



Ukraine: Investor Presentation



MINISTRY OF
FINANCE OF
UKRAINE

January 2020

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Ukraine's economy: illustrative success stories

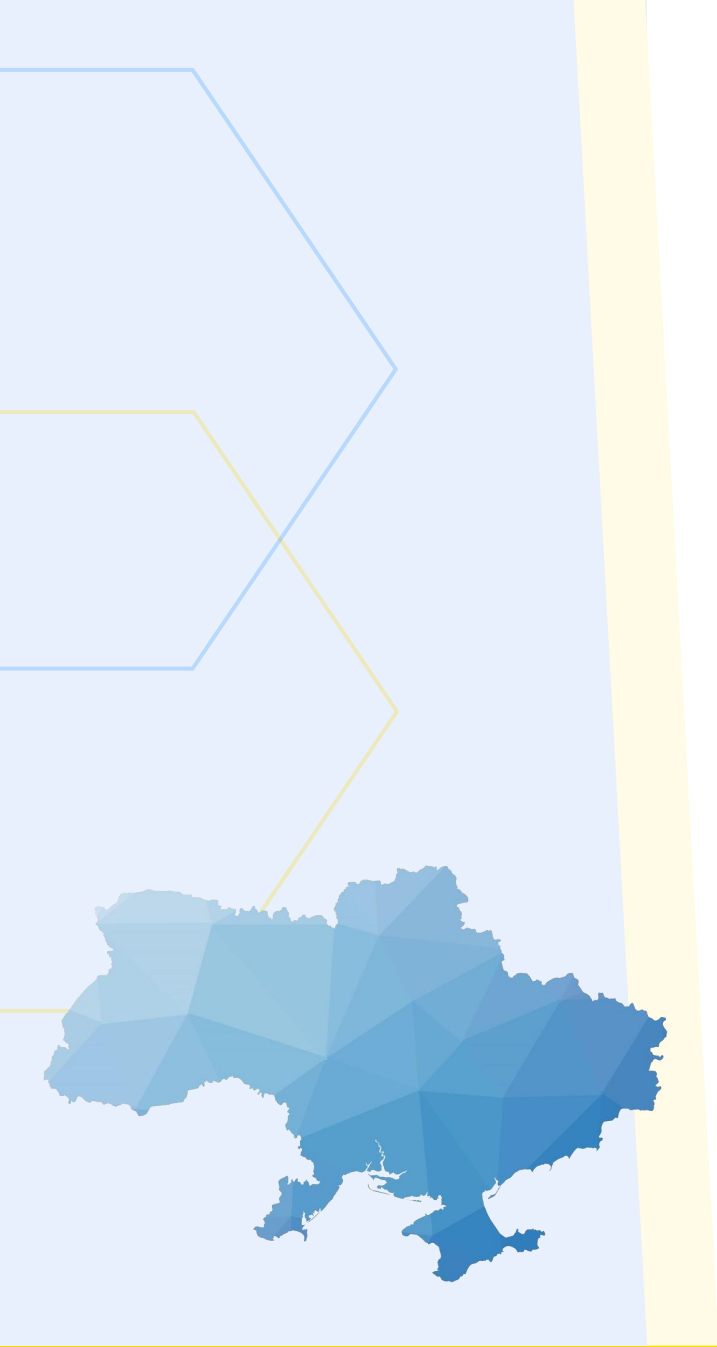
	2014 / 2015	2018 / 2019
 Real GDP growth	(6.6)% / (9.8)%	2.8% (Q3 2018) / 4.1% (Q3 2019)
 Consumer inflation (eop)	24.9% / 43.3%	9.8% (Dec-18) / 4.1% (Dec-19)
 Reserves (eop)	US\$ 7.5bn (2014) / US\$ 13.3bn (2015)	US\$ 20.8bn (Dec-18) / US\$ 25.3bn (Dec-19)
 Primary state budget balance¹	(1.9)% of GDP (2014)	1.1% of GDP ² (Sep-19)
 State debt to GDP²	67.1% (2015)	45.2% (Sep-19)
 Naftogaz	Quasi-fiscal deficit at 5.5% of GDP (2015)	US\$ 2.9bn received from Stockholm Arbitral Tribunal and 5-year contract for gas transit between Naftogaz and Gazprom signed (Dec-2019)

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, Naftogaz





- 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

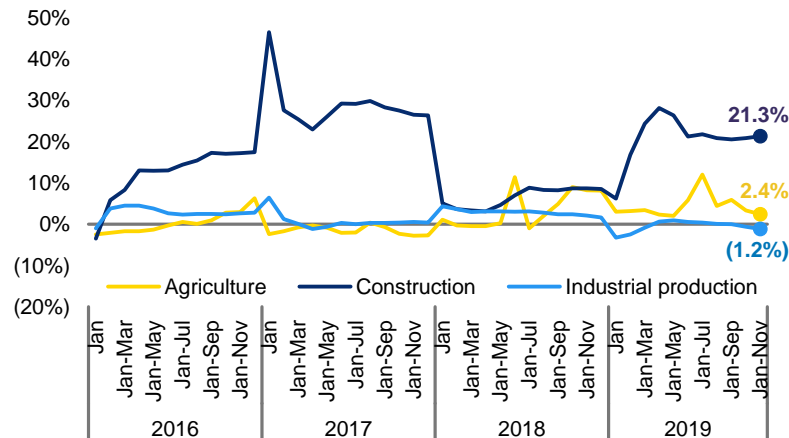
+12%

LTM Q3 2019 US\$ 3,463

Comments

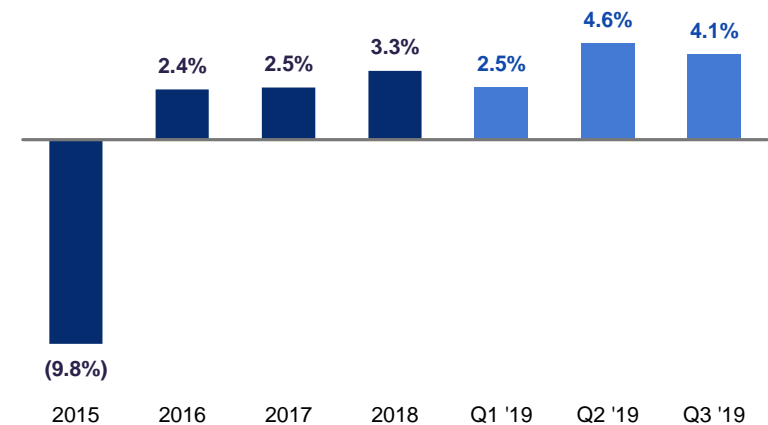
- ▶ **Ukraine's real GDP is growing for fifteen consecutive quarters in a row**
- ▶ Real GDP growth accelerated further to 4.1% (y-o-y) in Q3 2019 compared to 3.3% in 2018 and 2.5% in 2017
- ▶ In 2018 Ukraine witnessed a 8.1% real growth in agriculture, 8.5% – in construction, and 1.6% increase in industrial production. In 11m 2019 the positive trend continued with construction and agriculture output growing by 21.3% and 2.4%, 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, %



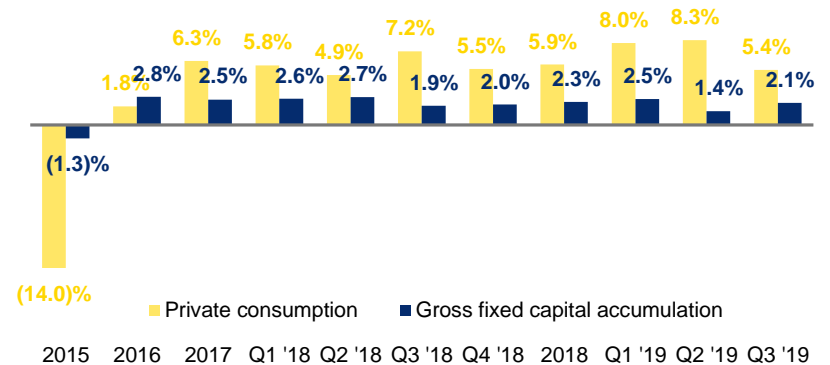
Source State Statistics Service of Ukraine

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

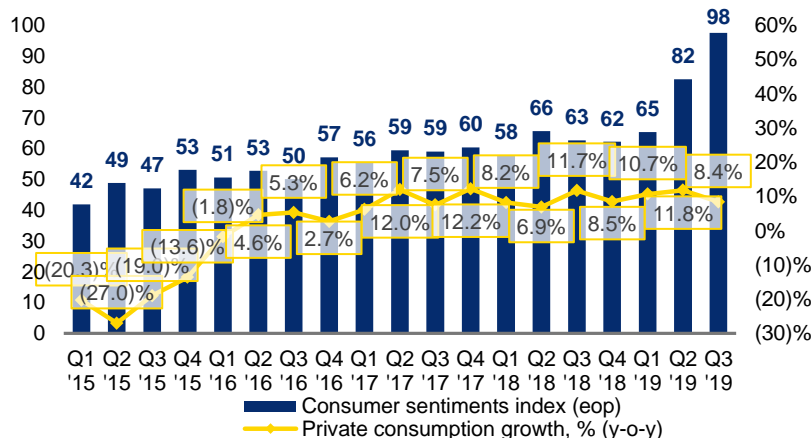


Robust economic growth path (2/3)

Comments

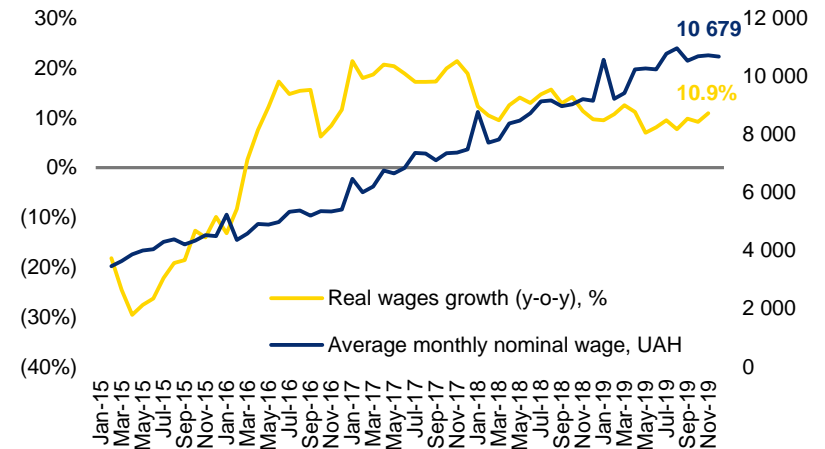
- ▶ **Increasing consumer demand remains the main driver of Ukraine's real GDP growth**
 - Final private consumption grew by 8.4% (y-o-y) in 3Q 2019, whereas retail trade turnover increased by 10.4% in November 2019
- ▶ Consumer demand is driven by a number of factors, including among others **improving consumer sentiments, rise in real wages, consumer lending and personal money remittances**
 - Real wages went up by 10.9% y-o-y in November 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



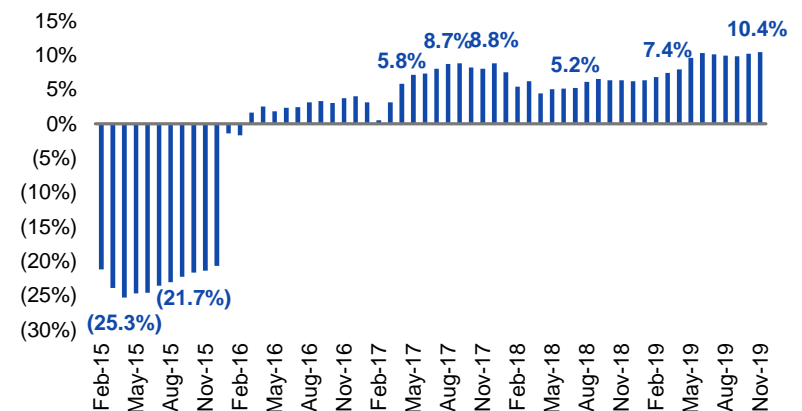
Source GFK, State Statistics Service of Ukraine

Real wages growth and average 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

