



Ukraine: Investor Presentation



MINISTRY OF
FINANCE OF
UKRAINE

February 2020

IMPORTANT: You must read the following before continuing. The following applies to this document, the oral presentation of the information in this document by Ukraine, represented by the Minister of Finance of Ukraine acting upon instructions of the Cabinet of Ministers of Ukraine (the “**Issuer**”) or any person on behalf of the Issuer, and any question-and-answer session that follows the oral presentation (collectively, the “**Information**”). In accessing the Information, you agree to be bound by the following terms and conditions.

The Information may not be reproduced, redistributed, published or passed on to any other person, directly or indirectly, in whole or in part, for any purpose. This document may not be removed from the premises. If this document has been received in error it must be returned immediately to the Issuer or the Joint Lead Managers (as defined below).

The securities referred to herein may not be offered or sold in the United States absent registration under the US Securities Act of 1933, as amended (the “**Securities Act**”), or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Subject to certain exceptions, the securities referred to herein may not be offered or sold in Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada or Japan. The offer and sale of the securities referred to herein has not been and will not be registered under the Securities Act or under the applicable securities laws of Australia, Canada or Japan. There will be no public offer of the securities in the United States.

The Information is not an advertisement of securities in Ukraine, and is not an offer or invitation to, or solicitation of, any such circulation, distribution, placement, sale, purchase or other transfer of the securities in the territory of Ukraine. It is not intended to be and must not be publicly distributed in or into Ukraine.

The Information is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities of the Issuer may otherwise lawfully be communicated or caused to be communicated (all such persons in (i)-(iv) above being “**Relevant Persons**”). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on the Information or any of its contents.

The Information does not constitute or form part of, and should not be construed as an offer or the solicitation of an offer to subscribe for or purchase the Securities, and nothing contained therein shall form the basis of or be relied on in connection with any contract or commitment whatsoever, nor does it constitute a recommendation regarding the Securities. Any decision to purchase the Securities should be made solely on the basis of the information to be contained in the Prospectus (or equivalent disclosure document) produced in connection with the offering of the Securities. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of the Issuer and the nature of the Securities before taking any investment decision with respect to the Securities. The Prospectus (or equivalent disclosure document) may contain information different from the Information.

The Information has been prepared by the Issuer. BNP Paribas, J.P. Morgan and Raiffeisen Bank International (collectively, the “**Joint Lead Managers**”) acting in connection with the offering of the Securities are acting exclusively for the Issuer and no one else, and will not be responsible for providing advice in connection with the Information to any other party. Subject to applicable law, none of the Joint Lead Managers accepts any responsibility whatsoever and makes no representation or warranty, express or implied, for the contents of the Information, including its accuracy, completeness or verification or for any other statement made or purported to be made in connection with the Issuer and nothing in this document or at this presentation shall be relied upon as a promise or representation in this respect, whether as to the past or the future. The Joint Lead Managers accordingly disclaim all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred above) which any of them might otherwise have in respect of the Information or any such statement.






The Information contains forward-looking statements. All statements other than statements of historical fact included in the Information are forward-looking statements. Forward-looking statements give the Issuer’s current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as “target,” “believe,” “expect,” “aim,” “intend,” “may,” “anticipate,” “estimate,” “plan,” “project,” “will,” “can have,” “likely,” “should,” “would,” “could” and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Issuer’s control that could cause the Issuer’s actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer’s present and future strategies and the environment in which it will operate in the future.

No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the Information or the opinions contained therein. The Information has not been independently verified and will not be updated. The Information, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. The Issuer expressly disclaims any obligation or undertaking to disseminate any updates or revisions to the Information, including any fiscal data or forward-looking statements, and will not publicly release any revisions it may make to the Information that may result from any change in the Issuer’s expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date of this document.

* A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.



Ukraine's economy: illustrative success stories

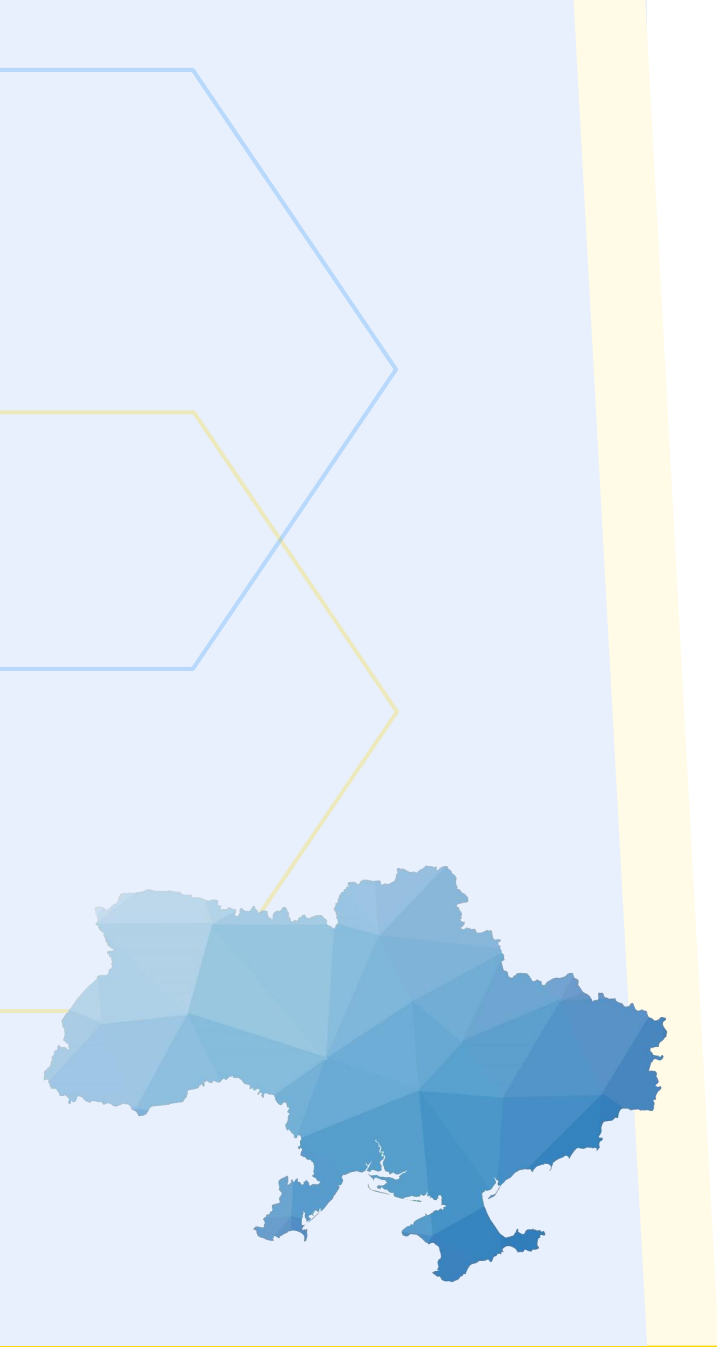
	2014 / 2015		2018 / 2019
 Real GDP growth	(6.6)% / (9.8)%	➔	2.8% (Q3 2018) / 4.1% (Q3 2019)
 Consumer inflation (eop)	24.9% / 43.3%	➔	9.2% (Jan-19) / 3.2% (Jan-20)
 Reserves (eop)	US\$ 7.5bn (2014) / US\$ 13.3bn (2015)	➔	US\$ 20.8bn (Jan-19) / US\$ 26.3bn (Jan-20)
 Primary state budget balance¹	(1.9)% of GDP (2014)	➔	1.1% of GDP ² (Sep-19)
 State debt to GDP²	67.1% (2015)	➔	45.2% (Sep-19)

Note 1 Primary state budget balance defined as state budget revenues minus expenditures excl. debt service and minus net lending

Note 2 LTM GDP is used

Sources State Statistics Service of Ukraine, NBU, State Treasury





- 1 Sustainable growth path supported by reforms achievements**
- 2 Reforms achievements: irreversible steps towards big changes
- 3 Fiscal consolidation supporting a prudent debt management strategy
- 4 Continuous support from economic partners
- 5 Appendices



Robust economic growth path (1/3)

LTM Q3 2019 GDP¹ in current prices

US\$ 145bn

GDP per capita dynamics, US\$

2016 US\$ 2,188

+21%

2017 US\$ 2,640

+17%

2018 US\$ 3,093

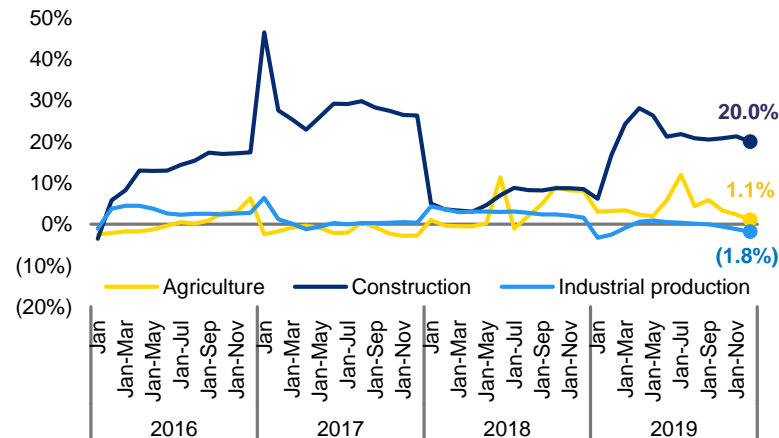
+12%

LTM Q3 2019 US\$ 3,463

Comments

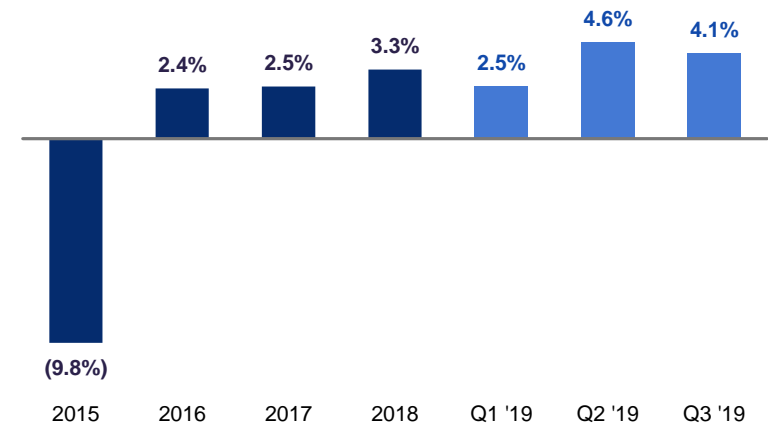
- ▶ **Ukraine's real GDP is growing for fifteen consecutive quarters in a row**
- ▶ Real GDP growth accelerated further to 4.1% (y-o-y) in Q3 2019 compared to 3.3% in 2018 and 2.5% in 2017
- ▶ In 2018 Ukraine witnessed a 8.1% real growth in agriculture, 8.5% – in construction, and 1.6% increase in industrial production. In 2019 the positive trend continued with construction and agriculture output growing by 20.0% and 1.1%, respectively
- ▶ **Strong consumer demand remains the key driver of real growth dynamics** followed by the accelerated investments
 - **Private consumption contribution to real GDP growth accounted for 5.4%** in Q3 2019, whereas positive contribution of fixed capital accumulation totaled 2.1%

Key economic sectors output growth (y-o-y)², %



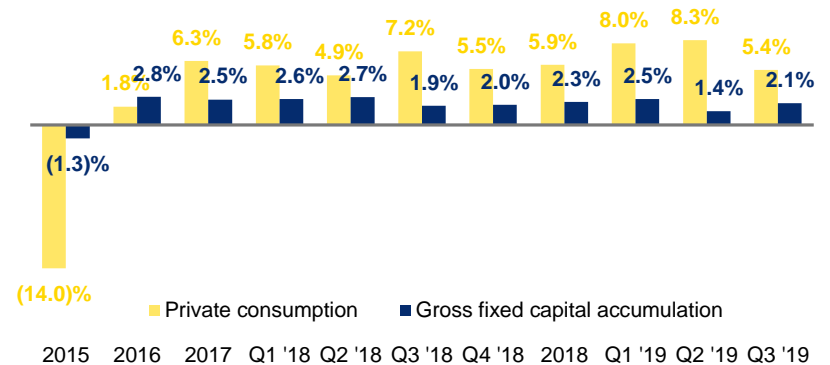
Source State Statistics Service of Ukraine

Real GDP growth (y-o-y), %



Source State Statistics Service of Ukraine

Component contribution into real GDP growth, %



Source State Statistics Service of Ukraine

Notes

- 1 Calculated as a sum of quarterly nominal GDP Q4 2018 and Q1-Q3 2019
- 2 To the corresponding period of the previous year on a cumulative basis

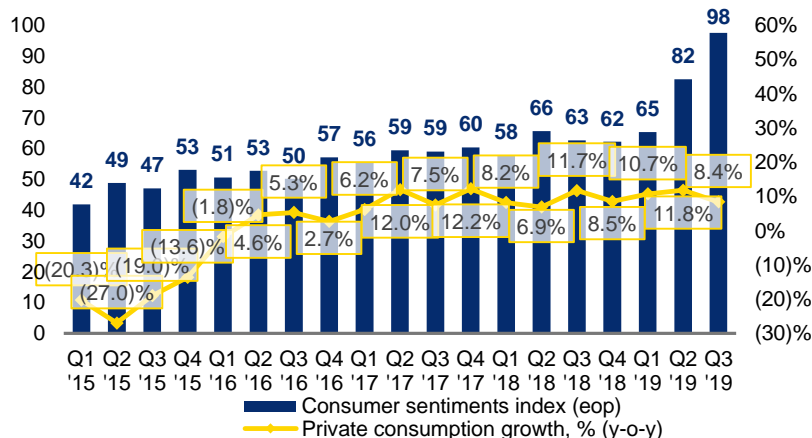


Robust economic growth path (2/3)

Comments

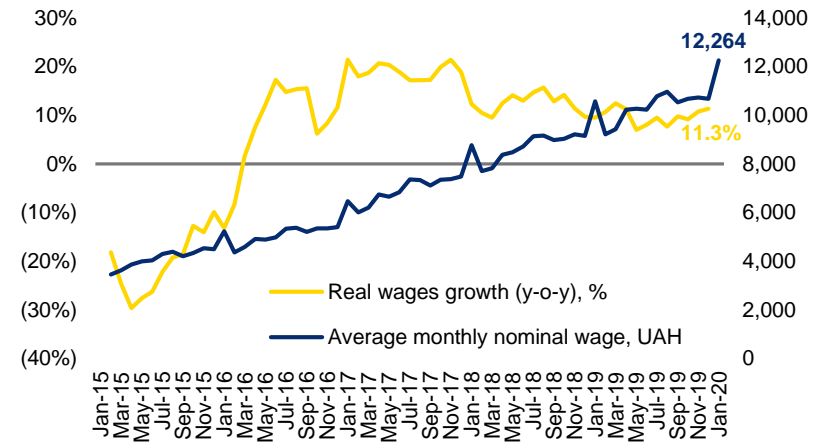
- ▶ **Increasing consumer demand remains the main driver of Ukraine's real GDP growth**
 - Final private consumption grew by 8.4% (y-o-y) in Q3 2019, whereas retail trade turnover increased by 10.5% in December 2019
- ▶ Consumer demand is driven by a number of factors, including among others **improving consumer sentiments, rise in real wages, consumer lending and personal money remittances**
 - Real wages went up by 11.3% y-o-y in December 2019 with growth being supported by the economic expansion, 12.1% increase in minimum wage in 2019 and increased competition for the labor force

