

IMPORTANT NOTICE

THIS OFFER IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) AS DEFINED IN RULE 144A UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR (2) NON-US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) LOCATED OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the “Offering Circular”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES (AS DEFINED IN THE OFFERING CIRCULAR) FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, EXCEPT (1) TO QIBs IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT OR (2) TO NON-US PERSONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR MAY NOT BE FORWARDED TO ANY US PERSON OR ANY US ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED, AND WILL NOT BE ABLE, TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes and the Guarantee, you must be either (i) a non-US person outside the United States or (ii) a QIB. The Offering Circular is being sent at your request and by accepting this e-mail and accessing, reading or making any other use of the Offering Circular, you shall be deemed to have represented to State Road Agency of Ukraine, Ukravtodor (the “Issuer”), Ukraine (represented by the Minister of Finance of Ukraine, acting upon instructions of the Cabinet of Ministers of Ukraine) (the “Guarantor”) and J.P. Morgan Securities plc and Dragon Capital (Cyprus) Limited (together, the “Joint Lead Managers”) and Joint Stock Company “The State Export-Import Bank of Ukraine” (the “Co-Manager” and, together with the Joint Lead Managers, the “Managers”), that (1) you have understood and agree to the terms set out herein; (2) in respect of Notes and the Guarantee being offered pursuant to Rule 144A of the Securities Act, you are (or the person you represent is) a QIB, and that the electronic mail (or e-mail) address to which, pursuant to your request, the Offering Circular has been delivered by electronic transmission is utilised by someone who is a QIB; in respect of the Notes and the Guarantee being offered outside of the United States in an offshore transaction pursuant to Regulation S, you are (or the person you represent is) a non-US person (as defined in Regulation S of the Securities Act) outside the United States, and that the electronic mail (or e-mail) address to which, pursuant to your request, the Offering Circular has been delivered by electronic transmission is not located in the United States, its territories or possessions; (3) you consent to delivery by electronic transmission; (4) you will not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Managers; and (5) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Notes.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer (as defined in the Offering Circular) in such jurisdiction.

Under no circumstances shall the Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Offering Circular may only be communicated to persons in the United Kingdom in circumstances where section 21(1) or the Financial Services and Markets Act 2000 does not apply to the communication. This communication is being directed only at persons having professional experience in matters relating to investments and any investment or investment activity to which this communication relates will be engaged in only with such persons. No other person should rely on it.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer nor the Guarantor nor the Managers nor any person who controls any of the foregoing nor any director, officer, employee nor agent of any of the foregoing or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Issuer or the Managers.



STATE ROAD AGENCY OF UKRAINE (UKRAVTODOR)
U.S.\$700,000,000 6.250 per cent. Guaranteed Amortising Notes due 2028 guaranteed by
Ukraine represented by the Minister of Finance of Ukraine acting upon instructions of the Cabinet of Ministers
of Ukraine

Issue price: 100 per cent.

The U.S.\$ U.S.\$700,000,000 6.250 per cent. Guaranteed Amortising Notes due 2028 (the “Notes”) to be issued by the State Road Agency of Ukraine (Ukravtodor) (the “Issuer” or “Ukravtodor”), will, unless previously redeemed, or purchased and cancelled, be redeemed in four equal instalments of U.S.\$250 per U.S.\$1,000 in principal amount of the Notes (each an “Amortisation Amount”) on 24 December 2026, 24 June 2027, 24 December 2027 and 24 June 2028 (the “Maturity Date”).

Interest will accrue on the then outstanding principal amount of the Notes, as reduced by each Amortisation Amount, from and including 24 June 2021, and will be payable semi-annually in arrear on 24 June and 24 December in each year, commencing on 24 December 2021. The Notes will bear interest at a rate of 6.250 per cent. per annum. Payments on the Notes will be made in U.S. dollars without deduction for or on account of taxes imposed or levied by Ukraine to the extent described under “Terms and Conditions of the Notes—Taxation”. Ukraine (represented by the Minister of Finance of Ukraine acting upon instructions of the Cabinet of Ministers of Ukraine) (the “Guarantor”) will, pursuant to a Deed of Guarantee to be dated on or before 24 June 2021 (the “Deed of Guarantee”), unconditionally and irrevocably guarantee the payment of all amounts at any time becoming due and payable in respect of the Notes.

See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a summary of certain restrictions on resale, see “Subscription and Sale” and “Form of Notes and Transfer Restrictions”.

The Notes and the Guarantee are expected to be rated “B” by S&P Global Ratings Europe Limited (“Standard & Poor’s”) Standard & Poor’s has also issued ratings in respect of the Guarantor as set out in this Offering Circular. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Standard & Poor’s is established in the European Economic area (the “EEA”) and registered under Regulation (EU) No 1060/2009 on credit rating agencies (the “EU CRA Regulation”). The rating Standard & Poor’s has given to the Notes is endorsed by S&P Global Ratings UK Limited, which is established in the UK and registered under Regulation (EU) No 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”) (the “UK CRA Regulation”).

The Notes and the Guarantee will be offered and sold outside the United States to non-US persons as defined in, and in reliance on, Regulation S under the Securities Act (“Regulation S”) and within the United States to “qualified institutional buyers” (“QIBs”) only (as defined in Rule 144A under the Securities Act (“Rule 144A”)) in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes will be offered and sold in registered form in denominations of U.S.\$200,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000. Notes which are offered and sold in reliance on Regulation S (collectively, the “Unrestricted Notes”) will be represented by beneficial interests in a global Note (the “Unrestricted Global Note”) in registered form without interest coupons attached, which will be deposited on or about 24 June 2021 (the “Closing Date”) with a common depository (the “Common Depository”) for, and registered in the name of a nominee for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) for the accounts of respective accountholders. Notes which are offered and sold in reliance on Rule 144A (collectively, the “Restricted Notes”) will be represented by beneficial interests in a global Note (the “Restricted Global Note”) and, together with the Unrestricted Global Note, the “Global Notes”) in registered form without interest coupons attached, which will be deposited on or about the Closing Date with a custodian (the “Custodian”) for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company (“DTC”). Interests in the Restricted Global Note will be subject to certain restrictions on transfer. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, definitive certificates (“Note Certificates”) will not be issued in exchange for beneficial interests in the Global Notes.

Application will be made to the UK’s Financial Conduct Authority (the “FCA”) for the Notes to be admitted to the official list of the FCA (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for such Notes to be admitted to trading on the main market (the “Main Market”) of the London Stock Exchange. For the purposes of such application, the Issuer is an exempt issuer pursuant to Article 1(2) of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (as amended, the “UK Prospectus Regulation”). Accordingly, this Offering Circular has not been reviewed or approved by the FCA and has not been approved as a offering circular by any other competent authority under the UK Prospectus Regulation. Notes admitted to the Official List and admitted to trading on the London Stock Exchange’s Main Market will not be subject to the requirements of the UK Prospectus Regulation but will be issued in accordance with the listing rules of the London Stock Exchange. The London Stock Exchange’s Main Market is a UK regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (“UK MiFIR”).

Development Finance Structuring Agent

J.P.Morgan

Joint Bookrunners and Joint Lead Managers

J.P. Morgan

Dragon Capital

Co-Manager

Ukreximbank

This Offering Circular is dated 22 June 2021.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Guarantor accepts responsibility for the information relating to the Guarantor and the Guarantee contained in this Offering Circular. To the best of the knowledge of the Guarantor, the information in relation to the Guarantor and the Guarantee contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

*No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, or J.P. Morgan Securities plc and Dragon Capital (Cyprus) Limited (together, the “**Joint Lead Managers**”) or Joint Stock Company “The State Export-Import Bank of Ukraine” (together with the Joint Lead Managers, the “**Managers**”).*

None of the Managers has separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted by any of the Managers nor any of their respective affiliates as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Notes or their distribution or the Guarantee. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. This Offering Circular may only be used for the purpose for which it has been published.

Any website referred to in this document does not form part of this Offering Circular.

This Offering Circular does not constitute an offer to sell or an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction, nor does this Offering Circular constitute an offer or an invitation to subscribe for or purchase any Notes and it should not be considered as a recommendation by the Issuer or the Managers that any recipient of this Offering Circular should subscribe for or purchase any Notes. The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions.

For a description of certain restrictions on offers, sales and deliveries of the Notes, see “Subscription and Sale” and “Form of Notes and Transfer Restrictions”. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) and status of the Issuer and the Guarantor.

***MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**Distributor**”) should take into consideration the manufacturer’s target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.*

***UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any Distributor should take into consideration the manufacturers’ target market assessment; however, a Distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is*

responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Product Classification pursuant to Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") — In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**")) Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAAN16: Notice on Recommendations on Investment Products.

Notice to Prospective Investors in Canada - The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Offering Circular Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the offering circular requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

The contents of this Offering Circular are not to be construed as and should not be relied on as legal, business or tax advice. Each prospective investor should consult its own advisers for legal, business, tax and related advice regarding an investment in the Notes. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investments.

This Offering Circular has been prepared solely for use in connection with the proposed offering of the Notes described in this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. The distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any other disclosure of any of their contents, without the prior written consent of the Issuer and the Managers is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

The Issuer reserves the right to withdraw this offering of the Notes at any time. The Issuer and the Managers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full principal amount of the Notes sought by it.

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

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager) may, to the extent permitted by applicable laws, regulations and rules, over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there is no obligation on the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) to undertake stabilisation action. Any stabilisation action may begin at any time on or after the adequate public

disclosure of this Offering Circular and, if commenced, may be discontinued at any time, but it must be no later than the earlier of 30 days after the issue of the Notes and 60 days after the date of the allotment of the Notes.

*All references in this Offering Circular to “**Conditions**” shall mean the terms and conditions of the Notes, and to “**Agency Agreement**” shall mean the Agency Agreement defined in the Conditions.*

*All references in this Offering Circular to “**Government**” or “**Parliament**” are to the Government or Parliament of Ukraine, references to “**CIS**” are to the Commonwealth of Independent States, references to “**UAH**” and “**hryvnia**” are to the currency of Ukraine, references to “**U.S. dollars**” and “**U.S.\$**” are to the currency of the United States of America, references to “**JPY**”, “**yen**” and “**¥**” are to the currency of Japan, references to “**CHF**” and “**Swiss Franc**” are to the currency of Switzerland and references to “**EUR**”, “**euro**” and “**€**” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union. References to “**SDRs**” are to special drawing rights allocated by the International Monetary Fund (the “**IMF**”). As at 18 June 2021, the official exchange rate of the National Bank of Ukraine (the “**NBU**”) was U.S.\$1.00 to UAH 27.17.*

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

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

*Statistical data appearing in this Offering Circular has, unless otherwise stated, been obtained from the State Statistics Service of Ukraine (the “**SSSU**”), the Ministry of Finance of Ukraine (the “**Ministry of Finance**”), the Ministry of Economy (the “**Ministry of Economy**”) and the NBU. Similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Information included in this Offering Circular and identified as being derived from information published by Ukraine or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of Ukraine. All other information herein with respect to Ukraine is included herein as a public official statement made on the authority of the Ministry of Finance. Although every effort has been made to include in this Offering Circular the most reliable and the most consistently presented data, no assurance can be given that such data was compiled or prepared on a basis consistent with international standards. However, as far as the Issuer is aware and is able to ascertain from information published by these parties, the information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading.*

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Offering Circular, as well as written and oral statements that the Issuer and the Guarantor and their respective representatives make from time to time in reports, filings, news releases, conferences, teleconferences, web postings or otherwise, are or may be deemed to be forward-looking statements. Statements that are not historical facts, including, without limitation, statements about the Issuer's and the Guarantor's beliefs and expectations, are forward-looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. Therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date on which they are made and neither the Issuer and Guarantor undertake any obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Issuer and the Guarantor caution that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Forward-looking statements include, but are not limited to: (i) plans with respect to the implementation of economic policy, including privatisations, and the pace of economic and legal reforms; (ii) expectations about the behaviour of the economy if certain economic policies are implemented; (iii) the outlook for inflation, exchange rates, interest rates, foreign investment, trade and fiscal accounts; and (iv) estimates of external debt repayment and debt service.

In addition to the factors described in this Offering Circular, including, but not limited to, those discussed under "*Risk Factors*", the following factors, among others, could cause future results to differ materially from those expressed in any forward-looking statements made herein: (i) the economic effects of the outbreak of coronavirus; (ii) decisions of international organisations, such as the IMF, regarding the terms of their financial assistance to Ukraine and accordingly the net cashflow to or from such international organisations over the life of the Notes and/or the Guarantee; (iii) adverse external factors, such as higher international interest rates, low commodity prices or recession or low growth in Ukraine's trading partners or increases in world oil and gas prices, which could each decrease Ukraine's fiscal and foreign exchange revenues and could negatively affect the current account, balance of payments and international reserves and cause or contribute to recession or low growth in Ukraine; (iv) adverse domestic factors, such as recession, decreases in foreign direct investment ("**FDI**") and portfolio investment, high domestic inflation, high domestic interest rates, exchange rate volatility, a reduction in gas supplies, difficulties in borrowing in the domestic and foreign markets, trade and political disputes between Ukraine and its trading partners, including Russia, political uncertainty or lack of political consensus, which could each lead to lower growth in Ukraine and lower international currency reserves; (v) decisions of Ukraine's official creditors, including the European Union (the "**EU**"), Germany, the United States and Japan, regarding the provision of new loans; (vi) decisions of international financial institutions such as the IMF, the World Bank, the European Bank for Reconstruction and Development (the "**EBRD**") and the European Investment Bank (the "**EIB**") regarding the funding of new or existing projects over the life of the Notes; (vii) political factors in Ukraine, which affect the timing and structure of economic reforms, the climate for FDI and the pace, scale and timing of privatisations; (viii) the unpredictable outcome of the current situation in illegally occupied Crimea and the temporarily occupied territories of the Donetsk and Luhansk regions of Ukraine, which may affect the future economic, political and international policies of the Government and could lead to a period of heightened political and economic instability in Ukraine; (ix) the unpredictable outcome of ongoing litigation or arbitration proceedings in which Ukraine, or its State agencies, including the Issuer, may be involved; and (x) decisions of the IMF and other international financial agencies with respect to the continued implementation of the proposed packages of economic and financial support for Ukraine announced after the date hereof.

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and, in particular, the information contained in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, the merit and risks of an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all the risks of an investment in the Notes;
- (iv) understand thoroughly the terms of the Notes; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic considerations, interest rate volatility and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

ENFORCEABILITY OF JUDGMENTS

The courts of Ukraine will not recognise or enforce any judgment obtained in a court established in a country other than Ukraine unless such enforcement is envisaged by an international treaty to which Ukraine is a party providing for enforcement of such judgments, and then only in accordance with the terms of such treaty. There is no such treaty between the United Kingdom and Ukraine or between the United States and Ukraine that provides for enforcement of such judgments.

In the absence of an international treaty providing for enforcement of judgments, the courts of Ukraine may only recognise or enforce a foreign court judgment on the basis of the principle of reciprocity. Unless proven otherwise, reciprocity is deemed to exist in relations between Ukraine and the country where the judgment is rendered. Ukrainian law does not provide any clear rules on the application of the principle of reciprocity and there is no official interpretation or court practice in this respect. Accordingly, there can be no assurance that the courts of Ukraine will recognise or enforce a judgment rendered by the courts of the United Kingdom or the United States on the basis of the principle of reciprocity. Furthermore, the courts of Ukraine might refuse to recognise or enforce a foreign court judgment on the basis of the principle of reciprocity on the grounds provided in the applicable Ukrainian legislation.

The contractual agreements provide for resolution of disputes by arbitration under the LCIA Arbitration Rules with the seat of arbitration in London, England. Ukraine and the United Kingdom are parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”). Consequently, a foreign arbitral award obtained in a state which is party to the New York Convention, such as the United Kingdom, should be recognised and enforced by a Ukrainian court (under the terms of the New York Convention) subject to compliance with procedural requirements under Ukrainian law.

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OVERVIEW OF THE OFFERING

Capitalised terms used in this overview of the terms of the Notes but not defined herein have the meanings ascribed to them in the Conditions.

Issuer:	State Road Agency of Ukraine (Ukravtodor).
Guarantor:	Ukraine, represented by the Minister of Finance of Ukraine acting upon instructions of the Cabinet of Ministers of Ukraine.
Notes:	U.S.\$700,000,000 6.250 per cent. Guaranteed Amortising Notes due 2028.
Guarantee:	The Guarantor will unconditionally and irrevocably guarantee the payment, not later than 30 days after the due date thereof, of all amounts becoming due and payable in respect of the Notes.
Joint Lead Managers:	J.P. Morgan Securities plc and Dragon Capital (Cyprus) Limited.
Co-Manager:	Joint Stock Company “The State Export-Import Bank of Ukraine”
Development Finance Structuring Agent:	J.P. Morgan Securities plc.
Final Maturity Date:	24 June 2028.
Redemption in Instalments:	The Notes will be redeemed in four equal instalments on each Interest Payment Date from and including 24 December 2026 to and including the Maturity Date.
Issue Date:	24 June 2021.
Interest:	The Notes will bear interest at a rate of 6.250 per cent. per annum payable semi-annually in arrear on 24 June and 24 December in each year, commencing on 24 December 2021.
Status of the Notes:	The Notes constitute direct, unconditional and, subject to the provisions of Condition 3 (<i>Negative Pledge</i>), unsecured obligations of the Issuer and rank and will rank <i>pari passu</i> without any preference among themselves and (subject as aforesaid) at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Status of the Guarantee:	The obligations of the Guarantor under the Guarantee constitute direct, unconditional and, subject to the provisions of Clause 5 (<i>Negative Pledge</i>) of the Deed of Guarantee, unsecured obligations of the Guarantor which rank and will rank not less than <i>pari passu</i> in right of payment with all other unsecured External Indebtedness of the Guarantor from time to time outstanding, provided, however, that the Guarantor shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due under the Guarantee and vice versa.

Negative Pledge:

The Notes and the Guarantee contain a negative pledge. See Condition 3 (*Negative Pledge*) and Clause 5 (*Negative Pledge*) of the Deed of Guarantee.

Taxation:

All payments in respect of the Notes or under the Guarantee by the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Ukraine or any political subdivision or authority thereof or therein having power to tax (together “**Taxes**”), unless such withholding or deduction is required by law. In that event, the Issuer, or as the case may be the Guarantor, will increase the payment of principal or interest, as the case may be to such amount as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as provided in Condition 7 (*Taxation*) of the respective terms and conditions of the Notes.

Form and Denomination:

The Notes will be offered and sold in registered form in denominations of U.S.\$200,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000.

The Notes and the Guarantee will be offered and sold outside the United States in reliance on Regulation S and within the United States to QIBs only in reliance on Rule 144A. Notes which are offered and sold in reliance on Regulation S (collectively, the “**Unrestricted Notes**”) will be represented by beneficial interests in a global Note (the “**Unrestricted Global Note**”) in registered form without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about the Closing Date with the Common Depository for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg.

Notes which are offered and sold in reliance on Rule 144A (collectively, the “**Restricted Notes**”) will be represented by beneficial interests in a global Note (the “**Restricted Global Note**” and, together with the Unrestricted Global Note, the “**Global Notes**”) in registered form without interest coupons attached, which will be deposited on or about the Closing Date with the Custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Interests in the Restricted Global Note will be subject to certain restrictions on transfer. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, Note Certificates will not be issued in exchange for beneficial interests in the Global Notes.

Listing and Trading:

Application will be made for the Notes to be admitted to the Official List and admitted to trading on the Main Market of the London Stock Exchange. The listing of the Notes and admission to trading is expected to be effective on or about 25 June 2021.

Ratings:

The Notes are expected to be rated “B” by Standard & Poor’s. Standard & Poor’s and Fitch have also issued ratings in respect of the Guarantor as set out in this Offering Circular. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless (i) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the European Union and registered under the EU CRA Regulation; or (ii) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation.

Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (i) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (ii) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

ESMA is obliged to maintain on its website, www.esma.europa.eu, a list of credit rating agencies registered and certified in accordance with the EU CRA Regulation. This list must be updated within five working days of ESMA’s adoption of any decision to withdraw the registration of a credit rating agency under the EU CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Selling Restrictions:

United States, the United Kingdom, Republic of Italy, Hong Kong, Singapore, Switzerland, Canada and Ukraine.

Governing law:

English law.

Fiscal Agent:

The Bank of New York Mellon, London Branch.

Registrar:

The Bank of New York Mellon SA/NV, Dublin Branch.

Security Codes:

Regulation S ISIN: XS2357277149

Regulation S Common Code: 235727714

Rule 144A ISIN: US857329AA47

Rule 144A Common Code: 235781786

Rule 144A CUSIP: 857329AA4

Risk Factors:

An investment in the Notes involves a high degree of risk. See “*Risk Factors*”.

RISK FACTORS

Investment in the Notes involves a high degree of risk. Prospective investors should carefully consider, in particular, the following risk factors, together with the other information set out in this Offering Circular, before making a decision to invest in the Notes and should understand that the risks set out below (which do not purport to be in any way exhaustive) could, individually or in the aggregate, have a material adverse effect on the Issuer's, failing which the Guarantor's, capacity to repay principal and make payments of interest on the Notes. Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in this Offering Circular have the same meanings when used in this section.

Risk Factors relating to the Issuer

The Issuer relies on funding allocations from the State Budget of Ukraine and depends on foreign lending

The Issuer is financed from the State Budget of Ukraine and relies on funding provided through the State Road Fund, which includes funds received through partnerships with International Financial Institutions ("IFIs"), to cover its operational expenditure, as well as debt service. There have been occasions historically, where fiscal constraints have led to the cancellation of funding in the road sector, resulting in project delays and deterioration in road quality. To the extent there is a shortfall in the funding received, this could impact the Issuer's ability to carry out road development projects, as well as to repay its debt obligations, including the Notes.

The Issuer is also dependent on lending from the IFIs, particularly the EBRD, IBRD and EIB for road projects under six project agreements. For a description of these project agreements, please see "*Description of the Issuer – Material Contracts – Project Agreements*". No assurance can be given however, that the Issuer's current relationship with the IFIs will continue. Any deterioration in the political climate of Ukraine could negatively impact continued support from such creditors in the future, which could materially adversely affect the Issuer's ability to repay its debt obligations, including the Notes.

There can be no assurance that a tightening of liquidity conditions in the future because of, for example, further deterioration of public finances of certain European countries due to the outbreak of COVID-19, will not lead to funding uncertainty or result in increased volatility and widening of credit spreads. If these conditions persist, or should there be any further turbulence in international financial markets, this could have a material adverse effect on the Issuer's ability to access financing from IFIs. Accordingly, the Issuer's ability to perform its obligations under the Notes may be adversely affected by financial and/or economic crises that are existing or may occur in the future, including, but not limited to, as a result of issues arising from the ongoing COVID-19 pandemic or linked to an economic slowdown in the Eurozone or owing to a prolonged recession or depression in the global economy.

The Issuer is required to comply with certain covenants in its project agreements with IFIs

The Issuer is subject to certain covenants under the terms of project agreements signed with certain IFIs such as EBRD, IBRD and EIB. For example, the project agreements with the EBRD dated 26 November 2010 and 18 December 2020 contain covenants restricting the Issuer from incurring additional financial obligations or indebtedness or from disposing of its assets, among other restrictions, unless the Issuer obtains EBRD's prior consent. The Issuer has obtained a waiver of these covenants from EBRD in respect of the offering of the Notes. Other covenants include obligations of the Issuer to set up a dedicated project implementation unit, apply certain anticorruption policies and meet certain environmental covenants, among others.

The Issuer endeavours to ensure compliance with all covenants applicable to it and is currently in compliance with the covenants in its projects agreements with the IFIs. However, there can be no assurance

that the Issuer will be able to meet the tests imposed by these covenants at all times in the future or that it will be able to obtain consents to amend, or waivers in respect of, such covenants in a timely manner or at all in the future.

A failure by the Issuer to comply with the restrictions and covenants in its project agreements may result in a suspension of funding under the terms of those agreements. In the event of an ongoing breach under a project agreement, the relevant IFI may terminate its funding commitments to Ukraine in respect of the project or accelerate the loans and declare all amounts borrowed by Ukraine due and payable, which may in turn trigger events of default in other of Ukraine's finance agreements. The relevant IFI may refuse to enter into further project agreements or provide further funding to Ukraine in respect of the project. Any such refusal to provide funding could adversely affect the ability to Issuer to complete any planned construction or rehabilitation programmes, including within the framework of the "Great Construction" project.

The Issuer's road construction activities may expose it to environmental, health and safety and social risks

The Issuer is involved in the implementation of road construction and development projects that require monitoring and management of health, safety and environmental risks. The Issuer is subject to a number of environmental, health and safety regulations. In addition, within the framework of the Issuer's cooperation with certain IFIs, there are further environmental standards to be met. Among the main environmental risks faced by the Issuer in its operations are: felling of trees, removal of the topsoil and its erosion during storage, works in riverbeds and water protection zones, works near cultural heritage sites and nature protection zones, accumulation of construction waste (lubricants, car tires, concrete, household waste, etc.), blocking of migration routes for fauna, temporary increase of air pollution, and temporary increase in noise pollution. See also "*Description of the Issuer - Environmental, health and safety risk management - Environmental Impact Assessment*".

The Issuer has adopted policies and procedures for the assessment of health, safety and environmental risks designed to minimise such risks and ensure compliance with applicable environmental regulations, and the Issuer's tender documentation for construction works contains requirements for contractors to develop and implement a strategy for environmental, social and health and safety management. However, there can be no assurance that a failure in such policies and procedures will not occur, or that the Issuer's contractors will act in full compliance with the strategy. For example, over the last 5 years, there have been several incidents of waste mismanagement by contractors.

Any failure in the Issuer's or the Issuer's contractors' health and safety practices or environmental risk management procedures could result in increased costs in rectifying the failure and bringing the Issuer back in compliance, or delays to the project. Further, any failure that results in serious harm to employees, subcontractors, the public or the environment could expose the Issuer to investigations, prosecutions and/or civil litigation, each of which could result in an increase in costs for fines, settlements and management time. Such a failure could also adversely affect the Issuer's reputation and could have a material adverse effect on the Issuer's ability to perform its payment obligations under the Notes.

The Issuer's road development and rehabilitation projects, including under the "Great Construction" plan, may be delayed

A key priority in line with the Issuer's general objectives is the large-scale infrastructure development plan called "Great Construction", announced by President Volodymyr Zelenskyy in 2020 and financed with budget allocations and funds from the State Road Fund and borrowings. The "Great Construction" project is focused on rebuilding Ukraine's transport infrastructure, as well as educational and healthcare facilities, and the Issuer is responsible for overseeing all road development projects within the framework of the "Great Construction" plan. The target is to upgrade and build 24,000 kilometres of state roads and 1,400

structures by 2025. See “*Description of the Issuer—Objectives—Ukraine’s Road Network*” and “*Description of the Guarantor—Government Policies—Economic Policies—“Great Construction” Programme*” for more detail on the “Great Construction” project.

However, there can be no assurance that the Issuer will be able to successfully implement the road development projects for which it is responsible under the “Great Construction” plan. The Issuer relies on funding provided through the State Road Fund and from its partnerships with IFIs. See “– *The Issuer relies on funding allocations from the State Budget of Ukraine and depends on foreign lending*”. Ukraine is also highly reliant on external sources for financing the State Budget deficit and such reliance has been exacerbated by the fiscal pressures arising as a consequence of the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict. If fiscal constraints or otherwise in Ukraine lead to a reduction or cancellation in funding for the road sector, or if external support from IFI’s significantly decreases, the Issuer may not have sufficient funds available to complete the projects on the envisaged time, or at all.

In addition, the Issuer may face logistical challenges outside of its control, in particular in relation to the conflict in the Donbas region. The network of state roads in Donetsk oblast is 1,898.9 kilometres, of which 745.7 kilometres are not controlled by the Ukrainian authorities, and the network of state roads in Luhansk oblast is 1,983.7 kilometres, of which 792.5 kilometres are not controlled by the Ukrainian authorities. The accessibility of these eastern routes is a national priority, and the development of infrastructure in the Donetsk and Luhansk regions is also important for the IFIs, which have previously made funds available for rehabilitation programmes in the region, and may make funds available in the future. However, the continued conflict could impede such funding, or otherwise result in significant delay to any planned rehabilitation programmes in 2021 (including within the framework of the “Great Construction” project) or result in additional construction costs in building new roads to bypass the occupied territories. For example, the conflict has affected the main transit routes in these regions, forcing traffic to bypass the temporarily occupied territories along public roads of national, regional and territorial importance, which are currently subject to significant loading. Parts of the strategic bridge infrastructure in the eastern region have also been damaged, become inaccessible or have been otherwise affected. The additional traffic could result in a deterioration in the quality of the roads and result in a need for increased maintenance and rehabilitation in future years, potentially increasing the Issuer’s expenses above original expectations or diverting funding from other intended projects.

The road sector is subject to a number of ongoing reforms

The Issuer is involved in a number of ongoing reform initiatives in an effort to improve the management of the road sector, including the implementation of a tolling system, road quality management initiatives and digitalisation platforms, among others. See “*Description of the Issuer - Reforms in the Road Sector*”.

In addition, there are a number of draft laws currently under consideration in the Parliament of Ukraine in relation to regulatory and legislative reforms in the road sector. Changes in the regulatory framework, as a result of draft laws currently being considered or as part of ongoing reform, could cause temporary uncertainty and may require the Issuer to adapt its activities or its strategy, or result in additional responsibilities or obligations on the Issuer, which may result in increased costs. On the other hand, some of the draft laws currently under consideration are expected to bring certain benefits for the Issuer, such as increased investment into the road sector or an increase in revenues, but there is no assurance that these laws will be approved or become effective in the near-term, or at all, and the Issuer may need to explore other arrangements if such expected benefits do not materialise.

The Issuer may be subject to legal proceedings from time to time

In the ordinary course of its activities, the Issuer may be subject to civil, administrative, legal or arbitration proceedings. In particular, the Issuer may face claims from contractors or other counterparties relating to the termination of contracts or non-compliance therewith. In addition, any failure to meet applicable

regulatory or environmental requirements in Ukraine may also result in significant fines and/or litigation being commenced against the Issuer.

See “*Description of the Issuer – Legal Proceedings*” for a description of current material proceedings involving the Issuer. There can be no assurance that the outcome of any pending or future proceedings will not have material adverse effects on the Issuer’s financial condition or performance, which could, in turn, have a material adverse effect on the Issuer’s ability to make payments under the Notes.

Risk Factors Relating to the Guarantor

The economic effects of the outbreak of the coronavirus pandemic have had and could continue to have an adverse effect on Ukraine’s economy.

In December 2019, the emergence of a new strain of coronavirus, which caused a new illness (“**COVID-19**”), was reported in Wuhan, Hubei Province, China. This new strain has subsequently spread throughout the world, including to Ukraine. On 11 March 2020, the World Health Organisation (the “**WHO**”) declared COVID-19 a global pandemic.

In response, Ukraine implemented nationwide restrictions on movement and economic activity similar to those taken in many other countries, such as imposing self-quarantine, instituting curfews, suspending non-essential businesses, banning public gatherings and closing down schools and universities, among others (collectively “**Quarantine Measures**”). In an effort to offset the impact of the COVID-19 pandemic on Ukraine’s economy, the NBU reduced the discount rate to 6 per cent. on 11 June 2020, although this was subsequently increased to 7.5 per cent. on 15 April 2021. Additionally, on 13 April 2021, Parliament amended the Law of Ukraine “*On State Budget for 2020*”, launching a UAH 65 billion coronavirus response fund to counter the spread of COVID-19 (the “**COVID-19 Fund**”). See “*Description of the Guarantor—Government Policies—COVID-19 Response Measures*”.

Restrictions implemented both domestically and globally to combat the spread of COVID-19, as well as uncertainty regarding future developments relating to the pandemic, have had and could continue to have an adverse effect on Ukraine’s economy. As in other countries, certain sectors such as tourism, transportation, hospitality, recreation and entertainment have been particularly affected by the ongoing pandemic. COVID-19 has also adversely impacted Ukraine’s manufacturing and export-oriented sectors, which are significant contributors to Ukraine’s GDP with companies suspending large production capacities or reducing their business activities significantly due to a sharp contraction in external demand. Similarly, export-oriented sectors engaged in production activities involving significant imported components continue to be negatively affected by disrupted supply chains as production in China and other countries has contracted sharply, making imports of raw materials and intermediary products and equipment difficult. According to the SSSU, a decline in Ukraine’s real GDP in 2020 amounted to 4.0 per cent., primarily as a result of the COVID-19 pandemic. At the same time, according to the most recent information available, the Ministry of Economy expects that Ukraine’s real GDP will increase by 4.1 per cent. in 2021.