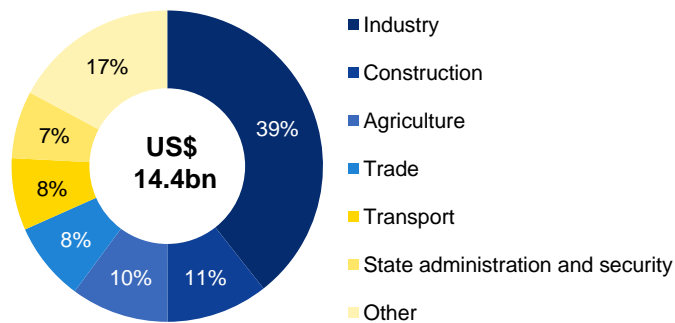
Source State Statistics Service of Ukraine

Robust economic growth path (3/3)

Comments

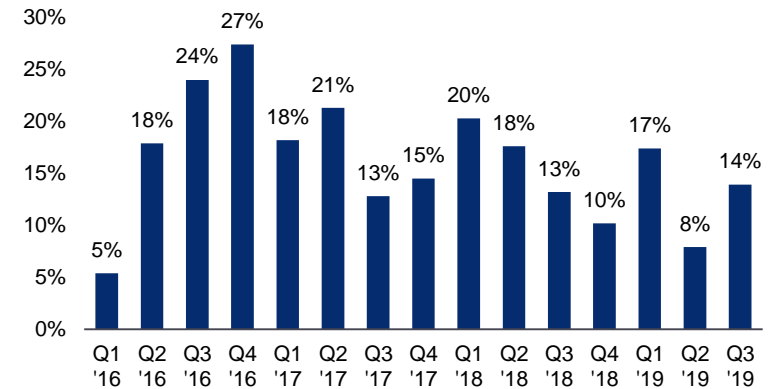
- ▶ **Investment demand** is another driver of Ukraine's economic growth
- ▶ Industrial output remained relatively stable in Q3 2019, although a number of sectors demonstrated upward dynamics, incl. production in mining industry (+2.2%), wood and paper products (+2.9%), chemicals (+0.3%)
- ▶ **Gross 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, %



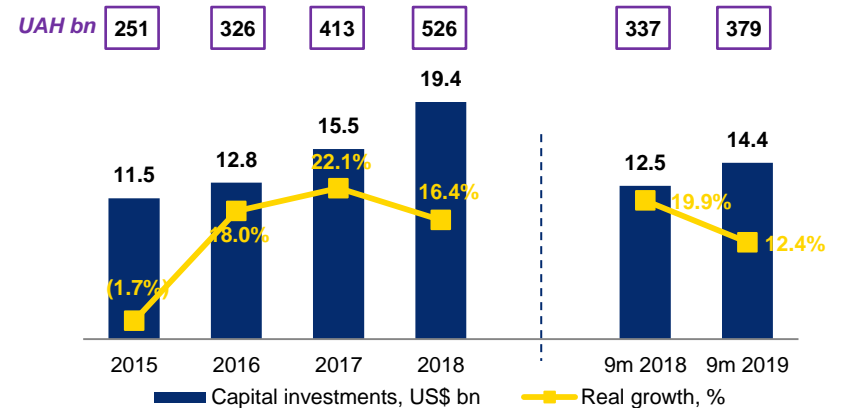
Source State Statistics Service of Ukraine

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 remains relatively stable, **close to 40%**, 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

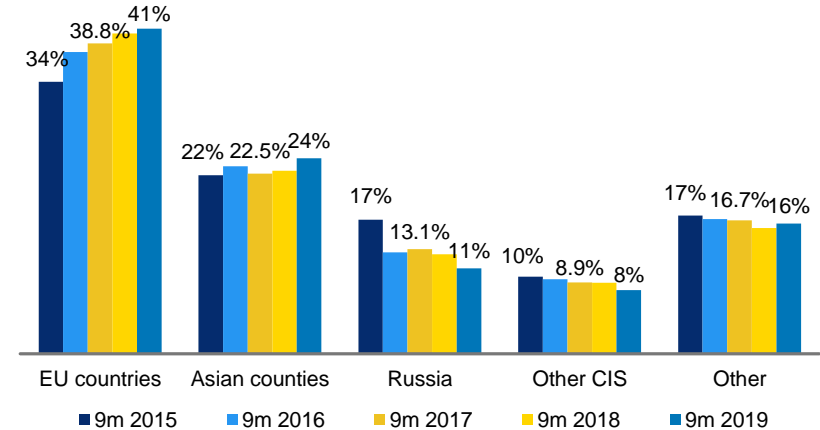
Growth (y-o-y) of selected commodity exports in 9m 2019

<i>Product category</i>	<i>Growth (vs 9m 2018)</i>
Agriculture products + US\$ 2.8bn / +22.0%	
Mineral products + US\$ 656m / +25.6%	
Chemicals + US\$ 33m / +1.8%	
Fuel and energy + US\$ 20m / +3.1%	

Notes

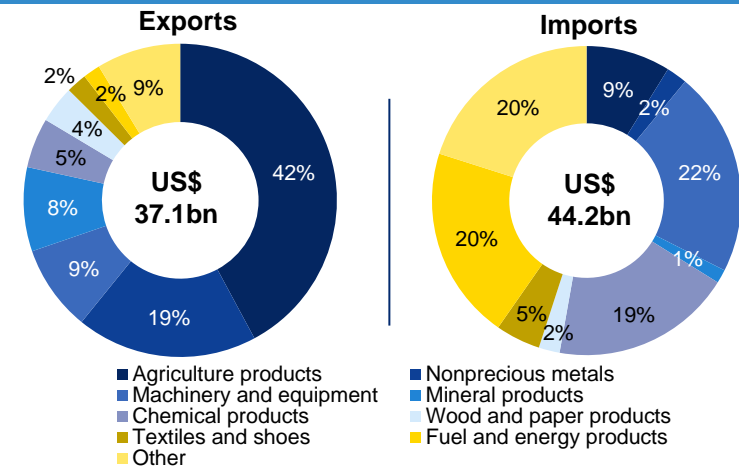
- 1 Sum of export and import of goods and services
- 2 Export and import of goods breakdown

Geographic breakdown of trade in 9m 2015-2019¹



Source NBU

Ukraine's exports and imports breakdown² in 9m 2019



Source State Statistics Service of Ukraine

Enhancement of trade relations with the EU

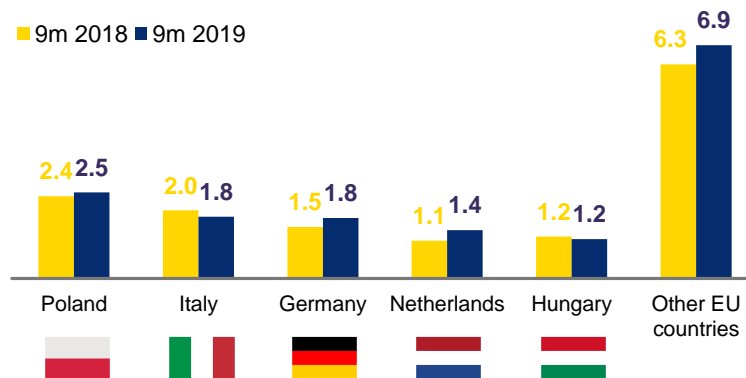


Ukraine is among 3 largest exporters of agricultural products to the European Union with c. EUR 7.3bn of exports in LTM as of October 2019, according to EC's Monitoring EU Agri-Food Trade report

Key highlights

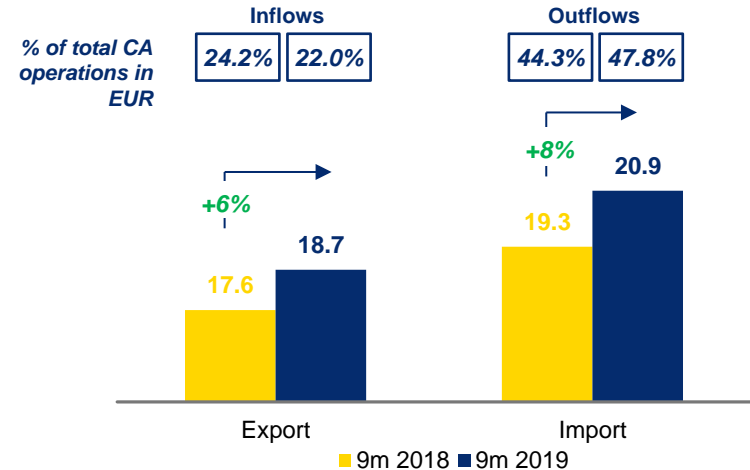
- ▶ Following the full implementation of DCFTA in September 2017, **Ukraine's export of goods and services to the EU witnessed continuous improvement** and **increased by 6.4%** in 9m 2019 (y-o-y), while **imports from the EU countries grew by 8.1%** over the same timeframe
 - **Export of services has increased by c. 5%** in 9m 2019 (y-o-y) totaling US\$ 3.1bn with the UK, Germany 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, the Netherlands, Malta, Denmark and Lithuania** (by >23% with each country)

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



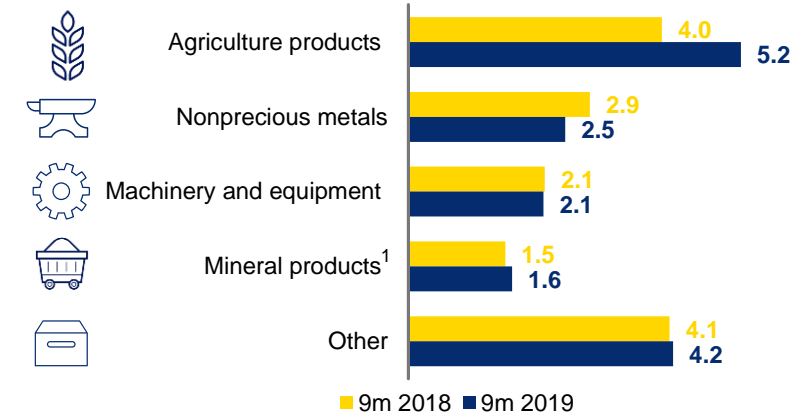
Source State Statistics Service of Ukraine

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

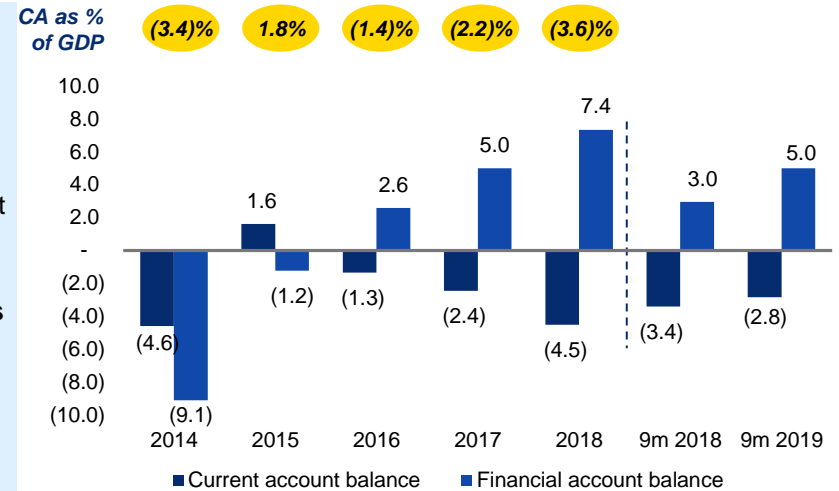
Ukraine accounts for more than 50% of annual EU agri-food import growth, according to EC's Monitoring EU Agri-Food Trade report

Firm external position leading to less vulnerability to external shocks

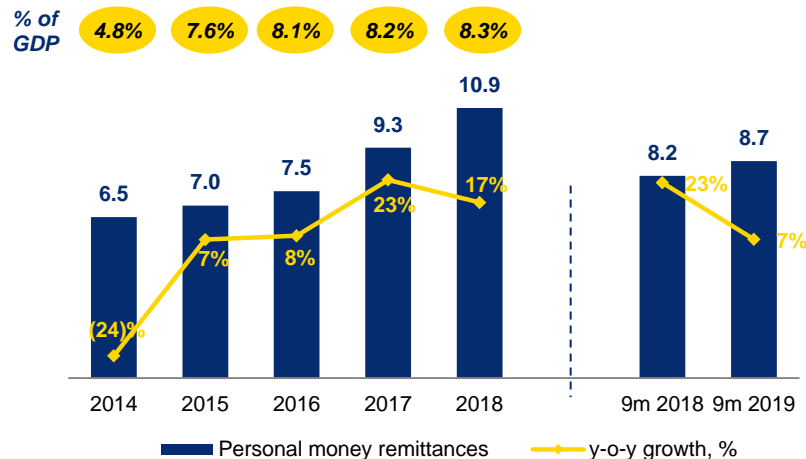
Comments

- ▶ **The trade balance deficit constituted 7.8% of GDP in 9m 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 12.7% (y-o-y) in 9m 2019 totaling US\$ 8.4bn, while import of chemicals increased by 6.3%
- ▶ **Negative trade balance is offset by growing personal money remittances together with capital account inflows** resulting in positive overall BoP of c. US\$ 2.2bn in 9m 2019
 - Private money remittances witnessed 7% (y-o-y) growth in 9m 2019, thus solidifying Ukraine's external accounts