Private consumption and consumer sentiments evolution



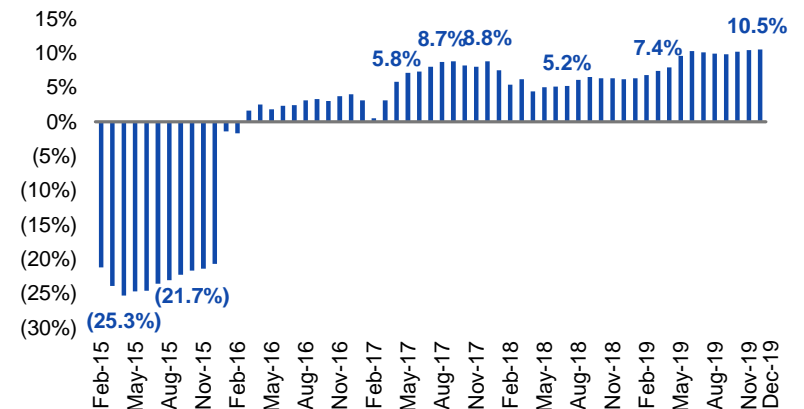
Source GFK, State Statistics Service of Ukraine

Real wages growth (%) and avg monthly nominal wages (UAH)



Source State Statistics Service of Ukraine

Retail trade growth (y-o-y)¹, %



Note 1 To the corresponding period of the previous year on a cumulative basis

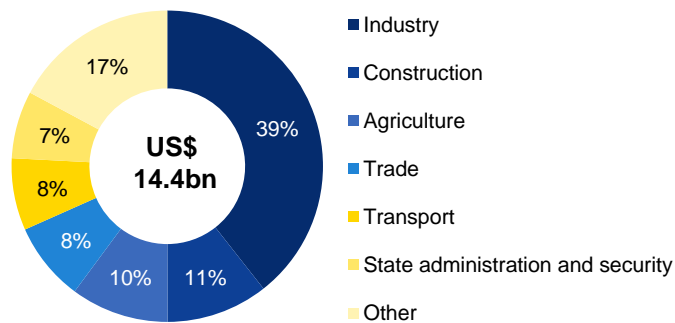
Source State Statistics Service of Ukraine

Robust economic growth path (3/3)

Comments

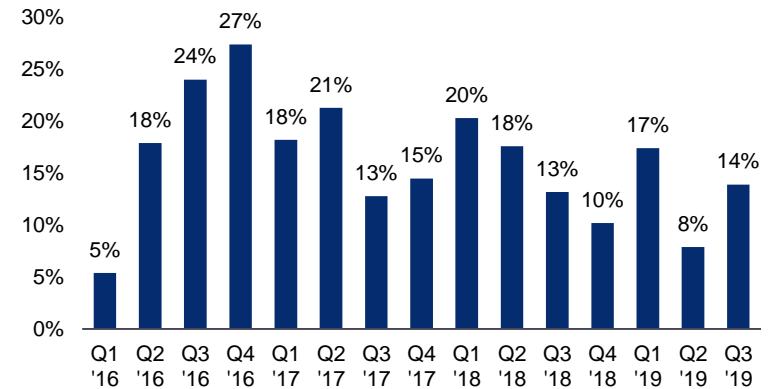
- ▶ **Investment demand** is another driver of Ukraine's economic growth
- ▶ Industrial output remained relatively stable in Q3 2019, although a number of sectors demonstrated upward dynamics, incl. production in mining industry (+2.2%), wood and paper products (+2.9%), chemicals (+0.3%)
- ▶ **Gross fixed capital went up by 13.9% in Q3 2019** showing increased investment activity of Ukrainian enterprises
- ▶ Capital investments witnessed 12.4% growth (y-o-y) in Q3 2019, solidifying Ukraine's economic growth prospects
 - **Industry has been the major contributor to capital investments in Q3 2019 accounting for c.39%** followed by agriculture and construction with 11% and 10% shares, respectively

Capital investments split by sector for 9m 2019, %



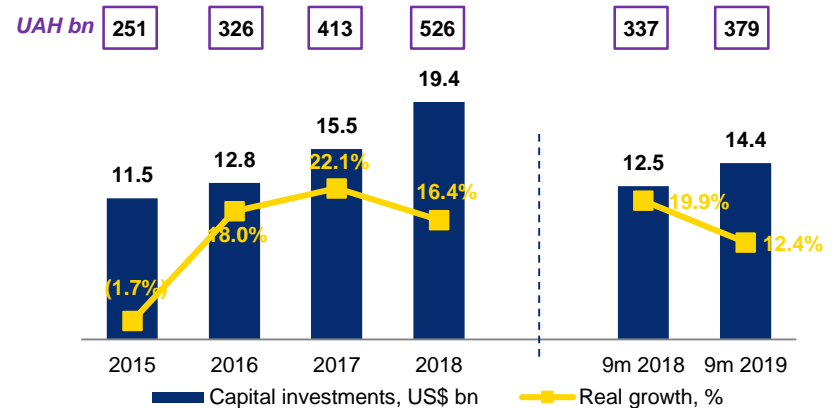
Source State Statistics Service of Ukraine

Gross fixed capital accumulation, % (y-o-y)¹



Source State Statistics Service of Ukraine

Capital investments dynamics



Source State Statistics Service of Ukraine

Note 1 To the corresponding period of the previous year on a cumulative basis

Extension of trade partner universe

Overall Ukraine concluded 18 FTAs with 46 countries

- 2001
FTA with Macedonia
- 2008
Ukraine entered WTO
- 2012
FTA with EFTA countries
FTA with Montenegro
- 2013
FTA with CIS countries
- 2017
DCFTA with the EU
FTA with Canada
- 2019
FTA with Israel

Comments

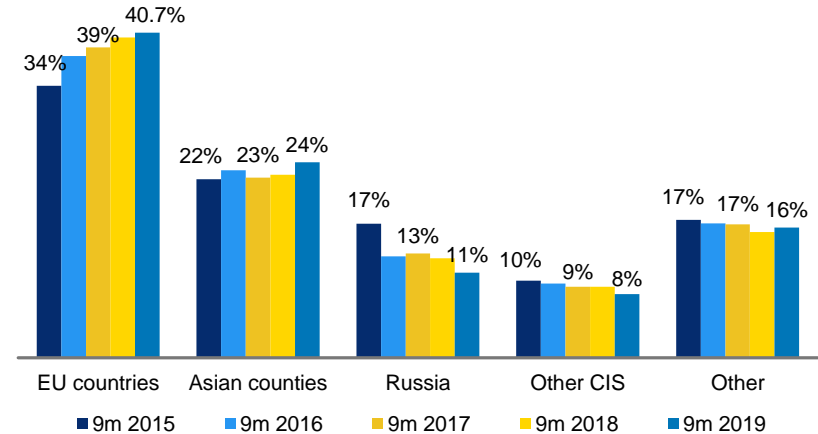
- ▶ Ukraine sets a course towards increasing and diversifying its base of trading partners
- ▶ Following a change in its trading policy Ukraine has undergone a major shift in trade flows towards the EU market in recent years
 - **The EU's share** in Ukraine's foreign trade turnover¹ went up **from 40.1% in 9m 2018 to 40.7% in 9m 2019** while Russia's share dropped from 12.4% to 10.7%
 - **DCFTA (in full force since September 2017)** provides further opportunities in the EU markets
- ▶ **The FTA with Israel** was signed in January 2019 and stipulates elimination of import duties for about 80% of Ukrainian and 70% of Israeli industrial goods

Growth (y-o-y) of selected commodity exports in 2019

<i>Product category</i>	<i>Growth (vs 2018)</i>
Agriculture products	+ US\$ 3.5bn / +19.0%
Mineral products	+ US\$ 525m / +15.1%
Chemicals	+ US\$ 87m / +3.4%
Fuel and energy	+ US\$ 2m / +0.3%

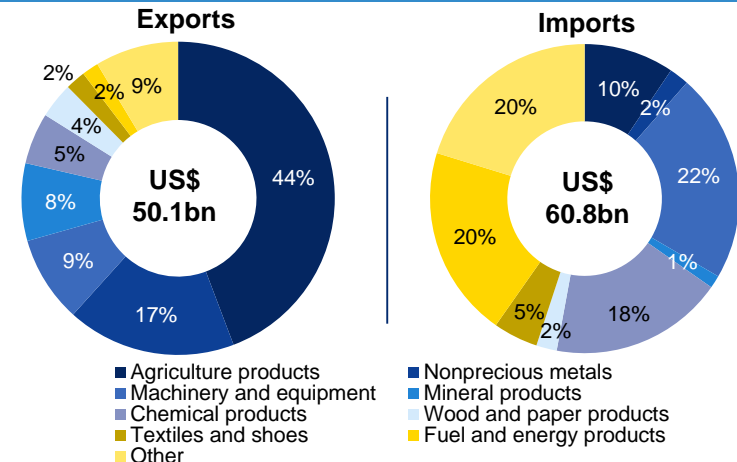
Notes
 1 Sum of export and import of goods and services
 2 Export and import of goods breakdown

Geographic breakdown of trade in 9m 2015-2019¹



Source NBU

Ukraine's exports and imports breakdown² in 2019



Source State Statistics Service of Ukraine

Enhancement of trade relations with the EU

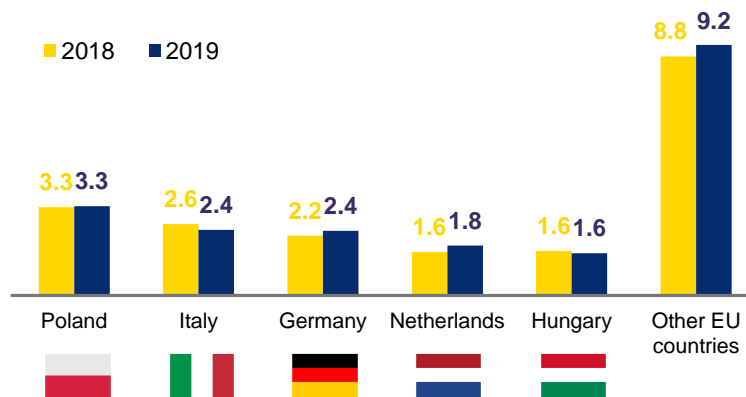


Ukraine is among 3 largest exporters of agricultural products to the European Union with c. EUR 7.3bn of exports in LTM as of October 2019, according to EC's Monitoring EU Agri-Food Trade report

Key highlights

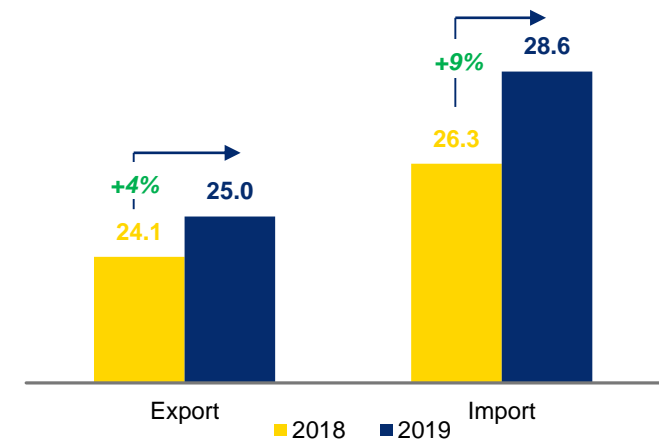
- ▶ Following the full implementation of DCFTA in September 2017, **Ukraine's export of goods and services to the EU witnessed continuous improvement and increased by 4.1% in 2019 (y-o-y)**, while **imports from the EU countries grew by 8.5%** over the same timeframe
 - **Export of services has increased by 7.7%** in 2019 (y-o-y) up to US\$ 4.3bn with Germany, the UK and Poland being the main destinations
- ▶ Goods export structure remained relatively stable with a modest **shift towards more value-added products**
- ▶ The largest increase in exports of goods and services in 9m 2019 (y-o-y) occurred with **Ireland, Luxemburg, Lithuania, the Netherlands, Portugal** (by >14% with each country)

Key EU destinations of Ukraine's export of goods, US\$ bn



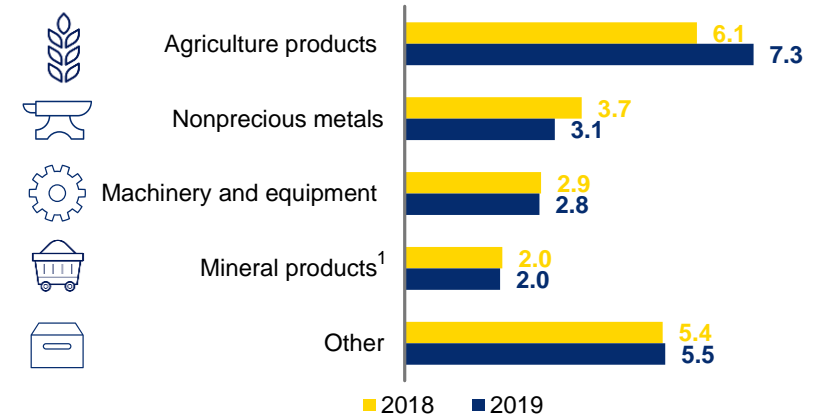
Source State Statistics Service of Ukraine

Dynamics of trade in goods and services with the EU, US\$ bn



Source State Statistics Service of Ukraine, NBU

Export of selected goods to the EU, US\$ bn



Source State Statistics Service of Ukraine

Note 1 Incl. fuel and energy products

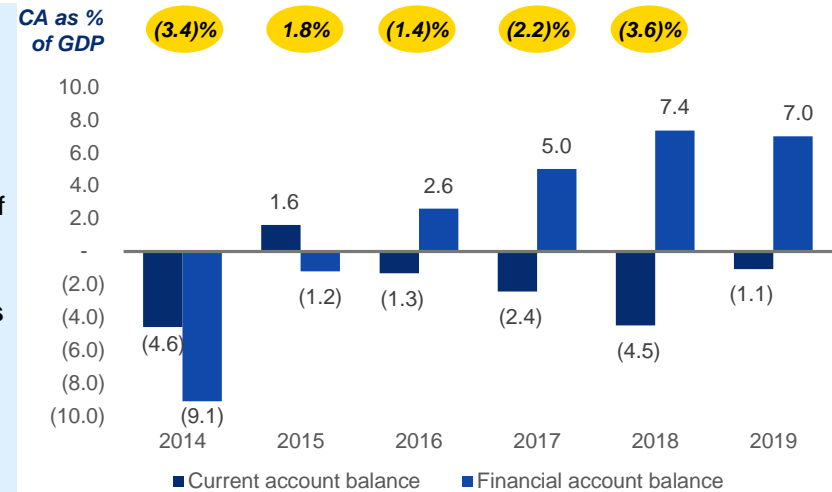
Ukraine accounts for more than 50% of annual EU agri-food import growth, according to EC's Monitoring EU Agri-Food Trade report