Although Ukraine began easing Quarantine Measures in August-October 2020, the second wave of COVID-19 required the authorities to reintroduce certain limited restrictions in November-December 2020 and afterwards, including temporary lockdowns. The pandemic will continue to have a significant impact on the macroeconomic environment, producing volatility, uncertainty and disruption in global financial markets, the severity and duration of which will depend on future developments. Such developments are inherently uncertain and cannot be accurately predicted and key sectors of Ukraine’s economy may prove slow to recover. Ukraine, like other countries, has extended the Quarantine Measures until the end of June 2021 in response to further outbreaks of COVID-19, but will allow regions with fewer cases to ease restrictions. Ukraine began its COVID-19 vaccination programme at the end of February 2021, but the country remains exposed to risks stemming from potential delays in efforts to attain and distribute sufficient

quantities of vaccines in a timely manner, as well as from vaccine hesitancy among the public and any further developments that could render such vaccines less effective in the future. Any such developments could have a material adverse effect on Ukraine's economy and on the ability of Ukraine to perform its obligations under the Guarantee.

Effects of the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict.

In 2014, following the Euro-Maidan Revolution (see "*Description of the Guarantor—International Relations—Multilateral Organisations—European Union*"), strategic military and governmental locations across Crimea and in the City of Sevastopol, including the Crimean parliament, were occupied by unmarked Russian armed forces. Subsequently, an illegal referendum was held in Crimea and the City of Sevastopol in violation of Ukrainian law and norms of international law and on the basis thereof the purported Russian annexation of Crimea and the City of Sevastopol was announced soon after (referred to herein as the "**Illegal Occupation of Crimea**"). See "*Description of the Guarantor—International Relations—Events following the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict—Illegal Occupation of Crimea*".

In addition, as reported in the United Nations Human Rights Office of the High Commission's report on the "*Accountability for killings in Ukraine from January 2014 to May 2016*" published on 14 July 2016, since 2014 there have been large areas of the Donetsk and Luhansk regions of Ukraine under the control of illegal armed formations largely backed by Russia where aggression against the legitimate Ukrainian authorities has taken and continues to take place, "fuelled by the inflow of foreign fighters and weapons from the Russian Federation" (such events herein referred to as the "**Donetsk and Luhansk Conflict**"). See "*Description of the Guarantor—International Relations—Events following the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict— Donetsk and Luhansk Conflict*".

While the immediate severe effects of these two events, humanitarian, economic and political, have been felt by Ukraine for some time, further developments in these territories represent a significant risk to the existing economic and political situation in Ukraine, including the following:

Economic costs of continued hostilities in certain areas of the Donetsk and Luhansk regions

The Government's efforts to re-establish control over certain territories in the Donetsk and Luhansk regions and to resist any further escalation of the conflict with Russia-backed illegal armed formations have resulted in, and will continue to require, a significant increase in Ukraine's defence expenditure. If the situation escalates, the resulting further increase in expenditure required will place even greater pressure on the general resources of the Government and the Government's finances and negatively affect Ukraine's economy.

Inability to manage the reintegration of IDPs within Ukraine

The Donetsk and Luhansk Conflict has resulted in the displacement or destitution of a significant proportion of those living in affected areas. Large numbers of people have fled the temporarily occupied territories and sought refuge in other areas of the country. Considerable funds from the State Budget have been (and will continue to be) required in order to feed, house and relocate these internally displaced persons ("**IDPs**"). In addition, the need to accommodate IDPs in satisfactory conditions pending return to their former homes or relocation to new homes, as well as the burden imposed on communities by the presence of large numbers of such IDPs, has led to and may in the future lead to social unrest, placing further strains on local and State authorities and consequently local and State budgets. A failure to effectively relocate and reintegrate IDPs into society, or a continued or increased flow of IDPs from the temporarily occupied territories, would be likely to have a material adverse effect on Ukraine's economic growth and political stability and on its ability to perform its obligations under the Guarantee.

Costs of reintegration of the temporarily occupied territories

In the event that Ukraine were to successfully regain control of the illegally occupied territories in Crimea, and/or the temporarily occupied territories of Donetsk and Luhansk, the costs of reunification would be high, placing added strains on Ukraine's economy. Any reunification would require, *inter alia*, the rebuilding of housing, infrastructure and industry, the relocation of IDPs and the establishment of bureaucratic and fiscal systems within those areas. The fiscal burden of additional taxation as well as the reallocation of State budget funds required to pay for such reintegration would have a material adverse effect on the economy of Ukraine and potentially lead to popular unrest.

Risk of escalation of Russian-Ukrainian tensions in the Sea of Azov

The illegal occupation of Crimea has given Russia a strategically important position at the mouth of the Sea of Azov. This strategic position enabled Russia to build a bridge across the Kerch Strait which has strengthened Russian control of the illegally occupied territory of Crimea as well as strengthening its strategic control of access to the Sea of Azov. The exercise of control by Russian authorities over access to the Kerch Strait has had the practical effect of restricting maritime traffic to and from Ukrainian ports in the Sea of Azov. Ukraine has brought an arbitral claim against Russia with respect to its actions in the Sea of Azov claiming a violation of the UN Convention on the Law of the Sea ("UNCLOS") and the 2003 bilateral treaty between Ukraine and Russia relating to access to the Sea of Azov through the Kerch Strait. See "*Description of the Guarantor—International Relations—Events following the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict—Ukraine's Legal Proceedings against Russia*".

The continued exercise by Russia of its control of the Kerch Strait and further actions by Russia to restrict maritime traffic to and from the strategically important city of Mariupol or other Ukrainian ports, further efforts by Russian-backed illegal armed formations to extend the illegal occupation of Ukraine's territories bordering the Sea of Azov, or any other escalation of tensions in the region would be likely to have a material adverse effect on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Guarantee.

Accordingly, the occurrence of any or all of the abovementioned risks would be likely to have a material adverse effect on Ukraine's economy and its ability to perform its obligations under the Guarantee.

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

Ukraine's economy is dependent to a large extent on the state of the global economy. In particular, Ukraine relies on foreign currency revenues derived from the export of goods and raw materials to finance imports (including natural gas) and service its external financing obligations. Accordingly, any material decrease in global demand or prices for Ukraine's exports, or any material increase in the cost of essential imports such as natural gas, may have a significant adverse effect on Ukraine's balance of payments. See "*Economy, Foreign Trade and Investment—Foreign Trade*".

Additionally, the state of the global economy has an important indirect effect on Ukraine's State Budget deficit and inflation levels, as Ukraine's economy is highly dependent on global commodity prices. Changes to Ukraine's principal exports, including metal products and grain, as well as Ukraine's critical imports, including natural gas and oil, have led to significant fluctuations in Ukraine's total tax and export revenues, budget and current account deficits and inflation levels over the recent years. Continued upward pressure on global prices for energy, food and industrial products may lead to higher deficits and domestic inflation, particularly if Ukrainian policymakers implement expansionary monetary policy in an attempt to finance deficits. Importantly, Ukraine's State Budget deficit and inflation levels have been and may continue to be negatively affected by the COVID-19 pandemic. See "*—The economic effects of the outbreak of the coronavirus pandemic have had and could continue to have an adverse effect on Ukraine's economy*".

The draft 2021 State Budget Law was submitted to Parliament on 14 September 2020 and adopted by the Parliament on 15 December 2020. While the Ministry of Finance has reported the successful completion of discussions with the IMF on the main budget parameters for 2021, there is a risk that the Government is unable to remain within the parameters of the 2021 State Budget, or the IMF may judge that measures taken within those parameters are not in line with their requirements.

A reduction in foreign direct investment in Ukraine since the Euro-Maidan Revolution, together with the reduced availability of external financing for Ukrainian companies over the same period, has contributed to a decrease in industrial production, investment projects and capital expenditure generally. Any deterioration of the current economic and geopolitical situation in Ukraine, or any adverse change in the global economic environment or in the appetite of international investors for emerging market risk, could further reduce the availability of inbound investment and external financing in Ukraine and materially adversely affect future GDP growth rates. Changing external or internal conditions could widen Ukraine's external funding gap. Continued widening of the current account deficit or significant net capital outflows could cause Ukraine's stock of international reserves to fall. Any such developments may lead to further depreciation of the hryvnia and have a material adverse effect on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Guarantee.

Litigation against Ukraine on behalf of Russia.

On 17 February 2016, The Law Debenture Trust Corporation plc ("**Law Debenture**"), acting in its capacity as trustee on behalf of Russia as the sole holder of Ukraine's U.S.\$3 billion 5 per cent. notes issued December 2013 (the "**December 2013 Notes**"), filed a lawsuit against Ukraine in the High Court of England and Wales seeking payment of outstanding principal and accrued interest due under the December 2013 Notes. Ukraine denies the validity and enforceability of the December 2013 Notes. On 29 March 2017, the High Court issued a summary judgment decision in favour of the trustee in the amount of U.S.\$3 billion plus an outstanding coupon and interest thereon (the "**Summary Judgment**"), which Ukraine appealed successfully before the Court of Appeal of England and Wales. However, the Court of Appeal's decision to overturn the Summary Judgment has since been appealed to the Supreme Court of England and Wales.

These appeals were heard by the Supreme Court from 9 to 12 December 2019. Subsequently, the Supreme Court decided to postpone giving its judgment until after it had heard an appeal in a separate case (Pakistan International Airline Corporation v Times Travel (UK) Ltd) ("**Times Travel**") which may be of some relevance to how it determines Law Debenture's appeal. The appeal in Times Travel was heard by the Supreme Court from 2-3 November 2020, both Ukraine and Law Debenture intervened in the appeal and the Supreme Court reserved its judgment until a later date.

Ukraine expects that the probable time for the Supreme Court to hand down its decision with respect to Times Travel is the second half of 2021. Further, it is possible that, once the Times Travel judgment has been issued, Ukraine and Law Debenture will then make further written and/or oral submissions to the Supreme Court before it makes its final decision on their pending appeals. As a result, it appears unlikely that the appeals to the Supreme Court will be finally determined before early 2022. See "*Description of the Guarantor—Disputes and Legal Proceedings*".

If Ukraine were to lose the appeal by the trustee to the Supreme Court against the decision of the Court of Appeal to overturn the Summary Judgment, and at the same time not succeed in convincing the Supreme Court either to overturn the Summary Judgment on other grounds argued by Ukraine that were not accepted in the Court of Appeal Decision or otherwise stay the proceedings, then the Summary Judgment will be reinstated and will become executable. Alternatively, if the Supreme Court upholds the Court of Appeal Decision and after a trial on the merits (and any appeals therefrom) Ukraine is ordered to make payment to

the trustee in respect of the December 2013 Notes, Ukraine will be legally obligated to make such payment to the trustee.

In the event of the Summary Judgment being reinstated or the trustee prevailing following a trial on the merits, unless Ukraine makes a voluntary payment of the sums due under the Summary Judgment or as determined in such trial, there is a risk that the holder of the December 2013 Notes may seek to attach, seize or otherwise assert rights with respect to the assets of Ukraine that are not subject to state immunity, including the proceeds of Ukraine's capital market transactions in the future or scheduled payments under Ukraine's outstanding external debt. Furthermore, in these circumstances, the terms of certain loan agreements with official and multilateral lenders may, at such time, allow such lenders to accelerate repayment of such loans.

If in these circumstances Ukraine pays the sums due under the reinstated Summary Judgment or as determined by a trial on the merits voluntarily, or pursuant to any enforcement action taken by the trustee, any such payment may violate the terms of the “most favoured creditor” covenant pursuant to the terms of the nine series of 7.75 per cent. eurobonds originally issued in November 2015 (together with any further issues of eurobonds that have been consolidated and form a single series with any such series, the “**November 2015 Eurobonds**”) in connection with Ukraine’s external debt restructuring unless Ukraine were able to obtain a waiver of such covenant from the holders of the November 2015 Eurobonds or, with the consent of such holders, amends the terms thereof. No assurance can be given whether, and on what terms, such holders would grant such waiver or consent. Should any November 2015 Eurobonds (in excess of U.S.\$50,000,000 in aggregate) become due and payable prior to the stated maturity thereof by reason of a breach by Ukraine of the “most favoured creditor” covenant therein, such event would constitute an event of default under the terms of Ukraine’s other outstanding eurobonds, potentially resulting in the acceleration of such eurobonds.

The Ukrainian moratorium on payments under the December 2013 Notes declared by the Cabinet of Ministers of Ukraine (the “**Cabinet of Ministers**” or “**CMU**”) in December 2015 (see “*State Debt of Ukraine—History of State Debt Service—Ukraine’s External Debt Restructuring*”) may prevent Ukraine from making payment (i) of the sums due under the Summary Judgment should it be reinstated and become enforceable or (ii) in respect of the December 2013 Notes as may be determined following a trial on the merits.

All or any of the risks described above may have a material adverse effect on Ukraine’s financial condition and ability to access the international capital markets on commercially acceptable terms, trigger a downgrade of Ukraine’s credit ratings and negatively affect the trading price, liquidity and demand for its debt securities, which may impact its ability to perform its obligations under the Guarantee.

Uncertainties relating to Ukraine’s judicial system.

Since Ukraine gained independence in 1991, the Ukrainian legal system has been developing to support the country’s transition from a planned to a market-based economy. Ukraine’s legal system continues to be essentially in transition and is, therefore, subject to greater risks and uncertainties than more mature legal systems. In particular, risks associated with the Ukrainian legal system include: (i) inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts; (ii) provisions in the laws and regulations that are ambiguously worded or which lack specificity and thereby raise difficulties when implemented or interpreted; (iii) difficulty in predicting the outcome of judicial application of Ukrainian legislation due to, amongst other factors, a general inconsistency in the judicial interpretation of such legislation in the same or similar cases; and (iv) the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in understandably organised form.

The independence of the judicial system (see “*Description of the Guarantor—The Constitution and Government Structure—Central Government and Judiciary*”) and its immunity from economic and political influence in Ukraine remains questionable. Although the Constitutional Court of Ukraine (the “CCU”) is the only body authorised to exercise constitutional jurisdiction and has mostly proven impartial in its judgments, the system of constitutional jurisdiction itself can be considered still too complicated to ensure smooth and effective removal of discrepancies between the Constitution of Ukraine on the one hand and various laws of Ukraine on the other hand.

In addition, certain judgments of the CCU have given rise to criticism in the past, including from Ukraine’s international partners. This relates specifically to a judgment handed down by the CCU in October 2020 ruling that certain provisions of Ukraine’s anticorruption laws were unconstitutional. Albeit that this situation has since been largely resolved via the adoption of subsequent draft laws restoring the authority of the Agency on Corruption Prevention, that judgment of the CCU at the time was viewed as partially blocking the basic function of the anticorruption system. See “*Description of the Guarantor—Government Policies—Good Governance Policies—Anticorruption Reform*” for more detail.

The 2016 judicial reform has deprived the CCU of its power to give official and obligatory interpretation of the laws of Ukraine (except for the Constitution of Ukraine). At the same time, access to the constitutional jurisdiction has been granted to all persons who consider that the law applied in a final decision in their case contradicts the Constitution of Ukraine.

Further, enforcement of court orders and judgments can, in practice, be difficult in Ukraine. Enforcement procedures are often very time-consuming and may fail for a variety of reasons, including the defendant lacking sufficient funds, the complexity of auction procedures for the sale of the defendant’s property, or the defendant undergoing bankruptcy proceedings. In addition, bailiffs in Ukraine have limited authority to enforce court orders and judgments quickly and efficiently. Bailiffs are bound by the method of enforcement envisaged by the relevant court order or judgment and may not independently change such method even if it proves to be inefficient or unrealisable. Furthermore, notwithstanding the successful execution of a court order or a judgment, a higher court may reverse the court order or judgment and require that the relevant funds or property be restored to the defendant.

The uncertainties described above also extend to certain rights, including investor rights. In Ukraine, there is no established history of investor rights protection.

All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. In addition, court claims are often used in the furtherance of political aims. Court orders are also not always enforced or followed by law enforcement institutions. The uncertainties relating to the judicial system could have a negative effect on external investment in Ukraine and on the Ukrainian economy in general and thus Ukraine’s ability to perform its obligations under the Guarantee.

Political instability.

Historically, a lack of political consensus in Parliament has made it difficult for the Government to secure the necessary support to implement policies intended to foster liberalisation, privatisation and financial stability. The procedures and rules governing the political process in Ukraine may be subject to change through the normal process of political alliance building or through constitutional amendments and decisions of the CCU.

The political landscape of Ukraine remains uncertain, despite presidential and parliamentary elections held in 2019. In April 2019, Volodymyr Zelenskyy won the 2019 Ukrainian presidential elections. On 20 May 2019, Volodymyr Zelenskyy was inaugurated and formally commenced his presidential term. Since President Zelenskyy’s inauguration, Prime Minister Oleksiy Honcharuk resigned and the Parliament of Ukraine (“**Parliament**”) appointed Denys Shmyhal as his replacement. Subsequently, Illia Yemets was

replaced by Maksym Stepanov as the Minister of Healthcare and Ihor Umansky was replaced by Sergii Marchenko as the Minister of Finance. In May 2021, Vladyslav Kryklii was replaced by Oleksandr Kubrakov as the Minister of Infrastructure (Oleksandr Kubrakov was previously the Head of Ukravtodor), Maksym Stepanov was replaced by Viktor Liashko as the Minister of Healthcare and Ihor Petrashko was replaced by Oleksii Liubchenko as the First Vice-Prime Minister and the Minister of Economy. In addition, on 1 July 2020 the governor of the NBU Yakiv Smolii announced his resignation and was subsequently replaced by Kyrylo Shevchenko. See “*Description of the Guarantor—International Relations—International Financial Institutions—International Monetary Fund*” for more details. There can be no assurances that President Zelenskyy’s administration will not experience similar departures by key cabinet members or that there will be no further resignations by senior government officials within other governmental authorities, including the NBU.

Furthermore, the Government, including President Zelenskyy and his successors, may not maintain current economic or foreign policies and certain political changes may be implemented. This uncertainty makes the enactment of legislation required to meet the IMF’s and other multilateral organisations’ criteria for further financial support more challenging. See “*Description of the Guarantor—International Relations—International Financial Institutions—International Monetary Fund*” for more details and current status on such criteria in relation to Ukraine’s new 18-month stand-by arrangement with the IMF approved in June 2020 (the “**2020 SBA**”) in particular.

If the IMF’s criteria for providing further financial support to Ukraine are not met, or measures taken to meet such criteria are undone, this could result in a suspension of international financial assistance to Ukraine. Such a suspension would be likely to materially adversely affect the economic position of Ukraine and make it difficult or impossible for Ukraine to meet its international financial obligations. In such circumstances, there could be severe negative effects on the banking sector as well as the real economy, and there can be no assurance whether or when Ukraine would be able to perform its obligations under the Guarantee. A number of additional factors could also adversely affect political stability in Ukraine, including:

- lack of agreement within the parliamentary factions and between individual Members of Parliament;
- disputes between the parliamentary majority and opposition factions on major policy issues, including Ukraine’s foreign, social, fiscal and energy policies and the constitutional changes required to implement the Minsk Agreements (as defined in “*Description of the Guarantor—International Relations—Events following the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict—Minsk Agreements*”);
- conduct of the joint forces operation in the temporarily occupied territories in the Donetsk and Luhansk regions;
- cyber attacks, which have intensified since 2014 following the outbreak of hostilities with Russia-backed illegal armed formations (see also “*—Breaches of IT security and privacy systems*” for more detail, including on the Government’s response measures);
- timing and implementation of closer political and economic ties with the EU (see “*Description of the Guarantor—International Relations—Multilateral Organisations—European Union*” for more detail);
- court actions taken by opposition politicians to challenge decrees and other actions of the President and the Government; and
- the imposition of martial law.

Any continued or increased political instability due to the factors listed above or for any other reason could have a material adverse effect on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Guarantee. For example, political instability may increase emigration and reduce the domestic supply of skilled labour, adversely impacting Ukraine's long-term growth potential.

Relations with Russia.

Ukraine's economy has traditionally been heavily dependent on trade with Russia and other CIS countries, largely because Ukraine imported a large proportion of its energy requirements, especially from Russia (or from countries that transport energy related exports through Russia) as a result of its geographic proximity to, and historical relationship with, Russia. In addition, a large share of Ukraine's service receipts has historically comprised of transit charges for oil, gas and ammonia from Russia, which are delivered to the EU via Ukraine. See "*Economy, Foreign Trade and Investment— Energy System and Environmental Aspects—Gas Transit following Naftogaz Unbundling*".

Following the increased geopolitical tensions between Russia and Ukraine, exports of Ukrainian goods to Russia decreased significantly. See "*Economy, Foreign Trade and Investment—Foreign Trade—Export Dynamics*".

That notwithstanding, any escalation of the current tensions between Ukraine and Russia, such as the seizure by Russia of three Ukrainian naval ships in the Sea of Azov on 25 November 2018 and military build-up of Russian troops near Ukraine's borders and in the Autonomous Republic of Crimea in April 2021, may have a long-standing impact on trade and other aspects of Ukraine's bilateral relations with Russia and could lead to the imposition of further trade and other punitive measures by both countries. These factors, in turn, could have a material adverse effect on the Ukrainian economy.

Sanctions imposed by the Ukrainian and Russian governments against each other, as well as those imposed by the EU, the U.S. and a number of other countries on Russia and Crimea, and any reciprocal sanctions imposed by Russia, have significantly restricted Ukrainian companies' ability to export goods and services to Russia as well as their ability to import vital resources. For example, Russia has, recently and in the past, cut off (or threatened to cut off) the supply of oil and gas to Ukraine in order to apply pressure on Ukraine to settle outstanding gas debts and maintain low transit fees for Russian oil and gas through Ukrainian pipelines to European consumers. See "*Economy, Foreign Trade and Investment— Energy System and Environmental Aspects—Gas Transit following Naftogaz Unbundling*". Any further increase in the scope of such sanctions as a result of increasing diplomatic tensions or increased sanctions imposed by the EU, the United States or Ukraine would be likely to have a material adverse effect on the economy of Ukraine.

The proceeds of the offering of the Notes by the Issuer will not be used to fund or facilitate any activities of or business with any person that is the subject or the target of sanctions imposed by the EU or the U.S.

Despite financial support from Ukraine's international partners, which has helped mitigate the economic impact of current events, the recent strained relationship between Ukraine and Russia continues to have a material adverse effect on Ukraine's economy. Unless the relationship between Ukraine and Russia is normalised in the near future, the political, economic and financial impact in Ukraine of Russia's policies, particularly in the event of a further deterioration of relations between the two countries, is likely to have an increasingly adverse effect on Ukraine's financial position, especially if Ukraine were to lose financial support from its international partners and access to the international capital markets. Further strain on the Ukrainian economy may affect the ability of Ukraine to perform its obligations under the Guarantee.

Relations with Western governments, the EU and multinational institutions.

Political and financial relations

Ukraine is currently benefitting from financial support from international financial institutions as well as international partners. See “*Description of the Guarantor—International Relations—International Financial Institutions*”. Ukraine also benefits from significant practical and diplomatic support from the international community particularly in relation to the Donetsk and Luhansk Conflict and the Illegal Occupation of Crimea. This financial and political support is crucial to the economic development and political stability of Ukraine and is built on the promises of deep-seated and systemic reform of the country’s economic and political systems. Any negative effects on relations with these organisations and international partners as a result of internal political changes, events or failure to comply with foreign requirements would be likely to have a significant adverse effect on, amongst other things, the continued application of the 2014 Ukraine – European Union Association Agreement (the “**Association Agreement**”), and may lead to a suspension of financial support/aid packages as well as the deep and comprehensive free trade area created on the basis of the Association Agreement. Any negative change in the perceptions of Ukraine’s commitment to the implementation of the Association Agreement could have a material adverse effect on trade and other economic relations (including access to financial support) with the EU and its members, which, in turn, could have a material adverse effect on Ukraine’s economy and its ability to perform its obligations under the Guarantee.

Economic and trade relations

Ukraine’s trade and economic relations with the EU, its other international partners and multinational institutions are also of great importance to Ukraine given the current significant reduction in trading volumes with Russia. See “*Economy, Foreign Trade and Investment—Foreign Trade*”. The perception of the Government’s commitment to, and the nature of, Ukraine’s legislative and regulatory reform programmes (including measures to improve and enhance the independence of the judicial system), as well as political developments in Ukraine, could significantly impact those relations. Any negative change in the economic relations between Ukraine and the EU or Ukraine’s other international partners may have a material adverse effect on Ukraine’s ability to counterbalance the lost trade and business with Russia, which, in turn, could have a material adverse effect on Ukraine’s economy and thus on the ability of Ukraine to perform its obligations under the Guarantee.

Reliance on the IMF

Despite entering into and obtaining a recent disbursement under the 2020 SBA, future recovery and development of Ukraine’s economy is dependent on further disbursements under the 2020 SBA being made available to Ukraine, which may be withheld upon any failure of Ukraine to make the political, social, economic and legislative reforms required by the 2020 SBA. See “*—Failure to implement required structural reforms*”.

Additionally, Ukraine’s existing financings, as well as its ability to raise future financing, from international financial institutions and its international partners are to a large extent dependent on the continued compliance of Ukraine with the targets set by the 2020 SBA, as modified from time to time in consultation with IMF technical staff and with the approval of the IMF executive board. A failure to maintain its membership of the IMF would result in a default under a number of such finance agreements. Accordingly, a failure to continue to meet the targets set by the 2020 SBA or any successor programme or to remain a member of the IMF could potentially lead to the loss of further funds critical to the development of Ukraine’s economy and defaults under existing financings which could require early repayments, either of which would be likely to have a material adverse effect on Ukraine’s economy and thus on the ability of Ukraine to perform its obligations under the Guarantee.

Failure to implement required structural reforms.

Ukraine is highly reliant on external sources for financing the State Budget deficit and such reliance has been exacerbated by the fiscal pressures arising as a consequence of the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict. Since 2014, official creditors and multilateral organisations, such as the IMF, the EBRD, the World Bank and the EU, have provided much of such external financing support, and Ukraine is currently reliant on obtaining financing on favourable conditions with these multilateral organisations.

Further external borrowings from multilateral organisations and other external sources may be contingent upon Ukraine's satisfaction of certain requirements, including:

- enacting and implementing strategic, institutional and structural reforms;
- effectively managing corruption and anti-money laundering requirements;
- managing the State budget deficit in order to restore confidence in fiscal sector sustainability;
- enacting a conservative and prudent fiscal policy;
- improving the sovereign debt credit ratings;
- maintaining the independence of the NBU from political influence; and
- improving the corporate governance of state-owned banks.

Factors which may impede achievement of these requirements include:

- potential social resistance to austerity measures;
- economic recovery taking longer or proving more difficult than initially expected;
- real exchange rate shocks;
- a larger than expected fiscal burden emanating from either the banking and/or the energy sectors;
- a crisis of confidence in the banking system;
- political difficulties or delays in implementing structural reforms; and
- other external factors, including any increase or extension of the Donetsk and Luhansk Conflict.

If Ukraine is unable to meet the stringent criteria set out in the various support programmes provided by official creditors and multilateral organisations, these sources may withhold or suspend funding. In the current circumstances, a failure by official creditors and multilateral organisations to grant adequate financing on terms favourable to Ukraine (or at all), combined with any inability of Ukraine to access the international capital markets and syndicated loan markets, would put severe pressure on Ukraine's budget and foreign exchange reserves and could have a material adverse effect on Ukraine's ability to perform its obligations under the Guarantee. Further, Ukraine's ability to refinance its existing debts owed to these official creditors and multilateral organisations and to perform its obligations under the Guarantee could become difficult or impossible if relations between Russia and Ukraine deteriorate further or access to the international markets remains restricted in the medium term, or where no additional external financing is secured.

IMF determination of status of the December 2013 Notes as official debt.

On 8 December 2015, the IMF amended their policy to allow for financing to be extended in circumstances where a member has arrears under official debt, subject to certain conditions. On 16 December 2015, the IMF determined that the December 2013 Notes should have the status of official debt under their internal methodology. As at the date of this Offering Circular, the IMF's position is that Ukraine is in arrears under the December 2013 Notes pursuant to a moratorium declared in December 2015. While the IMF's new policy may allow it to extend financing to Ukraine in accordance with the 2020 SBA or any successor programme, there is a condition that the borrower which is in arrears in respect of any such official debt should negotiate a restructuring of such debt "in good faith". Accordingly, if the IMF were to determine for any reason that Ukraine were failing to negotiate in good faith with the holders of its December 2013 Notes, it may be unable to make future disbursements under the 2020 SBA or any successor programme. The inability of the IMF to extend financing could also affect the ability of other international partners of Ukraine to provide financing for Ukraine. The loss of financing from the IMF and other international partners would be likely to have a material adverse impact on the financial position and liquidity of Ukraine and on its ability to perform its obligations under the Guarantee. See "*Description of the Guarantor—International Relations—International Financial Institutions—International Monetary Fund*".

Emerging markets, including Ukraine, are subject to greater risk than more developed markets.

An investment in a country such as Ukraine, which achieved independence about 30 years ago and whose economy is in transition, is subject to substantially greater risks than an investment in a country with a more developed economy and more mature political and legal systems. Although progress has been made since independence in 1991 to reform Ukraine's economy and its political and judicial systems, to some extent Ukraine still lacks the necessary legal infrastructure and regulatory framework that are essential to support market institutions, the effective transition to a market economy and broad-based social and economic reforms. As a consequence, there are risks associated with investments in emerging markets and, specifically, Ukraine, that are not typically associated with investing in more mature markets. The availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole. Consequently, any factors that impact market confidence (for example, a decrease in credit ratings or state, central bank intervention in one market or national or global crises, such as the ongoing COVID-19 pandemic (see "*—The economic effects of the outbreak of the coronavirus pandemic have had and could continue to have an adverse effect on Ukraine's economy*")), could affect the price or availability of funding for entities within other emerging markets. These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Ukraine, including elements of the information provided in this Offering Circular. See "*—Official statistics and other data published by Ukrainian State authorities may not be reliable*". Investors should also note that emerging economies, such as Ukraine's, are subject to rapid change and that the information set out in this Offering Circular may become outdated relatively quickly.

Accordingly, investors should exercise particular care in evaluating the risks involved. Generally, investments in emerging markets, such as Ukraine, are only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisers before making a decision with respect to this Offering Circular.

Corruption and money laundering.

Since the events of the Euro-Maidan Revolution, in consultation with the international official and multilateral partners of Ukraine, a substantial effort has been undertaken to prevent corruption. This has included a number of new laws and the establishment of national agencies to enforce such laws. In addition, steps such as the establishment of an electronic system for the declaration of senior officials' interests and the establishment of a High Anti-Corruption Court have been taken, all intended to be in line with the

IMF's requirements. See "*Description of the Guarantor—Government Policies—Good Governance Policies—Anticorruption Reform*" for more detail.

Ukraine remains low on Transparency International's Corruption Perceptions Index 2020 and there can be no assurance that the above-mentioned laws will be effectively applied and implemented by the relevant anti-corruption and law enforcement authorities in Ukraine or that investigations by international bodies related to historical corruption in Ukraine could not arise. As of the date of this Offering Circular, no senior government official has been arrested in connection with these laws. However, failure to effectively implement the relevant anti-corruption legislation referred to above, any detrimental revisions to anti-corruption legislation enacted, such as the October 2020 ruling of the CCU, or any future allegations of corruption in Ukraine or evidence of money laundering, whether connected to historical or future conduct by government officials, could have a negative effect on Ukraine's reputation as well as ability to attract foreign direct investment and external financing for the State budget, including from international multilateral organisations, and thus may have a negative effect on the economy of Ukraine and on Ukraine's ability to meet its obligations under the Guarantee. See "*—Failure to implement required structural reforms*".

Ukraine's physical infrastructure is in poor condition and could deteriorate further.

