactions with State Guaranteed Debt”, by Resolution of the Cabinet of Ministers No. 101 dated 24 February 2016 “On Carrying Out Transactions with State Guaranteed Debt”, by Resolution of the Cabinet of Ministers No. 309 dated 27 April 2016 “On Carrying Out Additional Issue and Placement of 2015 Notes and GDP-Linked Securities of Ukraine” and by Resolution of the Cabinet of Ministers No. 310 dated 27 April 2016 “On Carrying Out Transactions with State Guaranteed Debt”.

The GDP-linked Securities were issued by Ukraine pursuant to and constituted by a trust deed between Ukraine and the GDP-linked Securities Trustee dated 12 November 2015 in respect of the GDP-linked Securities with an initial aggregate Notional Amount of U.S.\$2,916,421,000, a supplemental trust deed between Ukraine and the GDP-linked Securities Trustee dated 22 December 2015 in respect of further GDP-linked Securities with an initial aggregate Notional Amount of U.S.\$111,394,000, a further supplemental trust deed between Ukraine and the GDP-linked Securities Trustee dated 12 February 2016 in respect of further GDP-linked Securities with an initial aggregate Notional Amount of U.S.\$91,857,000 and a further supplemental trust deed between Ukraine and the GDP-linked Securities Trustee dated 25 February 2016 in respect of further GDP-linked Securities with an initial aggregate Notional Amount of U.S.\$10,389,000 (together, the “Existing GDP-linked Securities”).

The Third Additional Further GDP-linked Securities were issued by Ukraine and constituted by the Fourth Supplemental GDP-linked Securities Trust Deed.

The Fourth Additional Further GDP-linked Securities were issued by Ukraine and constituted by the Fifth Supplemental GDP-linked Securities Trust Deed.

On the Issue Date, the Further GDP-linked Securities were consolidated upon issue and, from the Issue Date, form a single series, with the Existing GDP-linked Securities.

The GDP-linked Securities will expire on the Expiry Date which is defined as the Payment Date (as defined in the Terms and Conditions of the Further GDP-linked Securities) falling on 31 May 2040.

The table below sets out the ISIN, Common Code, US ISIN and CUSIP information with respect to the GDP-linked Securities:

ISIN	Common Code	US ISIN	CUSIP
XS1303929894	130392989	US903724AW28	903724AW2

C.2	Currency of the Further Notes and Further GDP-linked Securities	U.S. dollars
C.5	Restrictions on the free transferability of the Further Notes and Further GDP-linked Securities	<p>The Further Notes and Further GDP-linked Securities may only be transferred in compliance with the laws, guidelines, regulations, restrictions or reporting requirements which apply to the Further Notes and Further GDP-linked Securities from time to time and subject to the transfer restrictions contained in the legend appearing on the face of the relevant Restricted Global Certificate or Unrestricted Global Certificate as applicable.</p> <p>No beneficial interest in a Global Certificate representing the Further Notes may be transferred or exchanged for a beneficial interest in a Global Certificate representing the Further GDP-linked Securities. No beneficial interest in a Global Certificate representing the Further GDP-linked Securities may be transferred or exchanged for a beneficial interest in a Global Certificate representing the Further Notes.</p> <p>Further Notes and Further GDP-linked Securities were issued in the United States only to QIBs and to Accredited Investors and may only be resold in the United States to QIBs. Because of these restrictions, U.S. Persons holding Further Notes or Further GDP-linked Securities are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Further Notes or Further GDP-linked Securities, as applicable.</p>
C.8	The rights attached to the Further Notes and Further GDP-linked Securities, ranking and limitations of those rights	<p>Further Notes</p> <p>Further Notes are the direct, unconditional and subject to the provisions of Condition 3 (<i>Negative Pledge</i>) of the Terms and Conditions of the Further Notes, unsecured obligations of the Issuer and rank and will rank <i>pari passu</i> without any preference among themselves and the Issuer’s payment obligations under them rank <i>pari passu</i> in right of payment with all other unsecured External Indebtedness of the Issuer from time to time outstanding, provided that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Further Notes and vice versa.</p> <p>“External Indebtedness” means any indebtedness which is expressed, denominated or payable, or at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of Ukraine.</p> <p>Further GDP-linked Securities</p> <p>Further GDP-linked Securities are the direct, unconditional and subject to the provisions of Condition 3 (<i>Negative Pledge</i>) of the Terms and Conditions of Further GDP-linked Securities, unsecured obligations of the Issuer and rank and will rank <i>pari passu</i> without any preference among themselves and the Issuer’s payment obligations under them rank <i>pari passu</i> in right of payment with all other unsecured External Indebtedness and all other GDP-linked securities of the Issuer from time to time outstanding, provided that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness or GDP-linked securities and, in particular, shall have no obligation to pay other External Indebtedness (as defined in the terms and conditions of the Further GDP-linked Securities) or GDP-linked securities at the same time or as a condition of paying sums due on the Securities and vice versa.</p>
C.9	Interest,	Further Notes

	redemption and representation (in relation to the Further Notes)	<p>Each series of Further Notes (other than the Fourth Additional Further Series No. 1 Notes) bears interest from and including 1 September 2015 at the rate of 7.75 per cent. per annum, payable semi-annually in arrear on 1 March and 1 September in each year, provided that the first interest payment, for the period from and including 1 September 2015 to but excluding 1 March 2016 shall be payable on 12 May 2016.</p> <p>The Fourth Additional Further Series No. 1 Notes bear interest from and including 1 March 2016 at the rate of 7.75 per cent. per annum, payable semi-annually in arrear on 1 March and 1 September in each year, commencing on 1 September 2016.</p> <p>Each of the series of Notes will mature on the respective date indicated below and will be redeemed at par on that date:</p> <ul style="list-style-type: none"> - the Series No. 1 Notes - 1 September 2019; - the Series No. 2 Notes - 1 September 2020; - the Series No. 3 Notes - 1 September 2021; - the Series No. 4 Notes - 1 September 2022; - the Series No. 5 Notes - 1 September 2023; - the Series No. 6 Notes - 1 September 2024; - the Series No. 7 Notes - 1 September 2025; - the Series No. 8 Notes - 1 September 2026; and - the Series No. 9 Notes - 1 September 2027. <p>The representative of the Noteholders is BNY Mellon Corporate Trustee Services Limited acting as trustee on their behalf.</p>
C.10	Derivative component in the interest payment (in relation to the Further Notes)	Not applicable, the Further Notes do not have a derivative component and only pay fixed interest.
C.11	Listing and admission to trading	<p>Application has been made to the Irish Stock Exchange for the Further Notes and Further GDP-linked Securities to be admitted to the Official List and trading on the Market. It is expected that the admission will occur on or about 28 April 2016.</p> <p>The Original Notes, the Further Series No. 1 Notes, the Further Series No. 2 Notes, the First Additional Further Series No.1 Notes, the Original GDP-linked Securities, the December 2015 Further GDP-linked Securities and the First Additional Further GDP-linked Securities were admitted to the Official List and trading on the Market on 15 February 2016.</p> <p>The Second Additional Further Series No. 1 Notes and the Second Additional Further GDP-linked Securities were admitted to the Official List and trading on the Market on 26 February 2016.</p>
C.15	A description of how the value of the investment is affected by the value of the underlying instrument(s) (in relation to Further GDP-linked	<p>The Further GDP-linked Securities bear no interest and will expire on 31 May 2040. The amounts payable in respect of the Further GDP-linked Securities are contingent upon and determined by Ukraine's GDP and Real GDP Growth Rate exceeding certain thresholds between 2019 and 2038, inclusive, as more fully described in this Listing Prospectus and below. The Notional Amount of the Further GDP-linked Securities owned by a Holder will be used only to calculate payments to such Holder under the Terms and Conditions of the Further GDP-linked Securities. Holders of the Further GDP-linked Securities are not otherwise entitled to receive payment of the amount of, or interest based on, its Notional Amount.</p> <p>On 31 May in each year (commencing on 31 May 2021 and ending on 31 May</p>

	<p>Securities)</p>	<p>2040), Ukraine shall pay the Payment Amount for the relevant Reference Year (if any) in Dollars and the Holder of each Further GDP-linked Security shall be entitled to its proportionate share thereof, such share being the proportion which the Notional Amount of its Further GDP-linked Security bears to the aggregate Notional Amount of all GDP-linked Securities then outstanding and with the amount of any payment to a Holder being rounded to the nearest cent, with half a cent rounded upwards.</p> <p>“Payment Amount” for any Reference Year means the Specified Percentage of the Reference Amount for the Reference Year.</p> <p>“Specified Percentage” means the percentage obtained by dividing:</p> <ul style="list-style-type: none"> (i) the aggregate Notional Amount of GDP-linked Securities that have been issued pursuant to the Trust Deed; by (ii) the maximum aggregate Notional Amount of GDP-linked Securities permitted to be issued pursuant to the Trust Deed at the relevant time. <p>For the purpose of the definition of Specified Percentage (and for no other purpose):</p> <ul style="list-style-type: none"> (i) the “aggregate Notional Amount of GDP-linked Securities” that have been issued pursuant to the GDP-linked Securities Trust Deed shall be deemed to be the sum of the aggregate Notional Amount of GDP-linked Securities that have been issued under the GDP-linked Securities Trust Deed at the relevant time and, if not issued, the aggregate Notional Amount of GDP-linked Securities which, at that time, the Issuer has become bound to issue in exchange for the cancellation of any external debt obligations as provided under “GDP-linked Securities – Limitations on issuance of Further GDP-linked Securities” in Element C.1 above; and (ii) the maximum aggregate Notional Amount of GDP-linked Securities permitted to be issued pursuant to the GDP-linked Securities Trust Deed at the relevant time shall be deemed to be the sum of U.S.\$3,600,480,000 and the aggregate Notional Amount of any further GDP-linked Securities which, at that time, the Issuer has become bound to issue in exchange for the cancellation of any external debt obligations as provided in paragraph (ii) under “<i>GDP-linked Securities – Limitations on issuance of Further GDP-linked Securities</i>” in Element C.1 above. <p>“Reference Amount” means, for any Reference Year (referred to in the formulae below as “t” so that the preceding calendar year is “t-1”), an amount in Dollars (to be calculated by converting amounts denominated in Hryvnia to Dollars using the average Dollar/Hryvnia exchange rate for the 60 day period prior to the Calculation Date published by the NBU), equal:</p> <ul style="list-style-type: none"> (i) where the Real GDP Growth Rate in the relevant Reference Year is above 3% and not more than 4%, to: $15\% \times \text{GDP at Current Prices (for t-1)} \times (1 + \text{GDP Deflator for t}) \times (\text{Real GDP Growth Rate for t} - 3\%)$; or (ii) where the Real GDP Growth Rate in the relevant Reference Year is over 4%, to: $15\% \times \text{GDP at Current Prices (for t-1)} \times (1 + \text{GDP Deflator for t}) \times 1\% + 40\% \times \text{GDP at Current Prices (for t-1)} \times (1 + \text{GDP Deflator for t}) \times (\text{Real GDP Growth Rate for t} - 4\%)$ <p>provided that the Reference Amount for any Reference Year will be zero if either:</p> <ul style="list-style-type: none"> • the Real GDP Growth Rate in the relevant Reference Year is less than or equal to 3%; or • GDP at Current Prices in the relevant Reference Year is below the Hryvnia Equivalent of U.S.\$125.4 billion; and
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		further provided that in respect of the Reference Years from and including 2019 to and including 2023, the Reference Amount shall not in any event exceed 1 per cent. of GDP at Current Prices in the relevant Reference Year.
C.16	The expiration or maturity date of the Further GDP-linked Securities	The Further GDP-linked Securities will expire on 31 May 2040.
C.17	A description of the settlement procedure of the Further GDP-linked Securities	On 31 May in each year (commencing on 31 May 2021 and ending on 31 May 2040), Ukraine shall pay the Payment Amount for the relevant Reference Year (if any) in Dollars and the Holder of each Further GDP-linked Security shall be entitled to its proportionate share thereof, such share being the proportion which the Notional Amount of its Further GDP-linked Security bears to the aggregate Notional Amount of all Further GDP-linked Securities then outstanding and with the amount of any payment to a Holder being rounded to the nearest cent, with half a cent rounded upwards. See C.15 above for relevant definitions.
C.18	A description of how the return on the Further GDP-linked Securities takes place	<p>Payments of any amounts payable to Holders in respect of the Further GDP-linked Securities will be made by U.S. Dollar cheque drawn on a bank in New York City and mailed to the Holder by uninsured first class mail (airmail if overseas), at the address appearing in the Register at the opening of business on the relevant Record Date (being the 15th day before the due date for such payment) or, upon application by a Holder to the Specified Office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a U.S. Dollar account maintained by the payee with a bank in New York City.</p> <p>If at any time the Holder or the Trustee on behalf of such Holders has not received payment when due of any amount payable in respect of any Further GDP-linked Security, the Issuer will pay to the Trustee on demand interest on such amount, calculated on the basis of a year of 360 days and the actual number of days elapsed since payment was due, at a rate of 7.75 per cent. per annum until the full amount outstanding has been paid to the Holder or the Trustee or any Agent.</p> <p>(Definitions of the “Register”, “Holder”, “Agent”:</p> <p>The Registrar will maintain a register (the “Register”) in respect of the Securities, which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement. In these Conditions, the “Holder” of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof).</p> <p>References herein to the “Agents” are to the Registrar, the Paying Agents and the Transfer Agent and any reference to an “Agent” is to any one of them.)</p>
C.19	The exercise price or the final reference price of the underlying (in relation to the Further GDP-linked Securities)	<p>The Notional Amount of the Further GDP-linked Securities owned by a Holder will be used only to calculate the Payment Amounts to such Holder under the Terms and Conditions of the Further GDP-linked Securities, as described in C.15 above. Holders of the Further GDP-linked Securities are not otherwise entitled to receive payment of the amount of, or interest based on, its Notional Amount.</p> <p>If a Put Event occurs, the Issuer shall publish a Put Notice as soon as reasonably practicable and, in any event, within 30 Business Days of the relevant Put Event, failing which such Put Notice shall be deemed to have been published on the 90th Business Day following the relevant Put Event.</p> <p>Following the publication of a Put Notice (including any deemed publication), the Issuer shall, at the option of a Holder, upon the Holder giving notice to the Issuer as provided in this Condition at any time during the related Put Period, repurchase</p>

		<p>the Further GDP-linked Security held by such Holder on the relevant Put Date at a price equal to the Notional Amount of the Further GDP-linked Security.</p> <p>“Put Event” means either (i) a final and un-appealable judgment or award is rendered against Ukraine as a consequence of a breach at any time on or prior to the Expiry Date of any of the covenants set forth in Condition 6 (<i>Covenants</i>) of the Terms and Conditions of the Further GDP-linked Securities (except where such breach arises solely as a consequence of or in connection with a Moratorium occurring after the EFF Expiry Date) where Ukraine has failed to remedy the breach (or pay any monetary judgment or award related thereto in excess of \$50 million) within 60 days of the date of the judgment or award; or (ii) a Moratorium occurs prior to the EFF Expiry Date.</p> <p>“Put Notice” means a notice published pursuant to Condition 5.4 (Holder Put) in respect of the occurrence of a Put Event as provided in Condition 14 (<i>Notices</i>) of the Terms and Conditions of the Further GDP-linked Securities (including any deemed publication).</p> <p>“EFF Expiry Date” means 31 December 2018, being the expiry date under the Extended Fund Facility.</p>
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C.20	A description of the type of the underlying and where the information on the underlying can be found (In relation to Further GDP-linked Securities)	<p>Please refer to C.8 (<i>The rights attached to the Further GDP-linked Securities, ranking and limitations of those rights</i>) above.</p> <p>The information relating to Ukraine’s GDP at Current Prices, GDP at Constant Prices and Real GDP Growth Rate (as defined in the Terms and Conditions of the Further GDP-linked Securities) necessary for the calculation by the Ministry of Finance of the Reference Amount for each Reference Year (as defined in the Terms and Conditions of the Further GDP-linked Securities) in relation to the payments to the holders of Further GDP-linked Securities, which information will be prepared by Ukraine in accordance with the System of National Accounts 2008 or such other internationally accepted statistical methodology for preparation of national accounts, will be published in World Economic Outlook at: http://www.imf.org/external/pubs/ft/weo/2015/01/ or available at the website of the Ministry of Finance of Ukraine together with the data on the historical performance of Ukraine’s GDP (once available) at: http://www.minfin.gov.ua/en/.</p>
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Section D – Risks

Element	Disclosure Requirements	Disclosure
D.2	Key information on the key risks that are specific to the issuer	<p>The Risk Factors relating to Ukraine include:</p> <ul style="list-style-type: none"> • the ongoing crisis in Eastern Ukraine has had, and is likely to continue to have, negative humanitarian, economic and political consequences for Ukraine; • the occupation and purported annexation of Crimea has created significant political and economic uncertainty in Ukraine and put further strains on Ukraine’s relationship with the Russian Federation; • Ukraine’s economy is vulnerable to fluctuations in the global economy and is contracting; • Ukraine’s Government may be unable to sustain political consensus, which may result in political instability; • Ukraine’s economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the political stability of the country; • large-scale economic sanctions by the EU and the United States against

		<p>Russia over its actions in Ukraine and reciprocal sanctions by Russia against Ukraine, the EU and the United States may have a material adverse effect on Ukraine's economy;</p> <ul style="list-style-type: none"> • changes in relations with Western governments, the EU and multinational institutions may adversely affect the development of the Ukrainian economy; • the Government has declared a moratorium on state and state guaranteed debt owing to international commercial creditors the consequences of which are difficult to predict; • official statistics and other data published by Ukrainian State authorities may not be reliable; • inability to obtain financing from external sources (or obtaining them at a significant cost) could affect Ukraine's ability to meet financing expectations in its budget; • Ukraine has experienced liquidity difficulties in the past and continues to be subject to a significant liquidity risk, which may be exacerbated by Ukraine's higher debt service obligations and higher cost of funding over the next several years compared to the recent past; • IMF determination of status of the December 2015 Notes as official debt may affect future disbursements under the 2015 EFF; • the downgrades of Ukraine's sovereign credit rating may negatively affect the economy; • positive developments in the Ukrainian economy may not be achieved if certain important economic and financial structural reforms are not made; • the Ukrainian banking system is vulnerable to stress due to fragmentation, undercapitalisation and a potential increase in non-performing loans, all of which could have a material adverse effect on the Ukrainian economy; • the Ukrainian currency is subject to volatility and depreciation; • recent currency control restrictions may negatively impact Ukrainian entities; and • the Ukrainian tax system is undeveloped and subject to frequent change, which creates an uncertain environment for investment and business activity.
<p>D.3</p>	<p>Key information on the key risks that are specific to the Notes and GDP-linked Securities</p>	<p>The Risk Factors relating to the Notes include:</p> <ul style="list-style-type: none"> • The Notes contain collective action clauses under which the terms of any one Series of Notes and/or multiple Series of Notes may be amended, modified or waived without the consent of all the holders of the Notes of that Series or all the holders of any other Series of Notes being aggregated, as the case may be. <p>The Risk Factors relating to the GDP-linked Securities include:</p> <ul style="list-style-type: none"> • there will be no principal payments on the GDP-linked Securities, and all payments on the GDP-linked Securities will be linked to the performance of Ukraine's GDP; • certain circumstances may harm the market value of GDP-linked Securities; • the GDP-linked Securities contain collective action clauses under which the terms of any one Series of GDP-linked Securities and/or multiple Series of GDP-linked Securities may be amended, modified or waived without the consent of all the holders of the GDP-linked Securities of that Series or all the holders of any other Series of GDP-linked Securities being aggregated, as the case may be; <p>The Risk Factors relating to the Securities include:</p>

		<ul style="list-style-type: none"> • adverse change in an applicable credit rating of Ukraine’s debt (rating downgrades and selective default rating) could adversely affect the trading price for the Securities and have the potential to affect Ukraine’s cost of funds in the international capital markets and the liquidity of, and demand for, Ukraine’s debt securities generally; • the difficulty of obtaining or enforcing judgments against Ukraine by holders of the Securities; • the Securities have not nor will be registered under the Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transfer; • payments of income received by the holders of the Securities may be subject to withholding tax under the EU Savings Directive; • uncertainty as to the trading market for the Securities; • exchange rate fluctuations may adversely affect value of the Securities; and • changes in market interest rates may adversely affect value of the Securities.
D.6	In relation to GDP-linked Securities: “This must include a risk warning to the effect that investors may lose the value of their entire investment or part of it, as the case may be, and/or, if the investor’s liability is not limited to the value of his investment, a statement of that fact, together with a description of the circumstances in which such additional liability arises and the likely financial effect.”	<p>See D.3 above in relation to the Risk Factors applicable to the GDP-linked Securities and Risk Factors applicable to both the Notes and GDP-linked Securities.</p> <p>Warning:</p> <p>The holders of GDP-linked Securities may lose the value of their entire investment.</p> <p>The Holders of GDP-linked Securities need to be aware that there will be no principal or interest payments on the GDP-linked Securities, the Notional Amount of the GDP-linked Securities owned by a Holder will not be repaid to the Holder, and all payments on the GDP-linked Securities will only be linked to the performance of Ukraine’s GDP. In order for any payments to be made on the GDP-linked Securities, certain benchmarks must be reached. In particular, for payments to be made in any given year, Ukraine’s gross domestic product for that year must exceed a specified amount and annual growth rate. Holders of GDP-linked Securities cannot be certain that these conditions for payment will be met every year, or at all. If the conditions are not met, the Holders will not receive any payments on the GDP-linked Securities (no Payment Amount, in addition to also no Notional Amount and no interest as described above).</p>
Section E – Offer		
Element	Disclosure Requirements	Disclosure
E.2b	Reasons for the offer and use of proceeds	Not applicable, there is no offer.
E.3	Terms and conditions of the offer	Not applicable, there is no EU offer.

E.4	Interests material to the offer	Not applicable; so far as the Issuer is aware, no person involved in the issue of the Further Notes and Further GDP-linked Securities has an interest material to the offer, including any conflicting interests.
E.7	Estimated expenses charged to the investor	Not Applicable.

OVERVIEW OF THE TERMS OF THE FURTHER NOTES

Each Series of the Further Notes has identical terms and conditions as set out below and in the section “Terms and Conditions of the Further Notes” of this Listing Prospectus save for their Redemption Date. Words and expressions defined in the Terms and Conditions of the Further Notes have the same meanings in this overview.

Issuer:	Ukraine, represented by the Minister of Finance of Ukraine acting upon instructions of the Cabinet of Ministers.
Type and class of the Further Notes and ISIN number:	<p>Further Notes</p> <p>The issuance of the Further Notes has been duly authorised by Ukraine pursuant to Resolution of the Cabinet of Ministers No. 912 dated 11 November 2015 (as amended by Resolution of the Cabinet of Ministers No. 1040 dated 18 December 2015) “On Settlement of Transactions in 2015 with Sovereign and Sovereign Guaranteed Debt for Purposes of Its Restructuring and Partial Write-off”, by Resolution of the Cabinet of Ministers No. 60 dated 11 February 2016 “On Carrying Out Transactions with State Guaranteed Debt”, by Resolution of the Cabinet of Ministers No. 101 dated 24 February 2016 “On Carrying Out Transactions with State Guaranteed Debt”, by Resolution of the Cabinet of Ministers No. 309 dated 27 April 2016 “On Carrying Out Additional Issue and Placement of 2015 Notes and GDP-Linked Securities of Ukraine” and by Resolution of the Cabinet of Ministers No. 310 dated 27 April 2016 “On Carrying Out Transactions with State Guaranteed Debt”.</p> <p>The Original Notes were issued by Ukraine pursuant to and constituted by a trust deed between Ukraine and the Notes Trustee dated 12 November 2015, in respect to the Original Notes:</p> <ul style="list-style-type: none"> - U.S.\$1,154,939,000 7.75 per cent. Notes due 2019 - U.S.\$1,530,997,000 7.75 per cent. Notes due 2020 - U.S.\$1,377,761,000 7.75 per cent. Notes due 2021 - U.S.\$1,354,820,000 7.75 per cent. Notes due 2022 - U.S.\$1,330,114,000 7.75 per cent. Notes due 2023 - U.S.\$1,315,072,000 7.75 per cent. Notes due 2024 - U.S.\$1,306,032,000 7.75 per cent. Notes due 2025 - U.S.\$1,295,404,000 7.75 per cent. Notes due 2026 - U.S.\$1,286,228,000 7.75 per cent. Notes due 2027 <p>The Further Series No. 1 Notes and the Further Series No. 2 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 22 December 2015 (as amended and restated on 25 February 2016), in respect to the Further Series No. 1 Notes and the Further Series No. 2:</p> <ul style="list-style-type: none"> - U.S.\$175,533,000 7.75 per cent. Notes due 2019 - U.S.\$175,533,000 7.75 per cent. Notes due 2020 <p>On 1 March 2016, the Further Series No. 1 Notes and the Further Series No. 2 Notes were consolidated and, from that date, form a single series with the Original Series No. 1 Notes and the Original Series No. 2 Notes (as applicable).</p> <p>The First Additional Further Series No. 1 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 12 February 2016, in respect to the First Additional Further Series No. 1 Notes:</p> <ul style="list-style-type: none"> - U.S.\$284,152,000 7.75 per cent. Notes due 2019 <p>On 1 March 2016, the First Additional Further Series No. 1 Notes were consolidated and,</p>

from that date, form a single series with the Original Series No. 1 Notes.

The Second Additional Further Series No. 1 Notes were issued by Ukraine and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 25 February 2016:

- U.S.\$31,617,000 7.75 per cent. Notes due 2019

On 1 March 2016, the Second Additional Further Series No. 1 Notes were consolidated and, from that date, form a single series, with the Existing Series No. 1 Notes.

Further Notes

The Third Additional Further Series No. 1 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 28 April 2016, in respect of the Further Notes (other than the Fourth Additional Further Series No. 1 Notes):

- U.S.\$ 97,467,000 7.75 per cent. Notes due 2019

The Third Additional Further Series No. 1 Notes will be consolidated and form a single series with the Existing Series No. 1 Notes on 12 May 2016.

The Fourth Additional Further Series No. 1 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 28 April 2016, in respect of the Fourth Additional Further Series No. 1 Notes:

- U.S.\$78,535,000 7.75 per cent. Notes due 2019

The Fourth Additional Further Series No. 1 Notes, issued on the Issue Date, were consolidated upon issue and, from the Issue Date, form a single series with the Existing Series No. 1 Notes.

The Additional Further Series No. 2 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 28 April 2016, in respect of the Further Notes:

- U.S.\$73,307,000 7.75 per cent. Notes due 2020

The Additional Further Series No. 2 Notes will be consolidated and form a single series with the Existing Series No. 2 Notes on 12 May 2016.

The Further Series No. 3 Notes, the Further Series No. 4 Notes, the Further Series No. 5 Notes, the Further Series No. 6 Notes, the Further Series No. 7 Notes, the Further Series No. 8 Notes and the Further Series No. 9 Notes were issued by Ukraine pursuant to and constituted by a supplemental trust deed between Ukraine and the Notes Trustee dated 28 April 2016, in respect of the Further Notes:

- U.S.\$31,521,000 7.75 per cent. Notes due 2021
- U.S.\$28,872,000 7.75 per cent. Notes due 2022
- U.S.\$25,117,000 7.75 per cent. Notes due 2023
- U.S.\$23,985,000 7.75 per cent. Notes due 2024
- U.S.\$22,855,000 7.75 per cent. Notes due 2025
- U.S.\$22,536,000 7.75 per cent. Notes due 2026
- U.S.\$20,933,000 7.75 per cent. Notes due 2027

The Further Series No. 3 Notes, the Further Series No. 4 Notes, the Further Series No. 5 Notes, the Further Series No. 6 Notes, the Further Series No. 7 Notes, the Further Series No. 8 Notes and the Further Series No. 9 Notes will be consolidated and form a single series with the Original Series No. 3 Notes, the Original Series No. 4 Notes, the Original

Series No. 5 Notes, the Original Series No. 6 Notes, the Original Series No. 7 Notes, the Original Series No. 8 Notes and the Original Series No. 9 Notes, respectively, on 12 May 2016.

Each of the series of Notes will mature on the respective date indicated below and will be redeemed at par on that date:

- the Series No. 1 Notes - 1 September 2019;
- the Series No. 2 Notes - 1 September 2020;
- the Series No. 3 Notes - 1 September 2021;
- the Series No. 4 Notes - 1 September 2022;
- the Series No. 5 Notes - 1 September 2023;
- the Series No. 6 Notes - 1 September 2024;
- the Series No. 7 Notes - 1 September 2025;
- the Series No. 8 Notes - 1 September 2026; and
- the Series No. 9 Notes - 1 September 2027.

The table below sets out the ISIN, Common Code, US ISIN and CUSIP information with respect to the Existing Notes:

Series	ISIN	Common Code	US ISIN	CUSIP
U.S.\$1,646,241,000 7.75 per cent. Notes due 2019	XS1303918269	130391826	US903724AV45	903724AV4
U.S.\$1,706,530,000 7.75 per cent. Notes due 2020	XS1303918939	130391893	US903724AM46	903724AM4
U.S.\$1,377,761,000 7.75 per cent. Notes due 2021	XS1303920083	130392008	US903724AN29	903724AN2
U.S.\$1,354,820,000 7.75 per cent. Notes due 2022	XS1303921214	130392121	US903724AP76	903724AP7
U.S.\$1,330,114,000 7.75 per cent. Notes due 2023	XS1303921487	130392148	US903724AQ59	903724AQ5
U.S.\$1,315,072,000 7.75 per cent. Notes due 2024	XS1303925041	130392504	US903724AR33	903724AR3
U.S.\$1,306,032,000 7.75 per cent. Notes due 2025	XS1303925470	130392547	US903724AS16	903724AS1
U.S.\$1,295,404,000 7.75 per cent. Notes due 2026	XS1303926528	130392652	US903724AT98	903724AT9
U.S.\$1,286,228,000 7.75 per cent. Notes due 2027	XS1303927179	130392717	US903724AU61	903724AU6

The table below sets out the Temporary ISIN, Temporary Common Code, Temporary US ISIN and Temporary CUSIP information with respect to the Further Notes (other than the Fourth Additional Further Series No. 1 Notes, which were consolidated upon issue and, from the Issue Date, form a single series with the Existing Series No. 1 Notes):

Series	ISIN	Common Code	US ISIN	CUSIP
U.S.\$97,467,000 7.75 per cent. Notes due 2019	XS1398336518	139833651	US903724BA98	903724BA9
U.S.\$73,307,000 7.75 per cent. Notes due 2020	XS1398336781	139833678	US903724BB71	903724BB7
U.S.\$31,521,000 7.75 per cent. Notes due 2021	XS1398336948	139833694	US903724BC54	903724BC5
U.S.\$28,872,000 7.75 per cent. Notes due 2022	XS1398337243	139833724	US903724BD38	903724BD3

	U.S.\$25,117,000 7.75 per cent. Notes due 2023	XS1398337326	139833732	US903724BE11	903724BE1
	U.S.\$23,985,000 7.75 per cent. Notes due 2024	XS1398337599	139833759	US903724BF85	903724BF8
	U.S.\$22,855,000 7.75 per cent. Notes due 2025	XS1398338308	139833830	US903724BG68	903724BG6
	U.S.\$22,536,000 7.75 per cent. Notes due 2026	XS1398337839	139833783	US903724BH42	903724BH4
	U.S.\$20,933,000 7.75 per cent. Notes due 2027	XS1398338217	139833821	US903724BJ08	903724BJ0
Currency of the Further Notes	U.S. dollars				
Restrictions on the free transferability of the Further Notes:	The Further Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on transfers. See “ <i>Form of Global Certificates and Transfer Restrictions</i> ” below.				
The rights attached to the Further Notes, ranking and limitations of those rights:	The Further Notes are the direct, unconditional and, subject to the provisions of Condition 3 (<i>Negative Pledge</i>), unsecured obligations of the Issuer and (subject as aforesaid) rank and will rank <i>pari passu</i> without any preference among themselves and not less than <i>pari passu</i> in right of payment with all other unsecured External Indebtedness of the Issuer, from time to time outstanding, provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Further Notes and <i>vice versa</i> .				
Interest, redemption and representation:	<p>Each series of Further Notes (other than the Fourth Additional Further Series No. 1 Notes) bears interest from and including 1 September 2015 at the rate of 7.75 per cent. per annum, payable semi-annually in arrear on 1 March and 1 September in each year, provided that the first interest payment, for the period from and including 1 September 2015 to but excluding 1 March 2016 shall be payable on 12 May 2016.</p> <p>The Fourth Additional Further Series No. 1 Notes bear interest from and including 1 March 2016 at the rate of 7.75 per cent. per annum, payable semi-annually in arrear on 1 March and 1 September in each year, commencing on 1 September 2016.</p> <p>Each of the series of Notes will mature on the respective date indicated below and will be redeemed at par on that date:</p> <ul style="list-style-type: none"> - the Series No. 1 Notes - 1 September 2019; - the Series No. 2 Notes - 1 September 2020; - the Series No. 3 Notes - 1 September 2021; - the Series No. 4 Notes - 1 September 2022; - the Series No. 5 Notes - 1 September 2023; - the Series No. 6 Notes - 1 September 2024; - the Series No. 7 Notes - 1 September 2025; - the Series No. 8 Notes - 1 September 2026; and - the Series No. 9 Notes - 1 September 2027. 				
Listing and admission to trading:	<p>Application has been made to the Irish Stock Exchange for the Further Notes to be admitted to the Official List and trading on the Market. It is expected that the admission will occur on or about 28 April 2016.</p> <p>The Original Notes, the Further Series No. 1 Notes, the Further Series No. 2 Notes, the First Additional Further Series No.1 Notes, the Original GDP-linked Securities, the December 2015 Further GDP-linked Securities and the First Additional Further GDP-linked Securities were admitted to the Official List and trading on the Market on 15 February 2016.</p>				

	The Second Additional Further Series No. 1 Notes and the Second Additional Further GDP-linked Securities were admitted to the Official List and trading on the Market on 26 February 2016.
Key information on the key risks that are specific to the Notes:	<p>The Risk Factors relating to the Notes are set out in sections “<i>Risk Factors— Risk factors relating to the Notes</i>” and “<i>Risk Factors—Risk factors relating to the Notes and the GDP-linked Securities</i>” of this Listing Prospectus and include:</p> <ul style="list-style-type: none"> • The Notes contain collective action clauses under which the terms of any one Series of Notes and/or multiple Series of Notes may be amended, modified or waived without the consent of all the holders of the Notes of that Series or all the holders of any other Series of Notes being aggregated, as the case may be. • adverse change in an applicable credit rating of Ukraine’s debt (rating downgrades and selective default rating) could adversely affect the trading price for the Notes and have the potential to affect Ukraine’s cost of funds in the international capital markets and the liquidity of, and demand for, Ukraine’s debt securities generally; • the difficulty of obtaining or enforcing judgments against Ukraine by holders of the Notes; • the Notes have not nor will be registered under the Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transfer; • payments of income received by the holders of the Notes may be subject to withholding tax under the EU Savings Directive; • uncertainty as to the trading market for the Notes; • exchange rate fluctuations may adversely affect value of the Notes; and • changes in market interest rates may adversely affect value of the Notes.
Risk Factors:	There are certain factors that may affect Ukraine’s ability to fulfil its obligations under the Notes. These are set out under “ <i>Risk Factors</i> ” below and include, among other risks, the negative humanitarian, economic and political consequences as a result of the ongoing crisis in Eastern Ukraine and the occupation and purported annexation of Crimea, dependence of Ukraine’s economy on trade with Russia and other CIS countries, risks relating to potential inability to obtain financing from external sources (Western countries and multinational financial institutions) and liquidity difficulties, political instability as a result of lack of political consensus in the Government. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes. These are set out under “ <i>Risk Factors— Risk factors relating to the Notes</i> ” and “ <i>Risk Factors— Risk factors relating to the Notes and the GDP-linked Securities</i> ”.
Registrar:	The Bank of New York Mellon (Luxembourg) S.A
Events of Default:	<p>Events of default under the Further Notes are set out under “Events of Default” in the respective Terms and Conditions of the Further Notes and include, amongst others:</p> <ul style="list-style-type: none"> - non-payment of any amount of principal or interest in respect of the Further Notes for a period of 10 days; - breach of other obligations under or in respect of the Further Notes or the Trust Deed (which breach is not remedied within 30 days or a longer period agreed to by the Trustee); - any Relevant Indebtedness of Ukraine becomes due and payable prior to its stated maturity following a default or any security therefore becomes enforceable or Ukraine fails to make any payment of any Relevant Indebtedness, provided that the aggregate amount of such Relevant Indebtedness is in excess of U.S.\$50,000,000; - declaration by Ukraine of a moratorium on payments in respect of its Relevant Indebtedness; - invalidity of one or more of the Issuer’s obligations under the Further Notes or the Trust Deed; and - events of default relating to GDP-linked Securities.
Negative Pledge:	The terms of the Notes contain a negative pledge provision given by Ukraine in respect of Relevant Indebtedness as described in Condition 3 (<i>Negative Pledge</i>) of the respective

	Terms and Conditions of the Further Notes.
Meetings of Noteholders:	The respective Terms and Conditions of the Further Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally (see Condition 12 (<i>Meetings of Noteholders; Modification and Waiver</i>)). These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Notes contain collective action clauses under which the terms of any one Series of Notes and/or multiple Series of Notes may be amended, modified or waived without the consent of all the holders of the Notes of that Series or all the holders of any other Series of Notes being aggregated, as the case may be. See “ <i>Risk Factors— Risk factors relating to the Notes</i> ”.
Taxation:	All payments in respect of the Further Notes by the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Ukraine or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer will increase the payment of principal or interest, as the case may be to such amount as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as provided in Condition 7 (<i>Taxation</i>) of the respective Terms and Conditions of the Further Notes.
Governing Law:	The Trust Deed, the Agency Agreement and Further Notes are governed by, and will be construed in accordance with, English law.
Form and Denomination	The Further Notes are issued in registered form, without interest coupons in denominations of U.S.\$100,000 and in integral multiples of U.S.\$1,000 in excess thereof.
Credit Ratings:	<p>As at the date of this Listing Prospectus, the foreign currency long term debt of Ukraine is rated B- by Standard & Poor’s Credit Market Services Europe Limited (“Standard & Poor’s”), Caa3 by Moody’s Investors Service, Inc. (“Moody’s”), and CCC by Fitch Ratings Ltd. (“Fitch”).</p> <p>The Further Notes have been rated CCC by Fitch.</p> <p>As at the date of this Listing Prospectus, this credit rating agency is established in the European Union and is registered under Regulation (EU) No 1060/2009, as amended by Regulation (EU) No. 513/2011 (the CRA Regulation) and is included in the list of credit rating agencies published by the European Securities and Market Authority on its website (www.esma.europa.eu) in accordance with the CRA Regulation.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>

RISK FACTORS

Holders of the Securities should carefully consider, in particular, the following risk factors, together with the other information set out in this Listing Prospectus and should understand that the risks set forth below (which do not purport to be in any way exhaustive) could, individually or in the aggregate, have a material adverse effect on Ukraine's capacity to repay principal and make payments of interest on the Notes and/or make contractual payments when due under the GDP-linked Securities. Words and expressions defined in the Terms and Conditions of the Further Notes or the Terms and Conditions of the Further GDP-linked Securities or elsewhere in this Listing Prospectus have the same meanings in this section.

Risk Factors Relating to Ukraine

Ukraine is a country at war. Substantial parts of its territory have effectively been either annexed or are under *de facto* control of Russian-backed separatist militias supported by Russian armed forces. An important industrial region in Eastern Ukraine has been devastated by the conflict, along with the industrial and social infrastructure therein. Beyond the enormous humanitarian consequences of the conflict, this has resulted in a loss of a significant proportion of the country's productive capacity and a consequent substantial fall in Ukraine's gross domestic product. This, along with the associated loss of tax revenue and the increased military and social welfare expenditure, has had, and continues to have, a very significant detrimental effect on the Ukrainian economy and financial position as a whole.

The ongoing crisis in Eastern Ukraine has had, and is likely to continue to have, negative humanitarian, economic and political consequences for Ukraine.

Humanitarian consequences

Following the Euro-Maidan Revolution which led to the removal from power of President Yanukovich in February 2014, demonstrations by pro-Russian separatists and anti-Government groups took place in several major cities across Eastern and Southern Ukraine. In April 2014, armed groups took over government buildings, seized military and other state assets and prevented the exercise of lawful government authority in parts of the Donetsk and Luhansk regions (in Ukrainian: *oblasts*). The breakdown of law and order in the affected regions prompted the Ukrainian authorities to launch anti-terrorist operations in Eastern Ukraine against the armed groups.

According to the United Nations, between 16 August and 15 November 2015, 47 civilians were killed and 131 injured in Eastern Ukraine. The total death toll since April 2014 is at least 9,098 persons, with another 20,732 persons being injured (including civilians, Ukrainian armed forces and armed groups). An estimated 2.9 million people living in the conflict area continue to face difficulties in exercising their economic and social rights, in particular access to quality medical care, accommodation, social services and benefits, as well as access to the compensation mechanisms for damaged, seized or looted property.

The humanitarian crisis in the affected regions shows no signs of abating. Heavy civilian tolls of dead and wounded have resulted from the shelling of residential areas in both Government-and terrorist-controlled areas. The fighting and shelling have caused severe damage to civilian property and vital infrastructure, leaving civilians in highly precarious situations, often in underground shelters without electricity, gas, heating, water, food or medical care. Hospitals, schools and kindergartens have been badly damaged or destroyed by the hostilities, including in Avdiivka, Donetsk, Horlivka, Luhansk and Mariupol. Many civilians, especially the elderly and those with limited mobility have been trapped in these conflict zones and do not have the capacity, resources or assistance to leave.

According to the UN, the arbitrary detention of civilians remains a feature of the conflict. In areas controlled by the armed groups, "parallel structures" have been established and the breakdown in law and order in these areas means that there have been persistent violations of human rights, including abductions, arbitrary detention, beatings and torture. Access to education in conflict-affected areas has

been severely curtailed and there has been significant destruction of infrastructure and housing, leading to almost total economic and social breakdown in the worst affected localities. These factors have all had, and may continue to have, a material adverse effect on Ukraine's economy and political stability and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Increased defence costs, industrial decline and the effect of the conflict on foreign direct investment

The Government's attempts to re-establish control of areas of Eastern Ukraine where Russian-backed separatists and Russian forces are operating have resulted in a significant increase in Ukraine's defence expenditure. If the conflict re-escalates, such expenditure will continue to strain the general resources of the Government and the Government's finances and negatively affect Ukraine's economy. Furthermore, the conflict has led to a significant loss of production in an important industrial area of Ukraine, with industrial output declining 31.5 per cent. in the Donetsk and 42 per cent. in the Luhansk Oblast regions in 2014, as compared to 2013. In 2015, industrial production decreased by 13.4 per cent., as compared to 2014. The conflict also led to decline in GDP caused by disruption of business in the conflict areas, deterioration of relations with Russia, a reduction of foreign direct investment and disruption of privatisation programme. The crisis has exacerbated the negative economic trends experience by Ukraine in recent years. In 2014, Ukraine's GDP declined by 6.8 per cent. and in 2015 Ukraine's GDP declined by a further 9.9 per cent. This, along with the associated loss of tax revenue and the increased military and social welfare expenditure, has had, and continues to have, a very significant detrimental effect on the Ukrainian economy and financial position as a whole.

The conflict has also had far-reaching adverse effects on foreign direct investment in these regions in particular and Ukraine as a whole, as well as on the Government's economic reform programme. Any or all of these factors could have a material adverse effect on Ukraine's economy and political stability and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Political consequences

Although an agreement calling for an immediate ceasefire was reached on 5 September 2014 between delegates from Ukraine, the Russian Federation and the Organisation for Security and Cooperation in Europe (the "OSCE"), as well as separatist representatives from the self-proclaimed Donetsk People's Republic and Luhansk People's Republic, sporadic heavy fighting continued and the conflict again escalated in January 2015 as fighting intensified over control of the Donetsk International Airport. By the end of January 2015, the ceasefire had collapsed entirely with renewed fighting across the conflict zone and armed Russian-backed separatists and Russian forces mounting a new offensive along the line of control in the Donetsk and Luhansk regions. On 12 February 2015, a new ceasefire agreement (known as "**Minsk II**") brokered by France and Germany with Russia's participation, was agreed in Minsk by President Poroshenko and separatist representatives from the Donetsk and Luhansk regions. The parties agreed (amongst other things) to a bilateral ceasefire with effect from 15 February 2015, monitoring and verification by the OSCE of the withdrawal of heavy weapons, withdrawal of illegal armed groups, military equipment, militants and mercenaries from Ukraine, a general amnesty and release of prisoners and constitutional reforms granting special status to the Donetsk and Luhansk regions. However, Russian-backed armed groups, supported by Russian forces, have regularly violated the ceasefire, seizing additional territory and threatening further escalation of violence. In recent months, the conflict has continued and resulted in regrouping and consolidation of military forces by both Ukraine and Russian-backed armed groups and an escalation of violence in the Donetsk region. Russian-backed insurgents have deployed additional forces and heavy weaponry, and renewed attacks in the Donetsk and Luhansk regions and near the strategic port city of Mariupol. The risk of further intensification of the conflict in Eastern Ukraine remains extremely high and the full implementation of Minsk II remains challenging amid uncertainties about local elections in the occupied territories, border controls and progress in constitutional reform.

There can be no assurance that Minsk II will lead to a long-term solution to the crisis in Eastern Ukraine and may well only result in a “frozen conflict” in this area, with active armed conflict having ended but no peace treaty or other political framework resolved to the satisfaction of the combatants. Similar situations exist in other areas of former Soviet influence, including in South Ossetia and Abkhazia (separatist-controlled territories of Georgia, which were recognised by the Russian Federation as independent states, but are not recognised internationally), Nagorno-Karabakh (a region of Azerbaijan occupied by Armenia, governed by the Nagorno-Karabakh Republic, a *de facto* independent but internationally unrecognised state) and Trans-Dniester (the separatist region in Moldova, which proclaimed independence in 1990 with a view to joining the Russian Federation, but remains unrecognised internationally). If a “frozen conflict” situation were to occur in Eastern Ukraine, it would have a long-term adverse military and economic effect on Ukraine, as well as unpredictable political consequences. In particular, this situation would be likely to compound the current contraction in the Ukrainian economy, discourage further inbound investment and increase capital flight, restrict the Government’s access to the international capital markets and borrowing from multilateral organisations and put downward pressure on the hryvnia. Any or all of these factors could have a material adverse effect on Ukraine’s economy and political stability and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Additionally, as at the date of this Listing Prospectus, it is unclear as to how the September 2014 Law of Ukraine “*On Special Regime of Local Self-Government in Certain Regions of Donetsk and Luhansk Oblasts*” will be implemented. On 17 March 2015, Parliament amended the above law to provide that the special regime for self-government in certain regions of the Donetsk and Luhansk Oblasts is conditional upon there being successful local elections for the new self-governing authorities. Such elections are required to be held in accordance with Ukrainian law, democratic principles and subject to certain other conditions, including, *inter alia*, withdrawal of all illegal military groups and weaponry from Ukraine. On 31 August 2015, Parliament adopted, with a majority of 265 votes, in first reading, a draft law proposing certain amendments to the Constitution of Ukraine regarding the decentralisation of power and, in particular, the reform of the status of local government and administrative-territorial units. The proposed amendments provide for a specific procedure for the implementation of local self-government in several districts of the Donetsk and Luhansk regions, which are to be regulated by a separate law. The draft law requires a minimum of 300 votes in favour to be passed into law and was scheduled to be voted on by close of the parliamentary session ending on 2 February 2016. On 20 January 2016, 51 Members of Parliament made a submission to the Constitutional Court of Ukraine (the “CCU”) regarding the interpretation of the term “next regular current parliamentary session” with a view to determine whether there was a timeframe after 2 February 2016 allowing further vote on the draft law. On 15 March 2016, the CCU decided that the draft law proposing certain amendments to the Constitution of Ukraine regarding the decentralisation of power can be adopted by Parliament after 2 February 2016 under the condition that a minimum of 300 Members of Parliament vote in favour of the draft law. The political and economic consequences of granting special status to the Donetsk and Luhansk regions remain unknown, as does whether their new status may have a material adverse effect on Ukraine’s economy and political stability and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

The occupation and purported annexation of Crimea has created significant political and economic uncertainty in Ukraine and put further strains on Ukraine’s relationship with the Russian Federation.

In late February 2014, following the Euro-Maidan Revolution which led to the removal from power of President Yanukovich, masked Russian soldiers without insignia appeared at strategic military and governmental locations across Crimea and in the City of Sevastopol. On 27 February 2014, these Russian forces occupied the Crimean parliament and other government buildings and a vote was held in the Crimean parliament replacing the lawful Crimean government with a pro-Russian regime. On 6 March 2014, the Crimean parliament, in violation of Ukrainian law, voted in favour of joining the Russian Federation and holding a referendum to approve this decision. Based on the reported results of the referendum that took place on 16 March 2014, the President of the Russian Federation, Mr. Vladimir Putin, and representatives of the *de facto* government of Crimea executed an agreement

for the annexation of Crimea to the Russian Federation. On 21 March 2014, Mr. Putin signed legislation annexing Crimea and the City of Sevastopol to the Russian Federation.

The Ukrainian Parliament has declared the Crimean referendum unconstitutional and its legitimacy and results have generally not been recognised internationally. For example, all EU members, the United States and Canada have declared it to be illegitimate and 13 members of the UN Security Council voted in favour of a resolution declaring it invalid, although the resolution was vetoed by the Russian Federation. Nevertheless, on 27 March 2014, the UN General Assembly passed a resolution declaring the referendum invalid and affirming Ukraine's territorial integrity. On 10 April 2014, the Council of Europe also adopted a resolution condemning the Russian military aggression and annexation of Crimea as being in violation of international law.

Ukraine does not recognise the results of the illegal referendum conducted on 16 March 2014, does not recognise Crimea as a sovereign state or as part of the Russian Federation and considers Crimea to form an indivisible part of Ukraine, as an autonomous region in accordance with the 2004 Constitution of Ukraine. In April 2015, Parliament reaffirmed the status of Crimea as part of Ukraine's sovereign territory by adopting the "*Occupied Territory Law*" which, among other things, includes a provision that Ukraine treat Crimea as an integral part of its territory. Ukraine considers Crimea to be, as at the date of this Listing Prospectus, under occupation by Russia. While Ukraine is committed to reaching a peaceful settlement of the Crimean crisis, currently there is no indication as to when or if the Russian occupation will end.

The occupation of Crimea may continue to adversely affect Ukraine's economic and political stability, including through its impact on the following:

- Ukraine's domestic trading market, as the loss of trade with Crimea reduces the overall volume of trade;
- Ukraine's finances, as the anticipated costs of reconstruction as well as the loss of tax revenue from the region are significant;
- Ukraine's economy, which has temporarily lost the benefit of a large number of valuable private and state-owned assets and property (including Sevastopol Naval Base and local oil and gas assets) in the region;
- Ukraine's GDP, through the disruption caused in the region's industry and resulting loss of goods and services produced;
- Ukraine's domestic gas supply, as Ukraine currently has lost access to its gas production assets located in Crimea or gas stored there, as well as to its oil and gas reserves located in Crimea and in certain parts of the Black Sea; and
- Ukraine's relations with Russia, as Russia's occupation of Crimea has been a source of conflict between Russia and Ukraine since the crisis began, further complicating their relationship. See "*—Ukraine's economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the stability of the country*".

At the date of this Listing Prospectus, the occupation of Crimea continues to, and could further, strain the general resources of Ukraine and so have a material adverse effect on Ukraine's economy and political stability and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Ukraine's economy is vulnerable to fluctuations in the global economy and is contracting.

Ukraine's economy is dependent to a large extent on the state of the global economy, in particular in relation to the foreign currency revenues from the export of goods and raw materials to counterbalance its dependence on foreign imports and reliance on financing in the international capital markets.

Exports form a large part of the GDP of Ukraine, accounting for 47.7 per cent., 43.0 per cent. and 49.1 per cent. of GDP in 2012, 2013 and 2014, respectively. In the first and second quarters of 2015, exports accounted for 67.4 per cent. and 55.5 per cent. respectively. Ukraine's ability to export goods and raw materials is dependent on global demand and prices and therefore any decrease or fluctuations in such demand or prices may have a significant adverse effect on Ukraine's economy and finances. In 2015, exports of goods and services decreased to U.S.\$47.8 billion or by 26.9 per cent. as compared to 2014. The deterioration of the external economic environment and trade relations with Russia and the armed conflict in Eastern Ukraine were the main factors causing the negative dynamics in exports. In 2015, exports of metallurgy decreased to U.S.\$9.2 billion or by 38.7 per cent. and engineering products decreased to U.S.\$3.3 billion or by 38.5 per cent. as compared to 2014. In 2015, exports of food products declined at a slower rate, by 13.1 per cent. as compared to 2014, due to the high yield of crops and unilateral removal of import duties by the EU, therefore the share of agricultural products in exports increased by 40.9 per cent. in the same period.

Additionally, the state of the global economy has an important effect on Ukraine's state budget deficit and inflation levels. Domestic inflation is affected by world prices for metal products and grain as well as for natural gas and oil. This causal relationship has led to significant fluctuations in the budget deficit and domestic inflation over recent years and continued pressure on global energy and food prices and prices of industrial products may lead to higher deficits and/or an increase in the levels of inflation in the future. Furthermore, inflation levels can directly impact Ukraine's state budget performance as Ukraine subsidises the cost of certain basic food items and any increase in the nominal costs of these items would be likely to increase Ukraine's state budget expenditure and decrease its revenues. In line with the 2015 EFF, from 1 April 2015, gas prices for households were increased on average by 285 per cent. and, from 8 May 2015, the heating prices were increased by 67 per cent. To help protect vulnerable households, social assistance to eligible households has been increased from 0.4 per cent. of GDP in 2014 to a budgeted 1.2 per cent. in 2015. This liberalisation of energy prices, is aimed, *inter alia*, at controlling inflation, discouraging excessive energy consumption, decreasing the National Joint-Stock Company "Naftogaz of Ukraine" ("Naftogaz") losses and gas imports, encouraging investment in domestic energy production and addressing governance problems in the energy sector.

Many of the key sectors of Ukraine's economy have contracted in recent years. In 2014, Ukraine's GDP declined by 6.8 per cent. Real GDP decreased by 9.9 per cent. in 2015 compared to 2014. See "*—Positive developments in the economy may not be achieved if certain important economic and financial structural reforms are not made*".

The recent volatility in the Ukrainian economic and geopolitical situation has significantly limited Ukrainian corporate borrowers' access to funding in the international capital and syndicated loan markets. In 2012 and 2013, after the effects of the global financial crisis had subsided, relatively easy access to liquidity, both from within Ukraine and internationally, was a significant factor facilitating growth of Ukraine's GDP. The reduced availability of external financing for Ukrainian companies in 2014 and 2015 contributed to a decrease in industrial production (as described above), investment projects and capital expenditure generally. Any further deterioration of the current economic and geopolitical crisis may lead to a worsening of the financial condition of Ukraine. Changing external or internal conditions could intensify and widen any external funding gap. Continued widening of the current account deficit or significant net capital outflows could cause the stock of international reserves to continue to fall or prompt a further devaluation of the hryvnia. Any such developments, including any prolonged unavailability of external funding and increases in world prices for goods imported to Ukraine or decreases in world prices for goods exported from Ukraine, may put pressure

on the hryvnia exchange rate and may have or continue to have a material adverse effect on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Ukraine's Government may be unable to sustain political consensus, which may result in political instability.

Historically, a lack of political consensus in Parliament has made it difficult for the Government to secure the necessary support to implement policies intended to foster liberalisation, privatisation and financial stability. As at the date of this Listing Prospectus, as a result of the rapid political developments in Ukraine in recent years, the procedures and rules governing the political process in Ukraine may be subject to change through the normal process of political alliance building or through constitutional amendments and decisions of the CCU. Recent political developments have also highlighted potential inconsistencies between the Constitution and various laws and presidential decrees. Furthermore, such developments have raised questions regarding the judicial system's independence from economic and political influences.

The political landscape of Ukraine remains uncertain. It remains to be seen if the coalition government has the political support necessary to implement the challenging policies required to address the serious issues facing Ukraine (including the constitutional reforms required to be undertaken under Minsk II) and to meet the IMF's and other multilateral organisations' criteria for further financial support. As at the date of this Listing Prospectus, Parliament is divided between reformist factions and status-quo factions influenced by vested interests. In the run up to the local elections scheduled for 25 October 2015, several populist bills that threatened to reverse a number of the 2015 EFF (as defined below) programme policies in the fiscal and energy sectors were submitted, but not considered by Parliament. On 2 July 2015, Parliament adopted the Law of Ukraine "*On Restructuring of Obligations under Loans Denominated in Foreign Currency*" requiring banks to convert retail loans in foreign currency into hryvnia at the exchange rate prevailing when the loan was issued. The law was heavily criticised within Ukraine and internationally for its potentially negative effect on the country's financial and banking system and, reportedly, the President of Ukraine (the "**President**") is expected to veto this law. As of the date of this Listing Prospectus, the procedural status of this draft law remains unclear.

On 31 August 2015, Parliament adopted, with a majority of 265 votes, in first reading a draft law proposing certain amendments to the Constitution of Ukraine regarding the decentralisation of power and, in particular, the reform of the status of local government and administrative-territorial units. The proposed amendments provide for a specific procedure for the implementation of local self-government in several districts of the Donetsk and Luhansk regions, which are to be regulated by a separate law. Disagreements between political parties over such amendments resulted in clashes between police and protestors.

In addition, although the Government continues to fight corruption and public misconduct, its efforts have yet to gain sufficient traction to permanently weaken the influence of vested interests on the economy and transform the business climate. Ukraine's international partners have stressed that addressing the problem of institutionalised corruption in Ukraine is an important condition for continued external financial support.

If the IMF's and other multilateral organisations' criteria for further financial support are not met, the Ukrainian economy would potentially lose its prime source of liquidity and would be unlikely to be able to cope with its significant debt service requirements leading to a possible sovereign default. Such a default would be likely to have severe effects on the banking sector as well as the real economy, and there can be no assurance whether or when Ukraine would be able to perform its obligations under the Notes and the GDP-linked Securities. See "*—Changes in relations with Western governments, the EU and multinational institutions may adversely affect the development of the Ukrainian economy; Positive developments in the economy may not be achieved if certain important economic and financial structural reforms are not made;* and "*—The Ukrainian banking system may*

be vulnerable to stress due to fragmentation, undercapitalisation and a potential increase in non-performing loans, all of which could have a material adverse effect on the Ukrainian economy”.

As a result of the ongoing political crisis in Ukraine, on 10 April 2016, the Prime Minister, Arseniy Yatseniuk, announced his intention to resign and, on 14 April 2016, Parliament voted in favour of Mr Yatseniuk’s resignation. On 14 April 2016, former Speaker of Parliament Volodymyr Groysman’s appointment as Prime Minister and the appointment of a new Cabinet of Ministers of Ukraine (except for the Minister of Healthcare) was approved by Parliament. There can be no assurance that the newly appointed Cabinet of Ministers will receive the continuous support of a new parliamentary majority coalition required to continue the reform process in Ukraine, which may lead to further political instability and could have a material adverse effect on Ukraine’s economy and in particular its ability to meet IMF requirements for further financing under the 2015 EFF and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

A number of additional factors could also adversely affect political stability in Ukraine, including:

- lack of agreement within the parliamentary factions and between individual Members of Parliament;
- disputes between factions within the parliamentary majority coalition and between the majority coalition and opposition factions on major policy issues, including Ukraine’s foreign, social, fiscal and energy policies, constitutional changes required to implement Minsk II, conduct of the anti-terrorist operation in Eastern Ukraine, relations with Russia and the timing and implementation of closer political and economic ties with the EU;
- instability within the parliamentary majority coalition, including the risk of further factions leaving the coalition (as did the Radical party in early September 2015);
- court actions taken by opposition politicians to challenge decrees and other actions of the President and the Government; and
- court actions taken by the President against parliamentary or governmental resolutions or actions.

Any continued or increased political instability due to the factors listed above or for any other reason could have a material adverse effect on Ukraine’s economy and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Ukraine’s economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the political stability of the country.

Ukraine’s economy has traditionally been heavily dependent on trade with Russia and other CIS countries, largely because Ukraine imports a large proportion of its energy requirements, especially from Russia (or from countries that transport energy related exports through Russia), and as a result of its geographic proximity to, and historical relationship with, Russia. In addition, a large share of Ukraine’s services receipts comprises transit charges for oil, gas and ammonia from Russia, which are delivered to the EU via Ukraine.

The Russian involvement in the conflict in Eastern Ukraine represents the culmination of the deterioration of Russian-Ukrainian relations. Russian direct and indirect political, military and economic support for the separatists has had a significant effect on the current situation in that conflict. It is likely that Russian support for the separatists will continue for the foreseeable future, thereby increasing the likelihood of prolonged hostilities or at the very least a standstill whereby the separatists retain control of the disputed areas and the country’s economy remains handicapped by the loss of large, productive, industrial sectors.

On 16 September 2015, the President, Petro Poroshenko, signed the Decree “*On the Decision of the National Security and Defence Council of Ukraine of 2 September 2015 “On Imposition of Personal Special Economic and Other Restrictive Measures (Sanctions)” No.549/2015*” (the “**Sanctions Decree**”). The Sanctions Decree made effective the respective Decision of the National Security and Defence Council of Ukraine and it is effective for the period of one year. The sanctions are imposed on 388 individuals, in particular, relating to visa restrictions, blocking of assets, temporary restrictions on using property and preventing capital outflow from Ukraine and on 105 legal entities relating to restrictions on certain Russian companies in respect of flights and transportations through territory of Ukraine, cancellation of licenses to conduct business in Ukraine, blocking of assets, etc.

Despite financial support from the west which the Government hopes will mitigate the economic effects of current events, the existing situation is currently having a material adverse effect on Ukraine’s economy and, unless the relationship between Ukraine and Russia is restored in the near future, is likely to continue to have an increasingly adverse effect on Ukraine’s economy and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Large-scale economic sanctions by the EU and the United States against Russia over its actions in Ukraine and reciprocal sanctions by Russia against Ukraine, the EU and the United States may have a material adverse effect on Ukraine’s economy.

As a result of the ongoing tension between Russia and Ukraine, the EU and the United States have each authorised and imposed sanctions, targeting parties responsible for pro-separatist activities in Eastern Ukraine or who have undermined the peace, security, stability, sovereignty and territorial integrity of Ukraine, misused public funds or violated human rights, including asset freezes and visa bans. In addition, the United States has imposed sectoral sanctions targeting persons and legal entities operating within the defence, energy and financial sectors of the Russian economy and restricted the supply of goods, services (except for financial services) and technology in relation to the Russian oil and gas sector. Additionally, the United States has imposed export sanctions with respect to Russia and Crimea and has suspended the issuance of the United States export credit and financing for economic development projects in Russia. Executive Order 13685 broadly prohibits transactions involving persons located within the “Crimea region of Ukraine”, unless authorised by the United States Department of the Treasury’s Office of Foreign Assets Control (“**OFAC**”). The EU also introduced a number of trade and investment restrictions on Crimea, which involve an EU ban on most new investments by EU parties relating to entities in Crimea and Sevastopol. The EU also bans the direct or indirect supply of specified key equipment and technology suited for use in the transport, telecommunications and energy sectors or for the exploitation of oil, gas or mineral resources in Crimea and Sevastopol. The EU has further imposed sectorial sanctions including restriction of access to the EU capital markets for five major Russian state-owned banks and six Russian defence/energy companies, suspension of services for deep water and arctic oil exploration and production and shale oil projects in Russia, restrictions on supply or financing of key items used in the oil sector and a ban on exports of goods and technology for military use.

Such large-scale economic sanctions imposed on Russia by the EU and the United States, combined with the effect of the sharp fall in oil prices in 2014 and 2015, have had a negative impact on Russia’s economy, which contracted by 4.6 per cent. in the second quarter of 2015, compared with the same period in 2014, according to Russia’s Federal Statistics Service (citing preliminary data). The IMF expects the Russian economy to contract by 3.4 per cent. in 2015 with potential growth by 0.2 per cent. in 2016. Even in normal times, a recession in Russia, as Ukraine’s largest trading partner, would have a negative impact on Ukraine’s export industries and economy.

In 2014, however, in response to the sanctions imposed on it, Russia imposed reciprocal sanctions on the EU, the United States, Canada, Australia, Norway and Ukraine banning the import of various agricultural and other food products. In particular, in the period from July to August 2014, Russia introduced restrictions on imports of Ukrainian confectionery, dairy products, meat, canned vegetables and other agricultural products. Ukraine estimates these restrictions have, as of the date of this Listing Prospectus, led to a 44.5 per cent. decline in trade with Russia and any additional

sanctions are anticipated to further reduce the levels of trade. In 2014, exports of goods from Ukraine to Russia decreased by 33.2 per cent., compared to 2013, due to decreases in exports of food products (52.8 per cent.), machinery (40.3 per cent.), building materials (32.0 per cent.) and metallurgical products (30.9 per cent.). For the six months ended 30 June 2015, exports of Ukrainian goods to Russia decreased by 52.2 per cent.

From 1 January 2016, Russia introduced a food embargo on certain agricultural products, raw materials and food originating from Ukraine and cancelled the preferential trade regime envisaged by the agreement on free trade within the CIS on imports of Ukrainian goods. Because Russia has historically been the largest bilateral trading partner of Ukraine, the continued deterioration of Ukraine's trade with Russia is likely to have a material adverse effect on Ukraine's export industries and economy.

It is not yet possible to accurately predict the political and diplomatic consequences of the sanctions imposed by the EU and the United States and the reciprocal sanctions imposed by Russia or the impact of these sanctions on foreign direct investment and other inbound capital flows and it is entirely possible that further sanctions may be imposed on or by Russia. These risks and uncertainties may have a material adverse effect on Ukraine's economy and political stability and may affect the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Changes in relations with Western governments, the EU and multinational institutions may adversely affect the development of the Ukrainian economy.

Political and financial relations

Ukraine is currently benefitting from vital financial support from international financial institutions such as the IMF, the World Bank, the EBRD and the EIB, as well as international partners such as the United States, Canada, Germany, Sweden, Turkey, Japan, Norway and the EU. Ukraine also benefits from significant practical and diplomatic support from the international community particularly in relation to events in Eastern Ukraine and Russia's involvement therein. This financial and political support is crucial to the economic and political survival of Ukraine and is built on the promises of deep-seated and systemic reform of the country's economic and political systems. Any negative effects on relations with Western countries and organisations as a result of internal political changes, events or failure to comply with foreign requirements would be likely to have a significant negative effect on the successful implementation of the Ukraine-European Union Association Agreement that established a political and economic association between the two parties signed on 21 March 2014 (the "**Association Agreement**") and may lead to a suspension of financial support/aid packages. On 16 September 2014, Parliament ratified the Association Agreement. On 1 January 2016, Title IV of the Association Agreement establishing a Deep and Comprehensive Free Trade Area with Ukraine entered into force. As of the date of this Listing Prospectus, the Netherlands is the only state which has not ratified the Association Agreement and as soon as the Netherlands completes the ratification procedure, the Association Agreement will fully enter into force. Any negative change in the perceptions of Ukraine's commitment to the implementation of the Association Agreement could have a material adverse effect on trade and other economic relations (including access to financial support) with the EU and its members, which, in turn, could have a material adverse effect on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Economic and trade relations

Ukraine's relationship with governments in the EU and with multinational institutions is also of great importance, given the current significant reduction in trading volumes with Russia. For the year ended 31 December 2014, the EU became Ukraine's largest external trade partner, accounting for 31.8 per cent. of all Ukrainian exports. In 2015, exports of goods to Russia decreased by 50.7 per cent. and the EU accounted for 34.1 per cent. of all Ukrainian exports. The perception of the EU and multinational institutions of the commitment to and nature of legislative and regulatory reform programmes in Ukraine (including anti-corruption measures), the improvement and continued

independence of the judicial system and political developments in Ukraine could significantly impact those relations. Any negative change in the economic relations between Ukraine, the EU and Ukraine's other Western partners, may have a material adverse effect on Ukraine's ability to counterbalance the lost trade and business with Russia, which, in turn, could have a material adverse effect on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

The Government has declared a moratorium on state and state-guaranteed debt owing to international commercial creditors the consequences of which are difficult to predict.

In May 2015, Parliament adopted the Law of Ukraine “*On Certain Aspects of Transactions with State, State-Guaranteed Debt and Local Debt*” (the “**Moratorium Law**”). The Moratorium Law enables the Cabinet of Ministers to suspend payments under any or all specified state and state-guaranteed external debt, and enables the city council to suspend payments under any and all specified local external debt. This law became effective on 13 June 2015.

On 27 August 2015, it was announced that the Government reached an agreement in principle with the ad hoc committee of creditors on restructuring Ukraine's Eurobonds and state-guaranteed Eurobonds of the State Enterprise “*Financing of Infrastructural Projects*”. See “*Description of Ukraine - Recent Political Developments - Ukraine's External Debt Restructuring*”.

On 12 November 2015, the Ministry of Finance of Ukraine announced the settlement of Ukraine's debt restructuring operation in respect of thirteen series of Ukraine's Eurobonds and state-guaranteed Eurobonds. Following the passage of extraordinary resolutions for each of those series of Eurobonds at bondholder meetings held on 14 October, the holders of such Eurobonds who submitted valid and timely participation instructions received distributions of new Ukrainian securities on 12 November in accordance with the terms of the exchange offer. Only one series of eligible debt instruments did not participate in the exchange offer, being the U.S.\$3 billion 5 per cent. notes due 20 December 2015 (the “**December 2015 Notes**”).

On 18 December 2015, the Government declared a moratorium on payments under the December 2015 Notes as well as on certain state-guaranteed loans of state-owned entities included within the perimeter of the overall debt operation. The consequences of such a moratorium remain difficult to predict, but could lead to a prolonged period of litigation with the holders of the December 2015 Notes, could affect the timing and terms on which Ukraine is able to re-access the international capital markets and could adversely affect the ability of Ukraine to attract foreign direct investment. In addition, the inclusion in the Notes of Condition 14 (the “*Most Favoured Creditor*” clause) limits the terms on which Ukraine may settle with the holders of the December 2015 Eurobond and therefore may make it more difficult for Ukraine to reach a mutually acceptable settlement with such holders.

On 17 February 2016, The Law Debenture Trust Corporation p.l.c., acting in its capacity as trustee on behalf of the holders of the December 2015 Notes, filed a lawsuit against Ukraine in London's High Court seeking payment of principal and accrued interest due under the December 2015 Notes. There can be no certainty as to the outcome of these proceedings or the impact of such proceedings on Ukraine's relationship with the Russian Federation.

Official statistics and other data published by Ukrainian State authorities may not be reliable.

Official statistics and other data published by Ukrainian State authorities (including the NBU and the State Statistics Service of Ukraine) may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on a different basis than those criteria used in more developed countries. Furthermore, standards of accuracy of statistical data may vary from agency to agency and from period to period due to application of different methodologies. Since the first quarter of 2003, Ukraine has produced data in accordance with the IMF Special Data Dissemination Standard. It is possible, however, that this IMF standard has not been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. In addition, Ukraine has experienced

variable rates of inflation, including periods of hyperinflation. Unless indicated otherwise, the macroeconomic data presented in this Listing Prospectus has not been restated to reflect such inflation and, as a result, period-to-period comparisons may not be meaningful. As a result of events since February 2014, there has been significant additional difficulty in obtaining reliable statistical information, particularly in relation to Crimea and Eastern Ukraine. From the beginning of 2014, Ukrainian GDP has been calculated without taking into account the data for Crimea and the City of Sevastopol and the areas where the anti-terrorist operation in Eastern Ukraine takes place. Therefore, certain statistics for 2014 may include unverifiable information or may not include any data at all from those areas of Ukraine; this may make a comparison of recent data to previous periods much less meaningful. Certain statistical information and other data contained in this Listing Prospectus have been extracted from official governmental sources in Ukraine and were not prepared or independently verified by any person in connection with the preparation of this Listing Prospectus. In certain of these circumstances, Ukraine has relied on reported information in presenting such matters but is unable to independently verify such information.

Inability to obtain financing from external sources (or obtaining them at a significant cost) could affect Ukraine's ability to meet financing expectations in its budget.

Ukraine's domestic debt market remains illiquid and underdeveloped compared with markets in most Western countries. Accordingly, Ukraine is highly reliant on external sources for financing its state budget and is becoming more and more dependent thereon as a consequence of the current ongoing crisis in Crimea and Eastern Ukraine. As a result of the current critical status of the Ukrainian economy, funds from the international capital markets are not available to the sovereign or other Ukrainian borrowers. Accordingly, Ukraine's reliance on official creditors and multilateral organisations has increased significantly.

If Ukraine is unable to meet the stringent criteria set out in the various support programmes provided by multilateral organisations such as the IMF, the World Bank and the EU, these multilateral organisations may withhold or suspend funding. In the current circumstances, a failure by official creditors and multilateral organisations to grant adequate financing would put severe pressure on Ukraine's budget and foreign exchange reserves and have a material adverse effect on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Ukraine has experienced liquidity difficulties in the past and continues to be subject to a significant liquidity risk, which may be exacerbated by Ukraine's higher debt service obligations and higher cost of funding over the next several years compared to the recent past.

According to the Budget Code of Ukraine (the "**Budget Code**") the volume of total State debt and State guaranteed debt at the end of the budget period (31 December of each year) should not exceed 60 per cent. of the annual nominal GDP of Ukraine. Pursuant to recent amendments to the Budget Code, if the ratio of total State debt to GDP is expected to exceed 60 per cent. as of any year end, the Government is required to apply to Parliament for approval of such excess and submit an action plan on how the ratio will be returned to the required level. On 9 September 2015, the Government applied to Parliament for such approval. On 17 September 2015, Parliament adopted Resolution No.703-VIII "*On Ensuring Financial Stabilisation in the Country within the Framework of Performance of the Extended Fund Facility Programme of the International Monetary Fund*" which approved a temporary excess of 60 per cent. ratio of total State debt to GDP.

In addition to these factors, Ukraine is vulnerable to the effect of any potential increases in interest rates in the Eurozone and the United States, as and when the monetary authorities in those jurisdictions decide to pursue more restrictive monetary policies, as Ukraine's reliance on external financing to fund its current account deficit and refinance existing external debt stocks means that any such increases may result in a higher cost of funding and could put further pressure on the hryvnia.

The devaluation of the hryvnia has made foreign debt service considerably more expensive for the Government, and any failure to stabilise the currency will put significant additional pressure on Ukraine's ability to service national and international debt denominated in foreign currency.

The external pressure on Ukraine's liquidity is intensified by the State's regular failure to meet its budgeted revenue targets or stay within its expenditure targets. Given the current economic and political upheaval in Ukraine, it is very likely that the budget deficit will be significant for 2015 and 2016, and, unless covered by international financial support, this is likely to put severe pressure on Ukraine's budget and foreign exchange reserves.

In addition, it should be noted that many Ukrainian companies have significant levels of indebtedness and as a result of the financial crisis have and may continue to experience difficulty accessing new financing. Although private sector debt, unlike State debt, does not have a direct negative effect on the Government's foreign exchange liquidity, high levels of indebtedness of, and limited availability of new credit to, the private sector may complicate economic recovery and pose a significant risk in an already challenging economic environment.

Continued adverse changes in global or domestic political or economic conditions or in the international capital markets may place continued pressure on Ukraine's foreign exchange reserves which would be likely to have a material adverse effect on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

IMF determination of status of the December 2015 Notes as official debt may affect future disbursements under the 2015 EFF.

On 8 December 2015, the IMF amended their previous policy that stated that it may not extend financing to a member which has arrears under official debt to allow for financing to be extended in such circumstances subject to certain conditions. On 16 December 2015, the IMF determined that the December 2015 Notes should have the status of official debt under their internal methodology. As at the date of this Listing Prospectus, Ukraine is in arrears under its December 2015 Notes pursuant to a moratorium declared in December 2015. While the IMF's new policy may allow it to extend financing to Ukraine in accordance with the 2015 EFF, there is a condition that the borrower under any such official debt should negotiate a restructuring of such debt in good faith. If the IMF were to determine for any reason that Ukraine were failing to negotiate in good faith with the holders of its December 2015 Notes, it may be unable to make future disbursements under the 2015 EFF. The inability of the IMF to extend financing could also affect the ability of other international partners of Ukraine to provide financing for Ukraine. Particularly given the current absence of access to the international capital markets, the loss of financing from the IMF and other international partners would be highly likely to have a material adverse impact on the financial position and liquidity of Ukraine and on its ability to service its obligations under the Notes and the GDP-linked Securities.

The downgrades of Ukraine's sovereign credit rating may negatively affect the economy.

As Ukraine's economic performance deteriorated amid the global recession and worsening domestic conditions, the ability of the state to meet its external debt obligations was increasingly being called into question. Credit default swaps on Ukrainian Government-issued Eurobonds at one stage made Ukraine's debt the most expensive sovereign debt in the world to insure. The leading rating agencies have continuously downgraded the long-term foreign currency sovereign credit rating of Ukraine due to the factors including increased political instability, deterioration of political situation, significant reduction in the NBU's foreign currency reserves, fears over Ukraine's ability to refinance its heavy external debt repayment schedule, weakening in confidence in the UAH and in the exchange rate policy, increase of the fiscal deficit, a significant GDP contraction and sharp currency depreciation and escalation of the conflict in the Donetsk and Luhansk regions. As of the date of this Listing Prospectus, the long-term foreign currency debt of Ukraine is rated "B-" by Standard & Poor's, "CCC" by Fitch and "Caa3" by Moody's.

Any further downgrading of Ukraine's sovereign credit rating will likely result in a deterioration of the condition of the banking sector through an increase in borrowing costs for Ukrainian financial institutions. Any default by Ukraine on its debt obligations would be likely to have a negative effect on the ability of Ukrainian entities to raise funds as well as potentially triggering, *inter alia*, a damaging currency crisis. Such events may in turn have a material adverse effect on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Positive developments in the Ukrainian economy may not be achieved if certain important economic and financial structural reforms are not made.

The negative impact of the global economic and financial downturn has been compounded by structural weaknesses in the Ukrainian economy. These weaknesses will until Ukraine undertakes certain important economic and financial structural reforms, including those required by the IMF as conditions to the release of funds under the 2015 EFF (as defined below), which replaced the earlier U.S.\$17 billion stand-by agreement with the IMF dated 30 April 2014 (the "2014 SBA"). The 2015 EFF requires, amongst other things, that Ukraine conduct a debt operation that will achieve three targets:

- generate U.S.\$15 billion in public sector financing over the programme period (2015-2018);
- bring the ratio of state and state-guaranteed debt to GDP ratio below 71 per cent. by 2020; and
- keep the budget's gross financing needs at an average of 10 per cent. of GDP (with a maximum of 12 per cent.) for each year in the period 2019 to 2025.

The 2015 EFF is premised on implementation by Ukraine of an ambitious, deep and comprehensive economic reform programme aimed at restoring macroeconomic and financial stability, achieving and sustaining fiscal and external sustainability and laying the foundation for robust medium-term growth. Specifically, policies will be geared towards:

- a flexible and sustainable exchange rate policy to support adjustment and a gradual restoration of adequate reserves accompanied by a prudent monetary policy aiming to bring inflation to single digits;
- financial sector policies to support the rehabilitation of the Ukrainian banking system and strengthen that sector's ability to intermediate and support economic activity;
- fiscal adjustment based on expenditure consolidation to place public finances on a sound footing and restoration of debt sustainability based on the debt operation and the external multilateral and donor support described in this Listing Prospectus; and
- deep and broad structural reforms to improve Ukraine's business climate, attract sizable domestic and foreign investment and boost Ukraine's growth potential through deregulation, better governance and state-owned enterprise reforms, including reforms of Naftogaz.

In particular, certain critical structural reforms that may need to be implemented or continued include:

- further reform of the Ukrainian tax legislation (including the development and approval of regulations required for proper application of the Tax Code) with a view to broadening the tax base and bringing a substantial portion of the shadow economy into the formal economy;
- reform of the energy sector through the introduction of uniform market-based energy prices and improvement in collection rates (and, consequently, the elimination of the persistent deficits in that sector); and
- reform of social benefits and pensions.

If Ukraine is unable to meet the conditions under the 2015 EFF, the IMF, the World Bank, the EBRD and other multilateral organisations may withhold or suspend their funding. A failure by official creditors and/or these multilateral organisations to make funding available combined with an inability to access the international capital markets and syndicated loan markets will put pressure on Ukraine's budget and foreign exchange reserves.

Therefore, if the political initiatives necessary to achieve these reforms or any other reforms do not continue, are reversed or fail to achieve their intended aims, then Ukraine's economy will suffer. Rejection or reversal of reform policies favouring privatisation, industrial restructuring and administrative reform will have negative effects on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Notes and the GDP-linked Securities.

Ukraine's achievement of any of these targets or policy objectives is subject to many exceptional risks, especially those arising from the conflict in Eastern Ukraine, which will adversely affect Ukraine's ability to deliver the structural reforms needed to resume sustainable growth. Many of these risks are described above but other factors which may materially impede achievement of any of these targets or policy objectives include:

- potential social resistance to austerity measures;
- economic recovery proving more difficult than initially expected;
- real exchange rate shocks;
- a larger than expected financial burden emanating from either the banking and/or the energy sectors;
- a crisis of confidence in the banking system; and
- other external factors.

Any of the above events would adversely impact Ukraine's economy and thus Ukraine's ability to perform its obligations under the Notes and the GDP-linked Securities.

The Ukrainian banking system is vulnerable to stress due to fragmentation, undercapitalisation and a potential increase in non-performing loans, all of which could have a material adverse effect on the Ukrainian economy.

The global financial crisis starting in 2007 led to the collapse or bailout of some Ukrainian banks and to significant liquidity constraints for others. The floating of the hryvnia since February 2014 has put additional strains on the Ukrainian banking system, as the high dollarisation of the Ukrainian financial system and its customers has not only exposed the banks to additional strains but has also contributed to a worsening in what was in many cases a fragile loan portfolio in terms of asset quality. As a result, the Ukrainian banking system as a whole is seriously undercapitalized and suffers from high levels of non-performing assets.

The fragile condition of the Ukrainian banking system has been the main factor in restricting the availability of domestic credit and if domestic credit is not available domestic businesses will not grow. Domestic banks are in many cases unwilling or unable to lend to domestic businesses in need of renewed or increased funding and a continued under-supply of credit will have a negative effect on Ukraine's GDP growth. Furthermore, increased domestic borrowing by the Government is likely to reduce the availability of domestic credit for Ukrainian businesses, exacerbating the effect on GDP levels.

Other recent factors which have had exacerbated the weak position of the Ukrainian banking sector include:

- significant outflows of deposits;

- the impact on the banking sector of the loss of income and branches in Crimea following the occupation and annexation of that territory; and
- the effect on the sector's revenues and business of the ongoing conflict in Eastern Ukraine.

In a further effort to stabilise the banking system, in July 2015, the Ukrainian Parliament adopted legislation which:

- amends grounds for insolvency of banks;
- expedites the procedure for compensation of deposits to individuals;
- prohibits investors from acquiring shares or assets of an insolvent bank if they or their shareholders are related parties of the insolvent bank;
- amends the priority waterfall for the satisfaction of creditors' claims (in particular, claims of related parties and claims of subordinated creditors);
- provides for consolidated sale of assets of several banks in liquidation;
- amends the procedure for participation of the state in withdrawal of an insolvent bank from the market; and
- increases the institutional independence of the NBU.

Despite these positive legislative developments, further insolvencies of Ukrainian banks, increased liquidity constraints, growth in the proportion of "high risk" and "default" loans, the need for the Government and shareholders to inject more capital into the banking system and the failure to adopt and implement a system of banking regulation that achieves an increased degree of soundness and stability in the nation's banks will have a material adverse effect on the Ukrainian economy and thus Ukraine's ability to perform its obligations under the Notes and the GDP-linked Securities.

The Ukrainian currency is subject to volatility and depreciation.

As a result of the high dollarisation of the Ukrainian economy and the reliance of Ukrainian borrowers on external markets, Ukraine has become increasingly exposed to the risk of hryvnia exchange rate fluctuations. As at 31 December 2013, immediately prior to the Euro-Maidan Revolution, the NBU official UAH/U.S. dollar exchange rate was pegged at UAH 7.9930 to one U.S. dollar. In February 2014 the NBU allowed the exchange rate to float, and as at 31 December 2014, the NBU official UAH/U.S. dollar exchange rate was UAH 15.7686 to one U.S. dollar. As at 31 December 2015, the NBU official UAH/U.S. dollar exchange rate was UAH 24.0006 to one U.S. dollar.

On 4 March 2015, the NBU increased its discount rate from 19.5 per cent. to 30 per cent. in an attempt to stabilise the currency. While the discount rate was subsequently reduced from 30 per cent. to 27 per cent. on 28 August 2015, it remains abnormally high which may lead to lower liquidity and instability in the money markets, volatility in the local financial system, an increase in borrowing costs, deterioration in corporate creditworthiness and consumer confidence and have other negative effects on the economy. The NBU has also started preparations to adopt inflation targeting, but overall its ability to stabilise the currency is dependent on many factors (including political stability and the crisis in Eastern Ukraine) which cannot be predicted with any degree of certainty.

While a flexible exchange rate regime is expected in the medium term to have beneficial economic effects, these may not occur and the interim support provided to banks as protection from this depreciation may not have the desired effect. In addition, the current depreciation may affect the Government's ability to service its external debt. It is possible that the current crisis in Ukraine may put pressure on the hryvnia exchange rate to the extent that the population loses confidence in the local currency and seeks to acquire foreign currencies as a hedge against political and economic risk.

Any failure to stabilise the currency may negatively affect the Ukrainian economy in general and thus Ukraine's ability to perform its obligations under the Notes and the GDP-linked Securities.

Recent currency control restrictions may negatively impact Ukrainian entities.

Ukraine has never had an entirely free capital account and transfers of foreign currency have always been subject to restrictions. Recent restrictions included a requirement to sell in the local market, for hryvnia, a portion of any foreign currency received and restrictions on payments of dividends to foreign shareholders. In 2014 and 2015 the NBU introduced a number of further currency controls aimed at stabilising the foreign exchange market and preventing foreign currency outflow from Ukraine. Thus, in August 2014, the NBU increased the proportion of a foreign currency exchange subject to compulsory sale by relevant persons from 50 per cent. to 100 per cent. although in September 2014 this requirement was decreased to 75 per cent. These restrictions are still in effect and may continue indefinitely.

In addition, the NBU has since September 2014 restricted cross-border payments of dividends by Ukrainian entities. These restrictions are still in effect and may continue indefinitely and may well have an adverse effect on these Ukrainian entities' ability to carry on their businesses.

In February 2015, the NBU also imposed restrictions on advance import payments and the purchase of foreign currency with borrowed funds. Importers which borrowed hryvnia to purchase foreign currency and then repaid the hryvnia from the sale of the imports are no longer able to use this structure and are now subject to currency risk.

These restrictions have made it more difficult for many Ukrainian companies to conduct their business and will lead to a decline in their credit quality and in turn adversely impact Ukraine's economy and thus Ukraine's ability to perform its obligations under the Notes and the GDP-linked Securities.

The Ukrainian tax system is undeveloped and subject to frequent change, which creates an uncertain environment for investment and business activity.

Historically, Ukraine has had a number of laws related to various taxes imposed by both central and regional governmental authorities. These taxes include value added tax, corporate income tax (profits tax), personal income tax, customs duties and payroll (social) taxes. The tax legislation in Ukraine and its implementing regulations are not always clearly drafted and are thus subject to inconsistent interpretation by the tax authorities and other government bodies, providing many opportunities for inappropriate and corrupt practices by officials. These factors negatively impact the predictability of Ukraine's taxation system and therefore have an adverse effect on business activity, reducing the attractiveness of the national economy for foreign investors.