Firm external position leading to less vulnerability to external shocks

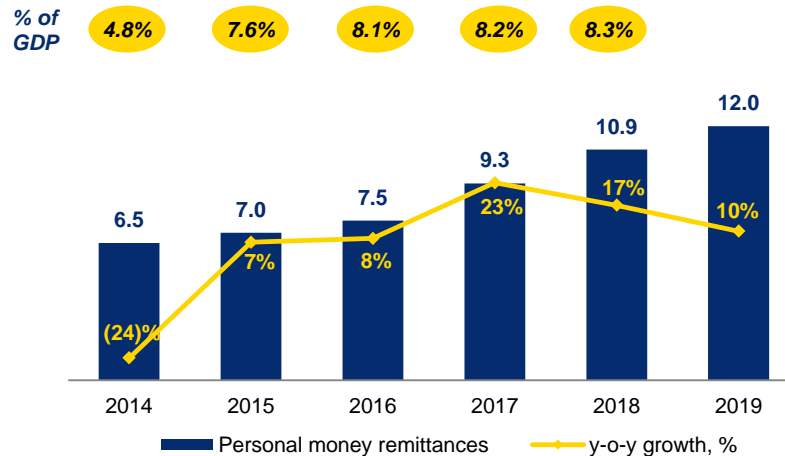
Comments

- ▶ **The trade balance deficit amounted US\$ 12.2bn in 2019** resulting from **growing consumer and investment demand**. The trend is largely supported by machinery and chemicals imports
 - Import of machinery and equipment products grew by 11.3% (y-o-y) in 2019 totaling US\$ 13.3bn, while import of chemicals increased by 4.1%
- ▶ **Negative trade balance is offset by growing personal money remittances together with capital account inflows** resulting in positive overall BoP of c. US\$ 6.0bn in 2019
 - Private money remittances witnessed 10% (y-o-y) growth in 2019, thus solidifying Ukraine's external accounts

Current and financial account balances, US\$ bn

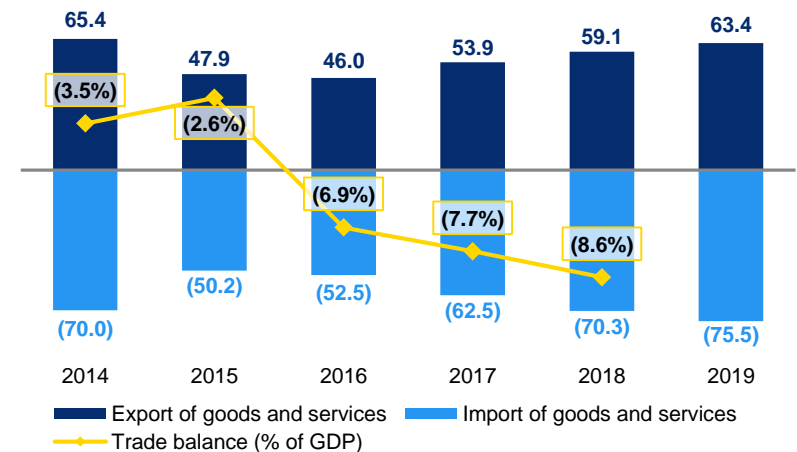


Private money remittances, US\$ bn



Source State Statistics Service of Ukraine, NBU

Ukraine's trade balance dynamics, US\$ bn



Prudent monetary policy implemented by independent regulator

Medium-term consumer inflation target: 5%+/-1%

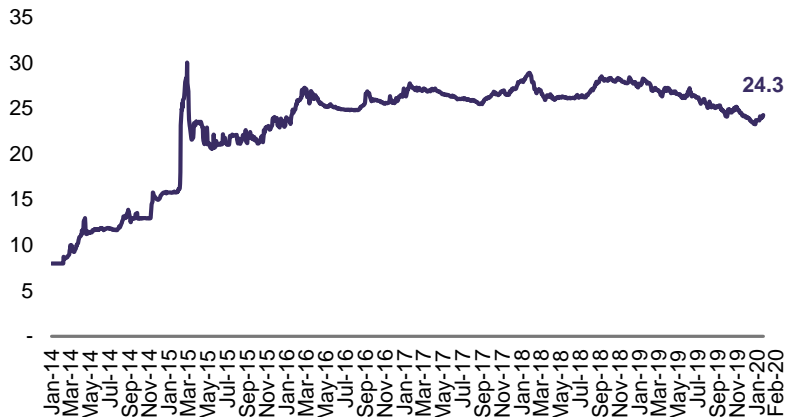
Y-o-y inflation as of January 2020: 3.2%

Ukraine's international reserves reached a 7-year high as of end of Jan 2020

Comments

- ▶ **The NBU is gradually softening its monetary policy** on the back of UAH appreciation and decelerated inflation. The regulator reduced its key policy rate 5 times in 2019 – from 18.0% to 13.5% and further to 11.0% in January 2020
 - According to the NBU, steadily decreasing inflation enables the regulator to maintain the cycle of key policy rate cuts
- ▶ Owing to fairly tight monetary conditions and UAH revaluation, the NBU brought **inflation to its medium-term target range (5% +/-1%) in 2019 vs. end-2020** planned earlier
- ▶ The **international reserves grew by 3.9% (m-o-m) in January 2020 to US\$ 26.3bn** mainly due to EUR Eurobond issuance (EUR 1,250m), financial instruments revaluation (US\$ 171m), as well as NBU net FX purchases (US\$ 98m)

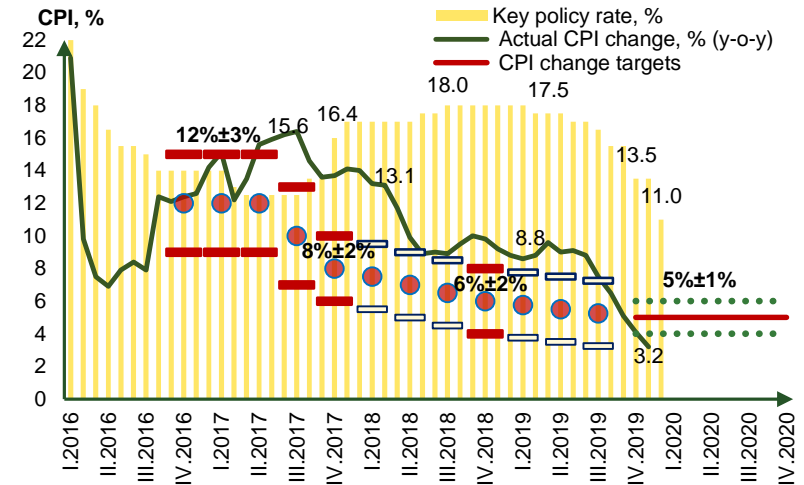
UAH/US\$ exchange rate dynamics



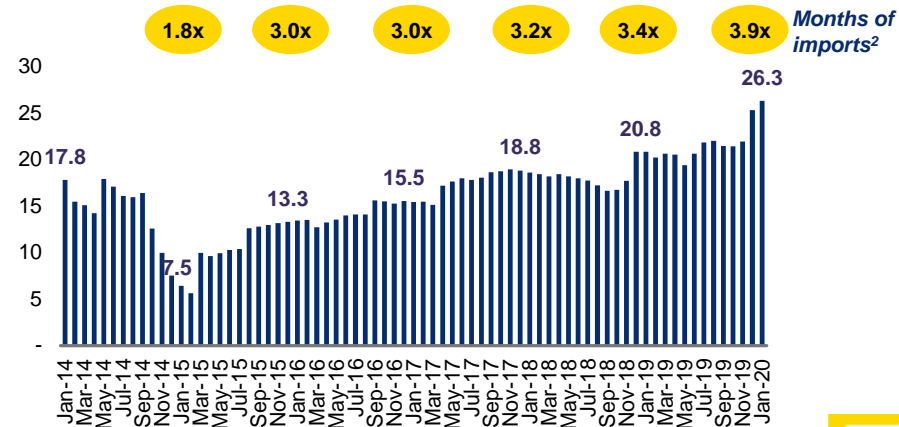
Notes
 1 Key policy rate stated as of end of each month
 2 Imports of goods and services of the immediately succeeding month are used for these calculations

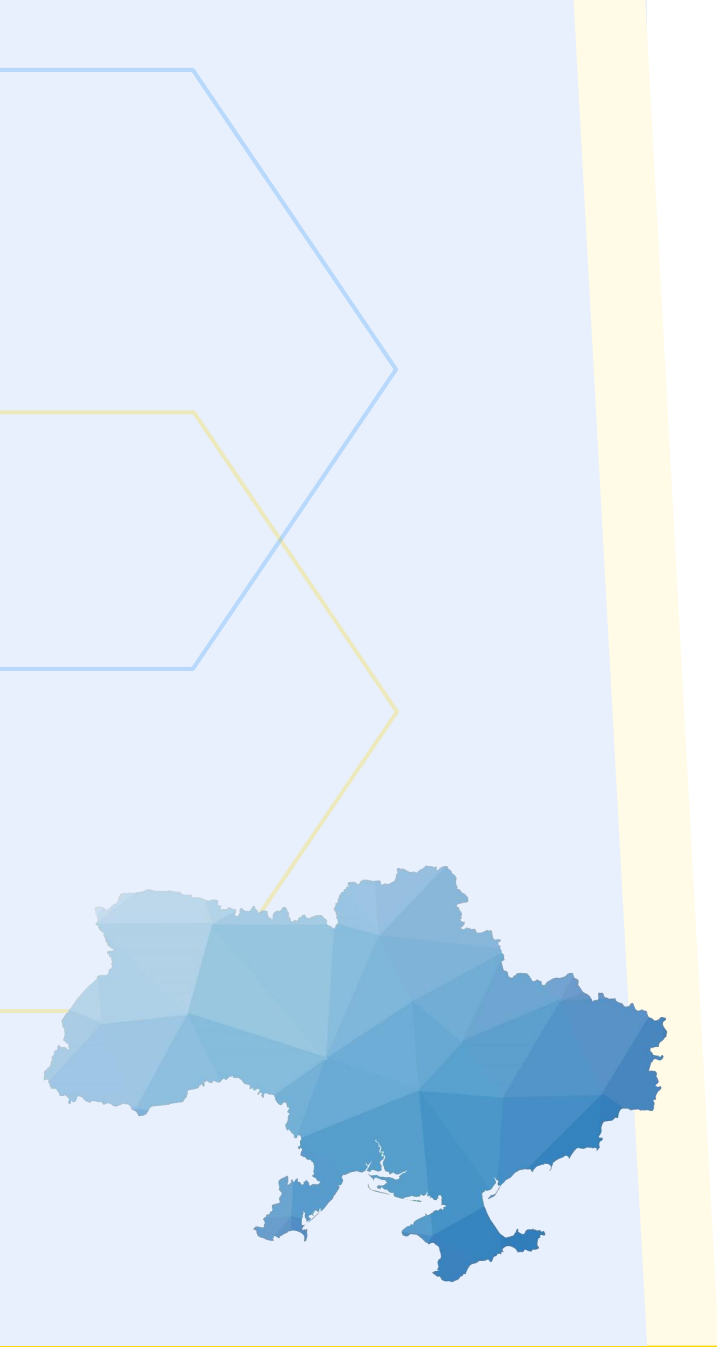
Source NBU

Consumer price index (CPI) change and key policy rate¹






Gross international reserves, US\$ bn





- 1 Sustainable growth path supported by reforms achievements
- 2 **Reforms achievements: irreversible steps towards big changes**
- 3 Fiscal consolidation supporting a prudent debt management strategy
- 4 Continuous support from economic partners
- 5 Appendices

Challenging reforms start bearing fruit (1/2)

	Key areas	LTM ¹ update	Selected results
Public governance 	<ul style="list-style-type: none"> ▶ Parliament: pro-Western parties held majority of mandates after the snap elections ▶ Decentralization: transfer of budgetary powers to local self-government bodies – total of 878 newly amalgamated communities ▶ Anti-corruption: full anti-corruption infrastructure in place 	<ul style="list-style-type: none"> • High Anti-Corruption Court (HACC) commenced its operations (Sep 2019) • Law on criminalization of illicit enrichment adopted (Oct 2019) • New Supervisory Boards in state-owned banks commenced their work (Jun and Dec 2019) 	<p>90% increase in revenues of local budgets in 2019 vs 2015</p> <p>50 directorates with 1,305 new reform staff positions in civil service</p> <p>836 criminal proceedings by NABU with 237 cases filed to the courts</p>
Public finance 	<ul style="list-style-type: none"> ▶ Taxation: decrease in number of taxes and reduction in tax rates ▶ Debt management: MTDS, return to markets, significant involvement of international investors and effective investor relations, DMO approval ▶ Medium-Term Budget Planning introduced ▶ Public expenditures and procurement: electronic procurement system fully effective 	<ul style="list-style-type: none"> • Financial Sector Development Strategy 2025 adopted (Jan 2020) • US\$ 5.5bn Staff Level Agreement with the IMF (Dec 2019) • Link between Clearstream and NBU depository launched (May 2019) • Split and relaunched State Fiscal and State Customs Services commenced its operations (Sep and Dec 2019) 	<p>18-fold increase in non-residents' domestic government bond portfolio to US\$ 4.9bn over 2019</p> <p>51% of LTM GDP – state and state-guaranteed debt as of Q3 2019 (vs 81% in 2016)</p> <p>11 number of taxes (vs 22)</p>
Business climate 	<ul style="list-style-type: none"> ▶ Foreign trade: DCFTA in full force, FTA with Israel signed in early 2019, FTA with Turkey under negotiations ▶ Competitiveness and Deregulation: a great leap forward in international rankings ▶ Investment climate: introduction of effective mechanisms for dealing with bankruptcy 	<ul style="list-style-type: none"> • Law on concession signed by the President (Oct 2019) • Restrictions on privatization of a list of SOEs canceled (Oct 2019) • Law on agricultural land sale adopted in the first reading (Nov 2019) • SME Development Office launched (July 2019) 	<p>Ease of Doing Business ranking improvement to 64th in 2020 report, 48 places up from 2014</p> <p>USD 2.2bn FDI to Ukraine in 9m 2019</p> <p>530 SOEs were handed over to the State Property Fund for privatization in 2019</p>



Sources CMU, Ministry of Finance, NBU, NABU

Notes

1 LTM – last twelve months



Challenging reforms start bearing fruit (2/2)

	Key areas	LTM update	Selected results
Financial sector 	<ul style="list-style-type: none"> ▶ Monetary policy: inflation-targeting framework ▶ Banking sector: sector clean-up, currency controls liberalization ▶ NBU role: enhancement of the NBU's supervisory and regulatory role 	<ul style="list-style-type: none"> • New liberalized currency regulation system became effective and deepened (Feb and Sep 2019) • Draft AML Law implementing 5th EU AML Directive adopted by the Parliament (Dec 2019) • Recommendations for State-Owned Banks on Treating Non-Performing Loans (Jan 2019) 	<p>UAH 60bn record high profits posted by the Ukrainian banking sector in 2019</p> <p>20+ FX restrictions lifted</p> <p>104 banks withdrawn from the market over 2014-2019</p>
Energy sector 	<ul style="list-style-type: none"> ▶ Energy sector diversification: intensified domestic extraction and complete substitution of Russia in favor of the EU for gas imports since late 2015 ▶ Liberalization of energy markets: transition of electricity market to European model, increase in levels for gas and heating tariffs, elimination of operational deficit of Naftogaz of Ukraine 	<ul style="list-style-type: none"> • Unbundling of Naftogaz gas transmission system completed (Jan 2020) • Receipt of compensation by Naftogaz following its victory over Gazprom in Stockholm Arbitration (Dec 2019) • Bringing gas prices for households closer to market level (Apr 2019) 	<p>US\$ 2.9bn received as compensation from Gazprom in Stockholm Arbitration</p> <p>2.3% CAGR in SOE Ukrgezvydobuvannia's gas extraction volumes (2015-2018)</p>

"I commended the President for the **impressive progress** that he and his government have made in the past few months **in advancing reforms and continuing with sound economic policies**. I assured the President of the **IMF's readiness to support the authorities' policy agenda to maintain macro-economic stability and lift the economy** to a path of higher, sustainable, and inclusive growth, including with a new IMF-supported program".