Ukraine's physical infrastructure, including its power generation and transmission and telecommunication systems and building stock, largely dates back to Soviet times and has not been adequately funded and maintained since independence. Road conditions throughout Ukraine are relatively poor in comparison with more developed countries. While the Issuer, in particular, as well as several other agencies within the Ukrainian government have been implementing plans to develop the nation's road, rail, electricity and telecommunication systems (see, for example, "*Description of the Guarantor—Government Policies—Economic Policies—"Great Construction" Programme*" for more detail on the eponymous wide-scale infrastructure development programme announced by President Zelenskyy in 2020), these may result in increased charges and tariffs, while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. The deterioration of Ukraine's physical infrastructure, which has been exacerbated by the physical destruction caused by the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict, has had and continues to have a material adverse effect on the national economy, through disruption of the transportation of goods and supplies, adding to the costs of doing business in Ukraine and creating interruptions to business operations. Failure to address the existing deficiencies in and continuing deterioration of Ukraine's infrastructure, and to effectively upgrade such infrastructure so as to enable Ukraine to achieve its economic and social goals, as well as raising the required capital investment in connection therewith, would be likely to have a material adverse effect on the Ukrainian economy and in turn on Ukraine's ability to meet its obligations under the Guarantee.

Risks relating to the enforcement of OJSC Tatneft's claims against Ukraine

On 20 December 2019, the High Court of England and Wales (the "EWHC") rendered a judgment allowing Russian company OJSC "Tatneft" ("**Tatneft**") to enforce U.S.\$31 million of an award rendered by an arbitral tribunal seated in Paris on 29 July 2014. Subsequently, a related award of U.S.\$81 million became enforceable in the UK. As a result of proceedings in the U.S., the U.S. courts also granted Tatneft's petition to confirm the arbitral award, which resulted in Tatneft being awarded an amount of U.S.\$172,910,493.00 in the U.S. (which is the amount of the original arbitral award plus interest). As of the date of this Offering Circular, this award is enforceable. In addition, Tatneft sought enforcement of the award in Russia, where the original arbitral award was, as of the date of this Offering Circular, enforceable pending the cassation appeal. See "*Description of Ukraine—Disputes and Legal Proceedings*". There is a risk that Tatneft may attempt to attach, seize or otherwise assert rights with respect to the assets of Ukraine, whether or not such assets are entitled to sovereign immunity. In particular, it is possible that Tatneft may seek to assert rights over the proceeds of Ukraine's capital markets transactions or over the scheduled payments under

Ukraine's outstanding external debt and thereby have a material adverse effect on Ukraine's ability to meet its obligations under the Guarantee.

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

Official statistics and other data published by Ukrainian State authorities (including the NBU and the SSSU) may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on a different basis than those criteria used in more developed countries. Furthermore, standards of accuracy for statistical data may vary from agency to agency and from period to period due to the application of different methodologies. Since the first quarter of 2003, Ukraine has produced data in accordance with the IMF Special Data Dissemination Standard. It is possible, however, that this IMF standard has not been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. In addition, Ukraine has experienced variable rates of inflation, including periods of hyperinflation. Unless indicated otherwise, the macroeconomic data presented in this Offering Circular has not been restated to reflect such inflation and, as a result, period-to-period comparisons may not be meaningful.

Furthermore, it should be noted that all figures relating to the draft budget resolution for 2019-2021 are merely assumptions used for purposes of the new three year budgeting process and thus should not be relied upon as forecasts and actual GDP growth may vary materially from these figures. For example, such assumptions did not account for the COVID-19 pandemic, which resulted in a decline in Ukraine's real GDP for 2020 of 4.0 per cent. See "*—The economic effects of the outbreak of the coronavirus pandemic have had and could continue to have an adverse effect on Ukraine's economy*".

As a result of the events since February 2014, there has also been significant additional difficulty in obtaining reliable statistical information, particularly in relation to Crimea and the City of Sevastopol and the temporarily occupied territories in the Donetsk and Luhansk regions. From the beginning of 2014, Ukrainian GDP has been calculated without taking into account the data for Crimea and the City of Sevastopol and the temporarily occupied territories in the Donetsk and Luhansk regions. Therefore, certain statistics since 2014 may include unverifiable information or may not include any data at all from those areas of Ukraine; this may make a comparison of recent data to previous periods less meaningful. Certain statistical information and other data contained in this Offering Circular have been extracted from official governmental sources in Ukraine and were not prepared or independently verified by any person in connection with the preparation of this Offering Circular. In certain circumstances, the Issuer and the Guarantor have relied on reported information in presenting such matters but are unable to independently verify such information.

Liquidity risk.

Ukraine has experienced liquidity difficulties in the past and continues to be a subject to a significant liquidity risk, which may be exacerbated by Ukraine's higher debt service obligations and higher cost of funding over the next several years. Following the Euro-Maidan Revolution in early 2014, a combination of factors resulting from the Illegal Occupation of Crimea, the Donetsk and Luhansk Conflict, and the resulting sharp depreciation of the hryvnia, created a severe financial crisis for the Government. As a condition to the extension by the IMF of extraordinary financing through an extended fund facility to help Ukraine stabilise its financial position, the restructuring of certain state and state guaranteed debt obligations of Ukraine took place in 2015 (the "**2015 Restructuring**"). See "*State Debt of Ukraine—History of State Debt Service—Ukraine's External Debt Restructuring*".

While the debt reduction and maturity extension achieved through the 2015 Restructuring alleviated the immediate liquidity pressures on the State budget, further pressures remain. The devaluation of the hryvnia since 2014 has made foreign debt service considerably more expensive for the Government, and any further depreciation of the currency will put additional pressure on Ukraine's ability to service national and

international debt denominated in foreign currency. Furthermore, Ukraine is vulnerable to the effect of any potential increases in interest rates in the Eurozone and the U.S., as Ukraine's reliance on external financing to fund its current account deficit and refinance existing external debt stocks means that any such increases may result in a higher cost of funding and could put further pressure on the hryvnia exchange rate.

According to the Budget Code of Ukraine (the "**Budget Code**") the volume of total State debt and State guaranteed debt at the end of the budget period (31 December of each year) should not exceed 60 per cent. of the annual nominal GDP of Ukraine. Pursuant to the Budget Code, if the ratio of total State debt to GDP is expected to exceed 60 per cent. as of any year end, the Government is required to apply to Parliament for approval to exceed the threshold and submit a plan setting out the steps to be taken to return the ratio below the 60 per cent. threshold. This requirement has been temporarily suspended while the conflict in, and the temporary occupation of, territories in the Donetsk and Luhansk regions continues. Furthermore, with effect from 15 December 2020, Parliament generally suspended the application of such requirement until 1 January 2022. In addition, the 2021 State Budget Law extends the suspension of such requirements for the duration of 2021. As at the end of 2020, the ratio was around 60.9 per cent. See "*State Debt of Ukraine—Overview and Credit Ratings*" for more detail.

However, if the suspension were to be lifted or the territories were to be reclaimed by Ukraine, resulting in the ratio exceeding 60 per cent., then the Government would need to provide Parliament with a plan to reduce the level of State debt and State guaranteed debt below 60 per cent. which would be likely to put pressure on Ukraine's liquidity and its access to further funds in the international capital markets, thereby removing a key source of external liquidity for the Government.

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

Adverse changes in global or domestic political or economic conditions or in the international capital markets may place continued pressure on Ukraine's foreign exchange liquidity, which could have a material adverse effect on Ukraine's economy and thus on the ability of Ukraine to perform its obligations under the Guarantee.

Frailty of the Ukrainian banking system.

The Ukrainian banking system is vulnerable to stress due to fragmentation, undercapitalisation, and a potential increase in non-performing loans. The global financial crisis starting in 2007 led to the collapse or bailout of some Ukrainian banks and to significant liquidity constraints for others. The floating of the hryvnia since February 2014 has put additional strains on the Ukrainian banking system, as the high dollarisation of the Ukrainian financial system and its customers has not only exposed Ukrainian banks to additional foreign exchange risks but has also contributed to a worsening of asset quality. Ukrainian banks have also been negatively impacted by the Ukrainian population's loss of confidence in the hryvnia since it was floated in 2014 and there have been subsequent increases in the purchases of U.S. dollars by Ukrainian citizens in order to avoid exposure to an often fluctuating exchange rate of hryvnia. In addition, approximately 40 per cent. of loans in the banking market were, as of the date of this Offering Circular, non-performing (see "*Economy, Foreign Trade and Investment—Banking System, Non-Bank Financial Services and Domestic Financial Markets—Selected Banking Sector Performance Indicators*" for more detail). As a result, the Ukrainian banking system as a whole is undercapitalised and suffers from high levels of non-performing assets.

Other factors which have exacerbated the weak performance of the Ukrainian banking sector since 2014 include:

- significant outflows of deposits;
- the impact on the banking sector of the loss of income from, and branches in, Crimea following the Illegal Occupation of Crimea;
- the effect on the sector's revenues and business of the Donetsk and Luhansk Conflict;
- insufficient provisioning for non-performing loans; and
- the impact on the banking sector of COVID-19 (see “—*The economic effects of the outbreak of the coronavirus pandemic have had and could continue to have an adverse effect on Ukraine's economy*”).

Further, Ukrainian banks have relied extensively on liquidity facilities and other support from the NBU and have been shielded from the full impact of the floating exchange rate through currency control restrictions and other technical regulations of the financial sector imposed by the NBU.

Since 2014, the NBU has taken steps to promote the consolidation and strengthening of the Ukrainian banking sector, and to this end has required and/or facilitated the temporary administration, liquidation and/or restructuring of a number of Ukrainian banks. See “*Description of the Guarantor—Government Policies—Other Recent Achievements*”.

A further increase in the share of non-performing loans in banks' loan portfolios, or a failure to decrease this share, could place additional strain on the Ukrainian banking system, and may lead to further banks being declared insolvent and being liquidated or nationalised by the Government.

The fragile condition of the Ukrainian banking system has been the main factor in restricting the availability of domestic credit. Domestic banks are in many cases unwilling or unable to lend to domestic businesses in need of renewed or increased funding, albeit the Government has recently announced nation-wide programmes to make lending more affordable (see “*Description of the Guarantor—Government Policies—Other Recent Achievements*” for more detail). A continued shortage of credit will have a negative effect on Ukraine's GDP growth. Furthermore, increased domestic borrowing by the Government is likely to reduce the availability of domestic credit for Ukrainian businesses, exacerbating the negative impact on GDP levels.

Several European banks have terminated their activities in Ukraine in recent years, largely due to the perceived high risk of doing business in Ukraine, high credit risk, a high ratio of non-performing loans and exchange rate risk. The share of Russian banks in the Ukrainian market is also decreasing largely due to the political situation between the two countries.

Since July 2015, the Ukrainian Parliament has adopted new legislation to strengthen and protect the banking system. Furthermore, the NBU has actively sought to promote the closure of inadequately capitalised or poorly managed banks. In particular, on 13 May 2020, Parliament adopted the law “*On Amendments to Certain Legislative Acts of Ukraine to Improve Mechanisms of Regulation of Banking Activity*”, which took effect on 23 May 2020. The law provides that, if a court cancels the NBU decision to resolve a bank, the relevant insolvency or liquidation procedure will not be stayed. Further, the law changed the procedure for challenging decisions of the NBU on bank resolutions. According to the implemented changes, courts will decide whether such decisions comply with the applicable laws, but will not put in question calculations, estimates, opinions and technical judgments within the process. The law also introduced clear conditions, procedures and types of compensation for the former owners of resolved banks.

Despite these positive legislative developments and actions by the bank regulator, any further insolvencies of Ukrainian banks, increased liquidity constraints, continued growth in the proportion of non-performing loans and the failure to adopt and implement a system of banking regulation meeting best international standards that achieves an increased degree of stability in the nation's banks, could have a material adverse effect on the Ukrainian economy and thus on Ukraine's ability to perform its obligations under the Guarantee.

Breaches of IT security and privacy systems.

Information security risks for the public and commercial sectors, including large financial institutions and government bodies and key infrastructure facilities, have increased in recent years, in part because of the proliferation of new technologies, the use of internet and telecommunications technology and the increased sophistication and activities of organised criminals and hackers. Customers of Ukrainian companies and users of government and private services often use personal smartphones, personal computers and other computing devices, personal tablet computers and other mobile devices that are beyond these entities' control systems. Computer systems, software and networks may be vulnerable to unauthorised access, misuse, denial-of-service attacks, phishing attacks, computer viruses or other malicious code.

Ukrainian entities' databases contain certain personal data of customers and consumers of services. These databases may be vulnerable to damage, including telecommunications and network failures and human acts both by external individuals as well as employees. Any material security breach or other disruption could expose an individual bank, company or organisation in Ukraine, or the wider Ukrainian public and/or private sector, to risk of loss, regulatory actions and reputational harm.

Several public and private Ukrainian organisations and companies have been and continue to be subject to a range of cyber-attacks. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could give rise to the disablement of an organisation's information technology systems used to service customers or the public. As attempted attacks continue to evolve in scope and sophistication, Ukrainian entities may incur substantial costs in their attempts to modify or enhance their protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach.

As technology continues to develop, Ukrainian organisations (or their third-party affiliates) may be exposed to new risks to their business and the security of their data, including risks they may not be able to anticipate, as well as increased operating costs from ensuring that any new products and services they provide are implemented correctly and operated safely and securely.

If Ukrainian organisations fail to effectively manage their IT, cybersecurity and privacy risks, they may become exposed to liability, including regulatory fines or penalties, increased expenses relating to the resolution of any security or privacy breaches of their databases and the mitigation of the impact of such breaches on affected individuals, and the reputation of the Ukrainian government and sectors of the economy (such as banking) could be harmed. Any of the above could have a material adverse effect on the Ukrainian economy and thus Ukraine's ability to meet its payment obligations under the Notes. See "*Description of the Guarantor—Government Policies—Digital Policies—Cybersecurity Resilience Measures*" for an overview of the Government's organisational and technical capacities to respond to, and manage the consequences of, cyberattacks.

The Ukrainian currency is subject to volatility.

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

allowed the exchange rate to float. See “*Monetary Policy—Exchange Rate History*” for an overview of subsequent developments.

Since March 2015, the NBU has taken action to protect against hryvnia exchange rate fluctuations by increasing its discount rate and adopting inflation targeting, and despite attempts to decrease the discount rate it remains elevated by historical standards, which may lead to lower liquidity in the domestic financial markets and higher borrowing costs. However, its ability to stabilise the currency is dependent on many factors (including political stability and a resolution of the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict) which cannot be predicted with any degree of certainty.

While a flexible exchange rate regime is expected in the medium term to have beneficial economic effects, these positive effects may not be realised and the interim support provided to banks to mitigate the effects of exchange rate depreciation may not have the desired effect. In addition, any further depreciation of the hryvnia may adversely affect the Government’s ability to service its external debt. It is possible that increasingly strained relations with Russia may put pressure on the hryvnia exchange rate to the extent that the population loses confidence in the local currency and seeks to acquire foreign currencies as a hedge against political and economic risk. Any failure to maintain a relatively stable exchange rate may have a material adverse effect on the Ukrainian economy in general and thus on Ukraine’s ability to perform its obligations under the Guarantee. Additionally, rapid appreciation of the hryvnia can have a negative impact on the budget revenues, which might in turn have an adverse effect on the ability to conduct budget spending.

Currency control restrictions.

Ukraine has never had an entirely free capital account and transfers of foreign currency have historically been subject to restrictions. Over recent years, the NBU has introduced a number of currency controls aimed at stabilising the foreign exchange market and preventing foreign currency outflow from Ukraine. At different times, these restrictions included, *inter alia*, (i) a requirement to sell in the local market, for hryvnia, a portion of foreign currency received, (ii) restrictions on payments of dividends to foreign shareholders, and (iii) restrictions on advance import payments and the purchase of foreign currency with borrowed funds.

Despite a large-scale currency control liberalisation that was being undertaken by the NBU as of the date of this Offering Circular (see “*Monetary Policy—Currency Control Liberalisation*”), historic and the remaining fraction of current restrictions have made it more difficult for many Ukrainian companies to conduct their business. Although the NBU’s declared policy has been to ease or cancel currency control restrictions as economic conditions allow, continued imposition of such restrictions, or the imposition of further restrictions, may affect the credit quality of Ukrainian companies and in turn adversely impact their access to required funding and Ukraine’s economic growth and thus Ukraine’s ability to perform its obligations under the Guarantee.

The Ukrainian tax system is underdeveloped and subject to frequent change.

The tax legislation in Ukraine and its implementing regulations are not always clearly drafted and are thus subject to inconsistent interpretation by the tax authorities and other government bodies, providing many opportunities for inappropriate and corrupt practices by officials. These factors negatively impact the predictability of Ukraine’s taxation system and therefore have an adverse effect on business activity, reducing the attractiveness of the national economy for foreign investors.

Since December 2014, Parliament has adopted a number of tax reforms intended to improve the business climate in Ukraine, however, such tax reforms (including joining the Inclusive Framework for implementation of the OECD Base Erosion and Profit Shifting Action Plan and signing the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting) have

largely failed to achieve such key goals as broadening the tax base by bringing a substantial portion of the shadow economy into the reporting economy and reform of the tax authorities. See “*State Budget of Ukraine and Tax Policy—Tax Policies—Tax Reform Process and Notable Achievements*”.

Any significant changes to the Ukrainian tax system in the future, failure to implement required changes or the ineffectiveness of any implemented measures could adversely affect Ukraine’s economy. Additionally, these factors negatively impact the predictability of Ukraine’s taxation system and therefore may have an adverse effect on business activity by reducing the attractiveness of the national economy for foreign investors, and in turn adversely impact Ukraine’s economic growth and thus Ukraine’s ability to perform its obligations under the Guarantee.

Vulnerability to climate change.

According to the World Bank, Ukraine is vulnerable to the adverse impacts of climate change. In particular, Ukraine is at risk of hydrometeorological hazards and natural disasters, including seasonal flooding and drought, which could be exacerbated by further climate change. Ukraine’s agricultural sector is especially vulnerable to fluctuations in the availability of water during the seasonal cycle. As a result, climate change could have a material adverse effect on Ukraine’s economy and its ability to make payments on the Notes and the Guarantee.

Risk Factors Relating to the Notes and the Guarantee

Enforcement of liabilities.

The Issuer is a central executive body in Ukraine. The Guarantor is a sovereign state. There is a risk that, notwithstanding the waiver of sovereign immunity by the Issuer and the Guarantor agreed to by the Issuer (to the extent permitted by applicable Ukrainian law) and the Guarantor in the relevant documentation relating to the Notes and the Guarantee, a Noteholder will not be able to enforce a court judgment or an arbitral award against certain assets of the Issuer and/or Guarantor in certain jurisdictions (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale) without the Issuer and/or Guarantor (as the case may be) having specifically consented to such enforcement at the time when the enforcement is sought. Furthermore, each of the Issuer and Guarantor have reserved the right to plead sovereign immunity under the United States Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it under any United States federal or State securities law.

In addition, the laws of Ukraine do not provide for any clear rules on immunity of state budget entities, such as the Issuer, or immunity of assets managed by such entities. It is therefore difficult to determine the extent to which sovereign immunity is applicable to the Issuer and to what extent it may therefore be waived by the Issuer.

Ukraine is a party to the New York Convention, subject to a reservation concerning the applicability of the New York Convention to arbitral awards made within non-New York Convention states. A foreign arbitral award obtained in a state which is party to the New York Convention, such as the United Kingdom, should be recognised and enforced by a Ukrainian court (under the terms of the New York Convention) subject to compliance with procedural requirements under Ukrainian law.

The foreign exchange reserves of Ukraine are controlled and administered by the NBU, which is an independent central bank legally distinct from the Government. Accordingly, such reserves would not be available to satisfy any claim or judgment in respect of the Notes.

The Notes have amortising redemption features.

The Notes are amortising obligations and principal on the Notes is scheduled to be redeemed in four equal instalments of U.S.\$250 per U.S.\$1,000 in principal amount of the Notes on 24 December 2026, 24 June 2027, 24 December 2027 and 24 June 2028 (each, an “**Amortisation Date**”).

Holders of the Notes may only be able to reinvest any amounts they receive upon such amortisation in lower-yielding securities than the Notes. Potential investors should consider the reinvestment risk in light of other investments available at the relevant time.

There are liquidity and secondary market risks related to the Notes.

Although application will be made to list the Notes to the Official List and to admit the Notes to trading on the London Stock Exchange’s Main Market, an active trading market for the Notes may not develop or, if one does develop, it may not be maintained. Even if a trading market for the Notes develops, it may not provide sufficient liquidity to allow Noteholders to sell or trade the Notes easily, and the difference between bid and ask prices for the Notes in any secondary market could be substantial. Therefore an investment in the Notes may be characterised by a lack of liquidity and price volatility.

The value of the Notes may fluctuate, and if Noteholders sell Notes in the secondary market prior to maturity, they may receive less than their initial investment. Accordingly, Noteholders must be prepared to hold the Notes until maturity.

The market for securities issued by the Issuer is also influenced by economic and market conditions in Ukraine and, to a varying degree, economic conditions in other CIS and Eastern European markets as well as global, emerging and developed markets generally. Events may occur which would cause volatility of the sort which occurred in worldwide financial markets in the past, and any such volatility may adversely affect the price or liquidity of the Notes.

Further, the Notes have amortising redemption features which may, after the first Amortisation Date and up to the Maturity Date result in a reduction of liquidity of the Notes and lead to the possible loss of eligibility of the Notes for inclusion in certain indices. See also “*The Notes have amortising redemption features*”.

The credit rating assigned to the Notes is subject to revision or withdrawal, either of which could adversely affect the trading price of the Notes.

The Notes are expected to be rated “B” by Standard & Poor’s, although the possibility of a downgrade in such ratings cannot be excluded. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. The Issuer has no obligation to inform Noteholders of any revision, downgrade or withdrawal of its current or future credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to the Issuer and/or the Guarantor may adversely affect the market price of the Notes. Credit ratings included or referred to in this Offering Circular have been issued by Standard & Poor’s, which is established in the European Economic Area and is registered under the EU CRA Regulation and endorsed by S&P Global Ratings UK Limited, which is established in the United Kingdom and is registered under the UK CRA Regulation.

Financial turmoil in emerging markets could cause the prices of the Notes to decline.

The market price of the Notes is influenced by economic and market conditions in Ukraine and, to a varying degree, economic and market conditions in other CIS and Eastern European countries and emerging markets generally. In recent years and in the past the global financial markets have experienced significant

price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to the condition, prospects or credit rating of the Issuer or the Guarantor. In recent periods, many global securities markets have experienced extreme price and volume fluctuations, particularly those in Ukraine and other developing economies. Continuation or intensification of financial or economic turmoil could materially adversely affect the market price of the Notes.

The Conditions contain a “collective action” clause.

The Conditions contain provisions regarding amendments, modifications and waivers, commonly referred to as “collective action” clauses. Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority.

In the future the Guarantor or the Issuer may issue debt securities which contain collective action clauses substantially in the same form as the collective action clauses in the Conditions. If this occurs, then this could mean that the Notes would be capable of aggregation with any such other debt securities. This means that a defined majority of the holders of such debt securities (when taken in the aggregate) would be able to bind all holders of debt securities in all the relevant aggregated series, including the Notes.

Any modification or actions relating to Reserved Matters (as defined in the Conditions), including in respect of payments and other important terms, may be made to the Notes with the consent of the holders of 75 per cent. of the aggregate principal amount outstanding of the Notes present and voting at a quorate meeting, and to multiple series of debt securities of the Issuer and/or the Guarantor containing a collective action clause substantially in the same form as the collective action clause in the Notes with the consent of both (i) the holders of 66 per cent. of the aggregate principal amount outstanding of all debt securities being aggregated and (ii) the holders of 50 per cent. in aggregate principal amount outstanding of each series of debt securities being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to Reserved Matters may be made to multiple debt securities with the consent of 75 per cent. of the aggregate principal amount outstanding of all debt securities being aggregated only, without requiring a particular percentage of the holders in any individual affected debt securities to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some debt securities only and, for the avoidance of doubt, the provisions may be used for different groups of two or more debt securities simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk therefore that the Conditions may be amended, modified or waived in circumstances whereby the holders of debt securities voting in favour of an amendment, modification or waiver may be holders of different debt securities and as such, less than 66% per cent. of the Noteholders would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple debt securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default (as defined in the Conditions) or in a distress situation.

The Notes are subject to optional redemption by the Issuer in certain circumstances

The Conditions provide that if at least 80 per cent. of the aggregate principal amount of the Notes have been redeemed or purchased and cancelled (taking into account the payment of Amortisation Amounts) the Issuer may, at any time, upon the giving of applicable notice, redeem all (but not less than all) of the Notes outstanding at a price equal to 100 per cent. of their then outstanding principal amount, together with interest accrued to, but excluding, the date of such redemption.

Such redemption option is exercisable by the Issuer in its sole discretion and the Issuer is under no obligation to exercise any such redemption option.

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, or is perceived to be likely to exercise its option to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

The Conditions contain a provision which provides that in defined circumstances certain Noteholders may declare all of the Notes to be due and payable.

The Conditions contain a provision which provides that, at any time after the occurrence of an Event of Default, Holders whose Notes constitute at least one quarter in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their then unpaid principal amount plus accrued interest. There is therefore a risk for Noteholders that such actions may be taken without their consent and that, if they are a holder of Notes that constitute less than 25 per cent. in aggregate principal amount of the Notes, they will not on their own be able to do so. In addition, procuring a request from Noteholders whose Notes constitute at least 25 per cent. in aggregate principal amount of the Notes may not be possible or may result in delays.

Noteholders may face exchange rate risks and exchange controls by investing in the Notes.

The Issuer will pay principal and interest on the Notes, and the Guarantor will pay amounts due under the Deed of Guarantee, in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than U.S. dollars. These include the risk that exchange rates may significantly vary (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

There may be tax consequences for Noteholders as a result of any foreign exchange gains or losses.

Reliance on Euroclear, Clearstream, Luxembourg and DTC.

The Notes will be represented by Global Notes except in certain limited circumstances described therein. The Unrestricted Global Note will be deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg. The Restricted Global Note will be registered in the name of a nominee of, and deposited with a custodian for, DTC. Except in certain limited circumstances described in the Global Notes, investors will not be entitled to receive Note Certificates. Euroclear, Clearstream, Luxembourg and DTC will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through DTC, Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments through DTC or to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account

holders. A holder of a beneficial interest in the Global Notes must rely on the procedures of DTC, Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Trading in the clearing systems is subject to minimum denomination requirements.

The Notes will initially only be issued in global certificated form, and held through the clearing systems. Interests in the Global Notes will trade in book-entry form only, and Note Certificates will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for the clearing systems will be the sole registered holder of the Global Notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Note representing the Notes will either be made directly by the Issuer to the clearing systems or will be made to the Fiscal Agent, who will in turn make payments to the clearing systems. Thereafter, these payments will be credited to accounts of participants who hold book-entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for the clearing systems, none of the Issuer, the Guarantor, the Managers or the Agents will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of the book-entry interests. Accordingly, an owner of book-entry interests must rely on the procedures of the clearing systems, and if an owner of book-entry interests is not a participant in the clearing systems, on the procedures of the participant through which it holds its interest, to exercise any rights and obligations of a Noteholder.

Unlike the Noteholders themselves, owners of book-entry interests will not have the direct right to act upon, for instance, solicitations for consents or requests for waivers from the Issuer and/or the Guarantor. Instead, if a Noteholder owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from the relevant clearing system. The procedures implemented for the granting of such proxies may not be sufficient to enable an owner of book-entry interests to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Conditions, unless and until Note Certificates are issued in respect of all book-entry interests, an owner of book-entry interests will be restricted to acting through DTC, Euroclear and Clearstream, Luxembourg. The procedures to be implemented through DTC, Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Notes and/or the Guarantee.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes, which upon issue will represent the terms and conditions applicable to the Notes, and subject to completion and amendment, will be endorsed on each Note Certificate and will be attached and (subject to the provisions thereof) apply to each Global Note relating to the Notes.

The U.S.\$700,000,000 6.250 per cent. guaranteed amortising notes due 2028 (the “**Notes**”, which expression shall in these conditions (the “**Conditions**”), unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) issued by the State Road Agency of Ukraine (Ukravtodor) (the “**Issuer**”) and guaranteed by Ukraine (the “**Guarantor**” or “**Ukraine**”), represented by the Minister of Finance of Ukraine acting upon instructions of the Cabinet of Ministers of Ukraine, are issued subject to and with the benefit of a fiscal agency agreement dated 24 June 2021 (such agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) made between the Issuer, The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the “**Registrar**”), The Bank of New York Mellon, London Branch as fiscal agent and principal paying agent (the “**Fiscal Agent**”) and as transfer agent (the “**Transfer Agent**”) and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the “**Paying Agents**”) and any other agents named in the Agency Agreement (together with the Fiscal Agent, the Registrar, the Transfer Agent and the other Paying Agents, the “**Agents**”), a deed of covenant dated 24 June 2021 entered into by the Issuer in favour of the Account Holders named therein (the “**Deed of Covenant**”) and a deed of guarantee dated 24 June 2021 executed and delivered by the Guarantor relating to the Notes (the “**Deed of Guarantee**”).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee (i) are available for inspection during normal business hours by the Noteholders (as defined below) at the Specified Office (as defined in the Agency Agreement) of each of the Paying Agents or (ii) may be provided by email to a Noteholder following its prior request to the Fiscal Agent (at corpsov2@bnymellon.com) and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent). References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

1. **Form, Denomination, Status and Guarantee**

(a) ***Form and denomination***

The Notes will be issued in registered form, without interest coupons, in denominations of U.S.\$200,000 and in integral multiples of U.S.\$1,000 in excess thereof (each denomination of Notes, an “**authorised denomination**”).

(b) ***Status of the Notes***

The Notes constitute direct, unconditional and, subject to the provisions of Condition 3 (*Negative Pledge*), unsecured obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves and (subject as aforesaid) at least *pari passu* with all other present and future unsecured obligations of the Issuer save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) ***Guarantee***

The Guarantor has unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Issuer under the Notes. Its obligations

in that respect (the “**Guarantee**”) are set out in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee constitute the direct, unconditional and, subject to the provisions of Clause 5 (*Negative Pledge*) of the Deed of Guarantee, unsecured obligations of the Guarantor which rank and will rank not less than *pari passu* in right of payment with all other unsecured External Indebtedness of the Guarantor from time to time outstanding, provided, however, that the Guarantor shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due under the Guarantee and *vice versa*.

In this Condition:

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

2. Register, Title and Transfers

(a) *Register*

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

(b) *Title*

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

(c) *Transfers*

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

(d) ***Registration and delivery of Note Certificates***

Subject to paragraphs (e) and (f) below, within five Business Days (as defined below) of the surrender of a Note Certificate in accordance with paragraph (c) above, the Registrar will register the transfer in question and deliver a new Note Certificate of the same aggregate principal amount as the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**Business Day**” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its Specified Office.

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

(e) ***No charge***

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

(f) ***Closed periods***

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

(g) ***Regulations concerning transfers and registration***

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

3. Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer will not grant or permit to be outstanding, and it will procure that there is not granted or permitted to be outstanding, any Security Interest (other than a Permitted Security Interest) over any of its present or future assets or revenues or any part thereof, to secure any Relevant Indebtedness unless the Issuer shall (i) before or at the same time procure that the Issuer’s obligations under the Notes are secured equally and rateably therewith or (ii) ensure that the Notes have the benefit of such other arrangement (whether or not comprising a Security Interest) as shall be approved by an Extraordinary Resolution or by a Written Resolution (each as defined in Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*)).

For the avoidance of doubt, any such approval shall not constitute a Reserved Matter (as defined in Condition 12(e) (*Reserved Matters*)).

In this Condition:

“Permitted Security Interest” means:

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

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

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

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

“Security Interest” means any mortgage, charge, pledge, lien or other security interest.

The Guarantor has in the Deed of Guarantee agreed to comply with a negative pledge undertaking on substantially similar terms to that of the Issuer as set out in Condition 3 (Negative Pledge) above. See “Deed of Guarantee” appearing elsewhere in this Offering Circular for further details.