The tax reform adopted by Parliament on 28 December 2014 generally improved business climate but failed to achieve certain key goals: broadening the tax base by bringing a substantial portion of the shadow economy into the reporting economy and reform of the tax authorities. On 24 December 2015, Parliament adopted a number of changes to the tax system in Ukraine with effect from 1 January 2016, including introduction of a flat 18 per cent. personal income tax rate applicable to most types of income, change of basic reporting period for corporate income tax payers from a year to a quarter, abolition of monthly advance payments of corporate income tax with certain transition rules and improvement of procedure for budget refund of VAT. Any failure to implement these changes or the ineffectiveness of any implemented measures could adversely impact Ukraine's economy and thus Ukraine's ability to perform its obligations under the Notes and the GDP-linked Securities.

Risk factors relating to the Notes

The Notes contain collective action clauses under which the terms of any one Series of Notes and/or multiple Series of Notes may be amended, modified or waived without the consent of all the holders of the Notes of that Series or all the holders of any other Series of Notes being aggregated, as the case may be.

The terms and conditions of the Notes contain provisions regarding amendments, modifications and waivers, commonly referred to as “collective action” clauses. Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. The relevant provisions also permit, in relation to reserved matters, multiple Series of Notes to be aggregated for voting purposes (provided that each such Series also contains the collective action clauses in the terms and conditions of the Notes).

All Series of Notes include such collective action clauses, thereby giving Ukraine the ability to request modifications or actions in respect of reserved matters across multiple Series of Notes. This means that a defined majority of the holders of such Series of Notes (when taken in the aggregate) would be able to bind all holders of Notes in all the relevant aggregated Series.

Any modification or actions relating to reserved matters, including in respect of payments and other important terms, may be made to a single Series of Notes with the consent of the holders of 75 per cent. of the aggregate principal amount outstanding of such Notes attending and voting at a quorate meeting, and to multiple Series of Notes with the consent of both (i) the holders of 66 $\frac{2}{3}$ per cent. of the aggregate principal amount outstanding of all Series of Notes being aggregated and (ii) the holders of more than 50 per cent. in aggregate principal amount outstanding of each Series of Notes being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable Condition in the terms and conditions of the Notes, any such modification or action relating to reserved matters may be made to multiple Series of Notes with the consent of 75 per cent. of the aggregate principal amount outstanding of all Series of Notes being aggregated only, without requiring a particular percentage of the holders in any individual affected Series of Notes to vote in favour of any proposed modification or action. Any modification or action proposed by Ukraine may, at the option of Ukraine, be made in respect of some Series of Notes only and, for the avoidance of doubt, the provisions may be used for different groups of two or more Series of Notes simultaneously. At the time of any proposed modification or action, Ukraine will be obliged, inter alia, to specify which method or methods of aggregation will be used by Ukraine.

There is a risk therefore that the terms and conditions of a Series of Notes may be amended, modified or waived in circumstances whereby the Noteholders voting in favour of an amendment, modification or waiver may be Noteholders of a different Series of Notes and as such, less than 66 $\frac{2}{3}$ per cent. of the Noteholders of the relevant Series would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple Series of Notes may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to any Notes may adversely affect their trading price.

In the future, Ukraine may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the terms and conditions of the Notes. If this occurs, then this could mean that any Series of Notes would be capable of aggregation with any such future debt securities.

Risk factors relating to the GDP-linked Securities

Terms and conditions of the GDP-linked Securities.

There will be no principal payments on the GDP-linked Securities, and all payments on the GDP-linked Securities will be linked to the performance of Ukraine’s GDP. In order for any payments to be made on the GDP-linked Securities, certain benchmarks must be reached. In particular, for

payments to be made in any given year, Ukraine's gross domestic product for that year must exceed a specified amount and annual growth rate.

The information relating to Ukraine's GDP at Current Prices, GDP at Constant Prices and Real GDP Growth Rate (as defined in the Terms and Conditions of the Further GDP-linked Securities) necessary for the calculation by the Ministry of Finance of the Reference Amount for each Reference Year (as defined in the Terms and Conditions of the Further GDP-linked Securities) in relation to the payments to the holders of GDP-linked Securities, which information will be prepared by Ukraine in accordance with the System of National Accounts 2008 or such other internationally accepted statistical methodology for preparation of national accounts, will be published in World Economic Outlook at: <http://www.imf.org/external/pubs/ft/weo/2015/01/> or available at the website of the Ministry of Finance of Ukraine together with the data on the historical performance of Ukraine's GDP (once available) at: <http://www.minfin.gov.ua/en/>.

Holders of GDP-linked Securities cannot be certain that these conditions for payment will be met every year, or at all. In addition, any differences in the calculation or compilation of the data published by the IMF's World Economic Outlook may affect the value of, or return on, the GDP-linked Securities. If there is any subsequent revision of the data used to calculate the Payment Amount or of the data published by the IMF's World Economic Outlook after the relevant Calculation Date, holders of the GDP-linked Securities will not be required to repay any amounts to Ukraine to reflect such revisions and, conversely, Ukraine will not be required to make an adjustment to the amounts previously paid to holders of the GDP-linked Securities for subsequent changes in the calculation of Ukraine's GDP.

Because Ukraine will prepare the information relating to GDP at Current Prices, GDP at Constant Prices and Real GDP Growth Rate which is used in determining the Reference Amount for each Reference Year, and because the preparation of such information may from time to time require Ukraine to make judgments or assumptions or apply statistical methodologies which could affect the calculation thereof, investors in the market may from time to time harbour or express concerns – whether founded or unfounded – regarding Ukraine's objectivity in preparing such information. There can be no assurance that concerns of this nature will not from time to time adversely affect the liquidity or market price of the GDP-linked Securities.

Certain circumstances may harm the market value of GDP-linked Securities.

While the amounts payable under the GDP-linked Securities are based in part on the performance of Ukraine's gross domestic product, the amounts, if any, payable in any year will also depend on a number of other factors. Therefore, it will be difficult or impossible for the market to predict accurately the future stream of payments on these securities and as a result, the GDP-linked Securities may trade at prices considerably less than the value of this future stream of payments, and changes in the level of Ukraine's GDP may not result in a comparable change in the market value of the GDP-linked Securities. Because of these factors, it may be difficult to trade GDP-linked Securities and their market value may be adversely affected.

The GDP-linked Securities contain collective action clauses under which the terms of the GDP-linked Securities may be amended, modified or waived without the consent of all the holders of the GDP-linked Securities.

The terms and conditions of the GDP-linked Securities contain provisions regarding amendments, modifications and waivers, commonly referred to as "collective action" clauses. Such clauses permit defined majorities to bind all holders, including holders who did not vote and holders who voted in a manner contrary to the majority.

Any modification or actions relating to reserved matters, including in respect of payments and other important terms, may be made to the GDP-linked Securities with the consent of the holders of 75 per cent. of the aggregate notional amount outstanding of such GDP-linked Securities attending and voting at a quorate meeting.

There is a risk therefore that the terms and conditions of the GDP-linked Securities may be amended, modified or waived. Further, any such amendment, modification or waiver in relation to the GDP-linked Securities may adversely affect their trading price.

Risk factors relating to the Notes and the GDP-linked Securities

Ratings downgrades and selective default rating.

Ukraine has undergone a series of ratings downgrades since the beginning of 2014. In connection with the announced restructuring of U.S.\$15 billion in privately-held Eurobonds issued or guaranteed by the Government of Ukraine, on 25 September 2015, Standard & Poor's further lowered long-term foreign currency sovereign credit rating on Ukraine to SD (selective default) from CC, and short-term foreign currency sovereign credit rating on Ukraine to D (default) from C. Following the completion of Ukraine's distressed debt exchange on 14 October 2015, Standard & Poor's raised its long- and short-term foreign currency sovereign credit ratings on Ukraine to B-/B from SD/D on 19 October 2015. On 6 October 2015, Fitch downgraded Ukraine's long-term foreign currency issuer default rating to RD (restricted default) from C, and on 18 November 2015, the rating was upgraded to CCC. On 19 November 2015, Moody's upgraded Ukraine's Government issuer rating to Caa3 from Ca. The rating outlook was changed to stable from negative.

These debt ratings are sub-investment grade and indicate that the long-term debt of Ukraine is regarded as having significant speculative characteristics, and that there are major ongoing uncertainties or exposure to financial or economic conditions which could compromise the Ukraine's capacity to meet its financial commitment on its outstanding debt. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes and/or the GDP-linked Securities and have the potential to affect Ukraine's cost of funds in the international capital markets and the liquidity of, and demand for, Ukraine's debt securities generally.

Difficulty of obtaining or enforcing judgments against Ukraine.

Ukraine is a foreign sovereign state. Consequently, it may be difficult for investors to obtain or realise upon judgments against Ukraine.

Ukraine has, in the Trust Deeds, the terms and conditions of the Notes and the terms and conditions of the GDP-linked Securities, irrevocably submitted to the jurisdiction of England and Wales in any action arising out of the Notes or GDP-linked Securities in any action arising out of either of the Trust Deeds brought by any holder of Notes or GDP-linked Securities or the relevant Trustee, as applicable. In addition, Ukraine has irrevocably waived, to the extent permitted by applicable law and international conventions, (a) any immunity from jurisdiction it may have in any suit, action or proceeding arising out of the Trust Deed, the Notes or GDP-linked Securities, as applicable (including any suit, action or proceeding arising out of any non-contractual obligations arising out of the Trust Deed, the Notes or GDP-linked Securities, as applicable) (together referred to as "**Proceedings**") in the courts of England and Wales, and (b) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any such Proceeding in the courts of England and Wales.

Notwithstanding the foregoing, such waiver does not constitute a waiver of immunity from attachment or execution with respect to any property:

- (i) used by a diplomatic or consular mission of Ukraine (except as may be necessary to effect service of process);
- (ii) of a military character and under the control of a military authority or defence agency; or
- (iii) located in Ukraine and dedicated to a public or governmental use (as distinct from property dedicated to a commercial use).

The foregoing constitutes a limited and specific waiver by Ukraine solely for the purposes of the Trust Deed, the Notes and the GDP-linked Securities (as applicable), and under no circumstances will it be construed as a general waiver by Ukraine or a waiver with respect to proceedings unrelated to the Trust Deed, the Notes and the GDP-linked Securities (as applicable). Furthermore, Ukraine has not waived immunity from pre-judgment attachment. The appointment of an agent for service of process under the Trust Deed, the terms and conditions of the Notes and the terms and conditions of the GDP-linked Securities (as applicable) and the waiver of immunity described above also do not constitute a waiver of immunity in relation to any suit, action or proceeding brought by any person under the securities laws of any jurisdiction.

No registration and restrictions on transfer.

The Notes and the GDP-linked Securities have not been nor will be registered under the Securities Act or the securities laws of any other jurisdiction. The Notes and the GDP-linked Securities are subject to restrictions on transfer imposed by law or regulation as described under “*Form of Global Certificates and Transfer Restrictions*”.

Payments of interest and other similar income received by the holders of the Securities may be subject to withholding tax under the EU Savings Directive.

Payments of interest and other similar income made to beneficial owners who are individuals resident for tax purposes in a Member State may be subject to withholding tax under EU Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”) or similar measures adopted by a number of non-EU countries and certain dependent or associated territories of certain Member States. If a relevant payment to holders of Securities by Ukraine were to be made or collected through a jurisdiction which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither Ukraine nor any paying agent nor any other person would be obliged to pay additional amounts as a result of the imposition of such withholding tax.

Noteholders are urged to consult their own tax advisers as to the specific tax consequences of the acquisition, holding, redemption or disposal of the Notes and the GDP-linked Securities.

Uncertainty as to the trading market for the Notes and the GDP-linked Securities.

Ukraine does not intend to make any application for the admission to trading of the Notes and GDP-linked Securities on any market other than the regulated market of the Irish Stock Exchange. The Notes and the GDP-linked Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes and the GDP-linked Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

To the extent that the Notes and the GDP-linked Securities are traded, prices of the Notes and the GDP-linked Securities will fluctuate greatly depending on the trading volume and the balance between buy and sell orders, and Noteholders are urged to contact their brokers to obtain the best available information as to their potential market prices.

Exchange rate fluctuations may adversely affect value.

Ukraine will pay interest and principal on the Notes which will be payable by in U.S. dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor’s Currency). An appreciation in the value of the Investor’s Currency relative to the U.S. dollar would decrease (1) the Investor’s Currency-equivalent yield on the Notes and the GDP-linked Securities, (2) the Investor’s Currency-equivalent value of the principal payable on the Notes and (3) the Investor’s Currency-equivalent market value of the Notes and the GDP-linked Securities.

Changes in market interest rates may adversely affect value.

For holders that intend to sell the Notes or the GDP-linked Securities prior to maturity, subsequent changes in market interest rates may adversely affect the value of the Notes and the GDP-linked Securities.

TERMS AND CONDITIONS OF THE FURTHER NOTES

The following is the terms and conditions of the Further Notes, which represent the terms and conditions applicable to each series of Further Notes, and are endorsed on the relevant Notes Certificates (as defined below) and are attached and (subject to the provisions thereof) apply to the relevant Global Certificate relating to the Further Notes.

The U.S.\$[[97,467,000]¹/[U.S.\$[78,535,000]²]/[73,307,000]/[31,521,000]/[28,872,000]/[25,117,000]/[23,985,000]/[22,855,000]/[22,536,000]/[20,933,000]] 7.75 per cent. Notes due [2019³/2019⁴/2020/2021/2022/2023/2024/2025/2026/2027], Series No. [1⁵/1⁶/2/3/4/5/6/7/8/9] (the “**Notes**”, which expression shall in these conditions (the “**Conditions**”), unless the context otherwise requires, include any further notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series therewith) issued by Ukraine (the “**Issuer**” or “**Ukraine**”), represented by the Minister of Finance of Ukraine acting upon instructions of the Cabinet of Ministers of Ukraine, are constituted by, subject to, and have the benefit of, a trust deed dated 12 November 2015 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**”, which expression includes all persons serving for the time being as trustee or trustees appointed under the Trust Deed). The Notes are the subject of an agency agreement dated 12 November 2015 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, The Bank of New York Mellon, London Branch in its capacity as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor or additional paying agent appointed from time to time in connection with the Notes) and The Bank of New York Mellon (Luxembourg) S.A. in its capacity as the transfer agent (the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and in its capacity as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes).

References herein to the “**Agents**” are to the Registrar, the Paying Agents and the Transfer Agent and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders will be entitled to the benefit of, bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom, and at the Specified Office (as defined in the Agency Agreement) of each of the Agents.

For purposes of these Terms and Conditions, “**Issue Documents**” means the Trust Deed and the Agency Agreement.

1. Form, Denomination and Status

(a) Form and denomination

The Notes will be issued in registered form, without interest coupons in denominations of U.S.\$100,000 and in integral multiples of U.S.\$1,000 in excess thereof (each denomination of Notes an “**authorised denomination**”).

(b) Status

¹ Insert in terms and conditions in relation to the Third Additional Further Series No. 1 Notes.

² Insert in terms and conditions in relation to the Fourth Additional Further Series No. 1 Notes.

³ Insert in terms and conditions in relation to the Third Additional Further Series No. 1 Notes.

⁴ Insert in terms and conditions in relation to the Fourth Additional Further Series No. 1 Notes.

⁵ Insert in terms and conditions in relation to the Third Additional Further Series No. 1 Notes.

⁶ Insert in terms and conditions in relation to the Fourth Additional Further Series No. 1 Notes.

The Notes are the direct, unconditional and, subject to the provisions of Condition 3 (*Negative Pledge*), unsecured obligations of the Issuer and (subject as aforesaid) rank and will rank *pari passu* without any preference among themselves and not less than *pari passu* in right of payment with all other unsecured External Indebtedness of the Issuer, from time to time outstanding, provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.

“**External Indebtedness**” means any indebtedness which is expressed, denominated or payable, or at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of Ukraine.

2. Register, Title and Transfers

(a) Register

The Registrar will maintain a register (the “**Register**”) in respect of the Notes, which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding or holdings of Notes. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) Title

Title to the Notes will pass by and upon registration in the Register. Each Noteholder shall (except as otherwise required by law) be treated as the absolute owner of such Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer (the “**Transfer Form**”)) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.

(c) Transfers

Subject to paragraphs (f) and (g) below, a Note may be transferred in whole or in part in an authorised denomination upon surrender of the relevant Note Certificate, with the endorsed Transfer Form duly completed, at the Specified Office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or, as the case may be, such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the Transfer Form; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) Registration and delivery of Note Certificates

Subject to paragraphs (e) and (f) below, within five Business Days (as defined below) of the surrender of a Note Certificate in accordance with paragraph (c) above, the Registrar will register the transfer in question and deliver a new Note Certificate of

the same aggregate principal amount as the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**Business Day**” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its Specified Office.

Where some but not all the Notes in respect of which a Note Certificate is issued are to be transferred, a new Note Certificate in respect of the Notes not so transferred will, within five Business Days of the surrender of the Note Certificate in accordance with paragraph (c) above, be mailed by uninsured first class mail (airmail if overseas) at the request of the Holder of the Notes not so transferred to the address of such Holder appearing on the Register.

(e) No charge

Registration or transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent but against payment or such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty or governmental charge of whatsoever nature which may be levied or imposed in connection with such registration or transfer.

(f) Closed periods

Noteholders may not require transfers to be registered during the period beginning on the 15th calendar day before the due date for any payment of principal or interest in respect of such Notes.

(g) Regulations concerning transfers and registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will not grant or permit to be outstanding, and it will procure that there is not granted or permitted to be outstanding, any Security Interest (other than a Permitted Security Interest) over any of its present or future assets or revenues or any part thereof, to secure any Relevant Indebtedness unless Ukraine shall (i) before or at the same time procure that the Issuer’s obligations under the Notes are secured equally and rateably therewith to the satisfaction of the Trustee or (ii) promptly thereafter ensure that the Issuer’s obligations under the Notes have the benefit of such other security as shall be approved by the Trustee in its absolute discretion or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, being not materially less beneficial to the interests of the Noteholders.

“**Permitted Security Interest**” means:

- (i) any Security Interest arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; or
- (ii) any Security Interest existing on any property at the time of its acquisition; or

- (iii) any Security Interest upon any property to secure indebtedness incurred for the purpose of financing the acquisition of such property (or property which forms part of a class of assets of a similar nature where the Security Interest is by reference to the constituents of such class from time to time); or
- (iv) any Security Interest securing or providing for the payment of indebtedness incurred in connection with any Project Financing provided that (x) such Security Interest applies solely to any property which is, or forms part of, the subject of such Project Financing or (y) revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss, or failure to complete or damage to, any such property; or
- (v) any renewal or extension of any Security Interest described in sub paragraphs (ii) - (iv) above, provided that the principal amount of the indebtedness secured thereby is not increased.

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other entity, including, without limitation, state or agency of a state or other entity, whether or not having separate legal personality.

“**Project Financing**” means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development or exploitation of any property pursuant to which the Persons providing such funds agree that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project.

“**Relevant Indebtedness**” means any External Indebtedness (whether being any principal, premium, interest or other amounts constituting such External Indebtedness), present or future, of Ukraine in the form of or represented by notes, bonds or other similar instruments whether or not issued directly by Ukraine, where, in any such case, such notes, bonds or other similar instruments are capable of being traded on any stock exchange or other securities market.

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest (but excluding any lien arising by operation of law or pursuant to the judgment of any court in respect of the Old Notes, as defined in Condition 8 (*Events of Default*)).

4. Interest

[[The Notes bear interest from and including 1 September 2015 at the rate of 7.75 per cent. per annum (the “**Rate of Interest**”), payable semi-annually in arrear on 1 March and 1 September in each year (each an “**Interest Payment Date**”); provided that the first interest payment, for the period from and including 1 September 2015 to but excluding 1 March 2016 shall be payable on 12 May 2016]⁷/ [The Notes bear interest from and including 1 March 2016 at the rate of 7.75 per cent. per annum (the “**Rate of Interest**”), payable semi-annually in arrear on 1 March and 1 September in each year, commencing on 1 September 2016 (each an “**Interest Payment Date**”)]⁸. Interest will be paid subject to and in accordance with the provisions of Condition 6 (*Payments*). Each Note will cease to bear interest from the due date for redemption unless, after surrender of such Note, payment of principal is improperly withheld or refused or unless default otherwise occurs in respect of the payment, in which case interest shall continue to accrue on such portion of outstanding principal in accordance with this Condition 4 (*Interest*) until whichever is the earlier of (i) the day on which payment in full of such portion of outstanding principal is received by or on behalf of the relevant

⁷ Insert in terms and conditions in relation to the Further Notes, except for the Fourth Additional Further Series No. 1 Notes.

⁸ Insert in terms and conditions in relation to the Fourth Additional Further Series No. 1 Notes.

Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders in accordance with Condition 16 (*Notices*) that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable in respect of each Note on each Interest Payment Date shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest U.S. cent (half a U.S. cent being rounded upwards). The amount of interest payable if interest is otherwise required to be calculated in respect of any period which is shorter or longer than six months, shall be calculated by applying the Rate of Interest to the principal amount of each Note, multiplying the product by the Day Count Fraction and rounding the resulting figure to the nearest U.S. cent (half a U.S. cent being rounded upwards), where

“**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period (calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed) divided by 360.

5. **Redemption, Purchase and Cancellation**

(a) ***Redemption***

Unless previously purchased and cancelled as provided below, the Issuer will redeem the principal amount of the Notes on 1 September [2019⁹/2019¹⁰/2020/2021/2022/2023/2024/ 2025/2026/2027] subject as provided in Condition 6 (*Payments*).

(b) ***Purchase***

The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Any Notes so purchased may be cancelled or held and resold. Any Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of holders of Notes and shall not be deemed to be outstanding for the purposes of calculating quorums and meetings of holders of Notes.

(c) ***Cancellation***

All Notes cancelled in accordance with Condition 5(b) (*Purchase*) above may not be reissued or resold.

(d) ***Issuer Call***

The Issuer has no right to redeem the Notes prior to the date specified for redemption in this Condition 5 (*Redemption, Purchase and Cancellation*).

6. **Payments**

(a) ***General***

Payments of principal and interest in respect of the Notes will be made by U.S. Dollar cheque drawn on a bank in New York City and mailed to the Holder by uninsured first class mail (airmail if overseas), at the address appearing in the Register at the opening of business on the relevant Record Date (as defined in Condition 6(e) (*Record date*)) or, upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the 15th day before the due date for any such

⁹ Insert in terms and conditions in relation to the Third Additional Further Series No. 1 Notes.

¹⁰ Insert in terms and conditions in relation to the Fourth Additional Further Series No. 1 Notes.

payment, by transfer to a U.S. Dollar account maintained by the payee with a bank in New York City.

(b) *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) *Payments on business days*

Where payment is to be made by transfer to a U.S. Dollar account with a bank in New York City, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by a U.S. Dollar cheque drawn on a bank in New York City, the cheque will be mailed on the due date for payment. A Noteholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail.

In these Conditions, “**business day**” means any day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign currencies) in London and New York City.

(d) *Partial payments*

If a Paying Agent makes a partial payment in respect of any Note, the Registrar shall procure that the amount and date of such payment are noted on the Register.

(e) *Record date*

Payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the 15th day before the due date for such payment (the “**Record Date**”).

7. Taxation

All payments in respect of the Notes by the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Ukraine or any political subdivision or any authority thereof or therein having power to tax (together “**Taxes**”), unless such withholding or deduction is required by law. In that event, the Issuer will increase the payment of principal or interest, as the case may be to such amount as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such increased amount shall be payable in respect of any Note:

- (i) to a Holder, or to a third party on behalf of a Holder, if such Holder is liable for such Taxes in respect of such Note by reason of having some connection with Ukraine other than the mere holding of such Note; or
- (ii) to a Holder, or to a third party on behalf of a Holder, who would not be liable or subject to the withholding or deduction of Taxes by making a declaration of non residence or other similar claim for exemption to the relevant tax authority; or
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the

taxation of savings income, as amended by European Council Directive 2014/48/EU, or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, or superseding such Directive; or

- (iv) if the Note Certificate representing such Note is surrendered for payment more than 30 days after the Relevant Date, except to the extent that the Holder would have been entitled to such increased amounts on surrender of such Note Certificate for payment on the last day of such period of 30 days.

For the purpose of these Conditions, “**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount plus any accrued interest having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*) below.

In addition to the foregoing, no increased amount shall be paid with respect to any payment on a Note to a Holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the increased amount had such beneficiary, settlor, member or beneficial owner been the Holder of the Note.

Any reference in these Conditions to principal or interest shall be deemed to include any increased amount in respect of principal or interest which may be payable under this Condition 7 (*Taxation*).

8. Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter in principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall, subject to (other than in the case of paragraphs (a), (b), (c), (d), (e), (f) (in so far as it relates to a payment obligation), (g) (in so far as it relates to a payment obligation), (h) and (i) below) the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or prefunded and/or provided with security to its satisfaction, give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their unpaid principal amount plus accrued interest as provided in the Trust Deed:

(a) Non payment

The Issuer fails to pay any amount of principal or interest in respect of the Notes and the default continues for a period of 10 days; or

(b) Breach of other obligations

The Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice requiring the same to be remedied to the Issuer; or

(c) ***Indebtedness of Ukraine***

Any Relevant Indebtedness shall become due and payable prior to the stated maturity thereof following a default or any security therefore becomes enforceable or Ukraine fails to make any payment of any Relevant Indebtedness on the due date for payment thereof or, if applicable, at the expiration of any grace period originally applicable thereto or any guarantee of, or indemnity in respect of, any Relevant Indebtedness of any other Person given by Ukraine shall not be honoured when due and called upon; provided that the aggregate amount of such Relevant Indebtedness is in excess of U.S.\$50,000,000 (or its equivalent in any currency or currencies) and provided further that the acceleration of the maturity of or any payment default in respect of any Old Notes will not constitute an Event of Default; or

(d) ***Authorisation***

If any authorisation, consent of, or filing or registration with, any governmental authority necessary for the performance of any payment obligation of the Issuer under the Notes or the Trust Deed, when due, ceases to be in full force and effect or remain valid and subsisting; or

(e) ***Moratorium***

If Ukraine shall suspend payment of, or admit its inability to pay, Relevant Indebtedness or any part thereof, or declare a general moratorium on or in respect of Relevant Indebtedness or any part thereof or anything analogous to the foregoing shall occur, in each case other than with respect to Old Notes; or

(f) ***Unlawfulness***

It is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or

(g) ***Invalidity***

Any one or more of the Issuer's obligations under the Notes or the Trust Deed becomes unenforceable or invalid, or the Issuer shall contest the validity thereof.

(h) ***Bond Protection and Implementation Legislation***

For so long as any Old Notes remain outstanding, the provisions in the Law of Ukraine "*On Amendment of the Budget Code of Ukraine (relating to restructuring of state and state guaranteed debt and its partial haircut)*" dated 17 September 2015 or any other laws or regulation to ensure creditors who participate in or are otherwise bound by the exchange offer set out in the Exchange Offer Memorandum will have priority in payment over those creditors who do not participate in that exchange offer are not maintained in full force and effect or implemented in accordance with Ukrainian law.

(i) ***GDP-linked Securities***

(i) The Issuer fails to make any required payment on the GDP-linked Securities on or within 10 days after the relevant Payment Date;

(ii) The Issuer fails to comply with its obligations in respect of the put option more particularly described in Condition 5.4 (*Holder Put*) of the GDP-linked Securities and such failure continues for 30 days; or

(iii) The Issuer fails to comply with its obligations in respect of issuance of GDP-linked Securities as more particularly described in Condition 6.3 (*Issuance of Securities*) of the GDP-linked Securities and such failure continues for 30 days; or

(iv) The Issuer fails to comply with its obligations in respect of a moratorium or suspension of payments as more particularly described in Condition 6.4 (*No moratorium or suspension of payment under the Securities*) of the GDP-linked Securities and such failure continues for 30 days; or

(v) The Issuer fails to comply with its obligations in respect of membership of and eligibility to use the general resources of the International Monetary Fund as more particularly described in Condition 6.9 (*Membership of the International Monetary Fund*) of the GDP-linked Securities and such failure continues for 60 days.

(vi) A final and un-appealable judgment or award is rendered against Ukraine as a consequence of a breach of Condition 6 (*Covenants*) of the GDP-linked Securities where Ukraine has failed to remedy the breach (or pay any monetary judgment or award related thereto in excess of U.S.\$50,000,000) within 60 days of the date of the judgment or award.

Upon the Notes becoming due and payable and remaining unpaid, the Trustee may take such action as is provided in Condition 15 (*Enforcement*).

In these Conditions:

“**Exchange Offer Memorandum**” means the Exchange Offer Memorandum published by the Issuer on 23 September 2015 as supplemented from time to time [*the Exchange Offer Memorandum is available to Noteholders at <http://sites.dfkingltd.com/ukraine/Home/>*];

“**GDP-linked Securities**” means the GDP-linked Securities described in the Exchange Offer Memorandum and constituted by the GDP-linked Securities Trust Deed dated 12 November 2015 between the Issuer and BNY Mellon Corporate Trustee Services Limited, as trustee, (being “state derivatives” as defined in the Law of Ukraine “*On Securities and Stock Market*” as in effect at the date hereof) and, for the avoidance of doubt, shall include any further GDP-linked Securities issued in accordance with Condition 15 (*Further Issues*) of the conditions of the GDP-linked Securities; and

“**Old Notes**” means the securities listed in Annex 1 of the Exchange Offer Memorandum.

9. Prescription

Claims for payment of principal and interest in respect of the Notes shall become void unless made within periods of ten years (in the case of principal) and five years (in the case of interest) after such principal or interest has become due and payable.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or the Transfer Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances including relief from taking action unless indemnified to its satisfaction and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretion under these Conditions and the Trust Deed, the Trustee will have regard to the general interests of the Noteholders as a class (and shall not have regard to any interests arising from circumstances particular to individual Noteholders whatever their number) and in particular will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee is exempted from any liability with respect to any loss or theft or reduction in value of the Notes, and from any obligation to insure or procure the insurance of the Notes.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, principal paying agent or additional or successor paying agents and transfer agents; provided however, that the Issuer shall at all times maintain a principal paying agent and a transfer agent, as well as a registrar and (i) so long as the Notes are listed on the Irish Stock Exchange, such paying and/or transfer agents as the guidelines of the Irish Stock Exchange may require, and (ii) Ukraine undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, or superseding such Directive.

Notice of any change in any of the Agents or in the Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Modification and Waiver

(a) Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

- (i) The Issuer may convene a Meeting at any time in respect of the Notes in accordance with the provisions of the Trust Deed. The Issuer will determine the time and place of the Meeting and will notify the Noteholders of the time, place and purpose of the Meeting not less than 21 and not more than 45 days before the Meeting.
- (ii) The Issuer or the Trustee will convene a meeting if the holders of at least 10 per cent in principal amount of the outstanding Notes have delivered a written request to the Issuer or the Trustee (with a copy to the Issuer) setting out the purpose of the Meeting. The Trustee will agree the time and place of the Meeting with the Issuer promptly. The Issuer or the Trustee, as the case may be, will notify the Holders within 10 days of receipt of such written request of the time and place of the Meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

- (iii) The Issuer (with the agreement of the Trustee) will set the procedures governing the conduct of any Meeting in accordance with the Trust Deed. If the Trust Deed does not include such procedures, or additional procedures are required, the Issuer and the Trustee will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.
- (iv) The notice convening any Meeting will specify, inter alia:
 - (A) the date, time and location of the Meeting;
 - (B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the Meeting;
 - (C) the record date for the Meeting, which shall be no more than five business days before the date of the Meeting;
 - (D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the Meeting or to appoint a proxy to act on the Noteholder's behalf at the Meeting;
 - (E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;
 - (F) whether Condition 12(b), Condition 12(c) or Condition 12(d) shall apply and, if relevant, in relation to which other series of debt securities it applies;
 - (G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
 - (H) such information that is required to be provided by the Issuer in accordance with Condition 12(f);
 - (I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the Meeting, and the details of any applicable methodology referred to in Condition 12(g); and
 - (J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (v) In addition, the Trust Deed contains provisions relating to Written Resolutions. All information to be provided pursuant to paragraph (iv) above shall also be provided, mutatis mutandis, in respect of Written Resolutions.
- (vi) A “**record date**” in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

- (vii) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
 - (viii) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
 - (ix) Any reference to “**debt securities**” means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year but, for the avoidance of doubt, does not mean any GDP-linked Securities.
 - (x) “**Debt Securities Capable of Aggregation**” means those debt securities which include or incorporate by reference this Condition 12 (*Meetings of Holders; Modification and Waiver*) and Condition 13 (*Aggregation Agent; Aggregation Procedures*) (or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities).
- (b) ***Modification of this Series of Notes only***
- (i) Any modification of any provision of, or any action in respect of, these Conditions or the Trust Deed in respect of the Notes may be made or taken if approved by a Single Series Ordinary Resolution, a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
 - (ii) For the purposes of a Meeting convened in respect of this Series of Notes only and for the purposes of passing a Single Series Ordinary Resolution and/or a Single Series Extraordinary Resolution (each as defined below) (a “**Single Series Meeting**”), at any such Single Series Meeting any one or more persons present in person holding Notes or proxies or representatives and holding or representing in the aggregate not less than 50 per cent in principal amount of the Notes for the time being outstanding shall (save for the purposes of passing a Single Series Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any such Single Series Meeting unless the requisite quorum be present at the commencement of business. The quorum at any such Single Series Meeting convened for the purpose of passing a Single Series Extraordinary Resolution shall (subject as provided in Condition 12(b)(iii)) be two persons present in person holding Notes or being proxies or representatives and holding and representing in the aggregate not less than 66⅔ per cent in principal amount of the Notes for the time being outstanding.
 - (iii) If within 15 minutes from the time fixed for any such Single Series Meeting a quorum is not present, the Single Series Meeting shall, if convened upon the requisition of the Noteholders, be dissolved, or in any other case, it shall stand adjourned for such period, being not less than 14 days nor more than 42 days, as may be appointed by the chairman either at or after the Single Series Meeting. At such adjourned Single Series Meeting one or more persons present holding Notes or being proxies or representatives (whatever the principal amount of Notes so held or represented) shall form a quorum and may pass any resolution and decide upon all matters which could properly have been dealt with at the Single Series Meeting from which the adjournment took place had a quorum been present at such Single Series Meeting, provided that at any adjourned Single Series Meeting at which a Single Series Extraordinary Resolution is to be proposed, the quorum shall be two or more persons so present in person holding Notes or being proxies or representatives and holding or

representing in the aggregate not less than 33 $\frac{1}{3}$ per cent in the principal amount of Notes for the time being outstanding.

- (iv) A “**Single Series Ordinary Resolution**” means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Trustee pursuant to Condition 12(a), 12(b)(ii) and 12(b)(iii) in respect of any matter other than a Reserved Matter, by the affirmative vote of more than 50 per cent of the Noteholders present in person or represented by proxy.
- (v) A “**Single Series Extraordinary Resolution**” means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Trustee pursuant to Condition 12(a) 12(b)(ii) and 12(b)(iii) in respect of a Reserved Matter, by the affirmative vote of at least 75 per cent of the Noteholders present in person or represented by proxy.
- (vi) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (A) in the case of a Reserved Matter, at least 75 per cent of the aggregate principal amount of the outstanding Notes; or
 - (B) in the case of a matter other than a Reserved Matter, more than 50 per cent of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

- (vii) Any Single Series Ordinary Resolution, Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended such Single Series Meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.
- (c) ***Multiple Series Aggregation – Single limb voting***
 - (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.
 - (ii) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate Meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Trustee pursuant to Condition 12(a), as supplemented if necessary, which is passed by a majority of at least 75 per cent of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
 - (iii) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in

aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any Meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
 - (v) The “**Uniformly Applicable**” condition will be satisfied if:
 - (A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (1) the same new instrument or other consideration or (2) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - (B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).
 - (vi) It is understood that a proposal under paragraph (c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).
 - (vii) Any modification or action proposed under paragraph (i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.
- (d) ***Multiple Series Aggregation – Two limb voting***
- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

- (ii) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate Meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Trustee pursuant to Condition 12(a), as supplemented if necessary, which is passed by a majority of:
- (A) at least $66\frac{2}{3}$ per cent of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50 per cent of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (iii) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
- (A) at least $66\frac{2}{3}$ per cent of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50 per cent of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any Meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (v) Any modification or action proposed under paragraph (i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.
- (e) ***Reserved Matters.***

In these Conditions, “**Reserved Matter**” means any proposal:

- (i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

- (ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
- (iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (iv) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;
- (v) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;
- (vi) to change the definition of “Uniformly Applicable”;
- (vii) to change the definition of “outstanding” or to modify the provisions of Condition 12(i) (*Notes controlled by the Issuer*);
- (viii) to change any provision of Condition 1(b) (*Status*) or Condition 3 (*Negative Pledge*);
- (ix) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, as set out in Condition 8 (*Events of Default*);
- (x) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer’s waiver of immunity, in respect of actions or proceedings brought by any Noteholder, as set out in Condition 18 (*Governing Law and Submission to Jurisdiction*);
- (xi) to impose any condition on or otherwise change the Issuer’s obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (xii) to modify the provisions of this Condition 12(e) (*Reserved Matters*);
- (xiii) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security;
- (xiv) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:
 - (A) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or
 - (B) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the

resulting series of debt securities having the largest aggregate principal amount.

(f) Information.

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 12(b), Condition 12(c) or Condition 12(d), the Issuer shall publish in accordance with Condition 13 (*Aggregation Agent; Aggregation Procedures*), and provide the Trustee with the following information:

- (i) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;
- (ii) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (iii) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a Meeting in Condition 12(a)(iv)(G).

(g) Claims Valuation.

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 12(c) and Condition 12(d), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(h) Manifest error, etc.

The Trust Deed may be amended without the consent of the holder of any Note for the purposes of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained therein or herein, to take into account further issues of notes pursuant to Condition 17 or in any manner that the parties thereto may deem mutually necessary or desirable and that will not adversely affect, in any material respect, the interests of the Noteholders.

(i) Notes controlled by the Issuer.

For the purposes of (i) determining the right to attend and vote at any Meeting, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, ii) Condition 12(a); and (iii) Condition 13 (*Aggregation Agent;*

Aggregation Procedures), any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

- (i) “**public sector instrumentality**” means the Ministry of Ukraine, the National Bank of Ukraine, any other department, ministry or agency of the government of Ukraine or any corporation, trust, financial institution or other entity owned or controlled by the government of Ukraine or any of the foregoing; and
- (ii) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any Meeting, or in connection with any Written Resolution, the Issuer shall provide to the Trustee a copy of the certificate prepared pursuant to Condition 13(d) which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any Meeting or the right to sign, or authorise the signature of, any Written Resolution in respect of any such Meeting. The Trustee shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) ***Publication.***

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 13(g).

(k) ***Exchange and Conversion.***

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer’s option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

13. Aggregation Agent; Aggregation Procedures

(a) **Appointment.**

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount

outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Trust Deed in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(b) Extraordinary Resolutions.

If an Extraordinary Resolution has been proposed at a duly convened Meeting to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) Written Resolutions.

If a Written Resolution has been proposed under the Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) Certificate.

For the purposes of Condition 13(b) and Condition 13(c), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the Meeting referred to in Condition 12(b), Condition 12(c) or Condition 12(d), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

- (i) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
- (ii) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 12(i) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) Notification.

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 13 to be notified to the Trustee and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

(f) Binding nature of determinations; no liability.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 13 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Trustee and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non exercise by it of its powers, duties and discretions for such purposes.

(g) Manner of publication.

The Issuer will publish all notices and other matters required to be published pursuant to the Trust Deed including any matters required to be published pursuant to Condition 12 (*Meetings of Noteholders; Modification and Waiver*), this Condition 13 (*Aggregation Agent; Aggregation Procedures*), Condition 16 (*Notices*):

- (i) through Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and/or any other clearing system in which the Notes are held;
- (ii) in such other places and in such other manner as may be required by applicable law or regulation; and
- (iii) in such other places and in such other manner as may be customary.

14. Most Favoured Creditor

Ukraine shall not:

- (i) pay any Old Notes in accordance with their contractual terms, or
- (ii) without offering the same terms (or other consideration of equivalent value) on a ratable basis to the holders of the Notes, enter into any arrangement or agreement to compromise its obligations in respect of any Old Notes (a “settlement”) on terms which have a net present value to the relevant holder(s) of Old Notes (where net present value is calculated using a constant 10% discount rate) greater than the net present value at issue of the Notes and other sovereign debt obligations (but for the avoidance of doubt without regard to any GDP-linked Securities) receivable in respect of an equivalent principal amount of Old Notes in the exchange offer contemplated by the Exchange Offer Memorandum;

provided that in no circumstances shall any settlement by Ukraine with holder(s) of Old Notes include any GDP-linked Securities constituted by the GDP-linked Securities Trust Deed.

Any waiver of this Condition may be approved by the holder(s) of Notes through a Single Series Ordinary Resolution (as defined in Condition 12(b)). At any meeting of holder(s) of Notes called to consider such waiver, and for voting, quorum and other purposes in connection with the Single Series Ordinary Resolution in respect thereof, all series of notes constituted by the Trust Deed shall be treated as if they were a single series consolidated with the Notes.

15. Enforcement

After any of the Notes shall have become due and payable and remain unpaid, the Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights against the Issuer under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the Holders of at least one quarter in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

16. Notices

All notices to Noteholders may be delivered in person or sent by mail or facsimile transmission or telex to them at their respective addresses, facsimile or telex numbers reflected in the Register. Any such notice shall be deemed to have been given, in the case of a letter delivered by hand, at the time of delivery, in the case of a letter sent by mail, on the fourth weekday (excluding Saturday and Sunday) after the date of mailing, in the case of facsimile transmission, at the time of dispatch or, in the case of a telex, on receipt of an answerback confirmation by the sender, except that, so long as the Notes are listed on the Irish Stock Exchange, notices will also be published either via the Companies Announcement Office of the Irish Stock Exchange or in the Irish Times. Any such notice shall be deemed to have been given on the date of such publication.

17. Further Issues

The Issuer is at liberty from time to time, without the consent of Noteholders, to create and issue further Notes ranking equally in all respects (or in all respects save for the date and the amount of the first payment of interest thereon) so that the same shall be consolidated and form a single series with the Notes; provided that, if such further Notes of such series are not fungible with the Notes of such series for U.S. federal income tax purposes, such further Notes of such series will have a separate ISIN, CUSIP or other identifier number. Any further notes which are to form a single series with the Notes shall be constituted by a deed supplemental to the Trust Deed.

18. Governing Law and Submission to Jurisdiction

The Trust Deed, the Agency Agreement and the Notes are governed by, and will be construed in accordance with, English law.

The Issuer has in the Trust Deed irrevocably agreed, for the benefit of the Trustee and the Noteholders, and subject to Clause 25.4 (*Arbitration*) of the Trust Deed, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Notes and that accordingly any suit, action or proceedings arising thereunder or in connection therewith (together referred to as “**Court Proceedings**”) may be brought in the courts of England. Nothing contained herein or in the Trust Deed shall limit, subject to Clause 25.4 (*Arbitration*) of the Trust Deed, any right of the Trustee and/or each of the Noteholders to take Court Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Court Proceedings in any one or more jurisdictions preclude the taking of Court Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer has in the Trust Deed irrevocably and unconditionally waived any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England on the grounds that such Court Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment or order of the courts of England in connection with the Trust Deed or the Notes shall be conclusive and binding upon the Issuer, and may be enforced against it in the courts of any other jurisdiction to which the Issuer is or may be subject.

The Issuer has in the Trust Deed appointed the Ambassador of Ukraine to the Court of St. James's at the Embassy of Ukraine in London, from time to time, to act as its agent to receive service of process in any Court Proceedings in England based on the Trust Deed or the Notes. If for any reason the appointment of such agent for service of process lapses, the Issuer has in the Trust Deed agreed that it will promptly appoint a substitute process agent (acceptable to the Trustee) and notify the Noteholders in accordance with Condition 16 (*Notices*) of such appointment.

Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

Ukraine has also specifically and expressly agreed in the Trust Deed that any disputes which may arise out of or in connection with the Trust Deed or the Notes (including any questions regarding their existence, validity or termination) shall, at the sole option of the Trustee exercisable in accordance with Clause 25.4 (*Arbitration*) of the Trust Deed, be referred to and finally resolved by arbitration instituted by the Trustee under the Rules of the London Court of International Arbitration. The arbitration tribunal shall consist of three arbitrators to be approved in accordance with Clause 25.5 (*Formation of Arbitration Tribunal*) of the Trust Deed. The seat of arbitration shall be London and the language English.

To the extent that the Issuer or any of its revenues, assets or properties are entitled, in England or any other jurisdiction where Proceedings may at any time be brought against it or any of its revenues, assets or properties, to any immunity from suit, from the jurisdiction of any such court, from set off, from attachment in aid of execution of a judgment, from execution of a judgment or from any other legal or judicial process or remedy (other than a pre judgment attachment which is expressly not waived), and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Issuer has in the Trust Deed irrevocably agreed not to claim and has irrevocably waived such immunity to the fullest extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Proceeding). The Issuer reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of or in the United States of America under any United States federal or State securities law. The waiver of immunities referred to in the Trust Deed constitutes only a limited and specific waiver for the purposes of the Notes and the Trust Deed and under no circumstances shall it be interpreted as a general waiver by the Issuer or a waiver with respect to proceedings unrelated to the Notes and the Trust Deed. The Issuer has not waived such immunity in respect of property which is (i) used by a diplomatic or consular mission of the Issuer (except as may be necessary to effect service of process), (ii) property of a military character and under the control of a military authority or defence agency, or (iii) located in Ukraine and dedicated to a public or governmental use (as distinct from property dedicated to a commercial use).

19. Contracts (Rights of Third Parties) Act

No rights are conferred on any person under the Contracts (Right of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. Currency Indemnity

The Issuer agrees that if a judgment, order or award given or made by any court or arbitral tribunal for the payment of any amount in respect of any Note is expressed in a currency (the “**judgment currency**”) other than the United States dollars (the “**denomination currency**”), the Issuer will pay any deficiency arising or resulting from any variation in rates of exchange between the date as of which the amount in the denomination currency is notionally converted into the amount in the judgment currency for the purposes of such judgment, order or award and the date of actual payment thereof. This obligation will constitute a separate and independent obligation from the other obligations under the Notes, will give rise to a separate and independent cause of action, will apply irrespective of any waiver or extension granted from time to time and will continue in full force and effect notwithstanding any judgment, order or award for a liquidated sum or sums in respect of amounts due in respect of the relevant Note or under any such judgment, order or award for a liquidated sum or sums in respect of amounts due in respect of the relevant Note or under any such judgment, order or award.

For purposes of these Conditions, references to “GDP-linked Securities” shall mean the the GDP-linked Securities constituted by the GDP-linked Securities Trust Deed dated 12 November 2015 between the Issuer and BNY Mellon Corporate Trustee Services Limited, as trustee, (being “state derivatives” as defined in the Law of Ukraine “On Securities and Stock Market” as in effect at the date hereof) and, for the avoidance of doubt, shall include any further GDP-linked Securities issued in accordance with Condition 15 (Further Issues) of the conditions of the GDP-linked Securities.

For the purposes of these Conditions, references to “Old Notes” shall mean the Securities listed in the following table:

1. Sovereign Securities

ISIN (Unrestricted Global Note)	ISIN (Restricted Global Note)	CUSIPS	Maturity date	Coupon	Amount	Minimum denomination	Clearing System
XS0543783434	US603674AB86	603674AB8	23 September 2015	6.875 per cent.	U.S.\$ 500,000,000	U.S.\$ 100,000	Euroclear, Clearstream, Luxembourg and DTC
XS0543783194	US603674AA04	603674AA0	23 September 2020	7.75 per cent.	U.S.\$ 1,500,000,000	U.S.\$ 100,000	Euroclear, Clearstream, Luxembourg and DTC
XS0917605841	US903724AG77	903724 AG7	17 April 2023	7.5 per cent.	U.S.\$ 1,250,000,000	U.S.\$ 200,000	Euroclear, Clearstream, Luxembourg and DTC
XS0330776617	XS0330917617	NO CUSIP	14 November 2017	6.75 per cent.	U.S.\$ 700,000,000	U.S.\$ 100,000	Euroclear and Clearstream, Luxembourg
XS0276053112	US903724AB80	903724 AB 8	21 November 2016	6.58 per cent.	U.S.\$ 1,000,000,000	U.S.\$ 100,000	Euroclear, Clearstream, Luxembourg and DTC
XS0858358236	US903724AF94	903724AF9	28 November 2022	7.8 per cent.	U.S.\$ 2,250,000,000	U.S.\$ 200,000	Euroclear, Clearstream, Luxembourg and DTC
XS0638552942	US903724AC63	903724AC6	17 June 2016	6.25 per cent.	U.S.\$ 1,250,000,000	U.S.\$ 200,000	Euroclear, Clearstream, Luxembourg and DTC
XS1009483204	US903724AH50	903724AH5	20 December 2015	5.0 per cent.	U.S.\$ 3,000,000,000	U.S.\$ 200,000	Euroclear, Clearstream, Luxembourg and DTC
XS0808758196	US903724AD47	903724AD4	24 July 2017	9.25 per cent.	U.S.\$ 2,600,000,000	U.S.\$ 200,000	Euroclear, Clearstream, Luxembourg and DTC
XS0594390816	US126826AH97	126826AH9	23 February 2021	7.95 per cent.	U.S.\$ 1,500,000,000	U.S.\$ 200,000	Euroclear, Clearstream, Luxembourg and DTC

ISIN (Unrestricted Global Note)	ISIN (Restricted Global Note)	CUSIPS	Maturity date	Coupon	Amount	Minimum denomination	Clearing System
XS0232329879	XS0232449263	NO CUSIP	13 October 2015	4.95 per cent.	€ 600,000,000	€ 50,000	Euroclear and Clearstream, Luxembourg

2. Guaranteed Securities

ISIN (Unrestricted Global Note)	ISIN (Restricted Global Note)	CUSIPS	Maturity date	Coupon	Amount	Minimum denomination	Clearing System
XS0556327822	US31771VAA17	31771VAA1	3 November 2017	8.375 per cent.	U.S.\$ 568,000,000	U.S.\$ 100,000	Euroclear, Clearstream, Luxembourg and DTC
XS0619856460	US 31771VAB99	31771VAB9	20 April 2018	7.40 per cent.	U.S.\$ 690,000,000	U.S.\$ 200,000	Euroclear, Clearstream, Luxembourg and DTC
XS0862476230	US31771VAC72	31771VAC7	7 December 2017	9.0 per cent.	U.S.\$ 550,000,000	U.S. \$200,000	Euroclear, Clearstream, Luxembourg and DTC

TERMS AND CONDITIONS OF THE FURTHER GDP-LINKED SECURITIES

This Security (a “**Security**” and together the “**Securities**”, which expression shall in these conditions (the “**Conditions**”), unless the context otherwise requires, include any further Securities issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) issued by Ukraine, (the “**Issuer**” or “**Ukraine**”), represented by the Minister of Finance of Ukraine acting upon instructions of the Cabinet of Ministers of Ukraine, are constituted by, subject to, and have the benefit of, a trust deed dated 12 November 2015 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited, as trustee (the “**Trustee**”, which expression includes all persons serving for the time being as trustee or trustees appointed under the Trust Deed). The Securities are the subject of a paying agency agreement dated 12 November 2015 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, The Bank of New York Mellon, London Branch in its capacity as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor or additional paying agent appointed from time to time in connection with the Securities) and The Bank of New York Mellon (Luxembourg) S.A. in its capacity as the transfer agent (the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities) and in its capacity as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Securities).

References herein to the “**Agents**” are to the Registrar, the Paying Agents and the Transfer Agent and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Holders of the Securities (each a “**Holder**” and, collectively, the “**Holders**”) will be entitled to the benefit of, be bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London, E14 5AL United Kingdom, and at the Specified Office (as defined in the Agency Agreement) of each of the Agents.

1. Definitions

As used in these Conditions, the following terms have the meanings set forth below:

“**Business Day**” means a day (other than a Saturday or a Sunday) on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent have their specified offices.

“**Calculation Date**” means, for any Reference Year, 30 April (or if such day is not a business day the next business day) of the second calendar year following such Reference Year with the first Calculation Date being 30 April 2021 in respect of the Reference Year 2019 and the last Calculation Date being 30 April 2040 in respect of the Reference Year 2038. Provided that if World Economic Outlook is not published on or before 30 April in the second calendar year following a Reference Year the Calculation Date shall be adjusted to be the last day in the calendar month of that year in which the World Economic Outlook is published.

“**EFF Expiry Date**” means 31 December 2018, being the expiry date under the Extended Fund Facility.

“**Exchange Offer Memorandum**” means the Exchange Offer Memorandum of Ukraine dated 23 September 2015 as supplemented from time to time [*the Exchange Offer Memorandum is available to Noteholders at <http://sites.dfkintltd.com/ukraine/Home/>*];

“**Expiry Date**” means the Payment Date falling in 2040.

“**Extended Fund Facility**” means the IMF’s Extended Fund Facility Programme for Ukraine dated 12 March 2015.

“**External Indebtedness**” means any indebtedness which is expressed, denominated or payable, or at the option of the relevant creditor may be payable, in any currency other than Hryvnia.

“**GDP at Current Prices**” for any Reference Year means Ukraine’s gross domestic product at current prices in Hryvnia for such Reference Year, as published in World Economic Outlook (or failing such publication, as appropriately determined) as at the Calculation Date for that Reference Year.

“**GDP at Constant Prices**” for any Reference Year means Ukraine’s gross domestic product at constant prices in Hryvnia for such Reference Year, as published in World Economic Outlook (or failing such publication, as appropriately determined) as at the Calculation Date for that Reference Year.

“**GDP Deflator**” for any Reference Year (referred to in the formula below as “t” so that the preceding calendar year is “t-1”) means the result, expressed as a percentage, of the formula

$$(\text{GDP Deflator Index } t - \text{GDP Deflator Index } t - 1) / \text{GDP Deflator Index } t - 1.$$

“**GDP Deflator Index**” for any Reference Year is: $100 \times (\text{GDP at Current Prices} / \text{GDP at Constant Prices})$.

“**Hryvnia Equivalent**” means the Hryvnia equivalent of an amount in Dollars for any Reference Year calculated using the daily average of the NBU’s Dollar/ Hryvnia exchange rate for each day during that Reference Year as published on the NBU’s website (or failing such publication, as appropriately determined).

“**IMF**” means the International Monetary Fund.

“**Ministry of Finance**” means the Ministry of Finance of Ukraine.

A “**Moratorium**” shall occur if Ukraine shall suspend payment of, or admit its inability to pay all or substantially all Relevant Indebtedness, or if Ukraine shall declare a general moratorium on or in respect of all or substantially all Relevant Indebtedness, or anything analogous to the foregoing shall occur, which shall be deemed to include a suspension of payment, an admission of inability to pay or a moratorium on any or all of the Notes, in each case other than with respect to the Old Notes.

“**NBU**” means the National Bank of Ukraine.

“**Notes**” means the nine series of bonds issued on 12 November 2015 pursuant to the Exchange Offer Memorandum and constituted by the trust deed between Ukraine and BNY Mellon Corporate Trustee Services Limited dated 12 November 2015 relating to those nine series of bonds.

“**Notional Amount**” has the meaning provided in Condition 2.2 (*Notional Amount*).

“**Old Notes**” means the securities listed in Annex 1 of the Exchange Offer Memorandum.

“**Payment Amount**” for any Reference Year means the Specified Percentage of the Reference Amount for the Reference Year.

“**Payment Date**” means, for any Reference Year, 31 May of the second calendar year following such Reference Year or if such day is not a business day the next business day with the first Payment Date being 31 May 2021 in respect of the Reference Year 2019 and the last Payment Date being 31 May 2040 in respect of the Reference Year 2038. The Payment Date may be adjusted for the Securities to ensure it is always a month after the Calculation Date in respect of such Reference Year.

“**Put Date**” means the day no less than 15 and no more than 30 clear days after the end of the applicable Put Period specified by Ukraine in a Put Notice or failing that, the day 30 days after the end of that Put Period (or if such day is not a Business Day, the next succeeding Business Day) for repurchase of the Security of any Holder which elects to exercise its option in accordance with Condition 5.4 (*Holder Put*).

“**Put Event**” means either (i) a final and un-appealable judgment or award is rendered against Ukraine as a consequence of a breach at any time on or prior to the Expiry Date of any of the covenants set forth in Condition 6 (*Covenants*) (except where such breach arises solely as a consequence of or in connection with a Moratorium occurring after the EFF Expiry Date) where Ukraine has failed to remedy the breach (or pay any monetary judgment or award related thereto in excess of \$50 million) within 60 days of the date of the judgment or award; or (ii) a Moratorium occurs prior to the EFF Expiry Date.

“**Put Notice**” means a notice published pursuant to Condition 5.4 (*Holder Put*) in respect of the occurrence of a Put Event as provided in Condition 14 (*Notices*) (including any deemed publication);

“**Put Period**” means the period from and including the date of the Put Notice (or any deemed publication date) and ending at 17:00 Kyiv time on the 90th clear day thereafter (or if such day is not a Business Day, then on the next succeeding Business Day).

“**Real GDP Growth Rate**” for any Reference Year means the growth in Ukraine’s GDP at Constant Prices for such Reference Year as published in World Economic Outlook (presently under the caption “gross domestic product, constant prices, percent change”) (or failing such publication, as appropriately determined) as at the Calculation Date for that Reference Year.

“**Reference Amount**” means, for any Reference Year (referred to in the formulae below as “t” so that the preceding calendar year is “t-1”), an amount in Dollars (to be calculated by converting amounts denominated in Hryvnia to Dollars using the average Dollar/Hryvnia exchange rate for the 60 day period prior to the Calculation Date published by the NBU), equal:

(i) where the Real GDP Growth Rate in the relevant Reference Year is above 3% and not more than 4%, to:

$15\% \times \text{GDP at Current Prices (for t-1)} \times (1 + \text{GDP Deflator for t}) \times (\text{Real GDP Growth Rate for t} - 3\%);$ or

(ii) where the Real GDP Growth Rate in the relevant Reference Year is over 4%, to:

$15\% \times \text{GDP at Current Prices (for t-1)} \times (1 + \text{GDP Deflator for t}) \times 1\% + 40\% \times \text{GDP at Current Prices (for t-1)} \times (1 + \text{GDP Deflator for t}) \times (\text{Real GDP Growth Rate for t} - 4\%)$

provided that the Reference Amount for any Reference Year will be zero if either:

- the Real GDP Growth Rate in the relevant Reference Year is less than or equal to 3%; or
- GDP at Current Prices in the relevant Reference Year is below the Hryvnia Equivalent of U.S.\$125.4 billion; and

further provided that in respect of the Reference Years from and including 2019 to and including 2023, the Reference Amount shall not in any event exceed 1 per cent of GDP at Current Prices in the relevant Reference Year.

“**Reference Year**” means each calendar year from and including 2019 to and including 2038.

“**Relevant Indebtedness**” means any External Indebtedness (whether being any principal, premium, interest or other amounts constituting such External Indebtedness), present or future, of Ukraine in the form of or represented by notes, bonds or other similar instruments whether or not issued directly by Ukraine, where, in any such case, such notes, bonds or other similar instruments are capable of being traded on any stock exchange or other securities market.

“**Specified Percentage**” means the percentage obtained by dividing:

- (i) the aggregate Notional Amount of Securities that have been issued pursuant to the Trust Deed; by
- (ii) the maximum aggregate Notional Amount of Securities permitted to be issued pursuant to the Trust Deed at the relevant time.

“**World Economic Outlook**” means the World Economic Outlook survey currently published semi-annually by the IMF and any successor publication of the IMF containing the information in relation to Ukraine as is contained in the current World Economic Outlook.

“**UAH**” and “**Hryvnia**” means the lawful currency, for the time being, of Ukraine.

“**U.S.\$**” and “**Dollars**” means the lawful currency, for the time being, of the United States of America.

2. Form, Status and Notional Amount

2.1 Form

- (a) Form

The Securities will be issued in registered form.

- (b) Status

The Securities are the direct, unconditional and subject to the provisions of Condition 3 (*Negative Pledge*), unsecured obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves and the Issuer’s payment obligations under them rank *pari passu* in right of payment with all other unsecured External Indebtedness and all other GDP-linked securities of the Issuer from time to time outstanding, provided that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness or GDP-linked securities and, in particular, shall have no obligation to pay other External Indebtedness or GDP-linked securities at the same time or as a condition of paying sums due on the Securities and vice versa.

“**External Indebtedness**” means any indebtedness which is expressed, denominated or payable, or at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of Ukraine.

2.2 Notional Amount

Each definitive Security shall have a notional amount of U.S.\$1,000 or an integral multiple of U.S.\$1,000 in excess thereof (the “**Notional Amount**”). The initial aggregate Notional Amount of the Securities is U.S.\$2,916,421,000 and if, as provided in Condition 15 (*Further Issues*), further Securities are issued, the aggregate Notional Amount of the Securities shall increase accordingly.

The amounts payable in respect of the Securities are contingent upon and determined by reference to Ukraine’s GDP and Real GDP Growth Rate between 2019 and 2038,

inclusive, as provided herein. The Notional Amount of Securities owned by a Holder will be used only to calculate payments to such Holder hereunder and for certain other purposes described herein and in the Trust Deed. Holders of this Security are not otherwise entitled to receive payment of the amount of, or interest based on, its Notional Amount.

3. Negative Pledge

So long as any Security remains outstanding (as defined in the Trust Deed), the Issuer will not grant or permit to be outstanding, and it will procure that there is not granted or permitted to be outstanding, any Security Interest (other than a Permitted Security Interest) over any of its present or future assets or revenues or any part thereof, to secure any GDP-linked securities unless Ukraine shall (i) before or at the same time procure that the Issuer's obligations under the Securities are secured equally and rateably therewith to the satisfaction of the Trustee or (ii) promptly thereafter ensure that the Issuer's obligations under the Securities have the benefit of such other security as shall be approved by the Trustee in its absolute discretion or by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders, being not materially less beneficial to the interests of the Holders.

“Permitted Security Interest” means:

- (i) any Security Interest arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; or
- (ii) any Security Interest existing on any property at the time of its acquisition; or
- (iii) any Security Interest upon any property to secure GDP-linked securities for the purpose of financing the acquisition of such property (or property which forms part of a class of assets of a similar nature where the Security Interest is by reference to the constituents of such class from time to time); or
- (iv) any Security Interest securing or providing for the payment of GDP-linked securities issued in connection with any Project Financing provided that (x) such Security Interest applies solely to any property which is, or forms part of, the subject of such Project Financing or (y) revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss, or failure to complete or damage to, any such property; or
- (v) any renewal or extension of any Security Interest described in sub-paragraphs (ii) - (iv) above, provided that the notional amount of the GDP-linked securities secured thereby is not increased.

“GDP-linked securities” means any securities issued by the Issuer with the payments calculated by reference to Ukraine's GDP, present or future, where, in any such case, such securities are capable of being traded on any stock exchange or other securities market.

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other entity, including, without limitation, state or agency of a state or other entity, whether or not having separate legal personality.

“Project Financing” means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development or exploitation of any property pursuant to which the Persons providing such funds agree that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project.

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest (but excluding any lien arising by operation of law or pursuant to the judgment of any court in respect of the Old Notes).

4. **Title**

(a) Register

The Registrar will maintain a register (the “**Register**”) in respect of the Securities, which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof).

(b) Title

Title to the Securities will pass by and upon registration in the Register. Each Holder shall (except as otherwise required by law) be treated as the absolute owner of such Securities for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein (other than the endorsed form of transfer (the “**Transfer Form**”)) and no person shall be liable for so treating such Holder.

(c) *Transfers*

Subject to paragraphs (f) and (g) below, a Security may be transferred in an authorised denomination, with the endorsed Transfer Form duly completed, at the Specified Office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or, as the case may be, such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the Transfer Form.

(d) *Registration and delivery of Securities*

Subject to paragraphs (e) and (f) below, within five Business Days of the surrender of a Securities in accordance with paragraph (c) above, the Registrar will register the transfer in question and deliver a new certificate of the same aggregate notional amount as the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder.

(e) *No charge*

Registration or transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent but against payment or such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty or governmental charge of whatsoever nature which may be levied or imposed in connection with such registration or transfer.

(f) *Closed periods*

Holders may not require transfers to be registered during the period beginning on the 15th calendar day before the due date for any payment in respect of such Securities.

(g) *Regulations concerning transfers and registration*

All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

5. Expiry, Purchase and Cancellation

5.1 Expiry

This Security expires immediately after the Expiry Date and shall upon that date become void for all purposes save for collection of any amounts unpaid or held in relation thereto by the Trustee or the Paying Agent.

5.2 Purchases of Securities

Ukraine may at any time purchase or otherwise acquire Securities at any price in the open market or otherwise.

Any Security purchased or otherwise acquired by Ukraine may be held, resold outside the United States in accordance with Regulation S under the United States Securities Act of 1933, as amended, or, at the option of Ukraine, cancelled. Any Security so purchased, while held by or on behalf of the Issuer, shall not entitle the Holder to vote at any meeting of Holders and shall not be deemed to be outstanding for the purposes of calculating the quorum at any meeting of Holders.

5.3 Issuer Call

The Securities are not subject to any call right by the Issuer prior to the Expiry Date.

5.4 Holder Put

If a Put Event occurs, the Issuer shall publish a Put Notice as soon as reasonably practicable and, in any event, within 30 Business Days of the relevant Put Event, failing which such Put Notice shall be deemed to have been published on the 90th Business Day following the relevant Put Event.

Following the publication of a Put Notice (including any deemed publication), the Issuer shall, at the option of a Holder, upon the Holder giving notice to the Issuer as provided in this Condition at any time during the related Put Period, repurchase the Security held by such Holder on the relevant Put Date at a price equal to the Notional Amount of the Security.

To exercise the right to require repurchase of this Security as aforesaid the Holder must deliver, at the Specified Office of any Paying and Transfer Agent at any time during normal business hours of such Paying and Transfer Agent on a Business Day falling within the relevant Put Period, a duly completed and signed repurchase election (a “**Put Election**”) in the form obtainable from the Specified Office of any Paying and Transfer Agent and in which the Holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Security or evidence satisfactory to the Paying and Transfer Agent concerned that this Security will, following delivery of the relevant Put Election, be held to its order or under its control.

If this Security is held through a clearing system, to exercise the right to require repurchase of this Security the Holder must, within the Put Period, give notice to the Principal Paying and Transfer Agent of such exercise in accordance with the standard procedures of that clearing

system and its participants (which may include notice being given on the Holder's instruction by that clearing system or any common depository for it to the Principal Paying and Transfer Agent by electronic means) in a form acceptable to that clearing system.

6. Covenants

So long as any of the Securities remain outstanding the Issuer covenants with the Holders that it shall:

6.1 Information

use its reasonable endeavours to ensure that there is published in World Economic Outlook on a timely basis (failing which shall publish itself on the website of the Ministry of Finance) such information relating to Ukraine's GDP at Current Prices, GDP at Constant Prices and Real GDP Growth Rate as shall be necessary for the calculation by the Ministry of Finance of the Reference Amount for each Reference Year, which information shall be prepared by Ukraine in accordance with the System of National Accounts 2008 or such other internationally accepted statistical methodology for preparation of national accounts; provided that for the avoidance of doubt and without prejudice to the foregoing: (i) neither the Trustee nor any Holder shall have the right to challenge the accuracy of the data or appropriateness of the methodology used in determining GDP at Current Prices, GDP at Constant Prices or the Real GDP Growth Rate; and (ii) for any year t where Ukraine rebases or restates GDP at Current Prices and/or GDP at Constant Prices, Ukraine shall use its reasonable endeavours to ensure that GDP at Current Prices for year t-1 is rebased or restated on the same methodological basis but for the avoidance of doubt, such a rebasing or restatement shall not affect any prior payments made to Holders pursuant to Condition 7 (*Payment and Payment Amounts*).

6.2 Maintenance of Authorisations

maintain in full force and effect any authorisation, consent of, or filing or registration with, any governmental authority within Ukraine necessary for the performance of any payment obligation of the Issuer under the Securities or the Trust Deed (the "**authorisations**") and ensure that the authorisations remain in full force and effect, valid and subsisting;

6.3 Issuance of Securities

not issue a greater aggregate Notional Amount of Securities than is permitted by the Trust Deed as in effect at the date thereof;

6.4 No moratorium or suspension of payment under the Securities

not suspend payment of, or admit its inability to pay, the Payment Amount due in respect of any Reference Year in accordance with terms hereof and of the Trust Deed, or declare a general moratorium on or in respect of payments on all or any of the Securities;

6.5 Lawfulness in Ukraine of Obligations under Securities

ensure that no law or regulation shall be adopted in Ukraine which will make it unlawful for Ukraine to perform or comply with any of its obligations under or in respect of the Securities or the Trust Deed;

6.6 Validity and Enforceability in Ukraine of Obligations under Securities

ensure that the Issuer's obligations under the Securities and the Trust Deed shall at all times be and remain enforceable and valid under Ukrainian law, and that no governmental authority of or within Ukraine shall contest in writing the validity thereof under the law of Ukraine;

6.7 Calculation of Payment Amount; Dispute Resolution

comply with the dispute resolution procedures set forth in the Trust Deed in relation to the calculation of any Payment Amount so that the Trustee, if so requested in writing by the Holders of not less than 25 per cent. in aggregate Notional Amount of the Securities then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified, prefunded or secured to its satisfaction), shall refer any claim, dispute or difference of whatever nature arising under, out of or in connection with the calculation of the Payment Amount to be finally settled by arbitration in accordance with such procedures provided that for the avoidance of doubt and without prejudice to the foregoing or the obligations in Condition 6.1 (*Information*) neither the Trustee nor any Holder shall have the right to challenge the accuracy of the data or appropriateness of the methodology used in determining GDP at Current Prices, GDP at Constant Prices or the Real GDP Growth Rate;

6.8 Bond Protection and Implementation Legislation

procure that the provisions contained in (i) the Law of Ukraine “*On Amendments to Law of Ukraine “On Securities and Stock Market” with respect to State Derivatives (relating to restructuring of state and state guaranteed debt and its partial haircut)*” dated 17 September 2015 to regulate the procedure for the issuance of and making of payments under GDP-linked securities and (ii) the Law of Ukraine “*On Amendment of the Budget Code of Ukraine (relating to restructuring of state and state guaranteed debt and its partial haircut)*” dated 17 September 2015 or any other laws or regulation to ensure that creditors who participate in or are otherwise bound by the exchange offer set out in the Exchange Offer Memorandum will have priority in payment over those creditors who do not participate in the exchange offer, are maintained in full force and effect and implemented in accordance with local law, provided that (ii) shall only apply for so long as any Old Notes are outstanding; and

6.9 Membership of the International Monetary Fund

at all times be a member of, and eligible to use the general resources of, the International Monetary Fund.

7. Payments and Payment Amounts

7.1 Subject as provided in this Condition and the Trust Deed, on each Payment Date Ukraine shall pay the Payment Amount for the relevant Reference Year in Dollars and the Holder of each Security shall be entitled to its proportionate share thereof, such share being the proportion which the Notional Amount of its Security bears to the aggregate Notional Amount of all Securities then outstanding and with the amount of any payment to a Holder being rounded to the nearest cent, with half a cent rounded upwards.

7.2 Payments of any amounts payable to Holders in respect of the Securities will be made by U.S. Dollar cheque drawn on a bank in New York City and mailed to the Holder by uninsured first class mail (airmail if overseas), at the address appearing in the Register at the opening of business on the relevant Record Date (as defined in Condition 7.7) or, upon application by a Holder to the Specified Office of the Principal Paying Agent not later than the 15th day before the due date for any such payment, by transfer to a U.S. Dollar account maintained by the payee with a bank in New York City.

7.3 If at any time the Holder or the Trustee on behalf of such Holders has not received payment when due of any amount payable in respect of any Security, the Issuer will pay to the Trustee on demand interest on such amount, calculated on the basis of a year of 360 days and the actual number of days elapsed since payment was due, at a rate of 7.75% per annum until the full amount outstanding has been paid to the Holder or the Trustee or any Agent.

7.4 Payments in respect of the Securities are subject in all cases to any fiscal or other laws and regulations, but without prejudice to Condition 8 (*Taxation*).

- 7.5 If any date for payment in respect of any Security is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.
- 7.6 No commissions or expenses shall be charged to the Holders in respect of any payments made in accordance with this Condition.
- 7.7 Payment in respect of a Security will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the 15th day before the due date for such payment (the "Record Date")

8. Taxation

- 8.1 All payments in respect of the Securities by the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Ukraine or any political subdivision or any authority thereof or therein having power to tax (together "Taxes"), unless such withholding or deduction is required by law. In that event, the Issuer will increase the relevant payment by such amount as will result in the receipt by the Holders of the amounts which would have been received by it had no such withholding or deduction been required, except that no such increased amount shall be payable in respect of any Security:
- (i) to a Holder, or to a third party on behalf of a Holder, if such Holder is liable for such Taxes in respect of such Security by reason of having some connection with Ukraine other than the mere holding of such Security; or
 - (ii) to a Holder, or to a third party on behalf of a Holder, who would not be liable or subject to the withholding or deduction of Taxes by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
 - (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income, as amended by European Council Directive 2014/48/EU, or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, or superseding such Directive; or
 - (iv) if the Security Certificate representing such Security is surrendered for payment more than 30 days after the Relevant Date, except to the extent that the Holder would have been entitled to such increased amounts on surrender of such Security Certificate for payment on the last day of such period of 30 days.

For the purpose of these Conditions, "**Relevant Date**" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount plus any accrued interest having been so received) notice to that effect has been given to the Holders in accordance with Condition 14 (*Notices*) below.

In addition to the foregoing, no increased amount shall be paid with respect to any payment on a Security to a Holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the increased amount had such beneficiary, settlor, member or beneficial owner been the Holder of the Security.

9. Prescription

Claims for payments under the Securities shall become void unless made within the period of five years from the Relevant Date.

10. Replacement of Security Certificates

If any Security Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or the Transfer Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Security Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

The initial Paying Agent for the Securities shall be The Bank of New York Mellon, London Branch. Ukraine reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) so long as the Securities are listed on the Irish Stock Exchange, such paying and/or transfer agents as the guidelines of the Irish Stock Exchange may require; and
- (b) Ukraine undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, or superseding such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Holders promptly by Ukraine in accordance with Condition 14 (*Notices*) and to the Trustee.

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances including relief from taking action unless indemnified to its satisfaction and to be paid its costs and expenses in priority to the claims of the Holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretion under these Conditions and the Trust Deed, the Trustee will have regard to the general interests of the Holders as a class (and shall not have regard to any interests arising from circumstances particular to individual Holders whatever their number) and in particular will not be responsible for any consequence for individual Holders as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee is exempted from any liability with respect to any loss or theft or reduction in value of the Securities, and from any obligation to insure or procure the insurance of the Securities.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

12. Meetings of Holders; Modification and Waiver

(a) *Convening Meetings of Holders; Conduct of Meetings of Holders; Written Resolutions*

- (i) The Issuer may convene a Meeting at any time in respect of the Securities in accordance with the provisions of the Trust Deed. The Issuer will determine the time and place of the Meeting and will notify the Holders of the time, place and purpose of the Meeting not less than 21 and not more than 45 days before the Meeting.
- (ii) The Issuer or the Trustee will convene a meeting if the Holders of at least 10 per cent in aggregate Notional Amount of the outstanding Securities have delivered a written request to the Issuer or the Trustee (with a copy to the Issuer) setting out the purpose of the Meeting. The Trustee will agree the time and place of the Meeting with the Issuer promptly. The Issuer or the Trustee, as the case may be, will notify the Holders within 10 days of receipt of such written request of the time and place of the Meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (iii) The Issuer (with the agreement of the Trustee) will set the procedures governing the conduct of any Meeting in accordance with the Trust Deed. If the Trust Deed does not include such procedures, or additional procedures are required, the Issuer and the Trustee will agree such procedures as are customary in the market.
- (iv) The notice convening any Meeting will specify, inter alia:
 - (A) the date, time and location of the Meeting;
 - (B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the Meeting;
 - (C) the record date for the Meeting, which shall be no more than five business days before the date of the Meeting;
 - (D) the documentation required to be produced by a Holder in order to be entitled to participate at the Meeting or to appoint a proxy to act on the Holder's behalf at the Meeting;
 - (E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Securities are traded and/or held by Holders;
 - (F) any additional procedures which may be necessary.
- (v) In addition, the Trust Deed contains provisions relating to Written Resolutions. All information to be provided pursuant to paragraph (iv) above shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.
- (vi) An “**Ordinary Resolution**” means a resolution passed at a Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Trustee pursuant to this Condition 12(a) in respect of any matter other than a Reserved Matter, by the affirmative vote of more than 50 per cent. of the Holders present in person or represented by proxy.
- (vii) An “**Extraordinary Resolution**” means a resolution passed at a Meeting duly convened and held in accordance with the procedures prescribed by the Issuer

and the Trustee pursuant to this Condition 12(a) in respect of a Reserved Matter, by the affirmative vote of at least 75 per cent. of the Holders present in person or represented by proxy.

- (viii) A “**Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
- (A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate Notional Amount of the outstanding Securities; or
 - (B) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate Notional Amount of the outstanding Securities.

Any Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Holders.

(b) Modification

- (i) Any modification of any provision of, or any action in respect of, these Conditions or the Trust Deed in respect of the Securities may be made or taken if approved by an Ordinary Resolution, an Extraordinary Resolution or a Written Resolution as set out below.
- (ii) For the purposes of a meeting convened for the purposes of passing an Ordinary Resolution and/or an Extraordinary Resolution (a “**Meeting**”), at any such Meeting any one or more persons present in person holding Securities or proxies or representatives and holding or representing in the aggregate not less than 50 per cent. in Notional Amount of the Securities for the time being outstanding shall (save for the purposes of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any such Meeting unless the requisite quorum be present at the commencement of business. The quorum at any such Meeting convened for the purpose of passing an Extraordinary Resolution shall (subject as provided in Condition 12(a)(iii)) be two persons present in person holding Securities or being proxies or representatives and holding and representing in the aggregate not less than 66 $\frac{2}{3}$ per cent. in Notional Amount of the Securities for the time being outstanding.
- (iii) If within 15 minutes from the time fixed for any such Meeting a quorum is not present, the Meeting shall, if convened upon the requisition of the Holders, be dissolved, or in any other case, it shall stand adjourned for such period, being not less than 14 days nor more than 42 days, as may be appointed by the chairman either at or after the Meeting. At such adjourned Meeting one or more persons present holding Securities or being proxies or representatives (whatever the Notional Amount of Securities so held or represented) shall form a quorum and may pass any resolution and decide upon all matters which could properly have been dealt with at the Meeting from which the adjournment took place had a quorum been present at such Meeting, provided that at any adjourned Meeting at which an Extraordinary Resolution is to be proposed, the quorum shall be two or more persons so present in person holding Securities or being proxies or representatives and holding or representing in the aggregate not less than 33 $\frac{1}{3}$ per cent in the Notional Amount of Securities for the time being outstanding.

- (iv) Any Ordinary Resolution, Extraordinary Resolution duly passed or Written Resolution approved shall be binding on all Holders, whether or not they attended such Meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Written Resolution, as the case may be.

(c) **Reserved Matters.**

In these Conditions, “**Reserved Matter**” means any proposal:

- (i) to change the date, or the method of determining the date, for payment of any amount in respect of the Securities, to reduce or cancel any amount payable on any date in respect of the Securities or to change the method of calculating any amount payable in respect of the Securities on any date (including, without limitation, the amendment of any definition or other provision relating thereto);
- (ii) to change the currency in which any amount due in respect of the Securities is payable or the place in which any payment is to be made;
- (iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Holders or the number or percentage of votes required to be cast, or the number or percentage of Securities required to be held, in connection with the taking of any decision or action by or on behalf of the Holders or any of them;
- (iv) to change this definition, or the definition of “Extraordinary Resolution”, or “Written Resolution”;
- (v) to change the definition of “outstanding” or to modify the provisions of Condition 12(e) (*Securities controlled by the Issuer*);
- (vi) to change any provision of Condition 2.1(b) (*Status*) or Condition 3 (*Negative Pledge*);
- (vii) to change any provision of Condition 6 (*Covenants*);
- (viii) to change the law governing the Securities, the courts to the jurisdiction of which the Issuer has submitted in the Securities, any of the arrangements specified in the Securities to enable proceedings to be taken or the Issuer’s waiver of immunity, in respect of actions or proceedings brought by any Holder, as set out in Condition 16 (*Governing Law*);
- (ix) to impose any condition on or otherwise change the Issuer’s obligation to make payments of any amount in respect of the Securities, including by way of the addition of a call option;
- (x) to modify the provisions of this Condition 12(c) (*Reserved Matters*);
- (xi) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Securities or to change the terms of any such guarantee or security;
- (xii) to exchange or substitute all the Securities for, or convert all the Securities into, other obligations or Securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Securities for, or the conversion of the Securities into, any other obligations or Securities of the Issuer or any other person.

- (xiii) to modify the provisions of Condition 5.4 (*Holder Put*); or
- (xiv) to modify the provisions of Condition 15 (*Further Issues*).

(d) ***Manifest error, etc.***

The Trust Deed may be amended without the consent of the holder of any Note for the purposes of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained therein or herein, to take into account further issues of Securities pursuant to Condition 15 (*Further Issues*) or in any manner that the parties thereto may deem mutually necessary or desirable and that will not adversely affect, in any material respect, the interests of the Holders.

(e) ***Securities controlled by the Issuer.***

For the purposes of (i) determining the right to attend and vote at any Meeting, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, and (ii) Condition 12(a); any Securities which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

- (i) “**public sector instrumentality**” means the Ministry of Finance, the National Bank of Ukraine, any other department, ministry or agency of the government of Ukraine; and
- (ii) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any Meeting, or in connection with any Written Resolution, the Issuer shall provide to the Trustee a copy of the certificate which includes information on the total number of Securities which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Securities shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any Meeting or the right to sign, or authorise the signature of, any Written Resolution in respect of any such Meeting. The Trustee shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

13. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights against the Issuer under the Trust Deed in respect of the Securities, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the Holders of at least 25 per cent. in Notional Amount of the outstanding Securities or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Holder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. Notices

All notices to Holders may be delivered in person or sent by mail or facsimile transmission or telex to them at their respective addresses, facsimile or telex numbers reflected in the Register. Any such notice shall be deemed to have been given, in the case of a letter delivered by hand, at the time of delivery, in the case of a letter sent by mail, on the fourth weekday (excluding Saturday and Sunday) after the date of mailing, in the case of facsimile transmission, at the time of dispatch or, in the case of a telex, on receipt of an answerback confirmation by the sender, except that, so long as the Securities are listed on the Irish Stock Exchange, notices will also be published either via the Companies Announcement Office of the Irish Stock Exchange or in the Irish Times. Any such notice shall be deemed to have been given on the date of such publication.

15. Further Issues

The Issuer is at liberty from time to time, without the consent of Holders but subject as provided in the Trust Deed, to create and issue further Securities ranking equally in all respects so that the same shall be consolidated and form a single series with the Securities even if doing so may adversely affect the value of any then outstanding. Any such further Securities shall form a single series with the then outstanding Securities and shall be constituted by a deed supplemental to the Trust Deed.

16. Governing Law

The Trust Deed, the Agency Agreement and the Securities are governed by, and will be construed in accordance with, English law.

The Issuer has in the Trust Deed irrevocably agreed, for the benefit of the Trustee and the Holders, and subject to Clause 25.4 (*Arbitration*) of the Trust Deed, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Securities and that accordingly any suit, action or proceedings arising thereunder or in connection therewith (together referred to as “**Court Proceedings**”) may be brought in the courts of England. Nothing contained herein or in the Trust Deed shall limit, subject to Clause 25.4 (*Arbitration*) of the Trust Deed, any right of the Trustee and/or each of the Holders to take Court Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Court Proceedings in any one or more jurisdictions preclude the taking of Court Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer has in the Trust Deed irrevocably and unconditionally waived any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England on the grounds that such Court Proceedings have been brought in an inconvenient

forum and has further irrevocably and unconditionally agreed that a judgment or order of the courts of England in connection with the Trust Deed or the Securities shall be conclusive and binding upon the Issuer, and may be enforced against it in the courts of any other jurisdiction to which the Issuer is or may be subject.

The Issuer has in the Trust Deed appointed the Ambassador of Ukraine to the Court of St. James's at the Embassy of Ukraine in London, from time to time, to act as its agent to receive service of process in any Court Proceedings in England based on the Trust Deed or the Securities. If for any reason the appointment of such agent for service of process lapses, the Issuer has in the Trust Deed agreed that it will promptly appoint a substitute process agent (acceptable to the Trustee) and notify the Holders in accordance with Condition 14 (*Notices*) of such appointment.

Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

Ukraine has also specifically and expressly agreed in the Trust Deed that any disputes which may arise out of or in connection with the Trust Deed or the Securities (including any questions regarding their existence, validity or termination) shall, at the sole option of the Trustee exercisable in accordance with Clause 25.4 (*Arbitration*) of the Trust Deed, be referred to and finally resolved by arbitration instituted by the Trustee under the Rules of the London Court of International Arbitration. The arbitration tribunal shall consist of three arbitrators to be approved in accordance with Clause 25.5 (*Formation of Arbitration Tribunal*) of the Trust Deed. The seat of arbitration shall be London and the language English.

To the extent that the Issuer or any of its revenues, assets or properties are entitled, in England or any other jurisdiction where Proceedings may at any time be brought against it or any of its revenues, assets or properties, to any immunity from suit, from the jurisdiction of any such court, from set off, from attachment in aid of execution of a judgment, from execution of a judgment or from any other legal or judicial process or remedy (other than a pre judgment attachment which is expressly not waived), and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Issuer has in the Trust Deed irrevocably agreed not to claim and has irrevocably waived such immunity to the fullest extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Proceeding). The Issuer reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of or in the United States of America under any United States federal or State securities law. The waiver of immunities referred to in the Trust Deed constitutes only a limited and specific waiver for the purposes of the Securities and the Trust Deed and under no circumstances shall it be interpreted as a general waiver by the Issuer or a waiver with respect to proceedings unrelated to the Securities and the Trust Deed. The Issuer has not waived such immunity in respect of property which is (i) used by a diplomatic or consular mission of the Issuer (except as may be necessary to effect service of process), (ii) property of a military character and under the control of a military authority or defence agency, or (iii) located in Ukraine and dedicated to a public or governmental use (as distinct from property dedicated to a commercial use).

17. Contracts (Rights of Third Parties) Act

No rights are conferred on any person under the Contracts (Right of Third Parties) Act 1999 to enforce any term of the Securities, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. Currency Indemnity

The Issuer agrees that if a judgment, order or award given or made by any court or arbitral tribunal for the payment of any amount in respect of any Security is expressed in a currency (the “**judgment currency**”) other than the United States dollars (the “**denomination currency**”), the Issuer will pay any deficiency arising or resulting from any variation in rates of exchange between the date as of which the amount in the denomination currency is notionally converted into the amount in the judgment currency for the purposes of such judgment, order or award and the date of actual payment thereof. This obligation will constitute an obligation separate and independent from the other obligations under the Securities, will give rise to a separate and independent cause of action, will apply irrespective of any waiver or extension granted from time to time and will continue in full force and effect notwithstanding any judgment, order or award for a liquidated sum or sums in respect of amounts due in respect of the relevant Security or under any such judgment, order or award.

TAXATION CONSIDERATIONS

Save for the description of certain Ukrainian and Irish tax considerations applicable to Noteholders set out below, in view of the number of different jurisdictions where tax laws may apply to a Noteholder, this Listing Prospectus does not discuss the tax consequences for Noteholders arising in relation to the Notes and the GDP-linked Securities. Noteholders are urged to consult their own professional advisers regarding the possible tax consequences, under the laws of the jurisdictions that apply to them, in relation to the Notes and GDP-linked Securities. Noteholders are liable for their own taxes and have no recourse to Ukraine with respect to taxes arising in connection with the Notes and GDP-linked Securities.