Current and financial account balances, US\$ bn

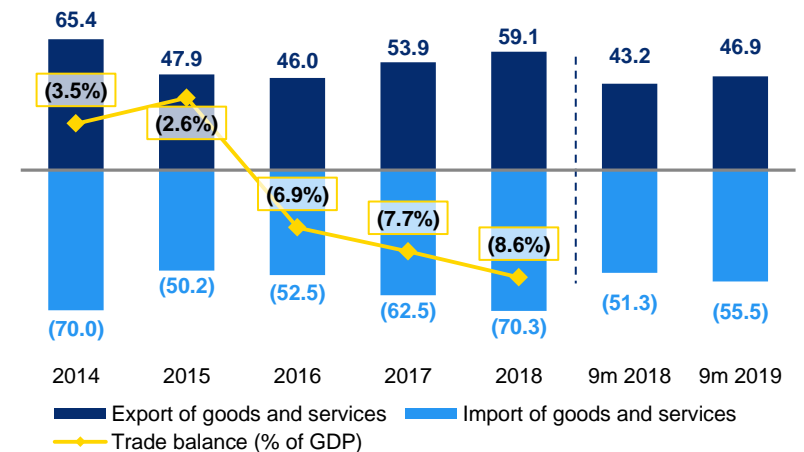


Private money remittances, US\$ bn



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%

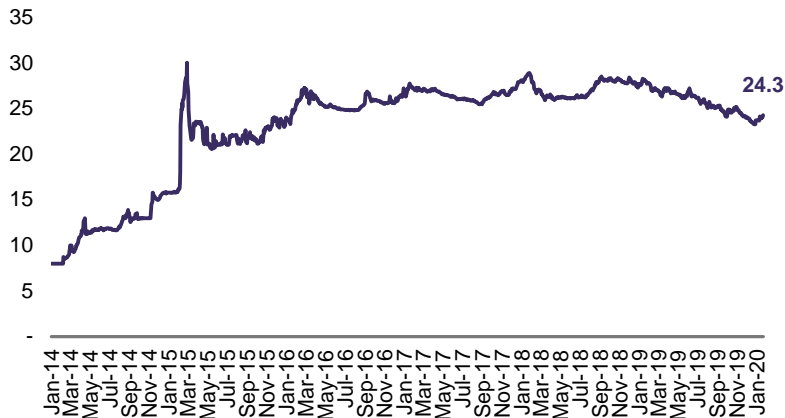
Y-o-y inflation as of December 2019: 4.1%

Ukraine's international reserves reached a 7-year high as of end of 2019

Comments

- ▶ **The NBU is gradually softening its monetary policy in 2019** on the back of UAH appreciation and decelerated inflation. The regulator decreased its key policy rate 5 times in 2019 – from 17.5% in April to 13.5% in December
 - 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 15.4% (m-o-m) in December 2019 to US\$ 25.3bn** mainly due to NBU net FX purchase (US\$ 2,933m) and FX domestic government bonds (US\$ 259m, EUR 198m) issuance

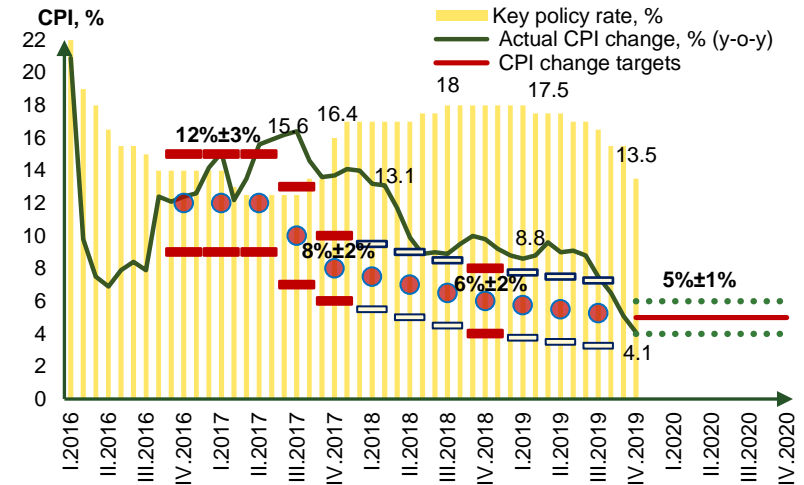
UAH/US\$ exchange rate dynamics



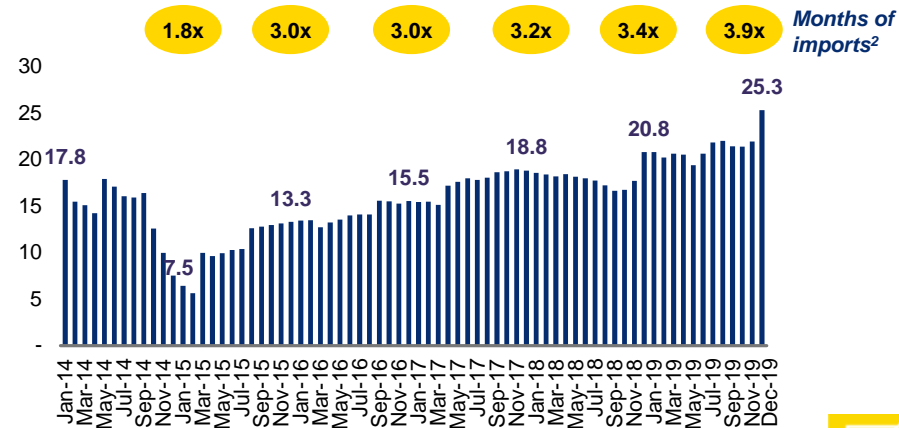
Notes
 1 Key policy rate stated as of end of each month
 2 Imports of goods and services of the immediately succeeding month are used for these calculations

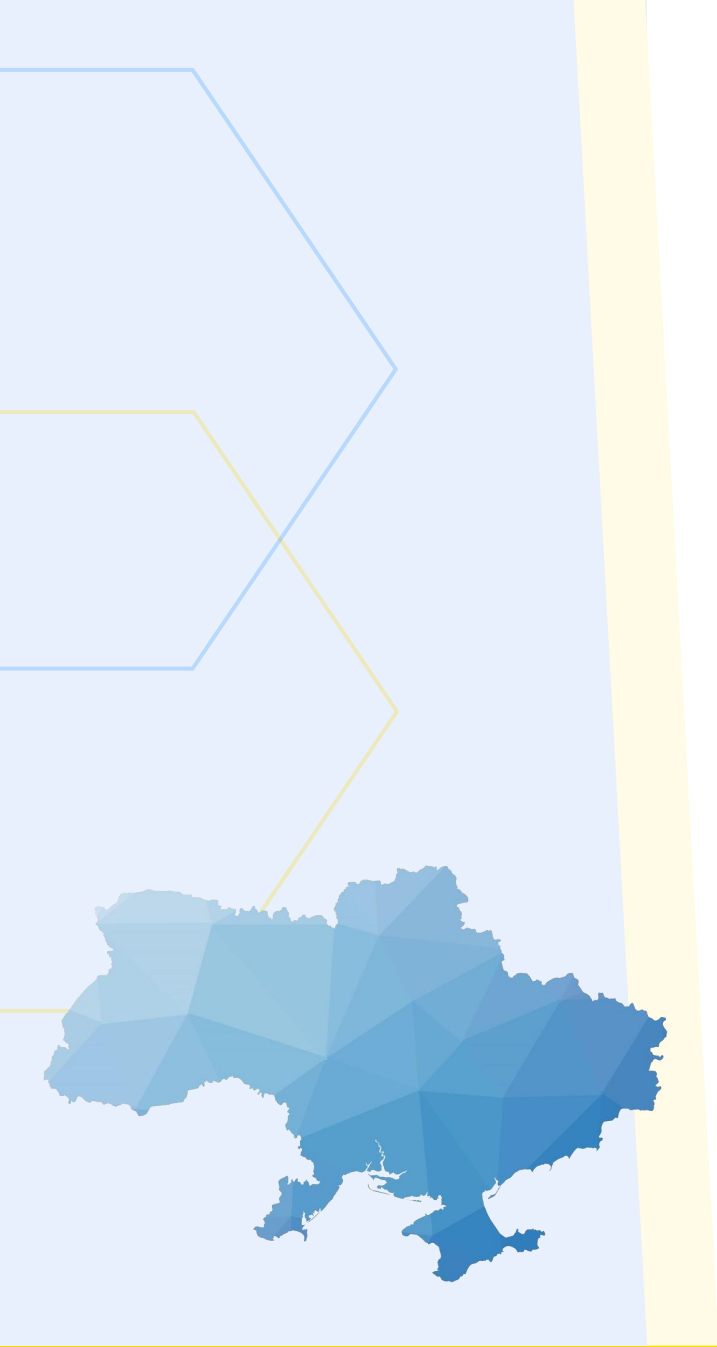
Source NBU

Consumer price index (CPI) change and key policy rate¹






Gross international reserves, US\$ bn





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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>91% increase in revenues of local budgets in 2018 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"> • 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) • Fiscal stability: timely adoption of 2020 State Budget Law (Nov 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



- ▶ **Monetary policy:** inflation-targeting framework
- ▶ **Banking sector:** sector clean-up, currency controls liberalization
- ▶ **NBU role:** enhancement of the NBU's supervisory and regulatory role

- **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)

UAH 52bn

record high profits posted by the Ukrainian banking sector in January – October 2019

20+ FX restrictions lifted

104 banks withdrawn from the market over 2014-2019

Energy sector



- ▶ **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

- **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)

US\$ 2.9bn received as compensation from Gazprom in Stockholm Arbitration

2.3% CAGR in SOE Ukgazvydobuvannya's gas extraction volumes (2015-2018)

"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)

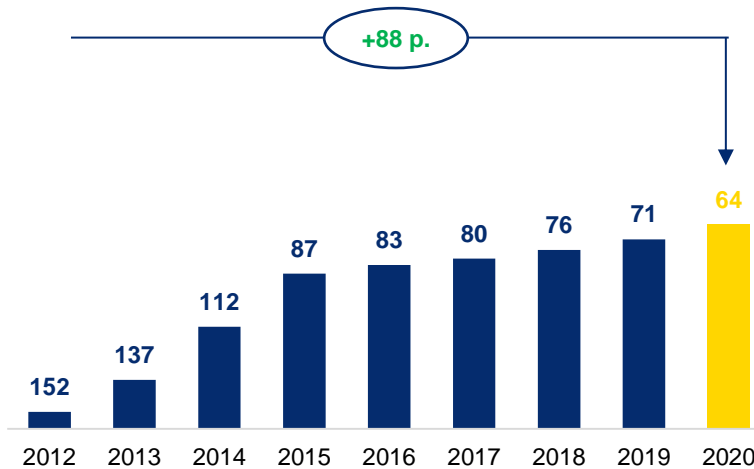
Protecting minority investors: **+27 (positions)**

Enforcing contracts: **+10**

Trading across borders: **+4**

Registering property: **+2**

Ease of Doing Business ranking

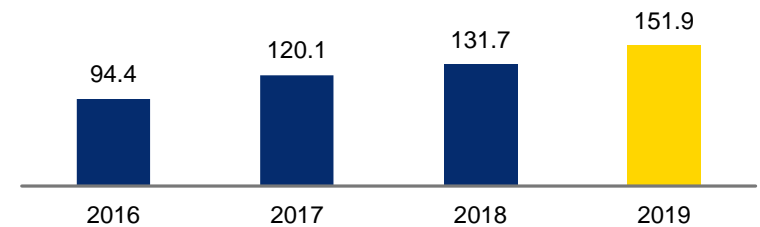


Source Doing Business

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)