4. Interest

The Notes bear interest from and including 24 June 2021 at the rate of 6.250 per cent. per annum (the **“Rate of Interest”**) on the then outstanding principal amount of the Notes, as reduced by each Amortisation Amount paid as provided in Condition 5 (*Redemption, Purchase and Cancellation*),

payable semi-annually in arrear on 24 June and 24 December in each year (each an “**Interest Payment Date**”), commencing on 24 December 2021. Interest will be paid subject to and in accordance with the provisions of Condition 6 (*Payments*). Each Note will cease to bear interest from the due date for redemption unless, after surrender of such Note, payment of principal is improperly withheld or refused or unless default otherwise occurs in respect of the payment, in which case interest shall continue to accrue on such portion of outstanding principal in accordance with this Condition 4 (*Interest*) until whichever is the earlier of (i) the day on which payment in full of such portion of outstanding principal is received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders in accordance with Condition 14 (*Notices*) that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable in respect of each Note on each Interest Payment Date shall be calculated by applying the Rate of Interest to the outstanding principal amount of such Note (including, for the avoidance of doubt, the Amortisation Amount (as defined in Condition 5(a) (*Amortisation and Final Redemption*)) due to be paid on such date), dividing the product by two and rounding the resulting figure to the nearest U.S. cent (half a U.S. cent being rounded upwards). If interest is required to be calculated in respect of any period which is shorter or longer than six months, the amount of interest payable shall be calculated by applying the Rate of Interest to the outstanding principal amount of each Note, multiplying the product by the Day Count Fraction and rounding the resulting figure to the nearest U.S. cent (half a U.S. cent being rounded upwards), where:

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

5. Redemption, Purchase and Cancellation

(a) *Amortisation and Final Redemption*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed in four equal instalments on each amortisation date specified in column (A) in the table below (each, an “**Amortisation Date**”). Each authorised denomination of U.S.\$1,000 of the Notes shall be redeemed at the related amortisation amount specified in column (B) in the table below (each, an “**Amortisation Amount**”), payable as provided in Condition 6 (*Payments*). The outstanding principal amount each authorised denomination of U.S.\$1,000 of the Notes shall be reduced by the Amortisation Amount so paid by the Issuer on the relevant Amortisation Date for all purposes with effect from such payment on the relevant Amortisation Date such that the outstanding principal amount of each authorised denomination of U.S.\$1,000 of the Notes following such payment shall be as specified in column (C) in the table below. If payment of the relevant Amortisation Amount is improperly withheld or refused in respect of a Note, the relevant principal amount of such Note will remain outstanding until whichever is the earlier of (i) the day on which payment in full of such portion of outstanding principal is received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders in accordance with Condition 14 (*Notices*) that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment). The Notes shall be finally redeemed at their final Amortisation Amount on 24 June 2028 (the “**Maturity Date**”).

<u>Amortisation Date (A)</u>	Amortisation Amount in respect of each authorised	Outstanding Principal Amount of each authorised
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	denomination of U.S.\$1,000 of the Notes (B)	denomination of U.S.\$1,000 of the Notes (C)
	<i>(in U.S.\$)</i>	
24 December 2026	250.00	750.00
24 June 2027	250.00	500.00
24 December 2027	250.00	250.00
Maturity Date.....	250.00	0.00

In these Conditions, references to “principal” shall, unless the context requires otherwise, be deemed to include any Amortisation Amount and references to the “due date” for payment shall, unless the context requires otherwise, be deemed to include any Amortisation Date.

(b) ***Clean-up Call***

If at least 80 per cent. of the aggregate principal amount of the Notes (which, for the avoidance of doubt, includes any additional Notes issued pursuant to Condition 15 (*Further Issues*)) have been redeemed or purchased and cancelled (taking into account for these purposes the payment of Amortisation Amounts pursuant to Condition 5(a)), the Issuer may, at any time, on giving not less than 15 nor more than 30 days’ irrevocable notice to the Noteholders in accordance with Condition 14 (*Notices*), redeem all (but not less than all) of the Notes outstanding at a redemption price equal to 100 per cent. of the then outstanding principal amount of such Notes together with interest accrued to, but excluding, the date of such redemption.

(c) ***Purchase***

The Issuer, the Guarantor and any Public Sector Instrumentality (as defined in Condition 12(i)) may at any time purchase Notes in the open market or otherwise and at any price. Any Notes so purchased may be cancelled or held and resold. Any Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any Public Sector Instrumentality, shall not entitle the holder to vote at any meeting of holders of Notes and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of holders of Notes or for the purposes of any Written Resolution or for the purposes of Conditions 9, 12 or 13, all as more particularly set out in Condition 12(i).

(d) ***Cancellation***

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

(e) ***No Issuer Call***

Other than as provided in Condition 5(b) (*Clean-up Call*), the Issuer has no right to redeem the Notes prior to the date specified for redemption in this Condition 5 (*Redemption, Purchase and Cancellation*).

6. **Payments**

(a) ***General***

Payments of principal and interest in respect of the Notes will be made by U.S. Dollar cheque drawn on a bank in New York City and mailed to the Holder by uninsured first class mail (airmail if overseas), at the address appearing in the Register at the opening of

business on the relevant Record Date (as defined in Condition 6(e) (*Record date*)) or, upon application by a Noteholder to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. Dollar account maintained by the payee with a bank in New York City.

(b) ***Payments subject to fiscal laws***

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

(c) ***Payments on business days***

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

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

(d) ***Partial payments***

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

(e) ***Record date***

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

(f) ***Right of Guarantor to make payments under the Notes***

The Guarantor shall be entitled at any time (and whether or not in anticipation of an Event of Default occurring or while an Event of Default is continuing) to effect payment of any amounts due and payable under any Note on behalf of the Issuer as and when they fall due and the Noteholder(s) will accept each such payment as if it were a payment made by the Issuer under such Note.

Payment by the Guarantor of any sum (each a “**Relevant Sum**”) pursuant to this Condition 6 (*Payments*) will:

- (i) discharge the Guarantor’s obligations to the Noteholder(s) under the Guarantee in respect of the Relevant Sum; and
- (ii) *pro tanto* discharge the Issuer of its corresponding obligations to the Noteholder(s) under the Notes.

7. Taxation

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

- (a) to a Holder, or to a third party on behalf of a Holder, if such Holder is liable for such Taxes in respect of such Note by reason of having some connection with Ukraine other than the mere holding of such Note; or
- (b) to a Holder, or to a third party on behalf of a Holder, who would not be liable or subject to the withholding or deduction of Taxes by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (c) if the Note Certificate representing such Note is surrendered for payment more than 30 days after the Relevant Date, except to the extent that the Holder would have been entitled to such increased amounts on surrender of such Note Certificate for payment on the last day of such period of 30 days.

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

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

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

8. Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, then the Holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be due and payable, whereupon they shall become immediately due and payable at their then outstanding principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer.

- (a) *Non payment*

The Issuer or the Guarantor fail to pay any amount of principal or interest in respect of the Notes and the default continues for a period of 30 days; or

(b) ***Breach of other obligations***

The Issuer or the Guarantor defaults in the performance or observance of any of their respective other obligations in respect of the Notes or under the Guarantee (in the case of the Guarantor, including but not limited to Clause 5 (*Negative Pledge*) of the Deed of Guarantee) and that failure continues for 30 days after any Noteholder gives written notice to the Issuer or the Guarantor to remedy the failure (with a copy of such notice to the Fiscal Agent at its specified office); or

(c) ***Indebtedness***

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

(d) ***Authorisation***

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

(e) ***Moratorium***

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

(f) ***Unlawfulness***

It is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of their respective obligations under or in respect of the Notes or the Guarantee; or

(g) ***Invalidity***

Any one or more of the Issuer's or the Guarantor's respective obligations under the Notes or the Guarantee becomes unenforceable or invalid, or the Issuer or the Guarantor shall contest the validity thereof; or

(h) ***Existence of the Issuer***

The Issuer ceases, or any official action is taken for the purposes of causing the Issuer to cease, to exist as a central executive agency of the government of Ukraine, except (i) in circumstances where another agency or subdivision of the government of Ukraine assumes

by operation of law all of the assets and liabilities of the Issuer, including under the Notes and the Deed of Covenant, and the Guarantor's obligations under the Guarantee remain in full force and effect thereafter or (ii) on terms otherwise approved by an Extraordinary Resolution or a Written Resolution of the Noteholders; or

(i) ***Guarantee***

The Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.

In these Conditions:

"Indebtedness" means any of (i) any External Indebtedness (whether being any principal, premium, interest or other amounts constituting such External Indebtedness), present or future, of the Issuer or the Guarantor (and which, in the case of External Indebtedness of the Guarantor, are in the form of or represented by notes, bonds or other similar instruments which are capable of being traded on any stock exchange or other securities market), whether or not issued or borrowed directly by the Issuer or the Guarantor or (ii) any guarantee or indemnity given by the Issuer or the Guarantor in respect of any of the foregoing.

"Old Notes" means the U.S.\$3,000,000,000 5 per cent. Notes due 2015 of the Guarantor.

If the Issuer receives notice in writing from Holders of at least 50 per cent. in aggregate principal amount of the then outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such Holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect (but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice, whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

Any exercise by the Guarantor of its entitlement to make payments under the Notes pursuant to Condition 6(f) (*Right of Guarantor to make payment under the Notes*) or under the Deed of Covenant pursuant to the equivalent provision thereunder will not cause any default, Event of Default or termination event (howsoever described) or entitle the Noteholders to declare the Notes to be immediately due and repayable in accordance with this Condition 8 (*Events of Default*) as a consequence of the failure by the Issuer to make such payment.

9. Prescription

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

10. Replacement of Note Certificates

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

11. Agents

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

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, principal paying agent or additional or successor paying agents and transfer agents; provided however, that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar (in respect of both Restricted Notes and Unrestricted Notes, each as defined in the Agency Agreement), and (iii) such other agents as may be required by any stock exchange on which the Notes may be listed from time to time.

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

12. Meetings of Noteholders; Modification and Waiver

- (a) ***Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions***
- (i) The Issuer may convene a Meeting at any time in respect of the Notes in accordance with the provisions of the Agency Agreement. The Issuer will determine the time and place of the Meeting and will notify the Noteholders of the time, place and purpose of the Meeting not less than 21 and not more than 45 days before the Meeting.
 - (ii) The Issuer will convene a meeting if the holders of at least 10 per cent. in principal amount of the then outstanding Notes have delivered a written request to the Issuer setting out the purpose of the Meeting. The Issuer will notify the Holders within 10 days of receipt of such written request of the time and place of the Meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
 - (iii) The Issuer will set the procedures governing the conduct of any Meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer will set such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by the Issuer and/or the Guarantor.
 - (iv) The notice convening any Meeting will specify, *inter alia*:
 - (A) the date, time and location of the Meeting;
 - (B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the Meeting;
 - (C) the record date for the Meeting, which shall be no more than five business days before the date of the Meeting;

- (D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the Meeting or to appoint a proxy to act on the Noteholder's behalf at the Meeting;
 - (E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;
 - (F) whether Condition 12(b) (*Modification of this Series of Notes only*), Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;
 - (G) if the proposed modification or action relates to two or more series of debt securities issued by the Issuer and/or the Guarantor and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
 - (H) such information that is required to be provided by the Issuer and the Guarantor in accordance with Condition 12(f) (*Information*);
 - (I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the Meeting, and the details of any applicable methodology referred to in Condition 12(g) (*Claims Valuation*); and
 - (J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (v) In addition, the Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to paragraph (iv) above shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.
 - (vi) A “**record date**” in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.
 - (vii) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
 - (viii) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

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

representatives and holding or representing in the aggregate not less than 33⅓ per cent. in principal amount of the Notes for the time being outstanding.

- (iv) A “**Single Series Ordinary Resolution**” means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) and paragraphs 12(b)(ii) and 12(b)(iii) above in respect of any matter other than a Reserved Matter, by the affirmative vote of more than 50 per cent. of the Noteholders present in person or represented by proxy.
 - (v) A “**Single Series Extraordinary Resolution**” means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) and paragraphs 12(b)(ii) and 12(b)(iii) above in respect of a Reserved Matter, by the affirmative vote of at least 75 per cent. of the Noteholders present in person or represented by proxy.
 - (vi) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or
 - (B) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.
 - (vii) Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.
 - (viii) Any Single Series Ordinary Resolution, Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended such Single Series Meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.
- (c) ***Multiple Series Aggregation – Single limb voting***
- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.
 - (ii) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate Meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt

securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

- (iii) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
- (iv) Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.
- (v) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any Meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (vi) The “**Uniformly Applicable**” condition will be satisfied if:
 - (A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (1) the same new instrument or other consideration or (2) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - (B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).
- (vii) It is understood that a proposal under paragraph (c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per

amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

- (viii) Any modification or action proposed under paragraph (i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) ***Multiple Series Aggregation – Two limb voting***

- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (ii) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate Meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Meetings of Noteholders; Modification and Waiver*), as supplemented if necessary, which is passed by a majority of:
 - (A) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (iii) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
 - (A) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (iv) Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

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

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

- (i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;
- (ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
- (iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (iv) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;
- (v) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;
- (vi) to change the definition of “Uniformly Applicable”;
- (vii) to change the definition of “outstanding” or to modify the provisions of Condition 12(i) (*Notes controlled by the Issuer or the Guarantor*);
- (viii) to change the legal ranking of the Notes as set out in Condition 1(b) (*Status*) or of the Guarantee as set out in Condition 1(c) (*Guarantee*);
- (ix) to change any provision of the Notes describing circumstances in which such Notes may be declared due and payable prior to their scheduled maturity date, as set out in Condition 8 (*Events of Default*);

- (x) to change the law governing the Notes or the Deed of Guarantee, any of the arrangements specified in such Notes to enable proceedings to be taken or the Issuer's or the Guarantor's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, as set out in Condition 17 (*Governing Law and Arbitration*) or in the Deed of Guarantee;
- (xi) to impose any condition on or otherwise change the Issuer's or the Guarantor's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (xii) to modify the provisions of this Condition 12(e) (*Reserved Matters*);
- (xiii) to release the Guarantor under the Guarantee or to change the terms of the Guarantee or, except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security;
- (xiv) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions or the Deed of Guarantee in connection with any exchange or substitution of such Notes for, or the conversion of such Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions or the Deed of Guarantee as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:
 - (A) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or
 - (B) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(f) ***Information***

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 12(b) (*Modification of this Series of Notes only*), Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), the Issuer shall publish in accordance with Condition 13 (*Aggregation Agent; Aggregation Procedures*):

- (i) a description of the Issuer's and the Guarantor's respective economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's and the Guarantor's respective existing debts and a description of the Guarantor's broad policy reform programme and provisional macroeconomic outlook;
- (ii) if the Issuer and/or the Guarantor shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted

under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

- (iii) a description of the Issuer's and the Guarantor's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and their respective intentions with respect to any other debt securities and their respective other major creditor groups; and
- (iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a Meeting in Condition 12(a)(iv)(G).

(g) ***Claims Valuation***

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

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

The Agency Agreement may be amended without the consent of the holder of any Note for the purposes of, as determined by the Issuer or the Guarantor, curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained therein or herein, to take into account further issues of notes pursuant to Condition 15 (*Further Issues*) or in any manner that the Issuer or the Guarantor may deem necessary or desirable and that will not adversely affect, in the opinion of the Issuer or the Guarantor, in any material respect, the interests of the Noteholders.

(i) ***Notes controlled by the Issuer or the Guarantor***

For the purposes of (i) determining the right to attend and vote at any Meeting, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (ii) Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*); and (iii) Condition 13 (*Aggregation Agent; Aggregation Procedures*), any Notes which are for the time being held by or on behalf of the Issuer or the Guarantor or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or the Guarantor or by any Public Sector Instrumentality of the Guarantor shall be disregarded and be deemed not to remain outstanding, where:

- (i) “**Public Sector Instrumentality**” means the Ministry of Ukraine, the National Bank of Ukraine, any other department, ministry or agency of the government of Ukraine or any corporation, trust, financial institution or other entity owned or controlled by the government of Ukraine or any of the foregoing; and

- (ii) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

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

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

(j) ***Publication***

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

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

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

13. Aggregation Agent; Aggregation Procedures

(a) ***Appointment***

The Issuer will appoint an aggregation agent (the “**Aggregation Agent**”) to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected

series of debt securities. The Aggregation Agent shall be independent of the Issuer and the Guarantor.

(b) ***Extraordinary Resolutions***

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

(c) ***Written Resolutions***

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

(d) ***Certificate***

For the purposes of Condition 13(b) (*Extraordinary Resolutions*) and Condition 13(c) (*Written Resolutions*), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the Meeting referred to in Condition 12(b) (*Modification of this Series of Notes only*), Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

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

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

(e) ***Notification***

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

(f) ***Binding nature of determinations; no liability***

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

(g) ***Manner of publication***

The Issuer will publish all notices and other matters required to be published pursuant to the Agency Agreement including any matters required to be published pursuant to Condition 12 (*Meetings of Noteholders; Modification and Waiver*), this Condition 13 (*Aggregation Agent; Aggregation Procedures*) and Condition 14 (*Notices*):

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

14. Notices

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the Register at the time of publication of such notice by pre-paid first class mail (or any other manner approved by the Registrar (or the Fiscal Agent on its behalf), which may be by electronic transmission). Any such notice shall be deemed to have been given on the next weekday (being a day other than a Saturday or Sunday) after being so mailed.

The Issuer shall also ensure that for so long as the Notes are admitted to trading on the London Stock Exchange or any other stock exchange and the rules of such exchange so require, notices shall be given or published in a manner which complies with the rules and regulations of such stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

15. Further Issues

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

16. Currency Indemnity

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

17. Governing Law and Arbitration

- (a) The Deed of Covenant, the Deed of Guarantee and the Notes and any non-contractual obligations arising out of or in connection therewith are governed by, and will be construed in accordance with, English law.
- (b) Any dispute, difference, controversy or claim arising out of or in connection with the Notes or the Guarantee (including any dispute, difference, controversy or claim in relation to the execution, validity, interpretation, performance, breach or termination of the Notes or the Guarantee and in relation to any non-contractual obligations arising out of or in connection with the Notes or the Guarantee) (a “**Dispute**”) shall be finally and exclusively resolved by confidential arbitration in accordance with the Arbitration Rules of the LCIA (the “**LCIA Rules**”), which rules are deemed to be incorporated by reference into this Condition 17, as supplemented and/or varied by this Condition 17(b).
 - (i) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall jointly nominate one arbitrator; the respondent(s), irrespective of number, shall jointly nominate the second arbitrator; and a third arbitrator, who shall serve as presiding arbitrator, shall be selected by the two party nominated arbitrators. For the avoidance of doubt, for the purpose of Article 8.1 of the LCIA Rules, the claimant(s), irrespective of number, and the respondent(s), irrespective of number, constitute two separate sides for the formation of the arbitral tribunal.
 - (ii) In the event that the claimant(s) fail to nominate an arbitrator in accordance with the LCIA Rules, such arbitrator shall be selected and appointed by the LCIA Court as soon as possible, preferably within 15 days of such failure. In the event that the respondent(s) fail to nominate an arbitrator in accordance with the LCIA Rules, such arbitrator shall be selected and appointed by the LCIA Court as soon as possible, preferably within 15 days of such failure. In the event that the arbitrators nominated by the claimant(s) and the respondent(s) fail to jointly nominate a presiding arbitrator within 30 days of the nomination of the second party-nominated arbitrator, such presiding arbitrator shall be selected and appointed by the LCIA Court as soon as possible, preferably within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate the respective arbitrators in accordance with the LCIA Rules, all three arbitrators shall be selected and appointed by the LCIA Court as soon as possible, preferably within

15 days of such failure, and the LCIA Court shall then designate one amongst them as presiding arbitrator.

- (iii) The Emergency Arbitrator provisions of the LCIA rules shall not apply.
- (iv) The seat (legal place) of arbitration shall be London, England and the language of the arbitration shall be English.
- (v) Where Disputes:
 - (A) as defined in the Deed of Covenant arise under the Deed of Covenant; and/or
 - (B) arise under the Notes or the Guarantee,

which, in the reasonable opinion of the first arbitral tribunal to be appointed in any of the Disputes referred to above, are so closely connected that it is just for them to be resolved in the same proceedings, that arbitral tribunal shall have the power to order that the proceedings to resolve that Dispute shall be consolidated with those to resolve any of the other Disputes (whether or not proceedings to resolve those other Disputes have yet been instituted or any other arbitral tribunals have yet been constituted). The first arbitral tribunal shall determine whether to order such consolidation on the application of either the claimant(s) or the respondent(s) to any party to any of the Disputes referred to above, and in making such determination shall take account of (i) the likelihood and consequences of inconsistent decisions if consolidation is not ordered, (ii) any failure on the part of the party seeking consolidation to make a timely application and (iii) the likely consequences of consolidation in terms of cost and time. If the first arbitral tribunal makes an order for consolidation, it will immediately, to the exclusion of any other arbitral tribunals, have jurisdiction to resolve finally each dispute which is a subject of the order for consolidation, and the parties to each Dispute which is a subject of such order for consolidation shall be treated as having consented to that Dispute being finally decided by such first arbitral tribunal and having waived any objection on the basis of such order for consolidation to the validity and/or enforcement of any arbitral award made by such first arbitral tribunal following the order for consolidation unless the LCIA Court decides that any member of such arbitral tribunal would not be suitable or impartial.

- (vi) The jurisdiction of the Courts under sections 45 and 69 of the Arbitration Act 1996 is excluded.
- (c) To the extent that the Issuer or the Guarantor or any of their respective revenues, assets or properties are entitled, in England or any other jurisdiction where arbitral proceedings or court proceedings in support of arbitration or to enforce any arbitral award may at any time be brought against it or any of its revenues, assets or properties, to any immunity from suit, from the jurisdiction of any such court from set off, from attachment in aid of execution of a judgment with respect to an arbitral award, from execution of a judgment with respect to an arbitral award or from any other legal or judicial process or remedy (other than a pre-judgment attachment which is expressly not waived), and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Issuer irrevocably agrees to the maximum extent permitted by any applicable law and the Guarantor irrevocably agrees not to claim and irrevocably waive such immunity, to the fullest extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity

Act 1978 to the giving of any relief or the issue of any process in connection with any arbitral proceedings or court proceedings in support of arbitration or to enforce any arbitral award). The Issuer and the Guarantor reserve the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against either of them in any court of or in the United States of America under any United States federal or State securities law.

- (d) The waivers of immunities referred to herein constitute only limited and specific waivers for the purposes of the Notes and the Guarantee and under no circumstances shall such waivers be interpreted as general waivers by the Issuer or the Guarantor or waivers with respect to proceedings unrelated to the Notes or the Guarantee. Notwithstanding Condition 17(c), the Guarantor has not waived such immunities in respect of any property which is (i) used by a diplomatic or consular mission of the Guarantor (except as may be necessary to effect service of process), (ii) of a military character and under the control of a military authority or defence agency, or (iii) located in Ukraine and dedicated to a public or governmental use (as distinct from property dedicated to a commercial use).

18. Contracts (Rights of Third Parties) Act

No rights are conferred on any person under the Contracts (Right of Third Parties) Act 1999 to enforce any term of the Notes other than the beneficiaries under the Deed of Covenant and the Deed of Guarantee in respect of the terms of Conditions 17(b)(v), but this does not affect any right or remedy of any person which exists or is available apart from that Act.

DEED OF GUARANTEE

Dated 24 June 2021

Deed of Guarantee

relating to the U.S.\$700,000,000 6.250 per cent. Guaranteed Amortising Notes due 2028

issued by the State Road Agency of Ukraine (Ukravtodor)
In favour of the Noteholders and Relevant Account Holders

by

**Ukraine (represented by the Minister of Finance of Ukraine acting upon the
instructions of the Cabinet of Ministers of Ukraine)**
as Guarantor

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This Deed of Guarantee (this “**Guarantee**”) is made on 24 June 2021

By:

- (1) **Ukraine (Represented by the Minister of Finance of Ukraine Acting Upon the Instructions of The Cabinet Of Ministers Of Ukraine)** (the “**Guarantor**”);

In favour of

- (2) **Each Holder** from time to time of the Notes referred to below (each a “**Noteholder**” or a “**holder**” of a Note); and
- (3) **Each Relevant Account Holder** (as defined in the Deed of Covenant (as defined herein)).

Whereas:

- (A) The State Road Agency of Ukraine (Ukravtodor), a central executive body in Ukraine, identification number 37641918, having its registered address at 9 Fizkultury Street, Kyiv, 03150, Ukraine (the “**Issuer**”) proposes to issue U.S.\$700,000,000 6.250 per cent. Guaranteed Amortising Notes due 2028 (the “**Notes**”), which will be guaranteed as to payment of principal and interest by the Guarantor.
- (B) The Issuer has, in relation to the Notes, entered into a deed of covenant dated 24 June 2021 (the “**Deed of Covenant**”). The Notes have been issued pursuant to a Fiscal Agency Agreement dated 24 June 2021 (the “**Agency Agreement**”) and made between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent and pricing paying agent, The Bank of New York Mellon SA/NV, Dublin Branch as registrar and the other agents named therein.
- (C) The Guarantor has agreed to guarantee the payment of all sums expressed to be payable from time to time by the Issuer (i) in respect of the Notes to each Noteholder and (ii) under the Deed of Covenant to each Relevant Account Holder.

Now this Deed witnesses as follows:

1. Interpretation

1.1 Definitions

All terms and expressions defined in the terms and conditions of the Notes (the “**Conditions**”) and the Deed of Covenant shall have the same meaning when used in this Guarantee unless the context otherwise requires.

In addition:

“**Business Day**” means a day (other than a Saturday or a Sunday or a public holiday) on which banks and foreign exchange markets are open for general business in Kyiv and London; and

“**Due Date**” means the date falling 30 (thirty) days after the date on which a payment on or in respect of the Notes or the Deed of Covenant first becomes due and payable by the Issuer.

1.2 Clauses of this Deed

References to “this Guarantee” are to this Deed of Guarantee and any reference herein to a Clause is, unless otherwise stated, to a clause of this Guarantee.

1.3 **Headings**

Headings shall be ignored in construing this Guarantee.

1.4 **Contracts**

References in this Guarantee to this Guarantee or any other document are to this Guarantee or such other documents as amended, supplemented or replaced from time to time and includes any document that amends, supplements or replaces them.

2. **Guarantee**

- 2.1 The Guarantor hereby irrevocably and unconditionally guarantees (as a principal obligation and not merely as surety but without affecting the nature of the Issuer's obligations) to each Noteholder and each Relevant Account Holder the due and punctual payment of all amounts payable by the Issuer on or in respect of the Notes (including any additional amounts which may become payable under Condition 7 (*Taxation*)) and under the Deed of Covenant, as applicable, as and when the same become due and payable (subject as provided in this Clause Schedule 1Part 12.1) and accordingly undertakes to pay to each Noteholder or Relevant Account Holder by no later than the Due Date (and without requiring such Noteholder or Relevant Account Holder first to take steps against the Issuer or any other person) each and every such payment which the Issuer is at any time liable to pay in respect of the Notes or under the Deed of Covenant (together with any interest accrued thereon if and to the extent payable under Condition 4 (*Interest*)) and which the Issuer has failed to pay in the manner prescribed under the Conditions or the Deed of Covenant, as applicable, such that each Noteholder and Relevant Account Holder shall receive the same amounts in respect of such payments as would have been receivable had such payments been made by the Issuer.
- 2.2 If any sum which, although expressed to be payable by the Issuer under the Notes or the Deed of Covenant is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor or any Noteholder or Relevant Account Holder) not recoverable from the Guarantor on the basis of a guarantee then (a) it will nevertheless be recoverable from the Guarantor in accordance with the terms of this Guarantee as if it were the sole principal debtor and will be paid by the Guarantor to each Noteholder and each Relevant Account Holder by no later than the Due Date (and without requiring such Noteholder or Relevant Account Holder first to take steps against the Issuer or any other person) and (b) as a separate and additional liability under this Guarantee, the Guarantor agrees, as a primary obligation, to indemnify each Noteholder and each Relevant Account Holder in respect of such sum by way of a full indemnity in the manner and currency as is provided for in the Notes or the Deed of Covenant, as applicable, and to indemnify each Noteholder and each Relevant Account Holder against all losses, claims, costs, charges and expenses to which it may be subject or which it may incur in recovering such sum.
- 2.3 If any payment received by any Noteholder or Relevant Account Holder pursuant to the provisions of the Notes or under the Deed of Covenant should be avoided or set aside for any reason, such payment shall not be considered as discharging or diminishing the liability of the Guarantor and this Guarantee shall continue to apply as if such payment had at all times remained owing by the Issuer and the Guarantor shall indemnify the relevant Noteholders and Relevant Account Holders in respect thereof provided that the obligations of the Guarantor under this Clause Schedule 1Part 12.3 shall, as regards each payment received by any Noteholder or any Relevant Account Holder which is avoided or set aside, be contingent upon such payment being reimbursed to the Issuer or other persons entitled through the Issuer.

- 2.4 The obligations of the Guarantor under this Guarantee shall be unconditional and shall not be affected by any matter or thing which but for this provision might operate to affect such obligations including, without limitation:
- (a) any time, indulgence, waiver, authorisation or consent granted to the Issuer or any other person;
 - (b) the validity, regularity or legality, or enforceability against the Issuer, of, or any defence or counter-claim whatsoever available to the Issuer in relation to, the obligations of the Issuer under the Notes or the Deed of Covenant, whether or not any action has been taken to enforce the same or any judgment obtained against the Issuer;
 - (c) any amendment or modification of any of the provisions of the Notes or the Deed of Covenant, subject to the Guarantor having provided its prior written approval of such amendment or modification; or
 - (d) whether or not there have been any dealings or transactions between the Issuer or any of the Noteholders or Relevant Account Holders, whether or not the Issuer has ceased to exist as an agency of the Government of Ukraine, whether or not the Issuer has been prevented from making payment by foreign exchange provisions applicable at its place of registration and whether or not any other circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defence to a guarantor; or
 - (e) whether allocation for such obligations or payments under this Guarantee is made in the state budget law of Ukraine for the relevant year.

Accordingly the obligations of the Guarantor under this Guarantee shall not be affected by reason of any invalidity, irregularity, illegality or unenforceability of all or any of the obligations of the Issuer on or in respect of the Notes or under the Deed of Covenant, and such obligations of the Guarantor shall not be discharged nor shall the liability of the Guarantor under this Guarantee be affected by any act, thing or omission or means whatever whereby its liability would not have been discharged if it had been the principal debtor.

- 2.5 The Guarantor waives diligence, presentment, demand of payment or otherwise of the Issuer, any right to require a proceeding first against the Issuer, protest or notice with respect to the Notes or under the Deed of Covenant or the indebtedness or obligations respectively evidenced thereby and all demands whatsoever, and covenants that this Guarantee shall be a continuing guarantee, shall extend to the ultimate balance of all sums payable and obligations owed by the Issuer under the Notes and the Deed of Covenant, shall not be discharged except by complete performance of the obligations under the Notes and the Deed of Covenant and is additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise.
- 2.6 This Guarantee remains in force until the later of (i) the Maturity Date of the Notes and (ii) the date on which the guaranteed obligations under this Guarantee in respect of the Notes and the Deed of Covenant have been finally and irrevocably repaid or paid in full by the Guarantor or the Issuer, provided that if the Notes have been repaid in full prior to the Maturity Date and no sum remains payable under the Notes, the Deed of Covenant or this Guarantee, then this Guarantee shall cease to be effective immediately upon such event and each of the Noteholders and the Relevant Account Holders shall be deemed to release the Guarantor from all obligations under this Guarantee.
- 2.7 Until all amounts which may be or become payable by the Issuer or the Guarantor under or in connection with the Notes and the Deed of Covenant have been irrevocably paid in full, the

Guarantor will not exercise the following rights which it may have by reason of performance by it of its obligations under this Guarantee or by reason of any amount being payable, or liability arising, under this Clause Schedule 1Part 12:

- (a) to exercise any right of set-off against the Issuer; or
- (b) to take any security from the Issuer in respect of the Guarantor's obligations under this Clause Schedule 1Part 12.