Taxation –Notes

Certain Ukrainian Tax Consequences

This summary is based upon Ukrainian tax law in force, as well as practice and interpretation available, at the date of this Listing Prospectus, which is subject to change at any time, possibly with retroactive effect. Should such a change occur, Ukraine will not update this section even if, as a result thereof, the information contained herein should be no longer complete and/or accurate. The following summary is included for general information only and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. As with other areas of Ukrainian legislation, tax law and practice in Ukraine is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that the current interpretation of the law or understanding of the practice may change or that the law may be amended. Accordingly, it is possible that payments to be made to the holders of the Notes could become subject to taxation or that rates currently in effect with respect to such payments could be increased in ways that cannot be anticipated as of the date of this Listing Prospectus.

Tax on Issue of the Notes

No stamp, issue, registration, documentary and other similar fees, duties and taxes are payable in Ukraine upon the issue of the Notes.

Tax Implications for Non-Residents of Ukraine

According to the Tax Code, no withholding tax is levied on income earned by non-residents in the form of interest or income (discount) on state securities provided that such state securities have been sold to (placed among) non-residents outside the territory of Ukraine through non-resident agents. Given that the Notes qualify as state securities for Ukrainian tax purposes, and on the basis that they are placed outside the territory of Ukraine through non-resident agents, no withholding tax will be levied on income earned by non-residents in the form of interest or income (discount) on the Notes.

The exemption from withholding tax in Ukraine applies to non-resident holders of the Notes, regardless of whether the Notes were obtained on a primary or secondary securities market.

Any capital gains realised by a non-resident from disposal of the Notes would be considered as Ukrainian source income subject to withholding tax in Ukraine at the rate of 15 per cent. (for legal entities) or 18 per cent. (for individuals). Tax can be reduced or eliminated based on a relevant double tax treaty subject to compliance with the requirements and formalities imposed by the relevant treaty and/or applicable Ukrainian legislation. In addition, military duty of 1.5 per cent. applies to those types of income of individuals which are subject to personal income tax. Whether the military duty can be reduced or eliminated based on the relevant double tax treaty depends on the provisions of such treaty. However, there is a risk that the double-tax treaties will not apply to the military duty.

Tax Implications for Residents of Ukraine

Interest and any other income derived from debt claims are treated as taxable income of a resident legal entity or permanent establishment of a non-resident legal entity. The same applies to capital gains on disposal of the Notes. Income on the Notes received by holders thereof which are resident legal entities or permanent establishments of non-resident legal entities is subject to corporate income tax in Ukraine by self-assessment at a rate of 18 per cent.

Income received by resident individuals in the form of interest on, or capital gains from the disposal of, the Notes is subject to personal income tax of 18 per cent. and a military duty of 1.5 per cent.

Taxation – GDP-linked Securities

Certain Ukrainian Tax Consequences

This summary is based upon Ukrainian tax law in force, as well as practice and interpretation available, at the date of this Listing Prospectus, which is subject to change at any time, possibly with retroactive effect. Should such a change occur, Ukraine will not update this section even if, as a result thereof, the information contained herein should be no longer complete and/or accurate. The following summary is included for general information only and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the GDP-linked Securities, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. As with other areas of Ukrainian legislation, tax law and practice in Ukraine is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that the current interpretation of the law or understanding of the practice may change or that the law may be amended. Accordingly, it is possible that payments to be made to the holders of the GDP-linked Securities could become subject to taxation or that rates currently in effect with respect to such payments could be increased in ways that cannot be anticipated as of the date of this Listing Prospectus.

Tax on Issue of the GDP-linked Securities

No stamp, issue, registration, documentary and other similar fees, duties and taxes are payable in Ukraine upon the issue of the GDP-linked Securities.

Tax Implications for Non-Residents of Ukraine

According to the Tax Code, no withholding tax is levied on income earned by non-residents on GDP-linked Securities provided that such GDP-linked Securities have been issued in accordance with the terms approved by the Cabinet of Ministers.

The exemption from withholding tax in Ukraine applies to non-resident holders of the GDP-linked Securities, regardless of whether the GDP-linked Securities were obtained on a primary or secondary securities market.

Any capital gains realised by a non-resident from disposal of the GDP-linked Securities would be considered as Ukrainian source income subject to withholding tax in Ukraine at the rate of 15 per cent. (for legal entities) or 18 per cent. (for individuals). Tax can be reduced or eliminated based on a relevant double tax treaty subject to compliance with the requirements and formalities imposed by the relevant treaty and/or applicable Ukrainian legislation. In addition, military duty of 1.5 per cent. applies to those types of income of individuals which are subject to personal income tax. Whether the military duty can be reduced or eliminated based on the relevant double tax treaty depends on the provisions of such treaty. However, there is a risk that the double-tax treaties will not apply to the military duty.

Tax Implications for Residents of Ukraine

Any income derived from GDP-linked Securities are treated as taxable income of a resident legal entity or permanent establishment of a non-resident legal entity. The same applies to capital gains on disposal of the GDP-linked Securities. Income on the GDP-linked Securities received by holders

thereof which are resident legal entities or permanent establishments of non-resident legal entities is subject to corporate income tax in Ukraine by self-assessment at a rate of 18 per cent.

Income received by resident individuals in the form of interest on, or capital gains from the disposal of, the GDP-linked Securities is subject to personal income tax of 18 per cent. and a military duty of 1.5 per cent.

Irish Tax Considerations

The following is a summary based on the laws and practices currently in force in Ireland of Irish and addresses the tax position of investors who are the absolute beneficial owners of the Securities. Particular rules not discussed below may apply to certain classes of taxpayers holding Securities, including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Securities. Prospective investors in the Securities should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Securities and the receipt of payments thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

Payments made by the Issuer in respect of the Securities which do not have an Irish source may be made without deduction or withholding for or on account of Irish income tax. Payments which do have an Irish source, may be subject to Irish withholding tax at the standard rate of income tax (currently 20 per cent.) unless an applicable exemption applies.

Interest paid on the Securities may be treated as having an Irish source if:

- (a) the Issuer is resident in Ireland for tax purposes; or
- (b) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which is used to fund the payments on the Securities; or
- (c) the Issuer is not resident in Ireland for tax purposes but the register for the Securities is maintained in Ireland or (if the Securities are in bearer form) the Securities are physically held in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer will not have a branch or permanent establishment in Ireland; (iii) payments under the Securities will not be derived from Irish sources or assets; (iv) bearer Securities will not be physically located in Ireland and the Issuer will not maintain a register of any registered Securities in Ireland.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest, dividends or other annual payments paid on the Securities issued by a company not resident in Ireland, where such interest, dividends or other annual payments is collected or realised by a bank or encashment agent in Ireland on behalf of any holder of the Securities who is Irish resident. Encashment tax does not apply where the holder of the Securities is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

Taxation of Receipts

Notwithstanding that a holder may receive payments in respect of Securities free of Irish withholding tax, the holder of Securities may still be liable to pay Irish income or corporation tax (and in the case of individuals, the universal social charge) on income received in respect of Securities if the payment has an Irish source, the holder is resident or (in the case of a person other than a body corporate)

ordinarily resident in Ireland for tax purposes (in which case there may also be a social insurance (PRSI) liability for an individual in receipt of such income), or Securities is attributed to a branch or agency of the holder in Ireland. Ireland operates a self-assessment system in respect of income and corporation tax and each person must assess its own liability to Irish tax.

Relief from Irish income tax may also be available under the specific provisions of a double taxation treaty between Ireland and the country of residence of the recipient.

Capital Gains Tax

A holder of Securities will be subject to Irish tax on capital gains realised on a disposal of Securities unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade or business in Ireland through a permanent establishment, branch or agency in respect of which the Securities are or were held.

Capital Acquisitions Tax

A gift or inheritance comprising of Securities will be within the charge to Irish capital acquisitions tax (which subject to available exemptions and reliefs is currently levied at 33 per cent.) if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland or (ii) if the Securities are regarded as property situate in Ireland. A foreign domiciled individual will not be regarded as being resident or ordinarily resident in Ireland at the date of the gift or inheritance unless that individual (i) has been resident in Ireland for the five consecutive tax years preceding that date, and (ii) is either resident or ordinarily resident in Ireland on that date.

Bearer instruments are generally regarded as situated where they are physically located at any particular time. Securities in registered form are regarded as property situate in Ireland if the register of the Securities is in Ireland. If Irish situate Securities are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponent or the donee/successor.

Stamp Duty

If the Securities are regarded as “loan capital” of the Issuer, within the meaning of section 85 of the Irish Stamp Duties Consolidation Act, 1999, then stamp duty of a transfer of the Securities should not attract Irish stamp duty.

If the Securities are regarded as stocks or marketable securities of the Issuer, as the Issuer are not registered in Ireland stamp duty will not arise on a document or in respect of an instrument effecting a transfer of Securities so long as the instrument of transfer of Securities does not relate to:

- (a) any immovable property in Ireland; or
- (b) stocks or marketable securities of a company registered in Ireland

The Noteholders are urged to consult their own tax advisers as to the specific Ukrainian and Irish tax consequences of the acquisition, holding, redemption or disposal of the Notes and the GDP-linked Securities.

DESCRIPTION OF UKRAINE

Area and Population

Ukraine is a republic occupying a land area of 603,548 square kilometres, which makes it the second largest country in Europe by area after Russia. It is bordered by Russia to the east, Belarus to the north, Poland, Slovakia, Hungary, Romania and Moldova to the west and the Black Sea to the south.

Ukraine is subdivided into 24 oblasts (or regions). Two Ukrainian cities, Kyiv, the capital of Ukraine, and Sevastopol, currently the site of a major naval base of the Russian Federation, are granted special status under the Ukrainian Constitution in respect of certain administrative and budgetary matters. The Autonomous Republic of Crimea, a partially self-governing region within Ukraine, is located on the Crimean Peninsula on the country's Black Sea and Azov Sea coast. As a result of the Crimean crisis, Crimea is considered by Ukraine to be a territory temporarily occupied by Russia. See “—*Crimean Crisis*”.

According to the State Statistics Service, as at 1 February 2016, the population of Ukraine was approximately 42.8 million (without the occupied territory of Crimea and City of Sevastopol). According to the Ukrainian census of 2001, about 78 per cent. of the country's population were ethnic Ukrainians and 17 per cent. ethnic Russians. Other groups, including Belarusians, Moldovans, Bulgarians, Crimean Tatars, Hungarians, Romanians, Greeks and Poles, accounted for about 5 per cent. of the population. The official language is Ukrainian, although approximately 57 per cent. of the population is bilingual, speaking more than one language fluently. 88 per cent. of the population speaks Ukrainian fluently and 66 per cent. of population speaks Russian fluently. The literacy rate is approximately 99 per cent.

Between 1980 and 1990, the population of Ukraine grew by 0.4 per cent. annually, but this trend has reversed since 1991, reflecting the mixed economic and social conditions seen post-independence. From 1992 to 2014 the population of Ukraine declined by 6.6 million. The Government estimates that the population is currently decreasing at an annual rate of 0.4 per cent.

History

Ukraine was settled by Slavic tribes in the first millennium AD, but from the thirteenth century through to the seventeenth century, control of the territory now comprising Ukraine passed through several powers, including the principality of Kyiv Rus, the Kingdom of Poland in alliance with the Grand Principality of Lithuania and the Mongol Golden Horde.

Slavic tribes occupied Central and Eastern Ukraine in the sixth century AD and played an important role in the establishment of Kyiv. Situated on lucrative trade routes, Kyiv quickly prospered as the centre of the powerful state of Kyiv Rus. In the eleventh century, Kyiv Rus was geographically the largest state in Europe. Kyiv was razed by Mongol raiders in the thirteenth century, Kyiv Rus subsequently rendering tribute to the Mongol Golden Horde.

In 1654, the leader of the Ukrainian (Zaporozhian) Cossacks accepted the protection of the Russian Tsar under the Treaty of Pereyaslav, and most of what is present day Ukraine remained under Russian administration from that time until World War I. The end of the Russian and Hapsburg Empires brought about by World War I allowed Ukraine briefly to assert its independence. In 1917 and 1918, three separate Ukrainian republics declared independence. However, by 1921, the western part of the traditional territory had been incorporated into Poland and the larger central and eastern parts joined the Soviet Union. As a consequence of the imposition of farm collectivisation and artificial famine of 1933 known as “Holodomor” orchestrated by Stalin, around seven million Ukrainians are estimated to have died.

After World War II, the western Ukrainian regions were incorporated into the Soviet Union. Many Ukrainians and persons of other nationalities living in Ukraine (including almost the entire population of Crimean Tatars) were deported by Stalin, adding to the millions of victims of the war itself. After

the end of the war, Ukrainian patriotic feelings were strongly suppressed, but resurfaced from time to time in opposition to the “Russification” policies pursued by Moscow.

The greater openness (*glasnost*) which followed the accession to power of Mikhail Gorbachev allowed the formation in the mid-1980s of the Ukrainian patriotic movement Rukh, which won 27 per cent. of the vote in elections in 1990. In a referendum that took place in early 1991, 60 per cent. of voters favoured Ukraine’s participation in a new Union of Sovereign States. Ukraine became an independent State on 24 August 1991 following the dissolution of the Soviet Union. Ukraine’s Parliament officially adopted the Act Declaring the Independence of Ukraine, a decision ratified by 90.3 per cent. of the votes cast in a subsequent referendum on 1 December 1991. After its declaration of independence, Ukraine experienced separatist activities in the Crimean Peninsula, although such activities ceased after Ukraine’s acceptance of the Crimean Peninsula’s status as an autonomous region. Crimea is an autonomous republic within Ukraine, with its own constitution, parliament and government, but the Crimean government remains subordinated to the central Government of Ukraine as provided in the Constitution and other applicable legislation.

2010 Presidential Election

As a result of the 2010 presidential election, Viktor Yanukovich, a member of the Party of Regions, who received 48.95 per cent. of the votes became the President of Ukraine. The results of the elections were contested by the runner-up candidate Yuliya Tymoshenko, who received 45.47 per cent. of the votes, however subsequently Yuliya Tymoshenko withdrew her appeal. The inauguration of Viktor Yanukovich as the new President was held on 25 February 2010. On 11 March 2010, Parliament appointed Mykola Azarov, a member of the Party of Regions, as the new Prime Minister and endorsed the Government. On 13 December 2012, Mykola Azarov was re-appointed as the Prime Minister and on 24 December the Government was endorsed by the President.

Political Developments following the 2010 Presidential Election

In September 2010, following the request of a number of Members of Parliament, the CCU ruled that the reform implemented in 2006 was unconstitutional, and the previous presidential parliamentary system of Government was reinstated. See “*Political Framework—The Constitution and the President*”, “*Political Framework—The Executive*” and “*Political Framework—The Legislature*”.

In the period from December 2010 to January 2013, a number of criminal charges were filed by the Prosecutor General’s Office of Ukraine against former Prime Minister Yuliya Tymoshenko for alleged abuse of power during her time in office as Prime Minister. Yuliya Tymoshenko was first arrested and detained in August 2010 and subsequently sentenced to seven years in prison. At the time, the arrest and imprisonment of the former Ukrainian Prime Minister for abuse of power negatively affected the relations with a number of governments and institutions, including the European Union.

Recent Political Developments

The following timeline represents key political developments from the end of 2013 to the beginning of 2016.

Following the deferral by the Cabinet of Ministers on 21 November 2013 of the signing of the Association Agreement with the EU, largely peaceful mass rallies took place in Kyiv and other cities of Ukraine expressing strong public support for the political association and economic integration of Ukraine with the EU. See “*Political Framework—International Relations—Supranational Organisations—EU*”.

Further mass rallies and violent protests commenced in Kyiv and a number of regions (oblasts) across Ukraine, following the violent dispersal of protesters by police in Kyiv on 30 November 2013. The mass rallies and violent protests intensified and spread following the adoption by Parliament on 16 January 2014, of a number of laws amending legislation in relation to the regulation of Parliamentary activity, unauthorised public protests, blockading public or Government buildings, access to the

internet, registration of internet-based media, immunity of the Members of Parliament, status of judges, criminalisation of defamation, criminal responsibility for slandering Government officials, criminal trials in absentia and public associations receiving foreign funding. These laws were adopted by the majority in Parliament by way of a show of hands without prior notification on the Parliamentary agenda and without discussion.

On 17 January 2014, President Yanukovich signed these bills into law provoking the leaders of three opposition political groupings in Parliament to articulate a set of demands for resolving the crisis, including the resignation of President Yanukovich, fresh elections, and the rescission of the entirety of the laws adopted on 16 January 2014.

On 28 January 2014, at an extraordinary session, Parliament resolved to cancel nine of the twelve laws adopted on 16 January 2014. Immediately following such resolution, the then Prime Minister, Mykola Azarov, tendered his resignation. A week later, the President appointed Serhiy Arbuzov as acting Prime Minister pending the formation of a new government able to command a parliamentary majority.

On 29 January 2014, Parliament adopted the Law of Ukraine “*On Elimination of Negative Impacts and Prohibition of Prosecution and Punishment with regard to the Events during Peaceful Assemblies*”. This law provided for the exemption from criminal liability of persons who were suspected or accused of certain crimes committed within the period from 27 December 2013 up to and including the day of entry into force of this law, provided that such crimes are related to the mass rallies which began on 21 November 2013. This law also provides for the cessation of the relevant criminal cases and release from custodial and non-custodial sentences of persons convicted for the above-mentioned crimes.

Following an intensification of the protests and mass rallies during early February 2014, including an upsurge of violence (principally directed by state authorities against protesters) that reportedly left 103 people dead and more than 1,400 injured, on 21 February 2014 President Yanukovich and the three opposition leaders signed a compromise agreement in the presence of the foreign ministers of France, Poland and Germany. The agreement provided for: (i) restoration of the 2004 Constitution (under which presidential powers were more limited); (ii) formation of a government of national unity; (iii) initiation of a constitutional reform process; (iv) holding new Presidential elections no later than December 2014; (v) investigation into recent acts of violence and (vi) general amnesty.

On 22 February 2014, President Yanukovich left Kyiv. On the same day, all 328 Members of Parliament present voted to remove Mr Yanukovich from power, citing as grounds his abandoning office and withdrawal from his duties in an unconstitutional manner. Parliament set 25 May 2014 as the date for new Presidential elections. Oleksandr Turchynov was appointed the new Speaker of Parliament and as interim President.

On 22 February 2014, Yuliya Tymoshenko was released from prison in the concluding days of the Maidan protests, following a revision of the Ukrainian criminal code. Mrs. Tymoshenko was officially rehabilitated on 28 February 2014 after the Ukrainian Supreme Court closed the case and found that no crime was committed.

On 23 February 2014, Parliament voted to repeal the Law of Ukraine “*On the Principles of the State Language Policy*” adopted in 2012, making Ukrainian the sole state language at all levels. The repeal of the law provoked waves of anti-Government protests amongst the Russian-speaking population in Crimea and Southern and Eastern Ukraine. The law was subsequently vetoed by interim President Turchynov on 1 March 2014.

The armed aggression of Russia against Ukraine and the occupation of the Ukrainian administrative territories of Crimea and Sevastopol by Russia commenced on 20 February 2014. See “—*Crimean Crisis*”.

On 27 March 2014, Parliament ratified the appointment of former opposition leader Arseniy Yatsenyuk as the new Prime Minister. The United States and the EU recognised the new Government in Kyiv, whereas the Russian Federation did not recognise the legitimacy of the new authorities.

On 25 May 2014, presidential elections were held. Petro Poroshenko, a businessman and politician (who was the Secretary of the National Security and Defence Council in 2005, the head of the NBU in 2007, the Minister of Foreign Affairs in 2009-2010, the Minister of Trade and Economic Development in 2012, a Member of Parliament and member of the committee on European integration since 2012 and the owner of the confectionary consortium “Roshen”), received 54.7 per cent. of the votes on the first ballot and was elected the President of Ukraine. Poroshenko’s closest rival, former Prime Minister Yuliya Tymoshenko gained 12.8 per cent. and the Radical Party leader Oleh Lyashko received 8.3 per cent. of the votes.

On 24 July 2014, Members of Parliament from the Svoboda and UDAR parties and 19 independent Members of Parliament announced in Parliament their departure from the ruling coalition “European Choice”. This coalition comprising 250 Members of Parliament, was formed in Parliament on 27 February 2014 by the factions of Batkivschyna, UDAR, Svoboda, Economic Development, Sovereign European Ukraine parties, as well as independent Members of Parliament. According to Ukrainian law, if no new coalition comprising at least 226 Members of Parliament is formed within 30 days following the dissolution of the previous coalition, this would entitle the President to dissolve Parliament and call early parliamentary elections.

On 24 July 2014, the Speaker of Parliament Oleksandr Turchynov announced the dissolution of the Ukrainian Communist Party faction in Parliament. The dissolution was preceded by legislation passed by Parliament on 22 July 2014, entitling the Speaker of Parliament to dissolve a faction that has lost some of its members compared to the number it had while it was formed during the first parliamentary session.

On 24 July 2014, Prime Minister Arseniy Yatsenyuk announced his resignation in Parliament by reasons of the break-up of the ruling coalition and blocking of key governmental issues by Parliament.

On 31 July 2014, Parliament rejected Prime Minister Yatsenyuk’s resignation.

On 25 August 2014, President Poroshenko announced the early dissolution of Parliament and called new Parliamentary elections which took place on 26 October 2014. According to the Constitution of Ukraine, the outgoing Parliament shall continue to function, until the new Parliament is formed following the upcoming elections. The newly formed Parliament may not be dissolved for one year following the elections. The Cabinet of Ministers divests itself of its powers before the newly elected Parliament, but continues to exercise its powers until members of the newly formed Cabinet of Ministers take an oath of allegiance to the Ukrainian people. There are no restrictions for the members of the old Cabinet of Ministers to be elected into the new Cabinet of Ministers.

On 5 September 2014, in Minsk, Belarus, former Ukrainian president Leonid Kuchma signed a ceasefire agreement with leaders from the self-proclaimed Donetsk and Luhansk “republics”. See “*Crisis in Eastern Ukraine— Civil Conflict and Military Operation in Eastern Regions*”. As a result of contact group composed of representatives from Ukraine, the Russia and the OSCE, an understanding was reached regarding the need to take, *inter alia*, the following steps: to provide for an immediate and bilateral ceasefire, to conduct decentralisation of powers through the approval of the law establishing temporary order of local self-government in certain districts of the Donetsk and Luhansk regions and to carry out the early local elections in accordance with such law, to provide permanent monitoring at the Ukrainian-Russian state border and to remove illegal military formations, military equipment, and militants and mercenaries from the territory of Ukraine.

On 14 August 2014 the Law of Ukraine “*On Sanctions*” was adopted, which creates a mechanism for prompt response to current and potential threats to the national interests and security of Ukraine. The sanctions may be introduced against foreign states, foreign legal entities, legal entities controlled by foreign entities or individuals, foreign individuals or any other persons or organisations involved in

terrorist activities, whose actions create a real or potential threat to the national interest security, sovereignty and territorial integrity of Ukraine, contribute to terrorist activities, violate human rights or public and state interests and result in occupation of territory of Ukraine, expropriation or limitation of ownership rights or damage to property. The sanctions include blocking of assets, restricting trade, restrictions on outflow of capital from Ukraine, prohibition on lease and privatisation of state assets, termination of trade agreements and joint projects and industrial programmes and others. The President, the Cabinet of Ministers, the NBU and the Security Service are entitled to propose the imposition of sanctions to the National Security and Defence Council. Any decisions of the National Security and Defence Council on the imposition of sanctions must be approved by both the President and Parliament in case of sectoral sanctions and by the President in case of personal sanctions.

On 16 September 2014, Parliament ratified the “Association and Free Trade Agreement” which prescribes the creation of the profound and universal zone of the free trade with the EU. 355 Members of Parliament voted in favour of the agreement with 26 abstaining and none voting against. Simultaneously, in the European Parliament, 535 Members of European Parliament voted for the ratification of the agreement with 127 voting against and 35 abstaining. Under the agreement Ukraine is to join the European Union’s free trade zone, however, at the request of Ukraine, the bilateral implementation of free trade was postponed until December 2015 from November 2014, as originally agreed, due to the need to clear concerns of the Russian Federation related to the implementation of a free trade agreement.

On 16 September 2014, during a closed session, Parliament passed the Law of Ukraine “*On Special Regime of Local Self-Government in Certain Regions of Donetsk and Luhansk Oblasts*” (the “**Donbas Special Regime Law**”) establishing, for a three-year period since the enactment of the law, a special regime of local self-government in certain districts, towns and villages of Donetsk and Luhansk Oblasts, which are determined by the decision of Parliament. The law provides for the right to use Russian and other languages in these regions in the manner and within the competence stipulated in the Law of Ukraine “*On Principles of State Language Policy*” in the activities of state and local authorities, courts, economic and social activities, cultural events and other spheres of public life. The law also regulates elections to the local authorities in these regions, provision of the State budget funds for social and economic development of Donetsk and Luhansk Oblasts and provides for the right to form local militia units to keep public order in certain districts of Donetsk and Luhansk Oblasts. The Law came into effect on 18 October 2014 and will remain in force until 18 October 2017. Provided however that the early elections to the local authorities of certain districts of Donetsk and Luhansk Oblasts were scheduled for 7 December 2014, Ukrainian public authorities were not able to properly organize and hold such elections due to ongoing hostilities in Eastern Ukraine. However, while formally the law entered into force on 18 October 2014 it remained de facto unimplemented, as Parliament failed to set forth the territorial scope of its application (identify the covered territories within the Donetsk and Luhansk regions), which it was supposed to do.

On 17 March 2015, Parliament passed a law amending the Donbas Special Regime Law by modifying its provisions on entering into force. The Law expressly states that the provisions of the Donbas Special Regime Law would apply only to the local self-government bodies and authorities, which are formed following special elections yet to be called and held. Most importantly, the law clarified that the majority of provisions of the Donbas Special Regime Law would become effective as of the date of assuming powers by the newly elected municipal bodies, however, provided that: such elections are held according to the Constitution and other Ukrainian laws, are transparent, public and open, conform to the international standards of human rights protection and democracy; are monitored by impartial observers (such as the OSCE and the Council of Europe), all unlawful military and paramilitary troops are removed, and a right to vote of internally displaced persons (who now reside outside of the covered territories) is ensured; broadcasting by Ukrainian TV channels and radio stations within the covered territories is resumed. The Law entered into force on 21 March 2015. Along with the amendments to the Donbas Special Regime Law, Parliament also adopted a resolution identifying the ‘covered Donbas territories’ where the Donbas Special Regime Law would apply.

The second law passed by Parliament on 16 September 2014 was the Law of Ukraine “*On Prevention of Persecution and Punishment of Participants of the Events on the Territory of Donetsk and Luhansk Oblasts*”, which aimed to cancel criminal and administrative liability for people who took part in the activities of the self-proclaimed republics in the period from 22 February 2014 until the date of the coming into effect of the law, on the territory of Donetsk and Luhansk Oblasts where the Anti-Terror Operation took place, and to persons who formed part of the armed groups and/or self-proclaimed authorities in these regions, or stood against the Ukrainian army during the Anti-Terror Operation, provided that these persons carry out certain actions within one month from the date of coming into effect of the law, including release of all hostages, voluntary disarmament and do not perform any actions resulting in blocking of the State authorities. This law does not apply to persons who committed violent crimes, crimes against statehood, or any actions causing the crash of the MH17 Malaysia Airlines aircraft. This law was sharply criticised by various members of Parliament and civil activists. As of the date of this Listing Prospectus the law has not been signed by the President and therefore did not come into effect.

On 26 October 2014 Ukraine held parliamentary elections in which Ukrainians vote overwhelmingly for pro-Western parties: Petro Poroshenko Bloc, a political party of President Poroshenko, and the People’s Front (“*Narodnyi Front*”), a party headed by the Prime Minister Arseniy Yatseniuk, got 21.8 percent and 22.1 percent, respectively, although Poroshenko’s bloc won many more seats due to its better performance in single member districts. The other pro-Western parties were Self-Reliance (“*Samopomich*”) with 10.97 percent, the Radical Party (“*Radykalna Partiiia*”) 6.36 percent and Fatherland (“*Batkivshchyna*”), a party led by Yulia Tymoshenko, with 5.68 percent. Total seats in new government coalition amounts to 303 seats (of 450). The Opposition Bloc (former President Yanukovich party’s remnants) got 9.43 percent. Total seats in opposition, including independents constitute 79 seats. On 21 November 2014 Petro Poroshenko Bloc, People's Front, Self-Reliance, Fatherland and the Radical Party signed a coalition agreement. On 27 November 2014 at the opening session of the new parliament these 5 parliamentary factions formed a parliamentary coalition of 302 Members of Parliament.

According to the Ukrainian Constitution the President introduces the candidate for the appointment as the Prime Minister on the basis of a proposal of the coalition of deputy factions of the newly formed Parliament. The Minister of Defence and the Minister of Foreign Affairs shall be appointed by Parliament upon the submission of proposal by the President, whereas other members of the Cabinet of Ministers shall be appointed by Parliament upon the submission of proposal by the Prime Minister.

On 27 November 2014 Arseniy Yatsenyuk was confirmed as a Prime Minister of Ukraine by 341 votes.

On 2 December 2014 Ukrainian President Petro Poroshenko granted citizenship to Natalie Jaresko (USA), Alexander Kvitashvili (Georgia) and Aivaras Abromavičius (Lithuania), foreigners who were all potential ministers in the government. Later that day Parliament, by 288 votes, approved the composition of the government and Ms. Jaresko, Mr. Kvitashvili and Mr. Abromavičius were confirmed as the Minister of Finance, Health and Economy respectively. The new Cabinet of Ministers assumed its powers after all members of the government took an oath of allegiance to the Ukrainian people in course of the same day.

On 8 December 2014, after a nearly six months hiatus, Russia resumes gas supplies to Ukraine, providing approximately 517 million cubic meters of gas during December 2014. As a result of gas price negotiations being unsuccessful, Ukraine terminated the gas purchase from Russia in the third quarter of 2015.

On 23 December 2014 Parliament has adopted amendments to the laws regulating the country's domestic and foreign policy, as well as national security principles, repealing Ukraine's non-aligned status. The Law of Ukraine “*On Amendments to Several Laws of Ukraine on the Abolition of the Non-Aligned Policy of Ukraine*” submitted by the President was supported by 303 members of Parliament

and is aiming to restore the country's aspirations to become a NATO member. The law also reaffirms one of the main political goals of Ukraine to become a member of the European Union.

On 30 May 2015, the President appointed former President of Georgia, Mikheil Saakashvili as the Head of the Odesa region state administration.

One of the most crucial points of the current reform process in Ukraine are the amendments to the Constitution. As of the date of this Listing Prospectus, two draft laws on the Amendments to the Constitution of Ukraine have been submitted to Parliament and the adoption of both draft laws remain pending. The first draft law, submitted on 1 July 2015, covered questions on the decentralisation of powers and proposed a new system of local governance. On 30 July 2015, this draft law was approved by the CCU, although four judges dissented with the court's opinion. On 31 August 2015, the adoption of the draft law in the first reading by Parliament led to a civil protest, as a result of which three people were killed and many others were injured.

The second draft law on the Amendments to the Constitution of Ukraine submitted to Parliament of Ukraine on 25 November 2015 called to provide for the independence of the judiciary and to guarantee the transparency of the actions of the judges while performing duties. On 20 January 2016, this draft law was approved by the CCU, although seven judges dissented with the court's opinion.

On 4 July 2015, the new police started to function in Ukraine with the aim of substituting the previously functioning "militsiya" as part of the general reform process. The functioning and the competence of the new police are set out in the new Law of Ukraine "*On the National Police*" dated 2 July 2015.

On 25 October 2015, 26.7 million Ukrainian voters were called to elect their 168,450 local and regional representatives in the first local elections since the Euro-Maidan Revolution. The turnout was relatively low and included 46.62 per cent. of the eligible voters, excluding Russian-annexed Crimea and embattled Donetsk and Luhansk oblasts. On 12 November 2015, the second tour of local elections took place. The turnout was 34 per cent. of the eligible voters. As a result of the vote, 29 mayors were elected. After the elections, Vitalii Klitchko kept his position as mayor of Kyiv having received 66.49 per cent. of total votes cast.

On 10 December 2015, the new Law of Ukraine "*On the State Service*" was adopted. The adoption of this Law was one of the key conditions for the provision for the second tranche of the financial help from the EU, amounting to €600 million under the Memorandum of Understanding between Ukraine and the EU, signed on 22 May 2015.

On 18 December 2015, the European Commission published its sixth report on the progress of Ukraine regarding the fulfilment of the criteria necessary for a visa-free travel regime within the EU. In the report, the European Commission stated that Ukraine met the technical criteria for visa liberalisation.

The report also required Ukraine to implement certain anti-corruption legislation in the first quarter of 2016. The new legislation was adopted on 18 February 2016, preceded by the adoption on 15 March 2015 of a law requiring electronic disclosure of property, income, expenditures and financial liabilities of the State and local government officials. On 16 March 2016, the first two members of the National Agency on the Prevention of Corruption were appointed.

On 17 March 2016, in the course of a visit of the President of Ukraine to Brussels, the President of the European Commission, Jean-Claude Juncker, confirmed that Ukraine had fulfilled all the obligations required by the sixth report.

On 1 January 2016, Title IV of the Association Agreement establishing a Deep and Comprehensive Free Trade Area with Ukraine entered into force. As of the date of this Listing Prospectus, the Netherlands is the only state which has not ratified the Association Agreement and as soon as the Netherlands completes the ratification procedure, the Association Agreement will fully enter into force.

On 3 February 2016, the Minister of Economy of Ukraine, Aivaras Abromavičius, announced his resignation. Mr. Abromavičius blamed President Petro Poroshenko's business partner and lawmaker Ihor Kononenko for prompting his resignation. According to the official statement of Mr. Abromavičius, the repeated allegations and misconduct of Mr. Kononenko blocked the efforts of the Ministry of Economy to carry out the transparent reforms required by the IMF and the international community. The ambassadors of Canada, France, Italy, Japan, Lithuania, Switzerland, Sweden, the United Kingdom and the United States demonstrated their support to Mr. Abromavičius and called upon Ukrainian leaders to set aside parochial differences and to work for the prosperity of the State.

On 10 April 2016, the Prime Minister, Arseniy Yatseniuk, announced his intention to resign and, on 14 April 2016, Members of Parliament voted in favour of Mr Yatseniuk's resignation. On 14 April 2016, former Speaker of Parliament Volodymyr Groysman's appointment as Prime Minister and the appointment of a new Cabinet of Ministers of Ukraine (except for the Minister of Healthcare) was approved by Parliament.

Gas Conflict

On 1 April 2014, Open Joint-Stock Company Gazprom ("**Gazprom**"), Russian national gas supplier, unilaterally cancelled Ukraine's natural gas discount as was previously agreed in the 17 December 2013 Ukrainian-Russian action plan since Ukrainian debt to the company had risen to U.S.\$ 1.7 billion since 2013. In the first quarter of 2014, Gazprom supplied gas for Naftogaz, the Ukrainian natural gas supplier, at the price of U.S.\$268.5 per 1,000 cubic meters according to the agreement between the President of Ukraine and the President of Russian Federation dated 17 December 2013 and a supplement to the agreement dated 19 January 2009 between Gazprom and Naftogaz on the purchase of the natural gas in 2009-2019 ("**Gas Agreement**").

The contract price for the imported gas in the second quarter of 2014 increased to U.S. \$490 per 1,000 cubic meters. The new increased price started to apply after the unilateral termination of Resolution No.291, dated 30 April 2010, by the Government of Russian Federation providing for the gas discount. In addition to that Russian Federation refused to sign the supplement to the agreement for the second quarter of 2014. Naftogaz did not agree on the price since it was economically unjustified and discriminatory. In turn, on 28 April 2014, Naftogaz, in an attempt at energy independence, participated in the Slovakian bidding system "*Open Season*" and signed a pipeline access deal with Slovakia's Eustream. It allowed Naftogaz to import the natural gas and, starting from September 2014, to receive natural gas from European gas companies RWE, Statoil ASA, TrailStone, GDF Suez and others. As a result of such supply, Ukraine received more than 10 billion cubic meters of natural gas in 2015.

After intermediary trilateral talks which started in May 2014, among the E.U. Energy Commissioner Günther Oettinger, Ukraine and Russia failed to reach an agreement regarding the supply of the gas and decrease of the gas price.

The impossibility to negotiate the price for the Russian gas supplied to Ukraine in the second quarter of 2014 resulted in the Ukraine's failure to pay the invoices issued by Gazprom. As a result of this, on 16 June 2014, Gazprom terminated gas supplies to Ukraine. Additionally, Gazprom started to apply the prepayment system in relation to Naftogaz. Gazprom's invoices for the gas received from April until June 2014 still remain unpaid.

In the absence of a compromise between the parties, both Naftogaz and Gazprom filed their claims to the Arbitration Institute of the Stockholm Chamber of Commerce.

From July to November 2014, Naftogaz did not purchase natural gas from Gazprom and did not sign any acceptance act for the gas supply.

After four months of negotiations, on 29 and 30 October 2014, the last round of trilateral negotiations between Russia, Ukraine and the European Union was carried out in Brussels, which ended with the conclusion of an interim agreement (the so-called "winter package") on the Russian-Ukrainian gas

dispute. The agreement prescribed that for the period from November 2014 until 31 March 2015 Gazprom would supply the gas on a prepayment basis at the price as determined by the agreement with a discount of U.S. \$100 per 1,000 cubic meters. These conditions were envisaged in Resolution of the Government of Russian Federation “*On the rates of export duty for the supply of gas from Russian Federation to Ukraine*” No.1137 dated 1 November 2014 (the gas price in the fourth quarter of 2014 was equal to approximately U.S.\$384 and in the first quarter of 2015 was equal to approximately U.S.\$336). Ukraine managed to suspend the ‘take or pay’ clause for five months, which had been a key demand since the beginning of the negotiations.

According to the supplement to the agreement, Naftogaz paid to Gazprom U.S.\$3.1 billion in November and December 2014 (U.S.\$1.45 billion for the natural gas supplied during November-December 2013 and U.S.\$1.65 billion for the gas supplied during April-June 2014) which was calculated by applying the price of U.S.\$268.5 per 1,000 cubic meters. By making this payment Naftogaz believes it fully performed its obligations under the “winter package” as well as ensured the supply of Russian gas for the winter period in 2014-2015 in the amount necessary for the gas balance of Ukraine.

The parties decided that the final calculations on the gas price will be determined in the arbitration award.

The gas supply from Gazprom to Naftogaz continued in the second quarter of 2015 due to the reaching of the agreement on the discount for the gas supply from the side of Russia and cancellation of the “take or pay” clause.

IMF First review under the Stand-By Arrangement, Requests for Waivers of Non-observance and Applicability of Performance Criteria, Request for Rephasing of the Arrangement and the Extended Fund Facility Program

On 29 August 2014 the International Monetary Fund after long discussions made a decision to provide Ukraine with the second tranche of financial assistance totalling \$1.39 billion, meaning more austerity measures for the already struggling economy. The discussions were held in Kyiv from 24 June to 17 July 2014. The first review discussions took place in a context of heightened geopolitical tensions and deepening economic crisis. Intensification of the conflict in the East and escalation of the gas dispute with Gazprom, two of the key risks identified at the time of the program request, have materialized.

As a result of the first reviewed the IMF stated that, overall, economic policies have generally been implemented as agreed in the original program, as the Ukrainian authorities have persisted in taking difficult measures despite the volatile political situation. However, the conflict in the eastern part of the country is taking its toll on the economy and society, and compensatory measures will be critical to achieve key program targets agreed for 2014 and beyond. The program remains highly challenging and continues to hinge crucially on the assumption that the conflict will subside in the coming months.

In completing the review, the Executive Board approved waivers of nonobservance of performance criteria related to international reserve accumulation and the cash deficit of the general government on the basis of corrective actions taken. The Board also approved waivers of applicability of performance criteria related to the cash deficit of the general government, the cumulative change in net domestic assets of the central bank and publicly guaranteed debt. In addition, in light of the slight delay in completing the first review of the program, the Board approved the authorities’ request for merging the remaining two reviews scheduled for 2014, while keeping the total financing under the arrangement unchanged.

To receive the IMF funds, Ukrainian government opted for severe austerity program that includes getting rid of 24,000 government jobs, withdrawing subsidies on natural gas, raising taxes, and selling off state assets. Ukraine received the first IMF loan of \$3.16 billion in May after the IMF approved a \$17 billion package in the form of a two-year stabilisation program.

Despite the existing financial support, Ukraine still required a longer period for the completing of the reforms and stabilisation of the economy. As a result of these factors the Government of Ukraine requested the IMF to negotiate a new four-year extended arrangement under the Extended Fund Facility (the “**EFF**”) in an amount equivalent to SDR 12.34806 billion (900 per cent. of quota and about U.S.\$17.5 billion).

On 11 March 2015, the Board of IMF approved a new four-year Extended Fund Facility program in the total amount of U.S.\$17.5 billion (the “**2015 EFF**”). The 2015 EFF has replaced the stand-by arrangement. All the funds which were not disbursed under the stand-by arrangement were cancelled. On 13 March 2015, Ukraine received the first tranche in the amount of U.S.\$5 billion, U.S.\$2.6 billion of which was allocated to finance the state budget deficit. After first 2015 EFF review by IMF, on 4 August 2015 Ukraine received the second tranche under 2015 EFF in the amount of U.S.\$1.7 billion which was allocated in order to maintain the foreign exchange reserves. The implementation of the 2015 EFF by the IMF is conditional upon Ukraine meeting certain efficiency targets and implementing a number of structural changes.

Currently, Ukraine and IMF are in the process of negotiation of a new Letter of Intent and a new Memorandum of Economic and Financial Policies.

Ukraine’s external debt restructuring

On 4 April 2015, the Cabinet of Ministers passed a resolution permitting the restructuring of certain state and state guaranteed debt obligations of Ukraine, including the Sovereign Securities and the Guaranteed Securities, in order to meet its financing obligations under the 2015 EFF.

Since April 2015 the Ministry of Finance has engaged in negotiations with an ad hoc committee of creditors (the “AHC”) made up of some of the largest holders of its outstanding notes and on 27 August 2015, it was announced that the Government reached an agreement in principle with the AHC on restructuring the Ukraine’s Eurobonds and state-guaranteed Eurobonds of the State Enterprise “Financing of Infrastructural Projects” (FinInPro). This agreement in principle provided, inter alia, for a 20 per cent. nominal haircut, an increase in coupon to 7.75 per cent. per annum, extension of the maturities of the notes to fall in the period of 2019-2027, and introduction of GDP-linked securities providing potential value recovery to holders from 2021 to 2040 conditional on real-GDP growth reaching certain thresholds. The Notes and GDP-linked Securities issued as a result of this restructuring were issued together as a package as the consideration for the exchange of Ukraine’s notes, the terms and conditions of the Notes and GDP-linked Securities are cross-conditional, certain actions under the GDP-linked Securities constitute an event of default under the Notes. See Condition 8(i) (Events of Default) of the Terms and Conditions of the Further Notes set out in this Listing Prospectus.

On 12 November 2015, the Ministry of Finance of Ukraine announced the settlement of Ukraine’s debt restructuring operation in respect of thirteen series of the Ukraine’s Eurobonds and the state-guaranteed Eurobonds. Following the passage of extraordinary resolutions for each of those series of Eurobonds at bondholder meetings held on 14 October 2015, the holders of such Eurobonds who submitted valid and timely participation instructions received distributions of new Ukrainian securities on 12 November in accordance with the terms of the exchange offer. Only one series of eligible debt instruments did not participate in the exchange offer, the December 2015 Notes. In November 2015, the Ministry of Finance of Ukraine stated that the Government of Ukraine remained open to finding a solution with the holders of the aforesaid December 2015 Notes. On 18 December 2015, the Cabinet of Ministers of Ukraine announced the imposition of a moratorium on the payments under the December 2015 Notes until a solution on restructuring is found. The moratorium also applies to certain state-guaranteed loans.

On 17 February 2016, The Law Debenture Trust Corporation p.l.c., acting in its capacity as trustee on behalf of the holders of the December 2015 Notes, filed a lawsuit against Ukraine in London’s High Court seeking payment of principal and accrued interest due under the December 2015 Notes.

A number of further debt operations have been or will be conducted in order to meet the 2015 EFF's three targets. On the instructions of the Ukrainian authorities, the external notes of Ukreximbank and Oschadbank (the two largest state-owned banks) were successfully reprofiled on 7 July 2015 and 3 August 2015. Further, on 22 December 2015 the City of Kyiv authorities announced the successful restructuring of its U.S.\$250 million 8 per cent. loan participation notes due 2015 and U.S.\$300 million 9.375 per cent. loan participation notes due 2016 and on 14 March 2016, the Public Joint-Stock Company "Ukrainian Railways" successfully completed the exchange of its U.S.\$500 million 9.5 per cent. loan participation notes due 2018 for its new U.S.\$500 million 9.875 per cent. loan participation notes due 2021.

The Original Notes and the Original GDP-linked Securities, issued on 12 November 2015, as well as certain other series of notes, were issued together as a package to holders of the Old Notes in consideration for the Sovereign Exchange, each participating holder of Old Notes received (i) Original Notes in an aggregate principal amount equal to 80 per cent. of the principal amount of such holder's holding of Old Notes (plus accrued interest to 1 September 2015 on the Old Notes) and (ii) Original GDP-linked Securities representing 20 per cent. of the principal amount of such Old Notes. Accordingly the notional amount of the GDP-linked Securities delivered to each participating holder in the Sovereign Exchange corresponded to the amount of the haircut accepted by such holder on the original principal amount of its Old Notes, thereby replacing the holder's principal claim on Ukraine under the Old Notes in such amount with potential value recovery linked to the GDP growth of Ukraine.

The Further Series No. 1 Notes, the Further Series No. 2 Notes and December 2015 Further GDP-linked Securities, issued on 22 December 2015, as well as certain other series of notes, were issued as a second stage of the Debt Operation as part of the City of Kyiv Exchange. The City of Kyiv Exchange was carried out on a basis similar to the Exchange Terms, except that (i) participating holders of LPNs received Further Series No. 1 Notes and Further Series No. 2 Notes maturing in 2019 and 2020, respectively, in an aggregate principal amount equal to 75 per cent. of the principal amount of such holder's holding of LPNs (plus accrued interest to 2 November 2015 on the LPNs) and (ii) December 2015 Further GDP-linked Securities representing 25 per cent. of the principal amount of such LPNs.

The First Additional Further Series No. 1 Notes and the First Additional Further GDP-linked Securities, issued on 12 February 2016, were issued as a third stage of the Debt Operation as part of the Sberbank Exchange. The Sberbank Exchange was also carried out on a basis similar to the Exchange Terms, except that Sberbank received (i) the First Additional Further Series No. 1 Notes maturing in 2019 in an aggregate principal amount equal to 75 per cent. of the principal amount of the relevant guaranteed loans (plus accrued interest to 12 February 2016 on the guaranteed loans) and (ii) the First Additional Further GDP-linked Securities representing 25 per cent. of the principal amount of such guaranteed loans.

The Second Additional Further Series No. 1 Notes and Second Additional Further GDP-linked Securities, issued on 25 February 2016, were issued as a fourth stage of the Debt Operation. The Second Additional Further Series No. 1 Notes and Second Additional Further GDP-linked Securities were issued together as part of the Syndicated Exchange. The Syndicated Exchange was carried out on similar terms to the previous stages of the Debt Operation (except that the Lenders received (i) Second Additional Further Series No. 1 Notes in an aggregate principal amount equal to 75 per cent. of the principal amount of their respective holdings of the Syndicated Ukravtodor Loan (plus accrued interest to 25 February 2016 thereon) and (ii) Second Additional Further GDP-linked Securities representing 25 per cent. of the principal amount of their respective holdings of the Syndicated Ukravtodor Loan).

The Further Notes (other than the Fourth Additional Further Series No. 1 Notes) and Further GDP-linked Securities (other than the Fourth Additional Further GDP-linked Securities) have been issued together as a package to holders of the Old Notes in consideration for the exchange of their holdings of Old Notes. According to the Exchange Terms, (a) each Non-Participating Holder who has

submitted an eligible delivery certificate has received (i) the Further Notes (other than the Fourth Additional Further Series No. 1 Notes) in an aggregate principal amount equal to 80 per cent. of the principal amount of such holder's holding of Old Notes (plus accrued interest to 1 September 2015 on the Old Notes) and (ii) Further GDP-linked Securities (other than the Fourth Additional Further GDP-linked Securities) representing 20 per cent. of the principal amount of such Old Notes (together, the "**Consideration**"), and (b) each Non-Participating Holder who has not submitted an eligible delivery certificate has had the Consideration for the exchange of their Old Notes delivered to the account of the Settlement and Tabulation Agent to be sold in the market and will receive the net proceeds of such sale once available. Accordingly the notional amount of the GDP-linked Securities delivered to each Non-Participating Holder in the Sovereign Exchange (or to the Settlement and Tabulation Agent on their behalf) corresponded to the amount of the haircut accepted by such holder on the original principal amount of its Old Notes, thereby replacing the holder's principal claim on Ukraine under the Old Notes in such amount with potential value recovery linked to the GDP growth of Ukraine.

The Fourth Additional Further Series No. 1 Notes and the Fourth Additional Further GDP-linked Securities were issued as a fifth stage of the Debt Operation as part of the VTB Exchange. The VTB Exchange was also carried out on a basis similar to the Exchange Terms, except that VTB received (i) the Fourth Additional Further Series No. 1 Notes maturing in 2019 in an aggregate principal amount equal to 75 per cent. of the principal amount of the VTB/Ukravtodor Facility (plus accrued interest to and including 29 February 2016) and (ii) Fourth Additional Further GDP-linked Securities representing 25 per cent. of the principal amount of the VTB/Ukravtodor Facility.

Crimean Crisis

Beginning on 26 February 2014 groups of heavily armed persons wearing military uniform without insignia began to gradually take control of key Government buildings and military installations on the Crimean Peninsula. The President of the Russian Federation subsequently stated that these were Russian soldiers and that their introduction onto the territory of the Crimean Peninsula was necessary to protect the local population from armed radicals and to ensure the holding of a referendum on independence. The following timeline represents the key events of the Crimean crisis:

On 27 February 2014, armed men wearing masks seized a number of important objectives in Crimea including the building of the Supreme Council of Crimea (the Crimean Parliament) and the building of the Council of Ministers in Simferopol, as well as two airports in Crimea.

On 28 February 2014, under siege from armed men wearing masks, the Supreme Council of Crimea voted to terminate the Crimean government and replace Prime Minister Anatoliy Mohyliov with Sergey Aksyonov, a member of the Russian unity party.

On 11 March 2014, the Supreme Council of Crimea and the City Council of Sevastopol jointly expressed their intention to unilaterally declare Crimea's independence from Ukraine with the possibility of joining the Russian Federation as a federal subject.

On 16 March 2014, a referendum on the status of Crimea was held by the legislature of Autonomous Republic of Crimea as well as by the local government of Sevastopol to join the Russian Federation. Official results indicated nearly 96 per cent. of votes cast were in favour of independence, with an alleged turnout of over 83 per cent., despite a boycott by Tatars and other opponents of the referendum. The referendum was not carried out in accordance with requirements of the 2004 Constitution of Ukraine.

On 17 March 2014, the Supreme Council of Crimea declared independence from Ukraine and asked to join the Russian Federation. On the same day, Russia recognised Crimea as a sovereign state.

On 20 March 2014, the Russian State Duma adopted a federal constitutional law on Crimea's admission to the Russian Federation and on creating new sub-federal entities — the Republic of Crimea and the City of Sevastopol.

The armed aggression of Russia against Ukraine and the occupation of the Ukrainian administrative territories of Crimea and Sevastopol by Russia commenced on 20 February 2014. The legitimacy and the results of the referendum which was held by Russian authorities with regard to the accession of Crimea to the Russian Federation have not been recognised by international community. On 15 March 2014, 13 members of the UN Security Council voted in favour of a resolution declaring the referendum invalid, however the resolution was vetoed by the Russian Federation. On 27 March 2014, a UN General Assembly resolution was adopted, by a vote of 100 in favour, 11 against with 58 abstentions, which declared the referendum invalid and affirmed Ukraine's territorial integrity. Under the international law, Crimea and Sevastopol are regarded as inherent parts of the sovereign Ukraine, which are temporarily occupied by the Russian Federation. Ukraine does not recognise the results of the referendum, does not recognise Crimea as a sovereign state or as part of the Russian Federation and considers Crimea to form an indivisible part of Ukraine as an autonomous region in accordance with the 2004 Constitution of Ukraine. Ukraine considers Crimea to be under the occupation by Russia and strongly condemns the occupational actions of the Russian government resulting in violation of basic human rights and rights of national minorities. Ukraine also recognises the importance of admission of international observatory missions in Crimea. See *“Political Framework–Regional Administration”*.

For the purposes of protecting of the rights and freedoms of the citizens of Ukraine on the temporarily occupied territory of Crimea and Sevastopol and determination of the legal status of such territories, Ukraine has adopted the following Laws of Ukraine:

- *“On Securing the Rights and Freedoms of Citizens and the Legal Regime on the Temporarily Occupied Territory of Ukraine”*, dated 15 April 2014; and
- *“On the exclusive economic zone “Crimea” and on the special features of carrying out economic activities on the temporarily occupied territory of Ukraine”*, as amended on 12 August 2014.

The Law of Ukraine *“On Securing the Rights and Freedoms of Citizens and the Legal Regime on the Temporarily Occupied Territory of Ukraine”* determines the status of Crimea as a temporarily occupied territory and establishes a special legal regime for this territory as follows:

- citizens of Ukraine have rights for free and unrestricted entry and exit from the temporarily occupied territory upon presenting document confirming their citizenship. Entry and exit of foreigners and stateless persons from the temporarily occupied territory is allowed only with the special permission via relevant entry-exit points. The order of entry and exit of foreigners and stateless persons from the temporarily occupied territory is established by the Cabinet of Ministers;
- compulsory enrolment of Ukrainian citizens to the citizenship of other countries is not recognised;
- human rights of the residents of the temporarily occupied territory are protected through relevant legislation of Ukraine relating to: obtaining documents proving Ukrainian citizenship; employment, pensions, state social insurance and social services; guarantee of electoral and property rights and other legislation.
- individuals and legal persons maintain their property rights if their property has been acquired in accordance with the laws of Ukraine;
- compensations for material and moral damages caused by the occupation of Ukraine to businesses and individuals, associations, citizens of Ukraine and foreigners are to be referred to the Russian Federation as the occupying state. Ukraine undertakes to contribute to the compensation of the damages caused by the Russian occupation;

- prohibition on engaging in economic activity on the temporarily occupied territories (licensing, permits, certification and other state regulation activities), as well as import and/or export of military goods, organisation of railroad, auto, sea, river, ferry and air services; \

On 12 August 2014, Parliament enacted law establishing the tax and customs control in the free economic zone of Crimea and the specifics of carrying out operations on the temporarily occupied territory of Ukraine which is effective from 27 September 2014. The law provides for the creation of a free economic zone in the territory of Crimea and the City of Sevastopol. The free economic zone is established for the period of 10 years from the effective date of the law. Development and management of the free economic zone are entrusted to a special managing company, creation and activity of which is regulated by the Cabinet of Ministers.

To regulate the crossing of the administrative border of Crimea, on 16 September 2015, the Cabinet of Ministers adopted Resolution No.722 “*On the entry to the temporarily occupied territory of Ukraine and departure from it*”.

Ukraine considers any contact between any of the international partners and the current authorities of the occupied territory to be an indirect recognition of the illegitimate Republic of Crimea by such international partners and as unfriendly acts towards Ukraine.

As a result of the occupation of Crimea, the Ukrainian economy has lost the benefit of a large number of private and state-owned assets and property (including Sevastopol Naval Base and local oil and gas assets, including gas held in storage) in the region. The loss is estimated by the Government to amount to approximately U.S.\$100 billion. In addition, the anticipated costs of resettlement of the persons displaced and persons who have left Crimea as a result of the occupation are significant. Although it is not possible to accurately calculate the extent of the impact the occupation of Crimea has had on Ukraine’s GDP, Ukraine estimates the region contributed approximately 2.9 per cent. and 3.1 per cent. of total GDP in 2011 and 2012, respectively.

Crisis in Eastern Ukraine

Following the removal from power of President Yanukovich in February 2014, demonstrations by pro-Russian and anti-Government groups took place in major cities across the Eastern and Southern Ukraine. Protests in the Donetsk and Luhansk regions (oblasts) escalated into an armed separatist insurgency, which led the Ukrainian Government to launch a military counter-offensive operation against the armed separatists, which is continuing as at the date of this Listing Prospectus.

Political Crisis in Eastern Regions

Government buildings have been occupied by the armed separatists in Donetsk and other cities of Donetsk oblast (Kramatorsk, Druzhkivka, Horlivka, Mariupol, Yenakieve and Sloviansk) as well as in Luhansk since April 2014. The following timeline represents the key events of the crisis in Donetsk and Luhansk oblasts:

On 6 April 2014, the leaders of the separatist group “Donetsk Republic” announced that a referendum on whether Donetsk should join the Russian Federation would take place on 11 May 2014 and appealed to the Russian Federation to send Russian peacekeeping forces to the region. Heavy fighting between the separatists and Ukrainian army began in April in Luhansk and in the cities of Donetsk oblast occupied by the armed separatists, including in Sloviansk, where the separatists detained a group of international monitors on an OSCE military verification mission in Ukraine, as well as international and Ukrainian journalists.

On 11 May 2014, the referendums on the status of Donetsk oblast and Luhansk oblast were held. According to the representatives of the “Donetsk People’s Republic”, 89 per cent. of voters voted in favour of self-rule and 10 per cent. voted against with an alleged turn-out of 75 per cent. of the population. Similarly, according to the representatives of the “Luhansk People’s Republic”, 96.2 per cent. of the voters voted in favour of self-rule, and voter turn-out was allegedly 75 per cent. These referendums were not carried out in accordance with the 2004 Constitution of Ukraine.

On 22 May 2014, the confederal state of Novorossiia was proclaimed, incorporating both self-proclaimed Donetsk People's Republic and Luhansk People's Republic.

On 20 June 2014, during a visit to Donetsk oblast, President Poroshenko presented a 15-point peace plan for de-escalation of the conflict in the east of Ukraine, which included: (i) disarmament of separatists with a guarantee that those who have laid down arms and have not committed any "serious crime" will not face criminal prosecution; (ii) introduction of measures to decentralise power and holding early local and parliamentary elections; (iii) vacating illegally occupied buildings and release of hostages; (iv) formation of a 10-km buffer zone on the Ukrainian-Russian border and safe corridor for separatists to leave Ukraine and (v) resuming Ukrainian TV and radio broadcasting in Donetsk and Luhansk oblasts.

On 5 September 2014 the parties of the conflict sign Minsk I ceasefire. See "*First Minks Ceasefire Agreement*".

On 2 November 2014 an illegitimate elections were held in the conflict zones of Donetsk and Luhansk regions, which have been denounced by the government in Kyiv and not recognized by western countries.

On 12 February the parties of the conflict sign Minsk II ceasefire. See "*Second Minks Ceasefire Agreement*".

Since mid-February, the geographic position of the front line east and north of Donetsk and Luhansk has not been altered. Rival armed groups facing each other in Eastern Ukraine periodically resort to rocket, mortar and artillery fire. The OSCE Special Monitoring Mission promptly reports ceasefire violations.

Civil Conflict and Military Operation in Eastern Regions

As at the date of this Listing Prospectus, armed separatists have occupied portions of the territories of Donetsk and Luhansk oblasts and the Ukrainian army is engaging in full-scale military operation against them. The separatists are equipped with heavy weaponry, including tanks, rockets and surface-to-air missiles. Ukrainian authorities believe that the separatists have been able to obtain the weaponry through the Eastern border of Ukraine with the Russian Federation, and that the Russian Federation has been directly or indirectly providing military and other support to the separatists.

On 17 July 2014, a civilian passenger jetliner flying from Amsterdam to Kuala Lumpur, Malaysia Airlines Flight MH17, crashed near the city of Torez in Donetsk oblast 40 km from the Ukraine-Russia border, killing all 298 people on board. It has been reported that the plane was shot down by a Buk surface-to-air missile fired from the separatists-controlled territory in Donetsk oblast. As at the date of this Listing Prospectus, the separatists deny their involvement. An international investigation team has been set up consisting of members from Ukraine, Malaysia, Australia, Germany, the United States, the United Kingdom and Russia to investigate the tragedy. The official investigation is also being carried out by the Dutch Safety Board.

On 28 August 2014, President Poroshenko called an emergency session of Ukraine's National Security and Defence Council on the basis that Russian military, including tanks and heavy weaponry had directly entered Ukraine and taken control of the town of Novoazovsk on the Sea of Azov in the south east of the country. Russia denied the act of invasion stating that no Russian troops have crossed the Ukrainian border. On 29 August 2014, the Cabinet of Ministers submitted to Parliament a draft law aiming to abolish the so-called 'non-block status' of Ukraine and restore the country's aspirations to become a NATO member.

According to the United Nations, between 16 August and 15 November 2015, 47 civilians were killed and 131 injured in Eastern Ukraine. The total death toll since April 2014 is at least 9,098 persons, with another 20,732 persons being injured (including civilians, Ukrainian armed forces and armed groups). An estimated 2.9 million people living in the conflict area continue to face difficulties in exercising their economic and social rights, in particular access to quality medical care,

accommodation, social services and benefits, as well as access to the compensation mechanisms for damaged, seized or looted property.

After an initial period in which the Ukrainian armed forces were unable to dislodge the separatists, progress recently has been made and a number of cities and towns in the affected region have been liberated from the separatists' control. The conflict so far has been localised in Donetsk and Luhansk oblasts.

First Minsk Ceasefire Agreement

On 5 September 2014, in Minsk, Belarus, former Ukrainian president Leonid Kuchma signed a ceasefire agreement with leaders from the self-proclaimed Donetsk and Luhansk “republics”, in the presence of officials from Russia and the OSCE (“**Minsk I**”). The twelve-point ceasefire agreement includes the following points: 1) immediate bilateral ceasefire; 2) monitoring and verification by the OSCE of the non-use of weapons; 3) obligation to decentralise power in Ukraine, including by the adoption of the Ukrainian law “*On Temporary Order of Local Self-Government in Separate Districts of the Donetsk and Luhansk Regions*” (the “**Law on Special Status of the Eastern Regions**”); 4) permanent monitoring of the Ukrainian-Russian border by the OSCE with creation of the security zone in border areas of Russia and Ukraine; 5) immediate release of all hostages and illegally held persons; 6) adoption of a law “*On the Prevention of Persecution and Punishment of Persons in Connection with the Events that Took Place in Separate Districts of the Donetsk and Luhansk Regions of Ukraine*”; 7) continuation of a nation-wide dialogue; 8) improvement of the humanitarian situation in the Donbas region; 9) call for early local elections in connection with the Law on Special Status of the Eastern Regions; 10) withdrawal of illegal armed groups, military equipment and militants and mercenaries from Ukraine; 11) adoption of a program for economic revival for the Donbas region and restoration of the region's vital activity; and 12) a guarantee of personal security for the participants in the consultations.

On 5 September 2014, the leaders from the self-proclaimed Donetsk and Luhansk “republics” stated that the peace plan co-ordination and ceasefire give no reason for changing their policy of seeking independence of Donetsk and Luhansk oblasts from Ukraine. On the next day after the Minsk agreement, separatists began the shelling of Mariupol, a key port city in South-Eastern Ukraine previously cleared of separatists by local Ukrainian miners. Fighting also continued in Donetsk and Luhansk, despite the Minsk agreement.

Since the signing of the ceasefire agreement, more than 926 Ukrainian soldiers captured by the rebels in the Eastern Ukraine have been released. As a result of the announced ceasefire, the large offensive operations between Ukrainian forces and armed separatists, backed by Russian soldiers and artillery, have ended.

At the same time, analysis of fulfilment of the ceasefire regime shows that the mercenaries of Donetsk and Luhansk “republics” ignore the Minsk agreements. The mercenaries have been shelling the conflict territories almost from the very first days after reaching Minsk agreements and continue to violate ceasefire regime as of the date of the Listing Prospectus.

According to the information of Ukraine, the separatists violated the ceasefire regime approximately 16 thousand times during 2015. Additionally, the analysis demonstrates that the shelling increased during the Minsk negotiations and each time when Russian humanitarian aid crossed the Ukrainian border. On 10 September 2014, Ukrainian border guards have started the construction of a “wall” on the border with Russia, under President Petro Poroshenko's order. Construction of two defence lines is planned, which is anticipated to include 1,500 km of ditches and passageways, more than 8,000 trenches for vehicles and 4,000 dugouts as well as 60 km of a “blast-resistant” fence on the Ukrainian border with Russia. President Poroshenko emphasised that construction of the wall remains a priority for the government. On 14 May 2015, the Government approved the plan of the construction of the “wall”.

Second Minsk Ceasefire Agreement

Successive attempts to resolve the ongoing war in the Donbass region had seen no result by the start of February 2015. While Minsk I did significantly reduce fighting in the conflict zone for many months, minor skirmishes continued. At the start of January 2015, the separatist forces began a new offensive on Ukrainian-controlled areas. Fighting has intensified as after heavy fighting, separatist forces captured the symbolically important Donetsk International Airport on 21 January, the last part of the city of Donetsk that had been under Ukrainian control, and tried to take control over Debaltseve City, a strategic transport hub that would link the two separatist-controlled areas of Eastern Ukraine, resulting in the complete collapse of Minsk I ceasefire. On 7 February 2015 French president François Hollande and German chancellor Angela Merkel put forth a new peace plan on 7 February. The Franco-German plan, drawn up after talks with President Poroshenko and Russian president Vladimir Putin, was seen as a revival of Minsk I.

On 12 February 2015, after a 17-hour discussion the leaders of Germany, France, Russia and Ukraine have reached an agreement to end fighting in Eastern Ukraine and signed Minsk II. The ceasefire agreement includes the following points: (1) immediate and full bilateral ceasefire, (2) withdrawal of all heavy weapons by both sides, (3) implement effective monitoring and verification regime for the ceasefire and withdrawal of heavy weapons, (4) to start a dialogue on the holding of local elections in Donetsk and Luhansk regions, (5) pardon and amnesty by banning any prosecution of figures involved in the Donetsk and Luhansk conflict, (6) release of all hostages and other illegally detained people, (7) delivery of humanitarian aid to the needy, internationally supervised, (8) restoration of full social and economic links with affected areas, (9) full Ukrainian government control will be restored over the state border, throughout the conflict zone, (10) withdrawal of all foreign armed groups, weapons and mercenaries from Ukrainian territory under the supervision of the OSCE, (11) Constitutional reform in Ukraine, with adoption of a new constitution by the end of 2015, (12) holding of the elections fulfilling the OSCE standards under the monitoring of the Office for Democratic Institutions and Human Rights of the OSCE; and (13) creation of the working group within the Trilateral Contact Group for the fulfillment of the Minsk Agreements.

Though fighting generally subsided after the ceasefire came into effect at 0:00 EET on 15 February, skirmishes and shelling continued in several parts of the conflict zone. Shelling and fighting at Debaltseve continued, separatists announced that the ceasefire did not apply to that area. In the week after the fall of Debaltseve to pro-Russian forces, fighting in the conflict zone abated. Separatist forces began to withdraw artillery from the front lines as specified by Minsk II on 24 February, and Ukraine did so on 26 February. Ukraine reported that it had suffered no casualties during 24–26 February, something that had not occurred since early January 2015.

On 17 March 2015 Parliament of Ukraine approved a law on "special status" for Donbas, as one of the main requirements of Minsk II.

Ukraine is fully dedicated to the fulfilment of Minsk I and Minsk II. Ukraine views the fulfilment of these agreements as the only way for the peaceful resolution of the situation in Donbas. Immediately after the Minsk agreements were signed, Ukraine demonstrated the readiness to run the local elections and to provide a special regime of self-governance to certain regions of Donbas according to the Law on Special Status of the Eastern Regions. The process of decentralisation is still being held in Ukraine; in particular, Parliament approved the Draft Law of Ukraine "*On the Amendments of the Constitution of Ukraine*" on 31 August 2015. Ukraine is prepared to discuss the question local elections in Donbas, which, according to the Minsk agreements, shall be carried out under Ukrainian law and monitored by the Bureau of the Democratic Institutions and Human Rights of the OSCE.

As at the date of this Listing Prospectus, Ukraine continues to supply natural gas and electricity to the territories not controlled by the government, make social payments to the Ukrainian citizens living on these territories and renew the damaged infrastructure.

As at the date of this Listing Prospectus, there have been reports of numerous violations of the Minsk agreements by the separatist militias supported by Russian armed forces, including illegal detention of

Ukrainian hostages, blocking access by the OSCE missions to the territories controlled by these groups and blocking the supply of humanitarian aid to the civilians living in the occupied territories. The Russian Federation has not withdrawn the troops, the mercenaries or armed equipment from the territory of Ukraine; these groups continue to attack certain territories in the Donetsk and the Luhansk regions. Since the signing of the Minsk agreements no progress has been made on the creation of a safety zone prescribed by them. The Russian Federation has also been called to release or exchange citizens of Ukraine who have been illegally arrested and detained in Russia. As of the date of this Listing Prospectus, the question of establishing peace in Donbas and its reintegration with the Ukrainian territory is fully dependent on the fulfilment of the agreed peace terms by the Russian Federation.

International Sanctions

The EU has since March 2014 imposed sanctions targeting parties responsible for pro-separatist activities in Eastern Ukraine, misuse of Ukraine state funds and human rights violations in relation to the crisis in Ukraine. These sanctions consist, among others, of a so-called ‘asset freeze’ targeting parties responsible for pro-separatist activities, the misuse of Ukraine state funds and human rights violations, and parties in Crimea or Sevastopol whose ownership has been transferred ‘contrary to Ukrainian law’. On 23 June 2014, the EU imposed an import ban on goods originating in Crimea or Sevastopol (through Regulation 692/2014). The provision of direct or indirect financing or (re)insurance related to such imports is also prohibited.

Under Regulation 692/2014, the EU also forbids the satisfaction of claims made by listed parties or parties that are found to have infringed the sanctions in connection with prohibited goods imports or in relation to contracts/transactions the performance of which is affected by these measures. As of 31 July 2014, the EU started applying further trade and investment restrictions on Crimea and Sevastopol (through Regulation 825/2014). These new restrictions involve an EU ban on new investments relating to infrastructure in the sectors of transport, telecommunications and energy, as well as to the exploitation of oil, gas or mineral resources in Crimea or Sevastopol. This ban also includes technical assistance or brokering services. Under Regulation 825/2014, the EU also bans the direct or indirect sale, supply, transfer or export of specified key equipment and technology in relation to these sectors, as listed in Annex III to Regulation 825/2014 (along with related technical or financial assistance). In 2014, the EU imposed further sanctions targeting Russia, including: restriction of access to the EU capital markets for five major Russian state-owned banks; suspension of services for deep water and arctic oil exploration and production and shale oil projects in Russia; ban on exporting dual use goods and technology for military use in Russia; and adding 24 persons (including the new leadership in Donbas, the government of Crimea and certain Russian decision-makers and oligarchs) to the list of those subject to a travel ban and an asset freeze. See “*Political Framework–International Relations–Supranational Organisations–EU*”.

In response to the actions and policies of the Russian Federation, including its purported annexation of Crimea and its use of force in Ukraine, the United States was among the first of Ukraine’s partners to announce and impose:

- (a) blocking sanctions and travel restrictions on persons (individuals and entities) determined to be responsible for or to have engaged in, directly or indirectly, actions or policies that undermine democratic processes or institutions in Ukraine or threaten Ukraine’s stability, sovereignty, or territorial integrity (including by asserting authority over any part of Ukraine without the approval of the Government of Ukraine), or for misappropriating Ukrainian assets, as well as for providing direct or indirect material support for any of these activities or to any persons blocked under these provisions (Executive Order No. 13660);
- (b) blocking sanctions and travel restrictions on persons determined to be officials of the Russian Government or owned or controlled by or acting on behalf of the Russian Government (including senior officials), or to operate in Russia’s arms or related materiel sector, as well as for

providing direct or indirect material support to a senior Russian Government official or any person blocked under these provisions (Executive Order No. 13661);

(c) sectoral sanctions on persons determined to be operating in certain sectors of the Russian economy, including the Russian financial services, energy, and defence and related materiel sectors, as well as persons determined to have provided direct or indirect material support to any person blocked under these provisions (Executive Order No. 13662);

(d) blocking sanctions and travel restrictions on persons determined to be operating in the Crimea region of Ukraine, or owned or controlled by or acting on behalf of any person blocked under these provisions, as well as for providing direct or indirect material support to any person blocked under these provisions (Executive Order No. 13685);

(e) prohibitions on new investment in the Crimea region of Ukraine by United States persons, wherever located, and on the direct or indirect exportation or importation to or from the United States or by a United States person of any goods, services, or technology to or from the Crimea region of Ukraine, as well as on any financing or facilitation by a United States person, wherever located, of these prohibited transactions (Executive Order No. 13685).

As of January 2016, OFAC had imposed blocking sanctions under these Executive Orders against 82 entities, 47 of which are Russian, and 111 individuals. In addition, OFAC has imposed sectoral sanctions on 136 entities, 114 of which are Russian. Of these 136 entities, 70 were designated under Directive 1 for operating in the Russian financial services sector; 24 were designated under Directive 2 and/or Directive 4 for operating in the Russian energy sector; and 42 were designated under Directive 3 for operating in the Russian defence and related materiel sector. Furthermore, any entities owned 50 per cent. or greater, directly or indirectly, by one or more blocked persons or persons designated under a particular Directive are considered similarly designated by operation of US law.

In particular, the sectoral sanctions, which currently target 114 Russian companies, prohibit the following activities by United States persons or within the United States, except to the extent provided by law or unless licensed or otherwise authorized by OFAC:

(a) all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity or new equity of persons determined to be subject to Directive 1, their property, or their interests in property (including, among others, Gazprombank, Bank of Moscow, Sberbank of Russia, Russian Agricultural Bank, VEB, and VTB Bank, as well as numerous VTB Bank-linked and Sberbank-linked entities);

(b) all transactions in, provision of financing for, and other dealings in new debt of longer than 90 days maturity of persons determined to be subject to Directive 2, their property, or their interests in property (including, among others, Transneft, Novatek, Rosneft, and Gazprom Neft);

(c) all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity of persons determined to be subject to Directive 3, their property, or their interests in property (including, among others, Rostec and various Rostec-linked entities); and

(d) the provision, exportation, or reexportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory, and that involve any person determined to be subject to Directive 4, its property, or its interests in property (including, among others, Rosneft, Gazprom Neft, Lukoil, Gazprom, and Surgutneftegas).

As part of its sanctions policy, the United States will also target those who attempt to evade or avoid sanctions restrictions. To ensure compliance, the United States is committed to informing and educating both the United States and international business communities of the current sanctions and export control restrictions targeting Russia, and has stated that enforcement action will be taken against individuals and companies that seek to evade or avoid these restrictions.

In addition to these sanctions measures, the United States has also imposed export licensing requirements with respect to the Russian oil and gas industry. In particular, on 7 August 2015, the Bureau of Industry and Security (“BIS”) of the United States Department of Commerce added a Russian oil and gas field, the Yuzhno-Kirinskoye Field located in the Sea of Okhotsk, to the Entity List. Accordingly, exports, reexports, and in-country transfers of all items subject to the Export Administration Regulations (“EAR”) to this Russian field by any person must be licensed by BIS, and license requests are subject to a presumption of denial. Numerous other Russian entities have been added to the Entity List, and BIS has also imposed general export licensing requirements targeting certain Russian oil and gas projects. Moreover, the United States has limited Generalized System of Preference benefits and imposed antidumping measures on Russian steel products

The United States has stated that sanctions against Russia will remain in force until Russia fulfils its obligations under the Minsk ceasefire agreements for the purpose of the peaceful resolution of the existing conflict in Ukraine. Further, the sanctions against Crimea will remain in force until the full termination of the occupation of Crimea. The United States recognises that continued coordination with the European Community is critical to the success of the sanctions in pressuring Russia to meet its obligations. See “*Political Framework—International Relations—Foreign States—United States*”.

Legal Proceedings

From time to time, Ukraine, its State agencies and its political subdivisions become involved in disputes with various parties. These disputes most often involve issues of trade or inward investment, and are typically brought before arbitral panels, although court proceedings also occur.

The following section describes the active material disputes in which Ukraine is currently involved. This section does not describe legal proceedings against State owned companies except to the extent that Ukraine is also a party. For a description of the arbitration proceedings between RosUkrEnerg AG and Naftogaz, see “*Economy of Ukraine—Principal Sectors of the Economy—Fuel and Energy—Natural Gas Supply from Russia*”.

In addition, from time to time Ukrainian authorities may receive information to the effect that various parties may be contemplating legal or arbitral proceedings against the State or its agencies. Unless and until formal action is taken to commence such proceedings, it is not possible to form a view as to the likelihood such proceedings may commence, the nature and magnitude of any award that might be sought or the merits, if any, of any such claim.

An adverse decision in proceedings involving Ukraine and resulting in awards of substantial damages or other monetary remedies denominated in currency other than the hryvnia, could strain Ukraine’s foreign currency reserves and have a negative effect on its ability to perform its obligations under the Notes.

December 2015 Notes Litigation

On 12 November 2015, the Ministry of Finance of Ukraine announced the settlement of Ukraine’s debt restructuring operation in respect of thirteen series of the Government’s Eurobonds and the state-guaranteed Eurobonds. Following the passage of extraordinary resolutions for each of those series of Eurobonds at bondholder meetings held on 14 October, the holders of such Eurobonds who submitted valid and timely participation instructions received distributions of new Ukrainian securities on 12 November in accordance with the terms of the exchange offer. Only one series of eligible debt instruments did not participate in the exchange offer, the December 2015 Notes.

On 18 December 2015, the Government declared a moratorium on payments under the December 2015 Notes as well as on certain state-guaranteed loans of state-owned entities included within the perimeter of the overall debt operation. Subsequently, on 22 December 2015, Ukraine did not repay the amounts of principal and interest due under the December 2015 Notes.

On 17 February 2016, The Law Debenture Trust Corporation p.l.c., acting in its capacity as trustee on behalf of the holders of the December 2015 Notes, filed a lawsuit against Ukraine in London's High Court seeking payment of principal and accrued interest due under the December 2015 Notes.

Tatneft arbitration

On 21 May 2008, the Russian company OJSC "Tatneft" ("**Tatneft**") filed a notice of arbitration and statement of claim against Ukraine pursuant to United Nations Commission on International Trade Law Arbitration Rules.

Tatneft is a shareholder in CJSC "Ukratnafta" ("**Ukratnafta**"). In April 1998, due to the failure of certain shareholders to pay for their shareholdings, a decision was made at the general meeting of shareholders of Ukratnafta to sell a number of shares to other foreign investors, as a result of which Tatneft's shareholding was reduced to 8.61 per cent., while new shareholders Amruz Trading AG and Seagroup International Inc. acquired 8.34 per cent. and 9.96 per cent. shareholdings, respectively. Thereafter, the shareholding of the State Committee of the Tatarstan Republic on State Property Management was reduced to 28.78 per cent., while the State Property Fund ("**SPF**") shareholding decreased to 43.05 per cent. On 27 June 2009, shares owned by Amruz Trading AG and Seagroup International Inc. in the total amount of 18.3 per cent. were sold to another minority shareholder, LLC "Korsan", as a result of which its shareholding in Ukratnafta increased to 19.4 per cent.

In its notice of arbitration and statement of claim Tatneft claims that Ukraine has allegedly violated the Agreement between the Cabinet of Ministers and the government of the Russian Federation regarding facilitation and mutual protection of investments (the "**Agreement**") because Tatneft and other foreign shareholders were deprived of the right to effectively control their investments.

Tatneft initially sought reinstatement of what is alleged was the lawful management at Ukratnafta, reimbursement of arrears for oil supplies in the amount of U.S.\$520 million and payment of compensation for the loss of control over its shareholding in Ukratnafta in the amount of U.S.\$610 million. On 29 June 2009, Tatneft increased the amount of its claim to U.S.\$2.4 billion. The increase in the amount relates to alleged losses in the amount of approximately U.S.\$1.3 billion incurred by Tatneft in connection with the sale of an 18.3 per cent. shareholding by Amruz Trading AG and Seagroup International Inc. to LLC "Korsan", such sale allegedly being a forced expropriation of those shares.

On 16 January 2009, the arbitral tribunal was constituted and a series of submissions, hearings and document exchanges followed. On 16 December 2012, Ukraine submitted its response to Tatneft's written submission of 10 August 2012. From 18 to 27 March 2013, oral hearings took place in The Hague.

On 29 July 2014, the arbitration tribunal issued its final decision. The arbitration tribunal found that Ukraine had violated the Agreement on the grounds of denial of justice and lack of fair and equitable treatment. The arbitration tribunal ordered Ukraine to pay Tatneft approximately 10 per cent. of the claimed compensation amount, which is equal to U.S.\$112 million, plus interest equal to three-month LIBOR plus 3 per cent. payable from the moment when Tatneft was deprived of the right to control its shareholding in Ukratnafta. The arbitration tribunal dismissed the other claims.

On 27 August 2014, the representatives of Ukraine submitted a motion to the Paris Court of Appeals on the annulment of the arbitration award under the claim of PJSC "Tatneft" dated 20 July 2014 and received the relevant order of the court. On the 27 January 2015, Ukraine submitted detailed written submission regarding the annulment of the arbitration award dated 29 July 2014 under the claim of PJSC "Tatneft" against Ukraine as well as the decision on the jurisdiction dated 28 September 2010. On 27 May 2015, PJSC "Tatneft" submitted detailed written submissions as the counterclaim to Ukraine's written submission. The reply of Ukraine to the statement of defence of PJSC "Tatneft" was registered by the Paris Court of Appeals on 18 August 2015. The court proceedings on the merits of the case are scheduled to take place on 18 October 2016.

In addition to this claim, the Ministry of Justice of Ukraine has received a letter from the Minister of Land and Property of the Republic of Tatarstan regarding the settlement of a dispute on the forfeiture of the shares in PJSC “Ukratnafta” resulting from the sale of shares in PJSC “Ukratnafta”, which are considered to be the investments of PJSC “Tatneft”. The Minister of Justice of Ukraine prepared the draft reply and sent it to the Ministry of Foreign Affairs of Ukraine for further approval since the dispute is inter-state in its nature. The reply with further options of the dispute settlement was sent via diplomatic channels on 24 November 2015.

On 6 January 2016, the Ministry of Justice of Ukraine received the arbitration notice from the legal counsel of the Ministry of Land and Property of the Republic of Tatarstan.

As at the date of this Listing Prospectus, the claimant already appointed an arbitrator while Ukraine has not yet appointed an arbitrator for its side in accordance with Article 7 of the 1976 UNCITRAL Arbitration Rules. The claim under the dispute amounts to U.S.\$300 million. The dispute will be settled by ad hoc tribunal under 1976 UNCITRAL arbitration rules.

The legal ground for the arbitration is the alleged violation of the Agreement between the Government of the Russian Federation and the Cabinet of Ministers on the encouragement and mutual protection of investments dated 27 November 1998. Such violations resulted from the allegedly illegal decisions of the Ukrainian courts regarding the forfeiture of the shares of the Ministry of Land and Property of the Republic of Tatarstan in PJSC “Ukratnafta”. As of the date of this Listing Prospectus, the process of the establishment of the arbitration tribunal is in place.

“Krederi LTD” v. Ukraine

On 18 February 2013, the Ministry of Justice of Ukraine received a notice from the company “Krederi LTD” regarding its intention to submit a claim against Ukraine under the agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ukraine for the Promotion and Reciprocal Protection of Investments dated 10 February 1993 (the “**United Kingdom BIT**”).

“Krederi LTD” claimed a violation of the protection of investment according to the Articles 2(2), 3(2) and 6(1) of the United Kingdom BIT, in particular the principle of fair and equitable treatment, national treatment and most-favoured-nation provisions, as well as provisions on the prohibition of expropriation.

Allegedly, the company’s claims resulted from the deprivation of its property rights to the land plots on the basis of the decisions of the Ukrainian courts. “Krederi LTD’s” claims that the estimated amount losses is equal to U.S.\$120 million.

The Ministry of Justice of Ukraine has received Notice from the company “Krederi LTD” to submit the dispute for the further settlement to the International Centre for Settlement of Investment Disputes (“the **ICSID**”). The Ministry of Justice of Ukraine sent the letter to “Krederi LTD” with the suggestion to abstain from such actions until the requested information has been received from the relevant authorities.

The Secretariat of ICSID received notice on the commencement of arbitration from “Krederi LTD” on 1 July 2014.

On 20 July 2015, the “Krederi LTD” submitted the full statement of claim to the tribunal and to Ukraine.

Ukraine submitted its preliminary objections and counter-memorial on the merits on 27 February 2016. As of the date of this Listing Prospectus, the stage of the requests and presentation of the documents to the tribunal is ongoing.

Universal Trading & Investment Company/Foundation Honesty International, Inc.

On 26 November 2010, Universal Trading & Investment Co., Inc. (“**UTICo**”) and Foundation Honesty International, Inc. filed a claim against the Ministry of Justice of Ukraine, the General Prosecutor Office and Ukraine with the Massachusetts District Court in the United States. The grounds for the claim are an alleged violation by defendants of their obligations in connection with civil proceedings relating to the seizure and return of assets of Mr. Pavlo Lazarenko, a former Prime Minister of Ukraine. The value of the claim is approximately U.S.\$422 million.

On 19 September 2012, the Massachusetts District Court dismissed most of the plaintiffs’ claims and refused to permit Foundation Honesty International, Inc. to act as a plaintiff in the case. However, the court confirmed its authority to examine the case on the merits with regard to the violation of an agreement between UTICo and the General Prosecutor Office. On 3 October 2012, the decision of the Massachusetts District Court was appealed and the hearing took place on 6 June 2013. On 12 August 2013, the appeals court dismissed the appeal of Ukraine and confirmed the lawfulness of the refusal of the Massachusetts District Court to satisfy the motion to dismiss. The overall amount of the claims which are currently under review by the court is equal to U.S.\$32.4 million.

On 24 September 2013, the Massachusetts District Court satisfied the motion of Ukraine to extend the terms of submission of the defence to the claim. The new schedule of the proceedings in the case, proposed by Ukraine, was approved by the court on 4 October 2013. On 25 October 2013, Ukraine submitted the defence to the claim, and on 28 October 2013, Ukraine received the first request of documents from UTICo.

On 9 January 2014, the plaintiff sent Ukraine a written questionnaire to which Ukraine provided the answers on 7 February 2014. On 4 April 2014, the gathering of evidence was completed. On 2 May 2014, the defendants requested the court to issue a summary judgment as the plaintiff missed a limitation period.

On 18 February 2015, the Massachusetts District Court held a hearing on the merits of the case as a result of which UTICo’s motion on rendering partial judgment on liability issues as well as motions to allow gathering and submission of additional evidence were dismissed.

As of the date of this Listing Prospectus, the only outstanding motion is the motion of Ukraine on the simplified procedure as the plaintiff missed a limitation period.

Recent Legislation

On 14 October 2014 Parliament adopted a number of laws aimed at prevention of corruption, improvement of corporate transparency and reform of the state prosecutor’s office, namely: (i) the Law of Ukraine “*On Prevention of Corruption*”, (ii) The Law of Ukraine “*On National Anti-Corruption Bureau of Ukraine*”, (iii) the Law of Ukraine “*On Amendments to Certain Legislative Acts of Ukraine Regarding the Definition of Ultimate Beneficial Owners of Legal Entities and Public Persons*”, (iv) the Law of Ukraine “*On the Principles of State Anti-Corruption Policy in Ukraine (Anti-Corruption Strategy) for 2014-2017*”, (v) the Law of Ukraine “*On Prosecutor’s Office*”, (vi) the Law of Ukraine “*On the National Police*” and (vii) the Law of Ukraine “*On the State Service*”. In addition, as a part of the reforms, two draft laws on the Amendments to the Constitution of Ukraine are currently undergoing adoption procedures.