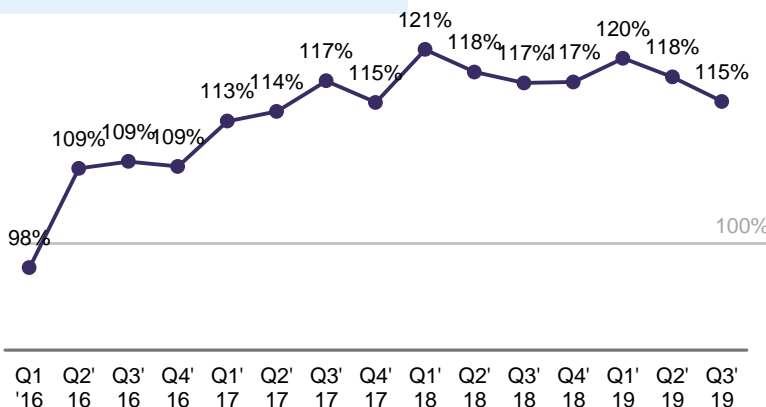
✈ Increased airport traffic: 25% (y-o-y) in 2018

🛣 National road fund in place since 2018

🚢 Concession of sea ports (in progress)

Business expectations index by the NBU

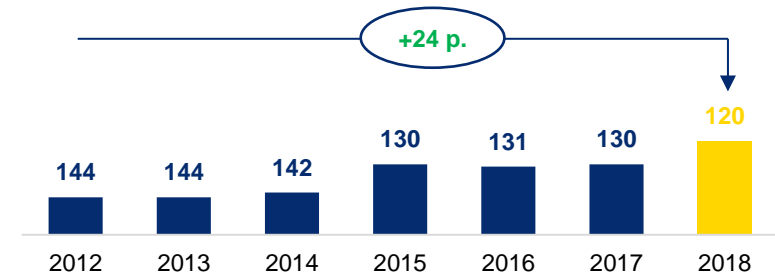
>100% – positive expectations



Source: NBU

Source World Bank

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

Boosted activity of foreign investors over the last year

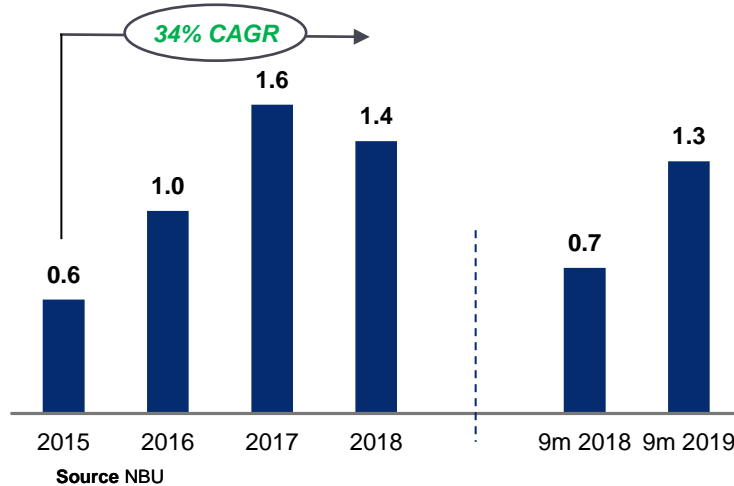
Main state institutions to support foreign investors:

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

FDI to real sector of Ukraine, US\$ bn



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

vodafone Bakcell

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

Nov 2019

STADA

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

Nov 2019

Idea Dragon Capital

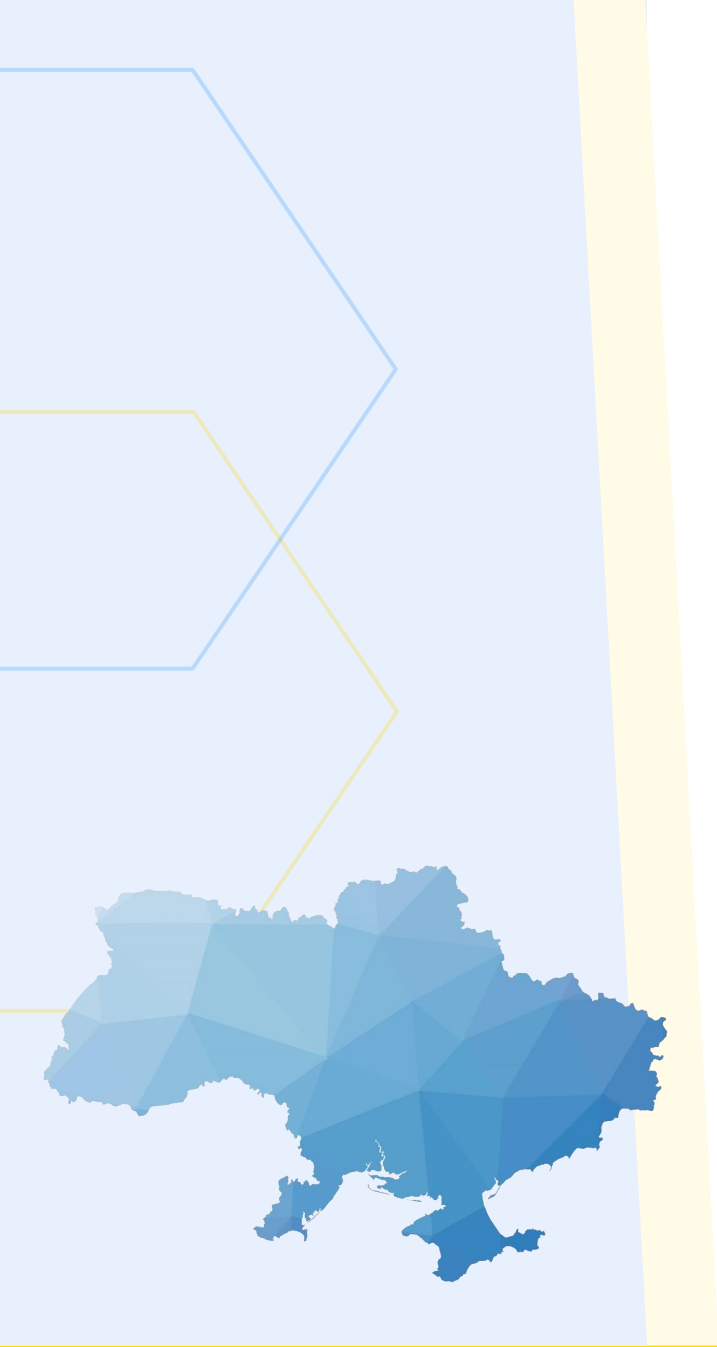
- ▶ Acquisition of Idea Bank from Polish Getin Holding for c.US\$ 59m

Dec 2019

General Electric Transportation

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

Dec 2019

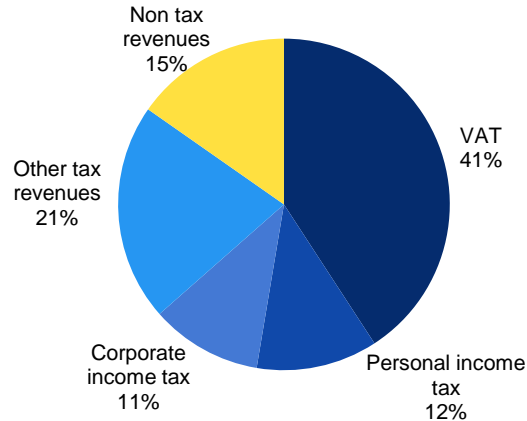


- 1 Sustainable growth path supported by reforms achievements
- 2 Reforms achievements: irreversible steps towards big changes
- 3 **Fiscal consolidation supporting a prudent debt management strategy**
- 4 Continuous support from economic partners
- 5 Appendices

Ambitious 2020 state budget reflecting continuous fiscal consolidation

2020 state budget revenues split (2020 State budget Law)

State budget revenues: UAH 1,096 bn

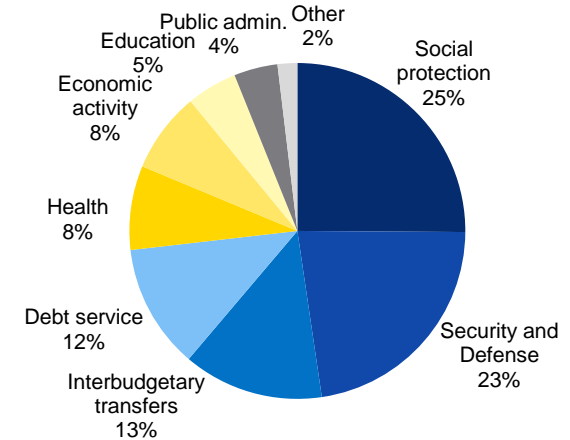


2020 vs. 2019 State budget figures:

- Total revenues: **UAH 1,096bn (+9%)**
- Total expenditures: **UAH 1,182bn (+8%)**
- Budget deficit¹: **UAH 94bn / 2.1% of GDP**

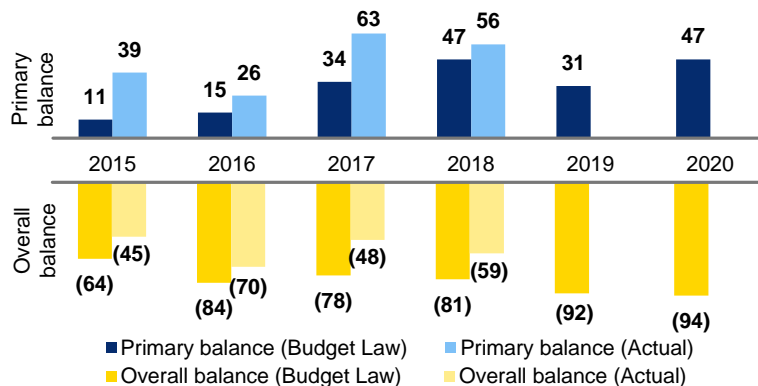
2020 state budget expenditures split (2020 State budget Law)

State budget expenditures: UAH 1,182bn

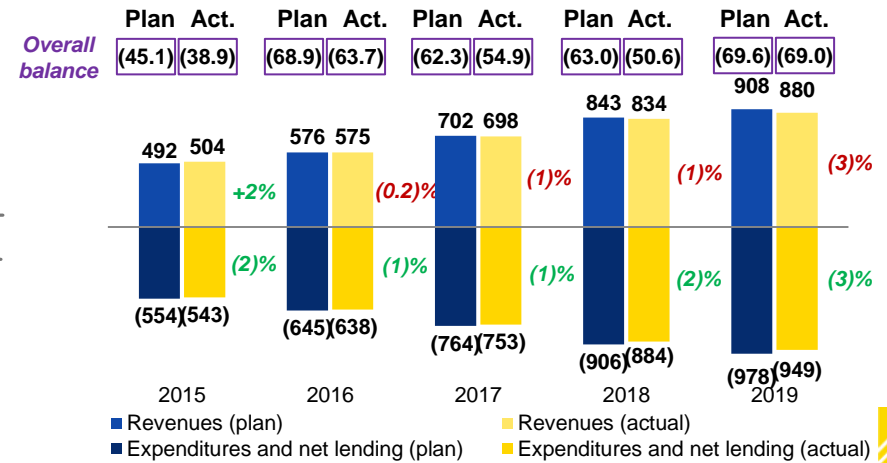


State budget balance, UAH bn

Year	Act. primary balance 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)%



State budget general fund performance, UAH bn



Notes

- 1 Budget deficit defined as revenues minus expenditures and minus net lending
- 2 Preliminary data for 2019 actual budget execution

Source State Treasury of Ukraine



State budget execution (11m 2019)