*Ms. Kristalina Georgieva, the Managing Director of the IMF
December 7, 2019*

"**The Ukrainian authorities have made progress with reforms over the past year**, notably in areas that will help to create the foundations for future growth and prosperity for Ukrainian citizens. Many newly adopted laws now await implementation, and the **European Union will continue to be there to accompany this process**"

*Mr. Oliver Varhelyi, EC Commissioner for the Neighbourhood and Enlargement
December 13, 2019*

Business climate improvement to accelerate growth potential

Last Doing Business improvement (71 → 64)

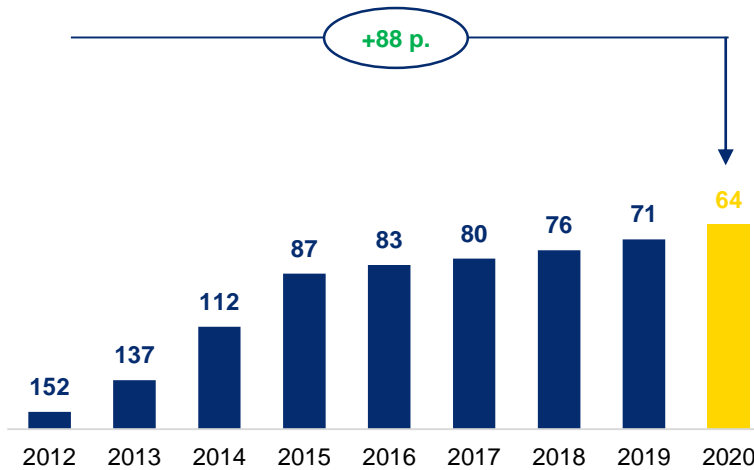
Protecting minority investors: **+27 (positions)**

Enforcing contracts: **+10**

Trading across borders: **+4**

Registering property: **+2**

Ease of Doing Business ranking

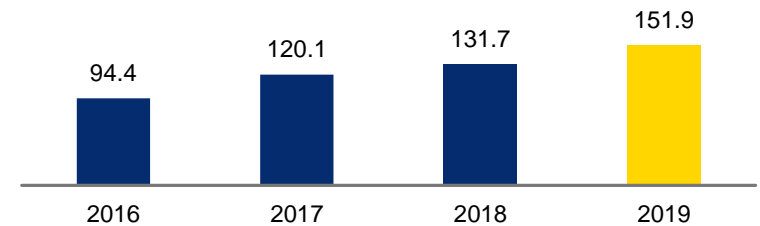


Source Doing Business

Improving business climate

► **Transparent taxation:** automatic system of VAT reimbursement launched since April 1st, 2017

VAT reimbursement, UAHbn



Sources National Investment Council, State Fiscal Service of Ukraine

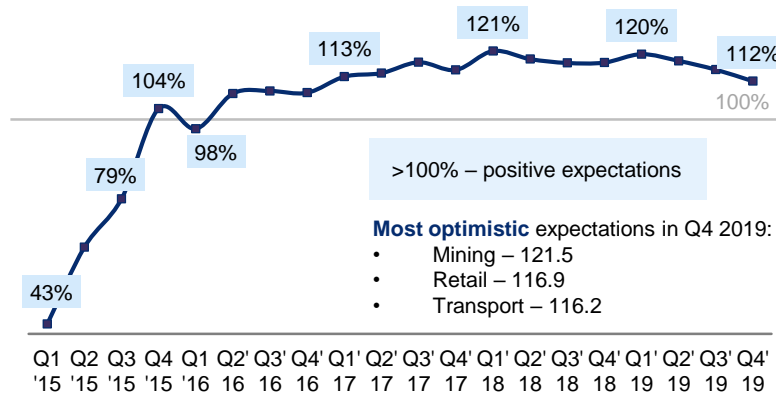
Last Logistics Performance Index (WB) improvement (80 → 66)

✈ Increased airport traffic: 25% (y-o-y) in 2018

🛣 National road fund in place since 2018

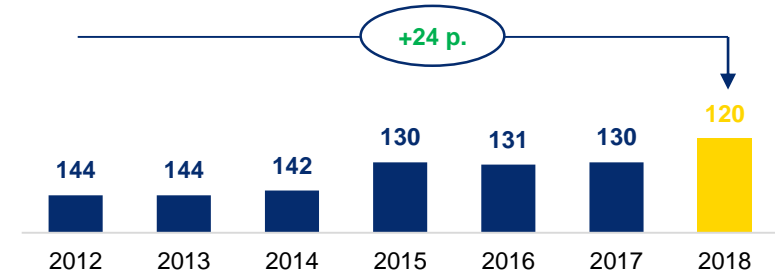
🚢 Concession of sea ports (in progress)

Business expectations index by the NBU



Source: NBU

Corruption Perception Index (Transparency International)



► As a result of a considerable anti-corruption reform focus over the last years, **Ukraine has scored 32 in TI's 2018 Corruption Perception Index, implying +6 notches increase as compared to 2012 results.**

Source Transparency International

Source World Bank



Boosted activity of foreign investors over the last year

Main state institutions to support foreign investors:

UkraineInvest
Your Investment Matters

National Investment Council

- ▶ Investment projects support
- ▶ Protection of investors' rights
- ▶ Assistance in cooperation of investors with the state
- ▶ Sectoral policy recommendations



Other important investors

Sources: UkraineInvest, National Investment Council of Ukraine

VR Capital Group

- ▶ Commissioning of the second largest Ukrainian solar power plant of 64MW
- ▶ Project cost c.US\$ 55m

Feb 2018

grammarly

- ▶ A digital writing tool Grammarly earned an official unicorn status by attracting US\$ 90m funding

Oct 2019

- ▶ Acquisition of the second-largest telecom provider in Ukraine for US\$ 734m

Nov 2019

- ▶ Acquisition of the pharmaceutical business of Biopharma, including its GMP-certified production facilities

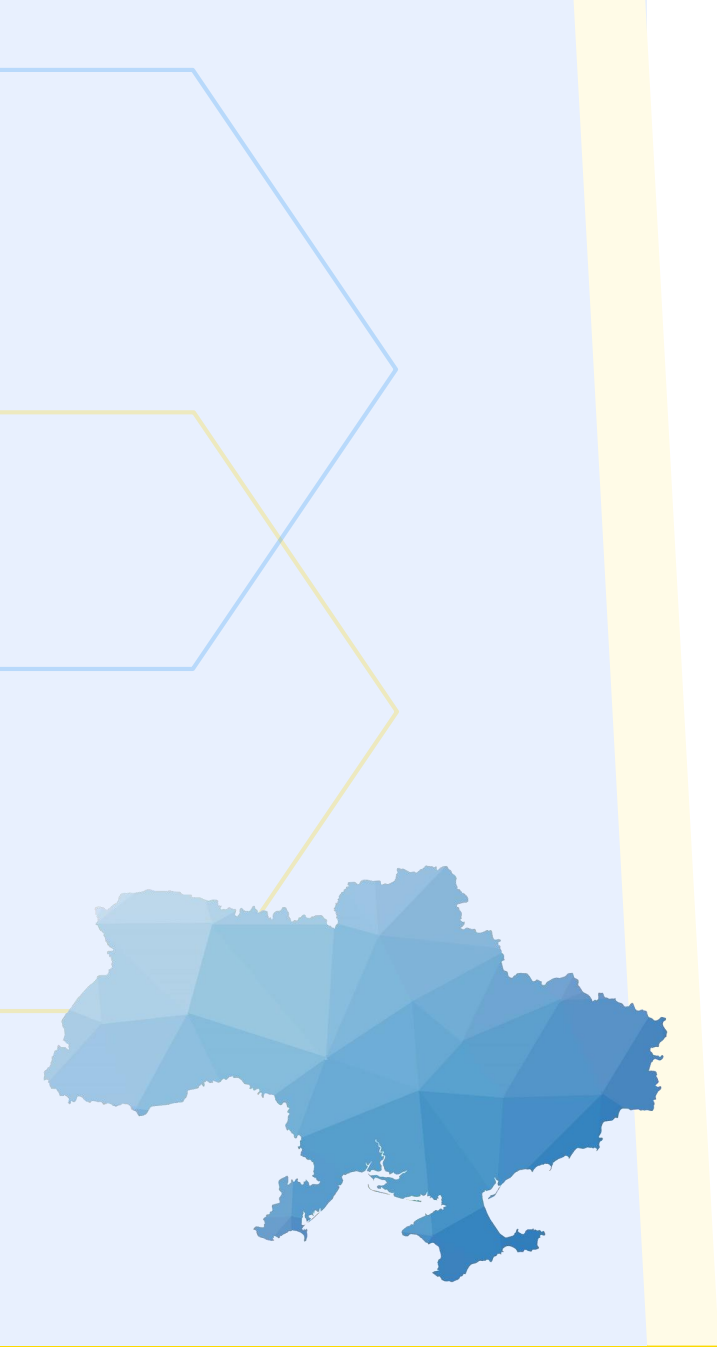
Nov 2019

- ▶ Acquisition of Idea Bank from Polish Getin Holding for c.US\$ 59m

Dec 2019

- ▶ Memorandum of understanding with Ukrzaliznytsia for the delivery of 40 new GE locomotives in 2020

Dec 2019

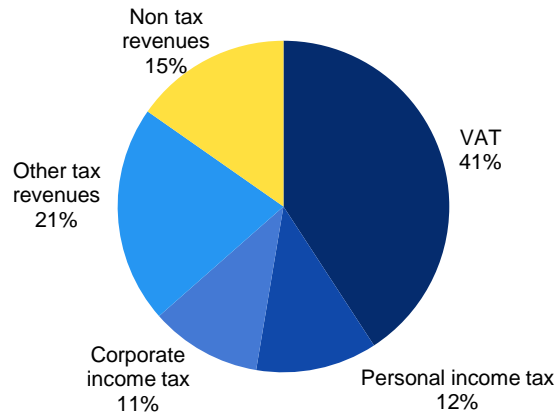


- 1 Sustainable growth path supported by reforms achievements
- 2 Reforms achievements: irreversible steps towards big changes
- 3 Fiscal consolidation supporting a prudent debt management strategy**
- 4 Continuous support from economic partners
- 5 Appendices

Ambitious 2020 state budget reflecting continuous fiscal consolidation

2020 state budget revenues split (2020 State budget Law¹)

State budget revenues: UAH 1,096 bn

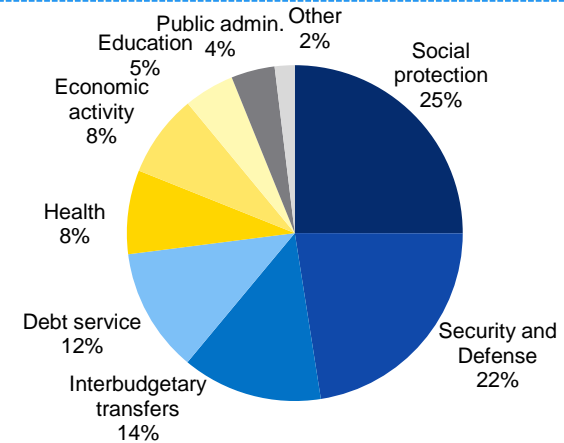


2020 vs. 2019 State budget figures:

- Total revenues: UAH 1,096bn (+9%)
- Total expenditures: UAH 1,184bn (+8%)
- Budget deficit²: UAH 96bn / 2.1% of GDP

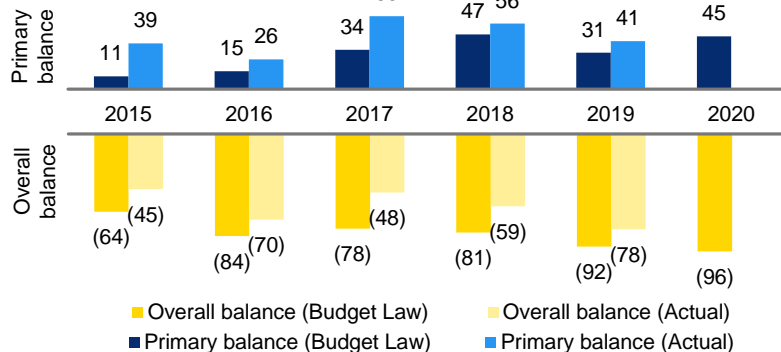
2020 state budget expenditures split (2020 State budget Law¹)

State budget expenditures: UAH 1,184bn



State budget balance, UAH bn

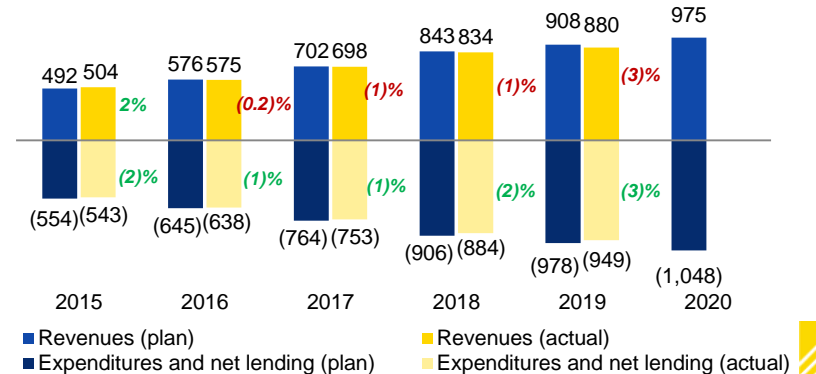
Year	Act. primary balance ³ as % of GDP	Act. overall balance as % of GDP
2015	2.0%	(2.3%)
2016	1.1%	(2.9%)
2017	2.1%	(1.6%)
2018	1.6%	(1.7%)
2019	1.0%	(1.9%)
2020	1.0%	(2.1%)



Source: State Treasury of Ukraine

State budget general fund performance, UAH bn

Year	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Overall balance
2015	(45.1)	(38.9)	(68.9)	(63.7)	(62.3)	(54.9)	(63.0)	(50.6)	(69.6)	(68.8)
2016	(62.3)	(54.9)	(63.0)	(50.6)	(69.6)	(68.8)	(72.4)			



Source: State Treasury of Ukraine

Notes

- 1 According to State Budget Law 2020 amended as of Feb 2020
- 2 Budget deficit defined as revenues minus expenditures and minus net lending
- 3 Based on historical data for 2015–2018; based on monthly execution results from State Treasury and Ministry of Economic Development GDP forecast for 2019; based on State Budget Law and Ministry of Economic Development GDP baseline scenario forecast as of Oct 2019 for 2020

State budget 2020 vs 2019

UAH m	FY 2019 ¹	FY 2020 ²	% diff.
Revenues	1,007,303	1,095,580	+9%
Tax revenues, incl.	840,597	926,549	+10%
Personal income tax and income charge	106,155	129,364	+22%
Corporate profit tax	95,520	118,900	+24%
Fee for the use of mineral resources	58,302	55,335	(5%)
Excises	130,233	140,951	+8%
VAT (net of VAT reimbursement)	415,844	446,300	+7%
Export and Import duties	30,482	32,175	+6%
Other taxes and duties	4,061	3,524	(13%)
Non-tax revenues	166,706	169,031	+1%
Expenditures	(1,093,022)	(1,184,010)	+8%
General public functions, incl.:	(176,251)	(191,198)	+8%
Debt service	(123,578)	(141,473)	+14%
Security and Defense	(241,351)	(266,304)	+10%
Economic activity	(79,040)	(94,213)	+19%
Protection of environment	(6,975)	(8,195)	+17%
Municipal utilities and services	(162)	(465)	+187%
Healthcare	(38,603)	(95,684)	+148%
Intellectual and physical development	(10,559)	(14,117)	+34%
Education	(52,602)	(57,475)	+9%
Social welfare	(201,083)	(296,265)	+47%
Interbudgetary transfers	(286,396)	(160,094)	(44%)
Net lending	(6,588)	(7,846)	+19%
Primary state budget balance	31,272	45,197	+45%
Overall state budget balance	(92,306)	(96,276)	+4%