The Law of Ukraine “*On Amendments to Certain Legislative Acts of Ukraine Regarding the Definition of Ultimate Beneficial Owners of Legal Entities and Public Persons*” (“**Law on Beneficiaries**”) obliges legal entities to identify their ultimate beneficial owners, keep records on such persons and update them on a regular basis, as well as to disclose such information to the state registrars. Until 25 May 2015 legal entities are required to submit the information on the ultimate beneficial owners to the state registrars. The law also authorises wide access to the State Register of Proprietary Rights to Immovable Property. Additionally, the law enables private persons to obtain

information in respect of a specific real estate either online or by ordering a paper extract from a state registrar or a notary.

The Law of Ukraine “*On Prevention of Corruption*” establishes specific mechanism of formation and implementation of anti-corruption policy, liability for corruption offences, as well as principles of international cooperation in the relevant sphere. This law obliges elected public officials to transfer corporate rights, which they own, into third party management. This may be arranged by entering into: (i) an asset management agreement, (ii) a securities management agreement, or (iii) an agreement with an asset management company on establishment of a venture capital fund. Moreover, the law also provides for establishment of the National Commission on Prevention of Corruption and sets requirements to its members.

The Law of Ukraine “*On the Principles of State Anti-Corruption Policy in Ukraine (Anti-Corruption Strategy) for 2014-2017*” sets out new principles of State anti-corruption policy as grounds for forthcoming anti-corruption reforms, which are anticipated to include: (i) creation of a new authority responsible for development and implementation of anti-corruption policy in cooperation with civil society; (ii) anti-corruption expert assessment and revision of electoral law, adoption of legislation on transparent financing of elections and activities of political parties, strengthening civil control over the activities of elected authorities; (iii) reform of the legislation on and the system of public service to address the issues of conflict of interest and declaration of the revenues, expenses and assets of public servants; (iv) development and implementation of sectoral anti-corruption programmes regulating the activities of central executive authorities, state, treasure and community enterprises, as well commercial enterprises with a state or community participation of 50 per cent. and more. Other principles of the new anti-corruption policy include prevention of corruption in the area of public procurement, in the judicial system and in private sector. The policy also provides for introduction of criminal liability for illicit enrichment and civil legal sanctions, such as recovery by the State revenue services of the illegally obtained assets and property. The law also approves the Anti-Corruption Strategy, which aims to eliminate risks of corruption, implement a transparent system of public procurement, and stop corruption in the judiciary.

The Law of Ukraine “*On National Anti-Corruption Bureau of Ukraine*” provides for establishment of a new state law enforcement authority, the Anti-Corruption Bureau. Its tasks are to investigate corruptive offenses, as well as to prevent new ones. Its mission is to prevent corruption offenses of senior state officials. The Anti-Corruption Bureau must be established by the presidential order. The main function of the Anti-Corruption Bureau is to conduct pre-trial investigations and criminal prosecution.

The Law of Ukraine “*On Prosecutor’s Office*” is generally considered to be a “revolutionary” law, since it cancels functions, which are unusual to the prosecutor’s office and remained from the soviet system. This law brings prosecution system in line with international standards. The main novelty of this law is that it cancels prosecutors’ supervision functions with respect to observance of laws (so-called “general supervision”). These changes assist to avoid duplication of powers of prosecutors and other supervision authorities. Also, it helps to (i) clearly understand, which bodies are responsible for particular areas of public relations, and (ii) reduce the number of supervision activities affecting business. The law provides for a three-tier system of bodies: the General Prosecutor of Ukraine, the regional prosecutor’s offices, and local prosecutors. The law also (i) considerably increases requirements to candidates for prosecutors’ positions, (ii) establishes transparent contest procedure for selecting candidates, and (iii) introduces a clear procedure for consideration of complains on prosecutors’ actions.

The Law of Ukraine “*On the National Police*”, dated 2 July 2015, established a new system of the police service in Ukraine. This law states that the police is the executive body that serves society by ensuring the protection of the rights and freedoms, combatting crime, maintaining public security and order. The national police includes the following: criminal police, patrol police, pre-trial investigation police, guarding police, special police and special operation police.

On 10 December 2015, Parliament adopted the new Law of Ukraine “*On the State Service*”. Under this law, civil servants are appointed on competitive basis and the number of civil servants in Ukraine is significantly reduced.

One of the most crucial points of the current reforming process in Ukraine is the amendments to the Constitution of Ukraine. As of the date of this Listing Prospectus, two draft laws on the Amendments to the Constitution of Ukraine have been submitted to Parliament and the adoption of both are pending. The first draft law, submitted on the 1 July 2015, covers the questions on decentralisation of powers and proposes a new system of local governance. On 30 July 2015, this draft law was approved by the CCU, although four judges dissented with the court’s opinion.

The second draft law on the Amendments to the Constitution of Ukraine, submitted to Parliament on 25 November 2015, provides for independence of the judiciary and transparency in the actions of judges in the course of the fulfilment of their duties. On 20 January 2016, this draft law was approved by the CCU, although seven judges dissented with the court’s opinion.

POLITICAL FRAMEWORK

The Constitution and the President

The Constitution of Ukraine was adopted by Parliament on 28 June 1996. It defines Ukraine as a sovereign, independent, democratic, social, and unitary state, based on the rule of law. The Constitution guarantees, among other things, the principles of political, economic and ideological diversity; human and civil rights and freedoms; freedom of information; the inviolability of private property and the right to conduct entrepreneurial activity. The State ensures the protection of competition and business activity.

The Constitution also stipulates the responsibilities of Parliament, the President and the Government and outlines the system for the administration of justice and the functions of the judiciary of Ukraine. Under the Constitution, both the President and Parliament are directly elected by universal suffrage. The Constitution provides that the President is the head of the sovereign State of Ukraine and is authorised to act on behalf of Ukraine. The President is elected for a term of five years.

As a result of amendments to the Constitution passed on 8 December 2004, Ukraine became a “parliamentary presidential” republic as the President was no longer empowered to exercise direct executive powers over the decisions and actions of the Government (the “**2004 Constitutional Amendments**”). In particular, from 2004 until the issuance of the CCU ruling described below, Parliament was empowered to appoint, upon the President’s nomination, the Prime Minister, the Minister of Defence and the Minister of Foreign Affairs and, upon the nomination of the Prime Minister, the remaining members of the Government. Parliament was also empowered to dismiss these officials, while the President was no longer empowered to appoint members of the Government. On 30 September 2010, the CCU declared the 2004 Constitutional Amendments to be unconstitutional and these amendments lost their effect. Ukraine has become a “presidential parliamentary” republic and the President gained the authority to execute direct executive powers over decisions and actions of the Government, in addition, certain powers, transferred from the President to Parliament and the Prime Minister as a result of the constitutional reform implemented in 2006, have been transferred back to the President. In particular, the President gained the authority to appoint the Prime Minister, subject to parliamentary approval, to terminate the powers of the Prime Minister, without the parliamentary approval, and to accept his or her resignation. In addition, the President obtained the authority to appoint members of the Cabinet of Ministers, upon the nomination by the Prime Minister, as well as to appoint the heads of other central executive bodies and local administrations and terminate their powers. The President also gained authority over the judiciary.

Following the Maidan protests, the removal of former President Yanukovich from power and the appointment of the interim Government (see “*Description of Ukraine—Recent Political Developments*”), on 21 February 2014, Parliament passed a law, which reinstated the 2004 Constitutional Amendments. These amendments are in effect as of the date of this Listing Prospectus. According to the Constitution, Members of Parliament are required to form a majority, which is entitled to propose a candidate for the position of Prime Minister to the President, who makes a further nomination to Parliament. The majority is further entitled to propose candidates for Government office (subject to certain exceptions) to the Prime Minister, who makes further nominations to Parliament. The President has powers for early termination of Parliament.

In the course of the reform process initiated in 2014, two draft laws introducing amendments to the Constitution of Ukraine were submitted by the President to Parliament. As of the date of this Listing Prospectus, the adoption of both draft laws by Parliament remains pending. The first draft law, submitted on 1 July 2015, covered the questions of decentralisation of powers and proposed the new system of local governance. On 30 July 2015, this draft law was approved by the CCU, although 4 judges dissented with the court’s opinion.

The second draft law was submitted to Parliament on 25 November 2015 and provides for the independence of the judiciary and transparency of the actions of judges in the course of the fulfillment of their duties. On 20 January 2016, this draft law was approved by the CCU, although seven judges dissented with the court's opinion.

The President has the right to initiate legislation, the power to veto laws adopted by Parliament (except for laws on amendments to the Constitution of Ukraine) with their subsequent return for repeat consideration by Parliament and the power to suspend the operation of acts of the Cabinet of Ministers on grounds of their inconsistency with the Constitution and challenge concurrently the constitutionality of such acts before the CCU. The President may also issue his own decrees and directives.

The President is also the head of the National Security and Defence Council (the "NSDC") and is authorised to appoint its members. The NSDC was created in 1992 as a coordinating body on national security and defence which reports to the President. Ex officio members of the NSDC include the Prime Minister, the Minister of Defence, the Head of the Security Service, the Minister of the Interior and the Minister for Foreign Affairs.

The Executive

The powers of the Government of Ukraine are vested in the Cabinet of Ministers, which is the highest body of executive power in Ukraine and includes the Prime Minister, First Vice Prime Minister, Vice Prime Ministers and Ministers. The Cabinet of Ministers is accountable to the President and Parliament and reports to Parliament in accordance with the Constitution. The Prime Minister, the Minister of Defence and the Minister of Foreign Affairs are appointed by Parliament upon the submission by the President; the other members of the Cabinet of Ministers are appointed by Parliament upon the submission by the Prime Minister. The Cabinet of Ministers divests itself of its powers before the newly elected Parliament. The powers of an existing Cabinet of Ministers are also terminated if the Prime Minister resigns or if a vote of no confidence in the Cabinet of Ministers is passed in Parliament. If any of these events occurs, the President is required to put forward, upon the proposal by the parliamentary coalition (which includes a majority of constitutional composition of Parliament), the submission on the appointment by Parliament of the Prime Minister, no later than 15 days after the receipt of such proposal. On 10 April 2016, the Prime Minister, Arseniy Yatseniuk, announced his intention to resign and, on 14 April 2016, Members of Parliament voted in favour of Mr Yatseniuk's resignation. On 14 April 2016, former Speaker of Parliament Volodymyr Groysman's appointment as Prime Minister and the appointment of a new Cabinet of Ministers of Ukraine (except for the Minister of Healthcare) was approved by Parliament. The powers of the Cabinet of Ministers include implementation of financial, pricing, investment, labour, social security, education, science, environment and tax policies, management of State owned assets and elaboration and performance of the State Budget Law for each relevant year.

Immediately following the reinstatement of the 2004 Constitutional Amendments, Parliament approved a new law on the Cabinet of Ministers and restated the law on central executive authorities which determine the structure, powers and activities of the Cabinet of Ministers, ministries and other central executive authorities of Ukraine. These laws changed the relationship between the Cabinet of Ministers, ministries and other executive bodies and regional authorities in line with the reinstated 2004 Constitutional Amendments.

During 2014 and 2015, the Cabinet of Ministers approved a number of resolutions on optimisation of central governmental agencies through their merger or liquidation. As at the date of this Listing Prospectus, Ukraine had 17 ministries and 49 other central executive authorities, and five central executive authorities with special status. The Cabinet of Ministers has a power to set up, re-organise and liquidate, in accordance with law, ministries and other central bodies of executive power.

The Legislature

Legislative power in Ukraine is vested in the Verkhovna Rada, or Parliament. Parliament adopts laws, which have the highest authority in the hierarchy of normative acts in Ukraine after the Constitution itself. Parliament is a unicameral body with 450 seats and is elected for five years.

Since the March 2006 parliamentary elections, all seats have been voted for according to a system of proportional representation from lists of candidates proposed by political parties and electoral blocs. In order to propose candidates, the political parties or electoral blocs must account for at least 3 per cent. of the total votes.

On 17 November 2011, Parliament passed new legislation concerning parliamentary elections which came into force on 10 December 2011. This legislation provides that parliamentary elections (including the elections that took place on 28 October 2012 and 26 October 2014) use a mixed voting system determined equally on the basis of majority voting and proportional representation. The minimum electoral threshold at which a party may gain representation was increased from 3 to 5 per cent. and strategic alliances of political parties have been prohibited from participating in the electoral process.

In addition to its legislative function, Parliament, among others, appoints to office the Prime Minister, the Minister of Defence, the Minister of Foreign Affairs, the Head of the NBU, the Head of the Security Service, members of the Central Electoral Commission, upon the submission by the President; appoints to office other members of the Cabinet of Ministers, the Chairperson of the Anti-Monopoly Committee, the Head of the SPF and the Head of the State Committee on Television and Radio Broadcasting, upon the submission by the Prime Minister; appoints to office one-half of the membership of the Council of the NBU. Parliament also grants consent for the appointment to office or dismissal by the President of the Prosecutor General and has a power to take a vote of no confidence in the Prosecutor General, resulting in his or her resignation from office. Parliament also has the power to make judicial appointments for permanent terms to all courts other than the CCU, in relation to which it can only appoint one third of the judges of the CCU.

Parliament also considers items such as approval of the general Government agenda, nationwide programmes of economic, scientific, social, cultural and environmental development, the general outlines of domestic and foreign policy, the State Budget and the list of State owned assets barred from privatisation, the granting of loans to foreign countries and international organisations, and entering into financing arrangements with foreign countries, banks and international financial organisations that are not otherwise envisaged in the State Budget in any given year and the organisation, purpose and size of the Ukrainian armed forces and the Security Service of Ukraine. Parliament has the power to declare war upon the submission by the President and conclude peace and approve a decision of the President on the use of the armed forces of Ukraine and other military formations in the event of armed aggression against Ukraine.

The President has the power to dissolve Parliament if (i) it fails to form a majority within a month of the commencement of its first session or the dissolution of the previously existing majority; (ii) it fails to appoint the Government within 60 days following the previous Government's dismissal or resignation or (iii) it fails to convene for a continuous period of 30 days.

The Judicial System

The judicial system in Ukraine comprises the CCU and the courts of general jurisdiction, consisting of local courts (combining criminal and civil jurisdiction), local specialised courts (with either commercial or administrative jurisdiction), courts of appeal and specialised courts of appeal, high courts with specialised jurisdiction (Higher Specialised Court on Civil and Criminal Cases, Higher Administrative Court of Ukraine and Higher Commercial Court of Ukraine) and the Supreme Court of Ukraine, which is the highest judicial body in the system of courts of general jurisdiction. The CCU has exclusive jurisdiction over the interpretation of the Constitution and laws of Ukraine and acts as

final arbiter on constitutional issues. The Court consists of 18 judges, six appointed by the President, six appointed by Parliament and six appointed by the Congress of Judges.

On 6 July 2005, the Code of Administrative Procedure of Ukraine was enacted by Parliament. The Code establishes the powers and procedures of the administrative courts and the procedures for the appeal and enforcement of administrative court decisions. Under the Code, which came into force on 1 September 2005, as amended, the Higher Administrative Court of Ukraine, as a court of first and last instance, is responsible for deciding cases related to the Central Electoral Commission's decisions, actions or failures to act in connection with the election results determined by the Central Electoral Commission or results of Ukrainian referendums, early termination of powers of a member of Parliament, as well as cases related to challenging of decisions, actions or failures to act of Parliament, the President, the Higher Council of Justice and the Higher Qualification Commission of Judges of Ukraine.

From 1 September 2005, the new Code of Civil Procedure, adopted on 18 March 2004, and the new Code of Administrative Procedure together replaced the previous Code of Civil Procedure by introducing different procedural rules for proceedings in courts of general jurisdiction and administrative courts. On 14 May 2012, the new Code of Criminal Procedure received presidential approval and came into force on 20 November 2012.

On 28 March 2015, the restated Law of Ukraine "*On the Judicial System and the Status of Judges*" came into force. This restated law aims at increasing efficiency of the court system, ensuring consistent application of legislation and establishing legal and organisational grounds for judges' evaluation and their disciplinary liability.

The Law of Ukraine "*On Arbitration Courts*", enacted in 2004, provides for the establishment of independent permanent arbitration courts and ad hoc arbitration tribunals (tribunals formed for the purpose of resolving a particular dispute). Permanent arbitration courts are subject to State registration by the Ministry of Justice of Ukraine or its regional departments.

In accordance with the Law of Ukraine "*On Access to Court Decisions*", which became effective on 1 June 2006, decisions of courts of general jurisdiction in civil, economic, administrative and criminal matters issued from 1 June 2006 (and, in the case of local courts of general jurisdiction, from 1 January 2007) onward, are required to be made available to the public. The Unified State Register of Court Decisions has been established pursuant to this law and is accessible on the official website of the judiciary, which now makes current court decisions available through the Register.

The draft law on the Amendments to the Constitution of Ukraine was submitted to Parliament on 25 November 2015 and provides for the independence to the judiciary and transparency of the actions of judges in the course of the fulfillment of their duties. On 20 January 2016, this draft law was approved by the CCU, although seven judges dissented with the court's opinion. As at the date of this Listing Prospectus, the adoption of this draft law by Parliament remains pending.

Legal Framework

As a result of its relatively recent transition towards a market economy, Ukraine does not yet have a mature legal system comparable to the legal systems of most major European countries. Although new laws have been introduced and amendments have been made to company, property, bankruptcy, securities, taxation, banking and foreign investment laws, this legislation is undeveloped and contains many gaps, thereby failing to provide an adequate underpinning for complex transactions. In order to facilitate the implementation and enforcement of important legislation, such as tax legislation, Parliament has gradually been taking steps to adopt new legislation that consolidates the laws into unified codes.

Regional Administration

Executive power in each of Ukraine's 24 oblasts, special status cities (Kyiv and Sevastopol) and districts (rayons) is vested in the respective region's administration. Each regional administration is

headed by a governor who is appointed by the President upon nomination of the Cabinet of Ministers. Each municipal government is administered by a local council, a body made up of representatives elected by the population of the region; such councils are elected in villages, cities, districts (rayons) and oblasts. Local councils may establish executive bodies for the performance of executive powers as specified.

Crimea is an autonomous republic within Ukraine, with its own parliament, government and constitution (passed by the parliament of the Autonomous Republic of Crimea and approved by Parliament), but remains subject to the Constitution, laws and regulations of Ukraine. Following the events in Kyiv in February 2014 (see “*Description of Ukraine—Recent Political Developments*”), a referendum on the status of Crimea was held on 16 March 2014 by the legislature of Autonomous Republic of Crimea as well as by the local government of Sevastopol to join the Russian Federation. On 17 March 2014, the Supreme Council of Crimea declared independence from Ukraine and asked to join the Russian Federation. Russia recognised Crimea as a sovereign state and on 20 March 2017 the Russian State Duma has adopted in first reading a federal constitutional law on Crimea’s admission to the Russian Federation and on creating new sub-federal entities — the Republic of Crimea and the city of federal significance Sevastopol. The referendum was regarded as illegitimate by most countries including all European Union members, the United States and Canada. Ukraine does not recognise the results of the referendum, does not recognise Crimea as a sovereign state or part of the Russian Federation and considers Crimea to form an indivisible part of Ukraine as an autonomous region in accordance with the 2004 Constitution of Ukraine. The Law of Ukraine “*On Securing the Rights and Freedoms of Citizens on the Temporarily Occupied Territory of Ukraine*” was adopted on 15 April 2014 and establishes a special legal regime applicable to the occupied territory. Ukraine considers Crimea to be under the occupation by Russia and strongly condemns the occupational actions of the Russian government resulting in violation of basic human rights and rights of national minorities. Ukraine also recognises the importance of admission of international observatory missions in Crimea. See “*Description of Ukraine—Crimean Crisis*”.

On 30 July 2010, the law governing elections of local council members came into effect. This law replaces the pure proportional system previously used for the election of members of oblast, city and district (rayon) councils and the parliament of the Autonomous Republic of Crimea with a mixed system, under which half of the seats are elected by majority voting and the other half under a proportional representation system. In addition, all members of village councils are elected on the basis of a majority vote. Pursuant to the 2004 Constitutional Amendments, the term of office of the parliament of the Autonomous Republic of Crimea and local councils is five years.

Amidst the Crimean crisis and the crisis in Eastern and Southern Ukraine, (see “*Description of Ukraine—Recent Political Developments*”) the then acting prime Minister Arseniy Yatsenyuk and the then acting President Oleksandr Turchynov stated they would support constitutional change, decentralising more power to local councils, including over their official language, which would help to de-escalate tensions in the regions of Ukraine.

On 26 June 2014, President Poroshenko introduced in Parliament, a presidential bill on amendments to the Constitution of Ukraine, which, amongst other amendments, proposes to change the political division of the country, which would include regions, districts and “hromadas” (communities). The bill defines a community as an administrative territory, formed according to the procedure established by law, which includes one or more settlements (villages, towns, cities), as well as adjacent areas. The bill suggests granting the status of regions to, in particular, Crimea, Kyiv and Sevastopol. The bill was withdrawn on 27 November 2014.

Following the ceasefire agreement which former Ukrainian president Leonid Kuchma signed on 5 September 2014, in Minsk, Belarus, with leaders from the self-proclaimed Donetsk and Luhansk “republics”, in the presence of officials from Russia and the OSCE, on 16 September 2014, the Ukrainian Parliament adopted the Law on Special Status of the Eastern Regions providing, among other things, for a special local governance regime for three years in certain parts of the Donetsk and Luhansk Oblasts, as well as a limited amnesty for individuals involved in conflict in these regions. In

November 2014, the self-proclaimed authorities of the so-called Donetsk and Luhansk “republics” held “parliamentary” and “executive” elections. These elections were held in violation of the procedure agreed in the ceasefire agreement. These elections destabilised the fragile truce and sporadic heavy fighting continued throughout November 2014 escalated in January and February 2015 as the fighting intensified. By the end of January 2015, the ceasefire collapsed entirely with renewed fighting across the conflict zone with militia forces mounting a new offense against Ukraine forces along the line of control in the Donetsk and Luhansk Oblasts.

Minsk II ceasefire agreement negotiated with the assistance of the international community took effect on 15 February 2015, providing, among other things, for holding immediately after withdrawal of forces, a dialogue on holding local elections in parts of Donetsk and Luhansk Oblasts in accordance with the Law on Special Status of the Eastern Regions and the future status of these regions according to the Law on Special Status of the Eastern Regions. However, sporadic fighting has reportedly continued and it is not clear how the situation will develop and whether the new ceasefire will last for a long time.

On 17 March 2015, Parliament adopted a resolution on recognition of certain districts, towns and villages of Donetsk and Luhansk Oblasts as a temporarily occupied territory and amended the Law on Special Status of the Eastern Regions. According to these amendments, the Law on Special Status of the Eastern Regions will apply when new local self-government bodies to be elected at the extraordinary elections held according to the Constitution, laws of Ukraine and generally recognised international human rights and electoral standards (including those of the OSCE) take their offices. Such elections must be held when, among others, the following can be guaranteed: (i) elections are held under the supervision of international impartial observers (in particular those of the OSCE Office for Democratic Institutions and Human Rights, Congress of Local and Regional Authorities of the Council of Europe and other international organisations and foreign states); (ii) secure and unimpeded work of official observers; (iii) withdrawal of all illegal armed groups and military equipment from the territory of Ukraine; (iv) there is no unlawful interference with the electoral process; (v) adherence to principles of political pluralism, equal opportunity to participate in the electoral process, freedom of electoral campaigning; (vi) resumption of Ukrainian television and radio broadcasting and circulation of Ukrainian printed press on the whole territory of Donetsk and Luhansk Oblasts, etc.

Minsk II also provided for a constitutional reform with adoption of a new constitution by the end of 2015. A key element of which will be decentralisation (taking account of the special features of certain parts of Donetsk and Luhansk regions, agreed with representatives of those regions), and adoption of permanent laws on the special status of those areas. On 1 July 2015, the draft law on Amendments to the Constitution of Ukraine providing for decentralisation of powers and the new system of local governance was submitted to Parliament, as at the date of this Listing Prospectus its adoption remains pending.

International Relations

Ukraine has established diplomatic relations with 171 countries, is a member of 77 international organisations and attaches significant importance to developing relations with international organisations. Ukraine is a member of the United Nations (“UN”) and of several UN bodies and specialised agencies and participates in the organisation’s activities in the areas of security, human rights, economic cooperation and environmental protection. Ukraine has signed and ratified the Non-Proliferation Treaty and certain other conventions banning weapons of mass destruction. Ukraine is a member of the IMF, the World Bank, the WTO and a number of other international organisations, and it cooperates closely with the Organisation for Economic Cooperation and Development (“OECD”).

Ukraine is a party to over 1,175 multilateral treaties and 4,737 bilateral treaties, including treaties on promotion and mutual protection of investments entered into with 79 foreign states. International treaties ratified by Parliament are an integral part of Ukraine’s domestic legislation and will prevail over any domestic laws and regulations whose provisions are inconsistent with international treaties.

Ukraine is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”) and the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Ukraine has entered into treaties on the recognition and enforcement of judgments with certain CIS countries and other countries including Cyprus, Turkey, Czech Republic, Hungary, Romania, Bulgaria, Greece, China, India and United Arab Emirates.

Supranational Organisations

On 15 October 2015, Ukraine was elected as a temporary member of the United Nations Security Council for 2016-2017.

WTO

Ukraine became the 152nd member state of the WTO on 16 May 2008, as a result of which a number of laws were enacted by Parliament to address inconsistencies between Ukrainian legislation and the WTO agreements and requirements. See “—*The Judicial System*” and “—*Legal Framework*”.

The Government expects to continue amending certain laws and regulations of Ukraine to comply with the WTO agreements and with Ukraine’s specific commitments made during the accession process. Expected amendments include changes to laws governing, among other things, standardisation and certification, consumer rights protection and implementation of an additional import duty that could be used as a temporary mechanism in the event of a significant deterioration in the country’s balance of payments. Other important tasks in the context of Ukraine’s membership in the WTO include Ukraine’s participation in the multilateral negotiations of the Doha Development Round and bilateral negotiations on other countries’ accession to the WTO, implementation of efficient mechanisms for the State support of national producers and promotion of investments in Ukrainian industrial and agricultural enterprises. Since Ukraine’s accession to the WTO, Ukraine has completed the negotiations regarding the creation of free trade areas with Israel, Serbia, Vietnam and Turkey and is currently considering commencement of negotiations on free trade areas with a number of other countries. See “—*EU*”. On 1 June 2012, a free trade agreement became effective between Ukraine and the European Free Trade Association, whose members are Iceland, Lichtenstein, Norway and Switzerland. On 1 January 2013, a free trade agreement became effective between Ukraine and Montenegro.

In the context of the performance of Ukraine’s obligations within the framework of the WTO, in November 2015, the internal state procedure for the ratification of the new multilateral agreement on the simplifying of the trade procedures was completed. The entering into force of this agreement after its ratification by the two thirds of the WTO member-states will have a positive impact on the existing business conditions and will help to increase the competitiveness of the small and medium enterprises as well as to revive the business activity and economic growth.

The WTO state-members have provided support to Ukraine in relation to accession to the WTO Agreement on Government Procurement dated 15 April 1994. The Law of Ukraine “On the Accession of Ukraine to the Agreement on Government Procurement” was adopted by the Parliament on 16 March 2016. As soon as the internal ratification procedures are completed, the Ukrainian companies will gain access to the world market of the state procurements. This access will provide opportunities to Ukrainian companies for participation in the international tenders.

On 28 December 2014 Parliament adopted the Law of Ukraine “*On Measures Aimed at Stabilisation of Payment Balance of Ukraine in Accordance with Article XII of General Agreement on Tariffs and Trade of 1994*”. This law provides for imposition of additional temporary custom duties of 5 per cent. or 10 per cent. on import of all kind of goods (except for a very limited number of critical goods). On 16 February 2015 the Cabinet of Ministers adopted Resolution No. 119-p, which stipulates that the consultation with international organizations with respect to temporary duties shall be deemed completed. However, customs duties rates as increased by this law exceed the maximal customs tariff agreed in the course of Ukrainian accession to the WTO.

Ukraine's membership of the WTO offers protection of the country's trade and economic interests, in particular through the WTO dispute settlement mechanism, which so far has been used by Ukraine to assist in the resolution of disputes with Armenia, Moldova and Russia.

EU

Accession to the EU is a long term strategic goal of the Government. The first and most important step towards European integration was the signing of the Partnership and Cooperation Agreement with the EU in June 1994, which came into force in March 1998 ("PCA"). On 5 March 2007, Ukraine began negotiations to replace the PCA with the Association Agreement with the EU.

The Association Agreement, excluding the sections on the FTA, was initialled on 30 March 2012 and the sections relating to the FTA were initialled on 19 July 2012. The execution of the Association Agreement was originally scheduled for 28 November 2013. However, the planned signing of the Association Agreement was deferred by Ukraine.

Following the decision of Ukraine to defer the signing of the Association Agreement, mass rallies have taken place in Kyiv and other cities of Ukraine expressing strong public support for the political association and economic integration of Ukraine with the EU.

On 21 March 2014, following the removal of Mr Yanukovych as President and the appointment of an interim government, the new Ukrainian Prime Minister, Arseniy Yatsenyuk, and the EU leaders, along with the 28 national political leaders or heads of state on the European Council, signed in Brussels the political provisions of the Association Agreement, with the FTA to be signed after the presidential election in May 2014. On 25 May 2014, Petro Poroshenko was elected as President. The EU and President Poroshenko signed the economic provisions of the Ukraine-European Union Association Agreement on 27 June 2014. On 16 September 2014, Parliament ratified the "Association and Free Trade Agreement" with the EU, 355 Members of Parliament voted in favour of the agreement with 26 abstaining and none voting against. Simultaneously, in the European Parliament, 535 Members of European Parliament voted for the ratification of the agreement with 127 voting against and 35 abstaining. Under the agreement Ukraine is to join the European Union's free trade zone, however, at the request of Ukraine, the bilateral implementation of free trade was postponed until December 2015 from November 2014, as originally agreed due to the need to remove even hypothetical reservations of the Russian Federation related to implementation of the FTA.

The execution of the Association Agreement is viewed by Ukraine as one of the stages in the implementation of Ukraine's strategic goal of accession to the EU. Ukraine and the EU have agreed that the grounds for the new agreement should be both the political association and economic integration of Ukraine and the EU. In terms of economic integration, the Association Agreement creates the necessary legal and institutional framework for Ukraine's entrance into the EU domestic market through the gradual implementation of principles of free movement of goods, services and capital, and partially free movement of the labour force, based on free market principles. The Association Agreement provides for a strengthening of cooperation in the regulatory sphere and continuation of Ukraine's work in conforming Ukrainian laws to EU legislation. The Association Agreement also provides for a broad spectrum of obligations of Ukraine regarding aligning the national legislation with the EU legislation.

Against the background of the global economic downturn, the EU remained the largest external trade partner of Ukraine with exports of goods and services to the EU amounting to 26.7 per cent., 31.8 per cent. and 31.8 per cent. of Ukraine's total exports of goods and services in 2013, 2014 and for the nine months of 2015, respectively and imports of goods and services from the EU to Ukraine amounting to 37.0 per cent., 39.8 per cent. and 41.7 per cent. of Ukraine's total imports of goods and services in 2013, 2014 and for the nine months of 2015, respectively. Trade between the EU and Ukraine amounted to 32.1 per cent., 35.7 per cent. and 36.5 per cent. of Ukraine's total trade turnover in 2013, 2014 and for the nine months of 2015, respectively.

Starting from 2005, Ukraine has unilaterally established non-visa regime for citizens of the EU, the USA, Canada, Japan, Switzerland, Iceland, Andorra, Vatican, Norway, Monaco, San Marino and Lichtenstein.

In June 2007, Ukraine and the EU signed agreements on readmission and visa facilitation. The agreements came into force in 1 January 2008 and aim to combat illegal migration and to liberalise the visa regime for Ukrainian citizens travelling to the EU. In October 2008, Ukraine and the EU began discussions with the goal of permitting Ukrainian citizens to travel visa free to the EU. At the EU Ukraine Summit held on 22 November 2010 in Brussels, an action plan (the “**Action Plan**”) for the liberalisation of the EU’s visa regime was presented to Ukraine. The Action Plan establishes a framework for greater harmonisation with the EU and sets out a number of criteria to be met in the following four areas: (i) data protection; (ii) border security and human trafficking; (iii) public order and security; and (iv) the protection of fundamental human rights. Ukraine carries out the Action Plan in two stages: first, the necessary legislation and documentation in the relevant areas will be approved and, second, practical measures will be taken to implement the legislation. In February 2011 the Cabinet of Ministers established a coordination centre for implementation of the Action Plan and a national plan for implementation of the Action Plan was approved by a Presidential decree dated 22 April 2011.

On 23 June 2014, the EU Foreign Affairs Council concluded that Ukraine fulfilled all the benchmarks under the first phase of the Action Plan and decided to launch the assessment of the benchmarks under the second phase. On 20 August 2014, the Cabinet of Ministers approved the national plan for implementation of the second phase of the Action Plan, including new forms of biometric passports, security of documents, countering illegal migration, etc.

On 18 December 2015, the European Commission published its sixth report on the progress of Ukraine regarding the fulfilment of the criteria necessary for a visa-free travel regime within the EU. In the report, the European Commission stated that Ukraine met the technical criteria for visa liberalisation.

The report also required Ukraine to implement certain anti-corruption legislation in the first quarter of 2016. The new legislation was adopted on 18 February 2016, preceded by the adoption on 15 March 2015 of a law requiring electronic disclosure of property, income, expenditures and financial liabilities of the State and local government officials. On 16 March 2016, the first two members of the National Agency on the Prevention of Corruption were appointed.

On 17 March 2016, in the course of a visit of the President of Ukraine to Brussels, the President of the European Commission, Jean-Claude Juncker, confirmed that Ukraine had fulfilled all the obligations required by the sixth report.

As part of its cooperation with the EU, Ukraine received financial support from the EU based on the Memorandums of Understanding and the Loan Agreements between Ukraine and EU with respect to the financial assistance executed respectively on 25 February 2013, 13 May 2014 and 22 May 2015. The aim of this support is to help to maintain the stability of the Ukrainian economy. As of the date of this Listing Prospectus, Ukraine received all tranches under the first program (€610 million in 2014 and 2015) and the second program (€1 billion in 2014), as well as the first tranche (€600 million in 2015) within the framework of the third program of the macrofinancial help of the EU. Ukraine expects to receive the financial support from the EU in the amount of up to €1.2 billion (the second and the third tranches) within the framework of the third program of the EU macrofinancial aid.

The EU provides substantial financial and technical assistance to Ukraine in various spheres such as legal reform, the strengthening of border infrastructure, the improvement of its anti-money laundering system, and the counteraction of illegal human and drug trafficking. Financial cooperation with the EU aimed at implementation of infrastructure projects in Ukraine is expected to continue, including within the Framework Agreement entered into between Ukraine and the EIB in 2005, the coordination procedure of which was significantly simplified in May 2012. In March 2011, the EIB opened its first permanent EIB representation in Kyiv, confirming the EIB’s commitment to the region, and on 1 June

2012 the permanent representative of the EIB in Ukraine was appointed. As at 1 January 2015, investment projects pursuant to such cooperation amounting to €2.639 billion were being implemented in Ukraine.

In recent years, the EU has intensified cooperation with Ukraine on energy matters, including nuclear energy, space exploration and environment. The EU has increased political and financial support in reforming the Ukrainian energy sector, including modernisation of the Ukrainian gas transport system and mining industry, improvement of the quality of oil refining products, preparation of a feasibility study on extension of the Odesa Brody, for which, as at the date of this Listing Prospectus, funds are being raised, oil pipeline and development of alternative energy sources, as well as mitigation of the consequences of the Chernobyl disaster, improvement of regional policy.

In 2014, EIB signed loans to finance the upgrade of gas transmission infrastructure along the Urengoy-Pomary-Uzhgorod pipeline (€150 million).

On 24 September 2010, Ukraine signed the Protocol on Ukraine's Accession to the European Energy Community (the "**Energy Community**"), to promote investments in the Ukrainian energy sector and facilitate access of Ukrainian companies to the EU's energy markets. On 1 February 2011, Ukraine became a full member of the Energy Community, with its membership obligations implemented through amendments of 7 August 2011 to the Law of Ukraine "*On the Basic Principles of the Gas Market*".

On 1 October 2015, the Law of Ukraine "*On Market of Natural Gas*" (the "**Natural Gas Market Law**") entered into force. By adopting this law, Ukraine performed its obligations before the Energy Community, which began to apply to Ukraine after the signing of the treaty establishing the Energy Community and implementation of the provisions and requirements of the third energy package (Directive 2009/73/EC "*On common rules for the internal market in natural gas*" and Regulation (EC) 715/2009 "*On conditions for access to the natural gas transmission networks*").

The Natural Gas Market Law provides for the steps for further reform the gas sector as well as the plan for the implementation of the reforms. The Natural Gas Market Law also includes the restructuring plan for Naftogaz which complies with the requirements of the Energy Community. The Secretariat of the Energy Community has confirmed that the Natural Gas Market Law satisfies the requirements of the EU legislation.

Within the last two years, Naftogaz has been widely cooperating with leading international advisers, financial institutions (such as the World Bank, EIB and EBRD), the European Commission and the Secretariat of the Energy Community towards the reformation of the Ukrainian gas sector.

International advisers assisted with carrying out the analysis on the models of division of the Ukrainian gas transfer system.

In cooperation with the Secretariat of the Energy Community, two models of division of the Ukrainian gas transfer system (OU model and ISO model) were determined for the restructuring of Naftogaz. The relevant provisions have been stipulated in the Natural Gas Market Law and the Decree of the Cabinet of Ministers "*On the Questions of the Reforming of Gas Sector*" dated 25 March 2015.

The Cabinet of Ministers has supported the proposal to approve the Action Plan on Corporate Governance ("**APCG**") of Naftogaz, which was developed with the financial support of EBRD.

According to the restructuring plan for Naftogaz, a new PJSC "*Main gas pipelines of Ukraine*" will be established. The 100 per cent of the shares of this company will belong to the State Property Fund of Ukraine.

In June 2010, Naftogaz became an associated member of the European Union of the Natural Gas Industry ("**Eurogas**"). The Government expects that Naftogaz's associated membership of Eurogas will contribute to ensuring safety of natural gas supplies to the European countries and facilitate Ukraine's participation in discussion and resolution of major issues of European energy policy.

The EU has since March 2014 imposed sanctions targeting parties responsible for pro-separatist activities in Eastern Ukraine, misuse of Ukraine state funds and human rights violations in relation to the crisis in Ukraine. These sanctions consist, among others, of a so-called ‘asset freeze’ targeting parties responsible for pro-separatist activities, the misuse of Ukraine state funds and human rights violations, and parties in Crimea or Sevastopol whose ownership has been transferred ‘contrary to Ukrainian law’. On 23 June 2014 and 30 July 2014, respectively, the EU also imposed an import ban on goods originating in Crimea or Sevastopol and a ban on new investments relating to infrastructure in the sectors of transport, telecommunications and energy, as well as to the exploitation of oil, gas or mineral resources in Crimea or Sevastopol.

On 18 December 2014, the EU adopted the criteria for the application of limitation for export/import of goods and technologies from/to Crimea and City of Sevastopol, as well as expanded the list of the prohibited goods and technologies. Moreover, the prohibition to provide any services in the touristic zone of Crimea and City of Sevastopol was adopted. In addition, the ships sailing under the flags of the EU states were prohibited to enter the following ports: Sevastopol, Kerch, Yalta, Feodosia, Yevpatoria, Chornomorsk, Kamysh-Burun.

On 19 June 2015 the limiting measures were extended until 23 June 2016. EU sanctions, among other, include the prohibition of the import of goods made in Crimea or City of Sevastopol to EU, investing in Crimea or City of Sevastopol, the purchase of the immovable property in Crimea, providing the financing to the Crimean companies, providing of the tourism services in Crimea or City of Sevastopol. The sanctions are also applied in the sector of the exploratory operations, recovery of the natural sources. EU also prohibited to provide technical support, constructing and engineering services, which are related to the mentioned sectors of the economy.

On 31 July 2014, the EU established the limiting measures in connection with the Russian Federation’s action aiming at the destabilisation of the situation in Ukraine. The so-called sectorial sanctions of the EU cover only certain spheres of the economy of Russia, in particular the financial sphere, export military equipment and technologies, export of dual-use goods, export of the equipment and technologies of the Russian Federation in the energy sphere.

In addition, the sanctions in the financial sector were strengthened. On 4 December 2014, the EU reviewed the sanctions against the Russian Federation. In particular, the prohibition to provide the loans to the Russian financial institutions has become less strict. In the gas supply sphere the prohibition of the equipment supply for the discovering and production of gas was also extended to the exclusive economic zone and continental shelf of Russian Federation. At the same time, the limitations on the supply of the equipment for the production of the shale oil have become less strict.

On 22 June 2015 the EU extended the terms of the sectorial sanctions against the Russian Federation due to destabilisation of the situation in Ukraine until 31 January 2016. On 21 December 2015, the EU extended the sanctions period until 31 July 2016. On 10 March 2016, the EU prolonged the term of the limiting measures, established due to the violation of the sovereignty and territorial integrity of Ukraine until 15 September 2016. The general sanctions list covers 146 individuals and 37 entities. See “*Description of Ukraine– Crimean Crisis*”.

NATO

The development of a distinctive relationship with the North Atlantic Treaty Organisation (“NATO”) continues to be an important element of Ukraine’s security policy. Ukraine joined the “Partnership for Peace” programme in 1994 and is also an active member of the Euro Atlantic Partnership Council.

On 9 July 1997, the “Charter on a Distinctive Partnership” (the “**Charter**”) between NATO and Ukraine was signed in Madrid and a further supplement to the Charter was signed on 21 August 2009. The key mechanism of bilateral dialogue development is the NATO-Ukraine Commission created in 1997 pursuant to the Charter.

Since 2009, in cooperation with NATO within the framework of the Ukraine-NATO Partnership Commission (established by a Presidential decree on 18 November 2010) (the “**Ukraine-NATO Partnership Commission**”), Ukraine develops national annual programmes (“NAPs”) for implementing necessary reforms. The NAPs are signed by the President of Ukraine and contain five sections: political, defence and military, resources, security and legal issues.

NATO provided positive appraisals with regard to the performance of the tasks contained in the NAP for 2010, 2011, 2012, 2013 and 2015. In 2014, the NAP was not approved due to the specific circumstances in the internal policy. On 16 December 2015, the project of the NAP for 2016 prepared by the Ministry of Foreign Affairs of Ukraine was approved by the Cabinet of Ministers and was sent to the President for further consideration. Ukraine’s current priorities in the development of its relations with NATO include the maintenance of positive political dialogue and practical cooperation as well as the furtherance of reforms within the framework of the NAP using the expert assistance and funding of NATO. As of January 2016, a total of 40 agreements were signed between NATO and Ukraine governing their cooperation on various practical issues.

On 22 February 2013, the Ukraine-NATO Commission approved the priorities for cooperation in the defence sector for the medium term, and also signed an agreement between Ukraine and NATO confirming Ukraine’s participation in the anti-piracy operation “Ocean Shield”. In 2014, Ukraine participated to this anti-piracy operation, as well as to the NATO anti-terrorism operation “Active Endeavour” in the Mediterranean Sea.

As of the date of this Listing Prospectus, Ukraine intends to intensify cooperation with NATO in order to comply with criteria necessary for membership in NATO and become a member state of NATO.

Ukraine is involved in current NATO operations in Afghanistan and Kosovo and also participates in the active exchange of information within the anti-terrorist operation “Active Efforts” run by the NATO. The parties cooperate in such areas as military and technical cooperation, counter terrorism, rehabilitation and social adaptation of retired military personnel and those injured in the course of the anti-terrorist operation in Eastern Ukraine, fighting cyber-crimes and corruption, utilisation of excessive ammunition supplies and anti-personnel mines, reforms in security and defence sectors, and air traffic. In addition, Ukraine is interested in the cooperation in non-military spheres, including NATO science programmes, environmental protection, and counteracting consequences of emergencies and disasters.

On 23 December 2014, Parliament adopted a law abolishing the so-called ‘non-block status’ of Ukraine and restored the country’s aspirations to become a NATO member.

On 4-5 September 2014, Ukraine, as a NATO-partner country, participated in the NATO summit in Great Britain and in the meeting of the NATO-Ukraine Commission at the level of the heads of states and governments. The NATO-Ukraine Commission made a statement on the situation in Ukraine and the support that NATO will offer to Ukraine, including strengthening cooperation in the framework of the 2014 NAP in the defence and security sector through capability development and sustainable capacity building programmes for Ukraine and launching substantial new programmes with a focus on command, control and communications, logistics and standardisation, cyber defence, military career transition and strategic communications. The NATO has also taken note of Ukraine’s request for military-technical assistance, and certain NATO members will be providing additional support to Ukraine on a bilateral basis.

In September 2014, approximately 1,200 troops from 15 countries, including the NATO members and certain former Soviet-bloc countries that are part of NATO’s Partnership for Peace programme, have military exercises near Lviv in the Western Ukraine.

During 2015, NATO provided Ukraine with a wide range of political, practical and logistical support to fight against Russian aggression and to strengthen the defence.

After the Wales Summit in September 2014 NATO member states have established five trust funds to help Ukraine raise its level of defence. In response for the request of Ukraine NATO agreed to establish new trust fund to fight against the self-made explosive devices and to support anti-mine measures in Ukraine in June 2015.

The trust funds will be used for the modernisation of the communication systems and automation, physical rehabilitation of the injured military personnel, reform of the logistics and standardisation of Ukrainian armed forces, cyber protection and disposal of the radioactive waste.

The current intensive political dialogue demonstrates the strengthening of trust between Ukraine and NATO in 2015, which is regarded as a prerequisite for the further progressive development and deepening of the cooperation between Ukraine and NATO.

CIS and BSEC

Ukraine was, together with Russia and Belarus, one of the founding countries of the CIS, which ratified the CIS Creation Agreement in December 1991. Ukraine has not, however, ratified the CIS Charter and, consequently, does not regard itself as a full member of the CIS (a full member is a country which has ratified the CIS Charter), but rather as an associate member, which cooperates with the CIS in certain spheres of its interest, as described below.

During 2012, 8 international and 36 intergovernmental agreements were signed by Ukraine within the framework of the CIS, including the Action Plan for 2012 to 2014 on the implementation of the CIS Interstate Programme for Innovative Cooperation until 2020. The following documents were signed in 2011: the Agreement on a Free Trade Zone, executed on 18 October 2011 between Ukraine, Russia, Belarus Armenia, Kazakhstan, Kyrgyzstan, Moldova and Tajikistan (the “**Agreement on the Free Trade Zone**”), the CIS Interstate Programme for Innovative Cooperation until 2020 and the Cooperation Atom CIS, a framework for the peaceful use of nuclear energy until 2020. On 30 July 2012, Ukraine ratified the Agreement on the Free Trade Zone and this agreement became effective on 20 September 2012 for Ukraine, Russia and Belarus.

During 2013, 9 international and 58 intergovernmental agreements were signed by Ukraine within the framework of the CIS, including the Agreement on Coordination of Intergovernmental Relations in Use of Atomic Energy for Peaceful Purposes; the Concept of Establishment of Bank for Patents and Innovations; the Amended Regulation on Coordination Council of Officers of Tax (Finance) Investigations of the CIS States and others.

In 2014, various bills were introduced to Ukraine’s Parliament to terminate its participation in the CIS following the Russian Federation’s occupation of Crimea and support of separatists in the Eastern regions of Ukraine over concerns of the CIS’s inability to satisfactorily address threats to the security of its member states. The bill requires to be adopted by Parliament to become effective and, as at the date of this Listing Prospectus, has not yet been adopted, however Ukraine considers all aspects of the possibility of terminating its associate membership in the CIS. On 20 March 2014, Ukraine has filed a note to the CIS Executive Committee to suspend the country’s presidency in the CIS. Ukraine has significantly reduced its political representation in the CIS and since 2014 almost ceased to make any financing of CIS’ bodies. At the same time, Ukraine will continue to cooperate with CIS member states within already existing treaties.

In 2015, Ukraine executed 90 international agreements (including 86 bilateral agreements and four multilateral agreements). The Ministry of Foreign Affairs analysed over 180 draft international agreements and reviewed over 140 draft Ukrainian legislative acts related to execution and performance of the international agreements in 2015.

In 2015, 49 international agreements were ratified through passing the laws of Ukraine, 15 international agreements were approved by the resolutions of the Cabinet of Ministers, four laws of Ukraine on the accession to the multilateral international agreements were adopted and 56 filings with the proposals regarding the fulfillment of the procedures necessary for the entry into force of the

international agreements of Ukraine were submitted to the President and the Cabinet of Ministers for further approval.

Ukraine is one of the 12 member states of the Organisation of Black Sea Economic Cooperation (“**BSEC**”), which also includes the Russian Federation, Georgia and the Republic of Turkey, and has chaired BSEC several times. BSEC was formed with the goal of extending economic cooperation by facilitating contracts between businesses and eliminating barriers to trade among its member states. Organised by BSEC, the Black Sea Trade and Development Bank finances and implements joint regional projects.

Foreign States

United States

Since independence, Ukraine has considered its relationship with the United States a strategic priority and since 2005, relations with the United States have strengthened. With effect from 1 February 2006, the United States granted Ukraine market economy status and, on 23 March 2006, the Jackson Vanik amendment restricting Ukrainian exports was repealed by the United States. The United States remains twelfth largest contributor of FDI to Ukraine. As of the end of 2015 U.S.\$ 698.9 million were invested in Ukraine accounting for 1.6 per cent. of all direct foreign investments made in 2015 in Ukraine.. On 1 May 2013, the United States Trade Representative designated Ukraine as a “Priority Foreign Country” (the least favourable classification given to foreign countries that deny adequate and effective protection of intellectual property rights or fair and equitable market access to U.S. persons relying upon intellectual property rights protection under the U.S. Trade Act of 1974) within the programme on the protection of intellectual property rights, as a result of which Ukraine may be suspended from the “Generalised System of Preferences” (a formal system of exemption from the more general rules of the WTO). However, on 30 April 2014, the U.S. Trade Representative released its annual Special 301 Report which listed Ukraine in a third category, separate from the Priority Watch List, Watch List or Priority Foreign Country. Moreover, in light of the current political situation in Ukraine, the Trade Representative has determined that no action under section 301 is appropriate at this time and the 301 investigation of Ukraine is to be suspended. On 30 April 2015, the Trade Representative published updated Special 301 Report describing Ukraine’s progress in protection of intellectual property rights and moved Ukraine from the position of “Priority Foreign Country” to the list of “Countries of the Priority Observance”. On 1 March 2016, new open hearings on evaluation of progress in protection of intellectual property rights in the context of Special 301 Report took place. As the result of the hearings, new Special 301 Report will be published on 30 April 2016.

In April 2008, Ukraine and the United States signed a “road map” of Ukraine-U.S. relations that outlines the priorities of bilateral cooperation. These priorities include assistance with Ukrainian legal reform and law enforcement, support to reduce corruption, cooperation in the energy sphere, as well as further disarmament and other Ukrainian military reforms. Also in April 2008, Ukraine and the United States signed a Trade and Investment Cooperation Agreement providing for, among other things, establishment of the Ukrainian American Council on Trade and Investments. The Trade and Investment Cooperation Agreement is supplemented by cooperation agreements in other spheres, such as health, science and technology and space exploration. In total, as of April 2016, more than 205 documents regulating a wide range of relations have been concluded between Ukraine and the United States.

In accordance with the Ukraine and United States Charter on Strategic Partnership signed in December 2008, new mechanisms of bilateral cooperation have been launched, with the Ukraine-U.S. Commission on Strategic Partnership, set up in December 2009, coordinating such activities. The Commission has focused on Ukraine’s economic development, particularly in the energy sector, and on foreign policy, particularly on security and the non-proliferation of weapons of mass destruction, as well as on the democratic reforms and the rule of law. Other bilateral initiatives include the Ukraine Energy Dialogue, Ukraine Business Networking and Ukraine Security.

In March 2012, Ukrainian delegation participated in the Seoul Nuclear Summit where Ukraine has undertaken to remove all stocks of the highly enriched uranium (“HEU”) and non-use of HEU in research institutions.

On 26 September 2011, Ukraine and the United States signed a Memorandum of Understanding on Nuclear Security Cooperation providing for the construction of a subcritical nuclear system in the National Scientific Centre of Kharkiv Institute of Physics and Technology. This special nuclear system was installed on 23 March 2016.

During the Hague Nuclear Security Summit held in March 2014 the attention was paid to the armed aggression of Russian Federation against Ukraine, violation of the Budapest Memorandum and of the Treaty on Non-Proliferation of Nuclear Weapons. These issues were reflected in the joint statement of the United States and Ukraine.

On 31 March 2016, President of Ukraine participated in Nuclear Security Summit held in Washington D.C. The attention at the highest political level was attracted to the threats the nuclear materials and facilities in the occupied territories may pose, as well as to the risk of potential violation of the non-nuclear status of Ukraine as a result of placement by Russia of nuclear weapons in Crimea.

The United States also cooperate with Ukraine within the “Program of Detection and Stopping of the Nuclear Smuggling”. In particular, it provides the State border guard service of Ukraine with necessary equipment for the radiation control as well as with other material and technical support to ensure nuclear safety. In addition, the technical assistance provided under this program to the Security Service of Ukraine will be used for the purposes of anti-terrorist operation in the Eastern Ukraine.

The cooperation between Ukraine and the United States in the sphere of nuclear safety has focused on substantial reduction of nuclear stock in Ukraine, conversion of Ukraine’s nuclear research facilities so that they operate with low enriched uranium fuel and support for Ukraine’s efforts to diversify its nuclear fuel supply.

According to the United States International Trade Commission, the total trade turnover between Ukraine and the United States in the first five months of 2013 amounted to U.S.\$1,186.8 million, a decrease of U.S.\$234.8 million, or 17.0 per cent., as compared to the corresponding period in 2012. The United States remain the biggest international technical assistance donor to Ukraine. In 2012, the allocation of the United States government for technical assistance to Ukraine was equal to U.S.\$113.9 million. In the 2013 financial year (1 October 2012 – 30 September 2013) such assistance amounted to approximately U.S.\$104.4 million. In 2015, the total trade turnover decreased by 21.4 per cent, (U.S.\$466.1 million) in comparison with 2014 and as at the date of this Listing Prospectus, is equal to U.S.\$1,707.7 million. The United States remains the biggest international donor of technical help provided to Ukraine.

The United States provided Ukraine with the loan guarantees equal to U.S.\$1 billion in May of 2014 and with the loan guarantees equal to U.S.\$1 billion in May of 2015. Ukraine expects to receive additional loan guarantees equal to U.S.\$1 billion in 2016.

The United States National Defence Authorisation Act For Fiscal Year 2016 allows the United States Ministry of Defence in coordination with the United States Secretary of State to provide military aid to Ukraine (including the lethal weapons of defence nature) in the amount of U.S.\$300 million during 2016.

In April 2014, the United States government has announced its U.S.\$50 million crisis support package for Ukraine. See “*Description of Ukraine—Recent Political Developments*”. In particular the support package included, among others:

- (i) U.S.\$11.4 million assistance to support the integrity of the presidential elections held on 25 May 2014 through the voter education programmes, transparent election administration, oversight of the election process and election security, as well as provision of the observers of

the elections and experts to advise on issues of constitutional checks, local governance and public participation;

- (ii) U.S.\$1 billion loan guarantee, guaranteed by the US AID (United States Agency for International Development) to help Ukraine meet its financial obligations and protect vulnerable citizens from the impact of economic adjustments;
- (iii) support for the Ukraine's work with the IMF to secure the IMF loan programme in the amount of U.S.\$14-18 billion;
- (iv) provision of the United States technical experts to help Ukraine secure reverse flows of natural gas from Poland, Hungary and Slovakia, as well as provision of advice on energy efficiency; and
- (v) provision of advisers to the government on anti-corruption measures and provision of help to trace and return the state funds misappropriated by certain persons in previous years.

In response to the actions and policies of the Government of the Russian Federation, including its purported annexation of Crimea and its use of force in Ukraine, the United States was among the first of Ukraine's partners to announce and impose:

- (a) blocking sanctions and travel restrictions on persons (individuals and entities) determined to be responsible for or to have engaged in, directly or indirectly, actions or policies that undermine democratic processes or institutions in Ukraine or threaten Ukraine's stability, sovereignty, or territorial integrity (including by asserting authority over any part of Ukraine without the approval of the Government of Ukraine), or for misappropriating Ukrainian assets, as well as for providing direct or indirect material support for any of these activities or to any persons blocked under these provisions (Executive Order No. 13660);
- (b) blocking sanctions and travel restrictions on persons determined to be officials of the Russian Government or owned or controlled by or acting on behalf of the Russian Government (including senior officials), or to operate in Russia's arms or related materiel sector, as well as for providing direct or indirect material support to a senior Russian Government official or any person blocked under these provisions (Executive Order No. 13661);
- (c) sectoral sanctions on persons determined to be operating in certain sectors of the Russian economy, including the Russian financial services, energy, and defence and related materiel sectors, as well as persons determined to have provided direct or indirect material support to any person blocked under these provisions (Executive Order No. 13662);
- (d) blocking sanctions and travel restrictions on persons determined to be operating in the Crimea region of Ukraine, or owned or controlled by or acting on behalf of any person blocked under these provisions, as well as for providing direct or indirect material support to any person blocked under these provisions (Executive Order No. 13685);
- (e) prohibitions on new investment in the Crimea region of Ukraine by United States persons, wherever located, and on the direct or indirect exportation or importation to or from the United States or by a United States person of any goods, services, or technology to or from the Crimea region of Ukraine, as well as on any financing or facilitation by a United States person, wherever located, of these prohibited transactions (Executive Order No. 13685).

As of January 2016, OFAC had imposed blocking sanctions under these Executive Orders against 82 entities, 47 of which are Russian, and 111 individuals. In addition, OFAC has imposed sectoral sanctions on 136 entities, 114 of which are Russian. Of these 136 entities, 70 were designated under Directive 1 for operating in the Russian financial services sector; 24 were designated under Directive 2 and/or Directive 4 for operating in the Russian energy sector; and 42 were designated under Directive 3 for operating in the Russian defence and related materiel sector. Furthermore, any entities

owned 50 per cent. or greater, directly or indirectly, by one or more blocked persons or persons designated under a particular Directive are considered similarly designated by operation of US law.

In particular, the sectoral sanctions, which currently target 114 Russian companies, prohibit the following activities by United States persons or within the United States, except to the extent provided by law or unless licensed or otherwise authorized by OFAC:

- (a) all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity or new equity of persons determined to be subject to Directive 1, their property, or their interests in property (including, among others, Gazprombank, Bank of Moscow, Sberbank of Russia, Russian Agricultural Bank, VEB, and VTB Bank, as well as numerous VTB Bank-linked and Sberbank-linked entities);
- (b) all transactions in, provision of financing for, and other dealings in new debt of longer than 90 days maturity of persons determined to be subject to Directive 2, their property, or their interests in property (including, among others, Transneft, Novatek, Rosneft, and Gazprom Neft);
- (c) all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity of persons determined to be subject to Directive 3, their property, or their interests in property (including, among others, Rostec and various Rostec-linked entities); and
- (d) the provision, exportation, or reexportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory, and that involve any person determined to be subject to Directive 4, its property, or its interests in property (including, among others, Rosneft, Gazprom Neft, Lukoil, Gazprom, and Surgutneftegas).

As part of its sanctions policy, the United States will also target those who attempt to evade or avoid sanctions restrictions. To ensure compliance, the United States is committed to informing and educating both the United States and international business communities of the current sanctions and export control restrictions targeting Russia, and has stated that enforcement action will be taken against individuals and companies that seek to evade or avoid these restrictions.

In addition to these sanctions measures, the United States has also imposed export licensing requirements with respect to the Russian oil and gas industry. In particular, on 7 August 2015, the BIS added a Russian oil and gas field, the Yuzhno-Kirinskoye Field located in the Sea of Okhotsk, to the Entity List. Accordingly, exports, reexports, and in-country transfers of all items subject to the EAR to this Russian field by any person must be licensed by BIS, and license requests are subject to a presumption of denial. Numerous other Russian entities have been added to the Entity List, and BIS has also imposed general export licensing requirements targeting certain Russian oil and gas projects. Moreover, the United States has limited Generalized System of Preference benefits and imposed antidumping measures on Russian steel products

The United States has stated that sanctions against Russia will remain in force until Russia fulfils its obligations under the Minsk ceasefire agreements for the purpose of the peaceful resolution of the existing conflict in Ukraine. Further, the sanctions against Crimea will remain in force until the full termination of the occupation of Crimea. The United States recognises that continued coordination with the European Community is critical to the success of the sanctions in pressuring Russia to meet its obligations.

The allocations for the security aid for Ukraine were increased significantly in the United States State Budget for 2016, in particular to U.S.\$250 million on behalf of Pentagon and approximately U.S.\$85 million on behalf of the United States Department of State under the program of the International Military Financing.

In addition, the United States Department of State is planning to allocate approximately U.S.\$658 million in financing under the Ukraine support programs in 2016.

Japan

On 17 July 2014, as a way of Japan showing support for Ukraine's sovereignty and territorial integrity, the two countries entered into an intergovernmental loan agreement (by exchange of notes) to be used towards a development policy and economic reforms. The amount of the loan is approximately U.S.\$100 million and the term is 20 years with a 6-year grace period and an interest rate of 0.95 per cent. On 17 July 2014, the funds were transferred to the general fund of the state budget.

On 4 December 2015, the Government of Japan and Ukraine signed a loan agreement in the amount of up to U.S.\$300 million aimed to support Ukraine in reforming the areas of state governance, social and energy spheres, and improvement of tax and budget legislation.

In June 2015, the Government of Ukraine and Japan International Cooperation Agency signed a loan agreement under the project aimed to modernise the Bortnytsya station for wastewater treatment.

Russia

Following the dissolution of the Soviet Union and the country's independence, Ukraine established positive working relations with Russia. The Friendship and Cooperation Agreement of 1997 confirmed Ukrainian territorial integrity, as well as other areas of Ukrainian and Russian cooperation. In addition, Ukraine agreed to the stationing of Russia's Black Sea Fleet in Sevastopol, in exchange for Russia's agreement to offset Ukraine's energy debts accumulated by Ukraine prior to 1993. Russia has also been an important trading partner of Ukraine since the independence, being Ukraine's primary market for ferrous metals, steel plate and pipes, electric machinery, equipment, as well as products of chemical and, most significantly, agricultural industry.

Relations with Russia strengthened following the election of former President Yanukovich in 2010. In particular, on 21 April 2010, Ukraine and Russia signed a new agreement on the stationing of Russia's Black Sea Fleet in Ukrainian territory and on 17 December 2013, the presidents of Russia and Ukraine announced a package of economic and financial support for Ukraine to be provided by Russia. Agreements were also reached between the Presidents of the two countries at the end of 2013 to develop further relations and joint manufacturing and sales programmes for certain types of products in the high tech industries and simplifying mutual access to the markets of the two countries. These agreements were signed amid the Maidan protests in Ukraine in support of closer ties between Ukraine and the European Union.

The relationship between the two countries was significantly complicated by the removal from power of former President Yanukovich in February 2014 and the establishment of the new interim government in Ukraine, moves which Russia considered to be illegal. This development led to the suspension of a proposed U.S.\$15 billion support package from Russia of which U.S.\$3 billion had already been provided in the form of a bond in December 2013. Relations between Ukraine and Russia have then become severely strained as a result of the Crimean crisis and the conflict in Eastern Ukraine. See *“Risk Factors—Risk Factors Relating to Ukraine—The occupation of Crimea has created significant political and economic uncertainty in Ukraine and put further strains on Ukraine's relationship with the Russian Federation”* and *“Risk Factors—Risk Factors Relating to Ukraine—The ongoing crisis in Eastern Ukraine has had, and may continue to have, negative political and economic consequences for Ukraine”*. In addition the signing of the Association Agreement by Ukraine in June 2014 triggered a further set of economic, gas and trade issues as a result of Russia's belief that this agreement is incompatible with Ukraine continuing to trade with the Customs Union/Eurasian Economic Union. In particular, in the period from July to August 2014, Russia introduced restrictions on imports of Ukrainian confectionery, dairy, meat, canned vegetables and other agricultural products. Ukraine estimates that restrictions introduced by Russia has as of the date of this Listing Prospectus lead to a 44.5 per cent. decline in trade with Russia and further expected sanctions are anticipated to further reduce the levels of trade. See *“Risk Factors—Risk Factors Relating to Ukraine—Large-scale economic sanctions by the EU and US against Russia over its actions in Ukraine and reciprocal sanctions by Russia against the Ukraine, EU and US may have a*

material adverse effect on Ukraine's economy" and "*Political Framework—International Relations—Foreign States—Russia*".

From 2013 to 2015 Russian Federation impeded export of the Ukrainian goods. In most of the cases the Russian Federation did not inform the WTO on the establishment of the bans for the Ukrainian goods, which can be viewed as violation of the WTO regulations.

Current points of contention between the two countries include:

- The Russian occupation of Crimea and Sevastopol and support for separatists in Eastern Ukraine;
- presence of Russian military on the territory of Eastern Ukraine;
- trade / import restrictions and bans;
- travel restrictions;
- gas price increases;
- disputes, including relating to Naftogaz debt;
- cessation of gas supply;
- ongoing litigation/arbitration proceedings launched by both Gazprom and Naftogaz;
- expropriation claims; and
- criminal claims filed by Ukraine against certain Russian individuals.

On 31 March 2014, Russia unilaterally terminated the following agreements between Russia and Ukraine (i) the Agreement on Parameters of Division of the Black Sea Fleet dated 28 May 1997, (ii) the Agreement on Status and Conditions of Russian Black Sea Fleet stationing within the territory of Ukraine dated 28 May 1997, (iii) the Agreement on mutual settlements related to the division of Russian Black Sea Fleet and the Black Sea Fleet Stationing within the territory of Ukraine dated 28 May 1997, and (iv) the Agreement on Matters related to Russian Black Sea Fleet stationing within the territory of Ukraine dated 21 April 2010, which extended the stationing of Russia's Black Sea Fleet in Sevastopol for a further 25 years from the expiration of the original 20 year term in 2017. Ukraine has officially rejected the termination of the above agreements.

The rapid deterioration of political relations since February 2014 has been mirrored in the oil and gas sphere. See "*Economy of Ukraine—Principal Sectors of the Economy—Natural Gas Supply from Russia*". Following the occupation of Crimea by Russia, including the naval port of Sevastopol, Russia unilaterally terminated the lease arrangements that had previously existed between the two countries under which Russia leased the naval base in return for granting significant reductions of existing debts under historic gas agreements and gas price concessions. Consequently, as a result of such termination, Russia cancelled Ukraine's gas price concessions and has since refused to renegotiate gas prices in good faith. In June 2014, Gazprom suspended gas supplies to Ukraine and introduced an advance payment system and also filed a claim for U.S.\$4.5 billion concerning non-payment for gas by Naftogaz. In return, Naftogaz submitted a claim to the Arbitration Institute of the Stockholm Chamber of Commerce for the establishment of a fair price for gas supplied to Ukraine by Gazprom, reimbursement of all overpayments and retroactive revision of the transit contract. According to the public sources, the provisional amount of claims total U.S.\$6 billion. On 30 October 2014, the Minister of Energy of Ukraine, the Minister of Energy of Russia and the EU Commissioner signed a temporary agreement according to which Russia has agreed to supply gas until March 2015 at U.S.\$378 per 1,000 cubic metres in the period from November to December 2014 and U.S.\$336 per 1,000 cubic metres in the first quarter of 2015, subject to monthly prepayment and repayment of outstanding gas debt.

According to the supplement to the agreement, Naftogaz paid to Gazprom U.S.\$3.1 billion in November and December 2014 and, by making this payment Naftogaz believes it fully performed its obligations under the “winter package”.

On 1 April 2015, Ukraine and Russia reached another temporary agreement on gas supply for the second quarter of 2015. According to this temporary agreement, the price of natural gas supplied by Gazprom was U.S.\$255 per 1,000 cubic metres with other terms of the temporary agreement of October 2014 extended until the end of June 2015.

Ukraine did not purchase Russian natural gas in the third quarter of 2015 due to the impossibility of negotiating the price.

The government of the Russian Federation adopted the Resolution “*On the rates of export duty for the supply of gas from the Russian Federation to Ukraine*” No.1018 dated 24 September 2015, which established the calculations of the export duty for the natural gas supplied from 1 October 2015 to 31 December 2015. As a result of the decrease of the export duty, the price for the natural gas decreased as well.

On 25 September 2015, negotiations between Ukraine, the EU and the Russian Federation were held in Brussels. The parties agreed on all basic terms regarding the obligations of the parties on the new “winter package” (from October 2015 to March 2016). Under the new “winter package” the price for gas is to be determined based on the level of gas prices for the European countries neighbouring Ukraine.

On 9 October 2015, Naftogaz and Gazprom signed the supplement to the agreement regarding the terms of the supply of gas from 1 October 2015 to 31 March 2016 and Naftogaz negotiated the cancellation of the “take or pay” clause for this period.

Due to the fact that the price of Russian gas is higher than the price of gas imported from European countries, starting on 27 November 2015, Naftogaz did not purchase natural gas from Gazprom.

On 5 September 2014, in Minsk, Belarus, former Ukrainian president Leonid Kuchma signed a ceasefire agreement with leaders from the self-proclaimed Donetsk and Luhansk “republics”, in the presence of officials from Russia and the OSCE. The twelve-point ceasefire agreement includes, among others, the provisions on the permanent monitoring of the Ukrainian-Russian border by the OSCE with creation of the security zone in border areas of Russia and Ukraine and withdrawal of illegal armed groups, military equipment and militants and mercenaries from Ukraine.

On 12 February 2015, in Minsk, Belarus, former Ukrainian president Leonid Kuchma signed the New Ceasefire Agreement with leaders from the self-proclaimed Donetsk and Luhansk “republics” brokered by leaders of Ukraine, Germany, France and Russia to be overseen by the OSCE. The New Ceasefire Agreement took effect on 15 February 2015, providing, among other things, for holding immediately after withdrawal of forces, a dialogue on holding local elections in parts of Donetsk and Luhansk Oblasts in accordance with the Law on Special Status of the Eastern Regions and the future status of these regions according to the Law on Special Status of the Eastern Regions. However, sporadic fighting has reportedly continued and it is not clear how the situation will develop and whether the new ceasefire will last for a long time. Ukrainian Parliament recognised Russia as an aggressor state.

As at the date of this Listing Prospectus, there have been reports of numerous violations of the Minsk agreements by the separatist militias supported by Russian armed forces, including illegal detention of Ukrainian hostages, blocking access by the OSCE missions to the territories controlled by these groups and blocking the supply of humanitarian aid to the civilians living in the occupied territories. The Russian Federation has not withdrawn the troops, the mercenaries or armed equipment from the territory of Ukraine; these groups continue to attack certain territories in the Donetsk and the Luhansk regions. Since the signing of the Minsk agreements no progress has been made on the creation of a safety zone prescribed by them. The Russian Federation has also been called to release or exchange citizens of Ukraine who have been illegally arrested and detained in Russia.

Customs Union

Ukraine is interested in cooperation with the Customs Union and is seeking forms of possible cooperation which would be advantageous to national interests but would take into account Ukraine's interests and interests of other members of this organisation. This cooperation shall be based on the WTO rules and shall not contradict obligations of Ukraine under the Association Agreement with the EU.

ECONOMY OF UKRAINE

Unless otherwise stated, the statistical information presented in this section has been derived from reports published by, or information obtained from, the Ministry of Finance.

Overview

Prior to commencing the transition to a market economy, Ukraine had a centrally-planned economy geared towards Russia and the other countries of the former Soviet Union. Considerable progress has been achieved by Ukraine in its transition to a market economy in the areas of economic liberalisation, privatisation and financial stabilisation policies but the process remains incomplete and has not been helped by the current crisis.

Ukraine's principal economic sectors include agriculture, industry, mining, oil and gas transit, electricity generation, nuclear power and construction.

The Ukrainian economy grew at an annual average of approximately 7 per cent. in real GDP terms from 2000 to 2008, driven mainly by a rapid increase in foreign demand, rising commodity prices in external markets and the availability of foreign financing. Although these factors contributed to the pace of Ukrainian economic growth during this period, they also increased the economy's vulnerability to external shocks. As a result, when the global economic and financial situation began to deteriorate, Ukraine's economy was one of the most severely affected in the region.

In particular, although various Governments have generally been committed to economic reform, lack of political consensus and controversies surrounding issues such as privatisation, subsidies to State-owned enterprises and cooperation with international financial institutions have impeded reform.

The global drop in demand for metals and their products was a key contributor to the slowdown in 2012, impacting exports significantly as prices fell. As a result, Ukraine's real GDP grew by only 0.2 per cent. for the year ended 31 December 2012. In 2013, real GDP was 100.0 per cent. as compared to 2012. Real GDP fell by 6.6 per cent. in 2014.

In 2010, Ukraine negotiated a price discount on Russian gas imports in exchange for extending Russia's lease on its naval base in Crimea. In December 2013, Ukraine and Russia concluded a financial assistance package initially for U.S.\$15 billion in loans and lower gas prices. However, the end of the Yanukovych Government in February 2014 led to Russia suspending further funding, following the initial purchase of U.S.\$3 billion of Ukraine's bonds in December 2013.

The crisis has exacerbated the negative economic trends experienced by Ukraine in the last two years. The IMF estimates that the real GDP fell by 6.6 per cent. in 2014. In 2015, GDP fell by 9.9 per cent. The occupation of Crimea has had a significant adverse effect on the economy of Ukraine, including: the loss of approximately UAH 1,180 billion due to illegal confiscation of property of more than 4,000 enterprises, including oil and gas production assets and gas storage; the loss of Sevastopol Naval Base and related Russian rental payments and gas price concessions granted in connection with the lease; a deterioration of relations with Russia; a reduction in foreign direct investment in Ukraine by creating an adverse business environment; disruption of the privatisation programme and a loss of control of tax revenues and economic operations within Crimea. See "*Description of Ukraine—Crimean Crisis*".

Similarly, the on-going war in the East has also had a significant adverse effect on the economy of Ukraine including: a significant drain on Ukrainian resources: a negative effect on GDP caused by disruption of business in areas where conflict is on-going; a deterioration of relations with Russia; a reduction of foreign direct investment in Ukraine by creating an adverse business environment; disruption of the privatisation programme; and effect on budget of disruption of taxation collection and other revenues.

As of February 2015, the economic and infrastructure losses from the war in Luhansk Oblast include: destruction or severe damage to 489 residential buildings by late December 2015; destruction of 239

distribution pipelines (including 17 high-pressure pipelines, 88 medium-pressure pipelines, 134 low-pressure pipelines and 95 gas distribution points); in addition, 9,360 consumers (3,919 private residential households and 5,441 apartment buildings) and 6 enterprises were left without gas supply. In Donetsk Oblast, more than 9,215 apartment buildings (12 per cent. of all residential structures) were destroyed or severely damaged by 3 February 2015. The estimated total value of destroyed and damaged property (including communal property and social infrastructure) is UAH 1,250,765,000 as of February 2015. In addition, 1,080 objects of energy infrastructure (overhead transmission lines, substations, transformer substations), damaged control and communication systems, administrative buildings and stole transport vehicles were severely damaged or destroyed. The estimated cost of restoration of the power supply system in the Donetsk Oblast is UAH 476.6 million. 2,772 gas pipelines were severely damaged (including 61 high-pressure pipelines, 174 medium-pressure pipelines, and 2,507 low-pressure pipelines). Approximate loss to gas infrastructure is estimated at over UAH 51 million. 43,300 consumers (15,630 private households, 682 apartment buildings and 40 enterprises) were left without gas supply. Approximately 117,000 consumers are left without power supply and around 515,000 consumers are left without water supply. See “*Description of Ukraine—Crisis in Eastern Ukraine*”. In 2014, the Cabinet of Ministers allocated UAH 18,888 billion from the State Budget reserve fund for temporary mobilisation measures and carrying out of anti-terrorist operation. In 2015, the Cabinet of Ministers allocated to the Ministry of Defence UAH 850 million from the State Budget reserve fund for construction of engineering structures to strengthen the defence of the state.

IMF Loan

On 30 April 2014 Ukraine agreed to the 2014 SBA for the provision of up to U.S.\$17 billion from the IMF between 2014 to 2016. On 6 May 2014 Ukraine received the first tranche of U.S.\$3.2 billion. On 4 September 2014 Ukraine received a second tranche of U.S.\$1.4 billion. U.S.\$3 billion of such funds were allocated to the State Budget. The provision of funds under the 2014 SBA by the IMF was conditional upon Ukraine meeting certain quantitative targets and implementing a number of structural changes.

On 11 March 2015, the Executive Board of the IMF approved a four-year extended arrangement under the Extended Fund Facility (EFF) for Ukraine. The arrangement amounts to the equivalent of SDR 12.348 billion (about U.S.\$17.5 billion, 900 per cent. of quota) and was approved under the IMF’s exceptional access policy. The Executive Board also cancelled the SBA for Ukraine that was approved on 30 April 2014. Ukraine received the first tranche of the loan in the amount of U.S.\$ 5 billion on 13 March 2015. U.S.\$ 2.6 billion of the funds were used to cover Ukraine’s state budget deficit. After the first review of EFF Ukraine received the second tranche of U.S.\$ 1.7 billion on 4 August 2015. These funds were used to support gold and foreign exchange reserves.

Privatisation

Ukraine began to implement privatisation in 1992 with the objectives of increasing the private sector’s share of the economy, generating foreign direct investment (“**FDI**”) and contributing funds to the State Budget. Ukraine has collected UAH 63.8 billion to the State Budget in privatisation receipts as at 1 January 2016.

Initially, the privatisation programme focused on the auction of small-scale enterprises (defined before 2000 as an enterprise which has book value of fixed assets not more than UAH 170 million and after 2000 as an enterprise which has up to 100 employees). During the years of privatisation, more than 131,000 enterprises were privatised (including 29,326 state-owned enterprises and 102,179 enterprises of communal property). A significant non-state sector of economy, which includes more than 11,000 of joint-stock companies, was created during the process of privatisation of property of state enterprises. As of the year ended 31 December 2015, the State owned shares in 548 companies.

The SPF administers the privatisation programme in Ukraine. In consultation with various ministries, the SPF identifies enterprises to be privatised each year. Once the Cabinet of Ministers approves the list of companies to be privatised, the SPF proceeds with the conversion of the enterprises into joint

stock companies and their sale to investors. Foreign and Ukrainian investors have equal rights in the privatisation processes, subject to certain exceptions, such as a prohibition on land sales and restrictions on companies located in off shore zones (such as British Virgin Islands, Liberia and others) from participating in the privatisation of certain large assets.

Certain laws and regulations establish rules for privatisation of particular enterprises in strategic sectors, including power generation, the military and mining. Furthermore, the State has the right to retain an ownership interest in such enterprises, enabling it to block certain management decisions.

The 2012 State Budget Law forecasted privatisation proceeds in the amount of UAH 7.0 billion. In 2012, privatisation receipts amounted to UAH 6.76 billion, more than 96 per cent. of the target set for that year. In 2012, shareholdings in 30 State-owned companies, including State-owned minority shareholdings in 17 gas distribution companies were sold at auction. The 2013 State Budget Law forecasted privatisation proceeds of UAH 10.9 billion. This amount was further amended by the instruction of the Cabinet of Ministers to UAH 1.455 billion and the difference between the initial and final forecasts on privatisation proceeds was substituted by the proceeds obtained from the debt financing. In 2013, the privatisation receipts amounted to UAH 1.485 billion, which represented more than 102.1 per cent. of the final target, but less than 15 per cent. of the initial target revenues for the year 2013 as included in the original 2013 State Budget Law. This was caused mainly by the delay in the transfer of assets subject to privatisation from the authorised governing bodies to the State Property Fund of Ukraine, which had an adverse effect on the sale of assets. The 2014 State Budget provided for UAH 17 billion as total proceeds from privatisation of State assets. Privatisation receipts in 2014 amounted to approximately UAH 466.9 million due to the relatively low number of privatisations primarily because of the suspension of all privatisations in Crimea and Sevastopol and postponement of other planned privatisations until late 2014 due to the current anti-terrorism action in the East. The 2015 State Budget provided for UAH 17 billion as total proceeds from privatisation of State assets. In 2015, privatisation receipts amounted to only approximately UAH 151.5 million, which was due to delays in transfer by management of or suspension of privatisation process in relation to certain objects subject to privatisation and failure to adopt promptly the draft law on exclusion of 374 agricultural objects (enterprises of alcohol industry, bakeries and businesses of Ukrainian state-joint-stock consortium “Ukrfitoterapiya”) from the list of companies not subject to privatisation.

Law of Ukraine “On the State Budget of Ukraine for 2016” establishes a target in the amount of UAH17 billion in proceeds from privatisation of state property to be provided by the SPF to the state budget in 2016. The SPF plans to reach this target with the help of a successful sale of certain investment attractive objects, in particular PJSC “Odesa Port Plant” and objects of fuel and energy complex. In addition, as at the date of this Listing Prospectus, the Law of Ukraine “On the List of State-owned Assets which are not Subject to Privatisation” includes a list of approximately 1,500 State assets.

Resolution of the CMU No.271 “On Carrying Out Transparent and Competitive Privatisation in 2015 and 2016” dated 12 May 2015 (as amended) approved a list of state property objects subject to privatisation in 2015 and 2016.

On 6 March 2016, Law of Ukraine No.1005 “On Amendment of Certain Legislative Acts of Ukraine in Respect of Improvement of the Process of Privatisation” became effective. It provides for cancellation of a provision on mandatory sale on stock exchanges of 5 to 10 per cent. of shares of group of enterprises, which include large property complexes of state enterprises with over 100 employees and having gross income from sales exceeding UAH70 million, and another group of enterprises having strategic value for Ukraine’s economy and security, monopolies and military enterprises until carrying out of an auction, prohibition on participation in privatisation of individuals and legal entities - residents of the states declared by Parliament as aggressors.

This law is aimed at enabling the SPF to carry out a transparent, competitive and effective privatisation process.

On 17 July 2014, the Cabinet of Ministers approved the privatisation of some State-owned shareholdings in companies in 2014. As at the date of this Listing Prospectus, privatisation is still on-going. Recent events in Ukraine have disrupted the Government's privatisation plans and prices expected for State assets are subject to significant revision in the light of the current devaluation and internal disruptions to business and the country in general.

State bodies have examined a number of privatisations that took place in previous years under irregular conditions, which were not fully transparent and a special parliamentary commission controlling privatisation supervises compliance with privatisation laws. If the commission determines that such laws have been breached, it may request that the authorised privatisation bodies, including the SPF, cancel illegal orders or unwind illegal actions. If these sales are found to have taken place in violation of applicable laws, the Government may decide to petition the appropriate courts to cancel the sales of the companies concerned. In these circumstances the proceeds from the object sale would be returned to the buyer. Due to non-performance of terms and conditions of sale-purchase agreements as at 31 December 2015, 352 privatised assets (by cumulative total) had been returned to State ownership, including 86 shareholding stakes, 60 integral property complexes and 206 construction projects. In total, 173 of the assets returned to State ownership have been resold, the proceeds from their resale amounting to UAH 104.16 million. Claims are in progress with regard to the termination (invalidation) of 98 privatisation agreements, and also with regard to the return of assets sold pursuant to such agreements. Such claims relate to 10 shareholding stakes, 16 integral property complexes and 72 construction projects.

Gross Domestic Product

Real GDP growth slowed considerably in 2012 dropping to 0.2 per cent., below 2012 growth assumptions underlying the Ukraine 2012 State Budget. In 2012, Ukraine's nominal GDP amounted to UAH 1,404.7 billion. The global drop in demand for metals and their products was a significant contributor to the slowdown in 2012, impacting exports as prices fell. Other factors influencing the slowdown in GDP growth in 2012 included adverse weather conditions leading to lower harvests, low levels of bank lending, decreases in export demand from both the EU and CIS states and external economic issues, such as the renewed economic downturn in the EU.

This trend continued in the first three quarters of 2013, during which real GDP decreased by 1.3 per cent., 1.2 per cent. and 1.1 per cent., respectively, compared to the corresponding periods in 2012. However, in the fourth quarter of 2013, real GDP increased by 3.4 per cent. as compared to the fourth quarter of 2012. The growth in the fourth quarter of 2013 was largely attributable to a significant increase in agricultural production and increased domestic consumer demand. At the close of 2013, Ukraine's nominal GDP amounted to UAH 1,465.2 billion. In 2014, Ukraine's GDP contracted again, recording a decrease of 1.0 per cent. in real GDP in the first quarter, 4.3 per cent. in the second quarter, 5.3 per cent. in the third quarter and 14.4 per cent. in the fourth quarter. At the close of 2014, Ukraine's nominal GDP amounted to UAH 1,586.9 billion. This contraction is attributable to a sharp retraction in the economy, caused principally by the decline in domestic demand and exports to Russia.

The contraction of Ukraine's GDP continued in 2015. Real GDP decreased by 17.0 per cent. in the first quarter of 2015, 14.7 per cent. in the second quarter of 2015, 7.2 per cent. in the third quarter of 2015 and 1.4 per cent. in the fourth quarter of 2015 compared to the respective periods in 2014. In 2015, GDP fell by 9.9 per cent.

As at the date of this Listing Prospectus it is not possible to calculate the extent of the impact that the occupation of Crimea and war in the East have had on Ukraine's GDP.

The following table sets out the contribution to GDP in 2011, 2012 and 2013 from each of the following regions either occupied or subject to on-going counter terror operations:

Region	2011	2012	2013
Donetsk oblast	12.4	11.7	10.8

Luhansk oblast	4.4	4.0	3.6
Crimea	2.9	3.1	3.0
Sevastopol.....	0.7	0.7	0.7

Source: State Statistics Service

Since the region's occupation it has not been possible for the Government to collect further data. As a matter of policy the contributions from Crimea have been frozen at these levels.

The following tables set out certain information about Ukraine's GDP for the periods indicated:

	Year ended 31 December			
	2012	2013	2014	2015
GDP				
Nominal GDP (UAH millions)	1,404,669.0	1,465,198.0	1,586,915.0	1,979,458.0
Nominal GDP (U.S.\$ millions) ⁽¹⁾	175,780.7	183,310.1	133,503.9	90,615.0
Real GDP (% change).....	0.2	0.0	(6.6)	(9.9)
Nominal per capita GDP (U.S.\$) ⁽¹⁾	4,064.6	4,249.3	3,104.7	2,115.0

Notes:

(1) Hryvnia amounts have been converted to dollar amounts using the average exchange rate specified under the heading "The Monetary System—Exchange Rates".

Source: State Statistics Service

	1 st quarter ⁽¹⁾		2 nd quarter ⁽¹⁾		3 rd quarter ⁽¹⁾		4 th quarter ⁽¹⁾	
	2014	2015	2014	2015	2014	2015	2014	2015
GDP								
Nominal GDP (UAH millions)	316,905.0	375,525.0	382,391.0	455,245.0	440,476.0	563,907.0	447,143.0	584,781.0
Nominal GDP (U.S.\$ millions) ⁽²⁾	35,784.3	17,727.7	32,701.2	21,057.5	35,025.4	25,959.5	31,005.8	25,587.6
Real GDP (% change).....	(1.0)	(17.0)	(4.3)	(14.7)	(5.3)	(7.2)	(14.4)	(1.4)
Nominal per capita GDP (U.S.\$) ⁽¹⁾	832.2	413.2	760.5	491.1	814.5	605.6	721.0	598.4

Notes:

(1) The data does not take into account the occupied territories of Crimea, City of Sevastopol and part of the anti-terrorist operation zone in Eastern Ukraine.

(2) Hryvnia amounts have been converted to dollar amounts using the average exchange rate specified under the heading "The Monetary System—Exchange Rates".

Source: State Statistics Service

Principal Sectors of the Economy

Industry

In 2014, industry accounted for 20.5 per cent. of Ukraine's nominal GDP, as compared to 20.1 per cent. in 2013. Industry accounted for 20.1 per cent. of Ukraine's nominal GDP in 2015.