UAH m	State budget general fund			Overall state budget					
	11m 2019 Actual	11m 2019 Plan	% diff.	11m 2018 Actual	11m 2019 Actual	% diff.	FY 2018	FY 2019 ¹	% diff.
Revenues	792,216	843,242	(6%)	843,262	899,707	+7%	928,115	1,007,303	+9%
Tax revenues, incl.	664,930	725,374	(8%)	688,227	722,968	+5%	753,816	840,597	+12%
Personal income tax and income charge	98,263	94,201	+4%	81,729	98,263	+20%	91,742	106,155	+16%
Corporate profit tax	101,000	94,520	+7%	95,096	101,000	+6%	96,882	95,520	(1%)
Fee for the use of mineral resources	41,829	53,127	(21%)	40,200	42,246	+5%	45,259	58,302	+29%
Excises	64,014	77,749	(18%)	107,163	111,683	+4%	118,852	130,233	+10%
VAT (net of VAT reimbursement)	336,023	380,566	(12%)	339,958	338,388	(0%)	374,508	415,844	+11%
Export and Import duties	21,049	22,219	(5%)	24,595	27,566	+12%	27,077	30,482	+13%
Other taxes and duties	2,751	2,991	(8%)	(515)	3,823	+842%	(505)	4,061	-
Non-tax revenues	127,286	117,869	+8%	155,035	176,739	(12%)	174,299	166,706	(4%)
Expenditures	(834,713)	(903,120)	(8%)	(843,325)	(933,451)	+11%	(985,852)	(1,093,022)	+11%
General public functions, incl.:	(151,848)	(167,227)	(9%)	(149,910)	(155,107)	+3%	(162,958)	(176,251)	+8%
Debt service	(114,172)	(122,872)	(7%)	(110,719)	(114,172)	+3%	(115,431)	(123,578)	+7%
Security and Defense	(185,430)	(201,385)	(8%)	(170,419)	(207,642)	+22%	(213,900)	(241,351)	+13%
Economic activity	(21,394)	(29,190)	(27%)	(50,279)	(53,634)	+7%	(63,601)	(79,040)	+24%
Protection of environment	(3,774)	(4,776)	(21%)	(3,548)	(4,502)	+27%	(5,241)	(6,975)	+33%
Municipal utilities and services	-	-	-	(116)	(80)	(31%)	(297)	(162)	(45%)
Healthcare	(30,042)	(34,547)	(13%)	(15,700)	(31,665)	+102%	(22,618)	(38,403)	+70%
Intellectual and physical development	(7,803)	(9,606)	(19%)	(7,102)	(7,968)	+12%	(10,107)	(10,559)	+4%
Education	(29,268)	(32,440)	(10%)	(38,358)	(44,598)	+16%	(44,324)	(52,802)	+19%
Social welfare	(180,904)	(189,585)	(5%)	(137,695)	(189,302)	+37%	(163,866)	(201,083)	+23%
Interbudgetary transfers	(224,249)	(234,363)	(4%)	(270,199)	(238,953)	(12%)	(298,940)	(286,396)	(4%)
Net lending	4,415	4,529	(3%)	(120)	(1,117)	+829%	(1,514)	(6,621)	+337%
Primary balance	76,090	67,523	+13%	110,536	79,311	(28%)	56,180	31,238	(44%)
Overall state budget balance	(38,082)	(55,349)	(31%)	(184)	(34,860)	-	(59,251)	(92,340)	+56%

Source State Treasury of Ukraine

Notes

¹ Plan as of end-November 2019



Consolidated budget execution (11m 2019)

UAH m	11m 2018 Actual	11m 2019 Actual	% change	FY 2018 Actual	FY 2019 Plan ¹	% change
Revenues	1,074,808	1,164,020	+8%	1,184,291	1,319,781	+11%
Tax revenues	900,025	969,563	+8%	986,349	1,112,425	+13%
Personal income tax and income charge	204,708	245,952	+20%	229,901	270,474	+18%
Corporate profit tax	104,184	110,967	+7%	106,182	105,464	(1%)
Fee for the use of mineral resources	44,739	47,283	+6%	50,081	63,244	+26%
Excises	119,863	124,307	+4%	132,650	148,032	+12%
VAT (net of VAT reimbursement)	339,958	338,388	(0%)	374,508	417,676	+12%
Property taxes	28,755	35,078	+22%	31,272	36,630	+17%
Export and Import duties	24,595	27,566	+12%	27,077	30,938	+14%
Other taxes and duties	33,223	40,023	+20%	166,338	39,967	(76%)
Non-tax revenues	174,783	194,457	+11%	197,942	207,356	+5%
Expenditures	(1,052,380)	(1,169,482)	+11%	(1,250,190)	(1,456,081)	+16%
General public functions, incl.:	(174,655)	(185,368)	+6%	(191,550)	(214,047)	+12%
Debt service	(111,162)	(114,775)	+3%	(116,088)	(123,974)	+7%
Security and Defense	(171,339)	(208,735)	+22%	(215,050)	(256,120)	+19%
Economic activity	(107,265)	(116,818)	+9%	(140,761)	(182,323)	+30%
Protection of environment	(5,671)	(6,906)	+22%	(8,242)	(12,972)	+57%
Municipal utilities and services	(24,851)	(28,108)	+13%	(30,345)	(36,881)	+22%
Healthcare	(95,320)	(106,595)	+12%	(115,852)	(130,941)	+13%
Intellectual and physical development	(23,148)	(26,152)	+13%	(28,993)	(33,474)	+15%
Education	(181,195)	(206,731)	+14%	(210,032)	(253,630)	+21%
Social welfare	(268,938)	(284,071)	+6%	(309,364)	(335,692)	+9%
Net lending	(426)	(1,420)	+234%	(1,893)	(7,018)	+271%
Primary balance	133,164	107,893	(19%)	48,296	(19,343)	(140%)
Consolidated budget balance	22,001	(6,882)	(131%)	(67,792)	(143,317)	+111%

Source State Treasury of Ukraine

Notes

1 Plan as of end-November 2019

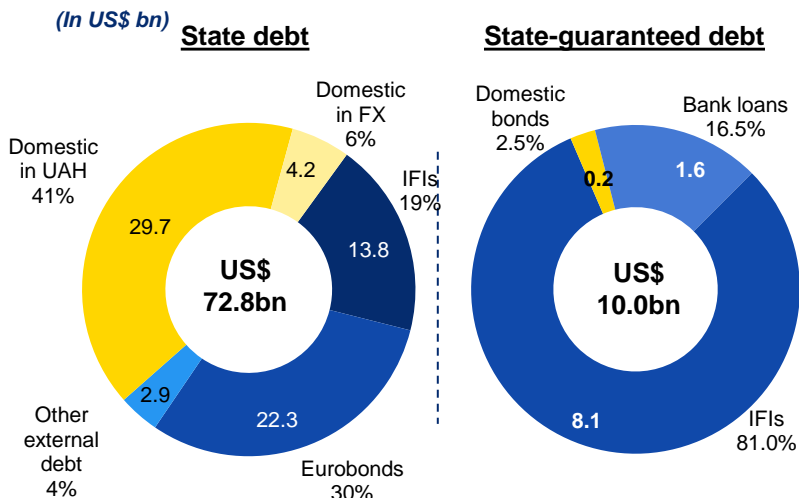


Prudent and proactive debt management strategy

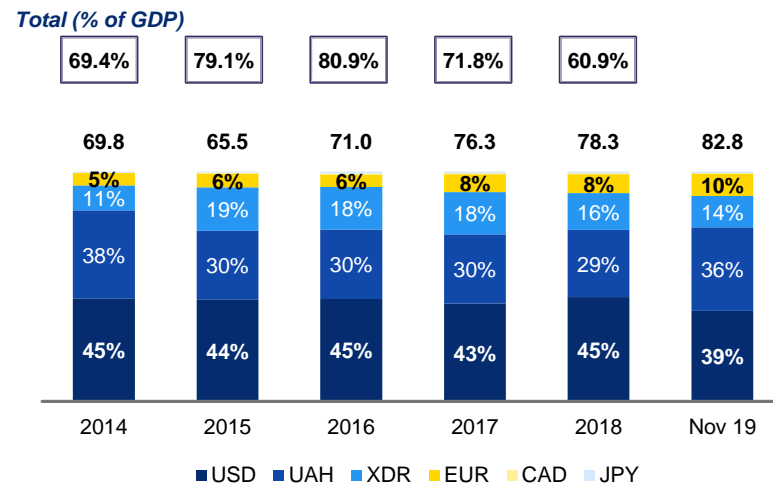
State and state-guaranteed debt structure (end-Nov 2019)

As of end-November 2019, Ukraine's total state and state-guaranteed debt (US\$ 82.8bn / UAH 1,991bn) split between:

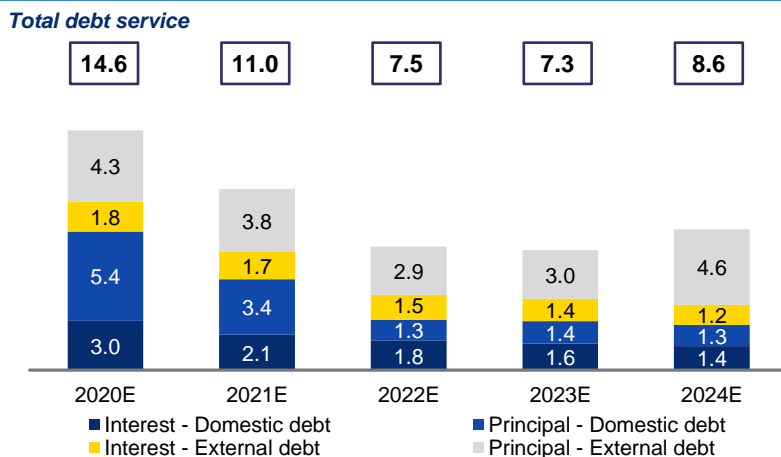
- 59% of external debt, 41% of domestic debt
- 88% of state debt, 12% of state-guaranteed debt



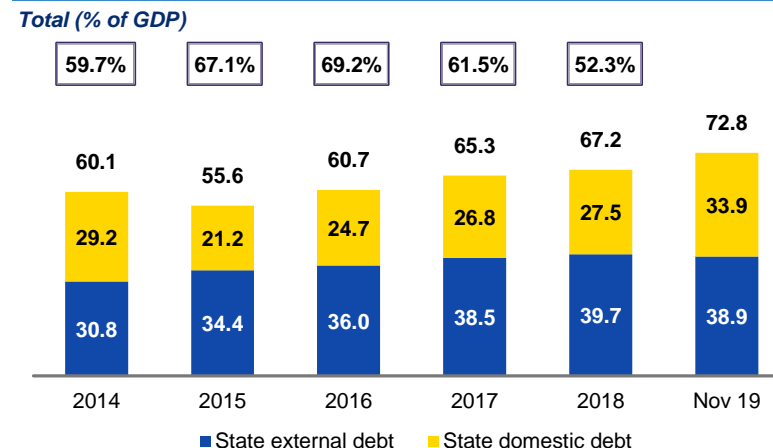
State and state-guaranteed debt by currency, US\$ bn



State debt amortization schedule (end-Dec 2019)¹, US\$ bn



State debt dynamics, US\$ bn



Notes

¹ Incl. outstanding debt obligations only

Source Ministry of Finance



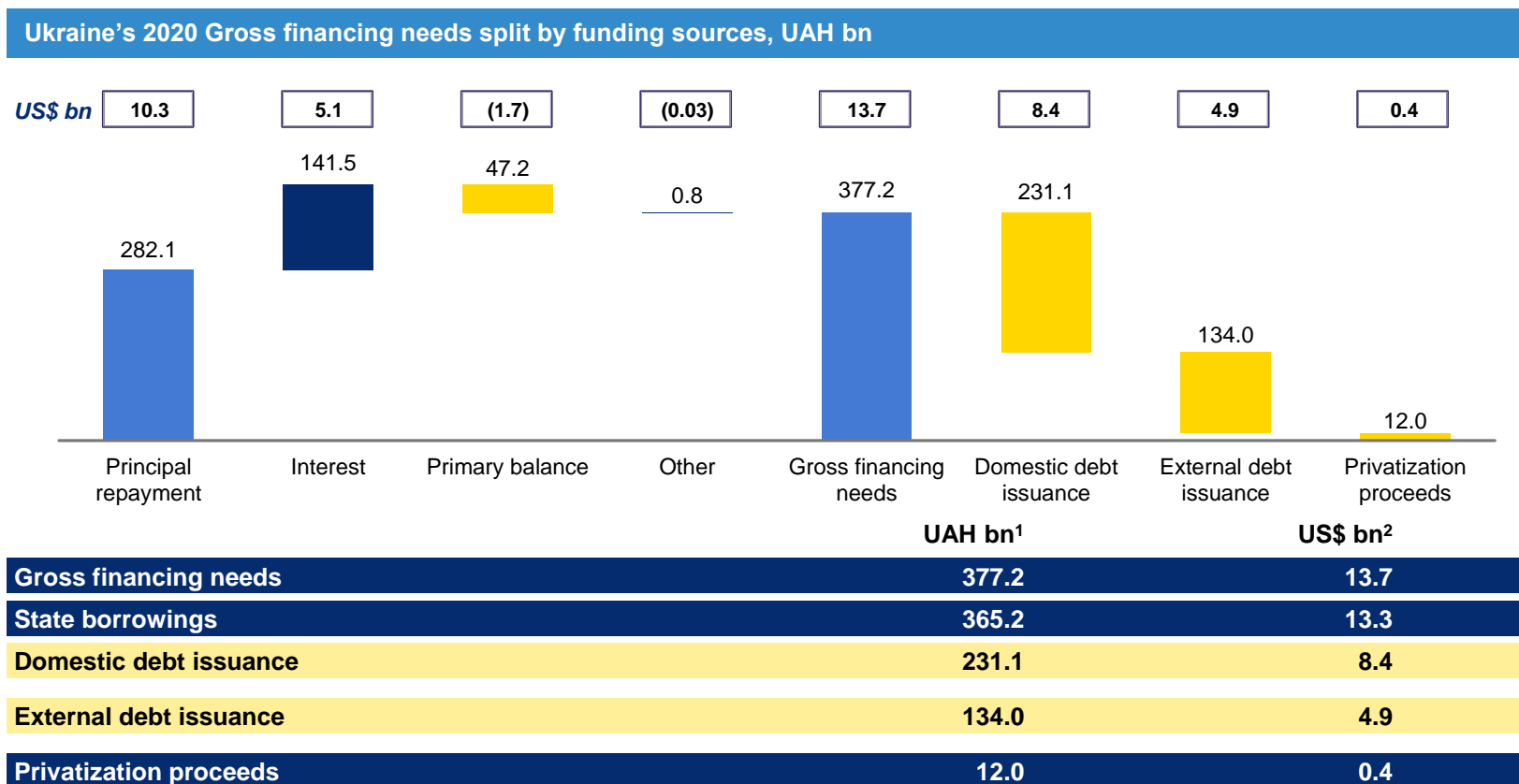
Ukraine's 2020 gross financing needs

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 approved by the Parliament of Ukraine on November 14th, 2019