3. Right of Guarantor to make Payment under the Notes

Each Noteholder and each Relevant Account Holder shall be deemed to acknowledge and agree that:

- (a) the Guarantor shall be entitled at any time (and whether or not in anticipation of an Event of Default occurring or while an Event of Default is continuing) to effect payment of any amounts due and payable under any Note or under the Deed of Covenant, as applicable, on behalf of the Issuer as and when they fall due and the Noteholder(s) and Relevant Account Holder(s) will accept each such payment as if it were a payment made by the Issuer under such Note or the Deed of Covenant, as applicable, without the exercise of any such entitlement by the Guarantor causing any default, Event of Default or termination event (howsoever described) or entitling the holders to declare the Notes to be immediately due and repayable in accordance with Condition 8 (*Events of Default*) as a consequence of the failure by the Issuer to make such payment;
- (b) payment by the Guarantor of any sum (each a “**Relevant Sum**”) pursuant to subparagraph (a) above and Condition 6 (*Payments*) will:
 - (i) discharge the Guarantor's obligations to the Noteholder(s) and the Relevant Account Holder(s) under this Guarantee in respect of the Relevant Sum; and
 - (ii) *pro tanto* discharge the Issuer of its corresponding obligations to the Noteholder(s) and the Relevant Account Holder(s), as the case may be, under the Notes or the Deed of Covenant, as applicable.

4. Status

The obligations of the Guarantor under this Guarantee constitute the direct, unconditional and, subject to the provisions of Clause Schedule 1Part 15 (*Negative Pledge*), unsecured obligations of the Guarantor and (subject as aforesaid) rank and will rank *pari passu* without any preference among themselves and not less than *pari passu* in right of payment with all other unsecured External Indebtedness (as defined below) of the Guarantor, from time to time outstanding, provided, however, that the Guarantor shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due under this Guarantee and vice versa.

5. Negative Pledge

- 5.1 So long as any Note remains outstanding (as defined in the Agency Agreement), the Guarantor will not grant or permit to be outstanding, and it will procure that there is not granted or permitted to be outstanding, any Security Interest (other than a Permitted Security Interest) over any of its

present or future assets or revenues or any part thereof, to secure any Relevant Indebtedness unless the Guarantor shall (i) before or at the same time procure that the Guarantor's obligations under this Guarantee are secured equally and rateably therewith or (ii) ensure that this Guarantee has the benefit of such other arrangement (whether or not comprising a Security Interest) as shall be approved by an Extraordinary Resolution or by a Written Resolution (each as defined in the Agency Agreement). For the avoidance of doubt, any such approval shall not constitute a Reserved Matter (as defined in Condition 12(e) (*Reserved Matters*)).

5.2 In this Guarantee:

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

“Permitted Security Interest” means:

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

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

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

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

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

of the Old Notes, where “**Old Notes**” means the U.S.\$3,000,000,000 5 per cent. Notes due 2015 of the Guarantor).

6. Compliance with Conditions

The Guarantor agrees that it will duly perform and comply with the obligations expressed to be binding on it in the Conditions.

7. Taxes

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

- (a) to a holder, or to a third party on behalf of a holder, if such holder is liable for such Taxes in respect of the relevant Note or this Guarantee by reason of having some connection with Ukraine other than the mere holding of such Note or being the beneficiary of this Guarantee; or
- (b) to a holder, or to a third party on behalf of a holder, who would not be liable or subject to the withholding or deduction of Taxes by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (c) if the Note Certificate representing such Note is surrendered for payment more than 30 days after the Relevant Date, except to the extent that the holder would have been entitled to such increased amounts on surrender of such Note Certificate for payment on the last day of such period of 30 days.

For the purpose of this Clause Schedule 1 Part 17, “**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount plus any accrued interest having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

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

The Guarantor covenants to and agrees with the Noteholders and the Relevant Account Holders that it shall pay any stamp, documentary, registration or similar duty or tax payable in Ukraine, the United Kingdom, Belgium or Luxembourg, as the case may be, in connection with the entry into, performance, enforcement or admissibility in evidence of this Guarantee and/or any amendment

of, supplement to or waiver in respect of this Guarantee, and shall indemnify each of the Noteholders and the Relevant Account Holders, on an after tax basis, against any liability with respect to or resulting from any delay in paying or omission to pay any such tax.

8. Authorisation, Consents and Approvals

The Guarantor represents and warrants that all authorisations, consents and approvals required by the Guarantor in connection with the giving and implementation of this Guarantee have been obtained and are in full force and effect and that this Guarantee is validly given pursuant to the Budget Code of Ukraine and the Law of Ukraine No. 1082-IX “*On the State Budget of Ukraine for 2021*” (as amended from time to time) as adopted by the Parliament of Ukraine on 15 December 2020 (the “**State Budget Law**”).

9. State Debt Agency and Authorised Limit

The Guarantor represents and warrants that:

- (a) no agency for management of the state debt of Ukraine (as contemplated under article 15-1 of the Budget Code of Ukraine) has been created;
- (b) in accordance with the provisions of the Budget Code of Ukraine, this Guarantee will be within the maximum authorised limit set for state guaranteed debt of the Guarantor as at 31 December 2021 as set out in the State Budget Law; and
- (c) in accordance with the provisions of the State Budget Law, the issuance of this Guarantee is within the limit set for state guarantees of the Guarantor in 2021 under article 6 of the State Budget Law.

10. Amendments

The Guarantor may not amend, vary, terminate or suspend this Guarantee or its obligations hereunder unless such amendment, variation, termination or suspension shall have been approved by an Extraordinary Resolution or a Written Resolution (each as defined in the Conditions), save that nothing in this Clause Schedule 1 Part 110 shall prevent the Guarantor from increasing or extending its obligations under this Guarantee by way of supplement to it at any time.

11. Communications

Any notice to the Guarantor to be given, made or served for any purposes under this Guarantee shall be given, made or served by sending the same by pre-paid first class mail (or airmail if overseas) or by e-mail or by delivering it by hand as follows:

Ministry of Finance of Ukraine

12/2 Grushevsky Street

Kyiv

Ukraine

Mailing address: 11 Mezhygirska Street, Kyiv, 04071, Ukraine

Telephone: +380 (44) 277 5323 and +380 (44) 206 5947

E-mail: polinaya@minfin.gov.ua and debtpolicy@minfin.gov.ua

Attention: Debt Policy Department

Any such notice shall be deemed received (if by e-mail) when sent, subject to no delivery failure notification being received by the sender within 24 hours of the time of sending or (if by letter) when delivered, in each case in the manner required by this clause. However, if a communication is received after business hours on any Business Day or on a day which is not a Business Day it shall be deemed to be received and become effective at the opening of business on the next Business Day.

12. Governing Law and Arbitration

- 12.1 This Guarantee and any non-contractual obligations arising out of or in connection herewith are governed by, and will be construed in accordance with, English law.
- 12.2 Any dispute, difference, controversy or claim arising out of or in connection with this Guarantee (including any dispute, difference, controversy or claim in relation to the execution, validity, interpretation, performance, breach or termination of this Guarantee and in relation to any non-contractual obligations arising out of or in connection with this Guarantee) (a “**Dispute**”) shall be finally and exclusively resolved by confidential arbitration in accordance with the Arbitration Rules of the LCIA (the “**LCIA Rules**”), which rules are deemed to be incorporated by reference into this Clause Schedule 1Part 112, as supplemented and/or varied by this Clause Schedule 1Part 112.2.
- (a) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall jointly nominate one arbitrator; the respondent(s), irrespective of number, shall jointly nominate the second arbitrator; and a third arbitrator, who shall serve as presiding arbitrator, shall be selected by the two party nominated arbitrators. For the avoidance of doubt, for the purpose of Article 8.1 of the LCIA Rules, the claimant(s), irrespective of number, and the respondent(s), irrespective of number, constitute two separate sides for the formation of the arbitral tribunal.
- (b) In the event that the claimant(s) fail to nominate an arbitrator in accordance with the LCIA Rules, such arbitrator shall be selected and appointed by the LCIA Court as soon as possible, preferably within 15 days of such failure. In the event that the respondent(s) fail to nominate an arbitrator in accordance with the LCIA Rules, such arbitrator shall be selected and appointed by the LCIA Court as soon as possible, preferably within 15 days of such failure. In the event that the arbitrators nominated by the claimant(s) and the respondent(s) fail to jointly nominate a presiding arbitrator within 30 days of the nomination of the second party-nominated arbitrator, such presiding arbitrator shall be selected and appointed by the LCIA Court as soon as possible, preferably within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate the respective arbitrators in accordance with the LCIA Rules, all three arbitrators shall be selected and appointed by the LCIA Court as soon as possible, preferably within 15 days of such failure, and the LCIA Court shall then designate one amongst them as presiding arbitrator.
- (c) The Emergency Arbitrator provisions of the LCIA rules shall not apply.
- (d) The seat (legal place) of arbitration shall be London, England and the language of the arbitration shall be English.
- (e) Where Disputes
- (i) as defined in the Deed of Covenant arise under the Deed of Covenant; and/or

- (ii) arise under the Notes or this Guarantee,

which, in the reasonable opinion of the first arbitral tribunal to be appointed in any of the Disputes referred to above, are so closely connected that it is just for them to be resolved in the same proceedings, that arbitral tribunal shall have the power to order that the proceedings to resolve that Dispute shall be consolidated with those to resolve any of the other Disputes (whether or not proceedings to resolve those other Disputes have yet been instituted or any other arbitral tribunals have yet been constituted). The first arbitral tribunal shall determine whether to order such consolidation on the application of either the claimant(s) or the respondent(s) to any party to any of the Disputes referred to above, and in making such determination shall take account of (i) the likelihood and consequences of inconsistent decisions if consolidation is not ordered, (ii) any failure on the part of the party seeking consolidation to make a timely application and (iii) the likely consequences of consolidation in terms of cost and time. If the first arbitral tribunal makes an order for consolidation, it will immediately, to the exclusion of any other arbitral tribunals, have jurisdiction to resolve finally each dispute which is a subject of the order for consolidation, and the parties to each Dispute which is a subject of such order for consolidation shall be treated as having consented to that Dispute being finally decided by such first arbitral tribunal and having waived any objection on the basis of such order for consolidation to the validity and/or enforcement of any arbitral award made by such first arbitral tribunal following the order for consolidation unless the LCIA Court decides that any member of such arbitral tribunal would not be suitable or impartial.

- (f) The jurisdiction of the Courts under sections 45 and 69 of the Arbitration Act 1996 is excluded.

12.3 To the extent that the Guarantor or any of its revenues, assets or properties are entitled, in England or any other jurisdiction where arbitral proceedings or court proceedings in support of arbitration or to enforce any arbitral award may at any time be brought against it or any of its revenues, assets or properties, to any immunity from suit, from the jurisdiction of any such court from set off, from attachment in aid of execution of a judgment with respect to an arbitral award, from execution of a judgment with respect to an arbitral award or from any other legal or judicial process or remedy (other than a pre-judgment attachment which is expressly not waived), and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Guarantor irrevocably agrees not to claim and irrevocably waives such immunity, to the fullest extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any arbitral proceedings or court proceedings in support of arbitration or to enforce any arbitral award). The Guarantor reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of or in the United States of America under any United States federal or State securities law.

12.4 The waiver of immunities referred to herein constitutes only a limited and specific waiver for the purposes of this Guarantee and under no circumstances shall it be interpreted as a general waiver by the Guarantor or a waiver with respect to proceedings unrelated to this Guarantee. Notwithstanding Clause Schedule 1 Part 112.3, the Guarantor has not waived such immunities in respect of any property which is (i) used by a diplomatic or consular mission of the Guarantor (except as may be necessary to effect service of process), (ii) of a military character and under the control of a military authority or defence agency, or (iii) located in Ukraine and dedicated to a public or governmental use (as distinct from property dedicated to a commercial use).

13. Currency Indemnity

- 13.1 The Guarantor agrees that if a judgment, order or award given or made by any court or arbitral tribunal for the payment of any amount in respect of this Guarantee is expressed in a currency (the “**Judgment Currency**”) other than in U.S. Dollars (the “**Denomination Currency**”), the Guarantor will pay any deficiency arising or resulting from any variation in rates of exchange between the date as of which the amount in the Denomination Currency is notionally converted into the amount in the Judgment Currency for the purposes of such judgment, order or award and the date of actual payment thereof.
- 13.2 This obligation constitutes a separate and independent obligation from the other obligations under this Guarantee, and will give rise to a separate and independent cause of action, will apply irrespective of any waiver or extension granted from time to time and will continue in full force and effect notwithstanding any judgment, order or award for a liquidated sum or sums in respect of amounts due in respect of this Guarantee or under any such judgment, order or award for a liquidated sum or sums in respect of amounts due in respect thereof or under any such judgment, order or award.

14. General

- 14.1 If any provision in or obligation under this Guarantee is or becomes invalid, illegal or unenforceable in any respect under the law of any jurisdiction, that will not affect or impair (i) the validity, legality or enforceability under the law of that jurisdiction of any other provision in or obligation under this Guarantee or (ii) the validity, legality or enforceability under the law of any other jurisdiction of that or any other provision in or obligation under this Guarantee.
- 14.2 This Guarantee may be executed and delivered in any number of counterparts, all of which, taken together, shall constitute one and the same deed and the Guarantor may enter into the same by executing and delivering a counterpart. Executed originals of this Guarantee have been delivered to each Clearing System and to the Fiscal Agent and shall be held to the exclusion of the Guarantor until the date on which this Guarantee ceases to be effective, as provided in Clause Schedule 1 Part 12.6 above. The Guarantor covenants with each Noteholder and each Relevant Account Holder on demand to produce or procure that there is produced an executed original hereof to such Noteholder or Relevant Account Holder, as applicable, and allow it to take copies thereof on demand at any reasonable time.
- 14.3 This Guarantee is executed in two languages: English and Ukrainian. In the event of a disagreement between the text of this Guarantee in English and the text of this Guarantee in the Ukrainian language, or in the event of a dispute concerning the interpretation of any of the provisions of the text of this Guarantee in English and the text of this Guarantee in the Ukrainian language, the text of this Guarantee in English shall prevail, and any questions relating to the interpretation will be considered exclusively in English.

IN WITNESS whereof this Guarantee has been executed as a deed by the Guarantor and delivered on the date first stated on page 1.

The Guarantor

**Ukraine (represented by the Minister of Finance of Ukraine acting upon the instructions of the Cabinet of Ministers of Ukraine)
as *Guarantor***

By:

Name:

USE OF PROCEEDS

The proceeds of the issue of the Notes will amount to U.S.\$700,000,000 (prior to any deduction of fees and/or expenses in connection with the issue and offering of the Notes) and will be used by the Issuer exclusively to finance construction, reconstruction, capital and routine medium repairs of public roads of state importance as per the lists approved by the Cabinet of Ministers of Ukraine resolutions No. 327 dated 2 April 2021 and No. 442 dated 28 April 2021, as well as to pay fees and/or expenses in connection with the issue and offering of the Notes in the amount not exceeding 1 per cent. of the principal amount of the Notes. The largest ten projects from such lists are summarised in “*Description of the Issuer – The Issuer’s Projects – Key Construction and Repair Projects*”.

DEVELOPMENT IMPACT

Ukraine connects several Asia-Europe transportation routes. As such, the country's transport infrastructure is key for its role as a trade hub for transit of goods and passengers between continents and the development of its local economy. In recent years, the rehabilitation, modernisation and maintenance of the road and roadside infrastructure has become one of the country's main priorities. Currently, the country relies on a network of 170,000 kilometres of roads, where quality enhancements could positively impact the efficiency of domestic businesses and the competitiveness of its economy.

In 2018, Ukraine's Logistics Performance Index, a composite index collected by the World Bank to measure the quality of trade and transport-related infrastructure was 2.22¹, which is below the median value of other World Bank eligible borrowing countries. Moreover, in 2019, the country's transport of goods by road was 172² billion tonne-kilometres and passenger volume by road was 140² billion passengers-kilometres, which compares to ~ 65 per cent. of the average cargo volume and ~ 30 per cent. of the average passenger volume in OECD countries³.

Accordingly, to address these challenges, the Issuer will focus on expanding Ukraine's road infrastructure and enabling development outputs, including without limitation, the following:

- **Improve the stock and quality of the country's road infrastructure by:**
 - Building approximately 770 kilometres of roads;
 - Repairing existing roads, which is anticipated to lead to an increase of the passenger and cargo volume by 3 per cent. per annum, as estimated by the impact of similar construction projects carried out in previous years;
 - Expanding transportation routes by focusing on the construction and repair of public roads of national importance, including artificial structures, routes connecting regional centres, main transit corridors, roads connecting international checkpoints, and tourist infrastructure facilities;
 - Adopting a roads maintenance schedule and establishing a warranty period during which the responsible contractor ensures the elimination of any defects; and
 - Adhering to local standards and recommendations related to: (i) design requirements; (ii) pedestrian crossings; (iii) traffic organization; (iv) lighting; (v) general technical requirements; (vi) road safety practices; and (vii) transport interchanges.
- **Advance environmental and social (E&S) practices by:**
 - Following the requirements of national legislation as well as the provisions of policies and standards of international financial institutions for environment and social risk management. This includes:
 - The Law of Ukraine "On Environmental Impact Assessment", based on the European Union Directive 2011/92/EU according to which the Issuer shall develop a comprehensive environmental impact assessment and obtain a positive opinion from the relevant body that implements the state policy for environmental protection. An integral component is the development of Environmental and Social Management Plans (ESMP), which will include the description of basic

¹ Source: World Bank World Development Indicators, 2018 (1=low to 5=high).

² Source: United Nations SDGs Indicators Database, 2019.

³ 37 OECD Member Countries.

conditions (e.g., air pollution, the presence of protected areas, water bodies, forests, etc.) for the impact of planned activities, identification of potential risks and the development of measures to prevent and mitigate them;

- Implementing the environmental and social management measures to comply with the standards of international finance institutions in light of the Issuer's cooperation with the IBRD, EBRD and EIB; and
 - Requiring the presence of an environmental and social specialist when selecting technical supervision consultants, and monitoring the compliance of contractors' actions with the ESMP.
- **Enhance governance practices by:**
 - Developing a stakeholder engagement plan and procedures for human resources management, labour protection, and environment and social commitment plans which will be disclosed for public consultation and published in official sources; and
 - Promoting transparency in the procurement process by carrying out all related procedures in accordance with the requirements of the Law of Ukraine "On Public Procurement" and through "PROZORRO", an open source government e-procurement system created as the result of a partnership between businesses, the government and the civil society.
 - **Promote employment and quality jobs by:**
 - Creating approximately 9,200 direct jobs during the construction and operation phases of projects. Of these: 80 per cent. is anticipated to be unskilled personnel, 20% is anticipated to be skilled personnel, including accountants, engineers and project managers;
 - Supporting approximately 27,000 jobs throughout the supply chain, including the production of crushed stones, and supply of paints and varnishes;
 - Adhering to national labour standards (which comply with ILO standards) and labour requirements by international finance institutions, including the preparation of a human resources management plan describing regulatory requirements for labour protection, ensuring proper living conditions for workers, and ensuring the functioning of a grievance mechanism for complaints received from the contractors' staff. In addition, the tender documentation for construction works shall contain requirements for contractors to develop and implement a strategy for environmental, social and health and safety management; and
 - Providing health and safety trainings for all workers and adopting HIV/AIDS and COVID-19 preparedness trainings for contractors' personnel.
 - **Promote gender inclusion by:**
 - Expecting ~30 per cent. of the skilled jobs that are anticipated to be created to be staffed by women.

Furthermore, the Issuer plans to report progress on the development outputs above through a report published annually on its website.

Alignment with the United Nations Sustainable Development Goals (SDGs)

The anticipated impact of the development outputs above align with the SDGs #3, #5, #8, and #9 in particular with the targets below:

- SDG Target 3.6: Halve the number of global deaths and injuries from road traffic accidents;
- SDG Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life;
- SDG Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value;
- SDG Target 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment;
- SDG Target 8.9: By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products; and
- SDG Target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

DESCRIPTION OF THE ISSUER

Establishment and Legal Ownership

The State Road Agency of Ukraine (Ukravtodor) is a central executive body in Ukraine. It is a part of the central executive system headed by the Cabinet of Ministers of Ukraine, which includes, as of the date of this Offering Circular, 20 ministries, 16 agencies (including the Issuer) and numerous other bodies. Generally, an agency in Ukraine is a specialised government office dealing with management of state property in a particular area, and is usually coordinated by the CMU through a relevant minister.

The Issuer was established pursuant to the executive order of the President of Ukraine “*On Measures to Increase the Efficiency of Road Management in Ukraine*” No. 1056/2001 dated 8 November 2001. The Issuer is a legal person established under and governed by Ukrainian public law. The principal offices of the Issuer are located at 9 Fizkultury Street, Kyiv, 03150, Ukraine.

Objectives

As a central executive body, the Issuer’s principal function is the overall coordination and regulation of road sector projects in Ukraine. Under the Ukravtodor Regulation and the Law of Ukraine “*On Roads*” dated 8 September 2005, the Issuer is responsible for construction and maintenance of state roads, whereas regional authorities manage local roads.

Management of Ukraine’s Road Network

Ukraine has an extensive road network, with a total length of approximately 170,000 kilometres, of which approximately 47,000 kilometres (28 per cent.) are state roads and approximately 123,000 kilometres (72 per cent.) are local roads.

The roads in Ukraine are divided into public roads, streets and roads of cities and other settlements, department (technological) roads and roads located on private territories.

Public roads are grouped into roads of state importance and roads of local importance. The length of public roads of state importance is 46,654 kilometres, of which 43,040 kilometres are located in the territory controlled by the Ukrainian authorities. Public roads of state importance comprise international (8,427 kilometres), national (6,588 kilometres), regional (8,103 kilometres) and territorial (19,923 kilometres) roads.

The following diagram shows Ukraine’s main road network by international, national and regional road class.



Source: World Bank, *Strategy for Prioritisation of Investments, Funding and Modernisation of Ukraine’s Road Sector*, Report No: AUS0000345, June 2018

Road conditions throughout Ukraine are relatively poor in comparison with more developed countries. According to the World Bank’s assessment as of 2018, more than 55 per cent. of roads of state importance in Ukraine required repairs. Ukraine’s lag in road infrastructure versus EU-15 countries account for about 80 per cent. according to a recent IMF report (Ari et al., 2020). The Issuer, in particular, as well as several other agencies within the Ukrainian government have been implementing plans to develop the nation’s road, rail, electricity and telecommunication systems (see, for example, “*Description of the Guarantor—Government Policies—Economic Policies—“Great Construction” Programme*” for more detail on the eponymous wide-scale infrastructure development programme announced by President Zelenskyy in 2020).

The table below sets out the length of state and local roads that were constructed or repaired in each of the years indicated:

	2016	2017	2018	2019	2020
			(in Kilometres)		
State Roads.....	743	1,408	1,412	847	4,056
Local Roads.....	168	557	1,127	1,050	1,961
Total.....	911	1,965	2,539	1,897	6,017

Source: Ukravtodor

The table below sets out spending on the national road network development as a percentage of Ukraine’s GDP:

2016	2017	2018	2019	2020
------	------	------	------	------

			(in Percentage)		
Percentage of Ukraine's GDP	0.5	0.6	1.0	1.2	2.8
Source: Ukravtodor					

In 2020, as reported by the State Statistics Service of Ukraine, freight turnover in Ukraine was 72.0 per cent. by rail, 26.7 per cent. by road and 1.2 per cent. by water (not including for the purposes of this calculation the turnover through pipelines). Passenger turnover in 2020 was 47.9 per cent. by road, 26.8 per cent. by rail and 25.3 per cent. by air (not including for the purposes of this calculation the turnover through urban transportation such as trams, trolleybuses and subways).

Statutory Objectives

The specific objectives and tasks of the Issuer are set out in the Regulation “*On the State Road Agency of Ukraine*”, approved by the Cabinet resolution No. 439 dated 10 September 2014 (the “**Ukravtodor Regulation**”). The Ukravtodor Regulation sets out four general objectives for the Issuer and outlines 27 specific tasks to implement these general objectives.

The four general objectives of the Issuer are:

- (1) Implementation of state policy regarding construction and maintenance of the state road network.

As part of that primary objective, an important area of the Issuer's work is the large-scale infrastructure development plan called “*Great Construction*” announced by President Volodymyr Zelenskyy in 2020. The “*Great Construction*” plan is focused on rebuilding Ukraine's transport infrastructure, as well as educational and healthcare facilities. Under the “*Great Construction*” plan, during 2020, 4,056 kilometres of state roads, 1,961 kilometres of local roads, 158 bridges, 114 schools, 101 sport facilities, 213 medical facilities, 25 weigh-in-motion sites were built or repaired. In addition, the service life of 500 kilometres of roads was extended and independent international technical supervision of 1,500 kilometres of road was undertaken.

The table below shows the breakdown of road works on state roads in 2020:

New construction and reconstruction	Capital repair	Routine medium repair	Other	Total
204	499	(in Kilometres) 2,815	538	4,056

Source: Ukravtodor

The Issuer largely oversees all road development projects within the “*Great Construction*” project. The “*Great Construction*” project is financed with budget allocations, funds from the State Road Fund and borrowings. See “*Description of the Guarantor—Government Policies—Economic Policies—“Great Construction” Programme*”.

- (2) Implementation of state policy in relation to safety standards for the state roads and carrying out of road safety audits.

Under the Law “*On Automobile Roads*”, the CMU and the Ministry of Infrastructure set the standards for road safety and develop road audit requirements. The Issuer is responsible for implementing those standards for public roads of state importance, and the regional administrations for public roads of local importance, respectively. The safety audits are carried out during the project development and pre-construction stages as well as every three years once the road is constructed. The Issuer also maintains the list of road accidents and is responsible for analysing the reasons for such accidents.

- (3) Making proposals to the Minister of Infrastructure of Ukraine on state policies regarding development of the state road network.

The Issuer makes proposals for the adoption and amendment of laws within its competence, including executive orders of the President of Ukraine, CMU regulations and orders of the Ministry of Infrastructure of Ukraine; and

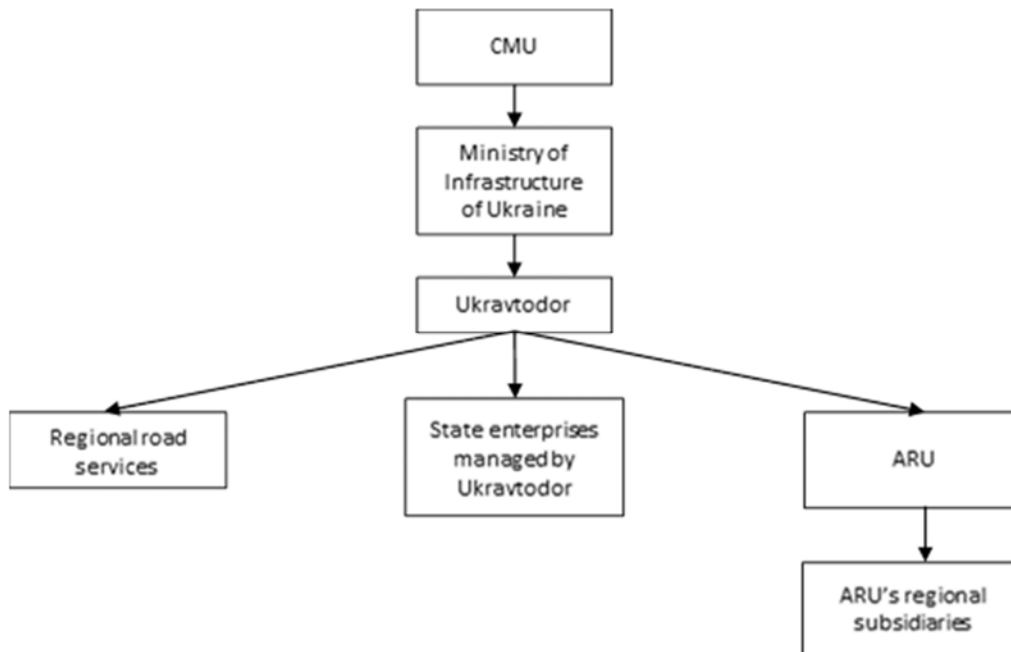
- (4) Management of state assets within its competence.

The Issuer acts as manager of state assets necessary for maintenance of the national road network. See “—*Management and Employees— Subordinates and Companies Managed by The Issuer*”.

In addition to the above general objectives, the Issuer is also responsible for accumulating and managing financial resources necessary to carry out its tasks. These include primarily the funds allocated to the Issuer in the annual State Budget of Ukraine, but may also include external and domestic borrowings made by the Issuer under a State guarantee. Apart from the Issuer and sovereign borrowings made by the Minister of Finance acting on behalf of Ukraine, no other central executive body in Ukraine is currently permitted to make borrowings.

Management and Employees

The chart below sets out the Issuer’s management structure:



Management Rights

The CMU directs and coordinates the activities of the Issuer through the Minister of Infrastructure of Ukraine. In particular, the CMU appoints and discharges the Head of Ukravtodor and deputies of the Head. The Minister of Infrastructure approves the Issuer’s action plan, a key programme document detailing the Issuer’s policy plans for a three-year period. The Issuer’s broader strategy is set out in the State Economic Program for the Development of National Road Network for 2018-2022 approved by the CMU Regulation dated 21 March 2018 No. 382. The Issuer reports to the Minister of Infrastructure and must comply with the instructions and the relevant orders of the Ministry of Infrastructure of Ukraine. The regional road services and subordinates report directly to the Issuer.

The distribution of management rights with respect to the Issuer is defined in the Ukravtodor Regulation. Daily management of the Issuer is performed by its Head, who has a First Deputy Head, a Deputy Head

and a Deputy Head for Digital Transformation. As of the date of this Offering Circular, Mr. Yevhen Kuzkin acts as the Acting Head and Mr. Andrii Pochtarov acts as the Deputy Head. The office of the Deputy Head for Digital Transformation is currently vacant. Oleksandr Kubrakov, the former Head of Ukravtodor, was recently appointed to the office of the Minister of Infrastructure of Ukraine.

The Issuer's Central Structure

The internal departments are the principal units of the Issuer. As of the date of this Offering Circular, the Issuer has seven departments: department for planning and accounting, department for road development, department for technical support and innovations, department for international cooperation, department for road safety, department for public procurement and legal department. In addition to the departments, the Issuer's structure includes several other units (such as divisions and sectors).

The CMU approves the maximum number of employees of the Issuer, while the Issuer approves its internal structure with the consent of the Minister of Infrastructure and approves the list of its employees with the consent of the Ministry of Finance of Ukraine. According to the list, as of May 2021, the Issuer can employ up to 139 employees. At of the date of this Offering Circular, the Issuer has 124 employees.

In 2020, the Issuer entered into a renewed agreement with the trade union of the automobile transport and road industry workers for 2020-2022, which contemplates an 11.1 per cent. increase in salaries and social benefits (compared to the prior two-year agreement for 2018-2020). In addition, in April 2021, the Ministry of Economy approved changes to the above mentioned agreement, involving a 20 per cent. increase in salaries as compared to 2020.

Subordinates and Companies Managed by the Issuer

The Issuer has a central office in the city of Kyiv and 26 regional road services in all Ukrainian regions. The services report to the Issuer. Their function is to procure specific road construction projects and repair works in their particular region, as well as to manage budget funds allocated for that purpose.

Under the Law of Ukraine “*On Management of State Property*”, the Issuer manages, on behalf of Ukraine, the State's shares in several companies, including 100 per cent. of the shares in the Joint Stock Company “Automobile Roads of Ukraine” (the “**ARU**”). The ARU is the largest company managed by the Issuer and is involved with construction of roads and repair works. The ARU is governed by a board of directors who are appointed by ARU's supervisory board (which includes representatives of the State and independent directors). The ARU is involved in the road construction and rehabilitation works and, to that end, participates in the Issuer's procurement procedures through the ProZorro system, with the same status as private contractors. The ARU has 31 subsidiaries, including subsidiaries in each Ukrainian region, such as Road Repair and Construction Management Office No. 100, House Operation Management Office, Zakhiddorvybukhprom, Recreation Center “Pansionat Dorozhnyk”, as well as Recreation Complex “Podillia”.

The Issuer also manages several state enterprises which are responsible for supervising and conducting technical conditions examination of the roads, research and development, engineering and design of the roads. These include the Main Bridge Test Station for Examination and Supervision of Technical Condition of Bridge Structures “Ukrholovmostoekspertyza”; the State Research and Technical Centre for Road Products Quality Inspection and Certification “Dor'Yakist”, “M.P. Shulhin State Road Research Institute”, Ukrainian State Institute for Design of Road Sector Projects “Ukrdiprodor”, Ukrainian State Design and Technological Institute of Transport Construction, Ukrainian State Institute “Ukrdiprobudmist”, Kyiv Bridge Construction Research Laboratory, Training centre for training and advanced training, V.T. Huts Medical and Rehabilitation Centre for participants in the rectification of the Chernobyl accident aftermath and Ukrainian Road Investments, State Enterprises “New Technologies of Road Construction” and “Ukrdorinvest”.