Ukraine inherited a large heavy industrial sector from the Soviet era, especially in iron and steel, aerospace and transport aircraft and military equipment. However, these sectors have historically been impeded by the lack of structural reform, increased energy costs and market downturns. A significant proportion of Ukraine's industrial sector is located in the disputed east of the country and it has, as result, suffered disproportionately during the crisis both because of the on-going conflict and because its largest market is Russia, itself suffering an economic downturn as a result of the crisis and also directly because of sanctions imposed by Russia on certain Ukrainian imports.

Ukraine's industrial sector is mainly composed of: extraction; food, beverages and tobacco; coke and oil refining; chemicals; metallurgy; machinery manufacture and conditioned air production.

In 2012, industrial production decreased by 0.5 per cent., as compared to 2011 due to weakening trade and reduced access to credit following the downturn in the United States and the EU and decrease in prices for Ukrainian goods on external markets. In 2012, production in the extractive industry increased by 1.9 per cent. and energy, gas, steam and conditioned air production and distribution increased by 2.0 per cent. compared to 2011. Over the same period, processing industry output decreased by 2.0 per cent. and agricultural output decreased by 4.5 per cent.

In 2013, industrial production decreased by 4.3 per cent., as compared to 2012, including an increase in extractive industry of 0.6 per cent., a decrease in the processing industry of 7.1 per cent. and a

decrease of 1.4 per cent. in production and distribution of electricity, gas, steam and conditioned air. The decrease in industrial production was due to the worsening of external economic conditions in the global markets, decline of external demand and low production activity. In 2013, agricultural production increased by 13.3 per cent., as compared to 2012. Overall agricultural production (excluding occupied territories of Crimea and Sevastopol and part of the anti-terrorist operation zone in Eastern Ukraine) increased by 2.2 per cent. in 2014 as compared to 2013. According to preliminary calculations, overall agricultural production (excluding occupied territories of Crimea and Sevastopol and part of the anti-terrorist operation zone in Eastern Ukraine) decreased by 4.8 per cent. in 2015 as compared to 2014.

In 2014, industrial production decreased by 10.1 per cent. as compared to 2013. In 2015, industrial production decreased by 13.0 per cent. as compared to 2014 due to a significant decrease in key industries: a 16.4 per cent. decrease in metallurgy, a 14.6 per cent. decrease in machinery and a 15.9 per cent. decrease in chemical industry in 2015 compared to 2014. The most significant decrease in industrial production of 34.7 per cent. and 66 per cent., respectively, was recorded in Donetsk and Luhansk Oblasts in 2015, as compared to 2014. In 2014, production rates in Donetsk Oblast decreased in all industrial sectors in comparison to 2013. Traditional production chains “coal-coke-metal” and “coal-electricity” were distorted. Production volumes at the functioning enterprises in the Donetsk and Luhansk Oblasts decreased due to shortages of raw material supplies and exports of finished goods, damages to industrial and infrastructure facilities, water supply and power systems, and the suspension of banking operations. The industrial sector has been one of the hardest hit sectors of the economy from the on-going widespread armed military conflict in the East and the occupation of Crimea and the City of Sevastopol. In 2014 and 2015 the share of Donetsk and Luhansk Oblasts in the structure of industrial production was 19 per cent. and 13.1 per cent., respectively.

A significant share of the iron and steel capacities of Ukraine are concentrated in Donbas. Donetsk Oblast provided 31.1 per cent. of the sales volumes of metallurgical products in 2014.

As a result of the war in the Donetsk and Luhansk Oblasts, the following large iron and steel enterprises have been shut as of the date of this Listing Prospectus: Donetsk Metalworks PJSC (2 per cent. of Ukraine’s gross iron and steel production) and Stakhaniv Ferroalloy Plant (20 per cent. of Ukraine’s gross ferroalloy production).

The following metallurgical enterprises are located and operate on the territory under Ukraine’s control: PJSC “Ilyich Iron and Steel Works” (“**Ilyich Plant**”), PJSC “Azovstal Iron and Steel Works” (“**Azovstal**”), LLC “Electrostal”, JSC “Avdeevka Coke Plant”, PJSC “Chasivoyarskyy Refractory Plant”, JSC “Red Army Silica Factory”, JSC “Velikoanadolskiy Refractory Works” and PrJSC “Novotroitskoye Ore Mining”. PJSC “Krasnohorivskyy Refractory Plant” located on the territory controlled by Ukraine is not operating due to the ongoing hostilities and damage to gas and electricity networks.

In Donetsk Oblast, nine out of fifteen blast furnaces operate: three blast furnaces at Azovstal, three blast furnaces at Ilyich Plant, two blast furnaces at Yenakiyev Steel Plant and one blast furnace at Donetsk Iron & Steel Works (Donetsksteel). Five blast furnaces are being repaired: one blast furnace at Azovstal, two blast furnaces at Ilyich Plant, one at Yenakiyev Steel Plant and at Donetsk Iron & Steel Works (Donetsksteel). One blast furnace at Azovstal is in reserve.

In the steel production sector six out of eight converters operate (three at Ilyich Plant, one at Azovstal, two at Yenakiyev Steel Plant). Two converters are in reserve (one at Yenakiyev Steel Plant and one at Azovstal). Electric stove at LLC “Electrostal” is in reserve. Rolling mills operate depending on the orders.

Donetsk Electrometallurgical Plant is in conservation since January 2014 and PJSC “Khartsyzsk Tube Works” has not been operational since June 2015.

Coke production rates in the Donetsk Oblast decreased by 29.7 per cent. as compared to 2013 and totalled 6.5 million tonnes in 2014. In 2015, coke production rates in the Donetsk Oblast decreased by

16.7 per cent. as compared to 2014 and totalled 5.3 million tonnes. As at the date of this Listing Prospectus, Azovstal and four coke-chemical plants produce coke in Donetsk Oblast (Avdiivka Chemical Recovery Plant PJSC, PJSC “Makeevkoks”, PrJSC “Yenakiyevko Koksohimprom”, PJSC “Yasynivskiy Coke Plant”). “NVO “Incor and K”” operates and specialises in processing products of coke production enterprises. Coke-chemical enterprises face significant problems with supply of raw materials and export of finished products by rail. Low coal deposits do not allow to establish a complete production process. There also remains a problem with supply of technical water to coke-chemical enterprises of the region. As a result, coke plants in the area of anti-terrorist operation are functioning at 30 to 40 per cent. of their full capacity.

In 2014, exports of ferrous metals comprised 24.6 million tonnes (a decrease of 7.3 per cent. compared to 2013), in the amount of U.S.\$12.9 billion (a decrease of 9.9 per cent. compared to 2013). Steel product sales in the domestic market decreased by 38 per cent. in 2014 in comparison to 2013 and comprised only 3.5 million tonnes (14.6 per cent. of gross production, in comparison to 19.5 per cent. in 2013).

Key Ukrainian enterprises, producing general machinery, mining equipment, machinery and equipment for metallurgy and chemical industry, handling and transport equipment, locomotives and rail cars are concentrated in Donbas. In 2013, Donetsk and Luhansk Oblasts’ share in the overall sales volume of machinery products in Ukraine was 15.8 per cent. and 6.9 per cent., respectively. In 2014, Donetsk and Luhansk Oblasts’ share in the overall sales volume of machinery products in Ukraine was 11.0 per cent. and 8.6 per cent., respectively. In 2015 Donetsk and Luhansk Oblasts’ share in the overall sales volume of machinery products in Ukraine was 7.3 per cent. and 1.3 per cent., respectively. As at the date of this Listing Prospectus, in the Donetsk Oblast on the territory under Ukraine’s control the following key machine-building enterprises operate: in Kramatorsk (JSC “Novokramatorsk Machine Works”, JSC “Starokramatorsk Machine Works”, JSC “Energomashspetsstal” and PrJSC “Kramatorsk Heavy Machinery Plant”); in Mariupol (PJSC “Azovzahalmash” PJSC “Azovelektrostal”); in Sloviansk (PJSC “Sloviansk Machine Works”, PJSC “Sloviansk High Voltage Insulators Plant” and PJSC “Betonmash”); in Druzhkivka (JSC “Druzhkivka Machine Works” and JSC “Greta”); and in Artemivsk (PJSC “Artemmash “Vistek”).

Due to military operations in Eastern Ukraine, production activities of enterprises in Horlivka, Yasinuvata, Donetsk and Makiivka were suspended. The area suffers from loss of major markets and low demand for engineering products in the domestic market. PJSC “Azovmash” has practically stopped operating since May 2014 due to lack of orders for cargo rail cars, in 2015 it has operated at 10-15 per cent. of its full capacity.

Stakhanov Wagon Works PJSC is out of service because of the damages to the infrastructure and the evacuation of local residents. The Government estimates that the resulting losses comprise approximately U.S.\$1.2 million monthly. Production at the Kirov Forging Plant “Tsentrkuz” PJSC decreased by 51.2 per cent., with the resulting monthly losses of approximately between U.S.\$1 million to U.S.\$1.5 million. In 2014, the number of employees at machine building enterprises decreased by 4,400 employees.

Production of chemicals in Donetsk Oblast decreased by 47.5 per cent. and 47.3 per cent. in 2014 and 2015 respectively. Since May 2014, Stirol Concern PJSC is out of service (production of ammonia, urea, nitric acid, ammonium nitrate was stopped). Ammonia production rates in Ukraine decreased by 30.8 per cent. in 2014. In 2014, production capacities of mineral fertilizers decreased by 36 per cent., and glass production fell by 90 per cent. compared to 2013. The decline in exports of inorganic products from Ukraine has occurred due to the illegal expropriation of Crimean Soda Plant PJSC, which has an 80 per cent. share of the Ukrainian soda market, and more than 2 per cent. of the global market. Due to the temporary occupation of Crimea, soda supply to the mainland Ukraine was stopped. There is a certain threat that glass enterprises may face shutdown, which in turn can lead to the shutdown of food, baby food, medicines and beverage industries in Ukraine.

Velikoanadolskiy Refractory Plant, Red Army Silica Plant, Chasivoyarskiy Refractory Plant and Novotroitske Ore Management are the only refractory and flux mining enterprises that function in the Donetsk Oblast.

As at the date of this Listing Prospectus, 11 coal mining enterprises operate on the territory controlled by Ukrainian authorities out of 22 coal mining enterprises that operated on this territory prior to the beginning of the armed conflict in Eastern Ukraine.

The coal mining industry suffers from reduced demand for its products, low prices, a significant deterioration in customer payments and reduced investor interest.

The conflict in the East has resulted in widespread damage to vital infrastructure as well as industrial objects and road and transport infrastructure. Additionally, protectionist measures by Russia, Ukraine's largest trading partner, have negatively impacted industrial imports while at the same time increasing the costs of certain raw materials. See "*Risk Factors—Risk Factors Relating to Ukraine—Ukraine's economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the stability of the country*".

Mining

In 2013, extractive industry accounted for approximately 5.7 per cent. of Ukraine's nominal GDP, as compared to 5.9 per cent. in 2012. In 2014, extractive industry accounted for approximately 5.0 per cent. of Ukraine's nominal GDP, as compared to 5.7 per cent. in 2013.

Ukraine possesses a large mineral reserve base, with approximately 8,000 deposits of 80 different minerals. It has more than 70 per cent. of the CIS countries' reserves of manganese ores, 60 per cent. of kaolin, approximately 30 per cent. of iron ore deposits, 25 per cent. of cooking salt and 15 per cent. of coal deposits. Ukraine is the world's fifth largest producer of iron ore and has the second largest reserve of manganese after South Africa. It also produces nickel (no production in 2014), titanium and aluminium. Ukraine exported approximately U.S.\$4.6 billion, U.S.\$4.1 billion and U.S.\$2.4 billion of non-metallic minerals and approximately, U.S.\$661.6 million, U.S.\$632.6 million and U.S.\$439.1 million of non-ferrous metals in the years ended 31 December 2013 and 2014, and in the eleven months ended 30 November 2015 respectively.

In 2012, 65.7 million tonnes of coal were produced, an increase of 4.8 per cent. compared to the previous year. In 2013, 64.4 million tonnes of coal were produced, a 1.9 per cent. decrease compared to 2012. In 2014, 45.2 million tonnes of coal were produced, a decrease of 29.8 per cent., as compared to 2013. In 2015, 28.2 million tonnes of coal were produced, a decrease of 36.8 per cent., as compared to 2014. Exports of coal in the years ended 31 December 2013 and 2014 and for the eleven months ended 30 November 2015 were 8.5 million tonnes, 7.0 million tonnes and 0.5 million tonnes, respectively, with values of U.S.\$737.0 million, U.S.\$520.5 million and U.S.\$50.1 million, respectively.

The aggregate volume of coal deposits is estimated at approximately 117.5 billion tonnes. This volume represents 95.4 per cent. of the energy reserves of Ukraine and includes industrial reserves located at active mines of approximately 6.5 billion tonnes. The remaining 2 per cent. and 2.6 per cent. were accounted for by oil and natural gas, respectively.

As at the date of this Listing Prospectus, a significant number of coal-producing enterprises are loss-making. However, due to a lack of funds to cover the costs of the closure of coal producing enterprises, as well as other environmental reasons, redundancy payments and the need for coal supplies for private heating locally, progress on the closure of coal-producing enterprises has been delayed. The Government continues to view coal as an important source of energy for Ukraine. In addition, many coal mines are seen as "social assets", as they are the only or largest source of

employment for certain communities. As at 1 August 2014, there were 95 coal mining companies operating in Ukraine of which 82 were in the process of liquidation and 12 were preparing for liquidation proceedings.

As at the date of this Listing Prospectus, 88 coal mining companies representing approximately 59 per cent. of the total number of coal mining companies in Ukraine are currently located in the Eastern conflict zone and so are beyond the effective control or monitoring of the government while counter terrorism operations continue.

In 2012, State financing of the coal industry was UAH 13,220.4 million (UAH 13,220.16 million out of the State Budget general fund and UAH 0.24 million out of the special fund). In 2013, State financing of the coal industry was UAH 15,352.9 million (UAH 15,351.0 million out of the State Budget general fund and UAH 1.9 million out of the special fund). In 2014, State financing of the coal industry was UAH 9,457.0 million out of the State Budget general fund. In 2015, State financing of the coal industry was UAH 2,040.2 million out of the State Budget general fund.

Priority tasks of the coal sector reform include increasing private investment in the sector and the reconstruction and modernisation of mining enterprises. In addition, as part of legislative changes required as a result of Ukraine's accession to the WTO, a draft law on State support (subsidies) to the coal industry is being developed. This law, if enacted, is expected to contribute to competition between mining enterprises and improve profitability.

In 2012 Parliament passed a law on the specifics of privatisation of coal mining companies (the "**Coal Privatisation Law**"). This regulates the privatisation of coal mining companies and aims at establishing clear and transparent mechanisms for their privatisation, taking into account the social as well as economic impact. In particular, investment obligations must be fulfilled and required social guarantees to workers must be provided.

In 2013 and 2014, the State Property Fund of Ukraine issued several orders declaring 56 structural subdivisions of the 13 State-owned coal mining companies and State-owned shareholdings in two coal mining joint-stock companies, PJSC "Lysychanskvuhillya" and PJSC "Shakhtoupravlinnia 'Donbas'", to be available for privatisation in 2014. In 2015, 22 structural units of five state coal mining enterprises, two state enterprises and state's shareholdings in two coal mining companies PJSC "Lysychanskvuhillya" and PJSC "Shakhta Nadiya" were included in the list of objects subject to privatisation in 2015. The Ministry of Energy and Coal Industry, which is the authorised management body, did not complete preparatory works necessary prior to privatisation in 2013 – 2015. As a result, such enterprises were included into the List of objects subject to privatisation in 2016.

The privatisation of coal mining companies is expected to have several benefits, including reducing the burden on the State Budget due to the reduction in governmental subsidies for the cost of State coal mining companies, updating mine stock through investment, attracting private investment and greater managerial effectiveness and corporate stability in the post privatisation period.

Recent events in Ukraine have disrupted the Government's privatisation plans. Prices expected for State assets, including coal mines, are subject to significant revision in the light of the current devaluation and internal disruptions to business in the country in general.

Agriculture, forestry and fishery

In 2013, agriculture, forestry and fishery accounted for 8.7 per cent. of Ukraine's nominal GDP, as compared to 7.8 per cent. in 2012. In 2014, agriculture, forestry and fishery accounted for 10.2 per cent. of Ukraine's nominal GDP, as compared to 8.8 per cent. in 2013. Agriculture, forestry and fishery accounted for 11.9 per cent. of Ukraine's nominal GDP in 2015.

In 2012, as compared to 2011, overall agricultural production decreased by 4.5 per cent., the production of agricultural enterprises decreasing by 6.6 per cent. primarily as a result of the record crop yields in 2011, and household plot production decreasing by 2.2 per cent. In 2013, as compared

to 2012, overall agricultural production increased by 13.3 per cent., including an increase in the production of agricultural enterprises by 20.8 per cent. and household plot production by 5.5 per cent. In 2014, as compared to 2013, overall agricultural production (excluding occupied territories of Crimea and Sevastopol and part of the anti-terrorist operation zone in Eastern Ukraine) increased by 2.2 per cent., including an increase in the production of agricultural enterprises by 4.0 per cent. and the household plot production remained on the level of 2013. According to preliminary calculations, in 2015, as compared to 2014, overall agricultural production (excluding occupied territories of Crimea and Sevastopol and part of the anti-terrorist operation zone in Eastern Ukraine) decreased by 4.8 per cent., including a decrease in the production of agricultural enterprises by 5.2 per cent. and the household plot production by 4.3 per cent.

Pursuant to amendments to the Tax Code of 24 December 2015, from 1 January 2016 the agricultural producers are able to retain VAT received from the customers only partially. The VAT may be retained in the following proportions depending on the type of the products supplied: (i) 50 per cent. of VAT received for supplied agricultural goods (except grain and industrial crops); (ii) 15 per cent. of VAT received for supplied grain and industrial crops; and (iii) 80 per cent. of VAT received for supplied livestock goods. The remainder of the VAT shall be remitted to the State budget. Moreover, under these amendments the special VAT regime is applicable until 1 January 2017.

In addition, before 1 January 2015, meat and milk producers received subsidies from the State Budget at the expense of VAT paid to the State Budget by processing enterprises. Pursuant to amendments to the Tax Code of 22 December 2011, processing enterprises were required to contribute to the special State Budget a proportion of the VAT levied on meat, milk and their associated products: 30 per cent. in 2012, 40 per cent. in 2013 and 50 per cent. in 2014. The remainder of the tax had to be used to compensate certain livestock and dairy agricultural producers for live weight meat and milk prices. These preferential rules were applicable until 1 January 2015 and were not extended.

Unlike other sectors of the Ukrainian economy, agricultural output has shown a growth of 2.8 per cent. in 2014. This growth included an increase of 3.2 per cent. in crop farming and a decrease of 0.3 per cent. in animal husbandry. These trends have been helped in part by: reductions in export restrictions (on 9 April 2014, Parliament adopted a law which reduced the number of authorisations, including quality certificates required for export of grain); record grain and vegetable oil crops in summer 2014; and a positive trade balance in meat, casein, cereals and oil with Ukraine exporting more than importing in 2014. On 16 June 2014, Russia introduced temporary restrictions on import of potatoes from Ukraine, on 3 February 2014 it banned import of pork from Ukraine and as at 9 July 2014 temporary restrictions introduced by Russia were effective with respect to 11 Ukrainian dairies. Estimated losses from these restrictions and bans amounted to approximately U.S.\$1.0 million, U.S.\$2.0 million and U.S.\$60.0 million, respectively.

In 2014, agricultural production in Donetsk Oblast decreased by 7.0 per cent. (4.2 per cent. share in the gross agricultural production) and in Luhansk Oblast by 20.2 per cent. (2.1 per cent. share in the gross agricultural production). In 2014, losses of agricultural production in Donetsk and Luhansk Oblasts account for 3 per cent. in gross agriculture output (or UAH7.2 billion in constant prices of 2010). In 2015, agricultural production in Donetsk Oblast decreased by 34.7 per cent. and in Luhansk Oblast – by 19.6 per cent., respectively. In 2013, the share of Crimea and Sevastopol in the structure of agricultural production was 2.7 per cent. (UAH6.7 billion in constant prices of 2010). The volumes of crops growing in Crimea and Sevastopol was 0.8 million tonnes, in Donetsk Oblast - 2.2 million tonnes and in Luhansk Oblast – 1.3 million tonnes.

Fuel and Energy

Imports/Production/Consumption

Ukraine imports a significant portion of its primary energy needs, mainly in the form of natural gas and crude oil from Russia and certain other CIS countries. Ukraine and Russia are currently in a dispute over pricing for future gas deliveries (See – *Natural Gas Supply from Russia*).

While Ukraine possesses untapped internal energy sources of natural gas and oil, most of Ukraine's external liabilities are generated through imports of oil and gas. In 2011, natural gas accounted for 17.0 per cent. of total imports, with imports of oil and coal accounting for 8.5 per cent. In 2013, 28.0 billion cubic metres of natural gas were imported, compared to 32.9 billion cubic metres in 2012. In 2014, 19.5 billion cubic metres of natural gas were imported, compared to 28.0 billion cubic metres in 2013. In the eleven months ended 30 November 2015, 16.5 billion cubic metres of natural gas were imported.

Production of own natural gas in Ukraine supplies approximately half of total demand. Therefore, there is a significant need to import natural gas to meet local consumption demands.

The Law of Ukraine "On the Natural Gas Market in Ukraine" was adopted in 2015 and fully complies with the Third Energy Package of the EU. The majority of the provisions of this law became effective on 1 October 2015.

The single gas market, formed by the EU Energy Union, envisages free access of any country to at least three independent resources of natural gas.

Until 2014, Ukraine could import natural gas from two directions: Polish (up to 1.5 billion cubic metres per year) and Hungarian (up to 5.5 billion cubic metres per year). These directions are from one side limited by comparatively low bandwidth capacity of pipelines, which could be interrupted at any moment and from the other side – did not provide Ukraine with access to liquid market of Western Europe, because they were fully controlled by Gazprom in the European direction.

In 2014, through cooperation between operators of gas transit systems of Slovakia and Ukraine, and also the active support of the European Commission, a new gas transit route from Slovakia to Ukraine was opened. Current capacity of the route is approximately 15 billion cubic metres per year. It connects Ukraine with liquid markets of Western Europe and was the main route used by Naftogaz to import gas in 2015.

After comparing capacities of gas routes from Europe with Ukraine's general problem of the need to import natural gas, which is currently 15-18 billion cubic metres per year, it can be said that Ukraine resolved its critical dependency on the supplies of Russian gas.

At the same time, Naftogaz and Ukrtransgaz continue working on increasing capacities of gas supply routes from Europe to Ukraine. In June 2015, Ukrtransgaz and the operator of Hungarian gas transit system FGSZ signed an interconnect agreement. This agreement fully complies with the new European network code. It is the first step towards using the full capacity of the interconnect between Ukraine and Hungary, including the virtual reverse service.

LNG can become a new source of gas for Ukraine. Considering the current position of Turkey, which prohibits passage of LNG-tankers through Bosphorus, the transit routes of such gas for Ukraine can pass through Black Sea area countries.

An alternative opportunity is the supply of gas from the terminals in Poland and Lithuania subject to creating respective gas transit infrastructure. Currently, Naftogaz analyses all possible options.

On 23-24 January 2013 in Davos, Eduard Stavytskyi signed Production Sharing Agreement of hydrocarbons to be developed in Yuzivska area (the "PSA") with Royal Dutch Shell Company ("Shell") and LLC "Nadra Yuzivska". LLC "Nadra Yuzivska" acted from the Ukrainian side of the PSA on development of Yuzivska area. NJSC "Nadra Ukrayny" holds 90 per cent. of shares and LLC "SPK-Geoservice" holds 10 per cent. of shares in LLC "Nadra Yuzivska".

On 10 June 2015, Shell officially informed the Government on exiting the PSA and on 27 October 2015 the Ministry of Energy and Coal Industry informed that Shell left the project.

LLC "Nadra Yuzivska", which is a participant of the PSA, requested the Ministry of Energy and Coal Industry to initiate a tender for bringing a new investor to the project.

Ukraine imports oil from Russia. In 2014 Ukraine imported 0.3 million tonnes of crude oil. Internal demand for oil, in particular petroleum products, is satisfied mostly from import of oil. This is caused by the unsatisfactory condition of the oil refining industry (currently only one out of six oil refining plants is operating) and also high demands.

Ukrainian oil transit system transports Russian URALS oil through the territory of Ukraine and also Ukrainian domestic oil from oil production places to refinery plants. Previously, apart from Russian and Ukrainian oil, Kazakh oil was transported by main oil pipelines of Ukraine through the sea port of Odessa. There are plans to attract Azerbaijan oil for transporting, which is connected with the implementation of the Eurasian oil transportation corridor, in particular completion of oil pipeline “Odessa-Brody” to Poland (“Brody-Adamovo” area).

Ukraine imported 5.6 million tonnes and 1.5 million tonnes of oil in 2011 and 2012, respectively. The decline in 2012 was due to the fact that one of the largest oil refinery plants in Ukraine, PJSC “Lynik”, stopped its operational activity on 4 March 2012. In 2013 and 2014, Ukraine imported 0.76 and 0.22 million tonnes of oil, respectively. Total domestic demand for oil is approximately 10 million tonnes per annum. In 2011, domestic production of oil and gas condensate was 3.4 million tonnes, a decrease of 5.8 per cent., or 0.2 million tonnes, compared to 2010. In 2012, domestic production of oil and gas condensate was 3.3 million tonnes, a 0.5 per cent. increase compared to 2011. In 2013, domestic oil and gas condensate production amounted to 3.1 million tonnes, as compared to 3.3 million tonnes in 2012. In 2014, domestic production of oil and gas condensate was 2.7 million tonnes compared to 3.1 million tonnes in 2013. The decrease in domestic oil and gas condensate production was partly caused by a depletion of reserves at the main oil deposit fields and a reduction in the volumes of exploration drilling. In 2015, domestic production of oil and gas condensate was 2.4 million tonnes.

Natural Gas Supply from Russia

The history of Ukraine’s relations with Russia regarding natural gas supplies has and continues to be problematic.

In 2008, Naftogaz and Gazprom failed to reach an agreement on the terms of natural gas supplies to Ukraine for 2009. On 1 January 2009, Gazprom significantly reduced gas supplies to Ukraine, both for domestic consumption and for transit to European countries. On 7 January 2009, Gazprom suspended natural gas supplies to Ukraine. In order to avoid large scale interruptions, Naftogaz put the gas transportation system into reverse functioning mode, with gas being transported not from east to west, as during normal functioning, but from Western Ukraine (which has substantial gas reserve facilities) to Eastern and Central Ukraine, which consumes more gas. The dispute between Ukraine and Russia over gas supplies was elevated to the European level, and experts from European states were granted access to the Ukrainian gas transportation system for monitoring purposes. On 17 to 19 January 2009, delegations from the Ukrainian and Russian governments, Naftogaz and Gazprom conducted negotiations in Moscow to resolve outstanding issues and agree the terms of natural gas supplies. On 19 January 2009, contracts for natural gas supplies and transit for 2009 to 2019 were signed between Gazprom and Naftogaz.

On 21 April 2010, amendments to the contracts for natural gas supplies from 2009 to 2019 were signed pursuant to which Gazprom has agreed to give Naftogaz certain discounts from the otherwise applicable price for natural gas supplied for Ukrainian consumers. The discount constituted part payment of the cost of the stationing of the Russian Black Sea Fleet in the territory of Ukraine.

In January and in September 2013, Gazprom submitted demands for payment of U.S.\$7 billion in respect of gas not purchased by Naftogaz in 2012 under the “take or pay” gas supply contract signed by the parties in 2009. Naftogaz paid for all gas actually delivered by Gazprom in 2012 and does not accept the validity of the demands by Gazprom in respect of the allegedly uncollected volumes. In accordance with the terms of the gas supply contract, Naftogaz proposed discussions with Gazprom in order to resolve this issue.

Following Russian occupation of Crimea, including occupation of the naval port of Sevastopol, Russia unilaterally terminated lease arrangements, under which Russia leased the naval base in exchange for providing a significant reduction of existing debts under historical gas agreements and concessions for gas prices.

Following termination, Russia cancelled the preferential gas price for Ukraine and has since refused to review gas prices in good faith. In June 2014, Gazprom suspended gas supplies to Ukraine, introduced a system of prepayments and submitted a claim on reimbursement of U.S.\$4.5 billion in connection with failure of Naftogaz to pay the debts. Naftogaz then submitted a claim to the Arbitration Institute of the Stockholm Chamber of Commerce for establishing a fair gas price supplied by Gazprom to Ukraine, reimbursement of all overpayments and recognition of retroactive force of the revised gas transit agreement.

In 2015, Naftogaz continued working on the diversification of natural gas supply sources. As a result, the amount of imported gas from the European market increased almost twofold (from 4.9 to 9.2 billion cubic metres). There are more than 10 suppliers from which Naftogaz purchases natural gas abroad.

Imports from Russia in 2015 decreased 2.4 times, as compared to 2014 (from 14.4 to 6.1 billion cubic metres). As a result of the changes, the portion of Russian supplies in the internal use of gas decreased from 34 per cent. in 2014 to 18 per cent. in 2015.

See “Risk Factors—Risk Factors Relating to Ukraine—Ukraine’s economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent in material increase in financial support and long term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the stability of the country”

Oil and Gas Transit

Ukraine has well developed pipelines (525.05 kilometres without Crimea) to transport gas and oil from the CIS to Western Europe. Ukraine’s gas transit system consists of approximately 38.0 thousand kilometres of gas pipelines (including the Crimea, or 37.5 without Crimea), 73 compressor stations and 13 underground gas storage facilities (with the capacity to store 32.0 billion cubic metres of gas), with a total transit capacity of approximately 178 billion cubic metres of gas per year, including 142 billion cubic metres of gas per year to central and Western Europe. Approximately 21 per cent. of the pipelines have been in operation for more than 33 years and an additional 30 per cent. of the pipelines have been in operation for about 15 to 25 years. Ukraine’s oil transit system consists of 19 oil pipelines with an aggregate length of approximately 4,767.3 kilometres with an aggregate capacity of 114.0 million tonnes per year, 51 pumping stations and 28 tank fields with an aggregate capacity of more than one million tonnes. In June 2001, OJSC Ukrtransnafta (“**Ukrtransnafta**”), a State-owned oil company and 100 per cent. subsidiary of Naftogaz, was established to manage the transport of oil by pipelines through Ukraine. This pipeline infrastructure is a major source of revenue with significant effects on Ukraine’s balance of payments. See “*External Sector—Balance of Payments*”.

During the last two years, Naftogaz actively cooperates with prominent international consultants, financial organisations (World Bank, European Investment Bank and European Bank for Reconstruction and Development), the European Commission and the Energy Community Secretariat on reforming the gas sector of Ukraine.

An analysis of unbundling models for the gas transit system of Ukraine was carried out together with international consultants. Also a development of specific recommendations and measures for implementation of the chosen model is underway.

Two unbundling models for gas transit system of Ukraine, OU and ISO, were shortlisted as the recommended options of reorganisation of Naftogaz based on the active cooperation with the Energy

Community Secretariat. Respective provisions are set out in the Law of Ukraine “On the Natural Gas Market” and Decree of the Cabinet of Ministers “Gas Sector Reform Issues” No.375-p, dated 25 March 2015 (which includes a step plan in respect of reformation of the gas sector, approved by the World Bank and Energy Community Secretariat).

Unbundling of the gas transit system operator is expected to be completed in June 2016.

In 2012, 84.3 billion cubic metres of gas were transported from one country to another via Ukraine (the value of provided transport services was U.S.\$ 3.03 billion), compared to 104.2 billion cubic metres in 2011. This decrease was partly a consequence of the transportation in 2011 of the natural gas of “RosUkrEnergo AG, RUE”, which was previously stored in the underground gas storages of Ukraine. In 2013, 86.1 billion cubic metres of gas were transported via Ukraine (the value of provided transport services was U.S.\$ 3.05 billion), as compared to 84.3 billion cubic metres in 2013. In 2014, 62.2 billion cubic metres of gas were transported via Ukraine (the value of provided transport services was U.S.\$ 1.96 billion), as compared to 86.1 billion cubic metres in 2013. In 2015, 67.1 billion cubic metres of gas were transported via Ukraine (the value of provided transport services was U.S.\$ 2.06 billion), as compared to 62.2 billion cubic metres in 2014.

Ukraine is not the only, but it is the biggest transporter of Russian gas to the EU. In 2014, the gas transit corridor through Ukraine ensured transportation of 45 per cent. of Russian gas to Europe, as compared to the corridor through Belarus (31 per cent.) and through gas pipeline “Northern Stream” (24 per cent.).

The gas transit corridor through Ukraine is the only route for transportation of Russian gas, which is not controlled by Russia. With an aim of acquiring control over all supplies of natural gas to Europe, Russia initiates projects on development of alternative supply routes (Northern Stream 2, Southern/Turkish Stream, perhaps Bulgarian/Greek Stream etc.) for increasing supplies of Russian gas, and therefore increase dependency of the EU from Russian gas to a critical level.

At the same time, Ukraine even during the gas crisis of past years and the worsening of relations during the last two years, proved its reliability to European partners and consumers. Increased effectiveness of the use of capacities of the Ukrainian gas transit system, including for the needs of the EU, will create new broader conditions, capacities and opportunities for ensuring the safety of supplies of hydrocarbons and their transit through Ukraine to the EU. Implementation of European approaches to tariff setting, implementation of European legislation in Ukraine, further participation of Ukraine in the EU plans in respect of the development of infrastructure for admittance and transit of gas, already lead to positive results of diversification of gas supplies to Ukraine for the past two years and is a guarantee of further success of promoting Ukraine’s priorities in the sphere of European integration, identity and ensuring of collective security of energy supplies.

In 2012, 14.6 million tonnes of oil were transported through Ukraine, a decrease of 3.2 million tonnes compared to 2011. In 2013, 15.6 million tonnes of oil were transported via Ukraine, an increase of 1.0 million tonnes of oil, as compared to 2012. In 2014, 15.0 million tonnes of oil were transported through Ukraine, a decrease of 0.6 million tonnes, as compared to 2013. In 2015, 15.2 million tonnes of oil were transported through Ukraine, a decrease of 0.14 million tonnes, as compared to 2014.

In 2012, 2013 and 2014 Ukraine produced 2.3, 2.2 and 2.0 million tonnes of crude oil respectively. In 2015, Ukraine produced 1.8 million tonnes of crude oil, a decrease of 11.4 per cent. as compared to 2014.

Several gas pipelines bypassing Ukraine, including Nord Stream (together with internal European distribution pipelines), South Stream and Nabucco are presently under development by international consortia.

As a result of the deterioration of its relations with Russia resulting in the cessation of Russian gas imports on 16 June 2014, Ukraine has been considering the possibility of buying back Russian gas from European countries. Ukraine has entered into several framework agreements about the reverse

gas supply from European countries. In particular, framework agreements were executed with RWE Supply & Trading GmbH (Germany), GDF SUEZ (France) and E.ON Global Commodities (Germany). For the first six months of 2014, 311.1 million cubic metres of natural gas were purchased from RWE Supply & Trading GmbH and 257.3 million cubic metres of natural gas from GDF SUEZ. As at the date of this Listing Prospectus, reverse transportation of natural gas is being carried out through the territories of Poland, Hungary and Slovakia. The route through Slovakia is considered as the most efficient for the reverse transportation. It is expected that the volume of such transportation through the territory of Slovakia will be approximately 27 million cubic metres per day. The price of this gas is approximately U.S.\$360.0 per 1,000 cubic metres.

In 2015, Naftogaz continued working on the diversification of natural gas supply sources. As a result, the amount of imported gas from the European market increased almost twofold (from 5.0 to 10.3 billion cubic metres). The amount of suppliers from which Naftogaz purchases natural gas abroad exceeds 10 companies.

The average price for the import of gas by Naftogaz in 2015 is shown in the table below:

Period of gas delivery	Average weighted cost of gas imported from all directions, including transportation to the Ukrainian border, U.S.\$ per 1,000 cubic metres	Average weighted cost of gas imported from Europe, including transportation to the Ukrainian border, U.S.\$ per 1,000 cubic metres	Average weighted price of gas purchase in Europe (at the delivery point), U.S.\$ per 1,000 cubic metres
IV quarter 2015	228	232	224
III quarter 2015	266	266	258
II quarter 2015	268	275	267
I quarter 2015	315	301	293

During 2015, Naftogaz continued working on raising funds from international financial organisations for the purchase of natural gas. In particular, on 13 January 2016, Naftogaz finished contracting gas for supplies to Ukraine within the procurement procedures under the EBRD loan. Generally, in December 2015 and January 2016 Naftogaz carried out 27 procurement procedures, 17 of which were completed. As a result of such procedures, Naftogaz contracted 1.7 billion of cubic metres of gas in aggregate for supplies in the period from December 2015 until March 2016. The winners of the procurement procedures were Noble Clean Fuels Limited, Engie SA, Axpo Trading AG, E.ON Global Commodities SE and Eni trading&shipment S.p.A out of eleven suppliers, which previously passed the shortlisting procedure under the EBRD standards. The winners were chosen based on the lowest price criterion. As a result of the carried out tenders, Naftogaz contracted gas under the price at U.S.\$ 188-211 per 1,000 cubic metres. Naftogaz also contracts gas on the European market on competitive conditions with its own funds.

Electricity Generation and Nuclear Power

In 2014, the total electricity generating capacity of Ukraine was approximately 55.8 million kW. Production in 2013, 2014 and 2015 was recorded at 194.4 billion kWh, 182.8 billion kWh, 163.3 billion, respectively, of which 83.2 billion kWh, 88.4 billion kWh and 87.6 billion kWh, respectively, was provided by nuclear energy.

In 2014, Ukraine produced 83.5 billion kWh of energy by thermal power stations, 88.4 billion kWh by nuclear power stations, 9.3 billion kWh by hydropower stations and 1.6 billion kWh by other energy stations (wind and solar). In 2015, Ukraine produced 67.3 billion kWh of energy by thermal

power stations, 87.6 billion kWh by nuclear power stations, 6.9 billion kWh by hydropower stations and 1.4 billion kWh by other energy stations (wind and solar).

In 2014, 8.5 billion kWh of energy was exported, a decrease of 1.4 billion kWh, or 14.2 per cent., as compared to 2013. Ukraine currently exports electricity to Hungary, Slovakia, Poland, Moldova, Belarus and Russian Federation.

Ukraine currently operates 15 nuclear energy reactors located at four nuclear power stations (“NPSs”): Zaporizhzhya NPS, with six reactors and a production capacity of 1,000 megawatts each; Rivne NPS, with four reactors and a production capacity of 415 megawatts, 420 megawatts and 1,000 megawatts (two reactors), respectively; Khmelnytsky NPS, with two reactors of 1,000 megawatts each; and Pivdennoukrainska NPS, with three reactors with a production capacity of 1,000 megawatts each. These four power stations have a total production capacity of 13,835 megawatts, or 24.8 per cent. of total electricity production capacity in Ukraine. Most of the nuclear reactors in Ukraine commenced operation during the 1980s and 1990s, with one commencing operations in 1995 and two in 2004. The operational life of 13 of the 15 currently active nuclear reactors is anticipated to come to an end between 2011 and 2025. However, the Government is implementing a refurbishment programme for some of these reactors which will, if successful, extend their operational life by 15 years. In 2010, Energoatom obtained a licence for the extension of the operational life of two of the nuclear power reactors at Rivne NPS for a further 20 years. In light of the Fukushima nuclear accident, Ukraine conducted earthquake stress testing on its nuclear plants in 2011. On 14 October 2011, earthquake stress testing was finished at all four NPSs. At the end of December 2011, a report outlining the results was submitted to the European Commission and the European experts presented their analysis on 4 October 2012. This analysis acknowledged Ukrainian efforts to date and outlined additional measures for improving the safety of the NPSs.

At the beginning of 2013, negotiations between the EBRD and Euratom took place in order to issue guarantees with respect to the project entitled “Consolidated Programme on the Enhancement of Safety at the Ukrainian NPSs” (the total amount of the loan from the EBRD and Euratom equals €600 million). On 25 March 2013, a guarantee agreement was signed between Ukraine and the EBRD, and a loan agreement was executed between the EBRD and Energoatom. On 7 August 2013, a further guarantee agreement was signed between Ukraine and Euratom and a loan agreement was executed between Energoatom and Euratom. The aim of the above project is to ensure the level of safety at the Ukrainian NPSs which meets the national and international safety standards and the fulfilment of the obligations of Ukraine to international organisations (EBRD, EU and the International Atomic Energy Agency) and national control agencies related to the implementation of measures on the enhancement of the NPSs safety. On 15 May 2014, the law on the ratification of the guarantee agreement between Ukraine and Euratom was approved by Parliament.

Starting from 2011, two independent suppliers, OJSC TVEL, a Russian company, and Westinghouse Sweden, provide Ukraine’s NPSs with nuclear fuel. Under the contract, Westinghouse supplies nuclear fuel for three nuclear reactors with a production capacity of 1,000 megawatts each. The other nuclear reactors are supplied with nuclear fuel by OJSC TVEL. In addition, State Concern “Nuclear Fuel” and OJSC TVEL have established a joint venture in order to build a plant producing nuclear fuel in Ukraine.

Following the incident at the Chernobyl NPS in 1986, in accordance with the requirements of international treaties and the Memorandum of Understanding (the “MOU”) with the G7 states signed in December 1995, the Government has implemented further safety measures.

In accordance with the terms of the MOU, on 15 December 2000, Ukraine permanently stopped operation of the energy reactors at the Chernobyl NPS. To compensate for the loss of production capacity, Ukraine has constructed and put into operation two new nuclear reactors without raising funds from external sources: N4 at the Rivne NPS and N2 at the Khmelnytsky NPS, with total production capacities of 1,000 megawatts each. In August 2004, the new N2 nuclear reactor at the Khmelnytsky NPS was connected to the electrical grid, followed by the connection of the new N4

nuclear reactor at the Rivne NPS in October 2004. Reactor N2 of the Khmelnytsky NPS and Reactor N4 of the Rivne NPS became operational in 2006-2007.

In February and October 2008, respectively, the Government signed a €150.0 million loan agreement with the EBRD and a €150.0 million loan agreement with the EIB under a joint EBRD EIB Ukraine “*Construction of the 750 kV Rivne NPP—Kyiv Overhead Transmission Line*” Project. Ukrenergo, Ukraine’s energy company is a beneficiary under this project. The Government expects that €150 million for this project will be funded by the EIB, with another €150.0 million to be funded by the EBRD. As at 30 December 2013, €41.5 million in EBRD funds and €25.0 million in EIB funds had been disbursed for this project. The project aims to alleviate capacity limitations at the Rivne NPS and Khmelnytsky NPS and to improve the reliability of energy supply to consumers in Central Ukraine. In accordance with the “*Construction of the 750 kV Zaporizhzhya NPS Kakhovka Overhead Transmission Line*” Project, Ukraine borrowed €175 million from each of the EBRD and the EIB. The EBRD and Ukraine are also implementing a project for energy savings in the railway transport sector, the Ukrhydroenergo Rehabilitation Project, for which Ukraine borrowed €200 million from the EBRD, with an additional €200 million proposed to be funded by the EIB under the Financial Agreement on the Procurement of Funds. On 19 November 2013, the draft Law “*On the Ratification of the Financial Agreement*” was approved by Parliament. See “*Public Debt—External Debt—International Financial Institutions—EIB*”.

Ukraine’s 2011 electricity grid development programme included provisions for the creation that year of a system for the transfer of electricity from regions with excess capacity (which are generally situated in Western Ukraine) to regions experiencing electricity deficits (which are generally situated in Central and Eastern Ukraine) and was successfully implemented, thereby increasing the reliability of electricity supplies. In 2010, UAH 2.5 billion was disbursed under the development programme, accounting for 45.5 per cent. of the budgeted amount (UAH 5.5 billion). In 2011, UAH 3.5 billion was disbursed under the development programme, accounting for 66.0 per cent. of the budgeted amount (UAH 5.3 billion). As at the date of this Listing Prospectus, NPC “Ukrenergo” is implementing the programme for the transfer of electricity with financing from the International Bank for Reconstruction and Development (the “**IBRD**”). A U.S.\$200.0 million credit facility agreement between NPC “Ukrenergo” and the IBRD was signed on 9 November 2007 (in effect from 5 December 2008) and as at 30 December 2013, U.S.\$111.5 million had been disbursed.

Electricity and Natural Gas Tariffs

Electricity Tariffs

In order to prevent cross subsidisation and minimise price distortions between electricity market consumers, the Government adopted a resolution at the end of 2005 to bring tariffs for energy carriers to economically reasonable levels for all categories of consumers. In 2012, the wholesale market price for electricity was UAH 0.676 per kwh. The wholesale market price for electricity was UAH 0.7300 per kwh in 2013, and UAH 0.7672 per kwh in the first half of 2014. The wholesale market price for electricity was UAH 0.8659 in July-August 2014, UAH 0.9004 in September-November 2014 and UAH 0.9410 in December 2014. In January-February 2015 the wholesale market price for electricity was UAH 0.9878, in March – UAH 1.0385, in April-May – UAH 1.0689, in June – UAH 1.1220, July-December – UAH 1.1749. This is not expected to change in 2016.

As at 1 January 2011 and 1 March 2012, the electricity tariffs levied on households represented 24.43 per cent. and 25.65 per cent., respectively, of the actual cost of electricity production, transfer and supply. To bring those tariffs to an economically-reasonable level, resolutions were adopted by the National Commission for the Regulation of the Electric Power Industry (the “**Commission**”) which provide for a 30 per cent. increase from 1 February 2011 for households consuming more than 150 kwh each month (250 kwh for households using electric stoves and/or electric heating devices) and a 15 per cent. increase from 1 April 2011 for all households, irrespective of the level of consumption. Increases of 50 per cent. and 75 per cent. for households consuming more than 800 kwh each month (with an exception for households using electric stoves and/or electric heating

devices) were implemented from 4 May 2012 and 1 July 2012, respectively. Pursuant to resolution No. 749 of the Commission dated 23 May 2014, since 1 June 2014 the tariffs for households have increased from 10 to 40 per cent. and amounted to 30.84, 41.94 and 134.04 kopecks per kWh for consumers; 28.50, 38.76 and 134.04 kopecks per kWh for village areas; 23.70, 32.22 and 134.40 kopecks per kWh for households using electric stoves depending on the level of consumption. The tariffs remained on this level until April 2015.

On 26 February 2015, the Commission adopted Resolution No.220 aimed at eliminating cross subsidies to individuals at the expense of other electricity consumers. This resolution provides for gradual increase of electricity tariffs for population in five stages within two years, as shown in the table below:

Indicators	From 1 April 2015	From 1 September 2015	From 1 March 2016	From 1 September 2016	From 1 March 2017
Tariff	51.2	62.8	77.3	97.28	122.77
Increase, %	45.2	23.0	23.0	26.0	26.0

As at 31 March 2015 and 31 August 2015, the electricity tariffs levied on households represented 20.32 per cent. and 26 per cent., respectively, of the actual cost of electricity production, transfer and supply. In January 2016, the electricity tariffs levied on households represented 30.79 per cent. of the actual cost of electricity production, transfer and supply.

Gas Tariffs

In January 2012, the threshold price was UAH 3,509.0 per 1,000 cubic metres (excluding VAT, transport, distribution and supply tariffs, and special purpose charges) and remained unchanged during the first half of 2013. From July 2013, the threshold price decreased to UAH 3,459.0 per 1,000 cubic metres (excluding VAT, transport, distribution and supply tariffs, and special purpose charges) and remained unchanged until the end of 2013.

From 1 January 2014, the threshold price for State-financed consumers decreased to UAH 2,448.0 per 1,000 cubic metres (excluding VAT, transport, distribution and supply tariffs, and special purpose charges) and for industrial consumers and other commercial entities, the threshold price decreased to UAH 3,113.0 per 1,000 cubic metres (excluding VAT, transport, distribution and supply tariffs, and special purpose charges). However, from 1 April 2014, the threshold prices for State-financed consumers and industrial consumers increased to UAH 4,020.0 per 1,000 cubic metres (excluding VAT, transport, distribution and supply tariffs, and special purpose charges). From 1 May 2014, the threshold prices for State-financed consumers and industrial consumers further increased to UAH 4,724.0 per 1,000 cubic metres (excluding VAT, transport, distribution and supply tariffs, and special purpose charges) and remained unchanged as at 1 September 2014. The prices per 1,000 cubic metres (excluding VAT, transport, distribution and supply tariffs, and special purpose charges) were UAH 4,874.0 in September and October, UAH 5,100.0 in November, UAH 5,900.0 in December-January 2015, UAH 5,700.0 in February, UAH 8,900.0 in March, UAH 7,200.0 in April, UAH 6,800.0 in May and UAH 6,600.0 per 1,000 cubic metres (excluding VAT, transport, distribution and supply tariffs, and special purpose charges) in June-September.

Law of Ukraine No.329-VIII, dated 9 April 2015, “On the Natural Gas Market” entered into force on 1 October 2015 and provides for a transition to market principles of pricing in the natural gas market on the basis of free competition. From 1 October 2015, the Commission lost powers to establish natural gas prices for State-financed consumers, industrial consumers and other businesses. Naftogaz established natural gas prices for State-financed consumers, industrial consumers and other businesses at UAH 6,600.0 per 1,000 cubic metres. Starting from 1 November 2015, Naftogaz established differentiated natural gas prices for State-financed consumers, industrial consumers and other businesses depending on the amount of supplied natural gas and payments conditions. At the same time, Resolution of the Cabinet of Ministers No.758, dated 1 October 2015, establishes natural gas prices for domestic consumers, religious organisations and producers of heat for the period from 1

October 2015 until 31 March 2016. Consumers not covered by this resolution, including industrial consumers, purchase imported natural gas under prices determined by natural gas market participants.

Since 1 August 2010, the threshold price for municipal heating enterprises has stood at UAH 1,309.2 per 1,000 cubic metres (including VAT, transport and distribution tariffs, and special purpose charges) and this threshold price remained unchanged until 1 April 2015. From 1 April 2015, according to the agreed arrangements with the IMF, the Commission established the threshold price for municipal heating enterprises at UAH 2,994.3 per 1,000 cubic metres (including VAT, transport, distribution and supply tariffs, and special purpose charges). According to the Resolution of the Cabinet of Ministers No.758, dated 1 October 2015 for the period from 1 October 2015 until 31 March 2016 a regulated price for municipal heating enterprises, which are directly connected to main gas pipelines, was established at UAH 1,843.28 per 1,000 cubic metres (excluding VAT, transport, distribution and supply tariffs, and special purpose charges), and for the rest – UAH 1,770.74 per 1,000 cubic metres (excluding VAT, transport, distribution and supply tariffs, and special purpose charges). Ukraine uses differentiated threshold retail prices for households depending on the volumes of consumption. In order to comply with the arrangements reached between Ukraine and the IMF, on 13 July 2010, the Commission approved an increase of retail prices for natural gas charged to households by 50 per cent. from 1 August 2010, so that a range of UAH 725.4 to UAH 2,954.1 per 1,000 cubic metres applied, which remained effective until 1 May 2014. According to resolution No. 420 of the Commission dated 3 April 2014, retail prices for natural gas charged to households have increased on average by 56 per cent. since 1 May 2014. Differentiated retail prices for natural gas were charged to households until 1 May 2015.

From 1 April 2015, the average price for natural gas charged to households increased by 285 per cent., retail prices for consumers, who use gas for cooking and/or heating of water, increased by 453 per cent. Retail prices increased by 230 per cent. for consumers, who use up to 200 cubic metres of natural gas for heating in the period from 1 October until 30 April.

These prices were established by resolution No. 420 of the Commission dated 4 May 2014 and were effective since 1 May 2014:

- subject to the natural gas being used for cooking and/or heating water in apartment buildings (UAH 1.182 per one cubic metre if the gas metre is installed and UAH 1.299 per one cubic metre if the gas metre is not installed);
- subject to the annual amount of consumption of gas not exceeding:
 - 2,500 cubic metres (UAH 1.089 per one cubic metre if the gas metre is installed and UAH 1.197 per one cubic metre if the gas metre is not installed);
- subject to the annual amount of consumption of gas not exceeding:
 - 6,000 cubic metres (UAH 1.788 per one cubic metre if the gas metre is installed and UAH 1.965 per one cubic metre if the gas metre is not installed);
- subject to the annual amount of consumption of gas exceeding:
 - 6,000 cubic metres (UAH 3.645 per one cubic metre if the gas metre is installed and UAH 4.011 per one cubic metre if the gas metre is not installed);

As at the date of this Listing Prospectus, “Regulation on Putting Special Obligations on Subjects of the Natural Gas Market for Ensuring General Social Interest in the Process of Functioning of the Natural Gas Market (Relations in the Transmission Period)”, adopted by Resolution of the CMU No.758 dated 1 October 2015 (as amended by Resolution of the CMU No.234 dated 30 March 2016) establishes that maximum retail prices for natural gas charged to households (differentiated depending on the kind and volume of use of natural gas) are effective from 1 October 2015 in the amount, determined by Resolution of the Commission No.583, dated 3 March 2015, “On Establishment of Retail Prices for Natural Gas Used for Needs of Population”, in particular:

- 1) for cooking and/or heating water – UAH 7,188 per one cubic metre;
- 2) for individual heating or complex use (individual heating, cooking and/or heating of water) UAH 7.188 per one cubic metre, except for the consumption of up to 1,200 cubic metres of natural gas (inclusive) during the period from 1 October 2015 to 31 March 2016 (inclusive) – UAH 3.600 per one cubic metre.

The Memorandum of Understanding with the IMF signed in February 2015 under the EFF provides for a transfer to the common consumer principles of market pricing for gas and also gradual liquidation of cross-subsiding (multi-level tariff system) through the establishment of prices and tariffs for all users, including households, at economically reasonable level and simultaneous transfer to specific compensations to socially vulnerable households.

A subsequent regulation of natural gas prices for households and municipal heating enterprises was envisaged to be carried out from 1 April 2016 to fulfil the obligations under the Memorandum of Understanding. On 30 March 2016, the Cabinet of Ministers changed the date to carry out subsequent regulation of natural gas prices for households and municipal heating enterprises from 1 April 2016 to 1 May 2016. These prices will be established by the Cabinet of Ministers.

Construction

In 2013, construction accounted for 2.5 per cent. of Ukraine's nominal GDP, as compared to 2.8 per cent. in 2012. In 2014, construction accounted for 2.3 per cent. of Ukraine's nominal GDP. Construction accounted for 2.3 per cent. of Ukraine's nominal GDP in 2015.

In 2012, construction volumes decreased by 8.3 per cent. compared to 2011, which included a 6.5 per cent. decrease in the construction of residential and non-residential buildings and a 9.8 per cent. decrease in the construction of engineering structures. In 2013, construction decreased by 11.1 per cent., which included a 4.4 per cent. decrease in the construction of residential and non-residential buildings and a 16.7 per cent. decrease in the construction of engineering structures. Several factors contributed to the decrease in construction volumes in 2012 and in 2013, including slow growth of lending for long term projects and limited credit financing, the completion of Euro 2012 Championships construction (which contributed to the high comparison base of the previous year), the high cost of transport services, gas and electricity as well as decreased demand from domestic businesses. Residential seven construction has increased by 10.4 per cent. in 2013, as compared to 2012. In 2014, construction volumes decreased by 20.4 per cent., as compared to 2013 with the construction of buildings decreasing by 20.4 per cent. and the construction of engineering structures decreasing by 20.3 per cent. Over the same period, the construction of residential buildings increased by 3.5 per cent..

In 2015, construction volumes decreased by 12.3 per cent. as compared to 2014 with the construction of buildings decreasing by 8.1 per cent., including residential and non-residential – by 1.1 per cent. and 14.2 per cent. respectively. Construction of engineering structures decreased by 16.3 per cent over the same period.

Transport

The transport infrastructure of Ukraine includes a wide network of roads and railways which requires significant investment. As in many other CIS countries, the transport system is in need of modernisation.

In 2014 and 2015, Ukraine's transport infrastructure suffered significant damage and destruction from military actions in the Eastern Ukraine as well as, illegal interferences and acts of sabotage in those areas.

The 2009 decrease in output in the transport and communication sectors of 12.7 per cent. was followed by an increase of 2.0 per cent. in 2010. In 2011, output in the transport sector increased by

10.6 per cent. compared to 2010 and in 2012, output in this sector decreased by 1.8 per cent. compared to 2011. In 2014, transport companies transported 672.1 million tonnes of cargo and 5.9 billion passengers, respectively a 9.9 per cent. decrease and 5.3 per cent. decrease, respectively, compared to 2013. In 2015, transport companies transported 601.9 million tonnes of cargo and 5.2 billion passengers, respectively a 10.5 per cent. decrease and 12.6 per cent. decrease, respectively, compared to 2014

As a result of the war in Donetsk and Luhansk Oblasts and illegal occupation of Crimea, the transportation of goods decreased by 9.9 per cent., turnover by 10.7 per cent., passenger transportation by 5.3 per cent., passenger turnover by 11.5 per cent. in 2014 compared to 2013. In 2015, the transportation of goods decreased by 10.5 per cent., turnover by 5.8 per cent., passenger transportation by 12.6 per cent. and passenger turnover decreased by 8.8 per cent. as compared to 2014. The passenger turnover rate in 2014 comprised 31.2 per cent. of that in 2013, including a 73.9 per cent. decline in interstate traffic and 56 per cent. reduction in domestic traffic. Within the first 10 months of 2014, railways lost revenues amounting to UAH 3,508.7 million (a decrease of 7.8 per cent. compared to the corresponding period in 2013), including losses of UAH 1,743.2 million (a decrease of 22.0 per cent. compared to the corresponding period in 2013) sustained by the Donetsk railroad.

On 7 May 2014, the Infrastructure Ministry of Ukraine, Ukrzaliznytsya and the European Investment Bank signed a finance agreement and guarantee on providing a loan in the amount of EUR 55 million for Beskyd tunnel construction. The purpose of this loan is to construct a new 1.8km double-track tunnel on the pan-European corridor V in South-West Ukraine.

Flights through the Simferopol district accounted for 20 per cent. of the total number of flights as at the beginning of 2014. The estimated amount of lost income from the air navigation services was UAH1,026 million in March-December 2014 and UAH1,863 million in 2015.

As a result of flight restrictions of Ukrainian airlines in the airspace of the Russian Federation and the respective measures taken by Ukraine in response, the amount of flights in the airspace of Ukraine decreased in 2014 – 2015 by 25 per cent. in comparison to 2013. The estimated amount of lost income from the air navigation services as a result of such restrictions was UAH71 million in 2014 and UAH341 million in 2015.

The estimated amount of lost income from the air navigation services as a result of closure of airspace above the south-east region of Ukraine (above Donetsk and Luhansk regions) was UAH895 million in 2014 and UAH2,503 million in 2015.

As at 30 December 2014, 1,989 infrastructure objects at Donetsk railway with value of UAH892.3 million were damaged, including 476 objects with value of UAH340.4 million on the territory under Ukraine's control. Railways restored 977 objects with value of UAH107.8 million at their own expense.

1,954 km of public roads (including 1,001.7 km in Donetsk Oblast and 837.6 km in Luhansk Oblast) and 36 bridges and overpasses longer than 3,043 metres with the total cost of UAH 609.4 million (including UAH 273.5 million in Donetsk Oblast and UAH 335.9 million in Luhansk Oblast) were damaged. As at 5 January 2016, the total amount of destruction in Donetsk and Luhansk Oblasts was estimated to be approximately UAH 7,179.9 million.

28 air traffic control facilities were damaged or destroyed, including 17 at the Donetsk Airport, 8 at the Luhansk Airport, and 3 at the radar complex in Artemivsk, Donetsk Oblast.

The largest international airport in Ukraine is “Boryspil” airport near Kyiv (“**Boryspil**”). It is planned that Kyiv will be linked to Boryspil airport via the railway line “Aerial Express” (the “**Aerial Express**”). The Aerial Express will be financed by a U.S.\$372.3 million credit facility granted by Export Import Bank of China pursuant to an agreement signed in 2011, the Cabinet of Ministers issuing a sovereign guarantee in favour of the State entity coordinating the project. In 2011 and 2012,

Ukraine raised a further U.S.\$ 690.0 million and U.S.\$ 1,250.0 million to finance key infrastructure projects with a notes issuance, the Ukrainian Cabinet of Ministers guaranteeing the obligations of a Luxembourg special purpose vehicle “Financing of Infrastructural Projects” on behalf of the sovereign.

As at 1 January 2016, approximately €891.6 million had been spent on the repair of Kyiv Chop highway, including €573.3 million in EBRD and EIB loans, as well as €318.3 million from the State Budget. The M06 highway is a component of TransEuropean corridors III and V, which connects Central Ukraine with the EU member countries and its development is a priority for Ukraine.

In November 2010, Ukravtodor and the EBRD executed a €450 million loan agreement, and in May 2011 Ukravtodor and the EIB executed a €450 million financial agreement, in both cases for the improvement of the quality of main roads near Kyiv, which came into force on 16 September 2011 and on 7 February 2012, respectively. The total value of the project is €1,150.0 million and its implementation is expected to lead to an improvement of the busiest motorways into and out of Kyiv. As at 1 January 2016, €393.0 million had been drawn down under the EBRD and EIB agreements, as well as approximately €73.2 million of co-financing by Ukraine (payment of VAT). See “*Public Debt—External Debt—International Financial Institutions*”.

In April 2009, Ukraine and the World Bank signed a U.S.\$400 million facility agreement for the Roads and Safety Improvement Project, which took effect in September 2009. As at 1 January 2016, U.S.\$380.4 million had been drawn down under this agreement from the IBRD funds, in addition U.S.\$76.1 million was provided from the State Budget as co-financing. As part of this project, a “Boryspil – Lubny” segment of the Kyiv Kharkiv Dovzhanski highway was reconstructed, and on 2 September 2015, the Cabinet of Ministers adopted Resolution “On Approval of the Final Report on the Implementation of the Joint Project “Roads and Safety Improvement Project” with the International Bank for Reconstruction and Development” No.894-p.

On 11 October 2012, Ukraine and the World Bank signed a U.S.\$450 million facility agreement for the Second Roads and Safety Improvement Project, the facility agreement took effect on 24 December 2012. As at 1 January 2016, U.S.\$212 million of the IBRD funds had been drawn down and a further U.S.\$42.4 million of the co-financing by Ukraine was used for the project.

On 19 November 2015, Ukraine and the IBRD signed Loan 8549-UA “Road Sector Development Project”. The purpose of the loan is to improve transport and operating condition of roads M03 Kyiv-Kharkiv-Dovzhanskiy Road, M06 Kyiv-Chop, M07 Kyiv-Kovel-Yahodyn. On 11 February 2016, the loan became effective.

On 12 August 2005, the Cabinet of Ministers issued a guarantee to Deutsche Bank AG as lender under a ten-year loan agreement, dated 17 August 2005, for the total amount of U.S.\$100 million. The loan was provided to Ukravtodor as borrower with a purpose of completion of construction of highway Kyiv-Odesa. As at 1 January 2016 this loan is completely repaid.

On 7 July 2006, the Cabinet of Ministers issued a guarantee to Citibank NA London as lender under a ten-year loan agreement for the total amount of €279,886,635 million. The loan was provided to Ukravtodor as lender with a purpose of financing construction, reconstruction and capital repair of public roads.

On 28 January 2009, the Cabinet of Ministers issued a guarantee to Credit Suisse International as lender under a credit facility in the amount of U.S.\$465 million extended to Ukravtodor. On 5 February 2009, the Cabinet of Ministers issued a guarantee to JSC “The State Export Import Bank of Ukraine” (“**Ukreximbank**”), as a lender under an eight-year, UAH 2,100.0 million credit line and to JSC “State Savings Bank of Ukraine” (the “**State Savings Bank of Ukraine**”) under an eight-year, UAH 980.0 million credit line, in each case granted to Ukravtodor.

In July 2011, the Cabinet of Ministers issued a guarantee to OJSC “Sberbank of Russia” as a lender under a U.S.\$376 million five-year loan granted to Ukravtodor to finance construction, reconstruction

and capital repair of roads in general use and acquisitions of road building machinery for subsidiaries of State Joint Stock Company “Highways of Ukraine”, OJSC.

In December 2012 and July 2013, the Cabinet of Ministers issued a guarantee to Ukravtodor, in the context of two bond issues in the amount of UAH 14.0 billion and UAH 5.0 billion, respectively. Proceeds were used to finance various infrastructure projects. Within the term for placement of bonds prescribed by the Cabinet of Ministers, the bonds in the total amount of UAH 7.2 billion and UAH 2.75 billion, respectively, were placed in Ukrainian banks and the rest was cancelled.

In preparation for the Euro 2012 Championships, Ukraine invested in the development and improvement of its road network, especially in areas hosting the event, as well as its airport and railways. From 2008 to 2012, UAH 67.11 billion was spent on transport infrastructure projects, including UAH 15.55 billion on the reconstruction and maintenance of a number of Ukrainian airports, UAH 16.84 billion on the reconstruction and maintenance of Ukrainian railways and UAH 27.32 billion on the construction and maintenance of roads.

On 21 April 2011 and 7 December 2012, the Cabinet of Ministers issued sovereign guarantees for the obligations of State Enterprise “Financing of Infrastructural Projects” as issuer of U.S.\$690 million notes and U.S.\$1,250 million notes, respectively (approximately UAH 5.5 billion and UAH 10.0 billion respectively), made available for the purpose of establishing infrastructure required to host a successful Euro 2012 Championships.

Moratorium on Forced Sale of Property of State-Owned Enterprises

On 29 November 2001, a temporary moratorium was introduced on the forced sale of property of State enterprises and enterprises in which the State holds an interest greater than 25 per cent., pending the resolution of related legal issues. In addition, in April 2012, the Law of Ukraine “On the Peculiarities of Privatisation of Coal Mining Enterprises” was adopted which introduced a moratorium on the bankruptcy of mining enterprises. This moratorium envisages that bankruptcy proceedings could be initiated not earlier than three years after the end of the privatisation.

Furthermore, in June 2005, a Law of Ukraine “On Measures Aimed at Ensuring Stable Operation of Fuel and Energy Sector Enterprises” was enacted providing for various indebtedness repayment procedures (including indebtedness restructurings and write-offs). The law also provides for a register to be established of fuel and energy enterprises that participate in indebtedness repayment procedures and provides that a court may refuse to initiate bankruptcy proceedings and suspend relevant judicial and enforcement proceedings against companies so registered. In January 2011, the moratorium was extended to 1 January 2013, in May 2013, it was further extended to 1 January 2014 and, in July 2014, it was further extended to 1 January 2016.

According to the Decree of the Cabinet of Ministers No.786-p, dated 20 August 2014, Naftogaz prepared a number of suggestions in respect of amending legislative acts aimed at the elimination of obstacles to the enforcement of receivables for consumed natural gas. Certain suggestions were reflected in Law of Ukraine “On Amendment of Certain Laws of Ukraine in Respect of Stabilisation of Financial Position of National Joint Stock Company “Naftogaz of Ukraine” No.423-VIII, dated 14 May 2015. The law was developed and adopted as part of the realisation of Ukraine’s obligations in respect of the enforcement of indebtedness of natural gas consumers before Naftogaz and stabilisation of its financial position, set out in paragraph 23e of the Memorandum on Economic and Financial Policies, dated 18 August 2014.

In particular, by amending Law of Ukraine “On Measures Aimed at Ensuring Stable Operation of Fuel and Energy Sector Enterprises” No.2711-IV, dated 23 June 2005 and Law of Ukraine “On Enforcement Proceeding” No.606-XIV, dated 21 April 1999 the abovementioned moratorium was terminated from 1 September 2015.

Furthermore, the Law of Ukraine “On Amendment of Law of Ukraine “On Establishing Moratorium on Forced Sale of Property” No.627-VIII, dated 16 July 2015 established that the moratorium on the

forced sale of property of state enterprises and companies with state's shareholdings not less than 25 per cent. does not apply to the forced sale of property (except for objects not subject to privatisation and enterprises that have established state indebtedness on reimbursement of differences in tariffs on heat energy and heating services, produced, transported and supplied to households) for repayment of indebtedness before Naftogaz and its subsidiaries, which supplies natural gas on the basis of a license. To fulfil the requirements of this law, the SPF developed a draft resolution of the CMU "On Approval of the Procedure of Mandatory Sale of Property for Repayment of Indebtedness to the National Joint Stock Company Naftogaz of Ukraine and its subsidiaries, which supplied natural gas on the basis of a license". The draft resolution was submitted to consideration of the CMU on 4 March 2016.

The abovementioned amendments to legislation allowed Ukraine to perform its obligations within the framework of cooperation with the IMF in respect of lifting two long-term moratoriums that protected energy and other companies from enforcement procedures and also in respect of establishing a legal provision on disconnection of consumers from the gas supply system in case of failure to pay for gas. Such obligations were set out in paragraph 28 sector D of a Memorandum on economic and financial policies, dated 27 February 2015 and paragraph 26 sector D Memorandum on economic and financial policies, dated 21 July 2015 and will contribute to the elimination of obstacles and intensification of work on enforcement of receivables for consumed natural gas.

Inflation

Consumer Price Index (“CPI”) is used as a broad measure of inflation in Ukraine. CPI statistics are collected and calculated on a monthly basis by the State Statistics Service of Ukraine and are published on its website on the 8th business day of every month.

The following table sets out certain CPI and wholesale price index information, showing the annual percentage rates of change as at the dates indicated:

	As at 31 December				As at 29
	2012	2013	2014 ⁽²⁾	2015 ⁽³⁾	February 2016 ⁽³⁾
	<i>(increase/(decrease) compared to previous year in %)</i>				
Consumer Price Index (CPI)	(0.2)	0.5	24.9	43.3	0.5
Food and non-alcoholic beverages ⁽¹⁾	(2.3)	(0.7)	24.8	41.5	1.5
Wholesale Price Index (WPI)	0.3	1.7	31.8	25.4	0.4

Note:

The State Statistics Service uses international COICOP classification and does not calculate non-foods and paid services indices.

(1) Does not include alcoholic beverages and tobacco.

(2) Does not include the temporarily-occupied territories of Crimea and City of Sevastopol.

(3) Does not include the occupied territories of Crimea, City of Sevastopol and part of the anti-terrorist operation zone in Eastern Ukraine.

Source: State Statistics Service

After a period of high inflation during the financial crisis, Ukraine’s CPI inflation fell during the three-year period between 2011 and 2013, registering CPI inflation of 4.6 per cent. in 2011, deflation of 0.2 per cent. in 2012 and inflation of 0.5 per cent. in 2013. This trend in inflation rates is explained by the implementation of the Joint Plan of the cabinet of Ministers and the NBU on transition to a regime based on price stability (the “**Joint Plan**”). Measures provided for by the Joint Plan are divided into monetary and non-monetary measures. Monetary measures include the stabilisation of the Ukrainian financial system through the establishment of a liquid and efficient domestic financial market. Non-monetary measures include the improvement of price formation legislation through the gradual reduction of prices and tariffs regulated by the State, regulation of the commodity market through an effective intervention policy in case of a misbalance between supply and demand, and the improvement of regulation of import and export of agricultural products based on the EU and WTO requirements.

In 2014, Ukraine’s CPI inflation rate was 24.9 per cent., compared to 0.5 per cent. inflation in 2013. This sharp increase in inflation is largely a result of the crisis in the East, which has consequently led to a devaluation of the hryvnia (Hryvnia has devalued by 97.3 per cent. against the US dollar in 2014). In 2015, Ukraine’s CPI inflation rate was 43.3 per cent. In the first two months of 2016, inflation was 0.5 per cent. compared to 8.6 per cent. in the respective period in 2015. Food production prices have increased by 22.8 per cent. in 2014, driven primarily by increased transport costs as a result of higher fuel prices, as well as an increase of 31.8 per cent. in production costs and increased cost of water and electricity supply. Food production prices increased by 40.1 per cent. in 2015 and 3.3 per cent. in the first two months of 2016.

Price Liberalisation

Ukraine continues to take steps towards liberalising prices, aiming to reduce the misallocation of State resources employed keeping prices at artificially low levels. Starting in 1993, State determined prices for energy, agricultural products and communal services were gradually raised towards the economically reasonable (market) level.

Currently, the goods and services that remain subject to administrative price regulation are gas, electricity, certain telecommunications, postal and transport services and such housing and communal services as central heating, water, sewage and housing maintenance services, certain key socially important food products and medication.

The National Commission for the Regulation of the Electric Power Industry is the state authority responsible for administrative regulation of in the energy sphere, both the commission and local authorities regulate the prices/tariffs in the utilities sphere.

Tariffs for public telecommunications services; tariffs for leasing of telecommunication channels and estimated taxes for services of traffic passage to telecommunication networks of telecommunication operators, which have a dominant market position; tariffs for leasing of cable channelling of telecommunication of operators, as well as universal postal services are regulated by the National Commission for the Regulation of Communications.

Tariffs for transport services provided by subjects of natural monopolies, in particular, cargo and passenger rail transportations, specialised services of ports and airports, management of air traffic, are established by the Ministry of Infrastructure with approval of the CMU, the Ministry of Economic Development and Trade and the Ministry of Finance.

Council of Ministers of the Autonomous Republic of Crimea and regional (city) state administrations regulate prices for certain food products.

In recent years, tariffs for housing and communal services for population have steadily increased. According to the data of the State Statistics Service, in 2014 the consumer price index for house, water, electricity, gas and fuel increased by 116.2 per cent. compared to 2013, and by 215.8 per cent. in 2015 compared to 2014. These increases are due to implementation of a policy in 2015-2017 on gradual elimination of cross-subsidising of individuals at expense of other consumers and establishment of prices/tariffs for all categories of consumers at market levels with a simultaneous introduction of mechanisms for compensation for socially vulnerable categories of population.

State Aid and Industrial Development

To stimulate industrial growth, Parliament and the Government of Ukraine have enacted a number of legislative initiatives aimed at developing certain industrial sectors, including car production, ship building, ammunition manufacturing, mining and processing of iron ore, aerospace manufacturing, the defence industry and alternative energy sources.

On 24 June 2004, the Law of Ukraine “On State Support of the Agriculture of Ukraine” was adopted, outlining State policy in the budget, credit, pricing, insurance, regulatory and other spheres of Government with the particular aims of stimulating domestic agricultural production and developing the agricultural market. State support envisaged by the law includes State loans to certain types of agricultural producers, as well as insurance, credit and cattle breeding subsidies. Amendments to this law as well as the Law of Ukraine “On Milk and Dairy Products” enacted in November 2006 were intended to bring State support policy in line with WTO and EU requirements, including in relation to export and import operations with products whose prices are subject to State regulation.

State aid is expected to be influenced by WTO agreements that govern the provision of governmental subsidies affecting trade. Application of WTO rules governing subsidies and compensatory measures is expected to result in structural reforms of the mechanisms, forms and volumes of State support of certain Ukrainian industries, including the coal sector, the agricultural sector, agricultural machine manufacture and the aircraft industry. See “—*Principal Sectors of the Economy—Agriculture*”.

Environment

The main environmental problems facing Ukraine include waste accumulation (including toxic waste), water and atmosphere pollution, contamination from the Chernobyl incident, and the closure of mines. While the closure of the last working reactor at Chernobyl in December 2000 helped to address the safety concerns of the international community, concerns regarding radiation and contamination in the surrounding area continue to remain high.

Ukraine has established a legal framework for environmental protection that is generally consistent with standards accepted by EU member states and international treaties. However, a concern is that it does not yet have sufficient resources to fully comply with these standards.

Environmental protection is financed by the State Budget, local budgets, funds of enterprises and organisations, voluntary contributions and other funds. Environmental protection funds have been allocated each year within the State Budget, oblast budgets, the Kyiv and Sevastopol city budgets and local (village, township and city) budgets for the purpose of remedying environmental pollution and damage caused by violations of environmental protection legislation. The Ministry of Ecology and Natural Resources of Ukraine (“**MENR**”) intends to streamline the organisation of these funds and to utilise resources from other sources (including grants and loans from foreign sources). To increase financial resources for the implementation of environmental protection measures, Ukraine is reviewing alternative sources of funding, including introduction of investments and EC funds.

As at 1 January 2015, Ukraine was a party to 22 international conventions, 15 protocols and 43 bilateral agreements on environmental protection. In 2004, Ukraine ratified the Kyoto Protocol to the UN Framework Convention on Climate Change and in December 2012 Ukraine was added to the group of countries participating in the second stage of the Kyoto Protocol from 2013 to 2020. The implementation of the mechanisms of the UN Framework Convention on Climate Change and the Kyoto Protocol, including the implementation of environmental protection projects, is managed the Department of Climate Policy, which is the successor of the State Ecological Investments Agency. Ukraine has financed a number of measures implementing the Kyoto Protocol, as well as initiating several new projects, including the development of a strategy for adapting to climate change.

In April 2015, the Government of Federal Republic of Germany and the CMU, represented by MENR, signed documents in respect of a EUR14 million financing for the project “Support of Natural Reserve Territories of Ukraine”.

On 22 April 2015, MENR and the Ministry of Ecology, Sustainable Development and Energy of French Republic entered into an agreement on cooperation in the sphere of environmental protection and sustainable development.

Since 2004, steps have been taken to tighten environmental protection and enforcement. The Law of Ukraine “On Environmental Audit” sets basic legal and organisational criteria for carrying out environmental audits and aims to increase environmental awareness and efficiency of businesses. Mandatory environmental audits must be performed in the following cases, among others: bankruptcy; privatisation and concession of state and communal property, subject to exceptions provided by law; transfers of title or long term lease into state or communal property; establishment of joint ventures on the basis of state or communal assets; environmental insurance of objects; and termination of effectiveness of production sharing agreements according to law.

As at 31 December 2015, 59 environmental auditors were certified in Ukraine and 27 legal entities were entered in the register of legal entities authorised to carry out environmental audits.

In December 2010, Parliament adopted the Law of Ukraine “On Main Guidelines (Strategy) of the State Ecology Policy until 2020” (the “**National Environmental Policy Strategy**”). For the purposes of the implementation of this strategy, Ukraine and the European Commission have entered into an agreement on support for the implementation of Ukraine’s National Environmental Policy Strategy Programme (the “**Support Programme**”). Under the Support Programme, the EU is to provide €35 million of budget support. The National Plan of Measures for Environmental Protection in Ukraine for 2011 to 2015 (the “**National Plan**”), which provides for specific measures to be taken to stabilise and improve the environmental situation, was approved by the Cabinet of Ministers in May 2011.

MENR developed a draft law “On Amendment of the Law of Ukraine “On Main Guidelines (Strategy) of the State Ecology Policy until 2020”, which is aimed at reviewing main strategic tasks of state ecology policy taking into account Ukraine’s financial capacity.

The basic strategic normative acts in the sphere of environmental protection are the Law of Ukraine “On Main Guidelines (Strategy) of the State Ecology Policy until 2020” and “National Action Plan on Environmental Protection in 2011 – 2015”. These documents set out key environmental protection measures aimed at gradual achievement of objectives set out in the National Environmental Policy Strategy, taking into account suggestions of civic society on stabilising of environmental situation and level of environmental pollution.

In line with its commitments under the Association Agreement, MENR has developed a draft of amendments and supplements to the National Environmental Policy Strategy and a draft of National Action Plan on Environmental Protection in 2016 – 2020. On 21 August 2014 MENR presented the “National Strategy of Bringing Ukrainian legislation in Compliance (Approximation) with European Union Law on Environmental Protection”, which will serve as guidance in performing the environmental obligations under the Association Agreement.

As at the date of this Listing Prospectus, MENR also continues advancing the implementation plans of the EU Directives and Regulations in the sphere of environmental protection (20 EU legislative acts), adopted by the Resolution of the Cabinet of Ministers No.371, dated 15 April 2015.

State control is exercised over management and protection of land, environmental and radiation safety, protection and management of territories and objects of natural reserve funds, management and disposal of waste products (other than radioactive waste products), hazardous chemical substances, pesticides and agrochemicals, the management, protection and use of the ecological network, as well as over compliance with environmental security standards. In addition, the State exercises geological and geodesic monitoring and control. However, the damages payable for the breach of environmental legislation tend to be low, which reduces their deterrent value and is inadequate compared to the sums required to remedy pollution. In 2013, damages paid for breaches of environmental legislation amounted to UAH 56.64 million, including UAH 16.99 million to the State Fund on Environmental Protection. In 2014, damages paid for breaches of environmental legislation amounted to UAH 91.76 million, including UAH 27.53 million to the State Fund on Environmental Protection. As at 1 January 2016, damages paid for breaches of environmental legislation amounted to UAH 57.29 million, including UAH 17.19 million paid to the State Fund on Environmental Protection.

THE LABOUR MARKET

Wages

The average monthly wage of the workforce in the Ukrainian labour market has steadily increased over the last several years. Since 2012, the average monthly nominal wage has increased from UAH 3,026.0 to UAH 3,265.0 in 2013. In 2013, the average monthly real wage (which takes into account the effect of inflation) increased by 8.2 per cent., as compared to 2012. In 2014, the average monthly nominal wage was UAH 3,480.0, representing a 6.0 per cent. increase as compared to 2013. In 2015, the average monthly nominal wage was UAH 4,195.0 or a nominal increase of 20.5 per cent. as compared to 2014. This trend of consistently rising wages is primarily due to an increase in the efficiency of production and the amount of the minimum wage under the tariff rates and salaries provided by the Law of Ukraine on Remuneration of Labour.

The minimum wage in Ukraine is determined by Parliament on the basis of the Government's recommendation. The Government bases its recommendation on a number of factors, including the forecasts of key macroeconomic indices for the relevant period (for example, inflation) as well as the then current average wage and employment level and the provisions of collective contracts negotiated with workers. The State Budget Law for 2012, 2013 and 2014 provides for increases in the minimum hourly and monthly wage regularly throughout the year, increasing the minimum monthly wage from UAH 1,073.0 from 1 January 2012, to UAH 1,147.0 from 1 January 2013 and to UAH 1,218.0 from 1 January 2014. During 2014 the monthly wage remained unchanged. According to the State Budget Law for 2015, on 1 September 2015 the minimum monthly wage was increased from UAH 1,218.0 to UAH 1,378.0 and the minimum hourly wage was increased from UAH 7.29 to UAH 8.29. The State Budget Law for 2016 provides for increases in the minimum monthly wage to UAH 1,450.0 from 1 May 2016 and to UAH 1,550.0 from 1 December 2016 and increase in the minimum hourly wage to UAH 8.69 from 1 May 2016 and to UAH 9.29 from 1 December 2016.

Wage Arrears

As at 31 December 2015, total wage arrears amounted to UAH 1,880.8 million, an increase of UAH 560.8 million, or 42.5 per cent., as compared to total wage arrears as at 31 December 2014. As at 31 December 2015, of total wage arrears, UAH 1,302.7 million (or 69.0 per cent.) were arrears related to operating enterprises, UAH 546.3 million (or 29.0 per cent.) were arrears related to enterprises subject to bankruptcy or readjustment proceedings and UAH 31.8 million (or 2.0 per cent.) were arrears related to non-operating enterprises. Despite the difficult economic situation and ongoing military operations in Eastern Ukraine the adopted measures helped to contain the growth of wage arrears.

As at 31 December 2015, wage arrears of operating enterprises in the public sector were UAH 246.5 million. Of public sector wage arrears, as at 31 December 2015, wage arrears of State-owned operating enterprises were UAH 211.2 million (a decrease of UAH 32.5 million, or 13.3 per cent., as compared to 31 December 2014), wage arrears of municipal enterprises were UAH 35.3 million (a decrease of UAH 7.4 million, or 17.4 per cent., as compared to 31 December 2014). As at 31 December 2015, wage arrears of operating enterprises payable out of the State Budget were UAH 8.0 million (a decrease of UAH 128.3 million, or 94.1 per cent., as compared to 31 December 2014), wage arrears of operating enterprises payable out of the local budgets were UAH 0.9 million (a decrease of UAH 326.6 million, or 99.7 per cent. as compared to 31 December 2014). The failure to pay full salaries and benefits on a regular basis and the failure of salaries and benefits to keep up with inflation have led in the past, and could lead in the future, to labour and social unrest. In addition, companies unable to pay their wage arrears may be subject to sanctions or liquidation.

Employment

The State Statistics Service calculates unemployment monthly on the basis of all persons between the ages of 15 and 70, using the International Labour Organisation's (the "ILO") internationally accepted methodology of household surveys.

The table below shows the annual average employment data for 2012, 2013, 2014 and 2015:

	Annual average data			
	2012	2013	2014	2015⁽²⁾
Economically active population, millions.....	20.9	20.8	19.9	18.1
Employed, millions.....	19.3	19.3	18.1	16.4
Unemployed, millions.....	1.59	1.51	1.84	1.65
Unemployment rate ⁽¹⁾ in per cent. to economically active population	7.6	7.3	9.3	9.1

Notes:

- (1) Information is based on materials of selective survey of population (households) on the economic activity excluding temporarily occupied territory of Crimea and City of Sevastopol
- (2) Information is based on materials of selective survey of population (households) on the economic activity excluding temporarily occupied territory of Crimea and City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine.

Source: State Statistics Service of Ukraine

According to surveys of household economic activity under ILO methodology, average unemployment remains elevated in Ukraine. Unemployment stood at 7.6 per cent. in 2012, 7.3 per cent. in 2013, 9.3 per cent. in 2014 and 9.1 per cent. in 2015.

In 2012 and 2013, the employed population was 19.3 million persons and 20.4 million persons, respectively. In 2014, the employed population decreased to 18.1 million. In 2015, the employed population further decreased to 16.4 million persons. Trends in unemployment mirror those in employment, so in 2012, unemployment fell to 1.59 million persons on an annual average basis, further decreased to 1.51 million persons in 2013 and increased to 1.85 million persons in 2014. In 2015, 1.65 million persons were unemployed. These variations were due to economic strain in Ukraine and the ongoing conflict in Eastern Ukraine.

In 2012, the average unemployment rate under ILO methodology decreased slightly to 7.5 per cent., with 7.4 per cent. in rural areas and 7.6 per cent. in urban areas. In 2013, unemployment rate under ILO methodology was 7.2 per cent., with 7.3 per cent. in rural areas and 7.1 per cent. in urban areas. In 2014, unemployment rate under ILO methodology was 9.3 per cent., with 9.9 per cent. in rural areas and 8.4 per cent. in urban areas. In 2015, unemployment rate under ILO methodology was 9.1 per cent., with 9.4 per cent. in rural areas and 9.0 per cent. in urban areas.

In 2012, the number of persons employed part time was 736,800 (a decrease of 18.9 per cent., as compared to 2011) and the number of persons on involuntary unpaid leave was 137,800 (a decrease of 27.3 per cent., as compared to 2011). In 2013, the number of persons employed part time was 798.9 thousand (an increase of 8.4 per cent., as compared to 2012) and the number of persons on involuntary unpaid leave was 97.1 thousand (a decrease of 6.8 per cent., as compared to 2012). In 2014, the number of persons employed part time was 888.1 thousand (an increase of 11.2 per cent., as compared to 2013) and the number of persons on involuntary unpaid leave was 90.5 thousand (a decrease of 6.8 per cent., as compared to 2013). For the nine months ended 30 September 2015, the number of employees transferred to the part time employment due to economic reasons was 698.0 thousand and the number of persons on involuntary unpaid leave was 58.2 thousand.

Pensions, Unemployment Benefits and Social Benefits

The Ukrainian social insurance system consists of pensions, unemployment benefits and other social benefits, including those related to temporary incapacity, work related injury and subsequent inability to make payments, illness and pregnancy, childbirth and child care benefits and funeral payment assistance.

As part of Ukraine's ongoing transition, the Government is currently working with the World Bank and the IMF in connection with the restructuring of the social insurance system. The restructuring includes the introduction of a new system of collecting and accounting for a single social contribution under a mandatory State social insurance scheme as well as the further development of the Ukrainian

pension system.

Ukraine has established a Uniform State Automated Register of Persons Entitled to Benefits. This Register records information on military and labour service veterans, certain categories of pensioners, persons harmed by the Chernobyl disaster and other categories of individuals entitled to benefits. Social security authorities use the Register to verify information received from entities that render services to entitled persons and to make payments for such services. As at 1 January 2016, this Register contained information on approximately 10.4 million persons.