Source Ministry of Finance

Note 1 According to State Budget Law 2019 amended as of December 2019

Note 2 According to State Budget Law 2020 amended as of February 2020



State budget execution (FY2019)

UAH m	State budget general fund			Overall state budget		
	12m 2019 Actual	12m 2019 Plan	% diff.	12m 2018 Actual	12m 2019 Actual	% diff.
Revenues	879,833	908,391	(3%)	928,108	998,279	+8%
Tax revenues, incl.	737,521	787,711	(6%)	753,816	799,776	+6%
Personal income tax and income charge	109,954	106,155	+4%	91,742	109,954	+20%
Corporate profit tax	107,086	95,520	+12%	96,882	107,086	+11%
Fee for the use of mineral resources	46,322	57,828	(20%)	45,259	46,747	+3%
Excises	72,049	85,476	(16%)	118,852	123,358	+4%
VAT (net of VAT reimbursement)	376,318	415,314	(9%)	374,508	378,690	+1%
Export and Import duties	23,009	24,358	(6%)	27,077	30,086	+11%
Other taxes and duties	2,783	3,060	(9%)	(505)	3,855	+863%
Non-tax revenues	142,312	120,680	+18%	174,293	198,503	(12%)
Expenditures	(952,979)	(982,601)	(3%)	(985,842)	(1,072,891)	+9%
General public functions, incl.:	(163,299)	(171,561)	(5%)	(162,950)	(168,207)	+3%
Debt service	(119,248)	(122,872)	(3%)	(115,431)	(119,248)	+3%
Security and Defense	(219,415)	(221,321)	(1%)	(213,900)	(246,779)	+15%
Economic activity	(30,422)	(33,721)	(10%)	(63,601)	(72,365)	+14%
Protection of environment	(5,259)	(5,523)	(5%)	(5,241)	(6,316)	+21%
Municipal utilities and services	-	-	-	(297)	(108)	(64%)
Healthcare	(36,636)	(37,223)	(2%)	(22,618)	(38,562)	+70%
Intellectual and physical development	(9,656)	(10,419)	(7%)	(10,107)	(9,967)	(1%)
Education	(33,819)	(34,317)	(1%)	(44,323)	(51,658)	+17%
Social welfare	(210,118)	(212,398)	(1%)	(163,866)	(218,629)	+33%
Interbudgetary transfers	(244,355)	(256,119)	(5%)	(298,940)	(260,302)	(13%)
Net lending	4,298	4,593	(6%)	(1,514)	(3,437)	+127%
Primary balance	50,400	53,255	+5%	56,183	41,198	(27%)
Overall state budget balance	(68,848)	(69,617)	+1%	(59,248)	(78,050)	(32%)

Source State Treasury of Ukraine



Consolidated budget execution (FY 2019)

UAH m	12m 2018 Actual	12m 2019 Actual
Revenues	1,184,278	1,289,780
Tax revenues	986,349	1,070,322
Personal income tax and income charge	229,901	275,458
Corporate profit tax	106,182	117,317
Fee for the use of mineral resources	50,081	52,025
Excises	132,650	137,076
VAT (net of VAT reimbursement)	374,508	378,690
Property taxes	31,272	37,994
Export and Import duties	27,077	30,086
Other taxes and duties	34,678	41,675
Non-tax revenues	197,930	219,458
Expenditures	(1,250,174)	(1,370,113)
General public functions, incl.:	(191,542)	(203,121)
Debt service	(116,088)	(120,096)
Security and Defense	(215,049)	(248,084)
Economic activity	(140,761)	(154,219)
Protection of environment	(8,242)	(9,730)
Municipal utilities and services	(30,345)	(34,487)
Healthcare	(115,848)	(128,378)
Intellectual and physical development	(28,993)	(31,550)
Education	(210,029)	(238,757)
Social welfare	(309,364)	(321,787)
Net lending	(1,893)	(3,983)
Primary balance	48,300	35,780
Consolidated budget balance	(67,789)	(84,316)

Source State Treasury of Ukraine

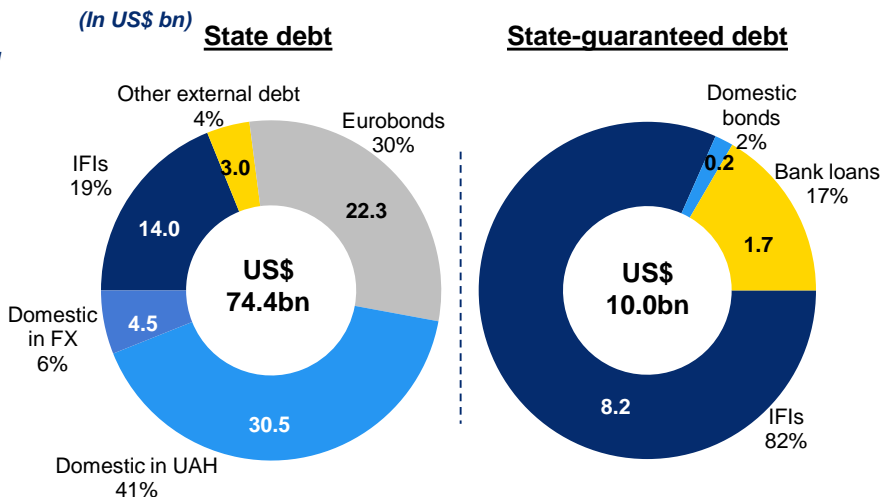


Prudent and proactive debt management strategy (1/2)

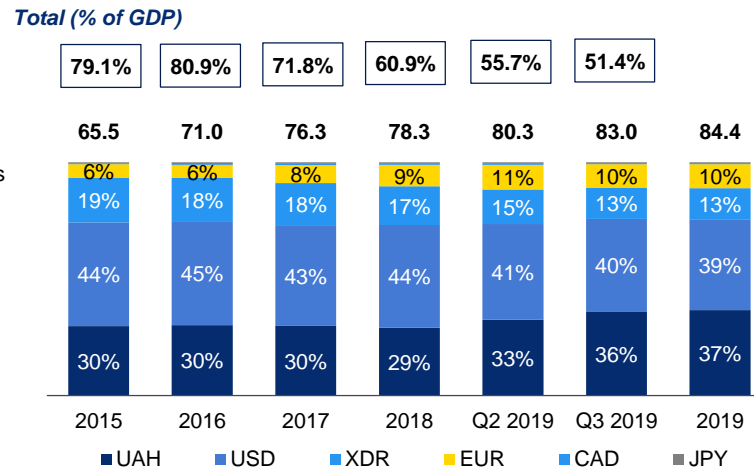
State and state-guaranteed debt structure (end-Dec 2019)

As of end-December 2019, Ukraine's total state and state-guaranteed debt (US\$ 84.4bn / UAH 1,998bn) split between:

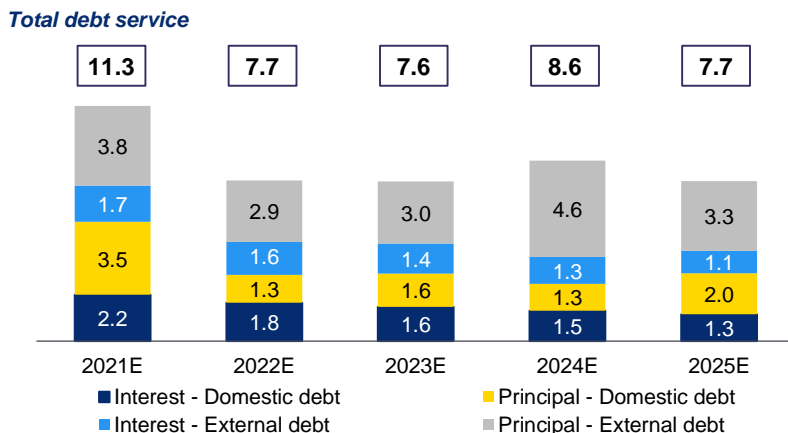
- 58% of external debt, 42% of domestic debt
- 88% of state debt, 12% of state-guaranteed debt



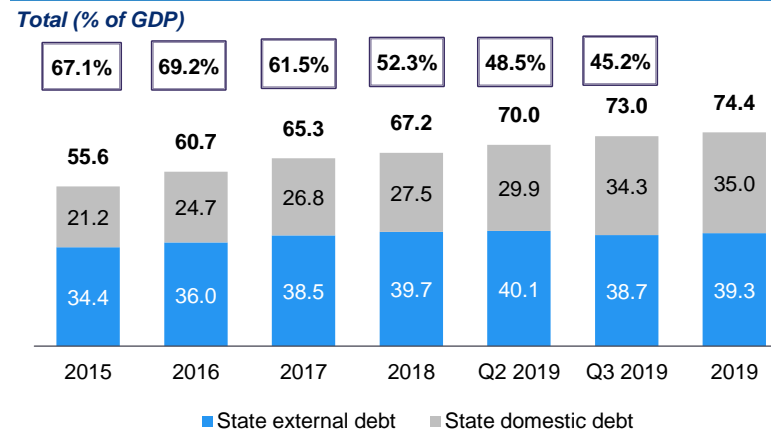
State and state-guaranteed debt by currency, US\$ bn



State debt amortization schedule (end-Jan 2020)¹, US\$ bn



State debt dynamics, US\$ bn



Notes

¹ Incl. outstanding debt obligations only

Source Ministry of Finance

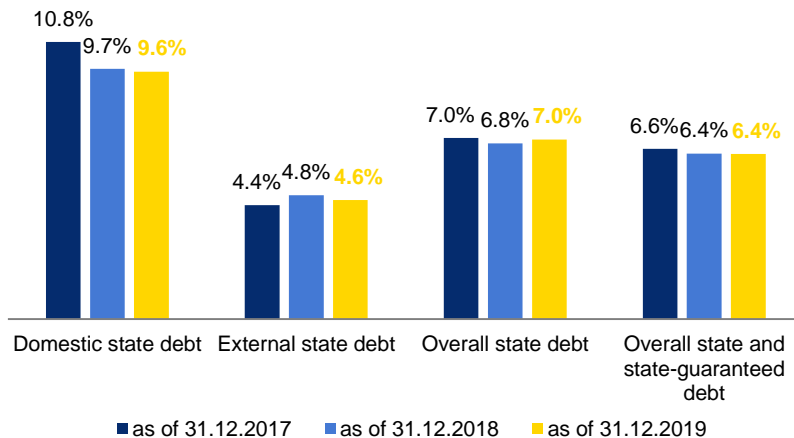
Prudent and proactive debt management strategy (2/2)

State and state-guaranteed debt

- **Dominance of FX denominated state debt: USD-denom. debt** mainly composed of USD-denominated Eurobond series; **XDR-denom. debt** attracted as part of financing within the IMF programs

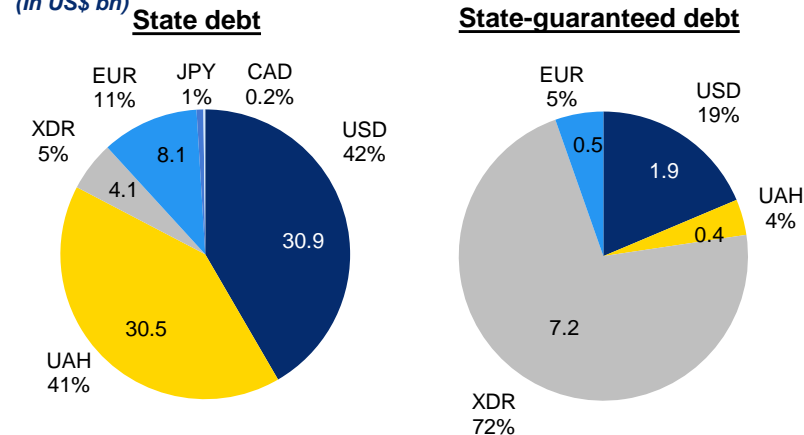
- **High portion of fixed-rate debt instruments in state debt (78%),** which contains interest rate risk, and mainly **variable-rate state-guaranteed debt instruments (94% as of end-December 2019)**

Average state and state-guaranteed debt cost



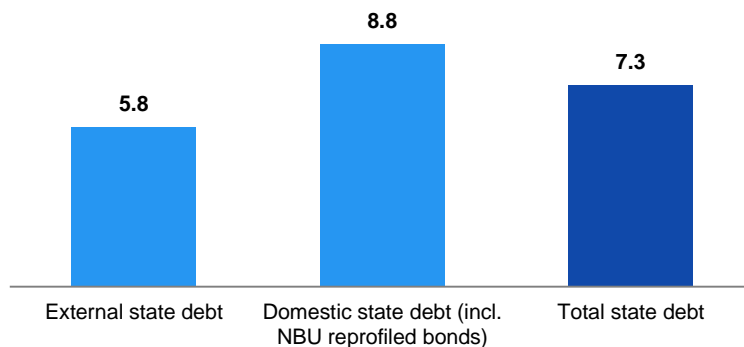
State and state-guaranteed debt by currency (end-Dec 2019)

(In US\$ bn)



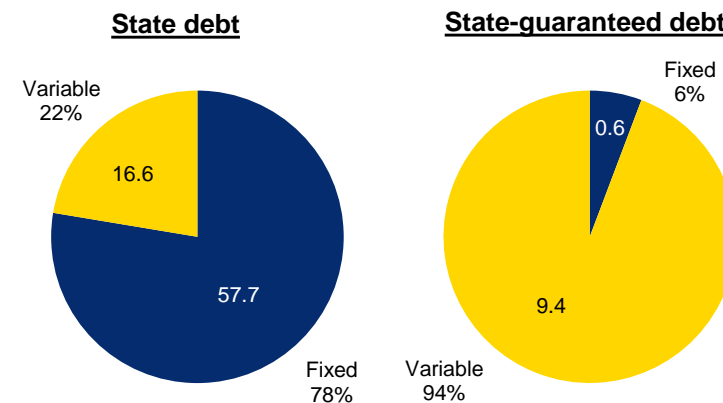
Average debt maturity (end-Dec 2019)

(In years)



State and state-guaranteed debt by interest (end-Dec 2019)

(In US\$ bn)