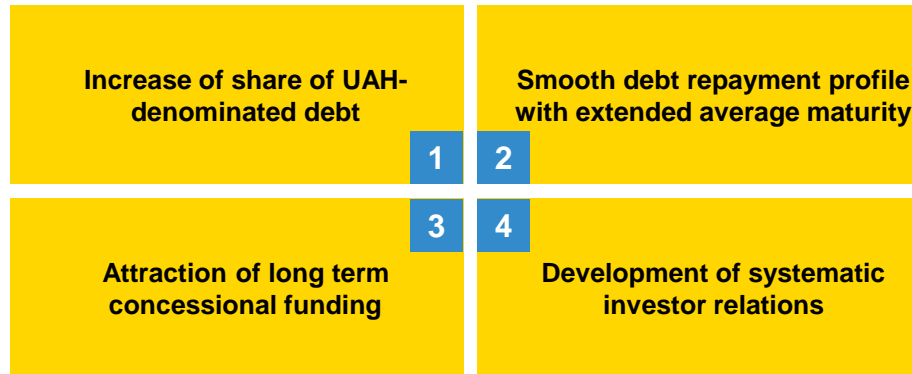
2 Figures in UAH were translated into US\$ at 27.5 UAH/US\$ (exchange rate 2020 State budget law is based on); for reference NBU UAH/US\$ FX rate as of January 20, 2020 is 24.25



Medium-Term Debt Strategy 2019 - 2022

Key highlights from MTDS 2019 - 2022

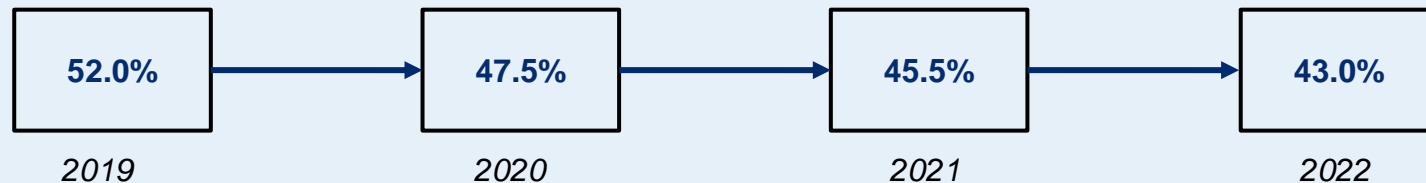
Key objectives



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)

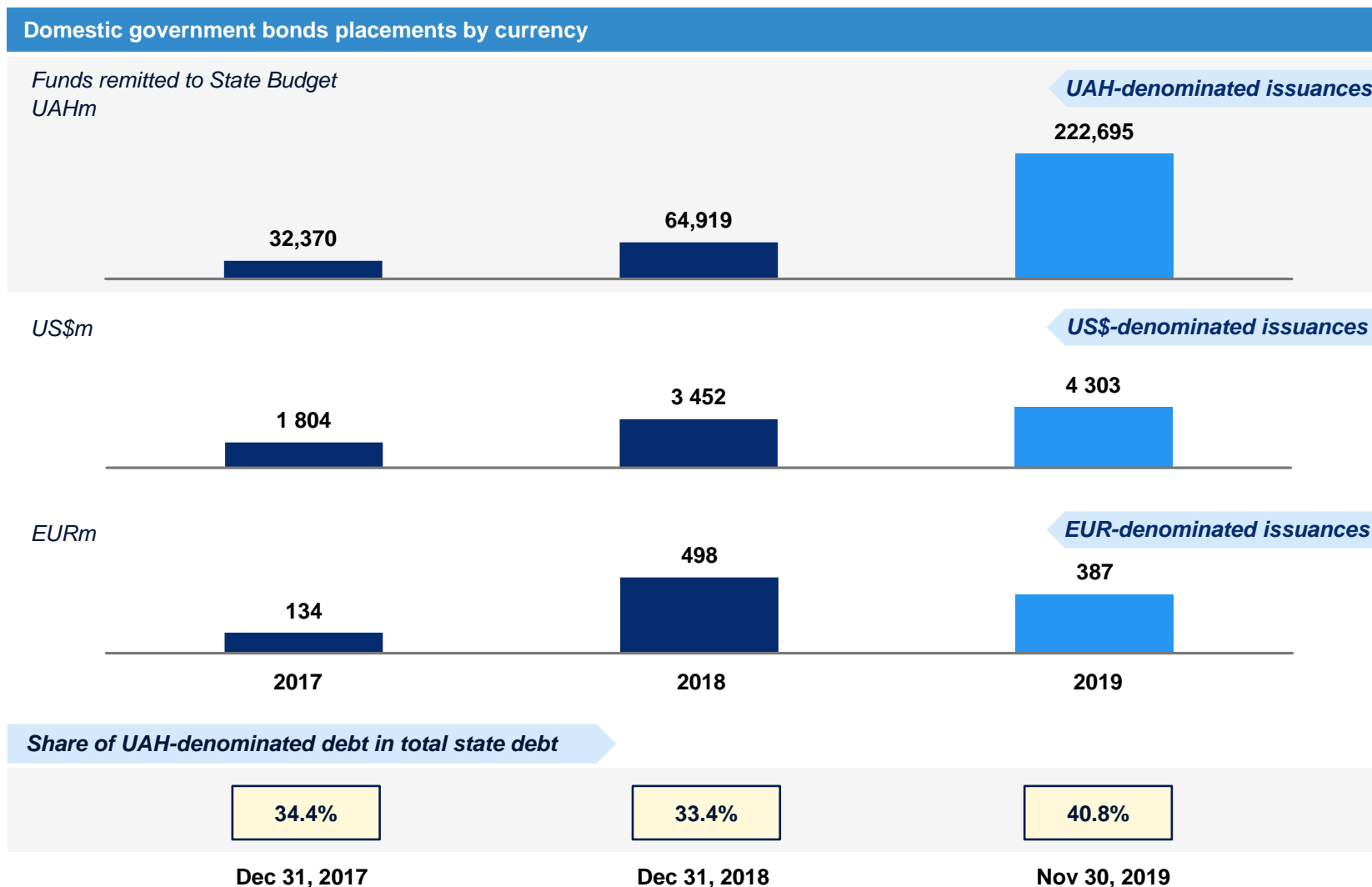


Source Ministry of Finance



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



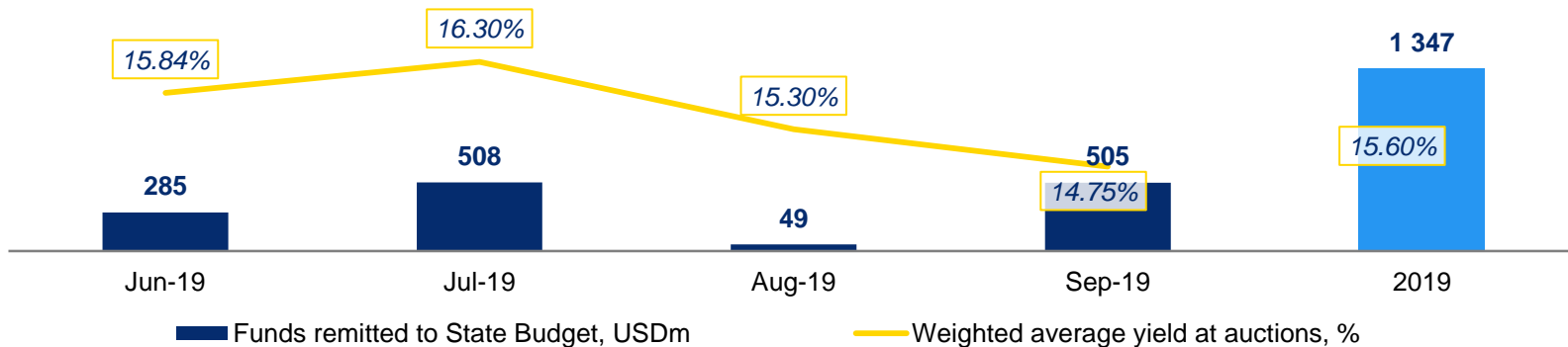
Source Ministry of Finance



Continuously extending average maturity of domestic bonds

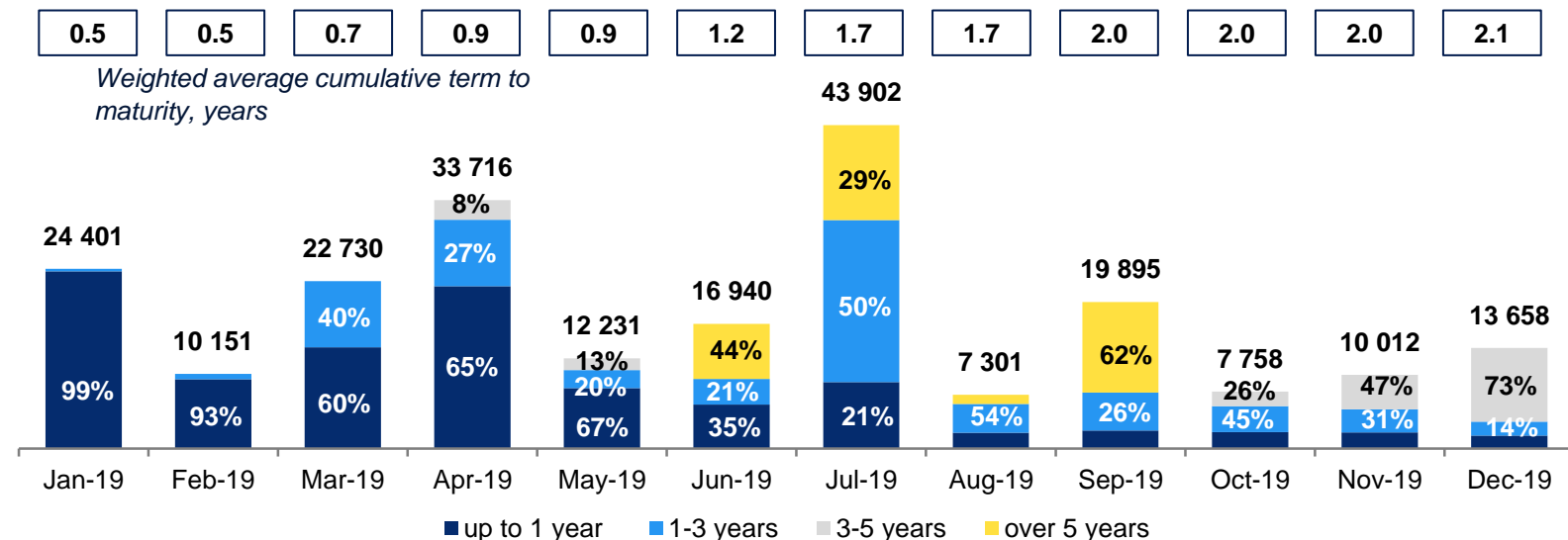
2025 UAH-denominated bond issuances, US\$ bn