In 2012, pension expenditure amounted to UAH 233.7 billion and social insurance expenditure amounted to UAH 21.9 billion. In 2013, pension expenditure amounted to UAH 252.7 billion and social insurance expenditure amounted to UAH 29.0 billion. In 2014, pension expenditure amounted to UAH 249.0 billion and social insurance expenditure amounted to UAH 28.4 billion. In 2015, pension expenditure amounted to UAH 262.0 billion and social insurance expenditure amounted to UAH 24.8 billion.

Pensions and Pension Reform

The average monthly pension, for all categories of pensioners, was UAH 1,421.60, UAH 1,481.98 and UAH 1,560.98 as at 1 July 2012, 2013 and 2014, respectively. As of 1 January 2015 the average monthly pension was UAH 1,581.54. The minimum retirement pension was increased in several stages from UAH 800.0 as of 1 December 2011 to UAH 884.0 as at 1 December 2012. The pension payment increases from 2008 to 2012 were attributable to an increase in the subsistence level, which is the basis for calculating the minimum pension. The 2013 Budget Law provides for increases in the level of the minimum pension to UAH 894 from 1 January and UAH 949 from 1 December 2013. As at 31 December 2014, the minimum pension amounted to UAH 949. From September 2015 the minimum pension increased to UAH 1,074 (an increase of 13.0 per cent.).

Pension Fund deficit was UAH 15.3 billion in 2012. In 2013, the Pension Fund deficit amounted to UAH 21.8 billion, as a result of a combination of higher level of benefits and lower returns on Pension Fund investments, due, in turn to slower economic growth in Ukraine in 2013. In 2014 and 2015, the Pension Fund deficit amounted to UAH 14.7 billion and UAH 17.8 billion, respectively. See “*Public Finance and Fiscal Policies—The State Budget Expenditures—Pensions*”.

On 1 January 2004, the Laws of Ukraine “*On Mandatory State Pension Insurance*” and “*On Non State Pension Provision*” came into force providing for the creation of a three-tier system of pension insurance in Ukraine. The first level is a pay as you earn system of mandatory State pension insurance, the second level is a defined contribution system of State pension insurance and the third level is non-State pension provisions.

On 9 September 2011, the Law of Ukraine “*On Measures to Ensure the Legislative Reform of the Pension System*” was signed by the President and took effect on 1 October 2011. This law, among other things, provides that the maximum rate of pensions is equal to 10 times the subsistence level, and extends the length of service required to receive a pension, with incentives for retiring later, gradually levelling the retirement age for men and women.

From 1 October 2011, an increase in the retirement age for women by five years started to be gradually implemented in Ukraine. This gradual implementation will continue until 2021.

During 2014 the pension reform resulted in the decrease of the replacement ratio for special pensions from 80 per cent. of earnings to 70 per cent. of earnings (for prosecutors, MPs, judges and civil servants). Since January 2015 this replacement ratio has decreased from 70 per cent. of earnings to 60 per cent. of earnings, apart from pensions of the military personnel due to the ongoing military operation in Eastern Ukraine. However, from 1 June 2015 pensions, in particular special pensions (apart from pensions of military personnel and employees of the scientific sector), are granted on a general basis.

Since 2014 Ukraine has introduced a tax on pensions awarded before 1 October 2011 and exceeding

UAH 10,000. From 2015 Ukraine introduced a tax on pensions exceeding UAH 3,654.0. In addition, the military fee of 1.5 per cent. is paid from the amount of pension that exceeds certain specified amounts.

From 1 April 2015 (i) the maximum amount of the pensions for judges was set at the level of UAH 9,490 and has been further increased to UAH 10,740 with effect from 1 September 2015; (ii) the pensions for working pensioners exceeding UAH 1,423.5 (or UAH 1,611 with effect from 1 September 2015) have been fixed in the amount of 85 per cent. of such pension but not less than UAH 1,423.5 (or UAH 1,611 with effect from 1 September 2015); and (iii) the payment of pensions for MPs, civil servants and persons equated to them who are still working has been limited.

Within the framework of the pension reform, on 30 April 2015 the Government submitted to Parliament a draft law providing, among other things, for cancellation of certain special pensions and an enhanced system for determination of bonuses and other amounts payable in addition to pensions. This draft law is still under consideration by the Parliamentary committees.

As at 1 January 2016, the total number of pensioners in Ukraine was 12,312,459 persons, including 9,415,743 persons receiving pensions due to age (76.5 per cent. of the total number of pensioners); 1,406,007 persons receiving pensions due to physical disability (11.4 per cent. of the total number of pensioners) and 726,480 persons receiving pensions due to the loss of a breadwinner (5.9 per cent. of the total number of pensioners).

As at 1 January 2016, the average pension in Ukraine was UAH 1,700.22 or 37.8 per cent. of the average wage of UAH 4,498.00.

As at 31 December 2012, the National (formerly State) Commission on the Regulation of Financial Services Markets had information on 89 non-State pension funds. As at 31 December 2012, non-State pension funds held total assets of UAH 1,660.1 million, an increase of 20.0 per cent., as compared to 2011. As at 31 December 2012, private pension funds had approximately 584,800 participants, a decrease of 9,838 participants, or 1.7 per cent., as compared to 2011. As at 31 December 2013, non-State pension funds held total assets of UAH 2,089.8 million, an increase of 25.9 per cent., as compared to 2012 and had approximately 840,600 participants. As at 31 December 2013, private pension funds had approximately 840,600 participants, an increase of 255,800 participants, or 43.7 per cent., as compared to 2012.

As at 31 December 2014, the National Commission on the Regulation of Financial Services Markets had information on 76 non-State pension funds. As at 31 December 2014, non-State pension funds held total assets of UAH 2,469.2 million, an increase of 30.4 per cent. as compared to the 2013 and had approximately 833,700 participants.

Unemployment Benefits

Mandatory unemployment insurance was introduced in Ukraine on 1 January 2001. From 2011, the revenues of the Unemployment Fund are determined in accordance with the Laws of Ukraine “*On Mandatory State Social Unemployment Insurance*” and “*On the Collection and Accounting for a Single Contribution to the Mandatory State Social Insurance*”.

Independent agricultural workers, as well as Ukrainians working abroad, may participate in the unemployment insurance scheme on a voluntary basis. Insured persons as well as young persons who ended or suspended their studies or who are free from regular or alternative (non-military) service, and who need assistance in finding employment for their first job are entitled to benefits and social services, provided that they are registered as unemployed with the State Employment Service. Benefits are currently payable out of the Unemployment Fund. Insured unemployed persons’ benefits depend on their past wages, insurance period and the reasons for dismissal from the last workplace. Uninsured persons and young persons who ended or suspended their studies, or who are free from regular or alternative (non-military) service, have the right to unemployment benefits in the minimum amount.

From 1 January 2012, the minimum unemployment benefit for uninsured unemployed persons and for long term unemployed persons was UAH 544, and for other categories of insured persons was UAH 825. From 1 December 2012, the minimum unemployment benefit for other categories of insured persons was increased to UAH 872.

From 1 January 2013 to 31 December 2015, the minimum unemployment benefit for persons with length of pensionable service of less than six months during the year, following the registration as unemployed, and for young persons who ended or suspended their studies, amounted to UAH 544 per month, and for special categories of insured persons (for which amount is fixed on the basis of length of pensionable service and wage) amounted to UAH 882 per month increasing to UAH 936.64 from 1 December 2013, to UAH 974.40 from 1 September 2014 and to UAH 1,102.40 from 1 September 2015. In 2015, the average unemployment benefit was UAH 1,274.2, as compared to UAH 1,148.8 in 2014.

In accordance with Ukrainian employment insurance laws, any unemployed person who worked for at least six months within the twelve months preceding the registration as unemployed is entitled to benefits, depending on such person's past employment period. In particular, one is entitled to benefits equivalent to 70 per cent. of one's average monthly salary if the employment period was more than ten years, 60 per cent. if it was between six and 10 years, 55 per cent. if it was between two and six years and 50 per cent. if it was less than two years. An unemployed person is entitled to 100 per cent. of such benefits for the first 90 calendar days, 80 per cent. for the subsequent 90 calendar days and 70 per cent. for the following months; however, unemployment benefits are limited to 360 calendar days in a two-year period.

The major categories of social services rendered to the unemployed include professional training (including re-training and advanced training) and assistance in finding employment, including through subsidies to employers for creation of additional jobs in new workplaces, providing citizens with a special voucher for professional training and organisation of public works, as well as information and consulting services related to employment (including the provision of social services to vulnerable persons, internally displaced persons and participants of the ongoing anti-terrorist operation in Eastern Ukraine).

Social Insurance and Benefits

In addition to pensions and unemployment benefits, social insurance consists of public support for persons who are temporarily incapable of working or have suffered work related injury or illness, as well as pregnancy, childbirth and child care benefits. Furthermore, social benefits include subsidies to low income families, cash subsidies for the purchase of fuel and gas, subsidies for the payment of housing and communal services, as well as assistance for health improvement (rehabilitation) and funeral costs.

As at 1 January 2016, there were no social benefit arrears for subsidies to families with children and low income subsidies.

EXTERNAL SECTOR

Balance of Payments

In 2012, according to NBU data, the current account deficit increased to U.S.\$14.3 billion (or 7.9 per cent. of GDP) as compared to U.S.\$10.2 billion (or 6.0 per cent. of GDP) in 2011. In 2012, the goods trade deficit increased to U.S.\$21.8 billion, compared to U.S.\$18.0 billion in 2011. Adverse conditions in the global commodity markets (excluding agricultural products), the corresponding slowdown to 3.3 per cent. in the growth of exports of goods in 2012 as compared to 2011, the high investment needs of Ukrainian economy and the increase in real income of the population have resulted in the continued growth of imports of goods of up to 7.3 per cent. in 2012, as compared to 2011.

In 2012, Ukraine had a financial account surplus of U.S.\$10.1 billion. This surplus was due to high net volumes of FDI (U.S.\$7.2 billion in 2012), U.S.\$6.7 billion of which was directed at the real sector of the economy. In 2012, net borrowings to the real sector amounted to U.S.\$7.7 billion, as compared to U.S.\$6.0 billion in 2011.

In 2013, consolidated balance surplus amounted to U.S.\$2.0 billion, as compared to the consolidated balance deficit of U.S.\$4.2 billion in 2012.

Current account deficit in 2013 increased to U.S.\$16.5 billion, or 8.7 per cent. of GDP, as compared to U.S.\$14.3 billion, or 7.9 per cent. of GDP, in 2012. This increase was due to active reduction of demand for, and increased prices of, Ukrainian export goods due to the low economic activity in countries, which are Ukraine's main trade partners.

Considerable surplus of the financial account in 2013 (U.S.\$18.6 billion) was achieved mainly due to Eurobond placements in the private sector (in the principal amount of U.S.\$5.2 billion) and the reduced demand for cash foreign exchange due to maintained stability in the foreign exchange market.

The volumes of net FDI in 2013 amounted to U.S.\$4.1 billion and the real sector was the main recipient of such investments.

In 2014, current account deficit decreased to U.S.\$4.6 billion, or 3.4 per cent. of GDP, as compared to U.S.\$16.5 billion, or 8.7 per cent. of GDP in 2013. The devaluation of the hryvnia and prolonged decline in economic activity led to a decrease in imports rather than exports, which were also affected by trade restrictions with Russia and crisis in Eastern Ukraine.

Deficit of the financial account in 2014 amounted to U.S.\$9.1 billion. This was due to political instability and high devaluation expectations in 2014. Stabilisation was achieved due to significant external funding from the World Bank in the amount of U.S.\$1.3 billion and the EU in the amount of EUR 1.8 billion. In 2014, the financial and corporate sectors reduced their foreign debt by U.S.\$13.6 billion. In 2014, the net inflow of FDI amounted to U.S.\$0.3 billion.

In 2015, the current account deficit declined to U.S.\$0.2 billion due to a higher decrease of import of goods, rather than exports. A significant decrease in world prices for exported goods and the further deterioration in trade relations with Russia caused the decline of exports of goods and services by 27.0 per cent. to U.S.\$47.8 billion in this period. However, low domestic demand and significant devaluation of the hryvnia and the introduction of additional import duties caused the reduction of imports of goods and services by 29.3 per cent. to U.S.\$49.5 billion in this period.

In 2015, the surplus of the financial account was U.S.\$0.6 billion as compared to a deficit of U.S.\$9.1 billion in 2014. The main external borrowings were made to the state sector and received from the World Bank in the amount of U.S.\$1 billion, European Commission in the amount of U.S.\$0.9 billion, Canada in the amount of U.S.\$0.2 billion and U.S.\$1 billion Notes issued by Ukraine and guaranteed by the USA. Other planned external borrowings were moved to 2016 due to a postponed tranche from the IMF.

In 2015, the volume of FDIs increased to U.S.\$3.0 billion, U.S.\$2.3 billion of which was allocated to the banking system.

The following table sets out Ukraine's balance of payments for the periods shown:

	Year ended 31 December			
	2012	2013	2014	2015
	<i>(in U.S.\$ millions)</i>			
A. Current account	(14,335)	(16,518)	(4,596)	(176)
Goods and services (balance).....	(14,346)	(15,634)	(4,606)	(1,691)
Export of goods and services	86,516	81,719	65,436	47,797
Import of goods and services	100,862	97,353	70,042	49,488
Goods (balance).....	(21,846)	(22,128)	(7,128)	(3,309)
Services (balance).....	7,500	6,494	2,522	1,618
Initial revenues (balance).....	(2,965)	(3,033)	(1,531)	(1,113)
Current transfers (balance).....	2,976	2,149	1,541	2,628
B. Capital account	40	-60	400	456
<i>Net lending (+)/ Net borrowing (-)</i> (=A+B).....	(14,295)	(16,578)	(4,196)	280
C. Financial account	(10,120)	(18,601)	9,111	(569)
Direct investment (balance).....	(7,195)	(4,079)	(299)	(3,012)
Portfolio investment (balance).....	(4,689)	(8,787)	2,700	(617)
Other investments (balance).....	3,157	(6,375)	7,243	2,445
Other investments: assets.....	9,225	(1,720)	1,515	(1,123)
<i>including</i>				
Banks	1,781	(3,276)	(3,006)	384
Other sectors	7,728	1,705	4,882	(1,455)
<i>including foreign currency cash</i> <i>outside banks</i>	7,961	2,691	3,452	(1,778)
Other investments: liabilities	6,068	4,655	(5,728)	(3,568)
<i>Including</i>				
State administration sector	(994)	(33)	3,274	2,295
Banks	(3,295)	(1,032)	(2,102)	(4,303)
Other sectors	10,350	5,732	(6,900)	(3,009)
Mistakes and omissions	1,393	(640)	533	(615)
D. Consolidated balance (= A + B - C)	(4,175)	2,023	(13,307)	849
E. Reserves and related items	(4,175)	2,023	(13,307)	849
Reserve assets	(7,594)	(3,552)	(12,404)	6,016
Loan from IMF (NBU)	(2,631)	(3,062)	551	3,446
IMF loan to Ukraine.....	(788)	(2,513)	352	1,821
SDR	0	0	0	0

Source: NBU

International Trade

Prior to independence, Ukraine's commerce was centrally controlled from Moscow and the integrated trade system of the Soviet Union meant that the majority of Ukraine's cross border trade was with other Soviet republics.

Figures are difficult to obtain, but by 1989 Ukraine tended to import energy and raw materials while exporting machinery, metals and chemicals. At that time approximately 80 per cent. of both imports and exports are estimated to have been with non-Ukrainian Soviet markets.

Following independence, the large increases in the price of Ukraine's energy imports were offset by decreases in import volumes, with the result that nominal import flows remained broadly the same. The price of energy, in particular of oil (delivered by Russia) and of gas (delivered by Russia and, in certain periods, Turkmenistan), increased from intra Soviet to world market levels. The immediate impact on the economy was less severe than it might have been because part of the price was credited to Ukraine by its suppliers, especially Russia's Gazprom.

During the period from 1992 through 2011, Ukrainian exports of goods and services increased from 24.0 per cent. to 54.4 per cent. of GDP and imports increased from 22.0 per cent. to 60.6 per cent. of

GDP. The increasing proportion of exports and imports between 1992 and 2011 as a percentage of GDP reflects, among other factors, the gradual integration of Ukraine into the world economy.

In 2012, the trade balance deficit increased to U.S.\$21.8 billion as compared to U.S.\$18.0 billion in 2011. At the same time, the service trade surplus went down to U.S.\$7.5 billion in 2012 as compared to U.S.\$7.9 billion in 2011.

In 2012, export of goods and services increased by 3.4 per cent. to U.S.\$86.5 billion (47.4 per cent. of GDP). Export of goods in 2012 was U.S.\$64.4 billion, an increase of 3.3 per cent. as compared to 2011. This increase was achieved almost entirely due to the actual volume of exports, while average prices remained flat.

Raw materials, namely metallurgy and chemical products, saw the most significant decline in exports (by 15.3 per cent. and 0.2 per cent. in 2012, respectively, compared to 2011). The agricultural sector, on the other hand, was subject to more favourable conditions in Ukraine. Sufficient crops in 2012 and 2011 crop carry-over, as well as poor corn crops in the United States, resulted in record-breaking grain exports since 2000, 27.0 million tonnes of grain for the total amount of U.S.\$7.0 billion (1.9 times more than the 2011 results). Exports of oil seeds and their by-products increased by 32.2 per cent. in 2012 as compared to 2011. Exports of agricultural products increased by 39.8 per cent., and their share in the total export of goods reached 27.8 per cent. in 2012, as compared to 20.5 per cent. in 2011.

Import of goods and services increased by 7.5 per cent. in 2012 as compared to 2011 and reached U.S.\$100.9 billion (or 55.2 per cent. of GDP).

Import of goods in 2012 increased by 7.3 per cent. as compared to 2011 and reached U.S.\$86.3 billion. Over 50 per cent. of the import growth was achieved due to the increase in supply of engineering goods of 9.4 per cent. The highest growth rate of 28.9 per cent. was observed during the first two quarters of 2012 due to the implementation of the Euro 2012 Championships infrastructure projects and energy diversification projects in Ukraine, while the rest of 2012 saw significant import slowdown. Imports of consumer goods, such as agricultural and industrial products, also grew significantly (by 17.5 per cent. and 22.5 per cent., respectively) in 2012, as compared to 2011. In 2012, annual chemical products import growth rates reached 5.1 per cent., partially due to an increase in the trade of pharmaceutical products. The total non-energy products import rates increased by 10.9 per cent.

In 2013, the trade balance deficit of goods and services amounted to U.S.\$15.6 billion compared to U.S.\$14.3 billion during the same period in 2012.

The trade balance deficit in 2013 amounted to U.S.\$22.1 billion (as compared to U.S.\$21.8 billion in 2012). The service trade surplus was U.S.\$6.5 billion as compared to U.S.\$7.5 billion in 2012.

In 2013, exports of goods amounted to U.S.\$59.1 billion, a 8.3 per cent. decrease as compared to 2012. The continuing unfavourable situation in the world commodity markets triggered a reduction in the export volume of goods, including engineering products by 23.6 per cent., chemical products by 15.9 per cent. and metallurgical products by 9.2 per cent.

In 2013, exports of services increased by 2.4 per cent. mainly due to increased revenues under the “telecommunication, computer and information services” category.

In 2014, the trade deficit of goods and services was U.S.\$4.6 billion, as compared to the U.S.\$15.6 billion trade balance deficit in 2013. This decrease was due to a decrease in external demand, which, in turn, led to a reduction in the exports of goods and services by 19.9 per cent., as compared to 2013, the devaluation of the hryvnia and reduced economic activity that caused a decrease in the imports of goods and services by 28.1 per cent.

The exports of goods and services in 2014 amounted to U.S.\$65.4 billion, representing a 19.9 per cent. decrease as compared to 2013. This decrease was due to weak external demand and the

deterioration of relations with Russia. Exports of chemical products decreased by 26.4 per cent. due to reduced supply of inorganic chemical (a 33.8 per cent. reduction) and fertilizers (a 40.7 per cent. reduction). Exports of engineering products decreased by 36.4 per cent. mainly due to reduced supply of the railway means of transport (a 71.2 per cent. reduction) to Russia. Exports of metallurgical products decreased by 10.9 per cent. due to lower supplies to CIS countries of pipes and other ferrous metal products.

In 2014, exports of agricultural products decreased by 2.2 per cent.

In 2014, import of goods and services decreased to U.S.\$70.0 billion, representing a 28.1 per cent. decrease as compared to 2013. Non-energy imports decreased by 29.0 per cent. due to lower domestic demand for mechanical engineering (a 40.9 per cent. decrease), chemical products (a 20.9 per cent. decrease) and agricultural products (an 26.4 per cent. decrease). Energy imports decreased by 28.6 per cent. due to a decrease in natural gas prices.

In 2015, trade deficit of goods and services decreased to U.S.\$1.7 billion as compared to U.S.\$4.6 billion in 2014. The low domestic demand and devaluation of hryvnia caused a decline in the imports of goods and services against export (29.3 per cent. and 26.9 per cent., respectively).

In 2015, exports of goods and services decreased to U.S.\$47.8 billion or by 26.9 per cent. as compared to 2014. The deterioration of the external economic environment and trade relations with Russia and the armed conflict in Eastern Ukraine were the main factors causing the negative dynamics in exports. Exports of metallurgy decreased to U.S.\$9.2 billion or by 38.7 per cent. and engineering products decreased to U.S.\$3.3 billion or by 38.5 per cent. as compared to 2014. In 2015, exports of food products declined at a slower rate, by 13.1 per cent. as compared to 2014, due to the high yield of crops and unilateral removal of import duties by the EU, therefore the share of agricultural products in exports increased by 40.9 per cent. in the same period.

In 2015, the imports of goods and services decreased to U.S.\$49.5 billion or by 29.3 per cent. as compared to U.S.\$70.0 billion in 2014. The low domestic investment and consumer demand caused a rapid decrease in all commodity groups. In 2015, imports of metallurgy products declined to U.S.\$7.5 billion or by 30.0 per cent. as compared to 2014, exports of mineral products declined to U.S.\$11.2 billion or by 26.7 per cent. in the same period. A main feature of 2015 was the diversification of natural gas supplies, as a result, the share of gas imports from Russia decreased to 37.2 per cent. (as compared to 68.9 per cent. in 2014). The reduced imports of chemical products (by 26.9 per cent. or to U.S.\$7.5 billion), including pharmaceutical products (by 44.7 per cent. or to U.S.\$1.4 billion) and food products (by 43.4 per cent. or to U.S.\$3.4 billion) may indicate the beginning of the import substitution process.

The following table represents the import and export of goods and services as a percentage of GDP for the years ended 31 December 2012, 2013, 2014 and 2015:

	Year ended 31 December			
	2012	2013	2014 ⁽¹⁾	2015 ⁽²⁾
	(% of GDP)			
Export of goods and services	47.7	43.0	48.6	52.8
Import of goods and services	56.4	52.2	52.1	54.8

(1) Information is provided without Crimea and City of Sevastopol figures.

(2) Information is provided without Crimea, City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine figures.

The following table represents the value of exports of goods to the Russian Federation for the years ended 31 December 2012, 2013, 2014 and 2015:

	Year ended 31 December			
	2012	2013	2014 ⁽¹⁾	2015 ⁽²⁾
	<i>(U.S.\$ millions)</i>			
Food Products.....	2,001.8	1,941.1	911.8	276.5
Mineral Products.....	535.7	527.7	413.6	177.8
Energy Products.....	796.5	216.8	151.3	50.0
Chemical Related Products.....	1,902.4	1,767.5	1,329.8	965.2
Wood and Paper Products.....	893.9	1,001.6	762.1	422.2
Products of Consumer Goods Industry	190.2	203.3	142.4	86.9
Articles of stone, plaster and cement	331.1	309.9	207.8	116.7
Metallurgical Products.....	3,760.5	3,304.8	2,296.0	1,170.6
Engineering Products.....	6,767.1	5,352.0	3,157.7	1,366.5
Other.....	449.5	452.6	425.7	197.5
Total.....	17,628.7	15,077.3	9,798.2	4,829.9

(1) Information is provided without Crimea and City of Sevastopol figures.

(2) Information is provided without Crimea, City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine figures.

Trade Agreements

A trade regime open to competition is being codified in a number of trade agreements. Most notably on 5 February 2008, Ukraine's accession package was considered and approved by the WTO General Council and on the same day the President of Ukraine and the Director General of the WTO signed the Protocol of Ukraine's Accession to the WTO. On 16 May 2008, upon completion of internal WTO procedures, Ukraine became the 152nd member of the WTO. WTO membership is expected to provide Ukraine's exporters with better access to Western and other international markets.

On 30 March and 19 July 2012, the text of the broad political and trade accord between Ukraine and the EU entitled the "Association Agreement and Deep Comprehensive Free Trade Area" (the "**Association Agreement**"), which includes provisions on the establishment of a comprehensive free trade zone, was initialled. On 27 June 2014, Ukraine signed the Association Agreement. President Yanukovich's refusal to enter into the Association Agreement in November 2013 was one of the precursors to the current crisis. The Association Agreement gradually liberalises trade with the EU and includes technical assistance and funds from the EU to assist Ukraine in adapting its regulations to allow businesses to bid for EU public works contracts. In return, the EU will require Ukraine to make certain reforms to its economy, strengthen the rule of law and meet certain other standards in human rights and democracy.

On 16 September 2014, Ukrainian and European Parliaments ratified the Association Agreement. Almost all EU member states ratified the Association Agreement except for Belgium, Cyprus and the Netherlands, the latter intends to arrange a referendum on this matter. On 1 January 2016, the implementation of the economic part of the Association Agreement (Title IV "Trade and trade-related matters") commenced. Considering the EU autonomous trade preferences, which Ukraine has enjoyed from May 2014, this primarily means the lower imports duties for goods originating from the EU. Ukrainian exporters continue to increase exports to the EU. In addition, Ukrainian businesses will have access to cheaper and higher-quality imported raw materials, technology, plant protection products and farm machinery.

See "*Political Framework—International Relations—Supranational Organisations—EU*". Regarding the former CIS countries, a free trade zone was agreed in 2011 and ratified on 30 July 2012. Ukraine's accession to the WTO facilitated the signing in June 2010 of a free trade agreement between Ukraine and the European Free Trade Association (Norway, Switzerland, Iceland and Liechtenstein), which came into force on 1 June 2012. This agreement contributes to the liberalisation of the trade regime of

Ukraine and development of Ukraine's bilateral trade and economic relations and further increases Ukraine's volume of trade with European countries.

In September 2012, Ukraine and Laos entered into the bilateral Protocol on market access for goods. At the same time, Ukraine intensified its bilateral negotiations with applicant countries for accession to the WTO, namely with Yemen, Serbia and Bosnia and Herzegovina.

On 16 October 2012, the Verkhovna Rada of Ukraine ratified a free trade agreement between the Government of Ukraine and the Government of Montenegro, which was signed on 18 November 2011.

As at the date of this Listing Prospectus, negotiations and consultations in relation to entering into free trade agreements are being held with Canada, Turkey and Serbia.

Anti-Dumping and Protective Measures

As at 26 January 2016, on external markets, a number of countries are conducting five anti-dumping investigations, one anti-subsidizing investigation and seven procedures relating to the review of the implemented anti-dumping measures concerning Ukrainian products. In addition, there are five special protective investigations being conducted on the external markets, three of which are highly important for Ukraine. The investigations relate to hot-rolled, cold-rolled, rods of iron and steel, stainless steel pipes, steel pipes, cables and ropes made of ferrous metals, soda ash, white sugar, semi-finished and certain steel products. The jurisdictions undertaking investigations are Egypt, Malaysia, Eurasian Economic Union, Mexico, Turkey, the EU, Canada, Pakistan, Vietnam and India.

As at 26 January 2016, as a result of previous investigations, there are 26 anti-dumping measures and three special protective measures which are applied worldwide against Ukrainian products (mainly chemical and metallurgical products) by USA, Eurasian Economic Union, EU, Canada Mexico, Turkey, Thailand, India, Indonesia, Malaysia and Brazil.

As at 26 January 2016, Ukraine was conducting three anti-dumping investigations concerning caustic soda, nitrogen fertilizer and ceramic grinding wheels imported from Russia;; interim revision concerning asbestos-cement corrugated sheets (slate) imported from Russia; review of anti-dumping measures concerning wood fibreboards imported from Russia due to their expiration and a special investigation on imports to Ukraine of flexible porous plates, blocks and sheets of polyurethane foam regardless of the country of origin and export. As at 26 January 2016, as a result of previous investigations, Ukraine had in place 17 measures (14 anti-dumping measures, two special measures and one compensation measure).

Tariffs

In recent years, the customs and tariff policy of Ukraine has been pursued in light of Ukraine's accession to the WTO in 2008. As a result of the WTO negotiations, the Consolidated Tariff Offer set the aggregate level of tariff protection at 6.28 per cent. (the final binding level agreed in connection with accession to the WTO), while the current level of tariff protection in Ukraine amounts to 4.9 per cent.

Parliament has enacted a number of laws providing for improvement of intellectual property protection as goods are transferred over Ukraine's customs borders. There have also been changes in the laws governing foreign economic activities including the creation of a list of goods potentially subject to import and export bans and a list of measures which Ukraine may take in response to discriminatory or otherwise prejudicial actions of other states, economic unions or trade blocs. These laws also provide for the establishment of a tariff quota on imports of raw sugar cane and the reduction of the export duties on live cattle, leather and ferrous, alloy and non-ferrous metal scrap and the semi-finished products thereof. The majority of these laws became effective upon Ukraine's accession to the WTO emphasising the link between Ukraine's accession to the WTO and a general reduction of tariff rates. However, to offset any adverse consequences of this reduction, transition

periods have been established for certain sensitive products, including fish and alcoholic beverages. In 2013, Ukraine completed the process of bringing its tariff rates in line with the WTO requirements.

As of the date of the Listing Prospectus, the average import duty for the entire range of Customs Tariff of Ukraine is 4.87 per cent. However, in connection with the worsening of balance of payments of Ukraine and significant shortening of state gold reserves the Ministry of Finance developed Law of Ukraine No. 73-VII “*On Measures for Stabilisation of Balance of Payments of Ukraine According to Article XII of the General Agreement on Tariffs and Trade 1994*” dated 28 December 2014. According to this law, temporarily for twelve months (starting from 25 February 2015) additional import duty in the amount of 10 per cent. and 5 per cent. is introduced for different goods, except for essential goods as defined in the law.

Also, until 2018 Ukraine will continue working on annual reduction of export duty rates for certain products, in particular for live cattle the transformation period for reduction of export duty rate expires in 2016 (the rate will be 10 per cent.) and for leather it expires in 2018 (the rate will be 20 per cent.).

Composition of Trade

Since gaining its independence, Ukraine’s trade has increasingly revolved around raw materials. This reorientation reflects in part the quality and quantity of Ukraine’s natural resources, which include large reserves of coal, high grade iron ore, manganese, titanium and magnesium. These resources have formed the basis for the growth of heavy industry since the late nineteenth century.

In 2012, 2013, 2014 and 2015, ferrous and non-ferrous metals and their products accounted for approximately 27.4 per cent., 27.7 per cent., 28.3 per cent. and 24.8 per cent., respectively, of the value of exports, and the combined trade surplus on these items was U.S.\$13.6 billion, U.S.\$12.6 billion, U.S.\$11.9 billion and U.S.\$7.5 billion, respectively. Chemicals accounted for a further 8.8 per cent., 8.1 per cent., 6.8 per cent and 6.7 per cent. of exports in 2012, 2013, 2014 and 2015, respectively.

Agricultural products accounted for 26.0 per cent., 26.9 per cent., 30.9 per cent. and 38.3 per cent. of exports in 2012, 2013, 2014 and 2015, respectively. In 2012, export of grain and processed food increased due to good harvest and increased demand for these products. In 2013, the increase was due to the favourable market conditions in the agricultural market. In 2014, exports of agricultural products decreased by 1.5 per cent. due to easing of export restrictions (on 9 April 2014, Parliament passed a law which decreased the number of permits, including certificates of quality necessary for the export of grain); record harvest of wheat and oilseeds in the summer of 2014; positive trade balance in the trade of meat, casein, grain cereals, oil due to excess volumes of exports over imports in 2014. In 2015, exports of agricultural products decreased by 12.6 per cent. as compared to 2014.

In addition, machinery and equipment accounted for 10.2 per cent., 11.0 per cent., 10.5 per cent. and 10.3 per cent. of exports in 2012, 2013, 2014 and 2015, respectively. In 2012, the volume of machinery exports increased by 4.0 per cent. as compared to 2011. In 2013, the volume of machinery exports decreased by 0.7 per cent. as compared to 2012. In 2014, the volume of machinery exports decreased by 17.1 per cent. as compared to 2013. For the eleven months ended 30 November 2015, the volume of machinery exports decreased by 30.3 per cent. as compared to 2014. Since July 2005, exports of natural gas have been close to zero. In 2011, fuel and energy exports increased by 55.4 per cent. In 2012, fuel and energy exports decreased by 36.0 per cent. as compared to 2011. In 2013 and 2014, the volume of fuel and energy exports decreased by 21.3 per cent. and 25.2 per cent. as compared to 2012 and 2013, respectively. In 2015, the volume of fuel and energy exports decreased by 75.7 per cent. as compared to 2014.

In 2012, fuel and energy products also represented the largest grouping of imports at 31.0 per cent. In 2013, this sector represented 27.6 per cent. of imports and in 2014, it represented 27.8 per cent. of imports. In 2015, fuel and energy products represented 29.0 per cent. of imports. Machinery and equipment also accounted for a significant share of Ukrainian imports (representing 15.6 per cent.,

16.2 per cent., 16.0 per cent. and 16.7 per cent. of imports for 2012, 2013, 2014 and 2015, respectively), with such imports coming mainly from Russia. The figures relating to imports of fuel and energy products reflect the high natural resource requirements of the Ukrainian economy and resulted in a deficit in energy trade of U.S.\$22.6 billion in 2012, U.S.\$18.4 billion in 2013, U.S.\$13.1 billion in 2014 and U.S.\$10.4 billion in 2015. The trade deficit relating to goods and services was U.S.\$9.0 billion, U.S.\$8.5 billion and U.S.\$3.3 billion in 2012, 2013 and 2014, respectively. In 2015, the positive trade balance was U.S.\$4.1 billion.

Energy-intensive production was encouraged in the Soviet economy by the artificially low price of energy resources and by an incentive system that failed to maximise the use of resources. Depletion of domestic energy resources (especially coal) and the steering of industry towards the use of natural gas (another legacy from the Soviet period) have made Ukraine increasingly dependent on imported energy, although some products are imported for the purpose of re-export. The Government is trying to alleviate this situation by reshaping Ukraine's energy needs towards locally available sources and away from costly imported gas particularly in light of the current state of relations with Russia.

The following table sets out exports from Ukraine by major commodity group and as a percentage⁽¹⁾ of total exports for the periods shown:

	Year ended 31 December							
	2012		2013		2014 ⁽²⁾		2015 ⁽²⁾	
	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)
Fuel and Energy Products.....	3,641.9	5.3	2,865.4	4.5	2,012.1	3.7	488.0	1.3
Machinery and Equipment.....	7,024.2	10.2	6,974.5	11.0	5,657.2	10.5	3,943.8	10.3
Wood and Paper Products.....	2,190.9	3.2	2,391.0	3.8	2,248.2	4.2	1,724.3	4.5
Chemical Related Products.....	6,060.1	8.8	5,115.1	8.1	3,640.5	6.8	2,543.4	6.7
Agriculture Products.....	17,905.6	26.0	17,038.8	26.9	16,668.9	30.9	14,564.1	38.3
Ferrous Metals and their Products.....	18,172.8	26.4	16,909.5	26.7	14,596.4	27.1	8,994.5	23.6
Non Ferrous Metals and their Products	712.3	1.0	661.6	1.0	632.6	1.2	478.2	1.2
Mineral Products.....	4,010.7	5.8	4,629.3	7.3	4,091.5	7.6	2,611.5	6.8
Textiles and shoes.....	960.0	1.4	1,009.8	1.6	988.6	1.8	785.1	2.1
Other.....	8,151.9	11.9	5,725.7	9.1	3,365.7	6.2	2,001.9	5.2
Total.....	68,830.4	100.0	63,320.7	100.0	53,901.7	100.0	38,134.8	100.0

Notes:

(1) Percentages may not add up to 100.0 because of rounding.

(2) Information is provided without Crimea, City of Sevastopol and without territories of anti-terrorist operation in Eastern Ukraine figures.

Source: State Statistics Service; International Trade Bulletin

The following table sets out imports to Ukraine by major commodity group and as a percentage⁽¹⁾ of total imports for the periods shown:

	Year ended 31 December							
	2012		2013		2014 ⁽²⁾		2015 ⁽³⁾	
	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)
Fuel and Energy Products	26,238.2	31.0	21,236.9	27.6	15,143.8	27.8	10,877.0	29.0
Machinery and Equipment	13,179.9	15.6	12,469.9	16.2	8,720.8	16.0	6,275.0	16.7
Wood and Paper Products	2,183.2	2.6	2,318.0	3.0	1,584.2	2.9	1,026.0	2.7
Chemical Related Products	13,056.0	15.4	13,032.0	16.9	10,420.3	19.1	7,651.4	20.4
Agriculture Products	7,513.8	8.9	8,187.4	10.6	6,059.2	11.1	3,478.9	9.4
Ferrous Metals and their Products.....	3,590.2	4.2	3,437.9	4.5	2,138.8	3.9	1,206.2	3.2
Non Ferrous Metals and their Products	1,656.7	2.0	1,568.0	2.0	1,185.6	2.2	796.5	2.1
Mineral Products.....	1,353.4	1.6	1,136.5	1.5	951.6	1.7	805.1	2.2
Textiles and shoes	3,358.6	4.0	3,230.1	4.2	2,314.0	4.3	1,661.9	4.5
Other	12,587.6	14.7	10,370.1	13.5	5,910.4	11.0	3,724.3	9.8
Total	84,717.6	100.0	76,986.8	100.0	54,428.7	100.0	37,502.3	100.0

Notes:

- (1) Percentages may not add up to 100.0 because of rounding.
- (2) Information is provided without Crimea and City of Sevastopol figures.
- (3) Information is provided without Crimea, City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine figures.

Source: State Statistics Service; International Trade Bulletin

Direction of Trade

The structure of Ukraine's trade with the CIS has historically been determined by its need to import a large proportion of its energy requirements, especially from Russia (with which Ukraine runs substantial trade deficits) and countries which transport their energy exports through Russia. The need to import large quantities of energy products explains the fact that the CIS countries remain the main suppliers of Ukraine's energy imports, accounting for 40.7 per cent. in 2012, 36.3 per cent. in 2013, 37.1 per cent. in 2014 and 27.9 per cent. in 2015. Imports from Russia of energy products accounted for 21.3 per cent. in 2012, 18.8 per cent. in 2013, 12.4 per cent. in 2014 and 9.9 per cent. in 2015.

Following the occupation of Crimea by Russia and against a backdrop of recent European Union and U.S. economic sanctions imposed on Russia (in part due to its perceived involvement in the crisis in the East), a wide range of trade restrictions on imports to and exports from Russia have come into place. These restrictions have included recent bans by both Ukraine and Russia on various goods (including dairy products, confectionaries, alcoholic beverages and pork). In 2014, exports from Ukraine to Russia have declined by 33.7 per cent. when compared to 2013. On 16 June 2014 Russia introduced temporary restrictions on import of potatoes from Ukraine, on 3 February 2014 Russia blocked import of pork from Ukraine and from 9 July 2014 Russia introduced temporary restrictions on 11 Ukrainian dairy products. As at 31 December 2015, the restrictions on imports were implemented by Russia to 25 dairy companies, 17 meat-processing companies, one poultry processing company and one fish processing company in Ukraine. From 1 January 2016, Russia introduced the food embargo on certain agricultural products, raw materials and food originating from Ukraine and cancelled the preferential trade regime envisaged by the agreement on free trade within the CIS on imports of Ukrainian goods.

Following the entry of Ukraine into the Association Agreement with the European Union in March of 2014, it is expected that there will be a significant increase in trade flows to and from the European Union. This development helped increase the total exports from Ukraine to EU in 2014 to 2.6 per cent. against the same period in 2013 despite the abovementioned 33.7 per cent. decline in exports to Russia in the same period and was primarily due to increased exports to Italy, Poland and Germany. In 2015, the total exports from Ukraine to EU decreased by 23.4 per cent. and to Russia by 50.7 per cent. as compared to 2014. In the same period Ukrainian exports to Italy, Poland and Germany also declined.

The CIS countries also remain Ukraine's main destinations for export of goods, accounting for 36.8 per cent. in 2012, 34.9 per cent. in 2013, 27.6 per cent. in 2014 and 20.5 per cent. in 2015, of which exports to Russia accounted for 25.6 per cent. in 2012, 23.8 per cent. in 2013, 18.2 per cent. in 2014 and 12.7 per cent. for 2015. In 2015 exports of goods to CIS countries amounted to U.S.\$7.8 billion (or 20.5 per cents of total exports of Ukraine), a 47.5 per cent. decrease as compared to 2014. In 2015, imports of goods from CIS countries amounted to U.S.\$10.5 billion (or 27.9 per cent. of total imports to Ukraine), a 39.4 per cent. decrease as compared to 2014.

A large share of Ukraine's services exports originate from transit charges for Russian oil, gas, ammonia and electricity, which comprised approximately 24.5 per cent. in 2012, 23.3 per cent. in 2013, 19.2 per cent. in 2014 and 23.6 per cent. for 2015. Exports of goods to Russia decreased by 11.0 per cent. in 2012, as compared to 2011. In 2013, exports of goods to Russia decreased by 14.5 per cent., as compared to 2012. In 2014 and 2015, exports of goods to Russia decreased by 33.7 per cent., as compared to 2013 and by 50.7 per cent. as compared to 2014, respectively. In 2013, exports of goods to Russia decreased due to decreased exports of locomotives by 57.3 per cent. and of ferrous metals by 36.1 per cent. The decrease in exports in 2013 was partly due to the imposition of restrictive trade sanctions by Russia arising out of concerns of the impact of Ukraine's planned signing of the Association Agreement. In 2014, exports of goods to Russia decreased by 33.7 per cent. due to decreases in exports of food products (decreased by 52.8 per cent.), machinery (decreased by 40.3 per cent.), articles of stone, plaster and cement (decreased by 32.0 per cent.) and metallurgical products (decreased by 30.9 per cent.). In 2015, exports of goods to Russia decreased by 50.7 per

cent. as compared to 2014 due to decreases in exports of mineral products (a decrease by 59.7 per cent.) mechanical and electrical machinery (a decrease by 50.8 per cent.), base metals and their products (a decrease by 49.0 per cent.) and the mass of wood and other fibrous cellulose materials (a decrease by 45.6 per cent.).

Exports of goods to Asia decreased by 0.3 per cent. in 2012, and decreased by 4.9 per cent. in 2013, as compared to 2012. In 2014, exports of goods to Asia decreased by 7.9 per cent. as compared to 2013. In 2015, exports of goods to Asia decreased by 19.4 per cent. as compared to 2014.

Exports of goods to the EU decreased by 5.0 per cent. in 2012 and decreased by 2.1 per cent. in 2013. Increased exports of goods to the EU in 2011 were largely due to an increase in exports of metallurgical products, machinery, wood and energy materials, oil and oil products. In 2014, exports of goods to the EU increased by 2.6 per cent., as compared to 2013 and amounted to 31.5 per cent of the total exports in 2014. In 2015, exports of goods to the EU decreased by 23.4 per cent. as compared to 2014 and amounted to 34.1 per cent. of the total exports for that period.

Exports of goods to Africa increased by 68.6 per cent. in 2012, as compared to 2011, and decreased by 9.6 per cent. in 2013 as compared to 2012. In 2014, exports of goods to Africa increased by 0.4 per cent. as compared to 2013. In 2015, exports of goods to Africa decreased by 25.4 per cent. as compared to 2014.

In 2012, exports of goods and services from Ukraine to the EU amounted to U.S.\$21.0 billion (25.4 per cent. of total exports of goods and services), or a 3.1 per cent. decrease as compared to 2011. In 2013, exports of goods and services to the EU amounted to U.S.\$20.4 billion (26.7 per cent. of total exports of goods and services), or a 2.5 per cent. decrease as compared to 2012. In 2014, exports of goods and services to the EU amounted to U.S.\$ 20.4 billion (31.8 per cent. of total exports of goods and services) or a 1.1 per cent. increase as compared to 2013. In 2015, exports of goods and services to the EU amounted to U.S.\$15.3 billion (32.8 per cent. of total exports of goods and services) or a 25.0 per cent. decrease as compared to 2014.

In 2012, import of goods and services to Ukraine from the EU amounted to U.S.\$29.9 billion (32.7 per cent. of total imports of goods and services), or a 2.5 per cent. increase as compared to 2011. In 2013, imports of goods and services from the EU amounted to U.S.\$31.3 billion (37.0 per cent. of total imports of goods and services), or a 4.5 per cent. increase as compared to 2012. In 2014, imports of goods and services from the EU amounted to U.S.\$24.2 billion (39.8 per cent. of total imports of goods and services) or 21.8 per cent. decrease as compared to 2013. In 2015, imports of goods and services amounted to U.S.\$18.0 billion (42.2 per cent. of total imports of goods and services) or 25.8 per cent. decrease as compared to 2014.

In 2012, the bilateral trade in goods and services with the EU amounted to a U.S.\$9.0 billion deficit. In 2013, 2014 and 2015, the bilateral trade in goods and services with the EU amounted to a U.S.\$10.8 billion deficit, U.S.\$3.8 billion deficit and U.S.\$2.7 billion, respectively. Trade between Ukraine and the EU consists largely of exports of Ukrainian ferrous metals, raw materials, semi-finished products, machinery and agricultural products and imports by Ukraine of machinery, vehicles and chemical products (mainly medical products and polymeric materials) from the EU. The main trading partners of Ukraine within the EU are Germany, Poland, Italy, Hungary, United Kingdom and the Netherlands.

In 2012, the consolidated trade balance amounted to a deficit of U.S.\$15.8 billion, due to rapid growth in imports of various machinery-related products, particularly for agricultural and light industrial uses. In 2013, the consolidated trade balance amounted to a deficit of U.S.\$13.7 billion. In 2014 and 2015, the consolidated trade balance amounted to U.S.\$0.5 billion and U.S.\$0.6 billion, respectively.

In 2012, the consolidated deficit for trade in goods and services amounted to U.S.\$9.1 billion. This decrease was due to decrease in demand for traditional Ukrainian exports in the external commodity markets, insufficient domestic production and large proportion of mineral products in total imports. In

2013, the consolidated deficit for trade in goods and services amounted to U.S.\$8.1 billion. In 2014 and 2015, the consolidated trade balance in goods and services amounted to U.S.\$3.4 billion and U.S.\$4.1 billion, respectively.

The following table sets out exports of goods by country of destination for the periods shown⁽¹⁾:

	Year ended 31 December							
	2012		2013		2014 ⁽²⁾		2015 ⁽³⁾	
	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)
China.....	1,777.2	2.6	2,726.7	4.3	2,674.1	5.0	2,399.1	6.3
Germany	1,645.4	2.4	1,603.8	2.5	1,590.6	3.0	1,328.7	3.5
Turkey.....	3,688.0	5.4	3,805.5	6.0	3,561.4	6.6	2,771.7	7.3
United States.....	1,014.7	1.5	888.3	1.4	667.9	1.2	481.8	1.3
Italy	2,480.0	3.6	2,357.6	3.7	2,468.3	4.6	1,979.8	5.2
Poland	2,576.3	3.7	2,547.8	4.0	2,644.7	4.9	1,977.5	5.2
Hungary	1,510.4	2.2	1,557.0	2.5	1,509.9	2.8	909.7	2.4
Thailand	237.9	0.3	252.0	0.4	140.2	0.3	334.9	0.9
Slovak Republic.....	672.6	1.0	752.7	1.2	670.6	1.2	468.5	1.2
Syria.....	578.2	0.8	430.1	0.7	163.0	0.3	132.8	0.3
Lebanon	1,423.9	2.1	373.7	0.6	272.3	0.5	300.6	0.8
Czech Republic.....	707.0	1.0	823.7	1.3	772.5	1.4	540.9	1.4
Netherlands.....	830.0	1.2	1,041.3	1.6	1,106.1	2.1	905.7	2.4
Greece.....	209.2	0.3	227.9	0.4	201.2	0.4	153.8	0.4
Spain	1,539.1	2.2	987.7	1.6	1,166.6	2.2	1,043.6	2.7
Lithuania.....	278.9	0.4	324.8	0.5	362.1	0.7	236.3	0.6
Latvia.....	299.8	0.4	182.6	0.3	226.2	0.4	150.3	0.4
CIS.....	25,318.6	36.8	22,077.3	34.9	14,882.3	27.6	7,808.7	20.5
Russian Federation.....	17,628.7	25.6	15,077.3	23.8	9,798.2	18.2	4,829.9	12.7
Moldova.....	823.2	1.2	903.3	1.4	743.6	1.4	524.3	1.4
Kazakhstan.....	2,459.4	3.6	2,120.1	3.3	1,069.4	2.0	712.8	1.9
Belarus.....	2,269.2	3.3	1,983.7	3.1	1,617.1	3.0	870.9	2.3
Turkmenistan	528.2	0.8	395.1	0.6	431.2	0.8	170.4	0.4
Azerbaijan.....	767.0	1.1	869.0	1.4	591.5	1.1	318.8	0.8
Uzbekistan	435.9	0.6	351.7	0.6	308.6	0.6	174.5	0.5
Other CIS states.....	407.0	0.6	377.1	0.7	322.7	0.5	207.0	0.5
Other.....	22,043.2	32.1	20,360.2	32.1	18,821.7	34.9	14,210.4	37.3
Total.....	68,830.4	100.0	63,320.7	100.0	53,901.7	100.0	38,134.8	100.0

Note:

- (1) Percentages may not add up to 100.0 because of rounding.
- (2) Information is provided without Crimea and City of Sevastopol figures.
- (3) Information is provided without Crimea, City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine figures.

Source: State Statistics Service; International Trade Bulletin

The following table sets out imports of goods by country of origin for the periods shown⁽¹⁾:

	Year ended 31 December							
	2012		2013		2014 ⁽²⁾		2015 ⁽³⁾	
	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)
Germany	6,807.2	8.0	6,772.8	8.8	5,361.5	9.9	3,900.4	10.4
United States	2,905.0	3.4	2,759.2	3.6	1,928.9	3.5	1,480.0	3.9
Poland	3,569.9	4.2	4,074.2	5.3	3,070.8	5.6	2,324.5	6.2
Italy	2,235.2	2.6	2,086.7	2.7	1,509.0	2.8	976.1	2.6
France	1,664.8	2.0	1,729.9	2.2	1,269.2	2.3	892.0	2.4
Czech Republic	1,251.8	1.5	999.4	1.3	687.9	1.3	479.6	1.3
Slovak Republic	588.3	0.7	663.8	0.9	426.9	0.8	518.6	1.4
Hungary	1,159.7	1.4	1,400.6	1.8	1,464.0	2.7	1,554.7	4.1
United Kingdom	1,149.6	1.4	1,132.4	1.5	692.0	1.3	569.6	1.5
Netherlands	1,122.0	1.3	1,062.3	1.4	763.9	1.4	452.9	1.2
Austria	734.3	0.9	968.6	1.3	606.3	1.1	347.5	0.9
Turkey	1,953.7	2.3	1,852.9	2.4	1,299.5	2.4	851.2	2.3
Japan	1,197.8	1.4	985.0	1.3	612.6	1.1	382.2	1.0
Switzerland	764.3	0.9	904.3	1.2	523.6	1.0	449.2	1.2
China	7,901.4	9.3	7,903.2	10.3	5,411.0	9.9	3,770.1	10.1
Lithuania	912.2	1.1	966.7	1.3	1,032.2	1.9	552.6	1.5
Latvia	100.7	0.1	104.2	0.1	89.7	0.2	87.1	0.2
CIS	34,497.2	40.7	27,941.6	36.3	17,276.9	31.7	10,473.1	27.9
Russian Federation	27,462.3	32.4	23,244.0	30.2	12,700.0	23.3	7,485.1	20.0
Turkmenistan	123.4	0.1	100.5	0.1	24.6	0.1	16.3	0.0
Belarus	5,068.8	6.0	3,605.3	4.7	3,970.8	7.3	2,449.1	6.5
Kazakhstan	1,495.2	1.8	683.6	0.9	380.6	0.7	372.9	1.0
Uzbekistan	109.0	0.1	91.6	0.1	72.9	0.1	62.3	0.2
Moldova	122.0	0.1	102.1	0.1	61.9	0.1	41.2	0.1
Other CIS states	116.5	0.2	114.5	0.2	66.1	0.1	46.2	0.1
Other	14,202.5	16.8	12,679.0	16.3	10,402.8	19.1	7,440.9	19.8
Total	84,717.6	100.0	76,986.8	100.0	54,428.7	100.0	37,502.3	100.0

Note:

(1) Percentages may not add up to 100.0 because of rounding.

(2) Information is provided without Crimea and City of Sevastopol figures.

(3) Information is provided without Crimea, City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine figures.

Source: State Statistics Service; International Trade Bulletin

Foreign Investment

As a consequence of the significant shortage of internal financial resources, Ukraine has sought to attract foreign investment as an important contributor to economic growth and structural reform. However, the pace and amount of FDI in Ukraine has been adversely affected by overly complex and inconsistent legislation and opaque procedures, including in the areas of privatisation, Government intervention and taxation, as well as through perceived corruption and more recently by the occupation of Crimea and ongoing anti-terrorism operation in the East.

In 2014, a net FDI inflow of U.S.\$12.2 billion was recorded on the balance of payments, compared with a net inflow of U.S.\$3.7 billion in 2013, as some investors pulled out in response to the crisis.

Prior to the crisis, the amount of cumulative FDI had been increasing in recent years. Cumulative FDI increased by 9.9 per cent. in 2012, by 5.2 per cent. in 2013, decreased by 19.8 per cent. in 2014 and decreased by 5.2 per cent. in 2015. As at 1 January 2012 and 1 January 2013, cumulative FDI (including foreign interests in privatisations) was U.S.\$50.3 billion and U.S.\$55.3 billion, respectively. As at 1 January 2014 and 1 January 2014 2015, cumulative FDI (including foreign interests in privatisations) amounted to U.S.\$57.1 billion and U.S.\$45.7 billion, respectively. As at 31 December 2015, cumulative FDI amounted to U.S.\$43.4 billion.

The following tables show information on FDI for the periods indicated:

FDI (share capital) in economy of Ukraine

As at	FDI (cumulative total) <i>(U.S.\$ millions)</i>
1 January 2012.....	50,333.9
1 January 2013.....	55,296.8
1 January 2014.....	57,056.4
1 January 2015.....	45,744.8
31 December 2015.....	43,371.4

Note:

The data on direct investments is preliminary and used by the NBU for preparation of balance of payments and international investment position of Ukraine.

Source: State Statistics Service

Growth (decline) of FDI (share capital)

Year ended 31 December	Growth (decline) of FDI over the relevant period <i>(U.S.\$ millions)</i>
2012.....	4,962.9
2013.....	2,860.1
2014 ⁽¹⁾	(11,311.6)
2015 ⁽¹⁾	(2,373.4)

Note:

(1) Information is provided without Crimea, City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine figures..

Source: State Statistics Service

The following table shows the breakdown of cumulative FDI by country of origin at the end of the periods indicated:

	As at 1 January								As at 31 December	
	2012		2013		2014 ⁽¹⁾		2015 ⁽¹⁾		2015 ⁽¹⁾	
	(U.S.\$ millions)	(%)								
United States.....	1,000.7	2.0	1,013.9	1.8	934.7	1.6	701.6	1.5	698.9	1.6
Cyprus.....	13,355.2	26.5	17,748.6	32.1	18,978.5	33.3	13,707.6	30.0	11,744.9	27.1
Russian Federation.....	3,600.4	7.2	3,793.0	6.9	3,902.8	6.8	2,715.9	5.9	3,392.1	7.8
United Kingdom	2,593.4	5.2	2,553.6	4.6	2,768.2	4.9	2,153.4	4.7	1,852.5	4.3
Netherlands	4,898.0	9.7	5,188.5	9.4	5,543.7	9.7	5,219.1	11.4	5,610.7	12.9
Germany	7,391.8	14.7	6,120.9	11.1	6,202.4	10.9	5,684.7	12.4	5,414.3	12.5
Austria	3,418.8	6.8	3,402.6	6.2	3,178.8	5.6	2,513.6	5.5	2,402.4	5.5
France	2,260.4	4.5	1,766.6	3.2	1,740.9	3.1	1,615.0	3.5	1,528.1	3.5
British Virgin Islands.....	1,666.0	3.3	2,007.6	3.6	2,275.9	4.0	1,988.3	4.3	1,798.9	4.1
Other ⁽²⁾	10,149.2	20.1	11,701.5	21.1	11,530.5	20.1	9,445.6	20.8	8,928.6	20.7
Total.....	50,333.9	100.0	55,296.8	100.0	57,056.4	100.0	45,744.8	100.0	43,371.4	100.0

Notes:

(1) Information is provided without Crimea, City of Sevastopol and without territories of anti-terrorist operation in Eastern Ukraine figures.

(2) Includes countries whose cumulative FDI contribution did not exceed 3.5 per cent. of the total (other than the United States, which is included in a separate line) as at 31 December 2015.

Source: State Statistics Service

In 2012 and 2013, Cyprus was the largest contributor of FDI to Ukraine. As at 1 January 2015, Cypriot investments in Ukraine amounted to U.S.\$13.7 billion constituting 30.0 per cent. of the total volume of investments (excluding Crimea and City of Sevastopol). As at 31 December 2015, Cypriot investments in Ukraine amounted to U.S.\$11.7 billion constituting 27.1 per cent. of the total volume of investments. Cypriot FDI is believed to consist primarily of “off shore” investment originating in Russia or other CIS countries that is structured through Cyprus for tax reasons. As at 31 December 2015, Cyprus, the Netherlands, Germany, Russia, Austria, the United Kingdom, the British Virgin Islands, France, Switzerland, Italy, Poland and the United States were among the most important sources of FDI.

The principal forms of FDI are monetary contributions (which were U.S.\$5,684.8 million in 2010 and U.S.\$2,356.9 million in the first half of 2011) and investments in personal and real property (which were U.S.\$245.5 million in 2010 and U.S.\$371.6 million in the first half of 2011). Investments made in Ukraine to date have primarily been in the fields of industry, financial and insurance sector, wholesale trade, repair of cars and household goods, real estate, telecommunications, professional, scientific and technical activities. The industrial sector was the largest recipient of FDI in 2012, 2013, 2014 and 2015 (31.1 per cent., 31.7 per cent., 31.6 per cent. and 30.6 per cent., respectively).

The following table sets out cumulative FDI by sector at the end of the periods indicated:

	As at 1 January								As at 31 December	
	2012		2013		2014 ⁽¹⁾		2015 ⁽¹⁾		2015 ⁽¹⁾	
	(U.S.\$ millions)	(%)								
Food Industry.....	2,221.9	4.4	3,070.6	5.6	3,228.0	5.7	2,706.4	5.9	2,426.0	5.6
Wholesale Trade.....	5,401.3	10.7	6,140.0	11.1	6,829.3	12.0	6,059.1	13.2	5,659.5	13.0
Finance/Insurance.....	16,334.4	32.5	16,430.1	29.7	15,048.9	26.4	11,577.8	25.3	11,823.9	27.3
Machinery manufacturing...	1,080.2	2.1	1,000.0	1.8	1,220.5	2.1	894.4	2.0	808.8	1.9
Coke Petroleum derivatives	520.4	1.0	402.5	0.7	520.1	0.9	129.2	0.3	113.4	0.3
Transport, post and courier services.....	1,145.4	2.3	1,506.3	2.7	1,535.3	2.7	1,355.5	3.0	1,197.2	2.8
Chemical and Petrochemical Industry ...	941.6	1.9	998.5	1.8	1,196.5	2.1	913.1	2.0	747.9	1.7
Manufacture of rubber and plastic products and other non-metallic mineral products.....	1,209.2	2.4	1,383.4	2.5	1,484.3	2.6	1,179.2	2.6	1,097.6	2.5
Information and Telecommunications.....	2,144.4	4.3	2,003.0	3.6	2,051.2	3.6	1,802.7	3.9	2,308.7	5.3
Real estate activities.....	3,624.5	7.2	3,997.8	7.2	4,768.3	8.4	3,979.4	8.7	3,482.8	8.0
Metallurgy.....	6,112.0	12.1	6,124.2	11.1	6,217.2	10.9	5,551.6	12.1	5,309.7	12.2
Professional, scientific and technical activities.....	2,114.2	4.2	2,883.1	5.2	4,006.8	7.0	2,634.5	5.8	2,174.5	5.0
Electricity, gas, steam and conditioned air supply.....	722.3	1.4	1,459.2	2.6	1,140.8	2.0	707.2	1.5	629.6	1.5
Other.....	6,762.1	13.5	7,897.4	14.4	7,809.2	13.6	6,254.7	13.7	5,591.8	12.9
Total.....	50,333.9	100.0	55,296.8	100.0	57,056.4	100.0	45,744.8	100.0	43,371.4	100.0

Notes:

(1) Information is provided without Crimea, City of Sevastopol and without territories of anti-terrorist operation in Eastern Ukraine figures.

Source: State Statistics Service

Foreign investors are treated on a similar basis to domestic investors and, in most circumstances, are permitted to conduct business on the same terms as domestic business enterprises. In addition, capital assets brought into Ukraine as a contribution to the charter capital of a Ukrainian legal entity by a foreign investor are exempt from customs duties on imports (subject to compliance with certain requirements).

Foreigners are permitted to own up to 100 per cent. of a Ukrainian company, subject to foreign ownership restrictions in certain industry sectors, such as media. The hryvnia is not yet freely tradable, and a withholding tax of 15 per cent. may be applied to profit repatriation, subject to the provisions of treaties on the avoidance of double taxation, which can reduce or eliminate this tax.

PUBLIC FINANCE AND FISCAL POLICY

Overview

Ukraine's consolidated budget (the "**Consolidated Budget**") consists of the combined revenues and expenditures of the State Budget of Ukraine (the "**State Budget**") and of the budgets of local authorities (after eliminating inter-budgetary transfers). The State Budget is the central Government budget and has two components, the general fund (the "**General Fund**") and the special fund (the "**Special Fund**"). The General Fund includes all revenues of the State Budget, except for those which are designated for the Special Fund and all expenditure financed out of those revenues. The Special Fund consists of special purpose revenues and the expenditure they finance. Special Fund expenditure has permanent budget allocations so as to protect its objectives from adverse market conditions.

External debt of the State is reliant upon the State Budget for the servicing requirements. The Government is not permitted to use funds from the Consolidated Budget to service external debt payments, except to the extent they form part of the State Budget. This limitation includes payments to be made under the Notes.

The following table sets out the actual revenues, expenditure, lending, deficit/surplus, and deficit/surplus as a percentage of GDP as calculated by the Ministry of Finance for the Consolidated and State Budgets for the years ended 31 December 2012, 2013, 2014 and 2015:

	Year ended 31 December			
	2012	2013	2014 ⁽²⁾	2015 ⁽³⁾
	<i>(UAH millions)</i>			
GDP ⁽¹⁾	1,404,669.0	1,465,198.0	1,586,915.0 ⁽¹⁾	1,979,458.0 ⁽¹⁾
Consolidated Budget				
Revenues.....	445,525.3	442,788.7	456,067.3	652,031.0
Expenditure.....	492,454.7	505,843.8	523,125.7	679,871.4
Lending.....	3,856.3	535.2	4,972.1	3,057.8
Surplus (Deficit)	(50,785.7)	(63,590.3)	(72,030.5)	(30,898.2)
Surplus (Deficit)(% of GDP)	(3.6)	(4.4)	(4.5)	(1.6)
State Budget				
Revenues.....	346,054.0	339,226.9	357,084.2	534,694.8
Expenditure.....	395,681.5	403,456.1	430,217.8	576,911.4
Lending.....	3,817.7	477.5	4,919.3	2,950.9
Surplus (Deficit)	(53,445.2)	(64,706.7)	(78,052.8)	(45,167.5)
Surplus (Deficit)(% of GDP)	(3.8)	(4.4)	(4.9)	(2.3)

Source: Ministry of Finance

Notes:

(1) GDP for 2014 was calculated according to the System of National Accounts (2008) and does not include data of temporarily occupied territory of the Crimea and the City of Sevastopol. GDP for 2015 does not include data of temporarily occupied territory of the Crimea, the City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine.

(2) The data on performance of the State and Consolidated budgets for 2014 includes data of the temporarily occupied territory of Crimea and the City of Sevastopol, which was recorded in the reports for January to March 2014.

(3) The data on performance of the State and Consolidated budgets for 2015 does not include data of the temporarily occupied territory of Crimea, the City of Sevastopol and territories of anti-terrorist operation in Eastern Ukraine.

Recent Changes to the tax system

Austerity Measures of April 2014

On 27 March 2014, the first package of tax reforms developed by the post-revolutionary Government was adopted by Parliament. This package included an increase in personal income tax for most types of passive income of individuals, an imposition of personal income tax on interest on deposits and other financial instruments, an increase of excise tax rates and rent tax rates (the payment for the use of subsoil for extraction purposes), the abolishment of certain tax exemptions and other tax reforms.

These austerity measures in taxation were aimed at expediently raising additional funds to the budget and were not designed to change the overall tax system or reform it significantly. Some of the introduced changes were re-written in June and July 2014 to prevent excessive taxation or unreasonable burden.

Military Duty

In July 2014 additional temporary military duty was introduced (aimed to cease on 31 December 2014 but continued until completion of reform of military forces in Ukraine). Initially the duty applied to salaries and salary-like remunerations under civil agreements. The rate of the duty is 1.5 per cent.

As part of the Tax Reform of December 2014 the application of the duty was prolonged until completion of reform of military forces in Ukraine and the tax base was extended to cover all types of income received by individuals (including passive income and other types of income subject to income taxation).

Electronic system for VAT administration

In July 2014 the Government developed and suggested to Parliament the reformed system of VAT administration through special VAT accounts. The system was aimed at prevention of massive VAT fraud widely practiced in Ukraine. The system was approved by Parliament and the intent was to launch it on 1 January 2015. However, the first VAT accounts model was under-developed and would have resulted in significant outflow of working capital from the banking system into treasury VAT accounts. Upon significant public criticism the launch of VAT accounts system was postponed until 1 February 2015 with full operation starting from 1 July 2015.

Tax Reform of December 2014

Since the amendments introduced in early 2014 were not sufficient to improve the business climate in the state, the Government developed a large-scale tax reform adopted by Parliament on 28 December 2014 which became effective as of 1 January 2015. These amendments provided for a decrease in the number of taxes from 22 to 11 and a significant revision of the corporate income tax computation rules, personal income tax rates, rate of the rent tax and a broadening of the tax base of a number of different taxes. The tax reform also provided for certain reforms in tax administration procedures which decreased administrative burden on businesses with regard to tax matters. However, as at the date of this Listing Prospectus there is limited guidance as to how the amended rules should apply.

Improvement of Transfer Pricing Controls

Additionally, the Government made significant steps towards prevention of base erosion and profit shifting. Transfer pricing rules were significantly amended in order to prevent abuse of offshore vehicles for shifting of profits from Ukrainian taxing jurisdiction. A portion of changes to the transfer pricing rules and regulations was adopted on 28 December 2014 as a part of tax reform. The new rules are in line with OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. These rules require taxpayers conducting controlled transactions to report such transactions and prove that they are at an arm's length. The last portion of changes to the transfer pricing rules and regulations was adopted on 15 July 2015. These changes increased thresholds for control thereby making Ukrainian transfer pricing rules less burdensome.

Administrative Changes within Tax Authorities

On 21 May 2014, the Ministry of Income and Fees of Ukraine was reorganised into the State Fiscal Service of Ukraine. The State Fiscal Service of Ukraine is the central executive body that implements state tax policy, state customs policy, the public policy of administration of the single contribution for mandatory state social insurance, public policy in the fight against crimes in the application of the tax and customs legislation, and legislation on the payment of a single contribution.

Tax Reform of December 2015

The tax reform of December 2014 generally improved business climate in Ukraine but failed to achieve certain key goals: bringing a substantial portion of the shadow economy into the reporting economy and reform of the tax authorities. On 24 December 2015, Parliament adopted a number of changes to Ukraine's tax system with effect from 1 January 2016. These changes provided for a flat 18 per cent. personal income tax rate applicable to most types of income, the basic reporting period for corporate income tax payers changing from yearly to quarterly, the abolition of monthly advance payments of corporate income tax with certain transition rules, decrease of the single social contribution rate from 41 per cent. to 22 per cent. and the abolishment of 3.6 per cent. single social contribution withholding to encourage legalisation of wages, improvement of the VAT refund and abolishment of a special VAT regime for agricultural producers with a one-year transition period in 2016 when the agricultural sector will be indirectly partially subsidised depending on the type of agricultural goods supplied.

Further changes in accordance with IMF recommendations

According to recommendations of the IMF the Government of Ukraine will focus on further improvement of tax administration, broadening of taxing base and limitation of tax benefits. Effective as of 1 January 2017, the Government of Ukraine abolished support of agricultural producers by VAT benefits. Among the priorities for further changes are the complex reform of the State Fiscal Services of Ukraine, its structural optimisation, reform of Central Large Taxpayers' Office, and further development of electronic services. According to the IMF's recommendations and best international practices, from 1 January 2018 the Government of Ukraine aims to improve taxation of extracting companies to promote investments into the industry.

Influence of Crimean occupation and hostilities in Eastern Ukraine

Since the occupation of Crimea, tax receipts from that region have been completely cut off. The Government estimates the lost tax and customs revenues of the state budget at approximately UAH 4.8 billion in 2014. Hostilities in Eastern Ukraine have also effectively limited tax collections and therefore revenues from the affected areas. The Government estimates lost revenues to be approximately UAH 9.9 billion in 2014.

The Budget Process

Budget Preparation and Adoption

Pursuant to the Constitution, each year, following a review by the Cabinet of Ministers, a proposed State Budget is to be submitted to Parliament by the 15th of September. The deadline for approval of the State Budget Law by Parliament is the 1st of December. If the State Budget Law is not adopted by the 1st of January of the following year, certain borrowing restrictions apply until the adoption of the State Budget Law for the relevant year.

The Budget Code of Ukraine (the "**Budget Code**") was initially adopted in 2001. On 8 July 2010, Parliament approved a restatement of the Budget Code, which took effect on 1 January 2011, subject to certain exceptions which came into effect on 1 January 2013. The Budget Code, as restated, focuses on, among other things, further development of the programme target method of the budget process which focuses on using budget funds to achieve the specific results and evaluation of effectiveness of using budget funds during all stages of the budget process, and medium term budgetary planning; the introduction of modern forms and methods of budget fund management and State and local debt management; the improvement of the system for State control over budget performance; formalising the responsibility of budget process participants; and strengthening the financial independence of local budgets.

Further legislative amendments have targeted the harmonisation of provisions of Ukrainian law with the Budget Code, the principles of State and local debt management (including guaranteed debt), increasing the transparency of State finances and the financial self-sufficiency of local budgets, improving legislative governance of quasi fiscal operations and compliance of laws with the balancing of the State Budget.

Budget Implementation

The budget year commences on 1 January and ends on 31 December. The Ministry of Finance is responsible for implementation of the State Budget, and local authorities are responsible for the implementation of their respective local budgets. Implementation of the budget involves ensuring that revenues are collected, budget programmes are implemented and the deficit is financed. The Ministry of Finance and local authorities develop regulations concerning the implementation of the budget, provide methodological guidance, and provide accounting and financial budgetary reporting services in relation to the execution of their respective budgets.

The State Budget

The main planned and actual State Budget performance for 2012 to 2015 are set out in the table below:

	2012 ⁽¹⁾		2013 ⁽²⁾		2014 ⁽³⁾		2015 ⁽⁴⁾	
	Budget (as amended)	Actual						
	<i>(in UAH millions)</i>		<i>(in UAH millions)</i>		<i>(in UAH millions)</i>		<i>(in UAH millions)</i>	
Revenues								
Tax revenue.....	311,154.0	274,715.2	282,461.9	262,777.1	292,588.9	280,178.3	409,970.9	409,417.5
<i>of which:</i>								
Personal income tax	7,247.0	7,026.4	8,203.7	7,565.0	14,191.8	12,645.8	42,591.3	45,062.0
Corporate income tax	58,236.9	55,349.7	57,928.3	54,318.4	40,290.4	39,941.9	36,915.0	34,776.3
VAT	164,125.6	138,826.8	135,679.8	128,269.3	142,958.7	139,024.3	180,006.1	178,452.4
Excise duty on domestic goods	31,439.0	27,417.9	30,724.0	26,362.6	31,918.2	28,085.5	36,525.0	38,783.8
Excise duty on imported goods	10,284.0	9,767.8	10,028.0	8,946.8	13,009.7	16,855.4	23,500.7	24,326.8
Non tax revenue.....	67,447.2	68,287.6	73,474.5	72,853.2	75,635.3	68,355.2	110,506.7	120,006.5
Capital revenue.....	2,064.0	1,231.4	1,006.9	255.4	1,815.0	888.1	753.0	171.4
From foreign governments and international organisations.....	762.4	222.6	1,047.7	1,529.3	5,222.5	5,383.0	4,970.0	1,800.3
Special funds ⁽⁵⁾	186.5	254.6	177.9	202.7	177.5	161.7	1,665.8	155.0
Official transfers.....	1,423.5	1,342.5	1,814.1	1,609.3	2,222.9	2,118.0	4,152.3	3,144.0
Total revenues.....	383,037.6	346,054.0	359,982.9	339,226.9	377,662.0	357,084.2	532,018.6	534,694.8
Expenditure								
State function.....	46,148.4	44,010.7	52,527.5	50,101.1	68,478.0	65,825.8	106,047.0	103,116.7
<i>of which:</i>								
Public and local administration, financial and foreign economic activity.....	13,569.6	12,556.7	13,617.1	13,162.1	12,645.8	12,072.1	14,604.5	13,689.5
Sovereign debt service ⁽⁶⁾	24,492.1	24,196.6	32,558.0	31,677.1	48,329.9	47,976.7	85,669.3	84,505.4
Fundamental research.....	3,846.3	3,694.7	3,940.2	3,756.0	3,466.1	3,267.1	3,290.7	3,114.9
National defence.....	17,374.1	14,485.7	16,160.7	14,843.0	28,760.9	27,363.4	54,570.6	52,005.2
Law enforcing activity and State security and court power.....	38,160.8	36,469.8	41,282.2	39,190.9	46,649.6	44,619.0	55,810.6	54,643.4
Economic activity.....	59,461.9	49,396.0	50,088.8	41,299.2	39,377.3	34,410.7	43,516.1	37,135.4
<i>of which:</i>								
General economic, trade and labour activity.....	880.1	690.1	901.7	785.5	674.9	557.6	710.2	640.1
Agriculture, forestry, fishery and hunting.....	10,626.4	7,365.3	9,550.3	7,560.7	6,966.5	5,759.0	5,299.7	4,732.9
Fuel and energy complex	19,529.5	17,270.1	16,241.9	15,389.2	10,159.5	9,335.8	3,564.9	1,889.6
Transport	14,499.7	12,847.9	17,930.0	14,202.6	15,776.3	14,428.9	25,468.1	23,104.2
Communication, telecommunication and informatics.....	136.0	130.3	131.5	126.9	128.2	123.2	126.7	124.3
Education.....	32,494.1	30,243.2	33,580.7	30,943.1	32,225.7	28,677.9	33,281.6	30,184.8
Health	12,520.6	11,358.5	14,052.6	12,879.3	11,251.1	10,580.8	12,657.2	11,450.3
Social protection and insurance.....	77,446.5	75,254.4	89,328.7	88,547.3	87,375.2	80,558.2	104,381.3	103,700.9
Housing and communal services	785.8	379.6	127.7	96.9	149.9	111.5	493.0	21.5
Intellectual and physical development	6,441.6	5,488.5	5,531.3	5,111.9	5,457.5	4,872.4	7,605.4	6,619.2
<i>of which:</i>								
Culture and art.....	2,549.9	2,037.1	2,400.4	2,120.7	1,667.9	1,539.3	1,880.5	1,804.4
Mass media.....	1,532.7	1,387.1	1,120.0	1,016.0	927.8	811.7	1,134.8	1,108.9
Physical culture and sport	2,265.0	1,979.9	1,904.8	1,874.6	2,789.8	2,452.2	4,527.6	3,647.5
Protection of environment.....	7,781.6	4,135.4	8,285.1	4,595.0	3,847.8	2,597.0	4,705.7	4,053.0
Interbudgetary transfers.....	128,425.3	124,459.6	121,965.6	115,848.3	137,588.4	130,600.9	176,403.9	173,980.0
Total expenditure	427,040.7	395,681.5	432,930.9	403,456.1	461,161.2	430,217.8	599,472.4	576,911.4

	2012 ⁽¹⁾		2013 ⁽²⁾		2014 ⁽³⁾		2015 ⁽⁴⁾	
	Budget (as amended)	Actual						
	<i>(in UAH millions)</i>		<i>(in UAH millions)</i>		<i>(in UAH millions)</i>		<i>(in UAH millions)</i>	
Domestic lending.....	(1,027.4)	3,817.7	2,548.7	477.5	5,130.2	4,919.3	11,189.9	2,950.9
External lending.....	—	—	—	—	—	—	—	—
Total lending.....	(1,027.4)	3,817.7	2,548.7	477.5	5,130.2	4,919.3	11,189.9	2,950.9
Balance (surplus/deficit) ...	(42,975.7)	(53,445.2)	(75,496.7)	(64,706.7)	(88,629.4)	(78,052.8)	(78,643.6)	(45,167.5)
Balance (% of GDP).....	(3.0)	(3.8)	(5.2)	(4.4)	(5.8)	(4.9)	(4.3)	(2.3)
Domestic financing ⁽⁷⁾	29,973.4	40,611.1	59,431.7	50,777.0	44,711.6	35,796.4	(84,507.4)	(64,522.7)
of which: Receipts from privatisation of State property.....	7,000.0	6,763.5	1,455.0	1,480.0	467.0	466.9	17,000.0	151.5
External financing ⁽⁸⁾	13,002.3	12,834.2	16,064.9	13,929.7	43,917.7	42,256.4	163,151.0	109,690.2
Total financing⁽⁹⁾.....	42,975.7	53,445.2	75,496.7	64,706.7	88,629.4	78,052.8	78,643.6	45,167.5

(1) Basic assumptions underlying the 2012 State Budget, as amended, included a real GDP growth rate of 3.9 per cent., nominal GDP of UAH 1,500.0 billion, annual CPI inflation of 7.9 per cent. and an average annual exchange rate of UAH 8.10 to U.S.\$1.00.

(2) Basic assumptions underlying the 2013 State Budget, as amended, included a real GDP growth rate of 3.4 per cent., nominal GDP of UAH 1,576.0 billion, annual CPI inflation of 4.8 per cent. and an average annual exchange rate of UAH 8.40 to U.S.\$1.00.

(3) Basic assumptions underlying the 2014 State Budget, as amended, included a real GDP decline rate of 3.0 per cent., nominal GDP of UAH 1,524.2 billion, annual CPI inflation of 12.0 per cent. and an average annual exchange rate of UAH 10.0 to U.S.\$1.00. The actual GDP in 2014 was UAH 1,586,915.0 billion (according to the National System of Accounts (2008) and it does not include Autonomous Republic of Crimea, the City of Sevastopol and part of the area of the anti-terrorist operation.

(4) Basic assumptions underlying the 2015 State Budget, as amended, included a real GDP decline rate of 5.5 per cent., nominal GDP of UAH 1,850.2 billion, annual CPI inflation of 26.7 per cent. and an average annual exchange rate of UAH 21.7 to U.S.\$1.00. Actual GDP in 2015 is UAH 1,979,458.0 billion (according to the National System of Accounts (2008) and it does not include Autonomous Republic of Crimea, the City of Sevastopol and part of the area of the anti-terrorist operation.

(5) Special funds in the State Budget include amounts received into the fund for Social Insurance of Disabled Persons, a fund for the remediation of environmental pollution and special funds established by the parliament of the Autonomous Republic of Crimea and other local governance bodies and authorities in Ukraine.

(6) Does not include repayments of principal.

(7) "Domestic financing" includes domestic issues, domestic repayments, changes in cash volumes and receipts from privatisation of State property. "Domestic financing" is presented net of repayments (i.e. net of domestic issues and domestic repayments).

(8) "External financing" is presented net of repayments (i.e. net of external issues and external repayments).

(9) "Total financing" and components of this line reflect financing of State Budget. State property privatisation receipts are included in the State Budget only.

2012 State Budget

The budget policy for 2012 targeted a ratio of total State debt to GDP at a level not higher than 30 per cent. and a decrease in the budget deficit to 2.5 per cent. of GDP.

The 2012 State Budget, as amended, was based on the following assumptions: real GDP growth rate of 3.9 per cent., nominal GDP of UAH 1,500.0 billion, annual CPI inflation of 7.9 per cent., annual WPI inflation of 9.4 per cent. and an average annual exchange rate of UAH 8.10 to U.S.\$1.00 in 2012.

Actual revenues and expenditures of the 2012 State Budget amounted to UAH 346.1 billion and UAH 395.7 billion, respectively, as compared to the budgeted amounts of UAH 374.0 billion and UAH 413.6 billion, respectively. The actual deficit of the 2012 State Budget amounted to UAH 53.4 billion (or 3.8 per cent. of GDP) as compared to the budgeted amount of UAH 38.8 billion (or 2.6 per cent. of GDP).

2013 State Budget

The budget policy for 2013 was based on the provisions of the National Plan of Action to implement the programme of economic reforms for 2010 to 2014, and was based on the following assumptions: real GDP growth rate of 3.4 per cent., nominal GDP of UAH 1,576.0 billion, annual CPI inflation of 4.8 per cent., annual WPI inflation of 5.5 per cent. and an average annual exchange rate of UAH 8.4 to U.S.\$1.00 in 2013.

The 2013 State Budget Law envisaged the implementation of a new UAH 30 billion programme under which local banks were intended to provide loan funding to small projects (up to UAH 10 million each) with repayment being guaranteed by the Ministry of Finance. The loans extended under the programme were intended to support capital projects in the following areas (and were intended to replace direct state funding of such projects): energy efficiency and conservation, import replacement, support of national producers and social programmes.

Actual revenues and expenditure of the 2013 State Budget amounted to UAH 339.2 billion and UAH 403.5 billion, respectively as compared to the budgeted amounts of UAH 351.2 billion and UAH 419.8 billion, respectively. The actual deficit of the 2013 State Budget amounted to UAH 64.7 billion (or 4.4 per cent. of GDP) as compared to the budgeted deficit of UAH 70 billion (or 4.4 per cent. of GDP).

2014 State Budget

The 2014 State Budget Law was adopted by Parliament on 16 January 2014.

Actual revenues and expenditure of the 2014 State Budget amounted to UAH 357.1 billion and UAH 430.2 billion, respectively, as compared to the budgeted amounts of UAH 377.8 billion and UAH 441.6 billion, respectively. The actual deficit of the 2014 State Budget amounted to UAH 78.1 billion (or 4.9 per cent. of GDP) as compared to the budgeted deficit of UAH 88.6 billion (or 5.8 per cent. of GDP). The 2014 State Budget Law as amended, was based on the following assumptions: real GDP contraction at 3.0 per cent., nominal GDP of UAH 1,524.2 billion, annual CPI inflation of 12.0 per cent., annual WPI inflation of 12.3 per cent. and an average annual exchange rate of UAH 10.0 to U.S.\$1.00 in 2014.

2015 State Budget

The 2015 State Budget Law was adopted by Parliament on 28 December 2014.

Actual revenues and expenditure of the 2015 State Budget amounted to UAH 534.7 billion and UAH 576.9 billion, respectively, as compared to the budgeted amounts of UAH 532.0 billion and UAH 599.5 billion, respectively. The actual deficit of the 2015 State Budget amounted to UAH 45.2 billion (or 2.3 per cent. of GDP) as compared to the budgeted deficit of UAH 78.6 billion (or 4.3 per cent. of GDP).

The 2015 State Budget Law, as amended, was based on the following assumptions: real GDP contraction at 5.5 per cent., nominal GDP of UAH 1,850.2 billion, annual CPI inflation of 126.7 per cent., annual WPI inflation of 126.5 per cent. and an average annual exchange rate of UAH 21.7 to U.S.\$1.00 in 2015.

2016 State Budget

The 2016 State Budget Law was adopted by Parliament on 25 December 2015.

It provides for revenues of UAH 595.2 billion, expenditure of UAH 667.8 billion and a budget deficit in the amount of UAH 83.7 billion (or 3.7 per cent. of GDP).

The 2016 State Budget Law is based on the following assumptions: real GDP increase at 2.0 per cent., nominal GDP of UAH 2,262.0 billion, annual CPI inflation of 112.0 per cent., annual WPI inflation of 110.4 per cent. and an average annual exchange rate of UAH 24.1 to U.S.\$1.00 in 2016.

The State Budget Revenues

The following table sets out actual sources of revenue for the State Budget for the years ended 31 December 2012 and 2013, 2014 and 2015:

	Year ended 31 December			
	2012	2013	2014	2015 ⁽¹⁾
	<i>(in UAH millions)</i>			
Tax revenues	274,715.2	262,777.1	280,178.3	409,417.5
Direct taxes.....	62,376.1	61,883.5	52,587.7	79,838.3
<i>of which:</i>				
Personal income tax.....	7,026.4	7,565.0	12,645.8	45,062.0
Corporate income tax.....	55,349.7	54,318.4	39,941.9	34,776.3
Indirect taxes	212,339.1	200,893.6	227,590.5	329,579.2
<i>of which:</i>				
VAT.....	138,826.8	128,269.3	139,024.3	178,452.4
Excise tax on domestic goods (products).....	27,417.9	26,362.6	28,085.5	38,783.8

Excise tax on imported goods (products)	9,767.8	8,946.8	16,855.4	24,326.8
Import duty	12,985.8	13,264.6	12,388.6	39,881.0
Export duty	200.8	77.9	220.1	419.8
Other taxes	23,140.0	23,972.3	31,016.7	47,715.4
Non tax revenues	68,287.6	72,853.2	68,355.2	120,006.5
<i>of which:</i>				
Entrepreneurial and property income	32,200.5	33,288.2	28,469.3	71,084.8
Administrative fees and charges non-commercial sale income	5,435.9	5,163.8	5,305.7	15,008.3
Other non-tax revenue ⁽²⁾	30,651.3	34,401.2	34,580.3	33,913.3
Capital revenue	1,231.4	255.4	888.1	171.4
Official transfers	1,342.5	1,609.3	2,118.0	3,144.0
Special funds ⁽³⁾	254.6	202.7	161.7	155.0
Payments to Fund of Social Insurance of Disabled of Ukraine	254.6	202.7	161.7	154.9
Total revenues	346,054.0	339,226.9	357,084.2	534,694.8

Notes:

(1) Includes own source revenues of budgetary institutions and organisations.

(2) From 1 January 2015 includes recovered funds embezzled through corruption.

Source: Ministry of Finance

Tax Revenue

In 2013, tax revenues of the State Budget amounted to UAH 262.8 billion a decrease of 4.3 per cent. as compared to UAH 274.7 billion for 2012.

The high taxation of businesses is one of the reasons for the continuing prevalence of the shadow economy, which has impeded revenue collection. State Budget tax arrears have fell from 2011 through 2012, decreasing from UAH 11.9 billion at year end 2011 to UAH 8.3 billion at year end 2012. However, starting from 2013 the tax arrears significantly increased to UAH 29.4 billion at year end 2013 and UAH 38.2 billion at year end 2014.

Corporate Income Tax

The current corporate income tax rate is 18 per cent. The gradual decrease intended in the rate of corporate income tax from 18 per cent. to 16 per cent. was abolished as a part of 2014 austerity measures. There are certain exceptions to the general corporate income tax rate including for businesses in the insurance industry.