Since 2014, the Issuer's assets in the Autonomous Republic of Crimea and parts of Donetsk and Luhansk regions have been temporarily outside of the Issuer's control. See "*Description of the Guarantor—International Relations—Events following the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict—Illegal Occupation of Crimea*" for more detail on the conflict in the region.

Funding

Proceeds from the Issuer's borrowings are accumulated in the State Road Fund, a special fund created pursuant to the Budget Code on 1 January 2018. Under the Budget Code, revenues of the State Road Fund include, among others: a portion of fuel tax, excise duty on cars, import duties on petrol products, vehicles and tires, overweight fines, borrowings made to finance development of the national road network, concession and toll road payments, as well as fines for violation of certain traffic laws. These revenues are paid by road users. Borrowings received by Ukraine, or by the Issuer under sovereign guarantees for the development of the network and maintenance of public roads, are also included in State Budget revenues and constitute part of the State Road Fund. In 2020-2021, the sources of financing the road sector were supplemented by the following sources:

- 50 per cent. of revenues from fines for exceeding dimensional and weight standards (except for fines for automatically recorded violations);
- 50 per cent. of revenues from fines for administrative offenses: drivers' non-compliance with the requirements for stopping and violating the traffic rules for large and heavy vehicles on the roads, streets or railway crossings (except for fines for automatically recorded violations);
- concession fees paid in the case of construction and operation of public roads on the concession terms.

The establishment of the State Road Fund and fixing its revenues pursuant to Ukraine law have generally made the Issuer's cash inflows more predictable compared to the rules and practice from before 1 January 2018. In addition, the 2018 Budget Code determined, as a matter of law, that these funds will be primarily used to service the Issuer's debt obligations, with the remainder distributed between projects to develop roads of state importance, roads of local importance and road safety measures.

Pursuant to the Budget Code, revenues of the State Road Fund are required to be distributed in the following order and allocation:

- First, expenditures for the fulfilment of debt obligations, including the Notes, in accordance with the terms and conditions of the respective borrowings;
- Second, the remaining funds available with the State Road Fund are distributed as follows:
 - 60 per cent. to the Issuer, which are used to finance the construction, reconstruction, repair and maintenance of public roads of state importance;
 - 35 per cent. to regional administrations (by means of a transfer (subvention) from the State Budget to local budgets) and are used as financial support for construction, reconstruction, repair and maintenance of public roads of local importance, streets and roads of communal property in settlements; and
 - 5 per cent. go to the Ministry of Infrastructure of Ukraine and are used for financing of activities aimed at ensuring road safety in accordance with state programs.

The table below details the amounts of budgetary funds allocated to the Issuer and utilised by the Issuer for the years 2016 to 2020, and the budgeted and projected funds for 2021 and 2022. As referenced in the

below table, general fund revenues are those that are received by the Issuer from the general part of the State Budget of Ukraine (i.e., State Budget funds that are not associated with a particular purpose and are used in accordance with the State's current needs). Special funds revenues are funds received by the Issuer from a particular identified source. See also “*State Budget of Ukraine and Tax Policy—State Budget Key Parameters*” on the split between the general fund and the special fund in the State Budget of Ukraine.

	Year ended 31 December											
	2016		2017		2018		2019		2020		2021	2022
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget ⁽¹⁾	Projected
	(in UAH million)											
Revenues	20,507.5	16,965.7	24,549.8	21,904.4	45,648.8	41,033.8	57,274.7	53,919.0	126,480.3	121,345.9	78,196.3	81,821.1
General fund	13,909.4	13,404.8	1,910.9	1,898.1	6,457.5	6,441.8	842.8	820.5	29,582.8	28,413.7	415.0	69.3
Special fund ⁽²⁾	6,598.1	3,560.9	22,638.9	20,006.3	39,191.3	34,592.0	56,431.9	53,098.5	96,897.5	92,932.2	77,781.3	81,751.8
including												
As of the beginning of the year	-	-	61.0	-	-	783.3	1,920.2	2,543.1	-	4,321.2	9,301.7	-
Excise tax on produced goods (fuel and vehicles)	-	-	2,811.9	2,394.2	5,469.6	4,682.0	8,379.6	7,016.2	11,100.6	10,466.5	9,538.8	13,375.1
Excise tax on imported goods (fuel and vehicles)	-	-	10,157.1	10,319.4	22,669.4	22,538.9	34,480.9	34,161.0	47,342.8	42,432.3	46,147.4	53,285.2
Fuel and vehicle levies	-	-	1,391.3	1,422.8	3,142.6	2,390.6	5,514.8	5,009.4	7,317.7	7,107.0	8,164.6	9,493.0
Toll payments by trucks	-	-	4.5	3.5	16.5	52.7	26.8	35.8	19.1	49.4	24.0	24.0
Administrative fines	-	-	-	-	-	-	3.0	0.04	14.3	18.2	16.8	52.8
Other sources (Confiscated funds, gambling licences proceeds)	-	-	1,000.0	843.0	2,000.0	-	1,036.1	-	500.0	-	-	-
Ukravtodor's borrowings	2,216.7	1,686.0	3,349.0	3,284.1	515.2	422.2	93.0	74.5	23,542.5	22,824.4	0.0	0.0
State borrowings allocated to the special fund to finance road development project	4,381.4	1,875.0	3,864.5	1,739.3	5,378.0	3,722.3	4,977.7	4,258.5	7,060.6	5,713.1	4,588.0	5,521.7
Expenditures	20,507.5	16,965.7	24,549.8	21,904.4	45,648.8	41,033.8	57,274.7	53,919.0	126,480.3	121,345.9	78,196.3	81,821.1
Expenditures to finance Ukravtodor activities	20,507.5	16,965.7	24,549.8	21,904.4	34,099.0	30,188.3	42,578.4	39,242.7	102,433.2	97,298.8	56,793.5	59,445.7
including												
National road network management	11.2	11.2	45.9	45.4	56.7	56.6	56.3	55.7	69.1	69.0	167.0	69.3
National road network development (2016 and 2017 figures also include local roads) ..	10,514.7	9,544.6	15,720.6	15,217.1	23,298.3	21,049.5	30,075.0	28,153.9	89,692.9	86,138.0	37,278.5	38,357.8
Debt obligations	5,600.2	5,535.0	4,918.8	4,902.6	5,366.0	5,359.9	7,469.4	6,774.6	5,610.6	5,378.7	14,760.0	15,496.9
Highway development and road network reform (Joint projects with IFIs and foreign governments)	4,381.4	1,874.9	3,864.5	1,739.3	5,378.0	3,722.3	4,977.7	4,258.5	7,060.6	5,713.1	4,588.0	5,521.7
Transfers (subventions) to local budgets	-	-	-	-	11,549.8	10,845.5	14,696.3	14,676.3	24,047.1	24,047.1	21,402.8	22,375.4

Notes:

(1) As adopted by the Law on the State Budget of Ukraine for 2021 on 15 December 2021.

(2) Special fund revenues shown in this table constitute the State Road Fund as referred to above.

This table only reflects the data recorded with the State Budget of Ukraine (or its implementation plan, In Ukrainian: *rozpys*). The Issuer's borrowings are only recorded with the State Budget once the Issuer actually receives the respective funds. Accordingly, the Notes and any other borrowings, which as of the date of this Offering Circular were contemplated by the Issuer but the proceeds of which were not yet received, are not reflected in this table.

The table below shows the *pro forma* figures if the issue of the Notes were included in the 2021 budget:

Year ended 31 December

	2021 Budget⁽¹⁾ <i>(in UAH Million)</i>
Revenues.....	97,215.3
General Fund.....	415.0
Special fund⁽¹⁾.....	96,800.3
<i>including</i>	
As of the beginning of the year	9,301.7
Excise tax on produced goods (fuel and vehicles)	9,538.8
Excise tax on imported goods (fuel and vehicles)	46,147.4
Fuel and vehicle levies).....	8,164.6
Toll payments by trucks	24.0
Administrative fines	16.8
Other sources (Confiscated funds, gambling licences proceeds).....	-
Ukravtodor's borrowings.....	19,019.0 ⁽²⁾
State borrowings allocated to the special fund to finance road development project	4,588.0
Expenditures	97,215.3
Expenditures to finance Ukravtodor activities.....	75,812.5
<i>Including</i>	
National road network management	167.0
National road network development (2016 and 2017 figures also include local roads).....	56,107.3
Debt obligations	14,950.2
Highway development and road network reform (Joint projects with IFIs and foreign governments).....	4,588.0
Transfers (subventions) to local budgets	21,402.8

Notes:

- (1) Special fund revenues shown in this table constitute the State Road Fund as referred to above.
- (2) This is the value of the Notes, which is equivalent to U.S.\$700,000,000 at the official exchange rate of the NBU as at 18 June 2021. The information in the table provides only indicative amounts and may differ from the actual UAH equivalent of the Notes proceeds received by the Issuer as of the foreign currency conversion date.

Current debt obligations of the Issuer to finance the road construction projects in Ukraine

As of 31 December 2020, the Issuer had approximately UAH 65.5 billion of outstanding debt obligations to be serviced from the State Road Fund, including approximately UAH 42.1 billion (64.2 per cent.) owed to various IFIs (via sub-loan agreements with the Ministry of Finance as described below), approximately UAH 19.2 billion (29.3 per cent.) in outstanding domestic bonds, and approximately UAH 4.3 billion (6.5 per cent.) owed to Ukrainian state-owned banks.

In 2020, the Issuer issued domestic bonds in the amount of UAH 19.3 billion, with a sovereign guarantee from Ukraine, of which UAH 19.2 billion were placed. In addition, in 2020, the Issuer entered into loan agreements with three Ukrainian banks, under state guarantee in the total amount of UAH 4.3 billion.

In addition, Ukraine and a number of IFIs have entered into the following loan agreements in respect of the road development projects to be managed by the Issuer. The borrower under these loan agreements is Ukraine, and the Issuer reimburses the Ministry of Finance under respective sub-loan agreements. These loans, as well as the domestic borrowings of the Issuer referenced above, are serviced from the State Road Fund. Ukraine has signed a number of loan agreements with IFIs for a total amount of EUR 1.1 billion to finance road projects, which were not drawn as of 31 December 2020.

Improvement of Transport and Operational Conditions of Road Approaches to Kyiv (EBRD and EIB)

On 26 November 2010, the EBRD and Ukraine signed the loan agreement entitled "Improvement of Transport and Operational Conditions of Road Approaches to Kyiv" in the amount of EUR 450.0 million. On 27 May 2011, the EIB and Ukraine signed a loan agreement providing for joint financing in the amount of EUR 450.0 million. The Issuer signed project agreements with the EBRD and EIB on 26 November 2010 and 27 May 2011, respectively. The proceeds of the loans were used to finance roads between Kyiv and

Chop, Kyiv, Kovel and Yahodyn, Kyiv and Odesa, Kyiv and Znamianka. As at the end of May 2021, EUR402.4 million (89.4 per cent.) was disbursed under the EBRD loan and EUR212.9 million (47.3 per cent.) was disbursed under the EIB loan.

Second Roads and Safety Improvement Project (IBRD)

The IBRD and Ukraine signed the loan agreement dated 11 October 2012 in the amount of EUR 450.0 million. The IBRD and the Issuer entered into the project agreement dated 11 October 2012. The project funds are allocated for repair of roads between the cities of Kyiv, Kharkiv, and Dovzhansky, as well as for implementation of safety measures for road M-12 Stryi-Ternopil-Vinnytsia-Kropyvnytskyi-Znamianka. The loan has been fully disbursed.

Road Sector Development Project (IBRD)

In February 2016, the IBRD signed a loan agreement with Ukraine in the amount of U.S.\$560.0 million for the purposes of implementing the Road Sector Development Project (although U.S.\$222.2 million of this was cancelled subsequently). The proceeds of this loan are intended to finance a reconstruction of approximately 108 kilometres of the road between the cities of Kyiv, Kharkiv, and Dovzhansky, including reconstruction of the existing road, implementation of safety measures for road traffic, creation of new jobs, reduction of expenses for transit of cargo and passengers and reduction of overall damage caused by road accidents. As at the end of May 2021, U.S.\$188.6 million (55.8 per cent.) from this loan has been disbursed.

Development of the Trans-European Transport Network (EBRD and EIB)

In December 2020, Ukraine, EIB and the EBRD signed a loan agreement for the implementation of the project “Development of the Trans-European Transport Network” in the amount of EUR 900.0 million (EUR 450 million each from EBRD and EIB). The proceeds of this loan are intended to finance the reconstruction of the road between the cities of Kyiv and Odesa, as well as Lviv circle road. As of May 2021, no funds from this loan have been disbursed.

Ukraine Transport Connectivity - Phase I (EIB and EU)

On 17 December 2018, the EIB and Ukraine signed a financial agreement entitled “Ukraine Transport Connectivity - Phase I” in the amount of EUR 100.0 million, of which EUR 50.0 million was to be provided by the EIB, and EUR 50.0 million was to be received from the European Union as a grant. The proceeds of this loan are intended to finance the construction of Ternopil circle road, several road junctions in Rivne and Lviv regions and installation of transport management and control systems. As of May 2021, no funds from this loan have been disbursed.

Eastern Ukraine: Reconnect, Recover, Revitalise (3R) Project (EIB and IBRD)

On 9 December 2020, the EIB and Ukraine signed a financial agreement entitled “Eastern Ukraine: Reconnect, Recover, Revitalise (3R) Project” in the amount of EUR 100.0 million. The IBRD loan agreement dated 17 December 2020 contemplates a U.S.\$100 million financing to improve road connections between the cities of Chuhuyiv and Milove, Svatove, Lysychansk and Luhansk, and Starobilsk and Bakhmut. As of May 2021, no funds from either of these loans have been disbursed.

For an overview of the IFI-funded projects in Ukraine, including in the road infrastructure sector, see “*Description of the Guarantor—International Relations—International Financial Institutions*”.

The table below shows debt service (including principal and interest payments, commissions and other debt service payments) in respect of the Issuer’s existing debt and debt contracted with IFIs but not yet drawn as of the date of this Offering Circular in respect of projects currently being implemented (on the

assumption that drawdowns occur in accordance with the agreed implementation schedule with the relevant lender):

Year	Debt owed to IFIs	Outstanding domestic bonds	Debt owed to Ukrainian state-owned banks	Total ⁽¹⁾
<i>(in UAH thousand)</i>				
2021	5,294,224.7	7,425,590.9	1,001,793.9	13,721,609.5
2022	6,649,346.6	6,168,585.7	985,197.7	13,803,130.0
2023	6,441,256.0	3,635,258.8	1,231,122.0	11,307,636.9
2024	6,518,522.9	3,960,957.5	1,119,580.9	11,599,061.2
2025	8,002,501.8	2,199,342.6	1,007,500.7	11,209,345.0
2026	7,156,873.8	-	391,094.9	7,547,968.7
2027	7,631,371.6	-	347,900.2	7,979,271.8
2028	7,609,262.6	-	-	7,609,262.6
2029	7,128,055.9	-	-	7,128,055.9
2030	6,536,780.2	-	-	6,536,780.2
2031+	41,565,299.3	-	-	41,565,299.3
Total⁽¹⁾	110,533,495.3	23,389,735.5	6,084,190.3	140,007,421.2

Notes:

(1) Including principal repayment and interest payment. The amounts in this table were converted to UAH on the basis of the Ministry of Finance exchange rate forecasts as of May 2021.

COVID-19 Funding and Spending

In 2020, the Issuer received funds amounting to UAH 26.2 billion, of which UAH 25.7 billion were used to finance the construction, reconstruction, repair and maintenance of public roads of state importance, in order to help reduce unemployment, caused by changes in the economy due to COVID-19, and to improve transport links for timely medical care and to facilitate extensive testing for COVID-19.

Ukraine's economy in general, has been affected by the restrictions and quarantine measures adopted in Ukraine for COVID-19 (see "*Risk Factors – Risk Factors relating to the Guarantor – The economic effects of the outbreak of the coronavirus pandemic have had and could continue to have an adverse effect on Ukraine's economy*"). However, the Issuer has not recorded any critical cases of disease outbreaks or disruptions in the work progress and work quantities as part of new construction, reconstruction or capital and routine repairs. The policies for office workers (both within the Issuer and in regional services) has been organised to allow remote working, to reduce possible contacts in public transport, and the work of construction teams has been organised to minimise interactions of the team. Further, necessary arrangements have been put in place to reduce the spread of COVID-19, including systematic disinfection of surfaces and premises, measurement of employees' temperature and delivery of workers to the work place.

Financial Reporting

As a central executive body in Ukraine, the Issuer is subject to special financial and budgetary reporting procedures, as well as to Ukrainian national accounting standards approved by the Ministry of Finance of Ukraine. The Issuer does not prepare financial reports in accordance with IFRS or any other internationally recognised accounting standard.

The Issuer submits its financial reports according to the Procedure for Financial Reporting approved by the Cabinet resolution No. 419 dated 28 February 2000, as well as several general orders passed by the Ministry of Finance of Ukraine.

Financial reports are submitted through an automated system called “E-Reporting” to the State Treasury Service and are published on its official website. The financial reports of the Issuer’s subordinates and enterprises controlled by it are published quarterly on the governmental open data portal.

The Issuer has an internal audit and analysis department, which develops an annual audit plan to be approved by the Head of Ukravtodor. In addition, the Issuer is subject to annual and spot audits by other Ukrainian authorities exercising control and review functions, such as the Accounting Chamber (in Ukrainian: Rakhunkova Palata) and the State Audit Service (in Ukrainian: Derzhavna Audytorska Sluzhba). The Issuer’s fiscal year runs from 1 January to 31 December.

Material Contracts

Given the Issuer’s status and objectives (see “—*Establishment and Legal Ownership*” and “—*Objectives*” above), the Issuer itself rarely acts as a contractual party in connection with road development in Ukraine. Instead, the vast majority of the construction and other related contracts in connection with specific road development projects are made between the regional road services, which are subordinated to the Issuer (see “—*Management and Employees*” for details), and the relevant contractors. For example, as of the date of this Offering Circular, the Issuer’s regional road services had more than 500 contracts related to various works on specific projects.

As of the date of this Offering Circular, the contracts entered into by the Issuer itself consist broadly of three groups:

- project agreements that the Issuer has signed with IFIs in connection with projects financed by these IFIs, and contracts with contractors under these projects;
- borrowings under sovereign guarantees and sub-loan agreements with the Ministry of Finance regarding debt obligations under loan agreements between Ukraine and IFIs; and
- various rent, employment, procurement and other similar contracts, which the Issuer routinely makes in the normal course of its activities as a government agency.

Project Agreements

As of the date of this Offering Circular, the Issuer has six project agreements in effect, signed with IFIs such as the EBRD, IBRD and EIB. The purpose of such project agreements is to regulate certain project implementation covenants that the Issuer assumes in relation to the particular projects as the agency principally in charge of implementing these projects. The covenants typically include setting up a dedicated project implementation unit, anticorruption obligations, environmental covenants, and others. The project agreements may also include certain rights of the IFIs in the case of non-compliance by the Issuer. The borrower under these loan agreements is Ukraine.

The project agreements with the EBRD dated 26 November 2010 and 18 December 2020 contain certain covenants restricting the Issuer from incurring material additional financial obligations or indebtedness. The Issuer has obtained a consent from EBRD to raise additional borrowings in respect of the offering of the Notes. See “— *Current debt obligations of the Issuer to finance the road construction projects in Ukraine – Improvement of Transport and Operational Conditions of Road Approaches to Kyiv (EBRD and EIB)*”.

The Issuer's Projects

In total, construction, reconstruction, capital repairs and routine repairs of a total length of 4,056 kilometres of state roads were carried out from various sources of funding for 2020, and 158 artificial structures were completed within the framework of the National Bridge Rehabilitation Program.

The Issuer intends to finance construction, reconstruction, capital and routine medium repairs of public roads of state importance, marked in red in the picture below:



Source: Ukravtodor

Key Construction and Repair Projects

The following road construction and repair projects are being financed, at least in part, by the proceeds of the Notes (see “*Use of Proceeds*”):

- Motorway across the Dnipro River in the city of Zaporizhia – continuation of construction of the motorway across the Dnipro River in the city of Zaporizhia. Projected total costs amount to UAH 12.3 billion. There is currently no budgeted allocation to this project for 2021, although it is possible a specific budget for the project will be allocated later in the year.
- M-30 Road Stryi - Izvaryne – the flagship project of 2021 dedicated to the 30th anniversary of Ukraine’s Independence. The road will become a high-speed corridor between the western and eastern regions of Ukraine. This will be the longest highway in the country, despite the fact that some parts are now located in the temporarily occupied territory. The continuation of repair works on the road is expected to be almost 1,400 kilometres, of which 532 kilometres have already been rehabilitated in 2020, and the rehabilitation of another 630 kilometres is planned for 2021. Projected total costs amount to UAH 21.7 billion, and costs allocated for 2021 amount to UAH 2.5 billion.

- N-31 Dnipro - Reshetylivka – in 2021, the construction of a modern route between Kyiv and Dnipro is expected to be completed. The length of the new road within the Poltava oblast will be 79.4 kilometres and within the Dnipropetrovsk oblast 58.1 kilometres. Projected total costs amount to UAH 30.1 billion and costs allocated for 2021 amount to UAH 1.4 billion.
- M-03 Road Kyiv - Kharkiv – Dovzhanskyi – continuation of repair works on M-03 Road Kyiv – Kharkiv – Dovzhanskyi in Poltava, Kharkiv and Donetsk oblasts. Projected total costs amount to UAH 14.5 billion and costs allocated for 2021 amount to UAH 999.0 million.
- M-19 Road Domanove (towards Brest) - Kovel - Chernivtsi - Terebleche (towards Bucharest) – continuation of repair works on M-19 Road Domanove (towards Brest) - Kovel - Chernivtsi - Terebleche (towards Bucharest) in Volyn and Ternopil oblasts. Projected total costs amount to UAH 2.6 billion and costs allocated for 2021 amount to UAH 396.0 million.
- M-21 Road Vystupovychi - Zhytomyr - Mohyliv-Podilskyi (through Vinnytsia) – continuation of repair works on M-21 Road Vystupovychi – Zhytomyr – Mohyliv-Podilskyi (through Vinnytsia) in Vinnytsia oblast. Projected total costs amount to UAH 2.7 billion and costs allocated for 2021 amount to UAH 1.1 billion.
- M-25 road Checkpoint “Solomonovo” - Velyka Dobron - Yanoshi with access to the Checkpoint “Kosyny” road – continuation of repair works on M-25 Road Checkpoint "Solomonovo" - Velyka Dobron - Yanoshi with access to the Checkpoint “Kosyny” in Zakarpattia oblast. Projected total costs amount to UAH 1.1 billion and costs allocated for 2021 amount to UAH 435 million.
- N-01 road Kyiv - Znamianka – repair of N-01 Road Kyiv - Znamianka in Kyiv and Cherkasy oblasts. Projected total costs amount to UAH 4.4 billion and costs allocated for 2021 amount to UAH 575 million.
- N-09 road Mukachevo - Rakhiv - Bohorodchany - Ivano-Frankivsk - Rohatyn - Bibrka - Lviv – continuation of repair works on N-09 road Mukachevo - Rakhiv - Bohorodchany - Ivano-Frankivsk - Rohatyn - Bibrka – Lviv. Projected total costs amount to UAH 4.0 billion and costs allocated for 2021 amount to UAH 240 million.
- N-16 road Zolotonosha - Cherkasy - Smila – Uman – Continuation of repair works on N-16 road Zolotonosha - Cherkasy - Smila – Uman in Cherkasy oblast. Projected total costs amount to UAH 4.1 billion and costs allocated for 2021 amount to UAH 670 million.

Other Current Projects

The other current key projects of the Issuer include the following:

- Roads towards the borders – in 2021, more than 250 kilometres of roads in checkpoint directions are being rehabilitated. The goal to be achieved is 650 kilometres of rehabilitated roads by the start of 2023.
- Cement Concrete Road Development Program – involves rehabilitation of almost 350 kilometres of cement concrete roads. Among the key projects are the road towards the port of Odesa, M-14 Odessa - Melitopol - Novoazovsk, as well as R-55 Road Odesa - Voznesensk - Novyi Buh. The latter is being rehabilitated to the length of 135 kilometres. The rehabilitation of southern roads is prioritised, as the climate is hotter and cargo traffic is more intensive.
- The Kyiv - Chisinau route – involves rehabilitation of almost 140 kilometres of R-08 Road Nemyriv - Yampil, including the construction of a bridge over the Dniester River and the 1.6 kilometre long approach.

- The Small Carpathian Circle – repair of 248.9 kilometres of roads of state importance, which lead to tourist sights and 36 artificial structures. The aim of the project is to improve the tourist infrastructure in the mountains. The project covers 6 sections that run through the central part of the Carpathians in Lviv, Ivano-Frankivsk and Zakarpattia oblasts.
- Eastern Corridors – this includes rehabilitation of the infrastructure of eastern Ukraine in 2021. In total, this covers 532.6 kilometres of roads in Luhansk and Donetsk oblasts.
- Kharkiv Bypass – 58 kilometres of bypass road will be subject to capital repair in 2021-2022. The state is investing UAH 1.8 billion in this infrastructure project. The funds will be used by the contractors to build a European-style highway.
- Great Road and Bridge Projects –
 - Completion of the construction of the Southern bypass of the Dnipro city;
 - Construction and reconstruction of M-28 Road Odesa - Yuzhnyi - / M-14 / with access to the port of Odesa; and
 - A number of transportation routes.

The map below shows the Issuer’s construction and repair works in 2020 and prioritised works in 2021:



Planned Road Projects

By 2025, the Issuer plans to complete the renewal of the main network of state roads (international, national and regional roads), as well as parts of territorial roads that have the highest socio-economic impact indicator, as follows:

- Kyiv Ring Road – the design of the first two sections is currently underway and tenders have been announced for the other three sections. The first construction works will commence in 2021. It is envisaged that it will be a semi-ring route around Kyiv, which will start from M-07 Road Kyiv - Kovel and pass through M-05 Road Kyiv - Odessa, N-01 Road Kyiv - Znamianka, N-08 Road

Boryspil - Mariupol, M-03 Road Kyiv - Kharkiv - Dovzhanskyi, bypass the city of Brovary and go towards M-01 Road Kyiv - Chernihiv - Novi Yarylovychi. The total length of the road will be almost 150 kilometres. With stable funding, the construction of the road is planned to be completed in four to five years. This will help remove traffic from the capital city and allow transit cars to move comfortably around the country.

- Road construction of Kremenchuk bypass section with a bridge crossing over the Dnipro River – a new bridge with approaches to be constructed near the existing bridge, which is currently in pre-emergency condition. The bridge will be cable-stayed with four lanes, with two lanes in each direction. Together with the interchanges, the length of the bridge will reach 3 kilometres.
- Rehabilitation of M-05 Road Kyiv - Odesa – a project that will be implemented by the Issuer jointly with the EBRD. The project will rehabilitate more than 310 kilometres of roads.
- Construction and reconstruction of the route Krakovets - Lviv - Brody – a project funded by the EBRD and other investors. The length of the entire route is 164.6 kilometres. The project plans to cover:
 - construction and reconstruction of 62 kilometres of the route from Krakovets to the North Bypass of Lviv;
 - construction of 24 kilometres of the North Bypass of Lviv within the framework of cooperation with the EBRD; and
 - reconstruction of 78.6 kilometres of the route from the North Bypass of Lviv to Brody.
- Public-Private Partnership in the road sector – these are six pilot projects with a total length of 1,398 kilometres:
 - section of M-03 Road from Boryspil to Poltava;
 - part of M-06 Road from Kyiv to Rivne;
 - route from Dnipro to Kryvyi Rih and Mykolayiv (M-04, N-11);
 - route Yahodyn - Kovel - Lutsk (M-07, M-19);
 - route Kharkiv - Dnipro - Zaporizhia (M-29, M-04, M-18); and
 - part of M-14 Road from Kherson to Mykolayiv.

Reforms in the Road Sector

Regulatory Reforms

Public-Private Partnership Projects

Draft laws “On Amendments to the Budget Code of Ukraine on the Administration of the Budgetary Relations During the Implementation of the Public-Private Partnership Contracts, Including Concession Contracts” (*Regulation No. 5090 of 17 February 2021 and Regulation No. 5090-1 of 26 March 2021*) are under consideration in the Parliament of Ukraine. The law envisages enhancement of conditions to attract increased foreign direct investment in the public-private partnership projects by introducing a concept of long-term commitment or concession under the public-private partnership. The project is being implemented with the World Bank. The concept notes were developed with the International Finance Corporation and sent to the relevant ministries for their consideration. There are six pilot projects under

consideration and preparatory work for each is expected to be completed by end of 2021. Memorandums on construction of roads in Western Ukraine under concession model or public-private partnership have been signed with two largest players of the Ukrainian road works market. These partnerships are expected to help in attracting U.S.\$1-2 billion of private investments to the road sector of Ukraine in 2021-2024.

Increased Taxation of Liquefied Natural Gas

In Ukraine, liquefied natural gas is taxed disproportionately lower than gasoline or diesel fuel. Such inadequacy is addressed in draft law No. 4098 dated 15 September 2020 on amending the Tax Code of Ukraine to balance the fuel tax rates. As of the date of this Offering Circular, the draft law is being considered by Parliament. The Ministry of Finance estimates that the adoption of the draft law would lead to an additional U.S.\$120 million per year to the State Road Fund.

Anti-corruption Programme with EBRD

Since March 2021, the Issuer has been working in close collaboration with the Basel Institute on Governance (Switzerland), an EBRD consultant, on the Anticorruption Gap Analysis to develop the Anticorruption Action Plan. This strategic document will be based on ISO 37001 on Anti Bribery Management Systems, Transparency International's Business Principles for Countering Bribery, Transparency International's 10 Anti-Corruption Principles for State-Owned Enterprises, and the OECD Guidelines for State-Owned Enterprises. This Plan is a unique endeavour for the Ukrainian public agencies, and it is structured in a way as to strengthen the Issuer's integrity policies and procedures as well as to reduce corruption in its overall operations. As of the date of this Offering Circular, the Issuer planned to complete the development of the programme by the end of 2021.

Recent and Upcoming Developments in the Roads Sector

State Target Economic Development Program of Public Roads of State Importance for 2018-2022

In 2018, the CMU approved the State Target Economic Development Program of Public Roads of State Importance for 2018-2022 (the "EDP"). The EDP was developed in co-operation with the World Bank. The objective of the EDP is the rehabilitation and development of public roads of state importance to facilitate their integration into the European transport system and to increase traffic safety, speed, comfort and efficiency of transportations. As a first option, the EDP envisages financing of the rehabilitation and development works only with the use of the State Budget funds. The second option is to mainly finance new construction and rehabilitation of roads under the funds of international financial institutions and investors, with repairs and operational maintenance to be financed from the State Budget, international financial institutions and other sources not prohibited by law.

Tolling System

The Issuer is also working with the World Bank on the introduction of the tolling system based on the Global Navigation Satellite System, to charge heavy goods vehicles for their use of the national roads. In the initial stage, the tolling system is expected to cover 12,000 kilometres of the state roads and toll payments will apply only to vehicles with a total weight of more than 12 tonnes. This system is expected to significantly improve the control of road use, the level of road safety and bring additional revenues to the State Road Fund. A tender on selection of the system operator is expected to be announced by the end of June 2021. Currently, the Ministry of Infrastructure of Ukraine is working, together with the Issuer, on the amendments to the laws of Ukraine, which are undergoing the feasibility study for the implementation of the tolling project.

New Joint Stock Company

In 2021, the Issuer is working with the Reform Support Team at the Issuer (an advisory body, financed from a multi-donor account managed by the EBRD) to establish a subsidiary joint stock company for prompt and effective borrowing, cooperation with international partners and sovereign wealth funds of other countries. The joint-stock company would manage the investment portfolio of road projects of Ukraine, as well as joint ventures and special purpose vehicles for the implementation of road projects. The formal registration of the joint stock company is expected to be completed by the fourth quarter of 2021. The joint-stock company is contemplated to be a separate entity within the Issuer's structure and, as such, its establishment and operations will not affect the Issuer's existing debt.

Road quality management reforms

As a result of the ongoing changes and reforms, since 2020, the management of the road sector has been carried out based on the recommendations under the EU-funded Infrastructure Cycle Management project.