- 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



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 December 2019



Source Ministry of Finance



Ukraine's domestic government bond holders

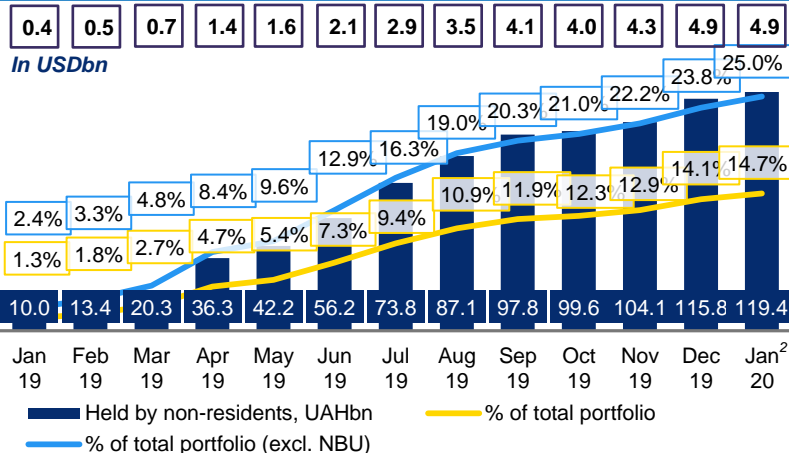
Key highlights

- ▶ With **c.41%** share the **NBU is currently the largest holder of domestic government bonds** followed by the banks, which accounts for **c.40%** of the portfolio
- ▶ At c.15% of total outstanding Ukrainian domestic government bonds as of January 2020², the **portfolio held by non-residents increased more than eighteen 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

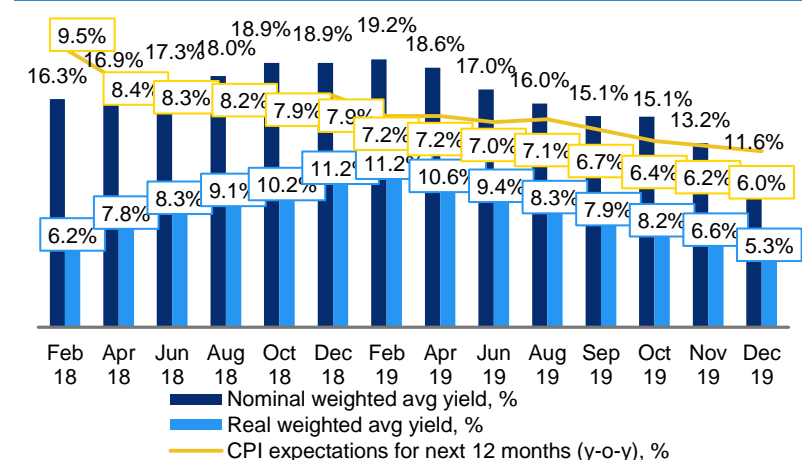
Domestic government bond issuances (in UAH)

	2018	2019
UAH-denominated bonds (UAH m)		
Funds remitted to state budget	64,919	222,695
up to 1 year	60,286	103,283
1-3 years	2,935	64,622
3-5 years	1,698	20,295
over 5 years	-	33,865
Weighted average yield at auctions, %	17.52%	17.01%
up to 1 year	17.64%	18.41%
1-3 years	16.01%	16.76%
3-5 years	15.87%	13.12%
over 5 years	-	15.60%
Consumer inflation	9.8%	4.1%

Domestic government bonds held by non-residents



Nominal and real weighted avg yields at primary auctions, %



Notes

- 1 According to NBU's survey about inflation expectations of financial analysts for the next 12 months
- 2 As of January 20, 2020

Source Ministry of Finance, NBU

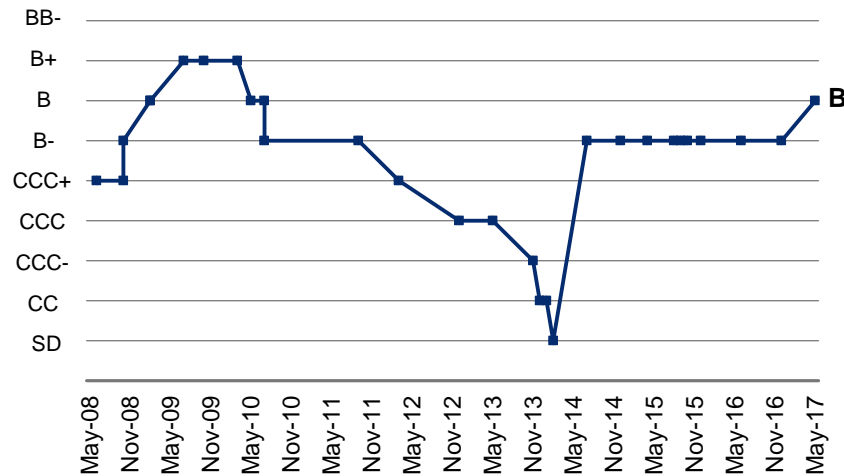
Source Ministry of Finance of Ukraine, NBU

Consistent upgrade in credit ratings

STANDARD & POOR'S

Rating: B, Stable

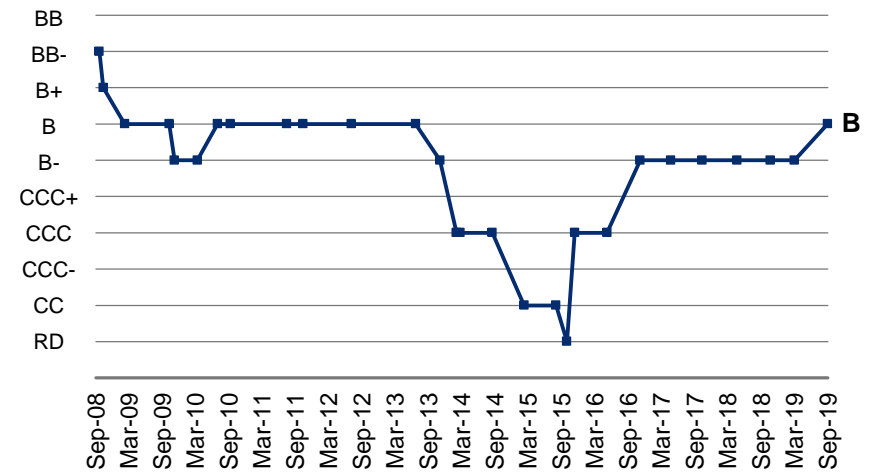
Last update: Sep 27, 2019, upgrade from B- to B

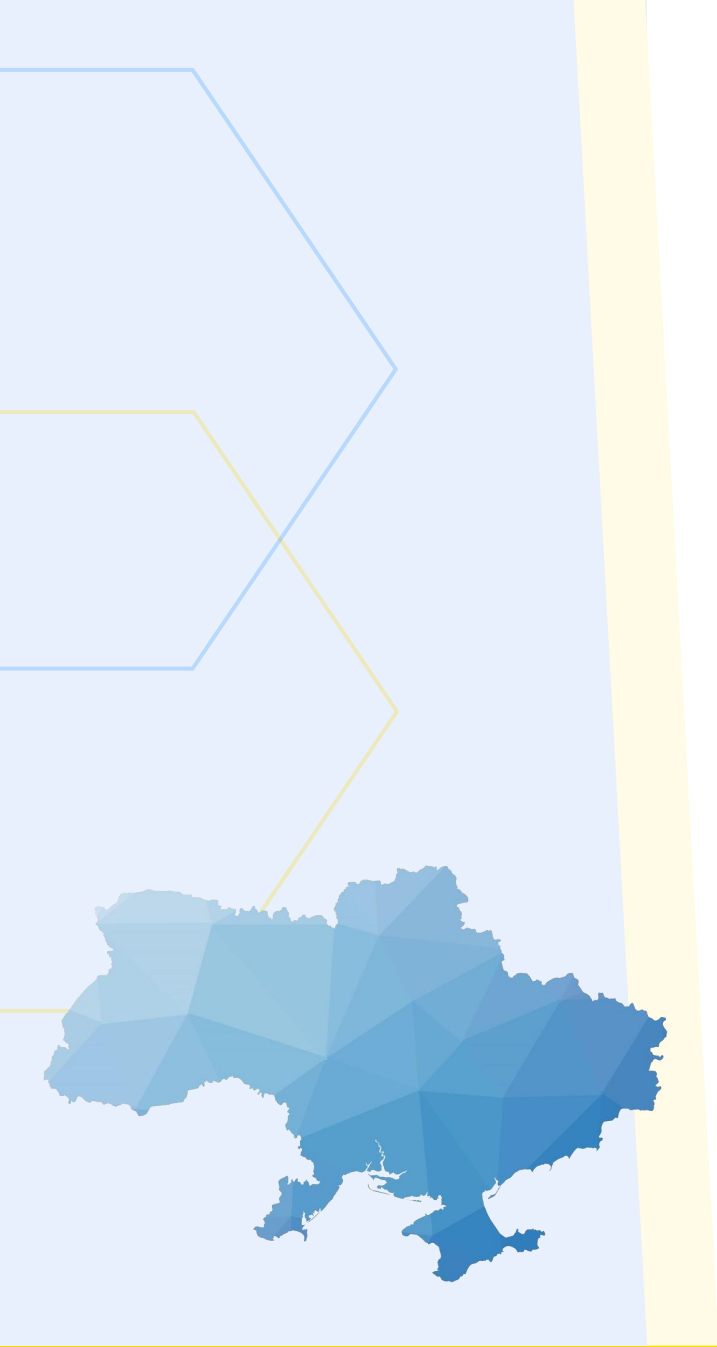


FitchRatings

Rating: B, Positive

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











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- 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

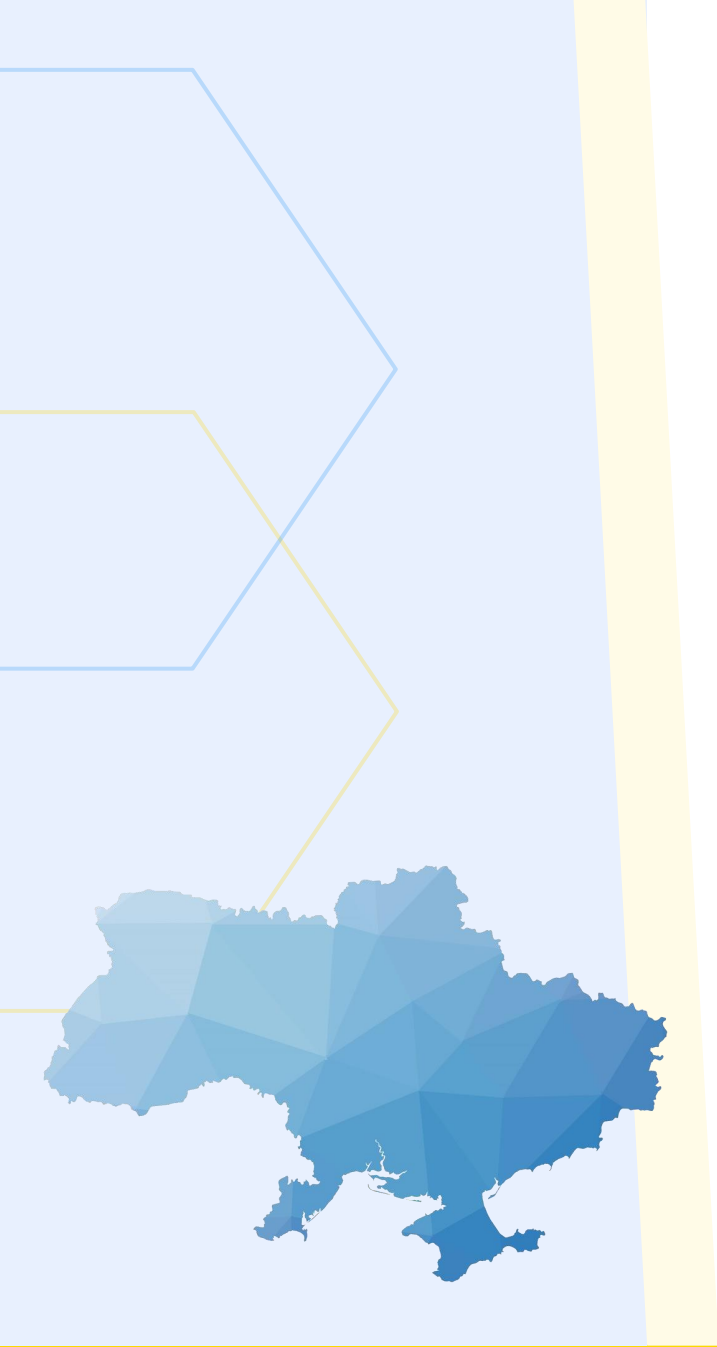
Availability date / Next reviews	SDR m	US\$ m ¹
EFF 2015 program		
March 11, 2015	3,546	4,879
July 31, 2015 [1 st review]	1,182	1,659
September 15, 2016 [2 nd review]	716	1,003
April 3, 2017 [3 rd review]	734	996
Total EFF program	6,178	8,537
SBA 2018 program		
December 18, 2018	1,000	1,391
Total SBA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