Traditionally, corporate income tax constituted significant part of overall revenue of the state budget of Ukraine. However, due to crisis and overall deterioration of Ukrainian economies tax revenues related to the corporate income tax decreased from UAH 55.3 billion in 2012 to UAH 54.3 billion in 2013 to UAH 39.9 billion in 2014 and decreased further to UAH 34.8 billion in 2015. The proportion of corporate income tax in tax revenues of state budget and in overall revenues of the state budget was, respectively, 20.1 per cent. and 16 per cent. in 2012, 20.7 per cent. and 16 per cent. in 2013, 14.3 per cent. and 11.2 per cent. in 2014 and fell to 8.5 per cent. and 6.5 per cent in 2015.

Personal Income Tax

From 1 January 2016, the basic rate of personal income tax in Ukraine is 18 per cent., this rate applies to most types of income.

In 2012, 2013, 2014 and 2015 the personal income tax revenues of the State Budget amounted to UAH 7.0 billion, UAH 7.6 billion, UAH 12.6 billion and UAH 45.1 billion that constituted approximately 2.0 per cent. of total revenue and 2.6 per cent. of total tax revenues of the 2012 State Budget; 2.2 per cent. of total revenue and 2.9 per cent. of total tax revenue of the 2013 State Budget; 3.5 per cent. of total revenue and 4.5 per cent. of total tax revenue of the 2014 State Budget; and 8.4 per cent. of total revenue and 11.0 per cent. of total tax revenue of the 2015 State Budget.

In addition to personal income tax, wages of individuals are subject to the single social contribution at the rate of 22 per cent (from 1 January 2016). However, the single social tax contribution has to be paid on the employers' account. Maximum amount taxable with the single social contribution is

capped at 25 living minimums (UAH 34,450).

VAT

VAT is currently charged in Ukraine at a rate of 20 per cent. Intended decrease of VAT rate from 20 per cent. to 17 per cent. as from 1 January 2015 was abolished as part of 2014 austerity measures. VAT collection constituted approximately 40.1 per cent. of total revenue and 50.5 per cent. of total tax revenues of the 2012 State Budget; 37.8 per cent. of total revenue and 48.8 per cent. of total tax revenue of the 2013 State Budget; 38.9 per cent. of total revenue and 49.6 per cent. of total tax revenue of the 2014 State Budget; and 33.4 per cent. of total revenue and 43.6 per cent. of total tax revenue of the 2015 State Budget.

Under the existing tax regime, exporters are entitled to receive VAT refunds for exports. As at 31 December 2011, the total amount of VAT refunds in arrears amounted to UAH 21.5 billion and due to this significant volume of arrears the Government decided to issue T-bills to fund the repayment of these arrears, accordingly as at 31 December 2012, there were no VAT refund arrears. However, by 1 January 2013, the balance of VAT refund arrears amounted to UAH 11.7 billion, UAH 6.4 billion of which are subject to court proceedings. During 2014 and 2015 the Government paid out significant part of the VAT refund arrears. As at 1 January 2016, the total amount of VAT refunds in arrears amounted to UAH 0.8 billion.

The State Budget Expenditures

The 2012 State Budget Law made provision for State Budget social expenditure of 43.2 per cent. of State Budget expenditure compared to actual social expenditure of 45.1 per cent. of actual State Budget expenditure. This included healthcare (4.2 per cent. of State Budget expenditure) and education (11.2 per cent.). In addition, the debt servicing expenditures from the State Budget were increased by 4.6 per cent. and amounted to UAH 24.2 billion as compared to 2011.

The 2013 State Budget Law as amended made provision for State Budget social expenditure of 46.2 per cent. compared to actual social expenditure amounting to 47.8 per cent. of actual State Budget expenditure. In addition, the debt servicing expenditures from the State Budget were increased by 30.9 per cent. and amounted to UAH 31.7 billion as compared to 2012.

The 2014 State Budget Law as amended made provision for State Budget social expenditure of 42.3 per cent. of the total amount of expenditures of the State Budget. In 2014, actual social expenditure amounted to 41.6 per cent. of the State Budget expenditure for that period. In addition, the debt servicing expenditures from the State Budget were increased by 51.5 per cent. and amounted to UAH 48.0 billion as compared to 2013. The aggravation of political and economic situation that led to warfare in Eastern Ukraine led to a significant increase in expenditures to improve the country's defence. Thus, the expenditures on defence in 2014 were increased by UAH 12.5 billion and amounted UAH 27.4 billion.

The 2015 State Budget Law as amended made provision for State Budget social expenditure of 38.0 per cent. of the total amount of expenditures of the State Budget. In 2015, actual social expenditure amounted to 37.7 per cent. of the State Budget expenditure for that period. In addition, the debt servicing expenditures from the State Budget were increased by 1.8 times and amounted to UAH 84.5 billion as compared to 2014. Due to the ongoing state policy of improvement of country's defence the expenditures of defence were increased by 1.9 times and amounted to UAH 52.0 billion as compared to 2014.

Pensions

The State Budget also extends loans to cover any deficit in the Pension Fund which are expected to be repaid using proceeds from the Pension Fund. The State Budget allocated UAH 15.3 billion and UAH 21.8 billion to cover the deficit in 2012 and 2013, respectively, whereas UAH 49.1 billion and UAH 49.4 billion was actually provided in loans in 2012 and 2013, respectively.

In 2014 and 2015 the Pension Fund deficit amounted to UAH 14.7 billion and UAH 31.8 billion. In 2014, the outstanding amount of loans provided to the Pension Fund amounted to UAH 50.4 billion. As at 1 January 2016 the outstanding amount of loans provided to the Pension Fund amounted to UAH 50.4 billion See “*The Labour Market—Pensions, Unemployment Benefits and Social Benefits—Pensions and Pension Reform*”.

The Consolidated Budget

The main components of the Consolidated Budget and actual Consolidated Budget performance for 2012 to 2015 are set out in the table below:

	2012 ⁽¹⁾		2013 ⁽²⁾		2014 ⁽³⁾		2015 ⁽⁴⁾	
	Budget (as amended)	Actual	Budget (as amended)	Actual	Budget (as amended)	Actual	Budget (as amended)	Actual
	<i>(in UAH millions)</i>		<i>(in UAH millions)</i>		<i>(in UAH millions)</i>		<i>(in UAH millions)</i>	
Revenues								
Tax revenue	397,504.3	360,567.2	378,995.7	353,968.1	387,169.1	367,511.9	496,638.3	507,635.9
<i>of which:</i>								
Personal income tax	70,204.3	68,092.4	78,168.1	72,151.1	80,844.2	75,202.9	91,250.8	99,983.2
Corporate income tax	58,633.0	55,793.0	58,449.4	54,993.8	40,606.9	40,201.5	40,786.0	39,053.2
VAT	164,125.6	138,826.8	135,679.8	128,269.3	142,958.7	139,024.3	180,006.1	178,452.4
Excise duty on domestic goods	32,586.1	28,661.0	32,041.2	27,721.3	33,181.5	28,244.2	36,525.0	38,783.8
Excise duty on imported goods	10,284.0	9,767.8	10,028.0	8,946.8	13,009.7	16,855.4	23,500.7	24,326.8
Non tax revenue	75,286.3	80,923.3	86,546.3	84,981.0	93,699.9	80,612.8	130,408.7	140,089.7
Capital revenue	4,649.7	2,985.8	3,455.8	1,637.0	4,154.9	2,015.8	2,240.8	1,799.5
From foreign governments and international organisations	762.6	222.9	1,047.7	1,529.3	5,226.4	5,383.0	5,096.0	1,882.2
Special funds ⁽⁵⁾	817.0	826.1	607.0	673.3	607.3	543.9	2,031.1	558.9
Total revenues	479,019.9	445,525.3	470,652.4	442,788.7	490,857.6	456,067.3	636,414.9	651,966.3
Expenditure								
State function	57,811.8	54,590.2	65,506.9	61,702.2	81,862.9	76,845.9	121,871.0	117,622.0
<i>of which:</i>								
Public and local administration, financial and foreign economic activity	22,222.3	20,788.4	22,855.2	21,659.4	22,221.1	20,254.7	24,814.5	23,439.4
Sovereign debt service ⁽⁶⁾	25,690.3	25,191.4	34,099.5	33,172.1	49,957.0	49,434.6	87,399.3	86,172.7
Fundamental research	3,846.3	3,694.7	3,940.2	3,756.0	3,466.1	3,267.1	3,306.5	3,114.9
National defence	17,376.1	14,486.9	16,163.2	14,844.4	28,764.6	27,365.5	54,581.4	52,015.6
Law enforcing activity and State security and court power	38,396.1	36,681.2	41,533.8	39,409.3	46,937.8	44,864.6	56,190.9	54,920.9
Economic activity	77,678.6	62,377.4	67,657.0	50,757.8	56,716.9	43,637.6	66,696.2	56,257.4
<i>of which:</i>								
General economic, trade and labour activity	3,764.7	3,449.9	1,754.2	1,490.4	1,093.5	783.5	1,142.1	1,026.1
Agriculture, forestry, fishery and hunting	10,885.1	7,486.3	9,833.2	7,705.1	7,188.2	5,868.4	6,750.5	6,062.7
Fuel and energy complex	19,538.0	17,448.5	16,307.2	15,421.5	10,165.2	9,339.1	3,571.9	1,896.2
Transport	19,766.7	16,700.9	24,958.2	17,893.2	23,662.5	18,776.7	35,079.4	31,110.4
Communication, telecommunication and informatics	236.0	200.3	215.9	185.6	226.5	189.6	292.6	263.2
Education	104,743.0	101,560.9	111,964.3	105,538.7	113,003.2	100,109.5	121,072.2	114,188.3
Health	60,012.6	58,453.9	64,960.1	61,568.8	64,117.2	57,150.1	75,609.7	70,991.4
Social protection and insurance	128,683.9	125,306.9	147,574.4	145,062.6	152,129.4	138,004.7	178,480.9	176,339.8
Housing and communal services	22,979.5	20,059.6	12,583.8	7,704.7	21,628.0	17,808.5	18,079.5	15,700.3
Intellectual and physical development	15,138.4	13,639.6	15,423.1	13,661.2	16,437.3	13,857.7	17,860.6	16,228.1
<i>of which:</i>								
Culture and art	8,961.7	8,017.9	9,778.8	8,444.1	10,194.7	8,483.5	9,288.1	8,694.7
Mass media	1,782.3	1,604.3	1,387.4	1,247.2	1,181.9	1,024.5	1,397.8	1,354.7
Physical culture and sport	4,300.4	3,933.1	4,150.9	3,869.4	4,988.8	4,280.4	7,112.4	6,120.3
Protection of environment	10,304.2	5,297.9	11,137.6	5,594.2	6,631.1	3,481.7	7,164.5	5,529.7
Total expenditure	533,124.2	492,454.7	554,504.4	505,843.8	588,228.4	523,125.7	717,606.9	679,793.5
Domestic lending	(983.2)	3,856.3	2,675.7	535.2	5,247.7	4,972.1	11,371.4	3,057.8
External lending	—	—	—	—	—	—	—	—
Total lending	(983.2)	3,856.3	2,675.7	535.2	5,247.7	4,972.1	11,371.4	3,057.8
Balance (surplus/ deficit)	(53,121.1)	(50,785.7)	(86,527.7)	(63,590.3)	(102,618.5)	(72,030.5)	(92,563.3)	(30,885.1)

	2012 ⁽¹⁾		2013 ⁽²⁾		2014 ⁽³⁾		2015 ⁽⁴⁾	
	Budget (as amended)	Actual	Budget (as amended)	Actual	Budget (as amended)	Actual	Budget (as amended)	Actual
Balance (% of GDP)	—	(3.6)	—	(4.4)	—	(4.5)	—	...
Domestic financing ⁽⁷⁾	42,246.4	40,081.5	70,483.7	49,691.8	58,746.6	29,855.5	(70,605.6)	(78,766.0)
of which: Receipts from privatisation of State property	7,000.0	6,763.5	1,455.0	1,480.0	467.0	466.9	17,000.0	151.5
External financing ⁽⁸⁾	10,874.7	10,704.2	16,044.0	13,898.5	43,871.9	42,174.9	163,169.0	109,651.1
Total financing⁽⁹⁾	53,121.1	50,785.7	86,527.7	63,590.3	102,618.5	72,030.5	92,563.3	30,885.1

- (1) Basic assumptions underlying the 2012 Consolidated Budget, as amended, included a real GDP growth rate of 3.9 per cent., nominal GDP of UAH 1,500.0 billion, annual CPI inflation of 7.9 per cent. and an average annual exchange rate of UAH 8.10 to U.S.\$1.00.
- (2) Basic assumptions underlying the 2013 Consolidated Budget, as amended, included a real GDP growth rate of 3.4 per cent., nominal GDP of UAH 1,576.0 billion, annual CPI inflation of 4.8 per cent. and an annual exchange rate of UAH 8.40 to U.S.\$1.00
- (3) Basic assumptions underlying the 2014 Consolidated Budget, as amended, included a real GDP decline rate of 3.0 per cent., nominal GDP of UAH 1,524.2 billion, annual CPI inflation of 12.0 per cent. and an annual exchange rate of UAH 10.0 to U.S.\$1.00. Actual GDP for 2014 is UAH 1,586.9 billion (according to the National System of Accounts (2008)) and it does not include Autonomous Republic of Crimea, the city of Sevastopol and part of the area of the anti-terrorist operation
- (4) Basic assumptions underlying the 2015 State Budget, as amended, included a real GDP decline rate of 5.5 per cent., nominal GDP of UAH 1,850.2 billion, annual CPI inflation of 26.7 per cent. and an average annual exchange rate of UAH 21.7 to U.S.\$1.00. Actual GDP for 2015 amounted to UAH 1,979.5 billion (according to the National System of Accounts (2008)) and it does not include Autonomous Republic of Crimea, the city of Sevastopol and part of the area of the anti-terrorist operation.
- (5) Special funds in the Consolidated Budget include amounts received into the fund for Social Insurance of Disabled Persons, a fund for the remediation of environmental pollution and special funds established by the parliament of the Autonomous Republic of Crimea and other local governance bodies and authorities in Ukraine. Since Q1 2014, no further funds are being received into the special fund established by the parliament of the Autonomous Republic of Crimea
- (6) Does not include repayments of principal.
- (7) "Domestic financing" includes domestic issues, domestic repayments, changes in cash volumes and receipts from privatisation of State property. "Domestic financing" is presented net of repayments (i.e. net of domestic issues and domestic repayments).
- (8) "External financing" is presented net of repayments (i.e. net of external issues and external repayments).
- (9) "Total financing" and components of this line in the Consolidated Budget reflect financing of both State and local budgets. State property privatisation receipts are included in the State Budget only.

2012 Consolidated Budget

The 2012 Consolidated Budget, as amended, contemplated revenues of UAH 479.0 billion, expenditure of UAH 533.1 billion and a budget deficit of UAH 53.1 billion (or 3.5 per cent. of GDP). Basic assumptions underlying the 2012 Consolidated Budget included a real GDP growth rate of 3.9 per cent., nominal GDP of UAH 1,500.0 billion, annual CPI inflation of 7.9 per cent. and an average exchange rate of UAH 8.10 to U.S.\$1.00. In 2012, actual revenues and expenditure amounted to approximately UAH 445.5 billion and UAH 492.4 billion, respectively, with the actual budget deficit amounting to UAH 50.8 billion.

2013 Consolidated Budget

The 2013 Consolidated Budget, as amended, contemplated revenues of UAH 470.7 billion, expenditure of UAH 554.8 billion and a budget deficit of UAH 86.7 billion (or 5.5 per cent. of GDP). Basic assumptions underlying the 2013 Consolidated Budget include a real GDP growth rate of 3.4 per cent., nominal GDP of UAH 1,576.0 billion, annual CPI inflation of 4.8 per cent., WPI inflation of 5.5 per cent. and an average exchange rate of UAH 8.40 to U.S.\$1.00. In 2013, actual revenues and expenditures amounted to approximately UAH 442.7 billion and UAH 505.8 billion, respectively, with the actual budget deficit amounting to UAH 63.6 billion.

2014 Consolidated Budget

The 2014 Consolidated Budget, as amended, contemplated revenues UAH 490.9 billion, expenditure of UAH 588.2 billion and a budget deficit of UAH 102.7 billion (or 6.7 per cent. of GDP). Basic assumptions underlying the 2014 Consolidated Budget include a real GDP decline rate of 3.0 per cent., nominal GDP of UAH 1,524.2 billion, annual CPI inflation of 12.0 per cent., WPI inflation of 12.3 per cent. and an average exchange rate of UAH 10.0 to U.S.\$1.00. In 2014, actual revenues and expenditures amounted to UAH 456.1 billion and UAH 523.1 billion respectively, with the actual Budget deficit amounting to UAH 72.0 billion.

2015 Consolidated Budget

The 2015 Consolidated Budget, as amended, contemplated revenues of UAH 635.7 billion, expenditure of UAH 717.3 billion and a budget deficit of UAH 93.0 billion (or 5.0 per cent. of GDP). Basic assumptions underlying the 2015 Consolidated Budget included a real GDP decline rate of 5.5 per cent., nominal GDP of UAH 1,850.2 billion, annual CPI inflation of 126.7 per cent., WPI inflation of 126.5 per cent. and an average exchange rate of UAH 21.7 to U.S.\$1.00.

In 2015, actual revenues and expenditures amounted to UAH 652.0 billion and UAH 679.8 billion, respectively, with the actual Budget deficit amounting to UAH 30.9 billion.

2016 Consolidated Budget

The 2016 Consolidated Budget contemplates revenues of UAH 703.9 billion, expenditure of UAH 765.3 billion and a budget deficit of UAH 83.7 billion (or 3.7 per cent. of GDP).

Basic assumptions underlying the 2016 Consolidated Budget include a real GDP increase rate of 2.0 per cent., nominal GDP of UAH 2,262.0 billion, annual CPI inflation of 112.0 per cent., WPI inflation of 110.4 per cent. and an average exchange rate of UAH 24.1 to U.S.\$1.00.

The Consolidated Budget Revenues

The following table sets out actual sources of revenue for the Consolidated Budget for the years ended 31 December 2011, 2012, 2013, 2014 and for 2015:

	Year ended 31 December			
	2012	2013	2014	2015
	<i>(in UAH millions)</i>			
Tax revenues	360,567.2	353,968.1	367,511.9	507,635.9
Direct taxes	141,967.9	147,165.0	135,300.5	153,572.0
<i>of which:</i>				
Personal income tax	68,092.4	72,151.1	75,202.9	99,983.2
Corporate income tax	55,793.0	54,993.8	40,201.5	39,053.2
Land tax	12,581.7	12,802.9	12,083.9	3,558.8
Property tax (motor vehicle tax)	685.2	576.7	398.9	1.8
Uniform tax for small business ⁽²⁾	4,815.6	6,640.5	7,413.3	10,975.1
Indirect taxes	218,599.3	206,803.1	232,211.4	354,063.9
<i>of which:</i>				
VAT	138,826.8	128,269.3	139,024.3	178,452.4
Excise tax on domestic goods (products)	28,661.0	27,721.3	28,244.2	38,783.8
Excise tax on imported goods (products)	9,767.8	8,946.8	16,855.4	24,326.8
Import duty	12,985.8	13,264.6	12,388.6	39,881.0
Export duty	200.8	77.9	220.1	419.8
Other taxes	28,157.1	28,523.2	35,478.9	72,200.1
Non tax revenues	80,923.3	84,981.0	80,612.8	140,154.4
<i>of which:</i>				
Entrepreneurial and property income	32,808.6	33,744.2	28,806.8	71,563.0
Administrative fees and charges non-commercial sale income	7,174.0	7,088.8	6,888.9	17,854.5
Other non-tax revenue ⁽³⁾	40,940.6	44,148.1	44,917.0	50,737.0
Capital revenue	2,985.8	1,637.0	2,015.8	1,799.5
From foreign governments and international organisations	222.9	1,529.3	5,383.0	1,882.2
Special funds ⁽²⁾	826.1	673.3	543.9	558.9
Payments to Fund of Social Insurance of Disabled of Ukraine	254.6	202.7	161.7	154.9
Special funds established by parliament of Autonomous Republic of Crimea, local governmental bodies and authorities	571.6	470.6	382.2	403.9
Total revenues	445,525.3	442,788.7	456,067.3	652,031.0

(1) Includes own source revenues of budgetary institutions and organisations.

(2) From 1 January 2015 includes recovered funds embezzled through corruption.

Source: Ministry of Finance

Tax Revenues

In 2014, tax revenues of the Consolidated Budget amounted to UAH 367.5 billion, in 2013, tax revenues of the Consolidated Budget amounted to UAH 354.0 billion, a decrease of UAH 6.6 billion (or 1.8 per cent.) as compared to UAH 360.6 billion for 2012. The Government estimated the lost revenues of consolidated budget from occupation of the Republic of Crimea in 2014 at UAH 9.8 billion and the lost revenues of consolidated budget from the Eastern Ukraine in 2014 at UAH 13.2 billion.

Corporate Income Tax

The current corporate income tax rate is 18 per cent. The gradual decrease intended in the rate of corporate income tax from 18 per cent. to 16 per cent. was abolished as a part of 2014 austerity measures. There are certain exceptions to the general corporate income tax rate including for businesses in the insurance industry.

Traditionally, corporate income tax constituted significant part of overall revenue of the consolidated budget of Ukraine. However, due to crisis and overall deterioration of Ukrainian economies tax revenues related to the corporate income tax decreased from UAH 55.8 billion in 2012, UAH 55.0 billion in 2013 and UAH 40.2 billion in 2014 to UAH 39.1 billion in 2015. The proportion of corporate income tax in tax revenues of the consolidated budget and in overall revenues of the consolidated budget was, respectively, 15.5 per cent. and 12.5 per cent. in 2012, 15.5 per cent. and 12.4 per cent. in 2013, 10.9 per cent. and 8.8 per cent. in 2014 and fell to 7.7 per cent. and 6.0 per cent. in 2015.

Personal Income Tax

In 2012, 2013 and 2014 the personal income tax revenues of the Consolidated Budget amounted to UAH 68.1 billion, UAH 72.2 billion and 75.2 that constituted approximately 15.3 per cent. of total revenue and 18.9 per cent. of total tax revenues of the 2012 Consolidated Budget; 16.3 per cent. of total revenue and 20.4 per cent. of total tax revenue of the 2013 Consolidated Budget; 16.5 per cent. of total revenue and 20.5 per cent. of total tax revenue of the 2014 Consolidated Budget; and 15.3 per cent. of total revenue and 19.7 per cent. of total tax revenue of the 2015 Consolidated Budget.

In addition to personal income tax, wages of individuals are subject to the single social contribution at the rate of 22 per cent (from 1 January 2016). However, the single social tax contribution has to be paid on the employers' account. Maximum amount taxable with the single social contribution is capped at 25 living minimums (UAH 34,450).

VAT

VAT collection constitutes a large proportion of revenues of the Consolidated Budget; actual revenues collected amounted to approximately 31.2 per cent. of total revenue and 38.5 per cent. of total tax revenues of the 2012 Consolidated Budget; and 29.0 per cent. of total revenue and 36.2 per cent. of total tax revenue of the 2013 Consolidated Budget; 30.5 per cent. of total revenue and 37.8 per cent. of total tax revenue of the 2014 Consolidated Budget as at 31 July 2014; and 27.4 per cent. of total revenue and 35.2 per cent. of total tax revenue of the 2015 Consolidated Budget.

The Consolidated Budget Expenditure

The 2012 Consolidated Budget, as amended, contemplated social expenditure at 57.9 per cent. of the Consolidated Budget. Of this amount, the 2012 State Budget Law made provision for State Budget social expenditure of 43.2 per cent. In 2012, actual social expenditure amounted to 60.7 per cent. of Consolidated Budget expenditure and 45.1 per cent. of State Budget expenditure. This included healthcare (11.9 per cent. of Consolidated Budget expenditure and 4.2 per cent. of State Budget expenditure) and education (20.6 per cent. and 11.2 per cent., respectively). Furthermore, some

expenditure, for example, in relation to the social programmes surrounding the rehabilitation of Chernobyl victims, is classed as protected and equates to approximately UAH 86.7 billion of the 2012 Consolidated Budget. In 2012 the actual Consolidated Budget expenditures for debt servicing amounted to UAH 25.2 billion.

The 2013 Consolidated Budget, as amended, contemplated social expenditure at 61.3 per cent. of the Consolidated Budget. Of this amount, the 2013 State Budget Law as amended made provision for State Budget social expenditure of 46.2 per cent. In 2013, actual social expenditure amounted to 64.4 per cent. of Consolidated Budget expenditure and 47.8 per cent. of State Budget expenditure. In 2013, the actual Consolidated Budget expenditures for debt servicing amounted to UAH 33.2 billion.

The 2014 Consolidated Budget as amended contemplated social expenditure at 58.8 per cent. of the total amount of expenditures of Consolidated Budget. The 2014 State Budget Law makes provision for State Budget social expenditure of 42.3 per cent. of the total amount of expenditures of the State Budget. In 2014, actual social expenditure amounted to 59.1 per cent. of Consolidated Budget and 41.6 per cent. of the State Budget. In 2014 the actual Consolidated Budget expenditures for debt servicing amounted to UAH 49.4 billion and for the state defence amounted to UAH 27.4 billion.

The 2015 Consolidated Budget contemplated social expenditure at 54.8 per cent. of the total amount of expenditures of Consolidated Budget. In 2015 actual social expenditure amounted to 55.6 per cent. of Consolidated Budget and 37.7 per cent. of the State Budget. In 2015 the actual Consolidated Budget expenditures for debt servicing amounted to UAH 86.2 billion and for the state defence amounted to UAH 52.0 billion.

Local Budgets

On 1 April 2014, the Government of Ukraine approved a programme (the “**Local Authority Programme**”) intended to focus on the reform of local administration and territorial organisation (the “**Conception**”) the purpose of which is to establish an effective local government and territorial organisation of state authority, provide qualified services as well as to protect the interests of the State and local community. In addition, in order to comply with the Local Authority Programme, the Government passed a resolution approving an action plan for the implementation of the Local Authority Programme including a number of proposals to amend the Budget and Tax Code of Ukraine. The Local Authority Programme also provides for a new approach to the reallocation of resources and redistribution of competence at all budget levels, including national, regional and local. The transfer policy and inter-budget relations are to be reformed as well.

The main goals of the Local Authority Programme are budget autonomy and financial independence of local budgets, encouragement of the solvent citizens by local budget as well as implementation of a new mechanism of budget regulation. These goals are to be implemented through: (i) implementation of a two-tier budget model; (ii) formation of sole income basket; (iii) cancellation of medium term credit; (iv) establishment of the unified standards of charges for all budgets; (iv) transfer financing of certain budget programmes to local budgets; and (v) establishment of new types of inter budgets transfers.

In view of the amendments to the Budget Code and the Law of Ukraine “On voluntary union of territorial communities” dated 5 February 2015, the transition to two-tier budget model has commenced with effect from 1 January 2016. In addition, 159 new unified territorial communities having direct relations with the State Budget have been created.

As at the date of this Listing Prospectus, 792 local budgets have the direct interbudgetary relations with the State Budget.

The 2012 State Budget Law (as amended) estimated interbudgetary transfers in 2012 totalling UAH 128.4 billion. In 2012, actual interbudgetary transfers from the State Budget to local budgets amounted to UAH 123.7 billion. The 2013 State Budget Law (as amended) estimated interbudgetary transfers to local budgets totalling UAH 118.6 billion in 2013. In 2013, interbudgetary transfers to local budgets were UAH 115.8 billion. The 2014 State Budget Law, as amended, estimated

interbudgetary transfers to local budgets totalling UAH 136.4 billion. In 2014, interbudgetary transfers to local budgets were UAH 131.4 billion. The 2015 State Budget Law, as amended, estimated interbudgetary transfers to local budgets totalling UAH 175.7 billion. In 2015, interbudgetary transfers to local budgets were UAH 174.0 billion. The 2016 State Budget Law estimates interbudgetary transfers to local budgets totalling UAH 183.3 billion.

PUBLIC DEBT

When calculating its public debt figures (including for the purposes of this section) Ukraine takes into account only liabilities of the State (the Government) for which specific bonds or loans have been issued. The data relating to borrowings and repayments in this section does not include borrowings disbursed to the Special Fund of the State Budget in 2015 or previous years and also take no account of repayments from the Special Fund to the State Budget. See “—Special Fund Borrowings”. The data relating to outstanding State debt includes the debt raised through such borrowings. In some tables shown below, borrowings, outstanding State debt and debt servicing data are presented excluding debt owed to the IMF, which is accounted for as a liability of the NBU as opposed to debt owed to the IMF that is accounted for as a direct debt of the Government (for more information on this see the relevant tables and notes). For the purposes of this Listing Prospectus, ratios of total debt and/or State external debt to GDP were calculated based on nominal GDP converted into U.S.\$ using the period end exchange rates specified under the heading “The Monetary System—Exchange Rates”.

Debt Management Policy

The Budget Code establishes the current legal framework for various types of State borrowing including direct and guaranteed borrowing, State guaranteed borrowings and borrowings by the NBU, including limits on State indebtedness. The cap for State debt (direct debt) was set by the 2012 State Budget Law at UAH 424.0 billion (U.S.\$52.3 billion), and by the 2013 State Budget Law (as amended) at UAH 502.5 billion (U.S.\$62.0 billion), without any breakdown for internal and external State debt. The current limit for 2014 and 2015 is UAH 806.96 billion (U.S.\$67.2 billion) and UAH 1,393.95 billion (U.S.\$67.2 billion), respectively.

The total outstanding State debt of Ukraine (direct debt) as at 31 December 2013 amounted to approximately UAH 480.2 billion (U.S.\$60.1 billion), of which approximately UAH 104.1 billion (U.S.\$13.1 billion) was State guaranteed debt.

Total debt of Ukraine (including the IMF debt) as a percentage of GDP, including both State debt (direct debt) and State guaranteed debt (contingent liabilities), was 36.7 per cent. as at 31 December 2012, 39.9 per cent. as at 31 December 2013, 69.4 per cent. as at 31 December 2014 and 79.4 per cent. in 2015. In 2012-2013, the ratio of total debt to GDP increased due to the increase of the State Budget deficit decline of GDP growth. In 2014, the increase of public debt continued due to the devaluation of the hryvnia against the U.S. dollar and the euro and financing of the State Budget deficit. Other relevant factors included the need for additional financing due to falling levels of GDP, the need to support the financial system, the postponement of a number of planned privatisations and additional unexpected expenditures, such as military efforts in Eastern Ukraine.

According to the Budget Code of Ukraine, the volume of total State debt and State guaranteed debt at the end of the budget period (31 December of each year) should not exceed 60 per cent. of the annual nominal gross domestic product of Ukraine. In case this threshold is exceeded the Cabinet of Ministers of Ukraine must submit the action plan to bring the total public debt and guaranteed debt to established requirements for approval by Parliament.

The State external debt (direct debt) as a percentage of GDP was 14.9 per cent. as at 31 December 2012, 15.2 per cent. as at 31 December 2013, 30.6 per cent. as at 31 December 2014 and 41.7 per cent. as at 31 December 2015. The ratio of State external debt service (including principal and interest payments, but excluding debt owed to the IMF by the NBU) to GDP was 2.6 per cent. for the year ended 31 December 2012, approximately 3.3 per cent. for the year ended 31 December 2013., 4.3 per cent. for the year ended 31 December 2014 and approximately 2.3 per cent. for the year ended 31 December 2015. See “*Risk Factors—Risk Factors Relating to Ukraine—Ukraine has experienced liquidity difficulties in the past and continues to be subject to a significant liquidity risk, which may be exacerbated by Ukraine’s higher debt service obligations and higher cost of funding over the next several years compared to the recent past.*”

The following table sets out the total outstanding debt obligations of the State as at the dates indicated:

	As at 31 December						As at 29
	2013		2014		2015		February
	(in U.S.\$ billions)	(% of GDP)	(in U.S.\$ billions)	(% of GDP)	(in U.S.\$ billions)	(% of GDP)	2016 (in U.S.\$ billions)
Total debt.....	73.11	40.2	69.81	69.4	65.49	79.4	65.35
State debt (direct debt).....	60.08	33.0	60.06	59.7	55.58	67.4	54.85
Internal debt (direct debt) ⁽¹⁾ ..	32.15	17.7	29.24	29.1	21.17	25.7	20.13
External debt (direct debt)	27.93	15.3	30.82	30.6	34.41	41.7	34.72
<i>of which:</i> debt to the IMF owed by the Government	3.54	1.9	3.65	3.6	5.34	6.5	5.32
State guaranteed debt (contingent liabilities).....	13.03	7.2	9.75	9.7	9.91	12.0	9.50
Internal debt ⁽¹⁾	3.39	1.9	1.77	1.8	0.89	1.1	0.77
External debt.....	9.64	5.3	7.99	7.9	9.02	10.9	8.73
<i>of which:</i> debt to the IMF owed by the NBU	1.65	0.9	2.06	2.0	5.33	6.5	5.31

Note:

(1) Hryvnia amounts have been converted to dollar amounts using the period end exchange rate specified under the heading “The Monetary System—Exchange Rates”.

Source: Ministry of Finance

The following table sets out Ukraine’s total State debt service obligations and total State borrowings incurred (not including contingent liabilities and debt owed by the NBU to the IMF) for the periods indicated:

	Year ended 31 December				As at 29
	2012	2013	2014	2015	February
	(in UAH millions)				2016
Total State debt service	11,450	13,932	2,533	813	968
Internal State debt service ⁽¹⁾	6,910	7,950	1,283	1,227	847
Principal.....	4,749	5,238	56	99	483
Interest	2,161	2,712	23,847	22,887	364
External State debt service.....	4,540	5,982	16,576	4,632	121
Principal.....	3,672	4,750	7,271	18,255	80
<i>of which:</i> debt to the IMF owed by the Government	786	2,503	1,000	13,302	—
Interest	868	1,232	6,271	4,953	41
<i>of which:</i> debt to the IMF owed by the Government	158	101	2,978	2,634	28
Total State borrowings incurred	12,795	19,635	2,533	813	1,852
Internal borrowing ⁽¹⁾	7,945	13,635	1,283	1,227	1,536
External borrowing	4,850	6,000	56	99	316
Securities issued by the State.....	4,850	5,250	23,847	22,887	316
Multilateral creditors	—	—	16,576	4,632	—
<i>of which:</i> IMF loans to the Government	—	—	7,271	18,255	—

Note:

(1) Hryvnia amounts have been converted to dollar amounts using the official exchange rate set by the NBU as at the date of the relevant payment.

Source: Ministry of Finance

The following table sets out Ukraine's estimated State debt service obligations for the periods indicated:

	Year ended 31 December		
	2016	2017	2018
	<i>(in U.S.\$ millions)</i>		
Principal payments	5,271.9	4,533.4	8,825.1
Internal debt ⁽¹⁾	4,712.9	3,429.4	6,735.0
External debt.....	559.0	1,104.0	2,090.1
Interest payments	3,758.9	4,033.9	4,266.3
Internal debt ⁽¹⁾	2,412.2	2,549.5	2,509.5
External debt.....	1,346.7	1,484.4	1,756.8
Total payments	9,030.8	8,567.3	13,091.4

Note:

(1) Hryvnia amounts have been converted to dollar amounts using an assumed average UAH/U.S.\$ exchange rate of UAH 24.4 to U.S.\$1.00 for 2016, UAH 27.8 to U.S.\$1.00 for 2017 and UAH 28.1 to U.S.\$1.00 for 2018

Source: Ministry of Finance

The 2012 State Budget Law (as amended) anticipated total State debt service payments (including principal and interest payments, but excluding debt owed to the IMF by the NBU) of UAH 91.5 billion. In 2012, payments of principal amounted to UAH 67.3 billion, 53.2 per cent. of which (or UAH 38.0 billion) were internal debt payments and 46.8 per cent. (or UAH 29.4 billion) of which were external debt payments. Payments of interest amounted to UAH 24.2 billion. State borrowing for the General Fund of the State Budget was budgeted at approximately UAH 97.0 billion, which was UAH 12.2 billion more than the amended plan for 2011. In 2012, State borrowing for the General Fund of the State Budget amounted to UAH 103.0 billion, including external borrowing for the General Fund of UAH 38.8 billion and internal borrowing for the General Fund of approximately UAH 64.2 billion. In 2012, 37.6 per cent. of borrowing was external and 62.4 per cent. internal.

The 2013 State Budget Law (as amended) provided for anticipated total State debt service payments (including principal and interest payments, but excluding debt owed by the NBU to the IMF) of UAH 116.0 billion. Payments of principal amounted to UAH 81.1 billion, 56.1 per cent. of which (or UAH 45.5 billion) were internal debt payments and 43.9 per cent. (or UAH 35.6 billion) of which were external debt payments. Payments of interest amounted to UAH 35.0 billion. State borrowing for the General Fund of the State Budget was budgeted at approximately UAH 148.8 billion, which is UAH 51.8 billion more than the amended plan for 2012, including external borrowing for the General Fund of UAH 41.1 billion and internal borrowing for the General Fund of approximately UAH 107.7 billion. In 2013, 27.6 per cent. of borrowing was external and 72.4 per cent. internal.

The 2014 State Budget Law (as amended) provided for anticipated total State debt service payments (including principal and interest payments, but excluding debt owed to the IMF by the NBU) of UAH 155.5 billion. Payments of principal amounted to UAH 109.1 billion, 62 per cent. of which (or UAH 67.6 billion) are internal debt payments and 38 per cent. (or UAH 41.5 billion) of which were external debt payments. Payments of interest amounted to UAH 46.3 billion. State borrowing for the General Fund of the State Budget was budgeted at approximately UAH 256.5 billion (including the Notes), including external borrowing for the General Fund of UAH 84.2 billion and internal borrowing for the General Fund of approximately UAH 172.4 billion. In 2014, 32.8 per cent. of borrowings were external and 67.2 per cent. were internal.

The 2015 State Budget Law (as amended) provided for total State debt service payments (including principal and interest payments, but excluding debt owed to the IMF by the NBU) of UAH 344.3 billion. Payments of principal amounted to UAH 251.6 billion, 50.9 per cent. of which (or UAH 128.0 billion) are internal debt payments and 49.1 per cent. (or UAH 123.6 billion) of which were external debt payments. Payments of interest amounted to UAH 84.5 billion. State borrowing for the General Fund of the State Budget was budgeted at approximately UAH 382.8 billion (excluding the amounts of issued securities for restructuring of the state debt and state guaranteed debt), including external borrowing for the General Fund of UAH 272.6 billion and internal borrowing for the General Fund of

approximately UAH 110.2 billion. In 2015, 79.8 per cent. of borrowings were external and 20.2 per cent. were internal.

The 2016 State Budget Law provides for anticipated total State debt service payments (including principal and interest payments, but excluding debt owed to the IMF by the NBU) of UAH 234.3 billion. Payments of principal are expected to amount to UAH 135.2 billion, 89.7 per cent. of which (or UAH 121.3 billion) are internal debt payments and 10.3 per cent. (or UAH 13.9 billion) of which are external debt payments. Payments of interest will amount to UAH 99.1 billion. It is expected that the State borrowing for the General Fund of the State Budget will amount to UAH 203.0 billion (excluding the amounts of issued securities for restructuring of the state debt and state guaranteed debt), including external borrowing for the General Fund of U.S.\$4.3 billion and internal borrowing for the General Fund of approximately UAH 98.4 billion. In 2016, it is expected that 51.4 per cent. of borrowings will be external and 48.6 per cent. will be internal.

Internal Debt

Internal debt of Ukraine comprises three categories: (i) securities issued by the State (T-bills and other obligations); (ii) rescheduled Government debt owed to the NBU; and (iii) State guaranteed debt (including obligations guaranteed by the State and Government bonds issued during the Soviet period).

The State Budget Law sets the limit either for State internal debt (direct debt) specifically, or, alternatively, a combined limit for State internal and external debt (direct debt) for each year, although in certain cases the relevant Budget Law may permit additional borrowing by the Government in certain extraordinary cases. In addition, the Budget Code permits the Government to switch borrowing sources (from external to internal or vice versa) provided that the combined limit on State debt is complied with.

The following table sets out the total outstanding internal debt obligations of the State and the cap on internal debt under the budget as at the dates indicated:

	Year ended 31 December				As at 29 February
	2012	2013	2014	2015	2016
	<i>(in UAH million)</i>				
State internal debt (direct debt)	190,299.3	256,959.6	461,003.6	508,001.1	544,518.17
<i>of which:</i>					
Obligations under T-bills	187,257.5	254,050.0	458,226.3	505,356.1	541,773.5
of which denominated in foreign currency	22,303.5	49,117.6	67,112.8	61,075.8	84,680.5
Obligations to the NBU ⁽¹⁾	3,041.8	2,909.6	2,777.3	2,645.1	2,645.05
State guaranteed debt (contingent liabilities)	16,211.4	27,129.2	27,863.3	21,459.5	20,950.25
Total internal debt	206,510.7	284,088.7	488,866.9	529,460.6	565,468.42
Budget cap for State debt (direct debt) ⁽²⁾	424,004.3 ⁽³⁾	502,480.8 ⁽⁴⁾	968,354.6 ⁽⁵⁾	1,393,950.8 ⁽⁶⁾	1,501,479.6 ⁽⁷⁾

Notes:

- (1) Including debt owed to the NBU undertaken to finance the budget deficits in 1994 to 1996, which debt was restructured in April 2000.
- (2) Including the hryvnia denominated and dollar denominated State internal debt. The dollar denominated State internal debt is converted to the hryvnia at the exchange rate assumed for purposes of the Law of Ukraine "On the State Budget of Ukraine" for the relevant year. See "Public Finance and Fiscal Policy—The State Budget Revenues".
- (3) The 2012 State Budget Law limits State debt in 2012 to UAH 424,004.3 million, making no distinction between internal and external State debt.
- (4) The 2013 State Budget Law limits State debt in 2013 to UAH 502,480.8 million, making no distinction between internal and external State debt.
- (5) The 2014 State Budget Law limits State debt in 2014 to UAH 968,354.6 million, making no distinction between internal and external State debt.
- (6) The 2015 State Budget Law limits State debt in 2015 to UAH 1,393,950.8 million, making no distinction between internal and external State debt.
- (7) The 2016 State Budget Law limits State debt in 2015 to UAH 1,501,479.6 million, making no distinction between internal and external State debt.

Source: Ministry of Finance

The table below sets out the total amount of State internal debt through T-bills and State savings bonds issued in each of the periods presented:

	Year ended 31 December				As at 29 February
	2012	2013	2014	2015	2016
	<i>(UAH million)</i>				
T-bills	186,431.3	252,451.4	458,137.9	505,257.4	541,773.52
Less than one year maturity	–	2,914.8	1,015.0	0.0	50.0
One to three years maturity	59,634.5	60,789.4	95,599.6	74,620.2	96,723.34
Four to five years maturity	34,264.0	81,835.5	134,302.0	164,078.9	164,167.36
Six to ten years maturity	87,182.8	101,561.7	200,154.9	204,458.9	158,174.91
Over ten years maturity	5,350.0	5,350.0	27,066.5	62,099.5	122,657.91
State savings bonds	826.2	1,598.6	88.4	98.6	99.60

Source: Ministry of Finance

As at 31 December 2012, 2013, 2014, 2015 and 29 February 2016 the ratio of State internal debt (direct debt) to total State internal and external debt (direct debt) was approximately 47.7 per cent., 53.5 per cent., 48.7 per cent., 38.1 per cent. and 36.7 per cent., respectively.

In 2012, the average weighted T-bill yield was 13.57 per cent. in hryvnia, 8.9 per cent. in U.S. dollars and 4.8 per cent. in euro. As at 31 December 2013, the average annual weighted T-bill yield was 13.13 per cent. in hryvnia, 7.63 per cent. in U.S. dollars and 4.80 per cent. in euro. In 2014, the

average annual weighted T-bill yield was 15.25 per cent. in hryvnia, 6.05 per cent. in U.S. dollars and 7.50 per cent. in Euro. In 2015, the average annual weighted T-bill yield was 17.00 per cent. in hryvnia and 8.74 per cent. in U.S. dollars.

International investment in T-bills is currently limited. As at 31 December 2015, non-residents held approximately 4.45 per cent. of all outstanding T-bills. The Government is wary of the inflationary pressure and instability that non-resident investment in T-bills can create in the money market and certain restrictions under Ukrainian legislation therefore apply to foreign investment in T-bills.

State Savings Bonds

In 2012, a new issue of the State saving bonds denominated in U.S. dollars was made and as at 31 December 2012 and as at 31 December 2013, such debt obligations were sold to the public in the amount of U.S.\$103.7 million and U.S.\$98.35 million, respectively. Since 21 May 2014, Ukraine issued new State savings bonds of the series "Military". As at 31 December 2015 and as at 29 February 2016, these bonds were sold in the total amount of UAH 99.89 million and UAH 100.9 million, respectively.

Foreign currency T-bills

On 15 December 2011, Parliament approved a law allowing issuances of foreign currency T-bills by the Government. Subsequently the Government issued U.S.\$2.9 billion of US dollar denominated T-bills and EUR 275.0 million of Euro denominated T-bills in 2012. In 2013, the Government issued U.S.\$5.3 billion of US dollar denominated T-bills and EUR 110.0 million of Euro denominated T-bills. In 2014 Government issued U.S.\$792.5 billion of US dollar denominated T-bills and EUR 40.0 million of Euro denominated T-bills. In 2015 and as at 29 February 2016, the Government issued U.S.\$643.4 million and U.S.\$915.7 million of US dollar denominated T-bills, respectively.

External Debt

External debt of Ukraine comprises five categories: (i) securities (Eurobonds) issued by the State, (ii) loans from international financial organisations, (iii) loans from foreign governments, (iv) loans from foreign banks, and (v) State guaranteed debt (including obligations under external loans guaranteed by the State).

As at 31 December 2012, Ukraine's external debt was approximately U.S.\$38.6 billion, including State debt (direct debt) of U.S.\$26.1 billion and State guaranteed debt of U.S.\$12.5 billion. As at 31 December 2013 Ukraine's external debt was U.S.\$37.6 billion, including State debt (direct debt) of U.S.\$27.9 billion and State guaranteed debt of U.S.\$9.7 billion. As at 31 December 2014, Ukraine's external debt was U.S.\$38.8 billion, including State debt (direct debt) of U.S.\$30.8 billion and State guaranteed debt of U.S.\$8.0 billion. As at 31 December 2015, Ukraine's external debt was U.S.\$43.4 billion, including State debt (direct debt) of U.S.\$34.4 billion and State guaranteed debt of U.S.\$9.0 billion. As at 29 February 2016, Ukraine's external debt was U.S.\$43.4 billion, including State debt (direct debt) of U.S.\$34.7 billion and State guaranteed debt of U.S.\$8.7 billion.

In 2012 the aggregate amount of State external debt service payments (including principal and interest but excluding debt owed to the IMF by the NBU) amounted to U.S.\$4,540.0 million, respectively.

In 2013 and 2014, the aggregate amount of State external debt service payments (including principal and interest payments but excluding debt owed to the IMF by the NBU) amounted to U.S.\$5,981.8 million and U.S.\$5,186.3 million, respectively, largely due to the scheduled repayment of debt owed to the IMF by the Government. In 2015, the amount of State external debt service payments (including principal and interest payments but excluding debt owed to the IMF by the NBU) amounted to U.S.\$2,115.1 million. As at 29 February 2016, the amount of State external debt service payments (including principal and interest payments but excluding debt owed to the IMF by the NBU) amounted to U.S.\$120.9 million.

The following tables set out Ukraine's (i) State external debt structure as at 31 December 2012, 2013, 2014 and 2015; (ii) estimated payments of State external debt service for the years 2016 to 2022; and (iii) estimated IMF debt service for 2016 to 2019:

State External Debt Structure

	As at 31 December				As at 29 February
	2012	2013	2014	2015	2016
State external debt (direct debt)	26,137.7	27,931.8	30,822.5	34,427.0	34,720.26
<i>of which:</i>					
Multilateral borrowings (IFI loans)....	10,020.9	7,744.7	10,723.2	14,059.2	14,018.65
<i>of which:</i>					
EBRD.....	533.8	596.3	594.2	582.2	591.01
EIB.....	400.8	535.9	485.3	522.1	519.32
EU.....	—	—	1,658.8	2,414.6	2,432.33
Debt to the IMF owed by the					
Government	6,054.5	3,542.4	3,651.9	5,341.8	5,324.82
World Bank.....	3,031.8	3,070.1	4,333.0	5,198.5	5,151.18
Bilateral borrowings	1,138.4	910.7	1,038.3	1,362.8	1,387.09
<i>of which:</i>					
Russia.....	801.4	703.6	605.9	605.9	605.86
United States.....	33.1	11.9	10.4	9.0	9.02
France	2.8	—	—	—	—
Japan.....	230.3	181.9	241.5	233.7	249.10
Germany	60.3	13.3	8.5	226.2	227.82
Italy.....	10.6	—	—	—	—
SDR allocations received to the					
State Budget.....	1,887.3	1,897.5	1,779.1	1,701.7	1,696.25
Loans from foreign banks ⁽¹⁾	0.1	0.1	0.1	0.1	0.1
State External Bonds 2003.....	1,000.0	—	—	—	—
State External Bonds 2004.....	—	—	—	—	—
State External Bonds 2005.....	791.0	828.8	731.8	—	—
State External Bonds 2006.....	1,000.0	1,000.0	1,000.0	—	—
State External Bonds 2007.....	700.0	700.0	700.0	—	—
State External Bonds 2010.....	2,000.0	2,000.0	2,000.0	—	—
State External Bonds 2011.....	2,750.0	2,750.0	2,750.0	—	—
State External Bonds 2012.....	4,850.0	5,850.0	4,850.0	—	—
State External Bonds 2013.....	—	4,250.0	4,250.0	3,000.0	3,000.0
State External Bonds 2014.....	—	—	1,000.0	1,000.0	1,000.0
State External Bonds 2015.....	—	—	—	13,302.4	13,618.20
Limit of State external debt (direct debt) under the State Budget Law as at 31 December each year⁽²⁾.....	52,346.2⁽³⁾	62,034.7⁽³⁾	60,522.2⁽³⁾	63,361.4⁽³⁾	68,249.1⁽³⁾
State guaranteed external debt (contingent liabilities).....	12,521.1	9,636.2	7,986.7	9,018.3	8,728.15
<i>of which:</i>					
Multilateral borrowings (IFI loans)....	5,074.2	2,030.0	2,543.7	5,867.8	6,010.20
<i>of which:</i>					
European Atomic Energy Community.....	47.5	39.8	28.6	19.0	19.1
EBRD	113.1	97.9	88.3	126.9	273.98
Debt to the IMF owed by the NBU....	4,727.9	1,648.6	2,058.5	5,329.4	5,312.37
World Bank.....	185.6	243.7	368.3	392.4	399.24
Bilateral borrowings ⁽⁴⁾	247.8	247.8	243.7	195.0	170.59
Loans from foreign banks.....	3,670.9	3,829.5	3,273.4	2,842.7	2,434.87
Other.....	3,528.2	3,528.9	1,926.0	112.9	112.50
Total external debt.....	38,658.8	37,568.0	38,809.3	43,445.4	43,448.41

Notes:

- (1) Figures include DM 100,000 aggregate principal amount of 16 per cent. Notes due 2001 issued on a fiduciary basis by Chase Manhattan Bank Luxembourg S.A. and supported by a fiduciary loan agreement with Ukraine in the same principal amount, as each of the foregoing may be amended from time to time.

- (2) Hryvnia amounts have been converted to dollar amounts at the exchange rate assumed for purposes of the Law of Ukraine “On the State Budget of Ukraine” for the relevant year. See “*Public Finance and Fiscal Policy—The State Budget Revenues*”.
- (3) The 2012, 2013, 2014, 2015 and 2016 State Budget Laws limited State debt, at the respective year ends, to UAH 424,004.3million, UAH 502,480.8 million, UAH 968,354.6million, UAH 1,393,950.8 million and UAH 1,501,479.6 million, without apportioning this between internal and external State debt.
- (4) Bilateral borrowings represent debt owed to Canada.

Source: Ministry of Finance

Estimated State External Debt Service for 2016 to 2022⁽¹⁾:

	2016	2017	2018	2019	2020	2021	2022
	<i>(in U.S.\$ millions)</i>						
State external debt (direct debt)	1,905.7	2,588.3	3,846.9	6,574.9	8,711.5	4,806.7	4,798.9
Interest	1,346.7	1,484.4	1,756.8	1,976.1	1,994.9	1,839.4	1,704.5
Principal.....	559.0	1,103.9	2,090.1	4,598.8	6,716.6	2,967.3	3,094.4

Notes:

(1) 2016 to 2022 for current and estimated debt obligations as at 8 February 2016.

Source: Ministry of Finance

Estimated IMF Debt Service for 2016 to 2019⁽¹⁾:

	2016 ⁽²⁾	2017 ⁽²⁾	2018 ⁽²⁾	2019 ⁽²⁾
	<i>(in U.S.\$ millions)</i>			
Total debt to IMF	287.7	1,215.5	2,495.9	1,972.3
Debt of the Government	157.1	727.0	1,553.5	1,158.2
Interest	157.1	121.4	98.5	69.5
Principal.....	—	605.6	1,455.0	1,088.7
Debt of the NBU.....	121.6	488.5	942.4	814.1
Interest	121.6	150.9	167.9	173.3
Principal.....	—	337.6	774.5	640.8

Notes:

(1) For current debt obligations of the State as at the date of this Listing Prospectus.

(2) SDR amounts have been converted to dollars using an assumed average 2016 to 2019 exchange rate of SDR 1 to U.S.\$1.5.

Source: Ministry of Finance

Commercial Creditors

Since 1997, Ukraine has been regularly issuing bonds in the international capital markets denominated in various foreign currency. As at 31 December 2015, Ukraine has U.S.\$17.3 billion of outstanding bonds in foreign currency in the international capital markets with maturity from 4 till 12 years.

International Financial Institutions

Since Ukraine gained independence, credit from international financial organisations has played a significant role in fostering economic and structural reforms. Resources from these organisations provide long term support for economic growth in an environment of low domestic investment and expensive (and sometimes unavailable) commercial borrowing. Since 1992, Ukraine has received loans amounting to U.S.\$19,038.1 million from the IMF and U.S.\$5.6 billion from the World Bank. As at 31 December 2013, Ukraine and Ukrainian companies had raised approximately €7.1 billion from the EBRD since 1992. See “*Risk Factors—Risk Factors Relating to Ukraine—Inability to obtain financing from external sources (or obtaining them at a significant cost) could affect Ukraine’s ability to meet financing expectations in its budget*”.

As at 31 December 2012, 2013, 2014 and 2015, the total amount of debt owing to the IMF stood at U.S.\$10.8 billion, U.S.\$5.2 billion, U.S.\$5.7 billion and U.S.\$10.7 billion, respectively (including both debt owed to the IMF by the Government and the NBU). The total amount of direct debt owing to other international organisations stood at U.S.\$4.0 billion, U.S.\$4.2 billion, U.S.\$7.1 billion and U.S.\$8.7 billion as at 31 December 2012, 2013, 2014 and 2015, respectively. Repayments of principal and interest in respect of IMF debt totalled approximately U.S.\$944.0 million for 2012, U.S.\$2,604.1

million for 2013, U.S.\$2,604.1 million for 2014 and U.S.\$2,589.4million for 2015. Repayments of principal and interest in respect of debt owed to international organisations other than the IMF amounted to U.S.\$345.9 million in 2012, U.S.\$354.6 million in 2013, U.S.\$280.8 million in 2014 and U.S.\$384.4 million in 2015.

IMF

During the initial phase of Ukraine's market reforms, IMF support was crucial to facilitate monetary reform, support the exchange rate, increase currency reserves, service external debt and finance any payment shortfalls.

More recently, the IMF approved two two-year stand-by arrangements with Ukraine in 2008 (the "2008 SBA") and 2010 (the "2010 SBA") providing a framework for the provision of financial support of up to U.S.\$16.4 billion and U.S.\$15.15 billion, respectively.

In 2008 and 2009, Ukraine received three tranches under the 2008 SBA in the total amount of U.S.\$10.6 billion, U.S.\$4.8 billion of which was earmarked for financing the State Budget deficit, including repayments of external State debt. However, in November 2009, further IMF financing under the 2008 SBA was suspended due to a failure by the IMF and Ukraine to reach an agreement with respect to the results of the third review.

On 2 August 2010, Ukraine received the first tranche of approximately U.S.\$1.89 billion under the 2010 SBA, approximately U.S.\$1.02 billion of which was earmarked for the financing of the State Budget deficit. The second tranche amounting to U.S.\$1.5 billion was received by Ukraine on 27 December 2010, U.S.\$1 billion of which was directed to Ukraine's State Budget. No further disbursements were made under the 2010 SBA in 2011 and 2012, and the 2010 SBA terminated in December 2012.

On 30 April 2014, Ukraine agreed to the 2014 SBA for the provision of up to U.S.\$17 billion from the IMF between 2014 to 2016. On 6 May 2014, Ukraine received the first tranche of U.S.\$3.2 billion. On 29 August 2014 Ukraine received a further, second tranche of U.S.\$1.4 billion of which U.S.\$1 billion will be allocated to the State Budget and U.S.\$400 million will be allocated to NBU reserves. Ukraine expects to receive a further U.S.\$2.8 billion from the IMF before the end of 2014. The provision of the 2014 SBA by the IMF is conditional upon Ukraine meeting certain quantitative targets and implementing a number of structural changes. In late July 2014, Parliament coalition dissolved itself in order to be able to pass the legislation required to maintain the commitment to the fiscal tightening made as a condition to the IMF Loan. In total the State Budget of Ukraine received U.S.\$3.0 billion under 2014 SBA.

On 11 March 2015, the Board of IMF approved the 2015 EFF. On 13 March 2015, Ukraine received the first tranche in the amount of U.S.\$5 billion, U.S.\$2.6 billion of which was allocated to finance the state budget deficit. After first 2015 EFF review by IMF, on 4 August 2015 Ukraine received the second tranche under 2015 EFF in the amount of U.S.\$1.7 billion which was allocated in order to maintain the foreign exchange reserves. The implementation of the 2015 EFF by the IMF is conditional upon Ukraine meeting certain efficiency targets and implementing a number of structural changes

In addition to the stand-by arrangements, Ukraine also receives the IMF's support in the form of SDRs. On 28 August 2009, the IMF allocated to Ukraine 1.017 billion SDRs (equal to U.S.\$1.6 billion) as part of a distribution of approximately 161.2 billion SDRs among 186 shareholder states of the IMF. In September 2009, the IMF made an additional allocation to Ukraine in the amount of 292 million SDRs as part of a special one time distribution of SDRs to IMF members. As at the end of 2010, Ukraine utilised 1.2 billion SDRs of the aggregate amount of such IMF allocations. The amount of SDR allocations received by the State Budget is recorded as State borrowings and, therefore, is included as State debt (direct debt).

World Bank

Between 1992, when Ukraine joined the World Bank, and 31 January 2016, the World Bank has approved 54 loans and four Global Environment Facility grants to Ukraine amounting to over U.S.\$9.2 billion. As at 31 January 2016, U.S.\$8.6 billion had been drawn down under these loans. Loans from the World Bank are directed at supporting the State Budget and reforming the tax, banking, and financial systems, as well as the energy, municipal and State governance sectors. World Bank loans also support social sector and road reconstruction.

The level of funds drawn down under the 10 pending programmes in 2015 amounts to U.S.\$1.13 billion as at 31 January 2016.

In 2014 and 2015, Ukraine and the World Bank started the preparation of six projects, two of which are in the municipal sector in the amount of up to U.S.\$732 million: the project on energy efficiency in the sphere of centralised heat supply in the amount of U.S.\$382 million and the municipal infrastructure development project in the amount of U.S.\$350 million. On 26 May 2014, an agreement was executed between Ukraine and the IBRD for the provision of the loan for above project.

In 2014, Ukraine commenced to introduce a project for the modernisation of the system of social support in Ukraine, which will involve loans from the World Bank of U.S.\$350 million in total, U.S.\$100 million of which will be used to increase the efficiency of social assistance and systems of social services in Ukraine for indigent families and U.S.\$200 million will be used to finance the State Budget deficit. On 9 July 2014 an agreement was executed between Ukraine and the IBRD for the provision of the loan for above project.

In August 2014, a U.S.\$500 million loan was approved aimed at supporting reforms in Ukraine's banking sector. This loans forms part of a package of financial support expected to provide Ukraine with up to U.S.\$3.5 billion by the end of 2014.

In 2015 Ukraine commenced the implementation of the Second Power Transmission Project in the amount of U.S.\$378.43 million and Servicing People, Improving Health Project in the amount of U.S.\$214.73 million. In addition, Ukraine and the World Bank entered into Agreement on Development of the Road Sector project in the amount of U.S.\$560 million.

The World Bank's current programme is intended to assist Ukraine to implement urgent reforms required to return Ukraine's economy to a sustainable growth path.

EIB

Ukraine has cooperated with the EIB since 2005, and a framework agreement with the EIB was signed and came into force in 2006.

The EIB's mandate for 2014 to 2020 authorised lending operations for projects in the transport, energy, municipal infrastructure, telecommunications and environmental protection sectors. The Government expects that the EIB's lending operations in future following the end of that mandate will continue to focus on the transport sector (including construction, repair and modernisation of highways and railways), telecommunications, energy efficiency, energy infrastructure and environmental protection.

As at 31 January 2016, the EIB was involved in 23 projects with Ukraine involving the provision of up to EUR4.0billion under these projects. As at 31 January 2016, EUR282.36 million was drawn down. In addition, as at 31 January 2016, the EIB approved further 8 projects in Ukraine involving the provision of up to a further EUR 1.4 billion and including: Kahovska HPS expansion; construction of Kanivska PSP; rehabilitation of roads; a loan program for electric power projects; construction of Lviv-Krakovets highway; electrification of rail roads; renewal of the rolling stock of Ukrzaliznytsia; and framework programme for higher educational institutions of Ukraine.

EBRD

As at 31 January 2016, the EBRD portfolio in Ukraine included approximately 355 projects, valued at €12.0 billion. From the beginning of Ukraine EBRD relations, significant attention has been paid to funding nuclear safety measures. The EBRD oversees both the Nuclear Safety Account and the Chernobyl Fund “Shelter” established in December 1997 by the G7 and other contributor countries in connection with the clean-up of the Chernobyl nuclear reactor disaster.

The EBRD has also supported projects in food processing, the oil and gas industries, transport, telecommunications, finance and agricultural services, as well as municipal infrastructure projects relating to water supply and heating. In addition, joint projects between Ukraine and the EBRD are underway to introduce of energy saving technologies in the power consuming sectors of the economy.

In addition, as of 31 January 2016, the EBRD approved further projects in Ukraine, involving the provision of up to a further EUR500 million, including: construction of Kanivska PSP; subway extension in Kharkiv..*BSTDB*

Ukraine has also undertaken a number of projects jointly with the Black Sea Trade and Development Bank (“**BSTDB**”), which provides support for projects in the transport, communications and energy sectors and for environmental protection in the Black Sea area. As at 31 December 2015, the aggregate value of loans relating to 30 BSTDB projects implemented in Ukraine was approximately EUR 427.1 million.

Official Creditors

Paris Club

On 13 July 2001, Ukraine reached an agreement with the Paris Club creditors to reschedule U.S.\$581.7 million of debt, to be repaid in 18 equal semi-annual instalments commencing on 30 April 2005 and ending on 31 October 2013 and which was duly repaid. Ukraine paid the Paris Club creditors (other than Russia and Turkmenistan) U.S.\$98.5 million in 2012, U.S.\$97.0 million in 2013, U.S.\$9.4 million in 2014 and U.S.\$19.2 million in 2015. As at 31 December 2015, outstanding debt to Paris Club creditors was approximately U.S.\$757.0 million. As at 29 February 2016, outstanding debt to Paris Club creditors was approximately U.S.\$781.2 million.

Russia

Ukraine’s largest official bilateral creditor is Russia, and despite the current situation, Ukraine’s existing debt to Russia amounts to U.S.\$605.9 million. Since 1997, in exchange for a 20 year lease in favour of the Russian Navy for port facilities in Sevastopol in Crimea, Ukraine was able to benefit from decreased payments under its Russian debt obligations. However, since the recent developments in Crimea, the benefit of this agreement has been lost. From 2001 to 2010, Ukraine’s debt to Russia was reduced by approximately U.S.\$97.8 million annually pursuant to this agreement.

Furthermore, on 17 December 2013, the president of Russia and the former president of Ukraine announced a package of economic and financial support for Ukraine to be provided by Russia. As part of this promised financial package Russia provided U.S.\$3 billion of financial support by purchasing, indirectly, the entirety of Ukraine’s U.S.\$3 billion 5 per cent. notes due 2015. The remainder of the promised U.S.\$15 billion of financial support was suspended following the fall from power of Mr. Yanukovich, but the U.S.\$3 billion notes remain outstanding.

On 31 March 2014, Russia unilaterally terminated the following agreements between Russia and Ukraine (i) the Agreement on Parameters of Division of the Black Sea Fleet dated 28 May 1997, (ii) the Agreement on Status and Conditions of Russian Black Sea Fleet stationing within the territory of Ukraine dated 28 May 1997, (iii) the Agreement on mutual settlements related to the division of Russian Black Sea Fleet and the Black Sea Fleet Stationing within the territory of Ukraine dated 28 May 1997, and (iv) the Agreement on Matters related to Russian Black Sea Fleet stationing within the territory of Ukraine dated 21 April 2010, which extended the stationing of Russia’s Black Sea Fleet in

Sevastopol for a further 25 years from the expiration of the original 20 year term in 2017. Ukraine has officially rejected the termination of the above agreements.

EU

As part of its cooperation with the EU, in 2016 Ukraine expects to receive financial support amounting to up to €1.2 billion from the EU based on the Memorandums of Understanding and the Loan Agreements between Ukraine, NBU and EU with respect to the macro financial assistance in the amount of up to €1.8 billion. The aim of this support is to reduce the external financial pressure on Ukraine, to improve its balance of payments and to strengthen its positions in foreign exchange reserves.. During 2014 and 2015 and as at 1 February 2016, under such EU programs Ukraine received the total amount of EUR 2.2 billion..

Contingent Liabilities

Historically, Ukraine issued guarantees not only in favour of State owned entities, but also other enterprises, including liabilities arising under export credit lines. From 1999 to 2003, Ukraine has been limited to issuing guarantees in favour of State owned entities. The Budget law sets out caps for guarantees provided by Ukraine for any given year. The cap was set at UAH 79.4 billion per year and UAH 50.0 billion for 2012 and 2013, respectively and is currently set at UAH 25 billion for 2014. The exceptional size of the 2012 cap was due to funds being required by State owned companies (as set out below) to attract foreign loans.

Ukraine paid U.S.\$26.0 million in 2012, U.S.\$30.1 million in 2013, U.S.\$130.5 million, U.S.\$82.1 million in 2015 and U.S.\$1.7 billion as at 29 February 2016, pursuant to guarantees.

In addition the IMF recommends caps for the value of guarantees issued in a given year.

As at 31 December 2015, the total value of guarantees currently outstanding provided by Ukraine amounts to UAH 237.9 billion.

The 2012 State Budget Law authorised the Cabinet of Ministers to issue a number of sovereign guarantees in 2012, with a cumulative total not to exceed UAH 79.36 billion, including a sovereign guarantee for UkrEximBank in the amount of U.S.\$150.0 million; a guarantee regarding an issue of domestic bonds issued by the State Mortgage Institution amounting to UAH 2.0 billion; a guarantee of the obligations of “Ukrtransgas” in the amount of EUR53.57 million; a guarantee of the State Agency of Highways of Ukraine amounting to UAH 14.0 billion; a guarantee for the State enterprise “Financing of Infrastructure Projects” of U.S.\$550.0 million; a guarantee of the U.S.\$3,656.0 million loan facility agreement between Naftogaz and State Development Bank of China; and a guarantee of loan agreements of U.S.\$3,000.0 million between PJSC “State Food Grain Corporation of Ukraine” and the Export-Import Bank of China.

The 2013 State Budget Law authorised the Cabinet of Ministers to issue a number of sovereign guarantees in 2013 with the cumulative total not exceeding UAH 50.0 billion. In 2013, Ukraine granted sovereign guarantees in the total amount of UAH 21.9 billion.

The 2014 State Budget Law authorised the Cabinet of Ministers to issue sovereign guarantees in 2014 with a cumulative total amount not exceeding UAH 25 billion. In 2014, Ukraine granted sovereign guarantees in the total amount of UAH 17.4 billion.

The 2015 State Budget Law authorised the Cabinet of Ministers to issue sovereign guarantees in 2015 with a cumulative total amount not exceeding UAH 26 billion. In 2014, Ukraine granted sovereign guarantees in the total amount of UAH 7.4 billion.

The 2016 State Budget Law authorised the Cabinet of Ministers to issue sovereign guarantees in 2016 with a cumulative total amount not exceeding UAH 28.9 billion.

Special Fund Borrowings

In addition to borrowing accounted for in the General Fund of the State Budget, certain Government borrowing is accounted for in the Special Fund of the State Budget. Such borrowing includes certain loans from international financial organisations and special issuances of T-bills to replenish the Stabilisation Fund, including for the purpose of financing the Euro 2012 Championships in Ukraine and the Agrarian Fund, although the majority of financing from international financial organisations and T-bill issuances is accounted for in the General Fund of the State Budget. The amount of borrowing of the Special Fund amounted to UAH 6,800.6 million (U.S.\$851.3 million), UAH 3,938.1 million (U.S.\$491.4 million) and UAH 22,390.9 million (U.S.\$1,838.9 million) in 2012, 2013, 2014 and 2015, respectively. In 2015, the amount of borrowing of the Special Fund was UAH 6,740,5 million (U.S.\$301.5 million). As at 29 February 2016, the amount of borrowing of the Special Fund was UAH 780.0 million (U.S.\$30.0 million).

The following table sets out the borrowing made by the Special Fund of the State Budget and repayments of principal from the Special Fund of the State Budget in the periods indicated (no interest payments from the Special Fund of the State Budget were made in these periods):

	Year ended 31 December				As at 29
	2012	2013	2014	2015	February
	<i>(in U.S.\$ millions)</i>				2016
Borrowing accounted for in the Special Fund	851.3	439.7	1,838.9	301.5	30
Internal borrowing	325.3	—	1,494.8	—	—
External borrowing	526.0	439.7	344.1	301.5	30
Repayments from the Special Fund	97.8	—	—	—	—
Internal borrowing	—	—	—	—	—
External borrowing	97.8	—	—	—	—

Debt Ratings

As at the date of this Listing Prospectus, the foreign currency long term debt of Ukraine is rated B- by Standard & Poor's Credit Market Services Europe Limited, Caa3 by Moody's Investors Service, Inc., and CCC by Fitch Ratings Ltd. As at the date of this Listing Prospectus, Fitch, Moody's and Standard & Poor's are rating agencies established in the EEA and registered under the CRA Regulation.

THE MONETARY SYSTEM

National Bank of Ukraine

The NBU is the central bank of Ukraine and is a special central body of the state administration. Established in 1991 pursuant to the Law of Ukraine “On Banks and Banking Activity” and governed in accordance with the Constitution and the Law of Ukraine on the National Bank, amongst others, the NBU is a State authority with the principal objective of ensuring stability of the national currency. This objective is achieved by focussing on the strength of the banking system and price stability. Other functions of the NBU include promoting economic growth and supporting the Government’s economic policy. The principal governing bodies of the NBU are the Council and the Board. The Council, the highest governing body of the NBU, consists of 9 members, four of whom are appointed by Parliament and four of whom are appointed by the President and is responsible for development of fundamental principles of monetary policy as well as supervising the performance thereof. The NBU Governor acts ex officio as the ninth member of the Council. The NBU Governor is nominated by the President and appointed by Parliament for a seven year term.

The NBU is empowered to determine and conduct monetary policy, organise banking settlements and the foreign exchange system with a view to integrating Ukraine into the international economy, ensure stability of the monetary, financial and banking systems and protect the interests of commercial bank depositors. Since the beginning of 2012 (when the law approved by Parliament on 8 July 2010 became fully effective), the legislative framework that governs the activities of the NBU has been significantly amended to comply with the arrangements agreed between Ukraine, the IMF and the World Bank. As at the date of this Listing Prospectus, the NBU is undergoing structural reform with the aim to increase its institutional capacity as a regulator. The reform action plan includes a preparation stage completed in 2014 and with the following stages:

- Stage I: Organisational transformation:
 - NBU transferred from hierarchical to a matrix management structure;
 - the NBU Board composition was decreased from 11 to 6 persons and comprises the NBU Governor and five Deputy Governors, each of which is responsible for one framework of responsibility. There are four frameworks for making and implementing policy (monetary, prudential supervision, open market transactions, and cash/cashless settlements), one financial and administrative framework (finance, accounting, and logistics), and the Governor’s framework;
 - The following nine Board committees were established: monetary policy, financial stability, supervision, credit, assets and liabilities management, budget, operational risks, competitive bidding and change management.
- Stage II: Comprehensive review and re-engineering of the NBU processes, which began in 2015 and includes the following projects: simplification of organisational structure, concentration on core functions, management centralisation and hierarchy reduction and increase efficiency of internal processes at the NBU.
- Stage III: Work on the NBU’s new key projects to implement the NBU’s mission and vision in 2016-2017.

Monetary Policy

The NBU is responsible for implementing monetary policy.

Pursuant to the Monetary Policy Guidelines for 2015, approved on 18 August 2015 by the Resolution of the NBU Council No. 541, the primary objective of monetary policy is to achieve and maintain price stability. Furthermore, in August 2015, the Board of the NBU approved the Monetary Policy

Strategy for 2016-2020, which provides for specific inflation targets by the end of 2016 and identifies specific quantitative inflation objectives and mechanisms for achieving these objectives. The mid-term inflation objective is set at the level of 5 per cent. for the annual CPI growth rate and will be achieved gradually. Short-term target rates for the annual change of CPI are set as follows: December 2016 – 12 per cent. +/- 3.0 per cent.; December 2017 – 8.0 per cent. +/- 2.0 per cent.; December 2018 – 6.0 per cent. +/- 2.0 per cent.; December 2019 – 5.0 per cent. +/- 1.0 per cent. At the same time, the monetary policy of the NBU also aims to increase and further maintain an adequate level of international reserves and supervise of the growth of monetary aggregates under the IMF support program. To achieve price stability the NBU applies available monetary instruments, including the discount rate. The economy of Ukraine has been hit hard by the disruption in trade and industrial production due to conflict in Eastern Ukraine in 2014 and 2015. This resulted in capital outflows and led to sharp exchange rate depreciation. In order to prevent the destructive processes in the monetary market and to limit their impact on the general economic situation in Ukraine, the NBU introduced a number of measures aimed at increasing the value of hryvnia and the strengthening of administrative restrictions. In particular, in 2014, the NBU increased the discount rate from 6.5 per cent. to 9.5 per cent. on 15 April 2014, to 12.5 per cent. on 17 July 2014 and, to 14.0 per cent. on 13 November 2014. In 2015, the discount rate was increased in two stages, to 19.5 per cent. on 6 February 2015 and was further increased to 30.0 per cent. on 4 March 2015. Later the discount rate was decreased to 27.0 per cent. on 28 August 2015 and to 22.0 per cent. on 25 September 2015. On 19 August 2014, the NBU also tightened monetary policy by increasing its overnight refinancing and deposit certificates rates to 17.5 per cent. and 7.5 per cent. per annum, respectively. On 20 January 2015, the overnight deposit certificate rates were set at 11.0 per cent. per annum. On 6 February 2015, the overnight loan rates and overnight deposit certificate rates were set at 23.0 per cent. and 13.0 per cent. per annum, respectively. On 11 February 2015, the overnight deposit certificate rate was set at 14.0 per cent. per annum. On 4 March 2015 the overnight loan rates and overnight deposit certificate rates were set at 33.0 per cent. and 20.0 per cent. per annum, respectively. On 15 July 2015, the overnight deposit certificate rate was set at 18.0 per cent. per annum. On 28 August 2015, the overnight loan rate was set at 29.0 per cent. per annum and on 25 September 2015, at 24.0 per cent. per annum.

Systemic measures taken by the NBU and implementation of the new IMF support program made it possible to stabilise the situation in the foreign exchange market. Taking into account the signs of stabilisation of the banking system and the formation of a sustained trend of a decrease in inflation, the NBU started to relax the monetary policy and on 28 August 2015 decreased the discount rate to 27.0 per cent. and on 25 September 2015 to 22.0 per cent. However, the monetary policy of the NBU remains relatively tight, as the NBU aims to lower the inflation trends and prevent the impact of external shocks to the Ukrainian economy.

Presently, under the provisions of the 2015 EFF programme, the monetary policy of the NBU is implemented on the basis of a monetary targeting regime. Under the monetary targeting framework, the NBU maintains the money supply at levels adequate to keep the economy going without producing additional inflationary pressures. The money supply provided by the NBU is measured by the reserve money (monetary base). The required growth rate of the reserve money is set consistent with projected GDP growth and inflation (the CPI) and other factors (such as the banking system's performance and expectations). Under the 2015 EFF programme, the NBU uses "Net International Reserves" and "Net Domestic Assets" as operational targets. The operational targets are subject to changes in the course of the IMF's reviews under the 2015 EFF programme. The NBU will continue strengthening its technical and operational capacity for the future adoption of inflation targeting when macro-financial conditions will permit it. Under the 2015 EFF, NBU will maintain a flexible exchange rate regime to cope with possible external shocks. At the same time the NBU will aim at the gradual rebuilding of international reserves.

Instruments of monetary policy

The following table describes operations aimed at regulating the liquidity of the banks in Ukraine in 2012, 2013, 2014 and in 2015:

	2012	2013	2014	2015
	(UAH billion)			
Operations for maintenance of liquidity				
Refinancing operations	40.6	33.6	150.6	61.3
REPO operations	56.6	36.0	20.4	2.3
Stabilising loans	0.4	2.0	28.2	11.7
Other loans.....	0.0	0.0	23.0	0.0
Operations for prevention of excessive liquidity				
Reverse REPO operations.....	0.0	0.0	0.0	0.0
Issuing of deposit certificates of NBU	16.7	270.4	1472.7	2849.2
Sale purchase of securities				
Repurchase of securities in the national currency	38.6	45.6	183.29	93.73
on a two way quotation basis.....	2.5	0.0	1.03	0.262
Sale of securities in the national currency.....	1.9	0.0	1.0	1.86
on a two way quotation basis.....	1.9	0.0	1.0	0.263

Methods and instruments currently used by the NBU for the implementation of its policies include interest rate policy, mandatory reserve requirements, liquidity requirements and operations aimed at affecting banks' liquidity as well as transactions involving the sale and purchase of T-bills in the open market.

Interest Rate

With effect from 23 March 2012, the NBU decreased the discount rate to 7.50 per cent. and to 7.00 per cent. effective from 10 June 2013. However, in order to maintain price stability the NBU took measures to strengthen the hryvnia, including increasing the discount rate from 6.50 per cent. to 9.50 per cent. on 15 April 2014, and further to 12.50 per cent. on 17 July 2014, to 14.00 per cent. on 13 November 2014, to 19.50 per cent on 6 February 2015 and further to 30.00 per cent on 4 March 2015. The discount rate was decreased to 27.0 per cent. on 28 August 2015 and to 22.0 per cent. on 25 September 2015.

According to NBU data, the average weighted interest rate on the hryvnia deposits was approximately 13.38 per cent. in 2012, 10.87 per cent. in 2013 and 11.93 per cent. in 2014. The average weighted interest rate on foreign currency deposits of residents increased from 5.74 per cent. in 2012 to 5.87 per cent. in 2013 and further increased to 6.75 per cent. in 2014. The average weighted interest rate on loans to residents in the national currency excluding overdrafts decreased from 17.85 per cent. in 2012 to 15.88 per cent. in 2013 and increased to 17.15 per cent. in 2014. The average weighted interest rate on loans to residents in foreign currency excluding overdrafts increased from 8.46 per cent. in 2012 to 9.38 per cent. in 2013 and decreased to 9.02 per cent. in 2014. In 2015, the weighted average interest rate was: 13.01 per cent on hryvnia deposits; 6.69 per cent. on foreign currency deposits; 21.20 per cent. on loans in national currency excluding overdrafts; 8.86 per cent. on loans in foreign currency excluding overdrafts; 22.82 per cent. on loans in national currency to local banks.

Deposit certificates and stabilising loans

The NBU performs deposit operations with banks by issuing deposit certificates: overnight - daily, and up to 90 days - every Thursday. In addition, other interbank transactions include repo and refinancing transactions (overnight loans, up to 14 day and up to 90 day refinancing loans). In addition, if it is necessary to maintain a banks' liquidity for a longer period of time, the NBU may refinance by means of tender procedure for up to 360 days, as well as by means of transactions with T-bills. The NBU also provides stabilising loans to solvent banks for liquidity purposes. Stabilising loans are provided for a term of up to two years and could be further extended by up to one year. The aggregate term of such stabilising loans including all extension periods should not exceed five years. From 17 November 2006 the NBU has established the interest rates under its own deposit certificates with different terms of maturity.

T-Bills

T-bills are placed in the market through an auction process carried out by the NBU as agent for the Ministry of Finance. Auctions are currently conducted through the NBU's electronic communication network pursuant to a schedule approved and published in advance. Since 19 February 2010, T-bills in the primary market are only sold to primary dealers selected by the Ministry of Finance. In addition, T-bills in the primary market may be sold to the NBU acting upon instruction and at the expense of its clients. See "*Public Debt*".

In 2012, the Government issued U.S.\$2.5 billion, EUR 0.32 billion, UAH 42.9 billion of T-bills denominated in U.S. dollars, euros and hryvnia, respectively. In 2012, the Cabinet of Ministers placed T-bills in the amount of UAH 6.0 billion for the increase of the share capital of Naftogaz and T-bills in the amount of UAH 1.0 billion for the increase of the share capital of PJSC "Ukrghidroenergo". The amount of T-bills sold in the market amounted to UAH 35.9 billion.

In 2013, the Government placed T-bills denominated in the national and foreign currency (U.S. dollar and euro) with maturities ranging from one to over five years; approximately UAH 65.2 billion of these are denominated in the national currency (UAH) and approximately U.S.\$5.3 billion and EUR 0.11 billion are denominated in foreign currency (U.S. dollar and euro). These included T-bills issued to finance the recapitalisation of PJSC "State Saving Bank of Ukraine" in the amount of UAH 1.4 billion, Naftogaz in the amount of UAH 8.0 billion and PJSC "Ukrainian Danube Shipping" in the amount of UAH 0.3 billion. In addition, T-bills were issued for the contribution to the charter capital of PJSC "Agrarian Fund of Ukraine" in the amount of UAH 5.00 billion. The amount of T-bills sold in the market amounted to UAH 50.5 billion.

In 2014, the Government placed T-bills denominated in both the national currency (UAH) and U.S. dollars into the market, with the maturity of these T-bills ranging from ranging from 19 days to ten years. Approximately UAH 67.5 billion of these T-bills are denominated in the national currency (UAH) approximately U.S.\$0.8 billion are denominated in U.S. dollars and EUR 40 million are denominated in Euro. The T-bills issued to finance the increase of the charter capital of Naftogaz amounted to UAH 96.6 billion, UAH 16.6 billion to finance the state-owned banks, UAH 10.18 billion to finance the Deposits Guarantee Fund and the T-bills to finance VAT refunds amounted to UAH 6.88 billion.

In 2015, the Government placed T-bills denominated in both the national currency (UAH) and U.S. dollars into the market, with the maturity of these T-bills ranging from three months to two years. Approximately UAH10.0 billion of these T-bills are denominated in the national currency (UAH), and approximately U.S.\$0.64 billion are denominated in U.S. dollars. The T-bills issued to finance the increase of the charter capital of Naftogaz amounted to UAH29.7 billion, to finance the increase of the charter capital of banks – UAH3.8 billion, and to issue a loan to Deposits Guarantee Fund – UAH41.5 billion.

The amount of T-bills held by non-residents decreased significantly recently due to foreign capital outflow resulting from the political situation in Ukraine. As at 31 December 2012, 2013 and 2014 holdings of Ukrainian T-bills by non-residents were approximately 2.9 per cent., 4.8 per cent. and 4.7 per cent. respectively. As at 31 December 2015, T-bills held by non-residents amounted to 4.45 per cent.

In 2012, the average yield for T-bills sold in the primary market was 13.56 per cent. for T-bills denominated in hryvnia, 8.90 per cent. for T-bills denominated in U.S. dollar and 4.80 per cent. for T-bills denominated in euro. In 2013, the average weighted yield for T-bills sold in the primary market was 13.00 per cent. for T-bills denominated in hryvnia, 7.9 per cent. for T-bills denominated in U.S. dollar and 4.80 per cent. for T-bills denominated in euro. In 2014, the average yield for T-bills sold in the primary market was 15.24 per cent. for T-bills denominated in hryvnia, 5.80 per cent. for T-bills denominated in U.S. dollar and 7.50 per cent. for T-bills denominated in Euro. In 2015, the average yield for T-bills sold in the primary market was 17.00 per cent. for T-bills denominated in hryvnia and 8.74 per cent. for T-bills denominated in U.S. dollar.

Savings Bonds

On 10 October 2012, the Ministry of Finance launched the first issue of U.S.\$100 million of savings bonds with a 24 month term and an interest rate of 9.2 per cent. per annum. On 30 November 2012, the Ministry of Finance launched a second issue of U.S.\$100 million of savings bonds with a 24 month term and an interest rate of 8.0 per cent. per annum.

Mobilisation Operations

Between January and July 2014, the total amount of mobilisation operations amounted to UAH 800.9 billion. The total amount of mobilisation operations amounted to UAH 1,472.7 million in 2014 and UAH 2,849.2 million in 2015.

To prevent excessive liquidity in the banking system, the NBU regularly strengthens its mandatory reserve requirements and increases the number of transactions with T-bills on a two way quotation basis. In 2012, the NBU sold T-bills in the nominal amount of UAH 1.90 billion and purchased T-bills in the nominal amount of UAH 2.5 billion on a two way quotation basis. In 2013, there were no operations on a two way quotation basis. In 2014, the NBU sold T-bills in the nominal amount of UAH 1.0 billion and purchased T-bills in the nominal amount of UAH 1.03 billion on a two way quotation basis. In 2015, the NBU sold T-bills in the nominal amount of UAH 0.263 billion and purchased T-bills in the nominal amount of UAH 0.262 billion on a two way quotation basis.

The total volume of operations involving the purchase of securities for nominal value amounted UAH 38.6 billion, UAH 45.6 billion and UAH 183.29 billion in 2012, 2013 and 2014, respectively. In 2015, the total volume of operations involving the purchase of securities amounted to approximately UAH 93.73 billion.

In 2012, the total amount of repurchase transactions was UAH 56.6 billion followed by a further UAH 36.0 billion during 2013. For the six months ended 30 January 2014, the total amount of repurchase transactions was UAH 17.9 billion. The amount of funds obtained under the repurchase transactions amounted to UAH 20.4 billion in 2014 and UAH 2.3 billion in 2015. In 2012, the total amount of operations involving the sale of securities from the NBU portfolio was UAH 1.6 billion. In 2013 and 2014, there were no sales of securities from the NBU portfolio.

Reserve requirements

In 2001, the NBU adopted new regulations permitting it to sanction commercial banks for failure to keep prescribed amounts of reserves. Fines and charges are payable from the banks' profits. Currently, commercial banks must transfer to their respective reserve fund not less than 5.0 per cent. of their profits annually until and unless the reserve fund is equal to 25.0 per cent. of their regulatory capital. The NBU can require additional allocations to be made to the reserve fund.

The NBU has established a mandatory reserve requirement to maintain liquidity in the banking system and the stability of the Ukrainian hryvnia. Banks are required to maintain reserves in correspondent accounts with the NBU, which are computed as a percentage of certain bank liabilities.