Notes

1 Incl. outstanding debt obligations only

Source Ministry of Finance

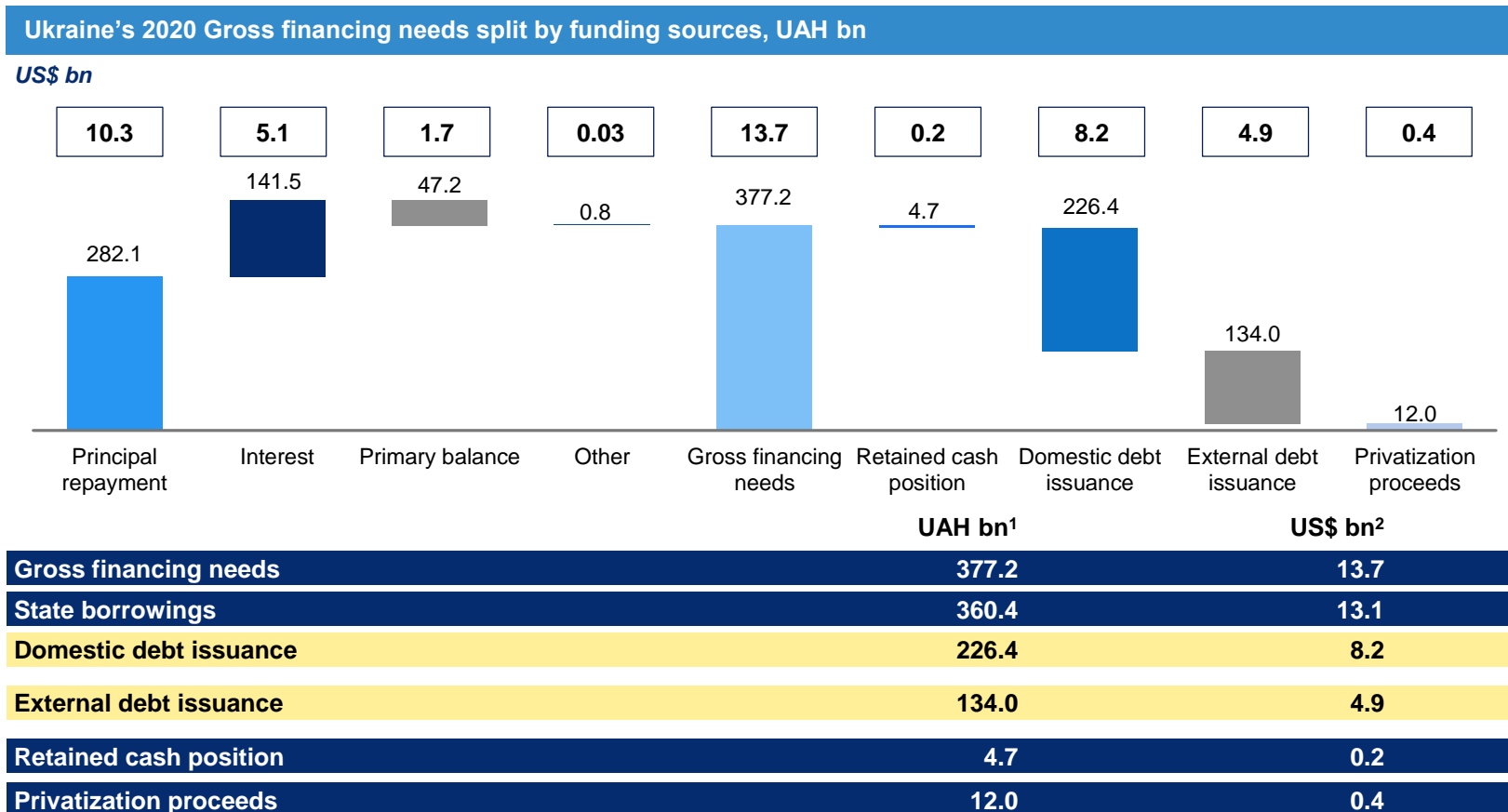
Ukraine's 2020 gross financing needs

Based on 2020 State budget general fund

US\$ 13.3bn of borrowings budgeted for 2020

During 2019, the following sources of financing have been tapped:

- US\$ 600m under the World Bank's PBG
- US\$ 350m tap of 2028 Eurobonds
- EUR 1bn issuance of 2026 Eurobonds
- UAH 351bn (equivalent of US\$ 13.5bn) raised on domestic market for which UAH 227.6bn in UAH-denominated bonds and US\$ 4.8bn of FX denominated domestic bonds



Sources Ministry of Finance, 2020 State budget law

Notes

1 Figures based on 2020 State budget law

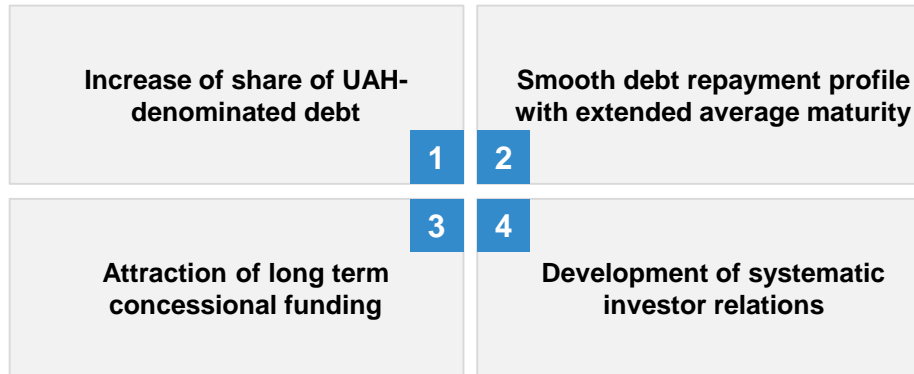
2 Figures in UAH were translated into US\$ at 27.5 UAH/US\$ (exchange rate 2020 State budget law is based on); for reference NBU UAH/US\$ FX rate as of February 21, 2020 is 24.48



Medium-Term Debt Strategy 2019 - 2022

Key highlights from MTDS 2019 - 2022

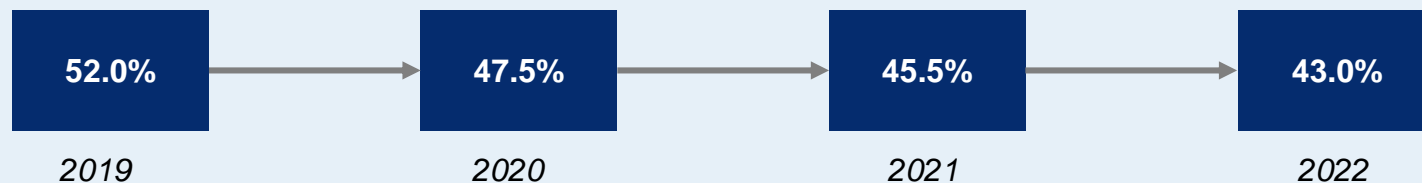
Key objectives



Roadmap for Strategy implementation

- ▶ Domestic market development
- ▶ Enhancing the participation of international investors on domestic market
- ▶ Construction of EUR-denominated Eurobond yield curve
- ▶ Further issuance of US\$-denominated Eurobonds
- ▶ Pro-active liability management operations
- ▶ Strengthening investor relations
- ▶ Government's efforts to improve Ukraine's credit ratings

Limits of State debt to GDP (according to the Budget Declaration)

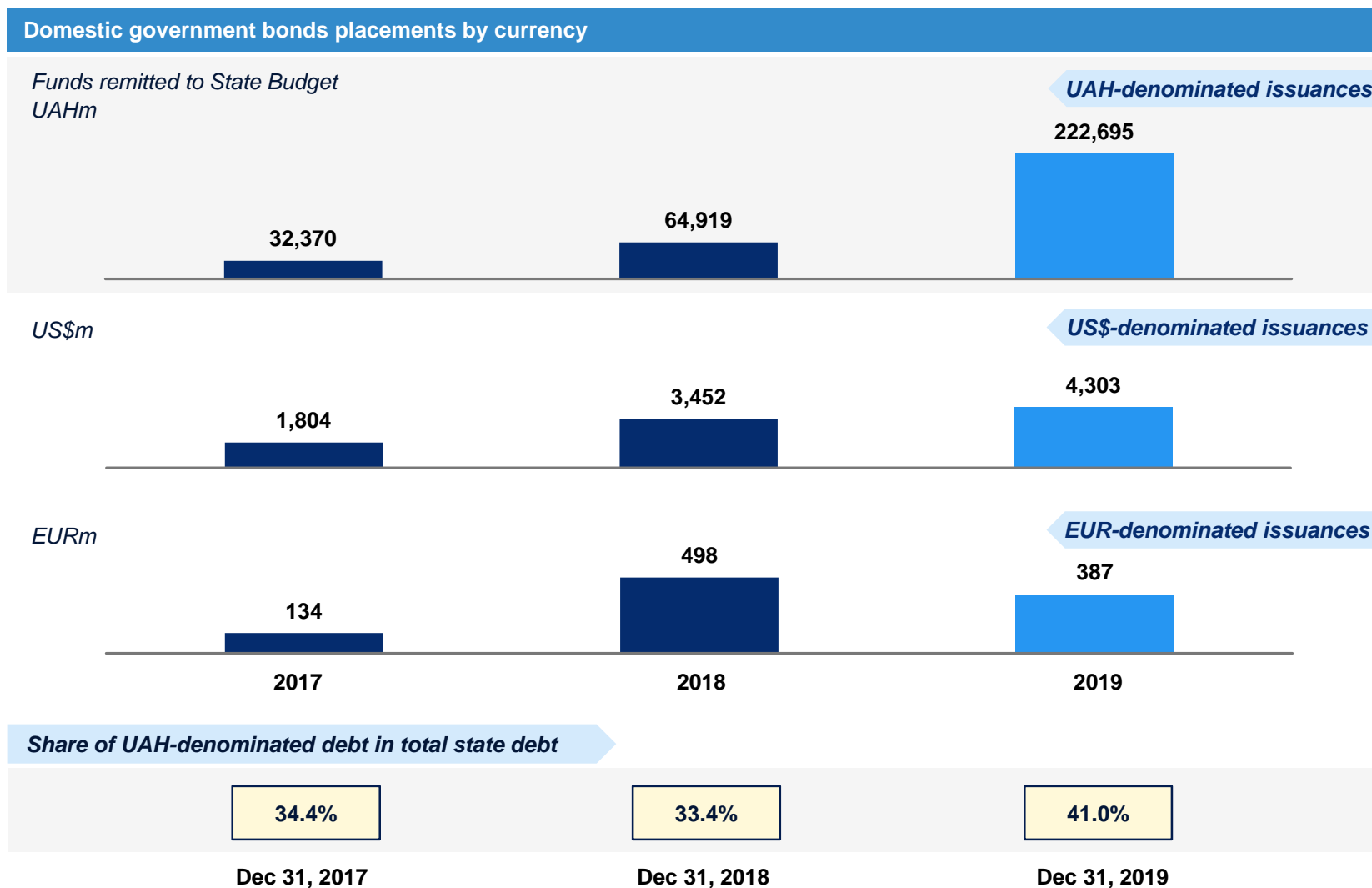


Source Ministry of Finance



Switching focus to UAH-denominated issuances on domestic market

- Major recent development of domestic bond market with a focus on UAH-denominated issuances experiencing 3.5x 2019 volume increase as compared to 2018
- In line with MTDS objectives, FX-denominated issuances are kept relatively stable

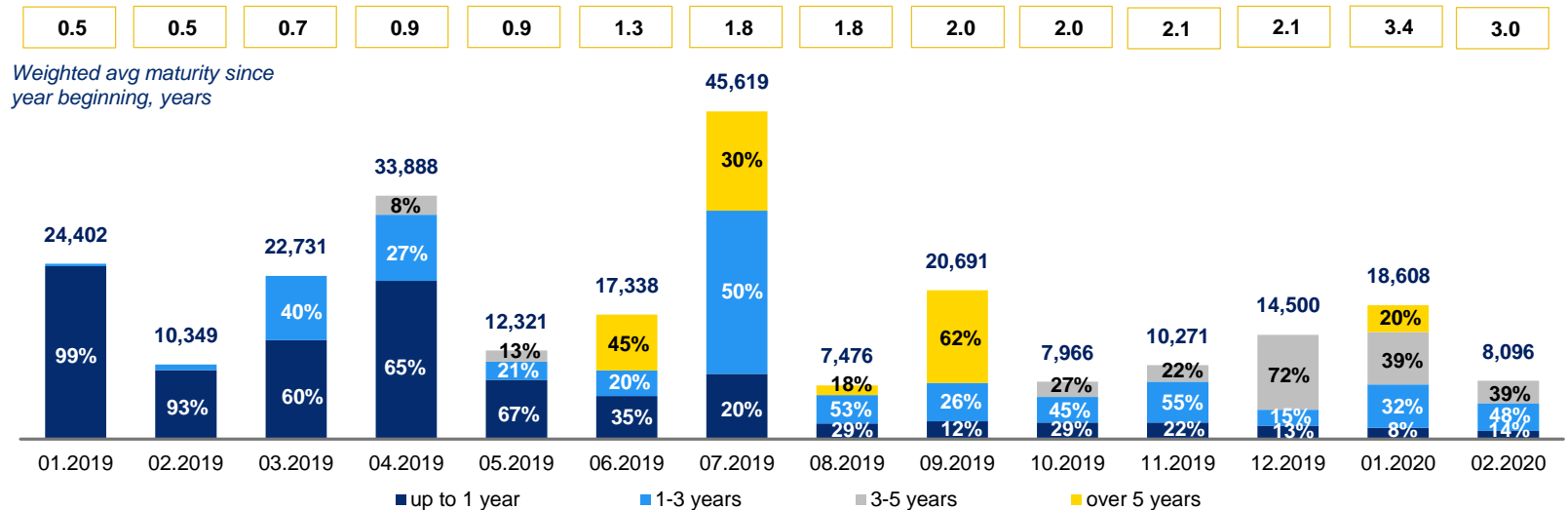


Source Ministry of Finance

Continuously extending average maturity of domestic bonds

Monthly composition of domestic UAH-denominated issuances by average maturities

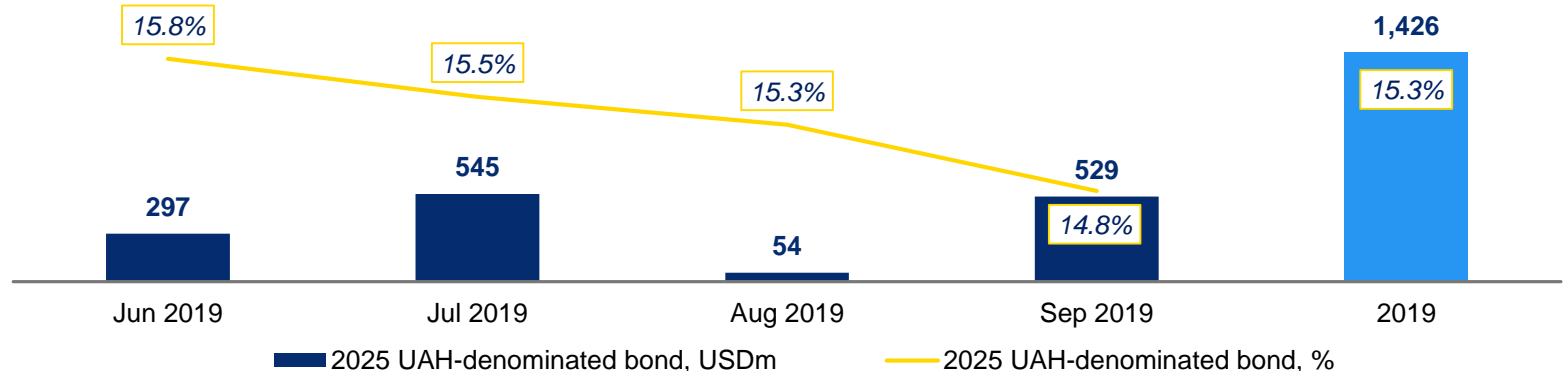
- Remarkable shift of prevailing maturities at issuances from short-term bonds in January 2019 (c.99%) to medium- and long-term bonds (c.87%) in February 2020



Source Ministry of Finance

- Owing to attractive rates, Ukraine benefits from strong interest of investors, especially non-residents, to long-term securities thus increasing average tenor of local bonds