The Issuer will transition to harmonised European Standards within the framework of the Association Agreement with the EU, involving forming electronic road passports based on GEO-data, and creating a single open database on the road sector, as well as launching the output- and performance-based road contracts and performance-based contracting models. These projects are expected to result in the road quality management system to be ensured throughout the full cycle: from the design stage to the final operational stage. In addition, as part of these projects, for the first time in Ukraine independent technical supervision works were carried out at 1,500 kilometres of roads.

Digitalisation reforms

The Issuer is a part of a joint project with TAPAS to create an open GEO-database on state roads and deployment of weigh-in-motion sites at key roads as part of the "Great Construction" project. The project will also involve data collection on traffic composition and a pilot project for management analytical system. These projects are expected to enable a systematic collection of data on the road sector condition, monitoring the effectiveness of the road plans implementation with the help of IT-solutions.

New Procurement Methodology

The Issuer recently developed and approved a separate procurement methodology, which was developed with the support of a wide range of businesses and experts. The Issuer's procurement methodology: (i) complies with the practice of the World Bank, the EIB and the EBRD, (ii) is endorsed by key business associations, and (iii) is designed so as to reduce potential financial risks. Prior to this methodology being approved, each regional road service subordinate to the Issuer formed the requirements to their contractors at their own discretion, which left a certain space for manipulation and corruption risks. In a move to depart from that risk-prone practice, pursuant to the new methodology effective since 2020, all procurement procedures are held according to uniform rules, which evaluate contractors by their experience, availability of equipment, appropriate staff and financial means to carry out the contract.

Environmental, Health and Safety Risk Management

Environmental Impact Assessment

The Issuer follows national legislation as well as requirements of IFIs in terms of environment and social risk management. According to the Law of Ukraine "On Environmental Impact Assessment" (the "**EIA Law**") which is based on the European Union Directive 2011/92/EU "On the assessment of the effects of certain public and private projects on the environment", the Issuer must develop a comprehensive environmental impact assessment and obtain a positive opinion from the relevant body that implements the state policy in the field of environmental protection (the "**EIA Opinion**"). The EIA Opinion, which

describes measures to prevent or mitigate the negative impacts of the planned activities, is used to prepare the Environmental and Social Management Plans that are used in tender documents for mandatory implementation by the contractor.

Where the preparation of a comprehensive environmental impact assessment is not provided for by the EIA Law, the environmental impact assessment is carried out in accordance with the requirements of “Composition and content of materials for environmental impact assessment in the design and construction of enterprises, buildings and structures”, which also provides for identification of potential risks to the environment and provides a list of mitigation measures. This assessment is an integral part of the design documentation and is subject to approval by the state expertise. Further, within the framework of the Issuer’s cooperation with the IBRD, EBRD and EIB, additional environmental and social management measures are being implemented to comply with the standards of these IFIs. These include conducting additional studies of the impact of the planned activities on the environment and social aspects, taking into account the best practices of the implemented infrastructure projects and stakeholder engagement plans prior to implementation of projects. Other steps include environmental and social management, monitoring plans at all stages of project implementation (including operation), a description of the procedure for human resources management and labor protection, and environmental and social commitment plans, which are disclosed for public consultation. Compliance by contractors and technical supervision consultants with such plans is constantly monitored by the Issuer.

The presence and level of environmental risks is variable and depends on the scope of work, landscape and natural conditions at the site of the planned activity. The main environmental risks include deforestation, removal of the topsoil and its erosion during storage, works in riverbeds and water protection zones, works near cultural heritage sites and nature protection zones, accumulation of construction waste, blocking of migration routes for fauna, temporary increase of air and noise pollution. These effects are mostly temporary and can be mitigated. Please see “*Risk Factors – Risks related to the Issuer – The Issuer’s road construction activities may expose it to environmental, health and safety and social risks*”.

Greenhouse Gas Emission Reduction

The Law of Ukraine “On Principles of Monitoring, Reporting and Verification of Greenhouse Gas Emissions” came into force on 1 January 2021. This Law is in line with the European Commission Directive 2003/87/EC, which makes it mandatory to establish a greenhouse gas emissions trading scheme. The State Ecological Inspectorate of Ukraine is responsible for establishing such a scheme. Currently, the amount of greenhouse gas emissions from the planned activities is calculated as part of the preparation of the environmental impact assessment for each project.

Sustainability Strategy – National Economic Strategy 2030

The National Economic Strategy 2030 contains provisions for sustainable development of transport infrastructure, in particular the road sector. The strategy includes plans to build new cement-concrete roads using the industrial sector waste, such as cement-slag products, and to restore the basic road network in all Ukrainian regions to ensure the accessibility and sustainable development of cities and communities.

Within the framework of the “*Great Construction*”, it is planned to upgrade and build and upgrade approximately 24,900 kilometres of state roads and upgrade and build 1,400 structures until 2025. The plan includes building and/or renovating approximately 4,500 kilometres of roads in 2021, 5,500 kilometres in 2022, 5,500 kilometres in 2023 and 5,400 kilometres in 2024 and building and/or renovating approximately 280 bridges in 2021, 290 in 2022, 269 in 2023 and 290 in 2024.

The implementation of the “*Great Construction*” plan is aimed at reducing the inequality between Ukrainian cities and regional centres.

Legal Proceedings

As at the date of this Offering Circular, the Issuer is a party to the following proceeding.

Todini Costruzioni Generali S.p.A. v. Ukravtodor

On 4 January 2013, the Issuer and Todini Costruzioni Generali S.p.A. (“**Todini**”) entered into contracts No. 2.1 and No. 2.2 (the “**Contracts**”) for the repair of road M-03 Kyiv-Kharkiv-Dovzhansky. On 4 August 2016, the Issuer sent to the contractor an official notice of termination of the Contracts. Todini challenged the termination of the Contracts in the Dispute Settlement Body established under the Contracts.

The key procedural milestones and status of the claim are as follows:

- the Dispute Settlement Body decided that there were no grounds for terminating the Contracts;
- Todini referred its claim to the International Court of Arbitration of the International Chamber of Commerce, Paris, France (the “**ICC**”), case No. 226628 / MNM;
- To date, the tribunal issued several partial awards but as of the date of this Offering Circular, the final (complete) award of the ICC is pending.

DESCRIPTION OF THE GUARANTOR

Area and Population

Ukraine is a republic in Eastern Europe occupying a land area of 603,628 square kilometres, making it the second largest country in Europe by area after Russia. It is bordered by Russia to the east, Belarus to the north, Poland, Slovakia, Hungary, Romania and Moldova to the west and the Black Sea to the south.



Ukraine is subdivided into 24 regions (or oblasts). Two Ukrainian cities, Kyiv, the capital of Ukraine, and Sevastopol, currently the site of a major naval base of Russia, are granted special status under the Ukrainian Constitution in respect of certain administrative and budgetary matters. The Autonomous Republic of Crimea, a partially self-governing region within Ukraine, is located on the Crimean Peninsula on the country's Black Sea and Azov Sea coast.

As at the date of this Offering Circular, the population of Ukraine is approximately 42 million (excluding the temporarily occupied territories of Crimea and the City of Sevastopol). According to the Ukrainian census of 2001, approximately 78 per cent. of the country's population were ethnic Ukrainians and 17 per cent. ethnic Russians. Other groups, including Belarusians, Moldovans, Bulgarians, Crimean Tatars, Hungarians, Romanians, Greeks and Poles, accounted for about 5 per cent. of the population. The official language is Ukrainian, although approximately 57 per cent. of the population speaks more than one language fluently. Approximately 88 per cent. of the population speaks Ukrainian fluently and approximately 66 per cent. of the population speaks Russian fluently.

Historical Background

Ukraine was first settled by Slavic tribes in the first millennium AD. The Slavic tribes that occupied central and eastern Ukraine in the sixth century AD played an important role in the establishment of Kyiv. Situated on lucrative trade routes, Kyiv quickly prospered as the centre of the powerful state of Kyiv Rus. The official Christianisation of Kyiv Rus by Volodymyr the Great in 988 brought literacy and education to the state. In the eleventh century, Kyiv Rus was geographically the largest state in Europe. In the thirteenth

century, Kyiv was razed by Mongol raiders, with Kyiv Rus subsequently rendering tribute to the Mongol Golden Horde.

From the thirteenth century through to the seventeenth century, the territory now comprising Ukraine was controlled by various states, including the Principality of Kyiv Rus, the Principality of Galicia and Volhyn and the Kingdom of Poland in alliance with the Grand Principality of Lithuania. In the fifteenth century, a new Cossack movement was beginning to evolve in what is present day Zaporizhia and Dnipropetrovsk. By the middle of the seventeenth century, Cossacks established a state, or Getmanschyna with a general assembly (rada) as the supreme authority and elected officers, including the leader and commander in chief, or getman. In 1654, Bogdan Khmelnytsky, the leader of the Ukrainian Cossacks accepted the protection of the Russian Tsar under the Treaty of Pereyaslav.

From the signing of the Treaty of Pereyaslav until World War I, most of what is present day Ukraine remained under Russian administration, while several western Ukrainian regions became part of the Austro-Hungarian Empire. In the eighteenth and nineteenth centuries, Ukrainian culture and language were largely discriminated against by the Russian Empire. Such discrimination led to the emergence of the Ukrainian cultural opposition and movement for independence. The end of the Russian and Hapsburg Empires brought about by World War I allowed Ukraine to briefly establish its independence. From 1917 to 1918, three separate Ukrainian republics alternatively declared independence. These states comprised almost all territory of modern Ukraine and were internationally recognised as sovereign states. However, due to armed conflicts with Poland and Soviet Russia, by 1921, the western part of the traditional territory of Ukraine had been incorporated into Poland and the larger central and eastern parts were incorporated into the Soviet Union. As a consequence of the imposition of Soviet farm collectivisation and the subsequent artificial famine of 1933, known as “Holodomor” orchestrated by Stalin, around seven million Ukrainians are estimated to have died.

After World War II, the western Ukrainian regions were incorporated into the Soviet Union. Many Ukrainians and persons of other nationalities living in Ukraine (including almost the entire population of Crimean Tatars) were forcibly deported by Stalin, adding to the millions of victims of the war itself. After the end of the war, Ukrainian patriotic feelings were strongly suppressed, but resurfaced from time to time in opposition to the “Russification” policies pursued by Moscow.

The greater openness (glasnost) which followed the accession to power of Mikhail Gorbachev in the Soviet Union allowed the formation of the Ukrainian patriotic movement, Rukh, in the mid-1980s. Rukh went on to win 27 per cent. of the vote in the 1990 elections. Following the dissolution of the Soviet Union, Ukraine became an independent State on 24 August 1991. Ukraine’s Parliament then officially adopted the Act Declaring the Independence of Ukraine, a decision subsequently ratified by 90.3 per cent. of the votes cast in a referendum on 1 December 1991. Crimea is an autonomous republic within Ukraine, with its own constitution, parliament and government, but the Crimean government remains subordinated to the central Government of Ukraine as provided in the Constitution and other applicable legislation. Since March 2014, Crimea and the City of Sevastopol have been illegally occupied by Russia. See “*Description of the Guarantor—International Relations—Events following the Occupation of Crimea and the Donetsk and Luhansk Conflict*”.

The Constitution and Government Structure

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

Constitution also stipulates the responsibilities of Parliament, the President and the Government and outlines the system for the administration of justice and the functions of the judiciary of Ukraine.

Central Government and Judiciary

The Parliament

Legislative power in Ukraine is vested in the *Verkhovna Rada*, or Parliament. Parliament enacts laws, which, after the Constitution itself, have the highest authority in the hierarchy of normative acts in Ukraine. Parliament is a unicameral body with 450 seats and is elected by universal suffrage for a five-year term.

Since December 2011, parliamentary elections have been held through a mixed voting system based equally on majority voting and proportional representation. On 1 January 2020, the new electoral code took effect, which implemented a proportional representation voting system with open party lists for both parliamentary and local elections. The minimum electoral threshold required for representation in Parliament was increased from 3 per cent. to 5 per cent. and strategic alliances between political parties in order to artificially meet that threshold were prohibited.

In addition to its legislative function, Parliament is involved in a number of public office appointments (such as the Prime Minister, the Minister of Defence, the Minister of Foreign Affairs, the Governor of the National Bank of Ukraine and others).

The President

The Constitution provides that the President is the head of state of Ukraine and is authorised to act on behalf of Ukraine. The President is elected by universal suffrage for a term of five years.

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

Under certain conditions, the President has the power to dissolve the Parliament. In turn, the President may be impeached by the Parliament following the process set out in the Constitution.

The President is the Commander in Chief of the Ukrainian Armed Forces and the head of the National Security and Defence Council (the “NSDC”) and is authorised to appoint its members.

The Cabinet of Ministers

The powers of the Government of Ukraine are vested in the Cabinet of Ministers, which is the highest body of executive power in Ukraine and includes the Prime Minister, First Vice Prime Minister, Vice Prime Ministers and Ministers. The Cabinet of Ministers is accountable to the President and Parliament and reports to Parliament in accordance with the Constitution.

The Cabinet of Ministers’ powers include the implementation of financial, pricing, investment, labour, social security, education, science, environment and tax policies, management of State-owned assets and the creation and performance of the State Budget Law for each relevant year.

The Judiciary after the 2016 Judicial Reform Laws

On 2 June 2016, Parliament adopted several laws (together, the “**2016 Judicial Reform Laws**”) that launched a major and long-anticipated reform of the country’s judiciary and law enforcement administration.

The 2016 Judicial Reform Laws introduced a 3-level structure of the judiciary, consisting of local courts, appellate courts and the Supreme Court. The new Supreme Court operates as the court of cassation. The new laws liquidated the former specialised higher courts, the High Commercial Court of Ukraine, the High Administrative Court of Ukraine, and the High Specialised Court of Ukraine on Civil and Criminal Cases. The High Court on Intellectual Property and the High Anti-Corruption Court were established as first instance courts for cases relating to those respective areas of law.

The 2016 Judicial Reform Laws stipulate that only attorneys admitted to the bar may represent individuals and legal entities in courts. Numerous amendments introduced by the 2016 Judicial Reform Laws also concern the status of judges, the procedure for their appointment, and their liability.

All commercial, administrative, civil and criminal proceedings in Ukraine are governed by the relevant national legislation. On 17 December 2017, the new Code of Administrative Procedure of Ukraine, Code of Commercial Procedure of Ukraine, and Code of Civil Procedure of Ukraine became effective. Significant amendments into the Code of Criminal Procedure of Ukraine were also introduced. These amendments concern the duration of pre-trial investigation, the regulation of dawn raids, and the procedures for engaging expert witnesses, among other matters. All court judgments in Ukraine are published with the Unified State Register of Court Decisions, which has operated since 2007 and is accessible on the official website of the judiciary.

An additional result of the 2016 Judicial Reform Laws has been, since 2017, the operation of private bailiffs. Private bailiffs have predominantly the same status and power as public bailiffs; however, they are not able to enforce certain categories of judgments, including decisions against state authorities, local municipal authorities, as well as decisions of administrative courts and the European Court of Human Rights.

The Constitutional Court

The Constitutional Court of Ukraine (the “CCU”) is the sole body of constitutional jurisdiction in Ukraine. The CCU has exclusive jurisdiction over the interpretation of the Constitution of Ukraine and acts as final arbiter on constitutional issues.

The CCU consists of 18 judges, six appointed by the President, six appointed by Parliament and six appointed by the Congress of Judges. The Congress of Judges is the highest body of judicial self-government in Ukraine.

The National Bank

The National Bank of Ukraine (the “NBU”) is the central bank of Ukraine and is a special central body of the state administration. Established in 1991, the NBU’s principal objective is to ensure the stability of the national currency. Other functions of the NBU include promoting economic growth and supporting the Government’s economic policy.

The principal governing bodies of the NBU are the Council and the Board. The Council is the highest governing body of the NBU and consists of nine members, four of whom are appointed by Parliament and four of whom by the President; it is responsible for the development of fundamental principles of monetary policy, as well as supervision of the performance thereof. The NBU Governor is nominated by the President and appointed by Parliament for a seven-year term. The Governor acts *ex officio* as the ninth member of the Council.

Autonomous Republic of Crimea

Crimea is an autonomous republic within Ukraine. It has its own parliament, government and constitution (passed by the parliament of the Autonomous Republic of Crimea and approved by the Ukrainian

Parliament). However, Crimea remains subject to the Constitution, laws and regulations of Ukraine and the acts of Crimean authorities may not contradict the Constitution and laws of Ukraine.

As a result of the illegal occupation of Crimea in March 2014 by Russia, Crimea is considered by Ukraine to be a temporarily occupied territory. See “*Description of the Guarantor—International Relations—Events following the Occupation of Crimea and the Donetsk and Luhansk Conflict*”.

Local Governments

Executive power in each of Ukraine’s 24 regions (in Ukrainian: *oblasts*), special status cities (Kyiv and Sevastopol) and districts (in Ukrainian: *rayons*) is vested in the respective region’s administration. Each regional administration is headed by a governor who is nominated by the Cabinet of Ministers and appointed by the President. Each municipal government is administered by a local council.

Beginning in 2014, decentralisation in Ukraine is considered to be one of Ukraine’s most successful reforms. The decentralisation process was initiated with the adoption of the Concept of the Reform of Local Government and Territorial Organisation of Authority, the Law of Ukraine “*On Cooperation of Territorial Communities*” and Law of Ukraine “*On Voluntary Amalgamation of Territorial Communities*” as well as financial decentralisation amendments to the budget and tax codes.

Based on the provisions of the European Charter of Local Self-Government, this process enabled the creation of effective and capable local government institutions, known as amalgamated territorial communities (the “**ATCs**”). Ukraine created 882 ATCs between 2014 and 2018 by amalgamating 4,043 communities (36.7 per cent. of the total number of local councils as of 1 January 2015), comprising 38.0 per cent. of the area of Ukraine and approximately 69 per cent. of its population. Local budgets’ own revenues grew by approximately UAH 200 billion from 2014 to 2018 (from UAH 68.6 billion to UAH 267 billion).

International Relations

Ukraine has established diplomatic relations with 171 countries, is a member of 70 international organisations and attaches significant importance to developing its relations with partner countries and international organisations.

Ukraine is a party to over 1,200 multilateral treaties and 5,200 bilateral treaties, including treaties on promotion and mutual protection of investments entered into with 79 foreign states. In addition, Ukraine has signed and ratified the Non-Proliferation Treaty and certain other conventions banning weapons of mass destruction. International treaties ratified by Parliament are an integral part of Ukraine’s domestic legislation and will prevail over any domestic laws and regulations whose provisions are inconsistent with such international treaties.

Ukraine is a party to the New York Convention and the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Ukraine has entered into treaties on the recognition and enforcement of judgments with certain CIS countries and other countries, including Cyprus, Turkey, Czech Republic, Hungary, Romania, Bulgaria, Greece, China, India and the United Arab Emirates. However, Ukraine has no such treaties with, in particular, the U.S. or the UK.

Recent amendments to the Constitution of Ukraine enshrine the implementation of the state’s strategic course towards Ukraine’s full membership in the EU and the North Atlantic Treaty Organisation (“**NATO**”).

Multilateral Organisations

Since Ukraine gained independence, the country has been an active member in (or has otherwise actively cooperated with) a multitude of international and multilateral organisations. In particular, Ukraine is a member of, among others, the United Nations, the World Trade Organisation, the Council of Europe and the Organisation for Security and Cooperation in Europe. Ukraine further has a history of cooperation with, among others, the EU, NATO and the Organisation for Economic Co-operation and Development (“OECD”).

The below sections detail some of these relationships.

United Nations

Back in 1945, Ukraine became one of the founding members of the United Nations (the “UN”), having contributed to the development of the organisation’s charter. While being a member of the Soviet Union, Ukraine was legally represented at the UN as though it was an independent state.

Since the establishment of the UN, Ukraine took an active part in the work of the UN organs and specialised agencies. In particular, Ukraine several times held a two-year non-permanent membership in the UN Security Council (in 1948-1949, 1984-1985, 2000-2001, 2016-2017). In addition, Ukraine was several times a member to the UN Economic and Social Council (as of the date of this Offering Circular, Ukraine was a vice-president of the Council with its membership expiring on 31 December 2021) and the UN Human Rights Council (as of the date of this Offering Circular, Ukraine’s membership was set to expire on 31 December 2023). As of the date of this Offering Circular, Ukraine also held a membership with the UN Commission on International Trade Law, set to expire on 31 December 2025.

For Ukraine, an important line of cooperation with the UN is the various measures in connection with the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict (see “*International Relations—Events following the Illegal Occupation of Crimea*” for more detail and “*International Relations—Events following the Illegal Occupation of Crimea—Ukraine’s Legal Proceedings against Russia*” in particular for an overview of Ukraine’s case at the International Court of Justice against Russia).

World Trade Organisation

Ukraine became the 152nd member state of the World Trade Organisation (the “WTO”) on 16 May 2008.

Ukraine is a party to key WTO legal instruments, including the General Agreement on Tariffs and Trade, the General Agreement on Trade in Services, the Agreement on Agriculture, the Agreement on Trade-Related Aspects of Intellectual Property Rights and the Dispute Settlement Understanding.

In addition, on 18 May 2016, Ukraine officially became party to the Agreement on Government Procurement (the “GPA”). Since then, Ukrainian companies have become entitled to participate in state procurement contracts in 45 member states of the GPA. In particular, this provides Ukrainian companies access to EU member states, Japan, the United States, South Korea, Taiwan, Singapore, Hong Kong, and Canada.

Since Ukraine’s accession to the WTO, Ukraine has signed free trade agreements with, among others, the EU, Montenegro, the European Free Trade Association, Canada and Israel. See “*Economy, Foreign Trade and Investment—Free Trade Agreements and Trade Policy*” for more detail.

European Union

Accession to the EU is a strategic goal and a priority of the Government. The first step towards European integration was the signing of the Partnership and Cooperation Agreement with the EU in June 1994, which

came into force in March 1998 (the “PCA”). On 5 March 2007, Ukraine began negotiations with the EU to replace the PCA with an Association Agreement (the “**Association Agreement**”).

The Association Agreement, excluding the sections on the Deep and Comprehensive Free Trade Area (the “**DCFTA**”), was initialled on 30 March 2012 and the sections relating to the DCFTA were initialled on 19 July 2012. The execution of the Association Agreement was originally scheduled for 28 November 2013. However, the then political leadership of Ukraine deferred the planned signing of the Association Agreement.

Following the decision of Ukraine to defer the signing of the Association Agreement, mass democratic rallies took place in Kyiv and other Ukrainian cities expressing strong public support for the political association and economic integration of Ukraine with the EU (referred to in this Offering Circular as the “**Euro-Maidan Revolution**”).

On 21 March 2014, following the resignation of Viktor Yanukovych as President and the appointment of an interim government, the new Ukrainian Prime Minister, Arseniy Yatsenyuk, and EU leaders, along with the 28 national political leaders or heads of state on the European Council, signed the political provisions of the Association Agreement in Brussels. The EU and President Petro Poroshenko signed the economic provisions of the Association Agreement on 27 June 2014. On 16 September 2014, Parliament and the European Parliament simultaneously ratified the Association Agreement with the EU. Since 1 November 2014, the Association Agreement applied provisionally until all the required ratification processes were completed. This was achieved on 1 September 2017 and on that date the Association Agreement fully entered into force.

The execution of the Association Agreement is viewed by Ukraine as one of the key stages in the implementation of Ukraine’s strategic goal of ultimate accession to the EU.

The Association Agreement in terms of its scope is one of the largest international legal instruments ever entered into by Ukraine. It sets out new elements of the relationship between Ukraine and the EU based on the principles of political association and economic integration. It also serves as a strategic roadmap for further structural reform in Ukraine. The DCFTA contemplated under the Association Agreement lays out a legal framework for free movement of goods, services, capital and, partially, people between Ukraine and the EU, as well as for harmonisation of regulatory requirements aimed at gradual integration of Ukraine into the EU’s internal market.

On 11 May 2017, the EU Council approved the decision on visa-free regime with Ukraine. On 11 June 2017, the EU visa-free regime for Ukraine came into force.

In addition, as part of its cooperation with the EU, throughout 2014-2020, Ukraine received macro financial loan assistance amounting to €4.41 billion, including most recently the memorandum of understanding concerning macro financial assistance in the amount up to €1.2 billion, ratified by Ukraine on 25 July 2020. €600 million has been received, and a second tranche is expected later in 2021, provided Ukraine fulfils all the necessary conditions set out in the memorandum of understanding.

Funds received from macro financial assistance pursuant to the terms of the respective memoranda of understanding were used to reduce external debt pressure on Ukraine, improve its balance of payments and service its budgetary needs.

In addition, as part of supportive measures in the context of the COVID-19 pandemic, on 8 April 2020, the EU announced an assistance package provided to Ukraine in the amount of approximately €190 million. This assistance package is primarily aimed at supporting Ukraine’s healthcare system, the Ukrainian economy and vulnerable social groups.

In terms of foreign trade and investment, the EU remains a key trading partner and a source of foreign direct investment for Ukraine. See “*Economy, Foreign Trade and Investment—Foreign Trade—Export Dynamics*”.

North Atlantic Treaty Organisation

The development of a relationship with the North Atlantic Treaty Organisation (“**NATO**”) continues to be an important element of Ukraine’s security policy. Ukraine joined the Partnership for Peace in 1994 and is also an active member of the Euro Atlantic Partnership Council.

On 9 July 1997, the Charter on a Distinctive Partnership (the “**Charter**”) between NATO and Ukraine was signed in Madrid and a supplement to the Charter was signed on 21 August 2009. The key mechanism of bilateral dialogue development is the NATO-Ukraine Commission created pursuant to the Charter. Since 2009, in cooperation with NATO within the framework of the NATO-Ukraine Commission, Ukraine develops national annual programmes for implementing necessary reforms relating to political, military, resources, security, and legal issues.

Ukraine’s current priorities in the development of its relations with NATO include the maintenance of positive political dialogue and practical cooperation as well as the furtherance of reforms using the expert assistance and funding of NATO.

Since the outset of the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict, the position of NATO in support of the sovereignty of Ukraine, its independence and territorial integrity has remained unchanged. Ukraine receives substantial political, logistical, and advisory assistance from both NATO and its member states. For example, as of early 2021 seven NATO trust funds in support of Ukraine were launched. They primarily focus on: (i) modernisation of communication and automation systems; (ii) physical rehabilitation (prosthetics) of military personnel wounded during the Joint Forces Operations (iii) reforming the logistics and standardisation systems of the Armed Forces of Ukraine; (iv) development of a system for military career transition to a civilian profession; (v) cyber defence, (vi) destruction in Ukraine of small arms and light weapons, and (vii) explosive ordnance disposal (EOD) and countering improvised explosive devices (counter-IED).

On 12 June 2020, the North Atlantic Council recognised Ukraine as an Enhanced Opportunities Partner. This status is part of NATO’s Partnership Interoperability Initiative, which aims to maintain and deepen cooperation between NATO members and partners that have made significant contributions to NATO-led operations and missions. As an Enhanced Opportunities Partner, Ukraine will benefit from tailor-made opportunities to help sustain such contributions. This includes enhanced cooperation between the Ukrainian armed forces and NATO in selected areas, primarily by means of participation in various interoperability programmes and exercises, as well as increased sharing of information.

International Financial Institutions

Since Ukraine gained independence, credit from international financial organisations has played a significant role in fostering economic and structural reforms. Resources from these organisations provide long-term support for economic growth in an environment of low domestic investment and expensive (and sometimes unavailable) commercial borrowing.

International Monetary Fund

During the initial phase of Ukraine’s market reforms, the International Monetary Fund (the “**IMF**”) support was crucial to facilitate monetary reform, support the exchange rate, increase currency reserves, service external debt and finance any payment shortfalls.

Between 1992, when Ukraine joined the IMF, and as of the date of this Offering Circular, Ukraine received loans amounting to approximately U.S.\$35.0 billion.

The table below outlines key recent IMF programmes for Ukraine to date (as reported by the Ministry of Finance):

No.	Programme	Date approved	Duration	Amount available	Amount disbursed	Status
<i>(all amounts in U.S.\$ billion, rounded to one decimal place)</i>						
1.	2014 SBA ⁽¹⁾	30 April 2014	2 years	17.0	4.6	Replaced by the 2015 EFF due to amendments in macroeconomic data underlying the 2014 SBA (in view of an economic crisis in Ukraine combined with the Illegal Occupation of Crimea and Donetsk and Luhansk Conflict). Remaining disbursements cancelled.
2.	2015 EFF ⁽²⁾	11 March 2015	4 years	17.0	8.5	Expired in March 2019. Replaced by the 2018 SBA, remaining disbursements cancelled.
3.	2018 SBA	18 December 2018	14 months	3.9	1.4	Expired in February 2020, remaining disbursements cancelled.
4.	2020 SBA	9 June 2020	18 months	5.0	2.1	Current programme. First review expected in 2021.

Notes:

(1) “SBA” as referred to in this table and further below in this section stands for “Stand-by Agreement”.

(2) “EFF” as referred to in this table stands for “Extended Fund Facility”.

As regards the 2020 SBA, its first review was originally scheduled to take place from 13 to 24 July 2020. However, in early July 2020, Ukraine received a notice from the IMF to postpone the review. This followed the announcement on 1 July 2020 by former NBU Governor Yakiv Smolii of his resignation as NBU Governor citing unspecified “systematic political pressure” on the NBU. The IMF decided to postpone the review for an indefinite period until a new NBU Governor was appointed and the concerns around the NBU’s independence were resolved. In addition, at the time the IMF expressed its concerns with respect to, among other matters, certain judgments of the CCU related to Ukrainian anticorruption laws (see “*Description of the Guarantor—Government Policies—Good Governance Policies—Anticorruption Reform*” for more detail). In addition, further criteria for the 2020 SBA included: (i) ensuring all heating tariffs under the jurisdiction of both regulator and local authorities are reviewed and officially enacted to fully reflect gas and non-gas costs, and the adoption of a simplified procedure for households to switch gas suppliers, (ii) the enactment of amendments to a number of laws in coordination with the IMF and World Bank staff to improve legal and financial accountability in state and private institutions, and (iii) the completion of a compliance audit by the State Audit Service of Ukraine, in consultation with external/third-party auditors, of COVID-19 related spending.

On 16 July 2020, the President nominated Kyrylo Shevchenko as the governor of the NBU, and Parliament approved that nomination on the same day. The independence, operations and policies of the NBU remained unaffected by Mr. Smolii’s resignation and Mr. Shevchenko’s subsequent appointment.

As a result, the IMF mission started working in Ukraine on 21 December 2020. It worked until 23 December 2020 and then resumed from 11 January 2021. On 26 January 2021, the IMF mission held a videoconference with the Prime Minister of Ukraine and senior officials from the Ministry of Finance, the Ministry of Justice and the NBU to discuss its preliminary review of the 2020 SBA. Following that conference, the parties agreed that the mission will continue its work for further 7 to 10 days to address all the outstanding issues.

On 13 February 2021, the IMF Resident Representative in Ukraine Goesta Ljungman made a statement noting that the discussions the IMF staff had with the Ukrainian authorities were productive, but more progress was needed to support completion of the first review under the 2020 SBA. Ljungman also noted that discussions would continue.

In a subsequent statement, the Ministry of Finance noted that the Government had constructive discussions during the virtual mission and was awaiting the IMF’s feedback on the policy proposals shared with the IMF during the mission. Such policies included changes to certain legislation to clarify the legal status of the National Anti-corruption Bureau of Ukraine (the “**Anti-Corruption Bureau**”) and the High Council of Justice and policy proposals with respect to fiscal policy, the financial sector and the energy sector. After the policy proposals were agreed with the IMF, the Government proceeded to work on their implementation and focused on passing several laws necessary for successful cooperation with the IMF by the Parliament.