Based on the results of consultations with IMF experts, the NBU unified the requirements related to the maintenance of the mandatory reserves of the banks. In particular, the NBU adopted a Regulation on the Procedure for the Formation and Maintaining of the Mandatory Reserves by Ukrainian Banks and Branches of Foreign Banks Operating in Ukraine, which was approved by Resolution of the NBU Board No. 806, dated 11 December 2014. The NBU also adopted a Resolution of the NBU Board No. 820 "On the Change of the Procedure for the Formation and Maintaining of the Mandatory Reserves", dated 18 December 2014. Thus, according to the applicable requirements, all funds in local and foreign currency received by the bank from individuals and legal entities are subject to mandatory reserves. The mandatory reserve requirement for funds on demand is equal to 6.5 per cent. and 3.0 per cent. of the base amount for fixed term deposits.

The amount of mandatory reserves to be maintained on a day-to-day basis at the beginning of the operational day on the bank's correspondent account with the NBU should be not less than 40 per cent. of the reserve base calculated for the relevant period. The banks may fail to comply with these mandatory reserve requirements not more than 10 times within three consecutive months (periods) without penalty.

At the same time, for the purposes of complying with the requirements of mandatory reserves, banks are allowed to credit the balances of funds kept on bank account No. 1500 "Correspondent Accounts Opened with Other Banks" and bank account No. 1502 "Bank Settlement Funds" opened with PJSC "Settlement Centre For Servicing Agreements In Financial Markets" in the amount of 100 per cent.

In order to enhance the ability of the NBU in achieving inflation objectives, the NBU will improve operational principles of carrying out monetary and foreign currency operations and the adoption of decisions related to monetary policy. These new mechanisms will be introduced in several stages in the upcoming years. Such new instruments include:

Fine-tuning operations and structural operations of liquidity maintenance, namely refinancing tenders and tenders for placement of depository certificates, with a different maturity than those used under main operation for liquidity maintenance, REPO operations, currency swaps, sale and purchase of T-bills. NBU will use such operations as auxiliary instruments of monetary policy aimed at decreasing impact of market volatility on interest rates and facilitation of balanced development of funds and securities markets. The NBU will apply such auxiliary instruments on market terms, since their main goal will be not to influence interest rates, but to improve market performance.

Mandatory reserves. The NBU will apply this instrument for maintenance of banking system liquidity and increase of influence of key interest rate over the interest rates on the market. Over time NBU will reduce application of this instruments in order to ensure transmission of monetary policy.

Currency markets interventions. National bank shall practice interventions on currency markets in order to increase foreign reserves up to an acceptable level; smooth excessive volatility of the exchange rate and support of key interest rate as main instrument of monetary policy.

The NBU will achieve the inflation objectives, first of all, by changing the key interest rate in the monetary policy (synchronised with the discount rate), *i.e.* interest rate related to NBU transactions that have the greatest impact on the monetary market conditions. Other instruments of the monetary policy will play a supporting role; they will facilitate the easing of the effects of the change of the key rate on the economy as well as balanced development of financial markets.

Money Supply

The economic activity after the post-global financial crisis period resulted in increased demand for money. In addition, the growth in money supply outpaced the increase in the monetary base.

The ratio of broad money supply (M3) to GDP was 49.3 per cent. in 2012 and 57.8 per cent. in 2013. In 2012, the money supply increased by 12.8 per cent. and amounted to UAH 773.2 billion and the monetary base increased by 6.4 per cent. and amounted to UAH 255.3 billion. In 2013, the money supply increased by 17.6 per cent. and amounted to UAH 909.1 billion and the monetary base increased by 20.3 per cent. and amounted to UAH 307.2 billion. In 2014, the money supply increased by 5.3 per cent. and amounted to UAH 956.7 billion. In the same period, the monetary base increased by 8.5 per cent. and amounted to UAH 333.2 billion. In 2015, the money supply increased by 3.9 per cent. and amounted to UAH 994.1 billion. The monetary base increased by 0.8 per cent. and amounted to UAH 336 billion during the same period.

As at 1 January 2016, the money multiplier was 2.96 compared to 2.87, 2.96, 3.03 and 2.86 as at 1 January 2015, 1 January 2014, 1 January 2013 and as at 1 January 2012, respectively.

The following table sets out information concerning Ukraine's money supply (including accrued interest) as at the dates indicated:

	As at 1 January				
	2012	2013	2014	2015	2016
<i>(in UAH millions except as noted)</i>					
Money outside banks (M0).....	192,665	203,245	237,777	282,947	282,673
Money supply (M1).....	311,047	323,225	383,821	435,475	472,217
Money supply (M2).....	681,801	771,126	906,237	955,349	993,812
Money supply (M3).....	685,515	773,199	908,994	956,728	994,062
as % before beginning of year...	114.7	112.8	117.6	105.3	103.9
as % of GDP	48.7	49.3	57.8		
Monetary base.....	239,885	255,283	307,139	333,194	336,000
as % before beginning of year...	106.3	106.4	120.3	108.5	100.8
Deposits in local currency.....	281,105	319,829	422,351	365,890	391,539
Deposits in foreign currency.....	208,031	248,053	246,109	306,512	319,599
Loans extended.....	805,406	818,659	913,413	1,033,383	993,667

Exchange Rates

The currency of Ukraine, the hryvnia, was introduced in 1996. As at 31 December 2013, immediately prior to the Euro-Maidan Revolution, the NBU official UAH/U.S. dollar exchange rate was pegged at UAH 7.9930 to one U.S. dollar. In February 2014, due to increasing pressure on the hryvnia and a low level of reserves, the NBU allowed the exchange rate to float against the U.S. dollar helping to stabilise the financial market. Based on the NBU resolutions of 19 March 2015, starting from 31 March 2015 the official exchange rate of hryvnia is established by the NBU as the average weighted ratio of buyers and sellers at the interbank exchange market at the end of preceding business day. The NBU intends to maintain a floating exchange rate regime and therefore a money-based monetary framework will be developed.

In 2014, the hryvnia depreciated against the U.S. dollar by 97.3 per cent. and against the euro by 74.2 per cent. As at 31 December 2014, the NBU official UAH/U.S. dollar exchange rate was UAH 15.7686 to one U.S. dollar. As at 31 December 2015, the NBU official UAH/U.S. dollar exchange rate was UAH 24.0006 to one U.S. dollar.

The following table sets out the average official hryvnia/U.S. dollar exchange rates for the relevant periods, as reported by the NBU:

	<u>Average</u>	<u>Period end</u>
2012.....	7.99	7.99
2013.....	7.99	7.99
2014.....	11.89	15.77
2015.....	21.84	24.00

Source: NBU

The NBU has a number of additional monetary tools available to support the hryvnia. These include the licensing and registration requirements applicable to movements of financial capital and a maximum 90 day period between the prepayment of imported goods and their delivery, as well as reserve requirements and open currency position limits.

The official hryvnia/U.S. dollar exchange rate reported by the NBU on 28 April 2016 was UAH 25.21 to U.S.\$1.00.

Inflation-targeting

Taking into account that the low and stable inflation is one of the key contributors to the sustainable economic growth, the NBU believes that the inflation targeting is the most favourable monetary policy regime for the creation of an environment of low and stable inflation. See “*Economy of Ukraine—Inflation*”.

The NBU plans to implement in full its inflation targeting regime by the end of 2016 and all the necessary steps will be taken by that time so that key elements of such regime are operational.

The 2016 Consolidated Budget is based on the assumption of a CPI growth rate of 12 per cent. for 2016.

Currency Control

On 19 November 2012, resolutions of the NBU became effective introducing temporary requirements for the compulsory sale of 50 per cent. of foreign currency revenues received starting from 19 November 2012 by Ukrainian exporters from sale of goods under foreign economic contracts. Pursuant to these resolutions, Ukrainian banks servicing the respective Ukrainian exporter’s accounts are required to initiate compulsory sales of foreign currency funds within one business day of crediting such foreign currency funds to the Ukrainian exporter’s account, regardless of whether the Ukrainian bank has obtained instruction from its client. The requirement for the compulsory sale of 50.0 per cent. of foreign currency revenues was, on numerous occasions, extended by the NBU. In August 2014, the NBU increased the amount of foreign currency proceeds subject to the compulsory sale requirement to 100 per cent. of foreign currency proceeds, but subsequently decreased it to 75.0 per cent. of foreign currency proceeds in September 2014 until 2 December 2014. As of 3 December 2014, the mandatory exchange requirement of 75.0 per cent. of foreign currency proceeds was extended until 3 March 2015. The same mandatory exchange requirement remained in place throughout 2015 and early 2016 and with effect from 5 March 2016, the same mandatory requirement of 75.0 per cent. of foreign currency proceeds has been further extended until 8 June 2016. Although such compulsory sale requirement is temporary, the NBU is authorised to adopt at any time a new resolution on compulsory sale of foreign currency proceeds for another period up to six months.

In addition to compulsory conversion requirements, the NBU resolutions, which became effective on 19 November 2012 (as subsequently extended by the NBU), reduced the maximum permitted period for effecting of settlements under export contracts from the former 180 calendar days to 90 calendar days.

In 2013, the NBU extended the list of international financial organisations which may use national Ukrainian currency for settlements under loan agreements and guarantee agreements concluded by these organisations with residents of Ukraine. These amendments will help to extend the use of national currency for loan transactions and eliminate the risks of foreign lending for Ukrainian borrowers. On 7 October 2013, the amendments to the Law of Ukraine “On Securities and Stock Market” came into effect and international financial organisations received the right to issue notes denominated in hryvnia in Ukraine.

Taking into account difficulties in the macroeconomic situation in Ukraine, starting from 1 June 2014 the NBU introduced the limitation on receipt of cash assets in foreign currency from current and deposit accounts in the amount up to UAH 15,000.00 or its equivalent in foreign currency per day at the NBU rate, which was subject to certain exceptions. This limitation was later amended and now the purchase of cash foreign currency is limited to an equivalent of UAH 3,000.00 per day per bank. With effect from 5 March 2016, limitation on purchase of cash foreign currency was increased and currently individuals may purchase an equivalent of UAH 6,000.00 per day per bank. This temporary limitation is in effect until 8 June 2016. In addition, starting from 1 June 2014 the NBU generally prohibited prepayments under the cross-border loan agreements.

Besides, with effect from 23 September, 2014, the NBU restricted cross-border payments of dividends by Ukrainian companies until and including 4 December 2014. The same restrictions on cross-border payments of dividends by Ukrainian companies remained in place after 4 December 2014 and throughout 2015 and early 2016. With the effect that from 5 March 2016 the same restrictions on cross-border payments of dividends by Ukrainian companies were further extended until and including 8 June 2016. At the moment there are a number of other currency control restrictions imposed by the NBU for the purpose of the stabilisation of the Ukrainian foreign exchange market, which include: restriction of cross-border payments on the basis of individual licenses of the NBU (excluding payment(s) that do not exceed U.S.\$ 50,000 in aggregate (or an equivalent in other currency) for one month under one individual license); prohibition of early repayment or prepayment of cross-border loans by Ukrainian companies tightening of the NBU requirements for registration of cross-border loans.

International Reserves

As at 31 December 2012, international reserves amounted to U.S.\$24,546.2 million, which was equivalent to 2.9 months of import coverage. The decrease in international reserves was influenced by the repayment and service of State and State-guaranteed debt, including the 2010 SBA, as well as interventions by the NBU in the interbank foreign exchange market. As at 31 December 2013, international reserves amounted to U.S.\$20,415.7 million, a decrease of 16.8 per cent. as compared to 31 December 2012, which was equivalent to 2.4 months of import coverage. This decrease was due to the repayments and debt service payments on the State and State-guaranteed borrowings, including repayment of obligations to the IMF in accordance with the Standby Program, as well as external and internal borrowings and negative balance of the foreign exchange interventions of the NBU. As at 31 December 2014, international reserves amounted to U.S.\$7.5 billion. International reserves decreased by U.S.\$ 12.9 billion within one year. The decrease in the amount of international reserves was due to the negative balance of foreign exchange intervention in the amount of U.S.\$9.2 billion, repayment and servicing by the Government of state and state guaranteed debt and state securities in foreign currency in the amount of U.S.\$6.6 billion, repayment of debt to the IMF in the amount of U.S.\$3.8 billion, and repayment of NJSC “Naftogaz of Ukraine” debt in the amount of U.S.\$ 3.1 billion. The amount of reserves subsequently increased due to U.S.\$10.1 billion in proceeds, including U.S.\$4.6 billion from the IMF received by the Government. As at 1 March 2016, international reserves amounted to U.S.\$13.49 billion, an increase of 1.4 per cent. as compared to 1 January 2016. On a year-to-year basis international reserves doubled. Increase of international reserves occurred due to the issuance of U.S.-denominated T-bills, which secured inflow of funds to the government in amount of U.S.\$917.4 million, servicing of the state debt and state-guaranteed debt in amount of U.S.\$513.2 million, interventions on interbank currency market of Ukraine, amounting to net sale of U.S.\$233.1 million and other factors.

	As at 31 December			
	2012	2013	2014	2015
		<i>(U.S.\$ millions)</i>		
International reserves ⁽¹⁾	24,546.2	20,415.7	7,533.33	13,300.0
Including:				
Monetary gold ⁽²⁾	1,148.3	987.47	911.09	931.9
Reserves in SDR and reserve position in IMF	9.2	16.04	3.77	8.9
Foreign currency ⁽³⁾	23,388.7	19,412.2	6,618.47	12,359.2
Import coverage (months) ⁽⁴⁾	2.9	3.3	1.9	3.5

Notes:

- (1) International reserves are equal to the sum of foreign currency, SDR and monetary gold.
- (2) Cost of gold is calculated on the basis of the price for one ounce of gold in U.S. dollars at the London Precious Metal Exchange.
- (3) Including securities issued by non-residents.
- (4) Imports of goods and services of the immediately succeeding month are used for these calculations.

Source: NBU

In 2012, 2013 and 2014 the negative balance of foreign exchange interventions amounted to U.S.\$7,498.8 million, U.S.\$3,145.7 million and U.S.\$9.2 billion, respectively. In 2015, the negative balance of foreign exchange intervention amounted to U.S.\$157 million.

THE BANKING SYSTEM, SECURITIES AND FINANCIAL SERVICES MARKETS

The Banking System in Ukraine

A two tier banking structure exists in Ukraine, comprising a supervisory body (the NBU), with the banks underneath, which operate on a multipurpose or specialised (mortgage, investment, savings or clearing) basis. Following Ukraine's accession to the WTO in May 2008, Ukraine's banking system now includes branches of foreign banks established and functioning in the territory of Ukraine. The Law of Ukraine "On Banks and Banking Activity" gave the NBU power and independence to pursue monetary policy and to regulate and supervise the banking sector by, for example, granting the NBU the power to limit, terminate or suspend certain transactions and to revoke a bank's licence.

As at 1 January 2016 there were 117 active banks in Ukraine. On 31 December 2015, the NBU Committee of Oversight And Regulation of Banks' Activities and Payment Systems adopted decision No. 657, which outlined new criteria for classification of banks in 2016, as follows:

- state-owned banks (where the share of the state exceeds 75per cent. of the share capital of the bank);
- banks of foreign banking groups (banks that are controlled by foreign banking institutions);
- banks of Group I (banks that own more than 0.5 per cent. of total assets of the banking system of Ukraine); and
- banks of Group II (banks that own less than 0.5 per cent. of the total assets of the banking system of Ukraine).

As at 1 January 2016, there were 7 state-owned banks; 25 banks of foreign banking groups, 10 banks of Group I and 75 banks of Group II. As at 1 January 2016, among the top ten largest Ukrainian banks (by aggregate value of their assets), 2 banks were controlled by the state of Ukraine, 2 banks were controlled by Ukrainian citizens and 6 banks were controlled by foreign citizens and legal entities.

Since 17 June 2011, the minimum statutory capital requirement for banks, as at the date of their registration, had been UAH 120 million. On 11 July 2014, however, a new law concerned with increasing the minimum capital requirement for banks became effective in Ukraine, increasing the minimum capital requirement for banks which acquired banking licenses after 11 July 2014 to UAH 500 million. In accordance with this law, all banks that registered before 11 July 2014 are obliged to gradually increase their charter capital on annual basis and reach UAH 500 million by 11 July 2024. Since 5 August 2009, banks may only be established in the form of a public joint stock company or a cooperative bank.

To fulfil the regulatory capital sufficiency (adequacy) ratio (solvency ratio) requirements of the NBU existing banks must have a ratio of at least 10 per cent. of a bank's risk-weighted assets. For banks that have been operating for less than 12 months, this threshold is at least 15 per cent., and for banks that have been operating between 12 and 24 months, this ratio is at least 12 per cent. The average regulatory capital sufficiency (adequacy) ratio across the Ukrainian banking sector was 18.26 per cent. as at 1 January 2013. The ratio of regulatory capital to total assets reflects the amount of the regulatory capital necessary for the banks to perform active operations and is set by the NBU at least 9 per cent. The average ratio of regulatory capital to total assets of all Ukrainian banks was 13.85 per cent. as at 1 January 2014. As at 31 December 2014, the regulatory capital sufficiency (adequacy) was 15.60 per cent. As at 1 January 2016, the regulatory capital sufficiency (adequacy) was 12.31 per cent. Since February 2008, the NBU Directive on Ukrainian Banking Activity Regulation required banks to take account of foreign exchange risks in the calculation of the regulatory capital sufficiency (adequacy) ratio as well as to maintain a sufficient level of regulatory capital to cover risks arising out of disparities in asset and liability maturity dates.

Foreign capital in the Banking Sector

Since 16 May 2008, foreign banks have been permitted to operate branches in Ukraine, subject to certain access criteria established by the Law of Ukraine "On Banks and Banking Activity". There are

a number of prerequisites to be satisfied before general permission is granted to open and operate a branch of which the most significant is that the NBU and the bank supervisory authority of the foreign state where the relevant parent is incorporated execute a cooperation agreement regarding bank supervision and the harmonisation of the principles and terms of such supervision. To date, such agreements have been signed with the banking regulators of a number of countries, including Armenia, Belarus, China, Cyprus, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Poland, Russia, Hungary, Turkey, Sweden and Greece.

As at 31 December 2015, 41 banks with foreign shareholders holding more than 10 per cent. of the share capital thereof were operating in Ukraine and 17 of these banks were wholly-owned by foreign entities. The share of foreign capital in the total registered charter capital of Ukrainian banks amounted to 42.5 per cent. as at 31 December 2015.

As at 31 December 2015 the total assets of banks with foreign shareholders amounted to UAH 748 billion (U.S.\$31 billion); the total amount of the loans guaranteed by these banks was UAH 629 billion (U.S.\$26 billion); the capital of these banks amounted to UAH 69 billion (U.S.\$3 billion); the loans of legal entities amounted to UAH 489 billion (U.S.\$20 billion); the loans of individuals amounted to UAH 126 billion (U.S.\$5 billion). The above figures are based on an exchange rate of U.S.\$1.00 to UAH 24.000667 as of 1 January 2016.

Banking Sector Regulation

The NBU is responsible for banking regulation and supervision. Banks are required to submit an annual report that contains audited financial statements as well as a general description of their business. Banks are also required to submit to the NBU financial and statistical data, including on a daily, weekly and monthly basis, permitting continual review by the NBU of the banks' performance and financial position. In addition, banks are required to publish quarterly and annual financial statements in printed form in mass media outlets, as well as certain other information required by the NBU, including information on a bank's shareholders directly or indirectly holding 5 per cent. or more of the share capital of the bank, related party transactions and disclosure of the ownership structure (including disclosure of the ultimate beneficiaries of such bank).

The NBU oversees the activities of banks using both off-site and on-site inspections. Planned inspections are usually carried out not more than on an annual basis, although the NBU has the power to also decide to carry out extra inspections if it has sufficient grounds. Financial statements of banks that are submitted to the NBU are subject to annual inspection by an authorised firm of auditors.

If a bank violates any banking laws and regulations, performs any risk-related activity, or has sanctions imposed on it by any foreign state, interstate organisation, international banking organisation or an owner of a material shareholding as a consequence of it threatening the interests of depositors, creditors and/or the stability of the banking system, the NBU may use one of the various measures provided for in the Law of Ukraine "On Banks and Banking Activity", depending on the nature of the violation or the risk level. Such measures include written warnings, the ability to convene a general meeting of the bank's shareholders, management or supervisory board; the ability to establish stronger banking compliance standards; increasing the bank's reserves in order to cover material losses under its loans and other assets; limiting, terminating or suspending certain types of banking operations; prohibiting the grant of loans; imposing penalties on management, the bank or any owners of material interests in the bank; temporarily prohibiting voting rights for share purchases; removing managers from their posts; withdrawing general licences; declaring the bank insolvent; executing written agreements with the bank; withdrawing the licence of the bank and putting the bank into liquidation.

The NBU also has significant powers over banking groups, including the right (i) to impose the sanctions described above on the responsible member of the group; (ii) to impose increased economic ratios and limits, as well as restrictions on the performance of certain types of transactions; (iii) to prohibit transactions between the bank and other members of the banking group; (iv) to require a bank to dispose of its participation interests in the charter capital of its subsidiaries and associated

companies; and (v) to terminate agreements based on which a bank exercises decisive influence over the management and/or operation of these entities in the absence of formal ownership.

On 2 March 2015, Parliament adopted the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine Regarding the Liability of a Bank’s Related Parties” (“**Liability Law**”), which became effective on 8 March 2015. The Liability Law toughened the liability of bank’s related parties. In particular, the Liability Law significantly expanded the list of persons treated as related parties of the bank for purposes of the Liability Law, which include bank controllers (including ultimate beneficial owners), persons which indirectly hold a substantial stake in the bank, members of a banking group as well as persons holding substantial stakes in associated or affiliated persons of the bank, executives of the legal entities and the bank executives, who are associated or affiliated persons of the bank, internal audit service executives, committee chairmen and committee members of these persons. The NBU is authorised to determine which persons are considered to be related parties of the bank. The Liability Law introduced criminal liability for bank’s related parties for committing actions which led to the bank’s insolvency and criminal sanctions in the form of restraint of liberty for a term of 1 to 5 years or imprisonment for a term of 1 to 5 years with a fine in the amount up to UAH 170,000, which is equivalent to USD 7,800 with limitation of the right to hold certain job positions or to practice certain activities for up to 3 years. The criminal liability is triggered if damages were inflicted either on the state or a creditor in the amount of at least UAH 170,000, which is equivalent to approximately USD 7,800. The bank’s related parties, whose wrongful actions resulted in damages to a bank, are financially liable for such actions. Furthermore, if the bank suffered such damages, while its related party obtained financial gain, both the bank and its related party are jointly and severally liable.

Deposit Guarantee Scheme

The new Law of Ukraine “On the System of Guaranteeing the Deposits of Individuals” (the “**Deposit Guarantee Law**”) introduced new rules for monitoring the activities of problem banks by the NBU. Upon the entry into force of the Deposit Guarantee Law, the Guarantee Fund obtained the right, in particular, to alienate all or a part of the assets and liabilities of the insolvent bank to the receiving bank, accompanied by the withdrawal of the insolvent bank’s banking licence and its further liquidation. The Guarantee Fund may also incorporate and sell a transitional bank with the transfer of all the insolvent bank’s assets and liabilities to such transitional bank and the further liquidation of the insolvent bank. In accordance with the Deposit Guarantee Law, participants of the Guarantee Fund should pay the initial duty in the amount of 1 per cent. of their registered statutory capital (except for transitional banks) as well as regular duty in the amount of base annual rate of 0.5 per cent. in national currency and of 0.8 per cent. in foreign currency. As of the date of this Listing Prospectus, the Guarantee Fund had 118 member banks. The aggregate amount of assets accumulated by the Guarantee Fund was UAH 14 billion million as at 1 January 2016. In addition, the Guarantee Fund may establish a transitional bank. In accordance with the procedure all assets of insolvent bank may be sold or transferred to the transitional bank subject to further liquidation of such insolvent bank.

On 21 August 2012, the Administrative Council of the Guarantee Fund determined the indemnification amount for deposits by individuals including interest thereon at UAH 200,000, in accordance with the Programme of the Economic Reforms of the President of Ukraine for 2010 to 2014.

Bank Reserves

Since 31 December 2012, banks have been required to apply improved reserves policies in relation to active bank transactions. These policies are based on the principles of the Basel Committee.

Banks must keep reserves to cover exposures to potential losses on their assets and review those provisions on a monthly basis. Some loans and securities transactions do not require keeping of reserves. These transactions include: lending transactions between entities within the system of one bank (for banks with 100 per cent. of foreign investments – in settlements with parent company if

such company is assigned an investment grade credit rating); funds transferred to the NBU; accounts receivable under the operations with currency and property lottery and under the indexation of currency savings; securities issued by central State executive authorities and the NBU; investments in shares (participatory interests) in stock exchanges, securities depositaries, payment systems and credit bureaus; uncommitted off balance sheet credit lines (other than commitments extended to banks) under which the bank is not obliged to provide the funds on the first demand of a counterparty (which are revocable and a bank does not have any risk under them).

Since 1 July 2013 the mandatory reserves requirements are as follows: 40 per cent. of mandatory reserves formed in the previous period must be accumulated on a separate account at the NBU (previously 50 per cent.), with the remainder of the accumulated mandatory reserves accumulated on a correspondent account at the NBU. The daily opening balance of the mandatory reserves accumulated on the correspondent account must be equal to at least 60 per cent. Based on the results of consultations with IMF experts, the NBU unified the requirements related to the formation and maintenance of the mandatory reserves by the banks. In particular, the NBU adopted a Regulation on the Procedure for the Formation and Maintaining of the Mandatory Reserves by Ukrainian Banks and Branches of Foreign Banks Operating in Ukraine, which was approved by Resolution of the Board of the NBU No. 806 dated 11 December 2014. The Board of the NBU also adopted a Resolution of the Board of the NBU No. 820 “On the Change of the Procedure for the Formation and Maintaining of the Mandatory Reserves” dated 18 December 2014. Thus, according to the applicable requirements, all funds in local and foreign currency received by the bank from individuals and legal entities are subject to a mandatory reserve. The mandatory reserve requirement for funds on demand is equal to 6.5 per cent. and 3.0 per cent. of the base amount for fixed term deposits.

The amount of mandatory reserves to be maintained on a day-to-day basis at the beginning of the operational day on the bank’s correspondent account with the NBU should not be less than 40 per cent. of the reserve base calculated for the relevant period. The banks may fail to comply with these mandatory reserve requirements no more than 10 times within three consecutive months (periods) without penalty.

At the same time, for the purposes of complying with the requirements of mandatory reserves, banks are allowed to credit the balances of funds kept on bank account No. 1500 “Correspondent Accounts Opened with Other Banks” and bank account No. 1502 “Bank Settlement Funds” opened with PJSC “Settlement Centre For Servicing Agreements In Financial Markets” in the amount of 100 per cent. .

With respect to banks’ debts in foreign currencies banks must form reserves in the currency of these debts.

As at 23 May 2014, the authorised banks may purchase currency at the interbank foreign exchange market of Ukraine for the purposes of forming reserves to cover any losses under active bank operations in foreign currency. Such a right was granted to the banks pursuant to the Resolution of the Board of the NBU No. 248 dated 30 May 2014, which became effective on 23 May 2014.

In order to assess the level of reserves required for different types of assets/ financial obligations there are five categories: “without risk” or “minimal risk” (category I); “medium risk” (category II); “significant risk” (category III); “high risk” (category IV) and “default” (category V).

A range of risk rates (quantity index of non-performance of obligations to the Banks) is set for each category. This risk rate classification depends on the owner of the assets/party to the financial obligation, the group of financial assets or the accounts receivable as well as the type of security.

For example, for legal entities (including banks and budget institutions) and individuals, the limit of risk rates is the following:

- Category I: 0.01 – 0.06
- Category II: 0.07 – 0.2
- Category III: 0.21 – 0.5

- Category IV: 0.51 – 0.99
- Category V: 1.0

Under the group of financial assets, the limit of rates depends on number of calendar days of delay in payment:

- Category I: 0.02
- Category II: 0.1
- Category III: 0.4
- Category IV: 0.8
- Category V: 1.0

The limit of risk rate for the securities depends on type of security, its current value, financial condition of the issuer and other available information about circulation of the security in the stock exchange.

Within the range established by the NBU, banks have a right to establish the limit of risk rates taking into consideration credit history of a borrower and other information ensuring the objective estimate of risks.

The NBU does not establish any specific requirements for keeping reserves for loans in national and foreign currency. However, there are several specific rules for the determination of a category of a borrower, and if such borrower does not have a documentary acknowledgement of expected income in foreign currency, this may further influence the category of the loan.

Banks are obliged to keep reserves in the currency of the indebtedness rules, certain authorised banks are able to buy foreign currency at interbank exchange market in Ukraine to form reserves to compensate possible losses from operations in foreign currency.

Liquidity

The NBU has established three separate liquidity requirements for commercial banks. A bank must have an instant liquidity ratio (the ratio of highly liquid assets to current liabilities) of at least 20 per cent., a current liquidity ratio (the ratio of assets with maturities under 31 days to liabilities with maturities under 31 days) of 40 per cent. and a short term liquidity ratio (the ratio of liquid assets with maturities under one year to liabilities with maturities under one year) of at least 60 per cent. The NBU has determined that, for the purpose of calculating assets and liabilities with maturities under one year, liquid assets include cash funds, bank metals, funds in correspondent accounts opened with the NBU, loans granted to commercial entities, State authorities and individuals, debt securities in the bank's trade portfolio, available for sale portfolio and held to maturity portfolio, term deposits at the NBU and certain portion of funds in correspondent accounts opened with other banks, deposits placed with other banks and loans granted to other banks. Liabilities with maturities under one year are defined to include budget funds, term loans from the NBU, term deposits of the NBU, funds in the correspondent account opened by the NBU with the relevant bank, loans from international and other financial organisations, debt securities issued by the bank, overdue indebtedness under term deposits of other banks and loans raised from other banks, the bank's subordinated debt, liabilities under all types of guarantees, suretyships and avals, customers' funds, accounts payable in respect of purchase of assets, committed credit lines to banks and customers and a certain portion of funds in correspondent accounts of other banks, deposits of other banks and loans raised from other banks.

On 17 September 2015, the NBU adopted a resolution amending the mechanism by which it supports bank liquidity within the NBU's standard monetary procedure. This mechanism gives the NBU the power to raise funds through ad hoc issues of debt instruments with a maturity up to 360 days in order to support the liquidity of any banks subject to an outflow of fixed term deposits. The Resolution provides for, among other things, a maximum limit on the amount of funds which a bank may receive under this mechanism; the use of T-bills or foreign currency as security for refinancing loans; and a

discount rate for refinancing loan. This resolution was adopted as a preventive measure to ensure that Ukrainian banks do not default on their obligations as a result of an outflow of deposits.

Accounting Standards

On 12 May 2011, Parliament adopted amendments to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” introducing the mandatory use of International Financial Reporting Standards (“**IFRS**”) by public joint stock companies, banks, insurers, credit unions and enterprises rendering certain financial services, supporting services in the financial and insurance fields as well as asset management services. In accordance with the Resolution of the Cabinet of Ministers “On Approval of Financial Statement Filing Procedure”, dated 28 February 2000 (the “**Financial Reporting Resolution**”), public joint stock companies, banks and insurers are required to use 1 January 2012 as the date of transition to IFRS, enterprises rendering certain financial services are required to use 1 January 2013 as the date of transition to IFRS and credit unions and enterprises rendering supporting services in the financial and insurance field and asset management services will be required to use 1 January 2014 as the date of transition to IFRS. As envisaged by the IFRS strategy approved by the Cabinet Of Ministers in the Resolution “On Approval of the Strategy on Implementation of International Financial Reporting Standards in Ukraine”, dated 24 October 2007, the implementation of IFRS standards in Ukraine is intended to improve investment climate and transparency of capital markets, allow Ukraine to meet the requirements of the EU accounting and financial standards and improve the corporate governance system. On 22 June 2015, the NBU introduced certain amendments to Ukrainian legislation, which require Ukrainian banks to conduct their operation in compliance with the IFRS requirements. In particular, the amendments address inconsistencies between the IFRS reporting requirements and recoding of certain transactions by Ukrainian banks, namely: accounting of securities and financial investments operations; provisioning of reserves for credit risks; accrual of interest over depreciating assets, accounting of preferred shares in related companies. The banks should have ensured compliance with such requirements by 1 December 2015, when the introduced amendments became effective.

Performance and Balance Sheet of the Banking System

The banking sector’s asset and liability structure reflects the history of Ukraine’s macroeconomic development.

The following table sets out information on the Ukrainian banking system as at the dates indicated:

	As at 31 December			
	2012	2013	2014	2015
	<i>(UAH millions, unless otherwise indicated)</i>			
Total assets	1,267,892	1,408,688	1,520,817	1,598,401
Correspondent accounts in other banks	99,472	78,106	99,752	129,529
Assets in (including correspondent accounts of banks in NBU) NBU	33,740	47,222	27,554	27,544
Interbank loans and deposits	38,037	38,253	19,825	23,627
Loans to customers	771,534	867,337	981,672	960,047
Accumulated interest income	53,209	52,962	81,796	73,797
Other assets	271,900	324,808	285,532	356,914
Total liabilities	957,872	1,085,496	1,168,829	1,170,894
Interbank loan and deposits	120,923	109,214	140,054	122,066
Customer deposits	584,412	690,314	704,090	743,711
Securities of active debt	10,933	13,870	4,613	9,717
Other liabilities	241,604	272,098	320,072	295,400
Total capital	169,320	192,599	148,023	101,594
Total liabilities and capital	1,127,192	1,278,095	1,316,852	1,272,489
Capital adequacy ratio	18.06	18.26	15.59	12.31
Total deposits/total liabilities	61.1%	63.6%	60.2%	63.5%

Provisions/total loans	133,755	123,742	192,250	310,404
Foreign currency loans/total loans	287,559	296,216	463,182	548,130
Foreign currency deposits/total deposits	264,395	265,694	337,089	347,816
Interest margin	4.51%	4.12%	4.16%	3.02%
Interest rate spread (basis points)	485	383	547	772
Total assets (in billions of U.S. dollars)	158,615	176,240	96,446	66,598

Source: NBU

Term funds as a percentage of the total amount of deposits to the total amount of borrowings amounted to 68 per cent., 69 per cent., 63 per cent., and 57 per cent. in 2012, 2013, 2014 and 2015, respectively. Foreign currency deposits accounted for 44 per cent. in 2012, 37 per cent. in 2013, 46 per cent. in 2014 and 45 per cent. in 2015. Share of long term deposits among all deposits was 33.1 per cent. as at 1 January 2012, 34.8 per cent. as at 1 January 2013, 41.1 per cent. as at 1 January 2014, 31.8 per cent. as at 1 January 2015 and 19.5 per cent. as at 1 January 2016.

In 2012, as compared to 2011, the total volume of loans increased by 1.7 per cent. and amounted to UAH 815.1 billion (the total volume of loans in hryvnia increased by 7.7 per cent. and in foreign currency decreased by 7.3 per cent.). In 2013, the total amount of loans extended by banks increased by 12 per cent. to UAH 911 billion (in particular by 17 per cent. in national currency and by 4 per cent. in foreign currency). In 2014, the volume of lending increased by 12 per cent. to UAH 1,021 billion (in particular in national currency it decreased by 9 per cent., in foreign currency – increased by 53 per cent.). In 2015, the amount of extended loans decreased by 4 per cent. to UAH 982 billion (in particular in national currency it decreased by 21 per cent., in foreign currency – increased by 16 per cent.).

As at 31 December 2012, the NBU implemented new methodological approaches for the estimation of credit risks based on IFRS requirements. According to the new regime, all assets and financial obligations are classified into five categories: “without risk” or “minimal risk (I category)”; “medium risk (II category)”; “significant risk (III category)”; “high risk (IV category)”; and “default (V category)”.

The share of “high risk” and “default” loans in the total loan portfolio of the Ukrainian banking sector was 16.5 per cent. as at 31 December 2012. During 2013, the volume of adversely classified debt under credit operations (debt of IV and V categories) decreased by 11 per cent. to UAH 154 billion representing 12.9 per cent. of the total amount of debt under credit operations. During 2014 the volume of adversely classified debt under credit operations (debt of IV and V categories) increased by 63 per cent. to UAH 251 billion representing 19.0 per cent. of the total amount of loan debts. In 2015 the volume of adversely classified debt under credit operations (debt of IV and V categories) represented 28.0 per cent. of the total amount of loan debts.

Revenues and Profitability

In 2012, the total aggregate revenue of the banking sector increased by 5.4 per cent. as compared to 2011 amounting to UAH 150.4 billion. Interest revenues amounted to UAH 117.5 billion (78.1 per cent. of the total revenues) and commission revenues amounted to UAH 21.2 billion (14.1 per cent. of total revenues).

In 2013, revenues of the banking sector increased by 12.3 per cent. as compared to 2012. As at 31 December 2013, revenue of the banking sector amounted to UAH 168.9 billion, including interest revenues in the amount of UAH 129.9 billion (or 76.9 per cent. of total revenues) and commission revenues of UAH 25.0 billion (or 14.8 per cent. of total revenues). In 2014, the revenues of the banking sector increased by 24.5 per cent. as compared to 2013. As at 31 December 2014, revenue of the banking sector amounted to UAH 210.2 billion, including interest revenues in the amount of UAH 151.2 billion (or 72.0 per cent. of total revenues) and commission revenues in the amount of UAH 28.3 billion (or 13.5 per cent. of total revenues). As at 31 December 2014, the loss of the banking sector amounted to UAH 53.0 billion.

In 2015, the revenues of banks amounted to UAH 203.3 billion, including interest income constituting UAH 138.7 billion (68.2 per cent. of the total revenues), while fees income totalled UAH 28.6 billion (14.1 per cent. of the total revenues). In 2015, the financial result of the banking system of Ukraine was a loss: of US\$.72.5 billion.

Deposits

In 2012, the total volume of deposits in the national currency increased by 13.8 per cent. and in foreign currency by 19.2 per cent. The total volume of deposits increased by 18.2 per cent. and 16.1 per cent. in 2011 and 2012, respectively. In 2013, the total volume of deposits in the Ukrainian banking system increased by 17.7 per cent. and amounted to UAH 668.5 billion as a result of an increase of funds in national currency by 32.1 per cent. and a decrease of funds in foreign currency by 0.8 per cent. In 2014, the total volume of local deposits increased by 0.8 per cent. and amounted to UAH 675.1 billion due to the increase of foreign currency funds by 24.7 per cent. and simultaneous decrease of national currency funds by 13.3 per cent. During 2015, the amount of resident deposits increased by 6.2 per cent. to UAH 716.7 billion due to the increase of national currency funds by 7.2 per cent. and increase of foreign currency funds by 4.9 per cent. The share of long term deposits in the total amount of resident deposits increased from 31.4 per cent. as at 1 January 2011 to 33.1 per cent. as at 1 January 2012, to 34.8 per cent. as at 1 January 2013, and to 41.1 per cent. as at 1 January 2014. The share of long term deposits in the total amount of resident deposits amounted to 31.8 per cent. and 19.5 per cent. as at 1 January 2015 and 1 January 2016, respectively.

Measures taken to stabilise the Banking Sector

Until 2008, Ukrainian banks aggressively expanded their loan portfolios based primarily on improved access to foreign financing. However, the global financial turmoil and the economic downturn in developed economies in the second half of 2008 limited the Ukrainian banking system's access to foreign financing. This, along with concerns over political instability in the country, led to a withdrawal of foreign capital from Ukraine and, combined with significant withdrawals of deposits and lending freezes, resulted in significant liquidity problems at Ukrainian banks. However, confidence in the Ukrainian banking market returned to a certain extent and, by 31 December 2011, the share of foreign capital in the charter capital of Ukrainian banks increased to approximately 42 per cent. Subsequently, the share of foreign capital in banking system of Ukraine fell back slightly to approximately 38-40 per cent. due primarily to changes in international banks' strategies, in particular refraining from participation in higher risk activities such as the retail banking business in Ukraine.

Throughout 2014 and 2015, the NBU adopted 62 decisions on placement of banks under temporary administration and 62 decisions on revocation of the banking license and liquidation of banks.

The total aggregate amount of capital injected into the Ukrainian banking system was UAH 15.07 billion, UAH 1.9 billion and UAH 8.25 billion in 2009, 2010 and 2011. This recapitalisation was funded primarily through the issuance of T-bills in the total amount of UAH 21.22 billion for 2009-2011.

In 2015, UAH 3.8 billion from the State Budget of Ukraine was spent on recapitalisation of JSB "UkrGazBank". On 22 May 2015, the Board of the NBU adopted a resolution on the transfer of assets and liabilities of PJSC "JSCB "Kyiv" to JSB "UkrGazBank".

Following the recapitalisation of a number of banks, the Government is considering selling their stakes in those banks to recover some of the funds used to recapitalise them. The Cabinet of Ministers is responsible for making the decision whether to sell the shares of those banks and on what terms. However, its decision will be based on the recommendation of the Ministry of Finance taking into consideration the recommendation of the advisers responsible for the sale of banks' shares.

At present, the Ministry of Finance is preparing the Fundamental Principles for Strategic Reform of the State Banking Sector by 2025 (the "**Strategy**"), which will introduce changes in the corporate

governance of the state-owned banks and ensure the independence of the state-owned banks from political and administrative influence. The key elements of the Strategy are:

- the appointment of a sufficient number of independent directors to improve the objectiveness and impartiality of the supervisory board;
- the introduction of market mechanisms of remuneration for members of the supervisory boards; and
- the creation of specialised committees under the supervisory board (audit, risk management, strategy, IT, ethics, HR and remuneration committees).

In the medium to long term, the State of Ukraine is interested in attracting the international financial institutions (e.g. IFC, EBRD, German Investment and Development Corporation) as partial owners of the systemic state-owned banks.

Refinancing Transactions

In 2012, the aggregate volume of refinancing transactions amounted to UAH 97.6 billion and the weighted average interest rate was 8.13 per cent. per annum. In 2013, the aggregate volume of refinancing transactions amounted to UAH 71.5 billion. The weighted average interest rate was 7.15 per cent. The overall amount of the NBU transactions relating to refinancing loans in 2014 constituted UAH 222.3 billion and the average annual interest rate was 15.57 per cent. The overall amount of refinancing transactions in 2015 amounted to UAH 75.4 billion and the average annual interest rate was 25.22 per cent. As at 1 April 2016, aggregate volume of refinancing loans in 2016 constituted UAH 5.0 billion and the weighted average interest rate was 23.69 per cent. per annum.

Recent Developments

In line with discussions with the IMF and the credit program under the Extended Fund Facility, there has been greater scrutiny on the state of the banking system and as a result certain measures have been taken to further stabilise and reform the under-capitalised and fragmented banking sector in Ukraine. As of the date of this Listing Prospectus, the first stage of the Ukrainian banking sector reform which aims to clear the system of the insolvent banks has been completed.

Throughout 2014 and 2015, the Board of the NBU adopted 62 decisions on placement of banks under temporary administration and 62 decisions on revocation of the banking license and liquidation of banks.

The number of banks operating in the ordinary course of business reduced to 117. As of the date of this Listing Prospectus three banks are categorised as banks under temporary administration and 67 banks are undergoing liquidation.

At the same time, the transition to the second stage does not rule out the insolvency of other Ukrainian banks. However, such decisions will be conditional upon stress testing, review of related-party transactions, higher oversight over the banks with “non-transparent” property structure, introduction of increased requirements for the charter and regulatory capital for the bank and the beginning of the banking sector consolidation.

During recent years, the NBU improved stability of the banking system through assessment of recapitalisation requirement for the largest (asset-wise) banks taking into account the inherent risks. Such assessment contributed to the increase of the reliability of the banking system. The 35 largest institutions were subject to diagnostic testing in 2014 and 20 banks underwent stress tests in 2015.

Out of 18 banks, regarding which the need for strengthening of capital was detected based on the results of diagnostic testing in 2014, five were placed under temporary administration before the completion of such testing with further insolvency resolution by the Individual Deposit Guarantee Fund, while the remaining 13 banks ensured implementation of business plans based on the results of the diagnostic testing and fulfilment of undertaken obligations in due time. This included PJSC “VAB Bank”, which was included into the category of insolvent banks on 20 November 2014 (during the

period of consideration and analysis of capitalisation programs/restructuring plans of the banks by representatives of the NBU).

In particular, due to a number of measures these Banks increased their charter capital, raised subordinated loans, converted subordinated debt to Tier I capital, obtained irrevocable financial assistance, and reduced assets and other sources.

Subsequently, one more bank was included into the category of insolvent banks based on the performance indicators maintain liquidity ratios and adhere to regulatory standards within the time frame specified timeframe.

As at the date of this Listing Prospectus, based on the results of the survey conducted in 2015 regarding the top 20 banks (including stress testing) those banks, regarding which the need for strengthening of capital was detected, are expected to provide capitalisation/restructuring schedules.

On 4 July 2014, a new law relating the improvement of the stability of the banking sector in Ukraine became effective which, among other things, authorised the NBU to establish new banking regulation rules, develop a programme for the immediate recapitalisation of the country's banks, and establish the framework by which Government support can be given, firstly, to systemically important banks which become insolvent and, secondly, to the Guarantee Fund. This law and other legislative changes envisage the following measures to improve the stability of the banking sector:

- (i) increase of the minimum required charter capital of the banks - not less than UAH 500 million as at the time of the state registration of the bank;
- (ii) introduction of a concept of a "systemically important bank", allowing the NBU to designate the systemically important banks based on their size, degree of financial interconnection within the market and area of activities;
- (iii) improving criteria for insolvent and problem banks;
- (iv) increase of the liability of the banks and their management;
- (v) extension of powers of the Individual Deposits Guarantee Fund; and
- (vi) introduction of a procedure for approval of the amendments to the bank's charter by the NBU.

The Securities Markets in Ukraine

The Securities Markets

Currently exchange based trading of corporate and municipal securities in Ukraine is concentrated on three main exchanges, although the country has 10 stock exchanges in total. The three main exchanges are PJSC "First Securities Trading System Stock Exchange", PJSC "Ukrainian Stock Exchange" and PJSC "Perspectyva", which had 77, 117 and 104 member companies, respectively, as at 31 December 2015.

As at 31 December 2015, the aggregate volume of the securities that were registered with the National Securities and Stock Market Commission of Ukraine increased by UAH 148.51 (as compared to 31 December 2014) and amounted to UAH 1,617.90 billion.

In 2012, the aggregate volume of registered share issuances in Ukraine decreased by UAH 42.32 billion, as compared to 2011, amounting to UAH 15.84 billion through 247 share issuances. In 2013, the aggregate volume of registered share issuances in Ukraine increased by UAH 48.70 billion, as compared to 2012, and amounted to UAH 64.54 billion through 218 share issuances. In 2014, the aggregate volume of registered share issuances in Ukraine increased by UAH 80.2 billion, as compared to 2013, and amounted to UAH 144.35 billion as at 31 December 2014. In 2015, the aggregate volume of registered share issuances in Ukraine decreased by UAH 22.05 billion, as compared to 2014 and amounted to UAH 122.30 billion through 153 share issuances.

In 2012, the aggregate volume of registered corporate bond issuances increased by UAH 15.47 billion, as compared to 2011, and amounted to UAH 51.38 billion through 332 corporate

bond issuances. In 2013, the aggregate volume of registered corporate bonds issuances decreased by UAH 6.63 billion, as compared to 2012, and amounted to UAH 44.76 billion through 278 bond issuances. In 2014, the aggregate volume of registered corporate bond issuances decreased by UAH 13.46 billion, as compared to 2013, and amounted to UAH 29.01 billion through 248 corporate bond issuances. In 2015, aggregate volume of registered corporate bond issuances decreased by UAH 17.59 billion, as compared to 2014 and amounted to UAH 11.42 billion through 147 corporate bond issuances.

Trading volumes on organised securities markets in Ukraine amounted to UAH 235.84 billion, UAH 263.67 billion and UAH 474.63 billion in 2011, 2012 and 2013, respectively. In 2014, trading volumes on organised securities markets in Ukraine increased by 33.72 per cent., as compared to 2013, and amounted to UAH 619.70 billion as at 31 December 2014. In 2015, trading volumes on organised securities markets in Ukraine decreased by 53.08 per cent., as compared to 2014 and amounted to UAH 290.77 billion.

Regulation of the Securities Market in Ukraine

The National Securities and Stock Market Commission of Ukraine (the “**National Securities Commission**”), which was established on 23 November 2011 by the President Decree, has responsibility for regulating the primary and secondary markets, the licensing and regulation of securities traders, registrars and joint investment institutions, as well as stock exchanges and securities custodians and depositaries.

Under the 2012 to 2014 Securities Markets’ Development Programme, the National Securities Commission has made a number of regulatory changes aimed at developing a balanced regulatory, structural and operational approach to convert the securities market of Ukraine into an efficient investment accumulation and supply instrument. The programme focuses on increasing consumer/investor protection, decreasing speculative trading in securities in favour of the real investment transactions, increasing the competitiveness of the Ukrainian securities market, bringing Ukrainian financial instruments and organised markets up to European standards and harmonising Ukrainian financial and corporate regulatory framework with European regulations. These changes include new licensing requirements, further regulation of the domestic bond markets and a framework for conducting domestic tender offers. In addition, the National Securities Commission has published a draft of a new Securities Markets’ Development Programme for years 2015-2017. According to the draft programme, the National Securities Commission is focusing on continuous corporate reform, strengthening efficiency of regulatory framework of securities’ issuers and development of stock markets’ instruments.

In addition, on 12 October 2013 a new Law of Ukraine “On Depository System of Ukraine” came into force. According to this law the Central Securities Depository and Central Counterparty Clearing Centre in Ukraine were established along with clearing rules and requirements for clearing institutions, and the establishment of a centralised custodian accounting of the securities in accordance with international standards.

The Financial Services Markets in Ukraine

The National Commission for the Regulation of Financial Services Markets in Ukraine, which was established in 2011 is responsible for regulating and supervising the non-bank financial sector. The non-bank financial sector of Ukraine includes insurance companies, insurance and reinsurance brokers, credit unions and other non-bank credit institutions, State entities providing financial services, non-State pension funds and their administrators, pawnbrokers, financial companies rendering services such as financial leasing, factoring and the provision of sureties and guarantees, as well as legal entities that do not have the status of a financial institution, but are permitted to render specific kinds of financial services.

The total assets of the non-bank financial sector are insignificant in comparison with the total assets of commercial banks. The total assets of non-financial institutions amounted to UAH 100.8 billion, UAH 125.0 billion, UAH 147.8 billion and UAH 158.4 billion in 2012, 2013, 2014 and 2015, respectively. The following table sets forth the total assets of non-bank financial institutions as at the dates indicated below:

	As at 31 December			
	2012	2013	2014	2015
	<i>(UAH million)</i>			
Insurance	56,225	66,388	70,261.2	60,729.1
Financial companies	29,703	39,781	51,264.8	64,960.0 ¹¹
Credit unions	2,657	2,599	2,338.7	2,064.3
Pawnbrokers	1,558	1,519	1,710.3	2,218.7
Other credit institutions	4,439	8,137.8	12,660.2	17,441.7
Public entities	4,552.9	4,445.9	7,111.9	7,263.3
Non-State pension funds	1,660	2,090	2,469.2	1,980.0

Non-resident insurance and reinsurance brokers are currently permitted to offer services in Ukraine. However, before authorisation for a foreign insurer to perform any activities in Ukraine is granted, several conditions need to be satisfied, including the execution of a memorandum of undertaking between the National Commission for the Regulation of Financial Services Markets of Ukraine and an insurance supervisory authority of the foreign state where the relevant non-resident insurer is registered concerning information exchange, as well as the existence of a double taxation treaty between Ukraine and the foreign state where the relevant non-resident insurer is registered.

In 2012, a number of laws came into force empowering the regulatory authorities to take more stringent measures to counteract money laundering within the financial services markets and defining the powers of the Commission to make stipulations regarding the quality of assets held in reserve by insurers. In particular, the law sets out specific requirements for information disclosure by financial institutions, stipulates that approval has to be obtained from the National Commission for Regulation of Financial Services Markets for the acquisition of 10 per cent. (or more) of the authorised capital of a financial institution and also provides for prudential supervision over banks as well as non-banking financial institutions.

In 2013, the National Commission for the Regulation of Financial Services Market in Ukraine introduced a number of draft laws in order to implement the 2010 to 2014 Economic Reform Programme. One of these laws was adopted by Parliament in 2013 in order to further regulate the provision of financial services.

The main focus of the National Commission for Regulation of Financial Services Markets is harmonisation of local Ukrainian financial markets regulations with the relevant European Union legislation.

On 4 December 2015 at the meeting of the National Council for Reforms, the President of Ukraine proposed to liquidate the National Commission for the Regulation of Financial Services Market in Ukraine, with the aim is to improve efficiency of government agencies and eliminate double oversight over certain regulated areas and industries. It is expected that the powers and functions of the National Commission for the Regulation of Financial Services Market in Ukraine will be transferred to the

¹¹ As at 30 September 2015. Aggregated information as at 31 December 2015 is being collected.

National Securities and Stock Market Commission of Ukraine and the NBU. No specific steps and implementations timeline have been announced so far in relation to such liquidation.

FORM OF GLOBAL CERTIFICATES AND TRANSFER RESTRICTIONS

The following information relates to the form and transfer of the Securities. Capitalised terms used but not defined herein have the meanings provided in the Terms and Conditions of the Further Notes as set out under “Terms and Conditions of the Further Notes” or the Terms and Conditions of the Further GDP-linked Securities as set out under “Terms and Conditions of the Further GDP-linked Securities” in this Listing Prospectus, as applicable.

1. Form of Further Notes and Further GDP-linked Securities

Existing Notes issued outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended (the “**Securities Act**”) (“**Regulation S**”) to non-U.S. Persons are represented by interests in unrestricted global notes, in registered form, without interest coupons attached, which were deposited on 12 November 2015 with The Bank of New York Mellon, London Branch, as common depository in respect of interests held through Euroclear and Clearstream, Luxembourg (the “**Notes Unrestricted Global Certificates**”) (as marked up subsequently to reflect the issuance of the Fourth Additional Further Series No. 1 Notes issued on the Issue Date). Further Notes (other than the Fourth Additional Further Series No. 1 Notes) issued on 28 April 2016 are represented by temporary unrestricted global notes, deposited with The Bank of New York Mellon, London Branch, as common depository in respect of interests held through Euroclear and Clearstream, Luxembourg). Further Notes (other than the Fourth Additional Further Series No. 1 Notes) will be consolidated and form a single series with the Existing Notes (as applicable) on 12 May 2016 at which point they will also be represented by the relevant Notes Unrestricted Global Certificates. The Fourth Additional Further Series No. 1 Notes issued on the Issue Date, were consolidated upon issue and, from the Issue Date, form a single series with the Existing Series No. 1 Notes.

Further GDP-linked Securities issued outside the United States in reliance on Regulation S to non-U.S. Persons are represented by interests in unrestricted global securities, in registered form, which were deposited on 12 November 2015 with The Bank of New York Mellon, London Branch, as common depository in respect of interests held through Euroclear and Clearstream, Luxembourg (the “**GDP-linked Securities Unrestricted Global Certificates**,” and together with the Notes Unrestricted Global Certificates, the “**Unrestricted Global Certificates**”) (as marked up subsequently to reflect the issuance of further GDP-linked Securities (including the Further GDP-linked Securities)).

Existing Notes issued to “qualified institutional buyers” (“**QIBs**”) (as defined in Rule 144A under the Securities Act (“**Rule 144A**”)) or “accredited investors” (the “**Accredited Investors**”) (as defined in Rule 501(a) of Regulation D under the Securities Act) are represented by interests in one or more restricted global notes in registered form without interest or coupons attached, which were deposited on 12 November 2015 with The Bank of New York Mellon, New York branch, as custodian, for the Depository Trust Company (“**DTC**”) and registered in the name of Cede & Co., as nominee for DTC (the “**Notes Restricted Global Certificates**”) (as marked up subsequently to reflect the issuance of the Fourth Additional Further Series No. 1 Notes issued on the Issue Date). Further Notes (other than the Fourth Additional Further Series No. 1 Notes) issued on 28 April 2016 are represented by temporary restricted global notes, deposited with The Bank of New York Mellon, New York branch, as custodian for DTC, and registered in the name of Cede & Co. as nominee for DTC. Further Notes (other than the Fourth Additional Further Series No. 1 Notes) will be consolidated and form a single series with the Existing Notes (as applicable) on 12 May 2016 at which point they will be represented by the relevant Notes Restricted Global Certificates. The Fourth Additional Further Series No. 1 Notes issued on the Issue Date, were consolidated upon issue and, from the Issue Date, form a single series with the Existing Series No. 1 Notes.

Further GDP-linked Securities issued to QIBs or Accredited Investors are represented by interests in one or more restricted global securities in registered form without interest or coupons attached, and were deposited on 12 November 2015 with The Bank of New York Mellon, New York branch, as custodian for DTC, and registered in the name of Cede & Co. as nominee for DTC (the “**GDP-linked**

Securities Restricted Global Certificates,” and, together with the Notes Restricted Global Certificates, the “**Restricted Global Certificates**”) (as marked up subsequently to reflect the issuance of further GDP-linked Securities (including Further GDP-linked Securities)). The Unrestricted Global Certificates and the Restricted Global Certificates are collectively referred to as the “**Global Certificates**”. Each of the Restricted Global Certificates (and any Definitive Certificates issued in exchange therefor) is subject to certain restrictions on transfer contained in a legend appearing on the face of such Certificate as set forth under “—*Transfer Restrictions*” below.

2. **Transfer Restrictions**

Transfers of interests in Global Certificates within DTC, Euroclear and Clearstream will be in accordance with the usual rules and operating procedures of the relevant system.

Each Restricted Global Certificate will bear a legend substantially identical to that set out under “—*United States*” below and no Restricted Global Certificate nor any beneficial interest in such Restricted Global Certificate may be transferred except in compliance with the transfer restrictions set forth in such legend.

No beneficial interest in a Global Certificate representing the Notes may be transferred or exchanged for a beneficial interest in a Global Certificate representing the GDP-linked Securities. No beneficial interest in a Global Certificate representing the GDP-linked Securities may be transferred or exchanged for a beneficial interest in a Global Certificate representing the Notes. No beneficial interest in a Global Certificate representing a Series of Notes may be transferred or exchanged for a beneficial interest in a Global Certificate representing a different Series of Notes.

Subject to the preceding paragraph, a beneficial interest in a Restricted Global Certificate may be transferred to a person who wishes to take delivery of such beneficial interest through the related Unrestricted Global Certificate only upon receipt by the applicable Registrar of a written certification from the transferor (in the form scheduled to the Notes Trust Deed or the GDP-linked Securities Trust Deed, as applicable) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Subject to the conditions set forth above, any beneficial interest in either the relevant Restricted Global Certificate or the relevant Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of a beneficial interest in the other relevant Global Certificate will, upon transfer, cease to be a beneficial interest in such Global Certificate and become a beneficial interest in the other relevant Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other relevant Global Certificate for so long as such person retains such an interest.

The Notes and the GDP-linked Securities were issued in the United States only to QIBs and to Accredited Investors and may only be resold in the United States to qualified institutional buyers. Because of these restrictions, U.S. Persons holding Notes or GDP-linked Securities are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes or GDP-linked Securities, as applicable.

The Issuer is a foreign government as defined in Rule 405 under the Securities Act and is eligible to register securities under Schedule B of the Securities Act. Therefore the Issuer is not subject to the information provisions requirements of Rule 144A(d)(4)(i) under the Securities Act.

United States

The Notes and GDP-linked Securities have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States or other jurisdiction and may not be issued, offered, sold, pledged or otherwise transferred except (i) to a person who is located outside the United States and is not a U.S. Person, in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (ii) in a transaction exempt from, or not subject to, the registration requirements of the Securities Act, in each case in accordance

with any applicable securities laws of any state of the United States. Any further sale, offer, pledge or transfer of the Notes or GDP-linked Securities will also be subject to the same restrictions and therefore, by receiving Notes or GDP-linked Securities, a holder of Notes or GDP-linked Securities and any transferee of Notes or GDP-linked Securities will be deemed to represent, acknowledge and agree that:

- (1) the Notes and GDP-linked Securities have not been and will not be registered under the Securities Act or any other securities laws and are being issued in transactions not involving any public offering in the United States;
- (2) unless so registered, the Notes and GDP-linked Securities may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws;
- (3) it is not, nor is it acting on behalf of, an Affiliate of the Issuer or acting on the Issuer's behalf and that it is either:
 - (i) not a U.S. Person or acting for the account or benefit of a U.S. Person, it is located outside the United States; or
 - (ii) an Accredited Investor and, if it is participating on behalf of one or more investor accounts, each of these investor accounts is an Accredited Investor, and it:
 - (a) is acquiring the Notes and GDP-linked Securities for investment, in the normal course of its business, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act;
 - (b) invests in or purchase securities similar to the Notes and GDP-linked Securities and it has such knowledge and experience in financial and business matters that makes it capable of evaluating the merits and risks of acquiring the Notes and GDP-linked Securities; and
 - (c) is aware that it (or any of these investor accounts) may be required to bear the economic risk of an investment in the Notes and GDP-linked Securities for an indefinite period of time and it (or that investor account) is able to bear this risk for an indefinite period; or
 - (iii) it is a QIB, and, if it is participating on behalf of one or more investor accounts, each of these investor accounts is a QIB;
- (4) it understands that the Notes and GDP-linked Securities represented by Unrestricted Global Certificates bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR, EXCEPT FOR LISTING OF THE SECURITIES ON THE IRISH STOCK EXCHANGE, WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE DELIVERED IN THE UNITED STATES OR TO U.S. PERSONS (AS THOSE TERMS ARE DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

FOR SO LONG AS THIS SECURITY IS HELD ON BEHALF OF CLEARSTREAM BANKING, SOCIÉTÉ ANONYME ("**CLEARSTREAM, LUXEMBOURG**") OR EUROCLEAR BANK SA/NV ("**EUROCLEAR**"), THE PUBLICATION OF NOTICES PURSUANT TO SECTION 14 OF THE CONDITIONS OF THE SECURITIES MAY BE

SUBSTITUTED BY DELIVERY OF THE RELEVANT NOTICE TO EUROCLEAR AND CLEARSTREAM.

- (5) it understands that the Notes and GDP-linked Securities represented by Restricted Global Certificates bear a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO THE ISSUER, (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A OR RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THIS SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS SECURITY, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

IF THIS SECURITY IS REGISTERED IN THE NAME OF CEDE & CO. (OR SUCH OTHER PERSON AS MAY BE NOMINATED BY THE DEPOSITORY TRUST COMPANY (FOR THE PURPOSE) AS NOMINEE FOR THE DEPOSITORY TRUST COMPANY, THEN, UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE THEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. (OR, AS THE CASE MAY BE, SUCH OTHER ENTITY AS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), HAS AN INTEREST HEREIN.

TRANSFERS OF THIS SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE TO NOMINEES OF THE DEPOSITORY TRUST COMPANY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE, AND TRANSFERS OF PORTIONS OF

THIS SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS ON SUCH TRANSFERS SET FORTH HEREIN.

- (6) if it is a QIB or an Accredited Investor, it understands that the Notes and the GDP-linked Securities issued pursuant to an exemption from the Securities Act other than Regulation S are represented by Restricted Global Certificates and that before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a relevant Unrestricted Global Certificate, it will be required to provide the applicable Registrar with a written certification (in the form provided in the relevant Agency Agreement) as to compliance with applicable securities laws;
- (7) if it is not a U.S. person, it understands that the Notes and the GDP-linked Securities are represented by Unrestricted Global Certificates and that prior to the expiration of the distribution compliance period, before any interest in any Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a relevant Restricted Global Certificate, it will be required to provide the applicable Registrar with a written certification (in the form provided in the relevant Agency Agreement) as to compliance with applicable securities laws; and
- (8) the Issuer, the Registrars, the Trustees and the relevant paying agents and transfer agents and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Transfer Restrictions

The Notes and GDP-linked Securities held by persons in the United States are transferable in the United States only under Rule 144 if available or to QIBs in a transaction meeting the requirements of Rule 144A or outside the United States under Regulation S. Because of the following restrictions, such persons are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of Notes and GDP-linked Securities.

Each subsequent purchaser or transferee of Notes and GDP-linked Securities in the United States or that is a U.S. Person will be deemed to have represented, agreed and acknowledged as follows:

- (i) the purchaser (a) is a QIB, (b) is acquiring the Notes and GDP-linked Securities for its own account or for the account of such a QIB and (c) such person is aware that the sale of the Notes and GDP-linked Securities to it is being made in reliance on Rule 144A or has acquired the relevant Notes or GDP-linked Securities under Rule 144;
- (ii) the Notes and GDP-linked Securities have not been and will not be registered under the Securities Act or any other securities laws and are being issued in circumstances not involving any public offering in the United States;
- (iii) unless so registered, the Notes and GDP-linked Securities may not be reoffered, resold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, except in accordance with the restrictions set forth above;
- (iv) it understands that the Notes and the GDP-linked Securities issued pursuant to an exemption from the Securities Act are represented by Restricted Global Certificates and that before any interest in any Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a relevant Unrestricted Global Certificate, it will be required to provide the relevant Registrar with a written certification (in the form provided in the relevant Agency Agreement) as to compliance with applicable securities laws;
- (v) each Restricted Global Certificate and any Restricted Definitive Certificates issued in exchange for an interest in a relevant Restricted Global Certificate will bear the same legend

as set forth in above, unless the Issuer determines otherwise in accordance with applicable law; and

- (vi) the Issuer, the Registrars, the Trustees, the relevant paying agents and the transfer agents and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each subsequent purchaser or transferee of the Notes or GDP-linked Securities in re-sales during the distribution compliance period will be deemed to have represented, agreed and acknowledged as follows:

- (i) it is, or at the time the Notes and GDP-linked Securities are purchased will be, the beneficial owner of such Notes and GDP-linked Securities and it is not a U.S. Person and it is located outside the United States (within the meaning of Regulation S);
- (ii) it understands that such Notes and GDP-linked Securities have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell pledge or otherwise transfer such Notes or GDP-linked Securities, except (a) to a person whom it reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A or (b) to a person that is not a U.S. Person or acting for the account of benefit of a U.S. Person in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; and, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- (iii) it understands that the Notes and the GDP-linked Securities are represented by Unrestricted Global Certificates. Prior to the expiration of the distribution compliance period, before any interest in any Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a relevant Restricted Global Certificate, it will be required to provide the relevant Registrar with a written certification (in the form provided in the relevant Agency Agreement) as to compliance with applicable securities laws; and
- (iv) the Issuer, the Registrars, the Trustees, the paying agents and the transfer agents and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

3. Exchange of Interests in Global Certificates for Definitive Note Certificates

Registration of title to any Series of the Notes or the GDP-linked Securities initially represented by a Restricted Global Certificate in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted in respect of the Notes or the GDP-linked Securities unless (a) such depositary notifies Ukraine that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Global Certificates or ceases to be a “clearing agency” registered under the United States Securities Exchange Act of 1934 (as amended, the “**Exchange Act**”) or is at any time no longer eligible to act as such and Ukraine is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary or (b) following a failure to pay principal, in respect of the relevant Notes, or Notional Amounts, in respect of the relevant GDP-linked Securities, at maturity or upon acceleration of any such Note or GDP-linked Security, as applicable, the relevant Trustee has received a request from the registered holder of the relevant Restricted Global Certificate requesting exchange of the relevant Restricted Global Certificate for individual note certificates (the “**Restricted Definitive Certificates**”).

Registration of title to any Series of Notes or the GDP-linked Securities initially represented by an Unrestricted Global Certificate in a name other than the nominee of the common depositary for Euroclear and Clearstream, Luxembourg will not be permitted unless (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in

fact do so and no alternative clearing system satisfactory to the relevant Trustee is available or (b) following a failure to pay principal, in respect of any relevant Note, or Notional Amounts, in respect of any relevant GDP-linked Security, at maturity or upon acceleration of any such Note or GDP-linked Security, the relevant Trustee has received a request from the registered holder of the relevant Unrestricted Global Certificate requesting exchange of the relevant Unrestricted Global Certificate for individual note certificates (the “**Unrestricted Definitive Certificates**”, and together with the Restricted Definitive Certificates, the “**Definitive Certificates**”).

In such circumstances, the relevant Global Certificate shall be exchanged in full for Definitive Certificates and Ukraine will, at the cost of Ukraine (but against such indemnity as the relevant Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the relevant Registrar for completion, authentication and dispatch to the relevant holders. A person having an interest in a relevant Global Certificate must provide the relevant Registrar with (a) a written order containing instructions and such other information as Ukraine and the relevant Registrar may require to complete, execute and deliver such Definitive Certificates and (b) in the case of the relevant Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A or Regulation S, a certification that the transfer is being made in compliance with the provisions of Rule 144A or Regulation S. Definitive Certificates issued in exchange for a beneficial interest in a relevant Restricted Global Certificate shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under “—*Transfer Restrictions*” above.

The holder of a Further Note may transfer such Further Note in accordance with the provisions of Condition 2 of the Terms and Conditions of the Further Notes. See the respective Terms and Conditions of the Further Notes set out in this Listing Prospectus under “—*Register, Title and Transfers*”. The holder of a Further GDP-linked Security may transfer such Further GDP-linked Security in accordance with the provisions of Condition 2 of the Terms and Conditions of the Further GDP-linked Securities. See “*Terms and Conditions of the Further GDP-linked Securities—Register, Title and Transfers*” set out in this Listing Prospectus. Definitive Certificates may not be eligible for trading in DTC, Euroclear or Clearstream, Luxembourg systems.

No beneficial interest in a Global Certificate representing the Notes may be transferred or exchanged for a Definitive Certificate representing the GDP-linked Securities, and no beneficial interest in a Global Certificate representing the GDP-linked Securities may be transferred or exchanged for a beneficial interest in a Definitive Certificate representing the Notes. No beneficial interest in a Global Certificate representing a Series of Notes may be transferred or exchanged for a beneficial interest in a Definitive Certificate representing a different Series of Notes.

Upon the transfer, exchange or replacement of a Restricted Definitive Certificate bearing the legend referred to under “—*Transfer Restrictions*” above, or upon specific request for removal of the legend on a Restricted Definitive Certificate, Ukraine will deliver only relevant Restricted Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to Ukraine and the relevant Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by Ukraine that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The relevant Registrar will not register the transfer of or exchange of interests in a relevant Global Certificate for Definitive Certificates for a period of 15 calendar days ending on the due date for payment of principal or interest, with respect to the Notes, and for a period of 15 calendar days ending on the due date for any payment, with respect to the GDP-linked Securities.

4. DTC, Euroclear and Clearstream, Luxembourg Arrangements

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository is the registered holder of a Global Certificate, DTC Euroclear, Clearstream,

Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes or GDP-linked Security represented by such Global Certificate for all purposes under the Notes Trust Deed, Notes Agency Agreement and the Notes or the GDP-linked Securities Trust Deed, GDP-linked Securities Agency Agreement and the GDP-linked Securities, as applicable. All payments with respect to the Notes and GDP-linked Securities in respect of the relevant Global Certificates will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of Ukraine, any Trustee or any Agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of payments with respect to book entry interests in the Notes and in the GDP-linked Securities, each held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the relevant Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Holders of book entry interests in Notes and in GDP-linked Securities held through DTC will receive from the relevant Paying Agent through DTC, to the extent received by DTC from such Paying Agent, all payments made with respect to book entry interests in such Notes or GDP-linked Securities, as applicable. Distribution of payments in the United States will be subject to relevant U.S. tax laws and regulations.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a relevant Global Certificate to such persons will be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a relevant Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book entry interests in the Notes and the GDP-linked Securities through Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book entry accounts of each such institution. As necessary, the relevant Registrar will adjust the amounts of Notes or the GDP-linked Securities, as applicable, on the relevant Register for the accounts of (i) Citivic Nominees Limited and (ii) Cede & Co. to reflect the amounts of Notes or GDP-Linked Securities, as applicable, held through Euroclear and Clearstream, Luxembourg and DTC, respectively. Beneficial ownership of Notes and the GDP-linked Securities will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

Interests in relevant Unrestricted Global Certificates and relevant Restricted Global Certificates will be in uncertificated book entry form.

5. Secondary Market Trading in Relation to Global Certificates

The Issuer has obtained the information in this section concerning DTC, Euroclear and Clearstream, Luxembourg and their book entry systems from sources made publicly available by DTC, Euroclear and Clearstream, Luxembourg, which Ukraine believes to be reliable and which has been accurately extracted and/or summarised from those sources. The Issuer takes no responsibility for the accuracy of this information and only accepts responsibility for accurately extracting the information from those sources.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market sales of book entry interests in the Notes or the GDP-linked Securities held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the Notes or the GDP-linked Securities, as applicable, through Euroclear or Clearstream, Luxembourg will be conducted in

accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book entry interests in Notes or the GDP-linked Securities between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same Day Funds Settlement System.

Trading between DTC Seller and Euroclear/Clearstream Purchaser

Subject to the foregoing, when a book entry interest in Notes or GDP-linked Securities is to be transferred from the account of a DTC participant holding a beneficial interest in the relevant Restricted Global Certificate to the account of a Euroclear or Clearstream accountholder wishing to purchase a beneficial interest in the relevant Unrestricted Global Certificate (subject to such certification procedures as are provided in the Agency Agreements), the purchaser must send instructions to Euroclear or Clearstream at least one business day prior to the settlement date. Euroclear or Clearstream, as the case may be, will instruct the common depository to receive the beneficial interest and make payment for it. Payment will include interest accrued on the beneficial interest in the Notes from and including the last interest payment date to and excluding the settlement date or, in the case of the GDP-linked Securities, will include any accrual in respect of amounts payable on the relevant GDP-linked Securities. On the settlement date, the common depository will make payment to the DTC participant's account against delivery of the beneficial interest. After settlement has been completed, the beneficial interest will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Euroclear or Clearstream accountholder's account. The securities credit will appear the next day, European time. The cash debit will be back valued to, and interest on the relevant Unrestricted Global Certificate will accrue from, the value date, which will be the preceding day when settlement occurs in New York. If settlement is not completed on the intended value date, that is, if the trade fails, the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date, whenever that may be.

The Euroclear or Clearstream accountholder will need to make available to its clearing system the funds necessary to process same day funds settlement. The most direct means of doing so is to pre position funds for settlement, either from cash on hand or existing lines of credit, as it would for any pre settlement occurring within Euroclear or Clearstream. Under this approach, the purchasing accountholder may take on credit exposure to Euroclear or Clearstream until the beneficial interest in the relevant Unrestricted Global Certificate is credited to its account one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to the purchasing accountholder, it can elect not to pre position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, the Euroclear or Clearstream accountholder purchasing the beneficial interest in the relevant Unrestricted Global Certificate would incur overdraft charges for one day, assuming it cleared the overdraft when the beneficial interest was credited to its account. However, interest on the relevant Unrestricted Global Certificate would accrue from the value date. Therefore, in many cases, the investment income on the relevant Unrestricted Global Certificate earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each accountholder's particular cost of funds.

Because the settlement is taking place during New York business hours, the DTC participant can use its usual procedures for transferring a beneficial interest in the Global Certificates to the common depository for the benefit of the Euroclear or Clearstream accountholder. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross market transaction will settle no differently than a trade between two DTC participants.

Day traders that use Clearstream or Euroclear to purchase interests in the Notes or the GDP-linked Securities from DTC participants for delivery to Clearstream participants or Euroclear participants

should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- borrowing through Clearstream or Euroclear for one day, until the purchase side of the day trade is reflected in their Clearstream or Euroclear accounts, in accordance with the clearing system's customary procedures; or
- borrowing the interests in the United States from a DTC participant no later than one day prior to settlement, which will give the interests sufficient time to be reflected in their Clearstream or Euroclear account in order to settle the sale side of the trade; or
- staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Clearstream participant or Euroclear participant.

Trading between Euroclear/Clearstream Seller and DTC Purchaser

Due to time zone differences in its favour, a Euroclear or Clearstream accountholder may employ customary transfer procedures when transferring a book entry interest in the relevant Unrestricted Global Certificate to the account of a DTC participant wishing to purchase a beneficial interest in the relevant Restricted Global Certificate (subject to such certification procedures as are provided in the relevant Agency Agreement). The seller must send instructions to Euroclear or Clearstream at least one business day prior to the settlement date. Euroclear or Clearstream will instruct the common depository to credit the beneficial interest in the relevant Global Certificates to the DTC participant's account and receive payment. Payment will include interest accrued on the beneficial interest in the Notes from and including the last interest payment date to and excluding the settlement date or, in the case of the GDP-linked Securities, will include any accrual in respect of amounts payable on the relevant GDP-linked Securities. Payment will be reflected in the account of the Euroclear or Clearstream accountholder the following day. Receipt of cash proceeds in the Euroclear or Clearstream accountholder's account will be back valued to the value date, which will be the preceding day, when settlement occurs in New York. If the Euroclear or Clearstream accountholder has a line of credit with its clearing system and elects to draw on such line of credit in anticipation of receipt of sale proceeds in its account, the back valuation may substantially reduce or offset any overdraft charges incurred over that one day period. If settlement is not completed on the intended value date, that is, if the trade fails, receipt of the cash proceeds in the Euroclear or Clearstream accountholder's account will instead be valued as of the actual settlement date, whenever that may be.

For a further description of restrictions on the transfer of Notes and the GDP-linked Securities. See "*—Transfer Restrictions*".

DTC has advised Ukraine that it will take any action permitted to be taken by a holder of Notes and/or the GDP-linked Securities (including, without limitation, the presentation of Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Certificates are credited and only in respect of such portion of the aggregate principal amount of the relevant Global Certificates as to which such participant or participants has or have given such direction. In the circumstances described above, DTC will surrender the Global Certificates for exchange for individual Definitive Certificates, which will, in the case of Restricted Definitive Certificates, bear the legend applicable to transfers pursuant to Rule 144A.

DTC has advised Ukraine as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance settlement of transactions between its participants through electronic book entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. DTC participants include securities brokers and dealers, banks, trust companies and clearing corporations and may in the future include certain other organisations. Indirect access to the DTC system is also available to banks, brokers,

dealers and trust companies that clear through, or maintain a custodial relationship with, a participant, either directly or indirectly. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers.

Euroclear and Clearstream have advised Ukraine as follows: Euroclear and Clearstream hold securities for participating organisations and facilitate the clearance and settlement of securities between their respective accountholders through electronic book entry changes in accounts of such accountholders. Euroclear and Clearstream provide to their accountholders, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream accountholders are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream accountholder, either directly or indirectly.

Although the foregoing sets out the procedures of DTC, Euroclear and Clearstream to facilitate transfers of beneficial interests in global bonds among participants and accountholders of DTC, Euroclear and Clearstream, none of DTC, Euroclear or Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Ukraine nor any agent of Ukraine nor any person by whom any of them is controlled for purposes of the Securities Act will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or the sufficiency for any purpose of the arrangements described above.

While the Restricted Global Certificates are lodged with DTC or the relevant Custodian, Notes or GDP-linked Securities represented by individual Definitive Certificates will not be eligible for clearing or settlement through DTC. While the Global Certificates are lodged with Euroclear or Clearstream or the common depository for Euroclear or Clearstream, Notes or GDP-linked Securities represented by individual Definitive Certificates will not be eligible for clearing or settlement through Euroclear or Clearstream.

6. Amendments to Conditions

Each Global Certificate contains provisions that apply to the Series of Notes or GDP-linked Securities that they represent, some of which modify the effects of the relevant terms and conditions. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes and Payment Amounts (as defined in the terms and conditions of the Further GDP-linked Securities) in respect of the GDP-linked Securities evidenced by a Global Certificate will be made to, or to the order of, the person whose name is entered on the relevant register of holders at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive, except 25 December and 1 January.

Meetings

The holder of each Global Certificate will be treated as being one person for the purposes of any quorum requirements of, or have the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.\$1,000 principal amount of Notes or Notional Amount of the GDP-linked Securities for which the relevant Global Certificate may be exchangeable.

Purchase and Cancellation

Cancellation of any Note or GDP-linked Security required by the relevant terms and conditions to be cancelled following its purchase will be effected by reduction in the principal amount or Notional Amount in respect of the relevant Note or GDP-linked Security, respectively, of the relevant Global Certificate.

Notices

So long as the relevant Unrestricted Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”), notices to holders of Notes or GDP-linked Securities, as applicable, represented by a beneficial interest in such relevant Unrestricted Global Certificate may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System and so long as the relevant Restricted Global Certificate is held on behalf of DTC or an Alternative Clearing System, notices to holders of Notes or GDP-linked Securities, as applicable, represented by a beneficial interest in the relevant Restricted Global Certificate may be given by delivery of the relevant notice to DTC or the Alternative Clearing System; except that, so long as the notes are listed on the Irish Stock Exchange, notices will also be published either via the Companies Announcement Office of the Irish Stock Exchange or in the Irish Times.

GENERAL INFORMATION

Authorisation

The issuance of the Further Notes and Further GDP-linked Securities has been duly authorised by Ukraine pursuant to Resolution of the Cabinet of Ministers No. 912 dated 11 November 2015 (as amended by Resolution of the Cabinet of Ministers No. 1040 dated 18 December 2015) “On Settlement of Transactions in 2015 with Sovereign and Sovereign Guaranteed Debt for Purposes of Its Restructuring and Partial Write-off”, by Resolution of the Cabinet of Ministers No. 60 dated 11 February 2016 “On Carrying Out Transactions with State Guaranteed Debt”, by Resolution of the Cabinet of Ministers No. 101 dated 24 February 2016 “On Carrying Out Transactions with State Guaranteed Debt”, by Resolution of the Cabinet of Ministers No. 309 dated 27 April 2016 “On Carrying Out Additional Issue and Placement of 2015 Notes and GDP-Linked Securities of Ukraine” and by Resolution of the Cabinet of Ministers No. 310 dated 27 April 2016 “On Carrying Out Transactions with State Guaranteed Debt”.

Contact Details

The Issuer’s address is 12/2 Grushevsky Street, Kyiv 01008, Ukraine. The Issuer’s telephone number is +38 044 463 6855.

Listing

Application has been made to the Irish Stock Exchange for the Further Notes and Further GDP-linked Securities to be admitted to the Official List and trading on the Market. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.

The Original Notes, the Further Series No. 1 Notes, the Further Series No. 2 Notes, the First Additional Further Series No.1 Notes, the Original GDP-linked Securities, the December 2015 Further GDP-linked Securities and the First Additional Further GDP-linked Securities were admitted to the Official List and trading on the Market on 15 February 2016.

The Second Additional Further Series No. 1 Notes and the Second Additional Further GDP-linked Securities were admitted to the Official List and trading on the Market on 26 February 2016. The expenses in connection with the admission of the Securities to the Official List and to trading on the Market are expected to amount to approximately EUR 10,000.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or trading on the regulated market of the Irish Stock Exchange for the purpose of the Prospectus Directive.

Clearing Systems

The Securities have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC.

The table below sets out the ISIN, Common Code, US ISIN and CUSIP information with respect to the Existing Notes:

Series	ISIN	Common Code	US ISIN	CUSIP
U.S.\$1,646,241,000 7.75 per cent. Notes due 2019	XS1303918269	130391826	US903724AV45	903724AV4
U.S.\$1,706,530,000 7.75 per cent. Notes due 2020	XS1303918939	130391893	US903724AM46	903724AM4
U.S.\$1,377,761,000 7.75 per cent. Notes due 2021	XS1303920083	130392008	US903724AN29	903724AN2
U.S.\$1,354,820,000 7.75 per cent. Notes due 2022	XS1303921214	130392121	US903724AP76	903724AP7
U.S.\$1,330,114,000 7.75 per cent. Notes due 2023	XS1303921487	130392148	US903724AQ59	903724AQ5
U.S.\$1,315,072,000 7.75 per cent. Notes due 2024	XS1303925041	130392504	US903724AR33	903724AR3
U.S.\$1,306,032,000 7.75 per cent. Notes due 2025	XS1303925470	130392547	US903724AS16	903724AS1
U.S.\$1,295,404,000 7.75 per cent. Notes due 2026	XS1303926528	130392652	US903724AT98	903724AT9
U.S.\$1,286,228,000 7.75 per cent. Notes due 2027	XS1303927179	130392717	US903724AU61	903724AU6

The table below sets out the Temporary ISIN, Temporary Common Code, Temporary US ISIN and Temporary CUSIP information with respect to the Further Notes (other than the Fourth Additional Further Series No. 1 Notes, which were consolidated upon issue and, from the Issue Date, form a single series with the Existing Series No. 1 Notes):

Series	ISIN	Common Code	US ISIN	CUSIP
U.S.\$97,467,000 7.75 per cent. Notes due 2019	XS1398336518	139833651	US903724BA98	903724BA9
U.S.\$73,307,000 7.75 per cent. Notes due 2020	XS1398336781	139833678	US903724BB71	903724BB7
U.S.\$31,521,000 7.75 per cent. Notes due 2021	XS1398336948	139833694	US903724BC54	903724BC5
U.S.\$28,872,000 7.75 per cent. Notes due 2022	XS1398337243	139833724	US903724BD38	903724BD3
U.S.\$25,117,000 7.75 per cent. Notes due 2023	XS1398337326	139833732	US903724BE11	903724BE1
U.S.\$23,985,000 7.75 per cent. Notes due 2024	XS1398337599	139833759	US903724BF85	903724BF8
U.S.\$22,855,000 7.75 per cent. Notes due 2025	XS1398338308	139833830	US903724BG68	903724BG6
U.S.\$22,536,000 7.75 per cent. Notes due 2026	XS1398337839	139833783	US903724BH42	903724BH4
U.S.\$20,933,000 7.75 per cent. Notes due 2027	XS1398338217	139833821	US903724BJ08	903724BJ0

The table below sets out the ISIN, Common Code, US ISIN and CUSIP information with respect to the GDP-linked Securities:

ISIN	Common Code	US ISIN	CUSIP
XS1303929894	130392989	US903724AW28	903724AW2

Significant Change

Since 31 December 2015, there has been no significant change in the Issuer's (a) tax and budgetary systems, (b) gross public debt or the maturity structure or currency of its outstanding debt and debt payment record, (c) foreign trade and balance of payment figures, (d) foreign exchange reserves including any potential encumbrances to such foreign exchange reserves as forward contracts or derivatives, (e) financial position and resources including liquid deposits available in domestic currency and (f) income and expenditure figures.

Litigation

Save as disclosed in this Listing Prospectus on pages 112 to 115, the Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or

threatened of which the Issuer is aware) during the previous twelve months which may have or have had in the recent past, significant effects on the Issuer's financial position.

Documents

So long as the Securities are listed on the Irish Stock Exchange, physical copies of the Notes Trust Deed, the GDP-linked Securities Trust Deed, the Notes Agency Agreement and the GDP-linked Securities Agency Agreement (and any supplements thereto) may be inspected at the offices of the Issuer, as set forth on the back cover of this Listing Prospectus and the latest Law of Ukraine "*On the State Budget of Ukraine*" (in the Ukrainian language) will be available on the Internet site www.rada.gov.ua. This internet site does not form part of this Listing Prospectus for the purpose of its approval or the listing of the Notes.

Foreign Language

The language of this Listing Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

THE ISSUER

Ukraine

Represented by the Minister of Finance of Ukraine
acting upon instructions of the Cabinet of Ministers of Ukraine
12/2 Grushevsky Street
Kyiv
Ukraine

TRUSTEE FOR THE NOTES AND THE GDP-LINKED SECURITIES

BNY Mellon Corporate Trustee Services Limited

One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch

One Canada Square
Canary Wharf
London, E14 5AL
United Kingdom

**PAYING AGENT, TRANSFER AGENT AND
REGISTRAR**

The Bank of New York Mellon (Luxembourg) S.A

Vertigo Building – Polaris
2-3 rue Eugene Ruppert
L-2453 Luxembourg

IRISH LISTING AGENT

Arthur Cox Listing Services Limited

Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

LEGAL ADVISERS

To the Issuer as to English and U.S. law

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

To the Issuer as to Ukrainian law

Avellum Partners
38 Volodymyrska St., 4th floor
01030, Kyiv, Ukraine

To the Trustee as to English law

Hogan Lovells International LLP

Atlantic House
Holborn Viaduct
London EC1A 2FG
United Kingdom