2025 UAH-denominated bond issuances, US\$ bn



Ukraine's domestic government bond holders

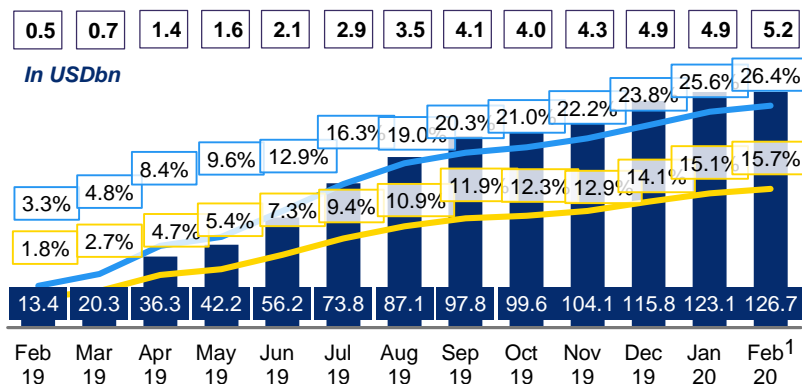
Key highlights

- ▶ With **c.40.4%** share the NBU is currently the largest holder of domestic government bonds followed by the banks, which accounts for **c.39.7%** of the portfolio
- ▶ At c.15.7% of total outstanding Ukrainian domestic government bonds as of February 2020¹, the **portfolio held by non-residents increased more than twenty times in UAH terms compared to the beginning of 2019**
- ▶ **Ukraine is making decisive steps to deepen domestic government bond market** and to **increase share of non-residents in local currency bonds portfolio**
 - A link between Clearstream, the international central securities depository, and the depository of the NBU launched since May 2019

Domestic government bond issuances (in UAH)

	2018	2019	YTD 2020 ¹
UAH-denominated bonds (UAH m)			
Funds remitted to state budget	65,128	227,552	26,704
up to 1 year	60,429	103,735	2,666
1-3 years	2,983	68,858	9,914
3-5 years	1,716	19,104	10,420
over 5 years	-	35,855	3,704
Weighted average yield at auctions, %	17.79%	16.93%	9.91%
up to 1 year	17.92%	18.40%	10.02%
1-3 years	16.18%	16.58%	9.88%
3-5 years	15.87%	13.20%	9.95%
over 5 years	-	15.31%	9.79%
Consumer inflation	9.8%	4.1%	3.2% ³

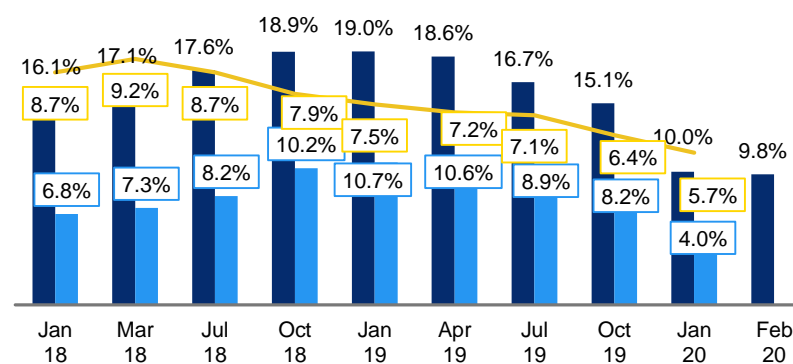
Domestic government bonds held by non-residents



Legend:
 ■ Held by non-residents, UAHbn
 — % of total portfolio (excl. NBU)
 — % of total portfolio

Source Ministry of Finance, NBU

Nominal and real weighted avg yields at primary auctions, %



Legend:
 ■ Nominal weighted avg yield, %
 ■ Real weighted avg yield, %
 — CPI expectations for next 12 months (y-o-y), %²

Source Ministry of Finance of Ukraine, NBU

Notes

- 1 As of February 21, 2020
- 2 According to NBU's survey about inflation expectations of financial analysts for the next 12 months
- 3 Y-o-y consumer inflation in January 2020



Consistent upgrade in credit ratings

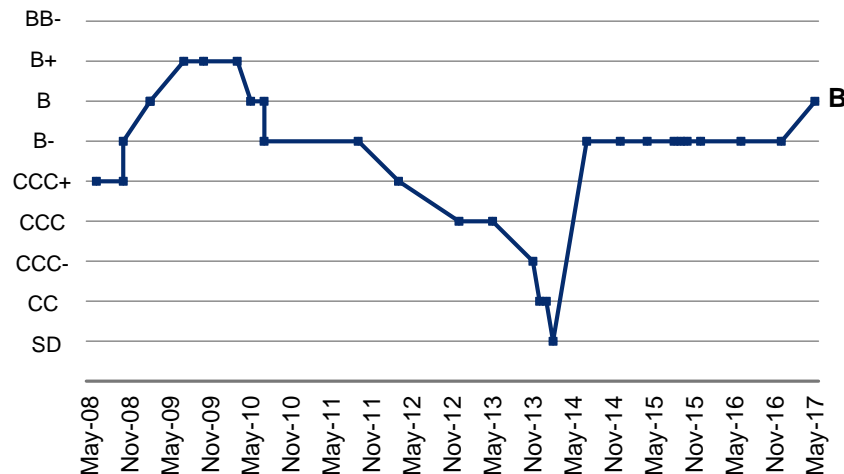
STANDARD & POOR'S

Rating: B, Stable

Last update: Sep 27, 2019, upgrade from B- to B

Key rating drivers of the last update:

- ▶ Continuing recovery of Ukraine's economy
- ▶ Increase in NBU FX reserves,
- ▶ Restrained inflation below 10%,
- ▶ Eliminated Naftogaz quasi-fiscal deficit,
- ▶ Decrease in debt-to-GDP levels
- ▶ Government's intention to launch the agricultural land market.
- ▶ Appeared commitment to preserve macro fiscal stability, liberalize the economy, and secure a new program with IMF



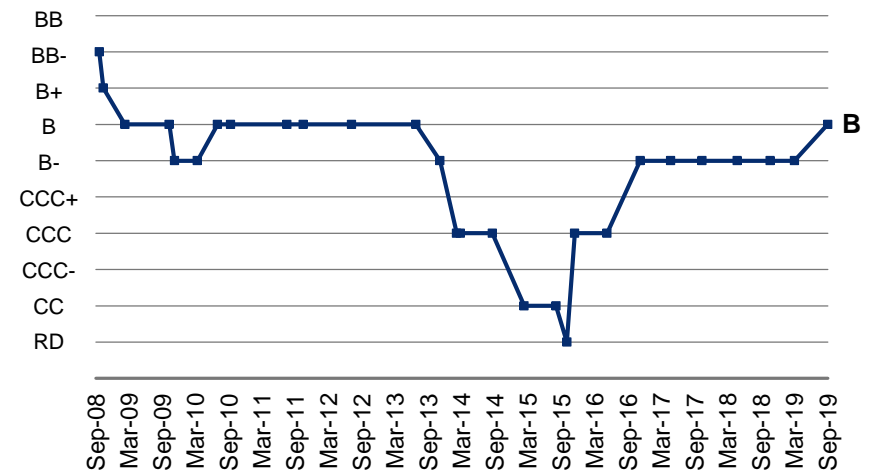
FitchRatings

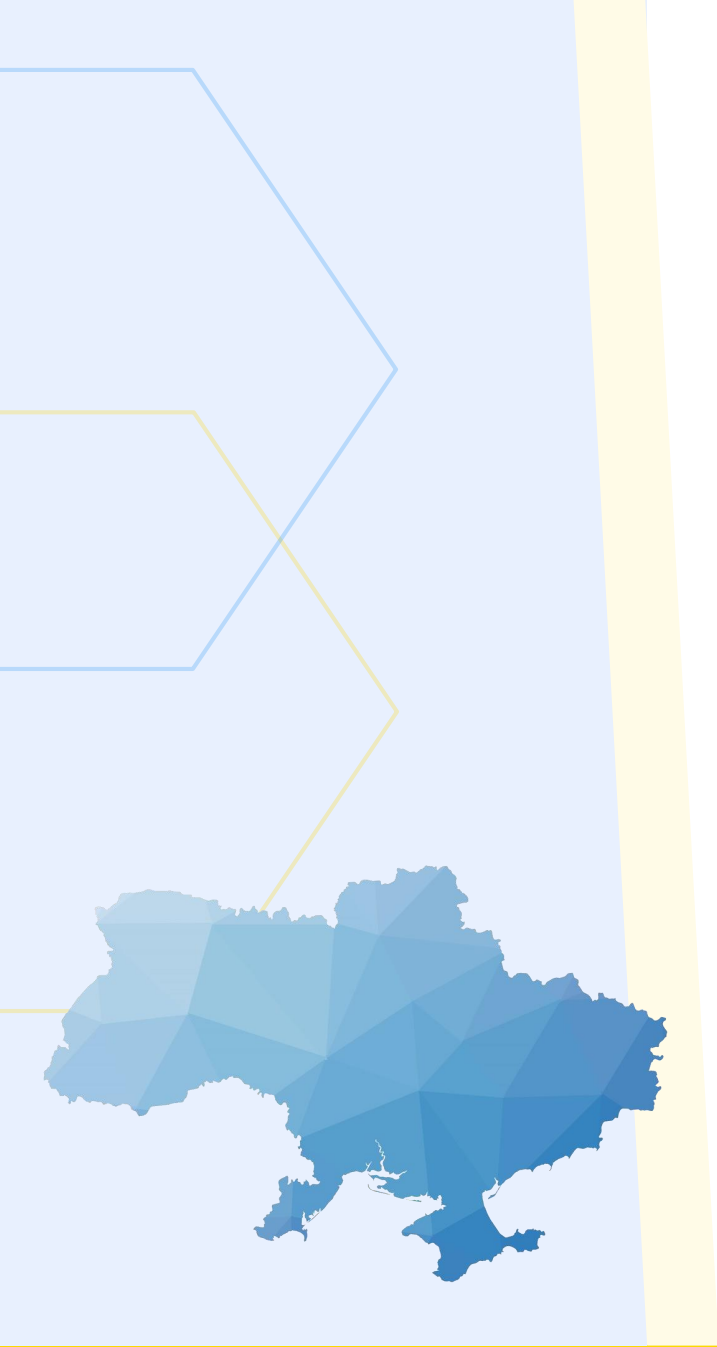
Rating: B, Positive

Last update: Sep 6, 2019, upgrade from B- to B

Key rating drivers of the last update:

- ▶ Timely access to fiscal and external financing
- ▶ Improving macroeconomic stability
- ▶ Declining public indebtedness
- ▶ Reduced domestic political uncertainty
- ▶ Expected macroeconomic policy continuity
- ▶ New government's strong stated commitment to structural reforms
- ▶ Engagement with IFIs











- 1 Sustainable growth path supported by reforms achievements
- 2 Reforms achievements: irreversible steps towards big changes
- 3 Fiscal consolidation supporting a prudent debt management strategy
- 4 Continuous support from economic partners**
- 5 Appendices

Continuous and significant support from our partners

Considerable support from international partners to public and private sectors in 2017-2019

Institution	Description
	<ul style="list-style-type: none"> ▶ Staff Level Agreement on a new 3-year SDR 4bn (c. US\$ 5.5bn) arrangement under the Extended Fund Facility (EFF) has been achieved ▶ Stand-By Arrangement (139% of quota) with program size amounting c.US\$ 3.9bn approved by the IMF Board of Directors in December 2018 (first tranche of c.US\$ 1.4bn disbursed immediately) ▶ IMF 4-year EFF program (2015-2019): c.US\$ 8.5bn received. The EFF program replaced with a new 14-month Stand-By Program
 <p>WORLD BANK GROUP</p>	<ul style="list-style-type: none"> ▶ US\$ 750m Policy-Based Guarantee (PBG) to support institutional reforms and sustainable economic growth in Ukraine approved in December 2018 <ul style="list-style-type: none"> • Two loans totaling EUR 349m and EUR 529m attracted under the entire amount of the PBG in December 2018 and February 2019, respectively ▶ IFC financing and advisory expertise for public and private sectors: <ul style="list-style-type: none"> • Financing for Ukrainian PE fund, development of PPP projects at Ukrainian sea ports, loans to support private sector development, UAH-denominated bond issuance
  	<ul style="list-style-type: none"> ▶ EBRD: More than EUR 1.1bn of project financing to public and private sector provided in 2019 <ul style="list-style-type: none"> • Current portfolio is composed from sustainable infrastructure projects (60%), industry, commerce & agribusiness projects (28%), financial institutions projects (12%) ▶ EIB: EUR 539m of loans granted in 2019 with c.17%¹ provided to Ukrainian private sector and the rest 83% directed towards transport connectivity and road safety improvements ▶ EU: EUR 1bn macro financial assistance split into 2 tranches (EUR 500m disbursed in December 2018, second tranche expected in 2020)
	<ul style="list-style-type: none"> ▶ USA: US\$ 250m funding dedicated to security and defense assistance to Ukraine in 2019 ▶ USAID: financial support to promote economic and social development together with sectoral reforms

Sources IMF, World Bank, the EU, US Treasury

Notes

¹ Share of publicly disclosed loans provided to private companies as opposed to the Ukrainian public sector (incl. SOEs)



Status of cooperation between Ukraine and the IMF

Key milestones

- ▶ **December 2019:** Staff Level Agreement on a new 3-year SDR 4bn (c. US\$ 5.5bn) arrangement under the Extended Fund Facility (EFF) has been achieved.
- ▶ **December 2018:** Approval of the Stand-By Arrangement for a total program amount of US\$ 3.9bn by the IMF Board of Directors
 - Immediate disbursement of the first tranche totaling US\$ 1.4bn
 - Simultaneous cancelation of the arrangement under the EFF approved in March, 2015
- ▶ **October 2018:** Staff Level Agreement on the new 14-month Stand-By Arrangement (to replace current EFF program) for 139% of quota
- ▶ **April 2017:** Completion of the 3rd review of the EFF and disbursement of the 4th tranche of EFF support
- ▶ **September 2016:** Completion of the 2nd review under the EFF and approval of US\$ 1bn Disbursement
- ▶ **December 2015:** IMF decision on the Status of Ukraine's Eurobond Held by the Russian Federation
- ▶ **August 2015:** Staff Level Agreement on 1st review under the EFF
- ▶ **February 2015:** IMF staff Level Agreement on a US\$ 17.5bn Extended Fund Facility Arrangement (900% of quota)
 - 2nd largest IMF program in percentage of quota: compared to 2,159% of quota for the 2nd program in Greece or 422% for Egypt and 322% for Iraq
 - With limited front-loading to incentivize reforms