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- 5 **Appendices**

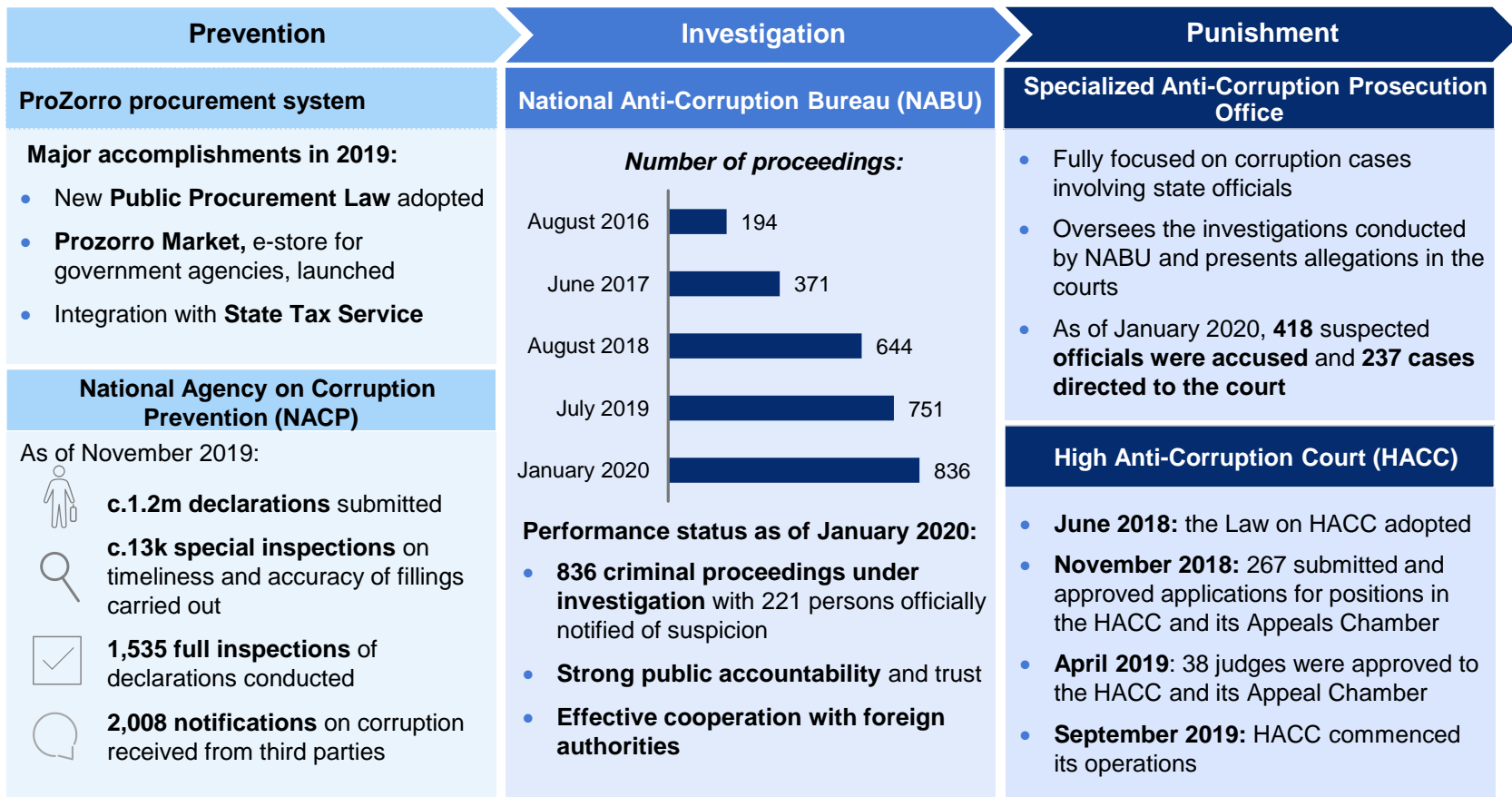
Full anti-corruption infrastructure has being established

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

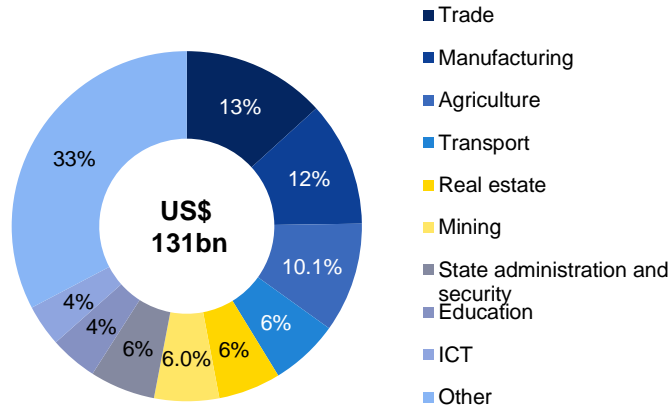
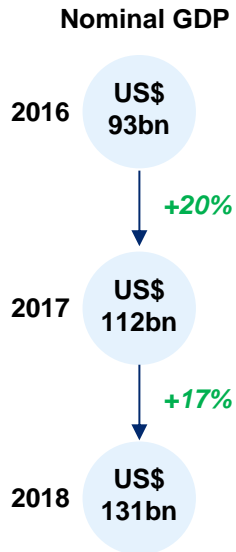


Sources: ProZorro, NACP, NABU, official website of the President of Ukraine

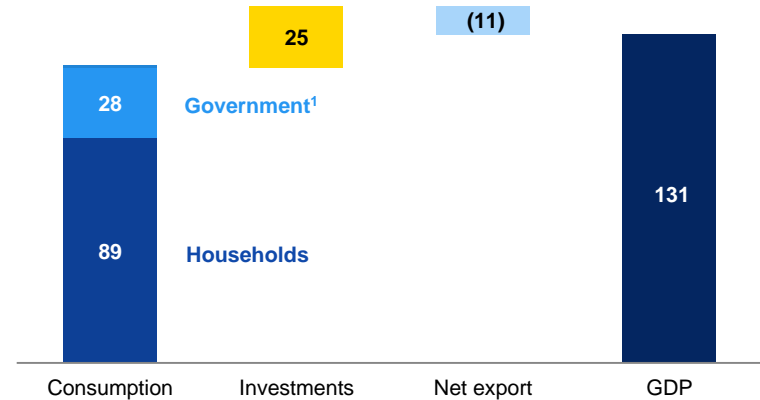


Structure of Ukraine's economy

2018 nominal GDP breakdown by sector



2018 nominal GDP breakdown by expenditures, US\$ bn



Note 1 incl. NPOs

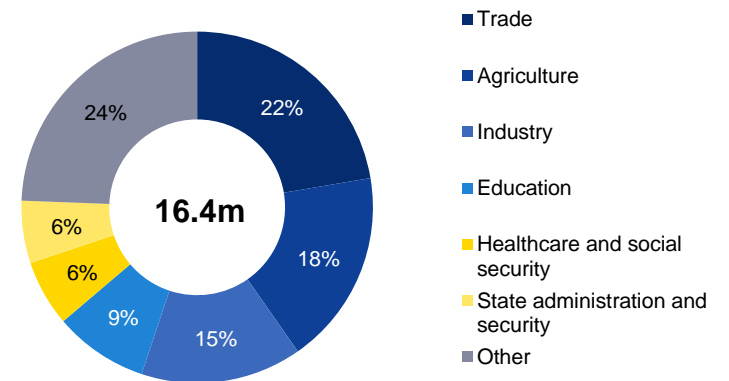
Comments

- ▶ **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)

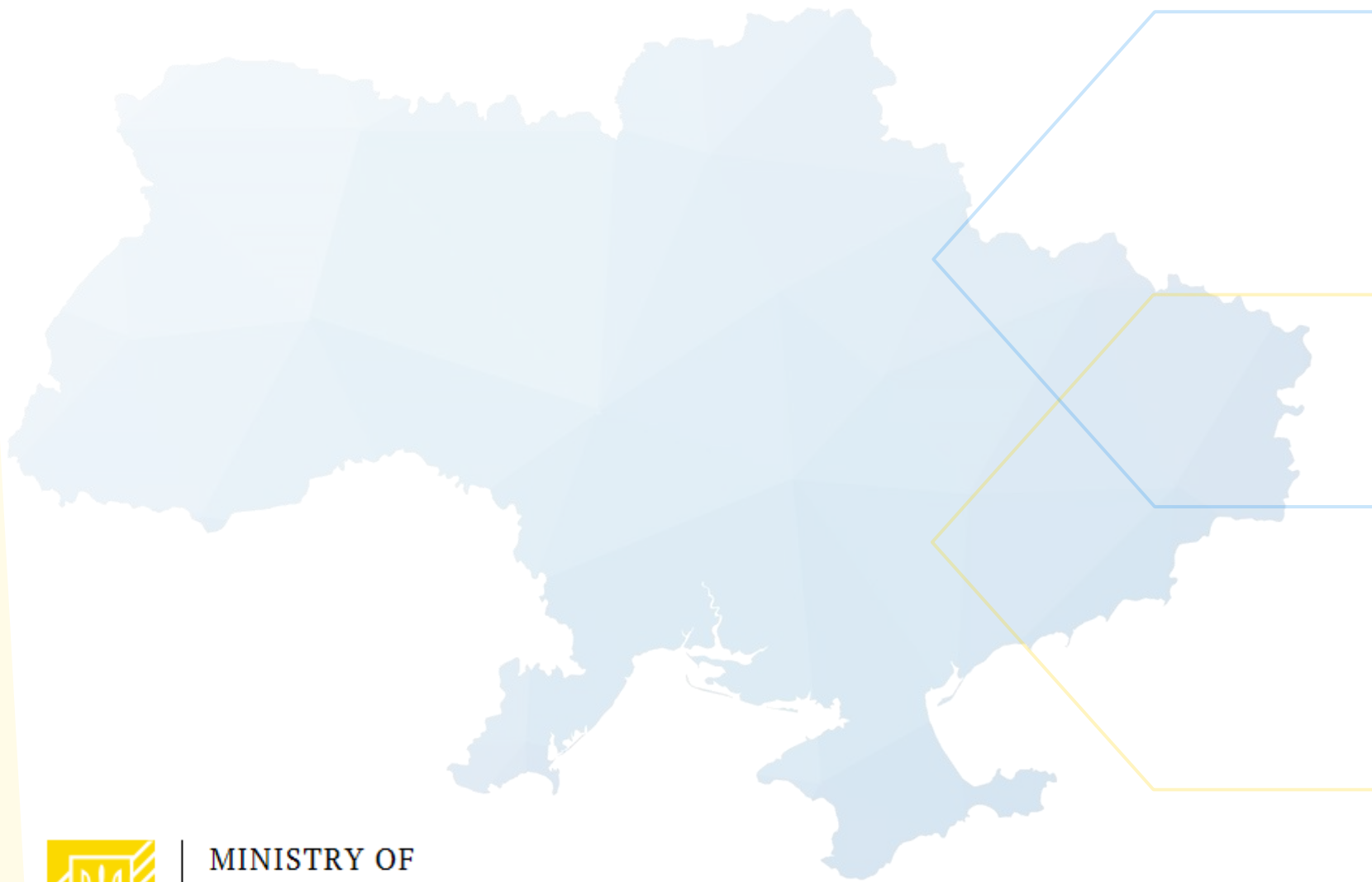


Employed population by sector (2018)



Source State Statistics Service of Ukraine





**MINISTRY OF
FINANCE OF
UKRAINE**