Source IMF, Ministry of Finance

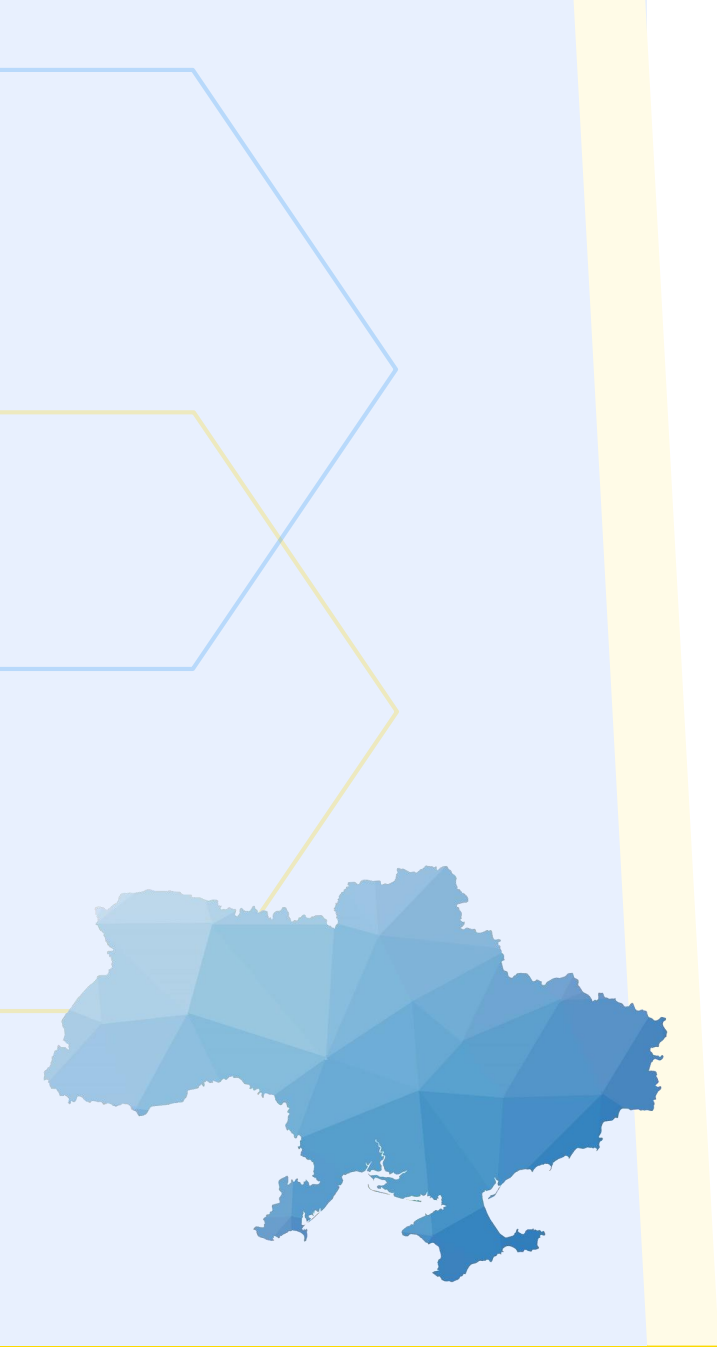
Past IMF reviews under the EFF and SBA programs

Availability date / Next reviews	SDR m	US\$ m ¹
EFF 2015 program		
March 11, 2015	3,546	4,879
July 31, 2015 [1 st review]	1,182	1,659
September 15, 2016 [2 nd review]	716	1,003
April 3, 2017 [3 rd review]	734	996
Total EFF program	6,178	8,537
SBA 2018 program		
December 18, 2018	1,000	1,391
Total SBA program	1,000	1,391

Key structural benchmarks achieved in IMF's SBA for Ukraine

- 1 Increase in household gas and heating tariffs of all remaining heating companies to cover at least 95 percent of the total centralized heating supply
- 2 Adoption by the NBU of **revisions to its capital regulations** to subtract loan exposures to related parties above regulatory limits from regulatory capital
- 3 Parliamentary approval of the law **revisiting the supervisory responsibility for financial intermediaries** ("split" law)
- 4 Publication of **first report summarizing progress in asset recovery and litigation efforts** for four state-owned banks
- 5 Split of the State Fiscal Service (SFS) into **separate Tax and Customs Services**
- 6 Appointment of judges to HACC

Note 1 Past tranches translated at NBU XDR/US\$ exchange rate as of the date of their receipt



- 1 Sustainable growth path supported by reforms achievements
- 2 Reforms achievements: irreversible steps towards big changes
- 3 Fiscal consolidation supporting a prudent debt management strategy
- 4 Continuous support from economic partners
- 5 **Appendices**

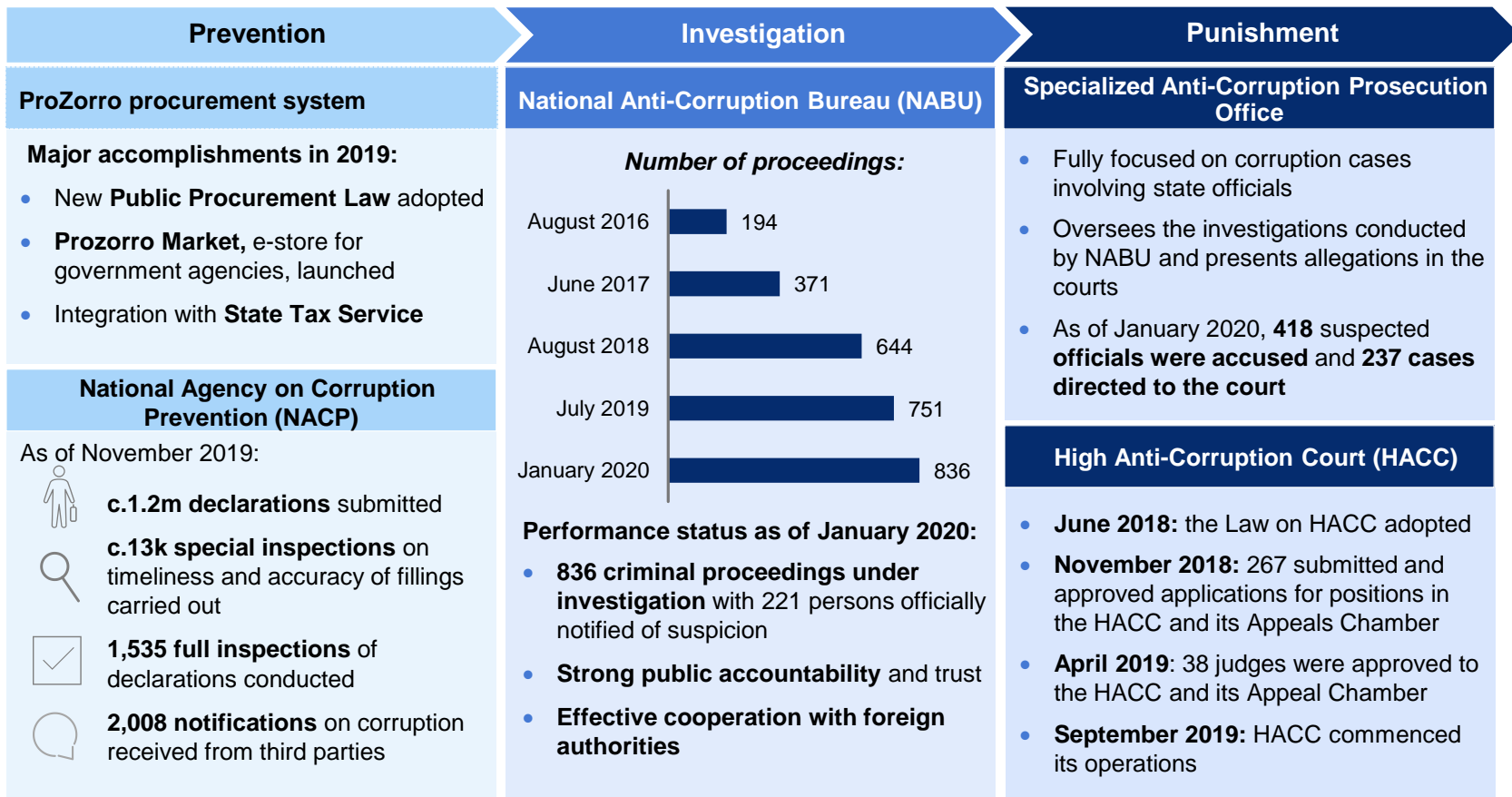
Full anti-corruption infrastructure has being established

National Anti-Corruption Policy Council

June 2019: the Council with updated composition has been restarted by the President. Delegates of the World Bank, USAID, UNDP, OECD, and the EU obtained official status of observers

5 main priorities:

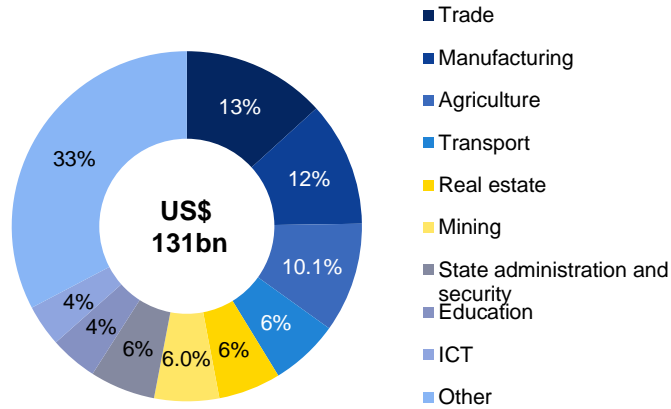
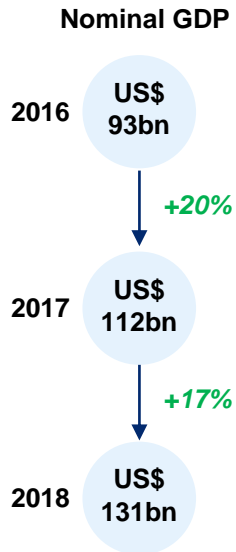
- Review of anti-corruption legislation
- Development of amendments to the Criminal Procedural Code of Ukraine
- Development of whistleblowers protection legislation
- Adoption of a new anti-corruption strategy
- Fulfillment of international commitments within cooperation with GRECO, OECD, UN



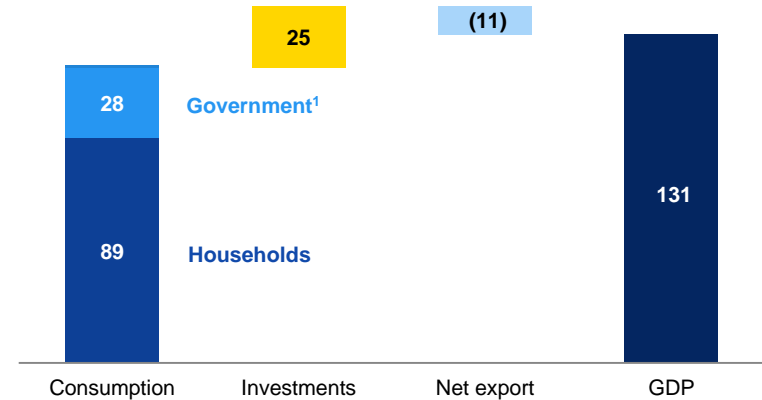
Sources: ProZorro, NACP, NABU, official website of the President of Ukraine

Structure of Ukraine's economy

2018 nominal GDP breakdown by sector



2018 nominal GDP breakdown by expenditures, US\$ bn



Note 1 incl. NPOs

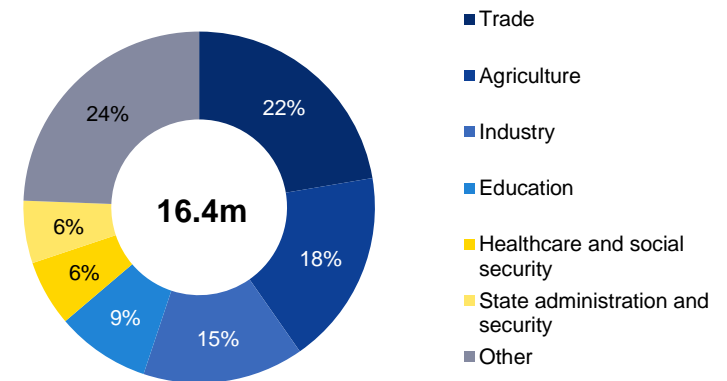
Comments

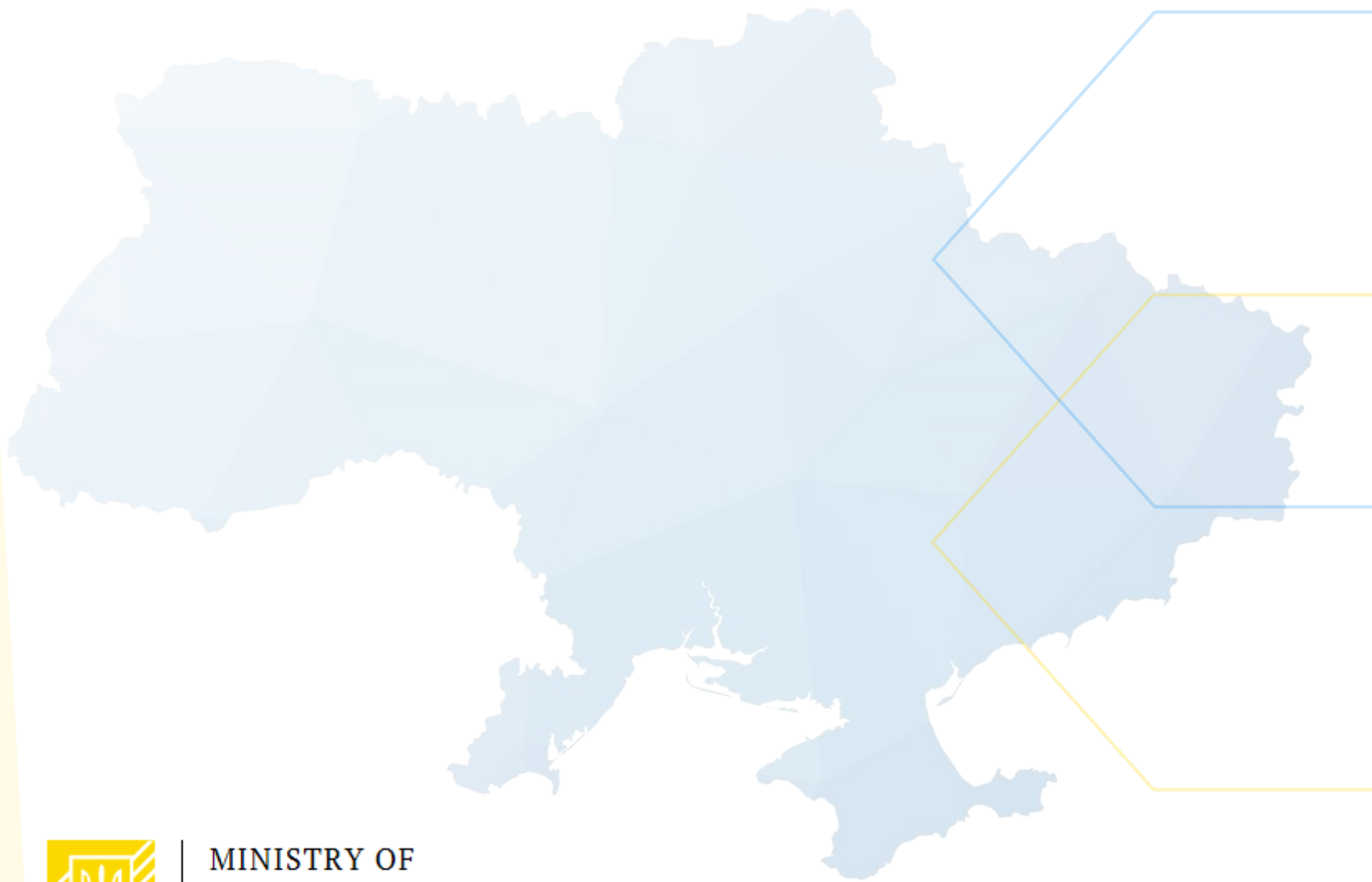
- ▶ **Ukraine is gradually shifting from prevailing raw material production to a country with a dominating tertiary sector**
 - Agriculture and mining, the largest segments of Ukraine's primary sector, jointly reach for only 16% of 2018 GDP
- ▶ Trade, transport and real estate operations constitute the largest shares of Ukraine's tertiary sector at 13%, 6% and 6% of 2018 nominal GDP

Highlights on population (average for 2018)



Employed population by sector (2018)





**MINISTRY OF
FINANCE OF
UKRAINE**