The structural benchmarks under the 2020 SBA, as at the date of this Offering Circular, are as follows:

No.	Structural Benchmarks ⁽¹⁾	Completion Date ⁽²⁾
1	The state-owned banks’ non-performing loan reduction plans to be formally endorsed by the shareholder and approved by the Financial Stability Council and the NBU	End of June 2020
2	Ensure that all heating tariffs under the jurisdiction of both the National Energy and Utilities Regulatory Commission and local authorities are reviewed and officially enacted to fully reflect gas and non-gas costs (including capital expenditure), and adopt a simplified procedure for households to switch gas supplier	End of August 2020
3	Develop new organisational structures and frameworks within the State Tax Service (the “ STS ”) and State Custom Service (the “ SCS ”) for the delegation of authority and accountability in both organisations as separate legal entities	End of September 2020
4	Enact amendments to the Banking Law ⁽³⁾ , prepared in coordination with the IMF and World Bank staff: (i) to address the gaps vis-à-vis sound corporate governance practices against the 2015 Basel’s Guidelines for Corporate Governance for banks (including the collective suitability of the supervisory board); (ii) to introduce a new capital structure (with an appropriate implementation schedule) and capital buffers; (iii) to grant the NBU legal powers to calibrate capital and liquidity requirements based on the relevant bank’s risk profile; and (iv) to strengthen the licensing and shareholder requirements	End of November 2020
5	Enact amendments to the Deposit Guarantee Fund and other laws to improve the mechanism for the liquidation of banks, and the recovery of assets	End of October 2020
6	Enact amendments to the Law on the High Council of Justice ⁽⁴⁾ to enhance its selection process, ensuring that its members have impeccable reputations and integrity	End of October 2020
7	Strengthen corporate governance in state owned entities, including by adopting a new corporate charter for Naftogaz, to bring it in line with the OECD’s recommendations for corporate governance and other applicable legislation, including the law “On Joint Stock Companies”	End of September 2020
8	The STS and SCS to operate nationally as two separate legal entities both comprising of functionally organised headquarters and field offices and the regional and other legal entities of the STS, SCS and State Fiscal Service to have ceased to exist	End of December 2020
9	Complete a compliance audit of COVID-related spending by the State Audit Service of Ukraine, in consultation with external/third party auditors	End of March 2021

Notes:

- (1) As contained in the “Ukraine: Request for Stand-by Arrangement-Press Release; Staff Report; and Statement by the Executive Director for Ukraine” published by the IMF on 11 June 2020.
- (2) Completion date as originally set out under the 2020 SBA.
- (3) “Banking Law” means Law No. 2571-d “*On Amendments to Certain Legislative Acts of Ukraine to Improve Mechanisms of Regulation of Banking Activity*”.
- (4) “Law on the High Council of Justice” means Law No. 1798-VIII “*On the High Council of Justice*”.

On 25 March 2021, the law establishing the Bureau of Economic Security went into effect. This law was one of Ukraine’s obligations under the 2020 SBA, as well as the macro-financial assistance from the European Union (see “—*Multilateral Organisations—European Union*” above). It will allow consolidating the investigative powers in relation to economic crimes within a single investigative body.

Further, on 15 April 2021, the Parliament passed in the first reading draft law No. 4651 setting out enhanced liability in relation to asset declaration by officials. The adoption of this law was likewise part of Ukraine's commitments under the 2020 SBA. See "*—Government Policies—Good Governance Policies—Anticorruption Reform*" for more detail on Ukraine's asset declaration system".

In addition, on 21 May 2021, the Parliament adopted, in the first reading, draft law No. 5459-1 On Bringing the Status of the National Anti-Corruption Bureau of Ukraine in Line with the Constitution of Ukraine.

Draft laws No. 5058 and No. 5059 dated 19 and 20 May 2021, respectively, "On Amending the Law of Ukraine "On the High Council of Justice" with a view to improve selection of Council members and ensure their reputation and integrity were developed to implement structural benchmarks. These draft laws are being prepared for consideration by Parliament in the second reading.

In a similar vein, implementation of structural benchmarks is conditioned on the Parliament passing in the second reading the laws "On Amending the Law of Ukraine "On Banks and Banking Activity", "On Amending the Law of Ukraine "On the Deposit Guarantee Fund" and some other laws to improve the mechanism of liquidation of banks and return of assets (draft laws No. 4367, No. 4546 and No. 4547, adopted in the first reading on 20 May 2021, 19 May 2021 and 20 May 2021, respectively).

The review of the SBA Program is now conditioned on the Parliament passing the above mentioned draft laws.

In addition, on 28 April and 18 May 2021, the Parliament adopted draft laws No. 2194 and No. 2195, which are crucial for the land market reform. This reform is part of a joint program with the IMF, and its implementation will reduce corruption risks.

Ukraine remains committed to the implementation of reforms and cooperation with the IMF.

World Bank

Loans from the World Bank are directed at supporting the State Budget, reforming the tax, banking, and financial systems, as well as the energy, municipal and State governance sectors and improving the effectiveness of social services. World Bank loans also support agriculture, energy efficiency, social sector, healthcare, education, energy development, road reconstruction and improvement of water and heat supply.

Between 1992, when Ukraine joined the World Bank, and 1 May 2021, the World Bank has approved 59 loans amounting to U.S.\$14.4 billion, four Global Environment Facility grants to Ukraine amounting to approximately U.S.\$9.5 billion and two guarantees amounting to U.S.\$1.2 billion.

World Bank projects in Ukraine include the following:

- in February 2016, the World Bank extended a loan to Ukraine in the amount of U.S.\$560.0 million to implement the Road Sector Development Project (although U.S.\$222.2 million of this was cancelled subsequently). The proceeds of this loan are intended to finance a reconstruction of approximately 108 kilometres of the road between the cities Kyiv, Kharkiv, and Dovzhansky, including a reconstruction of the existing road, an implementation of safety measures for road traffic, a creation of new jobs, a reduction of expenses for transit of cargo and passengers and a reduction of overall damage caused by road accidents. As at 1 May 2021, U.S.\$188.38 million from this loan was disbursed;
- in December 2018, the IBRD granted a policy-based guarantee to Ukraine. The guarantee coverage amounts to the equivalent of U.S.\$750 million which, in turn, allowed to raise about U.S.\$1 billion in commercial financing (which Ukraine received under two loan agreements with Deutsche Bank,

the first dated December 2018 for the amount of €349.3 million and the second dated February 2019 for the amount of €529.2 million, each disbursed in full);

- in August 2019, Ukraine and the IBRD signed a loan agreement related to the Accelerating Private Investment In Agriculture Program Project. In May 2020, the loan agreement came into force. The agreement provides for a total of U.S.\$200 million funding, of which as at 1 May 2021, U.S.\$18.99 million was disbursed;
- in April 2020, Ukraine and the IBRD signed amendments to the loan agreement related to the Serving People, Improving Health Project, which loan agreement contemplated U.S.\$214.73 million financings. As at 1 May 2021, of this amount U.S.\$188.59 million was disbursed;
- in May 2020, Ukraine and the IBRD signed a loan agreement related to the Additional Financing for the Serving People, Improving Health Project and a further loan agreement related to the Additional Financing for the Social Safety Nets Modernization Project. Both loan agreements came into force in May 2020. The first provides for a U.S.\$135 million loan, including a U.S.\$35 million specifically to finance COVID-19 response measures, and the second provides for a U.S.\$150 million loan, including a U.S.\$50 million portion for the same purpose. As at 1 May 2021, under the first loan agreement a total of U.S.\$37.49 million and of U.S.\$80.38 million was disbursed under the two agreement, respectively; and
- in June 2020, the World Bank’s Board of Executive Directors approved a U.S.\$350 million First Economic Recovery Development Policy Loan to Ukraine in support of economic recovery and to help mitigate the impact of the COVID-19 pandemic. This loan is the first of two planned transactions, with the second development policy loan expected to support the additional important land reform legislation (See “*Description of the Guarantor—Government Policies—Economic Policies—Agricultural Land Market Reform*”) and further strengthen pension benefits for elderly population. As of the date of this Offering Circular, the Ministry of Finance was in the process of negotiation arrangements for this loan agreement; and
- in December 2020, Ukraine and the IBRD signed a loan agreement related to the Second Additional Financing for COVID-19 Response under the Social Safety Nets Modernization Project contemplating a U.S.\$300 million financing, as well as a loan agreement related to the Eastern Ukraine: Reconnect, Recover, Revitalize (3R) Project, contemplating a U.S.\$100 million financing to improve road connections and support agricultural recovery in the relevant areas. As at 1 May 2021, under the first of these loan agreement U.S.\$170 million was disbursed. The second loan agreement entered into force in March 2021 and U.S.\$0.25 million was disbursed thereunder. In May 2021, the World Bank’s Board of Executive Directors approved two projects for Ukraine: Ukraine Improving Higher Education for Results Project in the amount of U.S.\$200 million aimed at transforming higher education in Ukraine, and Ukraine Emergency COVID-19 Response and Vaccination Project in the amount of U.S.\$90 million with a view to prevent the spread of COVID-19 and the strengthen the national healthcare system. As at 1 May 2021, the total amount of funds disbursed under the IBRD projects amounted to U.S.\$1,779.95 million.

European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (the “**EBRD**”) is one of the biggest by portfolio institutional investors in Ukraine. As at 24 May 2021, the EBRD portfolio in Ukraine included 497 projects valued at €14.8 billion.

From the outset of Ukraine’s relations with the EBRD, significant attention has been paid to funding nuclear safety measures. The EBRD oversees both the Nuclear Safety Account and the Chornobyl Fund “Shelter”

established in December 1997 by the G7 and other contributor countries in connection with the clean-up of the Chornobyl nuclear reactor disaster.

The EBRD has also supported projects in food processing, the oil and gas industries, transport, telecommunications, finance and agricultural services, as well as municipal infrastructure projects relating to water supply and heating, among other matters.

EBRD projects in Ukraine include the following:

- in December 2017, joint stock company “Ukrzaliznytsia” (the national railway company) and the EBRD entered into a €150 million loan agreement and Ukraine and EBRD entered into a guarantee agreement for implementation of a project regarding electrification of railway infrastructure in the Dolynska – Mykolaiv – Kolosivka region (co-financed by the EIB). The project aims at electrification and general modernisation of the railway, alarm systems and telecommunications. On 14 January 2021, both the loan agreement and the guarantee agreement took formal effect;
- in July 2019, Ukraine entered into a guarantee agreement with the EBRD, as well as a €149 million loan agreement with joint-stock company “National Power Company “Ukrenergo” (national energy system operator) and the EBRD. The proceeds of the loan agreement will be used to modernise power transmission infrastructure across Ukraine and will partly contribute to ongoing efforts to automate certain substations of NEC “Ukrenergo”. The guarantee agreement and the loan agreement became effective on 4 September 2020;
- in July 2020, Ukraine and the EBRD signed a guarantee agreement and concurrently joint-stock company “Ukrgezvydobuvannya” (the largest Ukrainian gas producer, subsidiary of Naftogaz) and the EBRD signed a loan agreement and joint-stock company “Naftogaz of Ukraine” (the national oil and gas company) and the EBRD signed a project agreement, all related to the project “Purchase of maintenance machines and energy efficiency improvement of JSC “Ukrgezvydobuvannya””. The loan amounts to €51.85 million. The loan proceeds will be used to purchase machines, which will reduce the idle time of wells during technical maintenance, as well as for measures aimed at energy efficiency improvements of Lokachi electric station (in the Volyn region). The implementation of the project will allow JSC “Ukrgezvydobuvannya” to increase its natural gas extraction efficiency and energy efficiency overall;
- in November 2020, Ukraine and the EBRD signed a guarantee agreement and concurrently joint-stock company “Ukrposhta” (the national postal service) and the EBRD signed the loan agreement related to the project entitled “Ukrposhta Development Project: Logistic Network and Rural Department”. Total project funding amounts to €93.0 million, including the EBRD loan in the amount of €63.0 million and an EIB loan in the amount of €30.0 million; and
- in December 2020, Ukraine and the EBRD signed a loan agreement for the implementation of the project entitled “Development of the Trans-European Transport Network” in the amount of €450.0 million. The total amount of the project is €900.0 million, including approximately €450.0 million of the EIB funds.

European Investment Bank

Ukraine began cooperating with the European Investment Bank (the “EIB”) in 2004, on the development of Ukraine’s legislation to attract EIB resources for various infrastructure, energy, environmental and other projects.

As at 1 January 2021, the EIB portfolio in Ukraine included 24 projects valued at €5.12 billion.

EIB projects in Ukraine include the following:

- in November 2016, Ukraine and the EIB signed a €200 million finance agreement relating to the project entitled “Urban Public Transport of Ukraine”, aimed at developing environmentally clean and socially meaningful public transport systems. As at 1 January 2021, €14.3 million of the EIB funds under this agreement were disbursed;
- in July 2018, Ukraine and the EIB signed a €75 million finance agreement related to the project entitled “Improving road safety in Ukrainian cities” aimed at renovation and improvement of road infrastructure. At the end of December 2020, a coordinating committee meeting was held, which approved an operational manual for this project. In March 2021, the coordinating committee approved 6 subprojects related to this project;
- in November 2019, Ukraine and the EIB signed a finance agreement for €450 million relating to the project entitled “European Roads of Ukraine III (Trans-European Transport Network Development)”, which took effect on 22 September 2020. The project is focused on improving the efficiency and safety of transport on the main highways which are important for inland transport, and connect Ukraine with international corridors, in particular with the EU, and connect Kyiv with the Black Sea ports of Ukraine;
- in October 2020, during the EU-Ukraine Summit, the EIB and Ukraine signed financing agreement for the project entitled “Ukraine Public Buildings Energy Efficiency” (the EIB loan in the amount of €300.0 million) and a guarantee agreement for the project entitled Logistics network (Ukrposhta Modernisation and Digitalisation) in the amount of €30.0 million;
- On 9 December 2020, the EIB and Ukraine signed financial agreements entitled “Ukraine Urban Public Transport II” (the EIB loan in the amount of €200.0 million), “Ukraine Recovery Programme” (the EIB loan in the amount of €340.0 million) and “Eastern Ukraine: Reconnect, Recover, Revitalize (3R) Project” (the EIB loan in the amount of €100.0 million); and
- On 12 February 2021, the EIB and Ukraine signed a guarantee agreement for Boryspil Airport Development Project contemplating a €270 million financing.

Selected Bilateral Relations Overview

In addition to its cooperation with intergovernmental organisations and international financial institutions, another important function of Ukraine’s diplomacy is maintenance and development of various bilateral lines of cooperation.

In total, Ukraine had as of the date of this Offering Circular diplomatic relationships with approximately 170 foreign partners (including foreign states, the Holy See and the Order of Malta). These relationships were serviced by a total of 85 embassies and 34 consulates.

The below sections detail some of Ukraine’s bilateral relationships. A subsequent section also sets out a detailed overview of the events following the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict. For further detail on various legal proceedings related to the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict, see also “*Description of the Guarantor—Events following the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict—Ukraine’s Legal Proceedings against Russia*”.

United States of America

United States of America (the “U.S.”) is Ukraine’s strategic partner. The main bilateral document in this regard is the Charter on Strategic Partnership signed on 19 December 2008. Meetings between senior officials held in 2017 and 2018, including the meeting between President Zelenskyy and U.S. President Donald Trump on 24 September 2019, have sought to strengthen this partnership.

The main Ukraine – U.S. intergovernmental body is the Strategic Partnership Commission (“SPC”), which held its constitutive meeting on 9 December 2009. In a recent joint statement of the SPC on 16 November 2018, the U.S. assured Ukraine of its support for Ukraine’s sovereignty, independence and territorial integrity within its internationally recognised borders. In that statement, the U.S. affirmed its commitment to maintain sanctions against Russia relating to its actions against Ukraine until Russia fully implements the Minsk Agreements and returns Crimea to Ukrainian control (See – “*Description of the Guarantor—International Relations—Events following the Occupation of Crimea and the Donetsk and Luhansk Conflict*”).

During a recent visit of the former U.S. Secretary of State Michael Pompeo to Ukraine from 30 January 2020 to 1 February 2020, the U.S. confirmed its intention to strengthen bilateral cooperation in all areas. In particular, the parties agreed to work on increasing the volume of bilateral trade and removing trade restrictions, as well as on projects for infrastructure development and hydrocarbon production in Ukraine with the participation of the U.S. companies. Following on from that visit, on 13 January 2021, Ukraine signed a hydrocarbon production sharing agreement with Ukrainian Energy LLC (a special-purpose vehicle established jointly by U.S. investors Aspect Energy and SigmaBleyzer). For more detail on this, see “*Economy, Foreign Trade and Investment—Energy System and Environmental Aspects—Fossil Fuels—Recent Production Sharing Agreements*”.

Most recently, U.S. Secretary of State Antony Blinken visited Ukraine from 5 to 6 May 2021. Secretary Blinken highlighted the importance of strengthening the strategic partnership between Ukraine and the U.S., as well as their mutual intention to make it more ambitious through an enhanced cooperation in defence and security, trade and investment, as well as in countering the COVID-19 pandemic. The U.S. Secretary of State also reaffirmed unwavering support of Ukraine’s sovereignty, territorial integrity and Euro-Atlantic aspirations.

In terms of trade and investment, the U.S. has been an important trade partner to Ukraine and a source of foreign direct investment in recent years.

United Kingdom

On 1 January 2021, the Political, Free Trade and Strategic Partnership Agreement between Ukraine and the United Kingdom (the “UK”) entered into force, elevating the bilateral relationship to a strategic partnership and therefore strengthening the political and trade ties between the two countries.

This agreement sets out a legal framework for the Ukraine – UK relationship by means of liberalising the bilateral trade in goods and services. It also includes provisions on intellectual property (including geographical indications) and government procurement. Among other matters, the agreement also serves as a basis for a dialogue as to a liberalisation of visa requirements for Ukrainian citizens in the UK.

The document provides for holding annual meetings of the Strategic Partnership Dialogue at a high official or highest governmental level in all aspects of bilateral cooperation. It also provides for meetings of the Trade Committee, which will consist of representatives of the parties.

In addition to the foregoing, the UK is also an important partner of Ukraine in terms of resolving the situation around the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict. The UK maintains a sanctions regime against Russia in line with the broader international policy. See “—*International Relations—Events following the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict—Ukrainian and International Sanctions*”.

Similar to the U.S., the UK has been an important trade partner to Ukraine and one of the key sources of foreign direct investment in recent years.

China

A strategic partnership between Ukraine and China was established pursuant to a joint declaration back from 2011. That relation was then strengthened by the Treaty of Friendship and Cooperation and the Joint Declaration to Further Deepen the Strategic Partnership, both from 2013.

In organisational terms, Ukraine's continuous cooperation with China is made primarily through an intergovernmental cooperation commission, which most recent meeting was held online on 23 December 2020, as well as a coordinating commission on military cooperation, which most recent meeting was held in Kyiv between 29 July and 1 August 2019. Most recent state visits between Ukraine and China as of the date of this Offering Circular, however, dated back to 2011 – 2013.

China is a consistent supporter of independence, sovereignty and territorial integrity of Ukraine – this is reciprocated by Ukraine's support to the One-China policy. China did not recognise the temporary occupation and attempted annexation of the Autonomous Republic of Crimea by Russia. At the same time, considering the high level of partnership that exists between Russia and China, the official Beijing was more reserved in terms of official statements regarding the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict compared to many other countries. In the UN, China remains one of the few countries that systematically vote against resolutions regarding the Ukrainian issues.

That notwithstanding, China maintains its role as Ukraine's largest foreign trade partner in recent years. As of the date of this Offering Circular, the Government estimated that the bilateral trade turnover would continue to grow in the coming years. China's role as a source of foreign direct investment to Ukraine, however, was less notable recently.

Turkey

Turkey is another strategic partner to Ukraine. A friendship and cooperation treaty between the two countries was signed back in 1992. In 2011, Ukraine and Turkey issued a joint declaration establishing the High Level Strategic Council, a primary organisational mechanics for the enhanced, strategic partnership level of bilateral cooperation. As of the date of this Offering Circular, the most recent, eighth meeting of the Council was held in February 2020 under the chairmanship of President Zelenskyy and President of Turkey Recep Tayyip Erdoğan. Ukraine and Turkey also regularly exchange government-level official visits.

Turkey supports the sovereignty and territorial integrity of Ukraine and condemns the temporary occupation of the Autonomous Republic of Crimea and parts of the Donetsk and Luhansk regions by Russia. The country contributed to the important UN General Assembly resolutions 68/262 "Territorial integrity of Ukraine" and 71/205 "Situation of human rights in the Autonomous Republic of Crimea and the city of Sevastopol (Ukraine)", as well as a number of other resolutions. Turkey is also a vocal supporter of the Crimean Tatar community in the Autonomous Republic of Crimea.

Turkey is one of the largest in terms of economic turnover foreign trade partners to Ukraine. As regards bilateral investments, particularly notable is the involvement of various Turkish companies into a number of large-scale infrastructure projects in Ukraine (primarily, those implemented within the "Great Construction" framework – see "*—Government Policies—Economic Policies—“ Great Construction” Programme*" for more detail on that framework).

Events following the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict

Illegal Occupation of Crimea

On 20 February 2014, Russia began its illegal occupation and attempted annexation of the Autonomous Republic of Crimea and the City of Sevastopol (the "**Illegal Occupation of Crimea**"). Subsequently, the

UN General Assembly confirmed the internationally recognised borders of Ukraine and the absence of any legal grounds for changing the status of the Autonomous Republic of Crimea and the City of Sevastopol, and adopted, among other resolutions, Resolution 71/205, “Situation of human rights in the Autonomous Republic of Crimea and the City of Sevastopol (Ukraine)”, on 19 December 2016, which recognised Russia as an occupier state. This was further confirmed by similar UN General Assembly Resolutions 72/190 on 19 December 2017, 73/263 on 22 December 2018, 73/194 on 17 December 2018, 74/17 on 9 December 2019 and 74/168 on 18 December 2019.

Furthermore, numerous documents adopted by international organisations, including the Council of Europe and the Organisation for Security and Co-operation in Europe (the “OSCE”) also confirm the territorial integrity of Ukraine within internationally recognised borders and condemn the violation of the territorial integrity and sovereignty of Ukraine by the armed forces of Russia. Many countries around the world also have followed a policy of non-recognition of the Illegal Occupation of Crimea and applied sanctions against Russia (see “*Description of the Guarantor—Events following the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict—Ukrainian and International Sanctions*” for further details).

Ukraine adopted a number of laws aimed at protecting the rights and freedoms of the citizens of Ukraine in the temporarily occupied territory of Crimea and the City of Sevastopol, as well as at determining the legal status of these territories, including laws establishing a tax and customs control in the free economic zone of Crimea and the specifics of carrying out operations on the temporarily occupied territory of Ukraine.

As a result of the Illegal Occupation of Crimea, the Ukrainian economy has lost the benefit of a large number of private and state-owned assets and property (such as the Sevastopol Naval Base and local oil and gas assets, including all assets held in storage) in the region. In addition, the estimated cost of resettlement of the IDPs, as well as those who have left Crimea and the City of Sevastopol as a result of the occupation, are significant. Although it is not possible to accurately calculate the extent of the impact the Illegal Occupation of Crimea has had on Ukraine’s GDP, Crimea contributed 2.9 per cent., 3.1 per cent. and 3.0 per cent. of total GDP of Ukraine in 2011, 2012 and 2013, respectively. Since 2014, Ukraine was not able to account for Crimea in the official GDP statistics.

Donetsk and Luhansk Conflict

After President Viktor Yanukovich resigned in February 2014 following the decision to defer signing of the Association Agreement, government buildings in certain areas of Donetsk and Luhansk regions were forcibly occupied by Russia-backed illegal armed formations. These events prompted the Ukrainian Government to launch military and joint forces operations against the Russia-backed illegal armed formations (the “**Joint Forces Operation**”). Such operations are continuing as at the date of this Offering Circular, and a significant part of the Donetsk and Luhansk regions remain outside Ukrainian Government control. These territories, including the Ukraine-Russia border passing through them, are now under the *de-facto* control of the Russia-backed illegal armed formations, and while Ukraine has no control over the aforementioned border, Russia permits movement of goods and people across the border without reference to the Ukrainian authorities.

Since mid-February 2015, the geographic position of a demarcation line east and north of Donetsk and Luhansk has not been altered significantly.

The Donetsk and Luhansk Conflict remains complicated and unresolved, and Russia-backed illegal armed formations continue to operate in the affected territories of the Donetsk and Luhansk regions and to restrict the work of the OSCE Special Monitoring Mission. In addition, Russia-backed illegal armed formations continue to block the activities of the International Committee of the Red Cross and other international governmental and non-governmental humanitarian organisations within the temporarily occupied territories. Hundreds of Ukrainian citizens have been captured and continue to be illegally detained in the

temporarily occupied territories of Donetsk and Luhansk, despite Ukraine's attempts to establish an exchange process. Since March 2014, there have not been any local elections in such areas that have complied with Ukrainian legislation or OSCE standards.

According to the UN, the total number of casualties of the Donetsk and Luhansk Conflict and Illegal Occupation of Crimea from 14 April 2014 to 31 July 2020 is approximately 42,000 – 44,000 persons with approximately 29,500 – 33,500 persons being injured and 13,000 – 13,300 persons killed. According to the Government's unified database of internally displaced persons, the number of registered internally displaced persons from the Donetsk and Luhansk regions and the Autonomous Republic of Crimea was estimated to have reached approximately 1.5 million people as of 24 November 2020.

Minsk Agreements

The Minsk Agreements (as defined below) remain for Ukraine the main political instrument for resolution of the Donetsk and Luhansk Conflict. Based on the peace plan of the former President of Ukraine, Petro Poroshenko, and initiatives of the President of Russia, Vladimir Putin, the Minsk Agreements include three documents: the Minsk Protocol signed on 5 September 2014, the Minsk Memorandum signed on 19 September 2014 and the Package of Measures for the Implementation of the Minsk Agreements signed on 17 February 2015 (all three collectively, the “**Minsk Agreements**”). The Minsk Agreements were signed by Ukraine, Russia and the OSCE (this format is referred to as the “**Trilateral Contact Group**” or the “**TCG**”).

The Minsk Agreements provide for a set of 13 measures aimed at establishing peace in certain areas of Donetsk and Luhansk regions and restoring the territorial integrity of Ukraine. Key measures include immediate and comprehensive ceasefire, withdrawal of heavy weapons by both sides, adoption of a special regime of self-governance in certain areas of Donetsk and Luhansk regions under the Law of Ukraine “*On the Special Regime of Local Self-Government in Certain Areas of Donetsk and Luhansk Regions*”, amnesty for Russia-backed illegal armed formations, release and exchange of all hostages and unlawfully detained persons, withdrawal of all foreign armed formations, military equipment, as well as mercenaries from the territory of Ukraine, carrying out local elections in certain areas of Donetsk and Luhansk regions and reinstatement of full control of the state border by the Government of Ukraine throughout the conflict area, starting on the first day after the local elections and after the comprehensive political settlement. All parties to the Minsk Agreements have been called on by international observers, including the International Court of Justice in its Order of 19 April 2017 on Ukraine v. Russian Federation, to implement the provisions of the Minsk Agreements. Special note has been taken of the responsibility of Russia to take steps to implement the Minsk Agreements. Ukraine remains fully dedicated to the fulfilment of the Minsk Agreements and a peaceful resolution of the Donetsk and Luhansk Conflict.

As of the date of this Offering Circular, the armed forces of Ukraine are complying with the ceasefire to fulfil obligations under the arrangements reached within the TCG on 22 July 2020 providing for a full and comprehensive ceasefire. On 18 January 2018, Parliament adopted the law “*On Specifics of State Policy in relation to the Maintenance of State Sovereignty of Ukraine on the Temporarily Occupied Territories in the Donetsk and Luhansk regions*”. This law further clarified the legal framework of certain districts of the Donetsk and Luhansk regions as temporarily occupied territories of Ukraine and prescribed certain procedures for ensuring the national security and defence of such districts.

On 1 October 2019, the Trilateral Contact Group agreed that the Law of Ukraine “*On the Special Regime of Local Self-Government in Certain Areas of Donetsk and Luhansk Regions*” would come into force once local elections are held in the Donetsk and Luhansk regions. However, as of the date of this Offering Circular, the conditions for holding local elections in these regions have not been fulfilled.

In an effort to progress the peace settlement process, in June 2019, Ukraine began withdrawing military forces from three villages in the Donetsk region: Petrivske, Zolote and Stanytsia Luhanska. Ukrainian

forces have since withdrawn from all three villages. In addition, by decree of President Zelenskyy, Ukraine rebuilt the destroyed bridge in Stanytsia Luhanska spanning the Siverskyi Donets River, enabling residents to safely cross.

In 2020, Ukraine made a number of practical steps to progress peaceful settlement within the Normandy Four format (Ukraine, Russia, France and Germany), as well as within the TCG. For example, in the TCG Ukraine participated in a total of 23 rounds of consultation in the TCG itself and various working sub-groups, resulting, among other matters, in further withdrawals of military forces from several areas. Head of Ukraine's delegation to the TCG also developed and presented at the TCG a draft plan of joint TCG member steps to implement the Minsk Agreements, which contains practical steps towards achieving a definitive end to the conflict, a demilitarisation of the affected parts of the Donetsk and Luhansk regions, as well as securing a local election in those areas.

Ukrainian and International Sanctions

Since the events of February and March 2014, extensive sanctions have been imposed on the legal entities and individuals responsible for misuse of Ukraine state funds, illegal activities in temporarily occupied territories of Ukraine, human rights violations in the temporarily occupied territories of Ukraine and illegal transfers of property rights in illegally occupied Crimea.

In March 2014, Ukraine imposed first batch of sanctions against Russia, terminating any military cooperation, military transit and transit of dual-use goods through the territory of Ukraine.

Further, on 16 September 2015, Ukraine imposed personal sanctions against legal entities and individuals, which were mostly Russian companies and their subsidiaries in Ukraine, which may broadly be divided into several categories, including, banks, airlines, aviation design and construction companies, TV-channels, IT-companies, cargo carriers, Crimean sea ports and others (non-commercial organisations and militarised organisations). The individuals subjected to the sanctions consist of five groups: persons named as international observers (albeit not officially recognised as such) during the unrecognised local elections held in the Donetsk and Luhansk regions and in Crimea, Russian artists and scientists, Russian public officials, chief executives of Russian military and defence companies and of those engaged in infrastructural projects in Crimea, people engaged in separatist and terrorist activities in Donetsk and Luhansk region and in Crimea. The sanctions became effective on 22 September 2015 and primarily included asset freezing, restrictions of economic activity and ban on travelling to Ukraine. Subsequently, these sanctions were extended and supplemented.

Sanctions in connection with the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict have been also imposed by the U.S., Canada, the EU and certain of its member-states, and to a lesser extent other jurisdictions, including Japan, Australia and New Zealand. Norway, Iceland, Switzerland, Montenegro and Albania have also joined the EU sanctions against Russia.

International sanctions include, *inter alia*, (a) asset freezes of individuals and companies, (b) blocking and travel sanctions on individuals and companies, (c) sectoral sanctions, (d) prohibitions on investing, financing or insurance, and (e) import and export bans, from and into Russia, respectively.

In addition to sanctions, the EU has suspended new financial operations of the EIB and the EBRD in Russia, as well as certain programmes of bilateral and regional cooperation with Russia, EU-Russian summits, negotiations on a replacement of the 1994 Partnership and Cooperation Agreement with Russia, visa related dialogues, negotiations on the accession of Russia to the Organisation for Economic Co-operation and Development and negotiations on the accession of Russia to the International Energy Agency. Following the suspension of Russia's membership to the Group of Eight (the "G8"), subsequently renamed as the Group of Seven or the "G7", Russia's participation in G8-related international activities has also stopped.

In response to the Ukrainian and international sanctions imposed upon it, Russia has declared a number of reciprocal sanctions. Since 1 January 2016, Russia has established a number of prohibitions and restrictions with regard to Ukraine, in particular:

- a ban on the import of certain types of agricultural products, raw materials and food products originating from Ukraine;
- an application of import duties in connection with the “suspension” of the CIS Free Trade Agreement with regard to Ukraine without giving any justification for the imposition of such duties; and
- restriction of international transit.

In addition, Russia has introduced sanctions against certain Ukrainian individuals and companies, which impose freezing of funds, securities and property within Russian territory.

Government Policies

Overview

All the Government policies in Ukraine are based on a Government programme. Based on the programme, the Government develops annual implementation plans, as well as a number of other high-level documents, including mid-term budget declarations and annual draft laws on State Budget (which are both submitted for review and approval at the Parliament), as well as nation-wide programmes in specific areas.

As of the date of this Offering Circular, the Government programme in effect was approved by Government resolution No. 471 dated 12 June 2020. Further to that programme, Government instruction No. 276-p dated 24 March 2021 approved the Government’s priority action plan for 2021.

The following sections detail some of the key Government’s policies in selected directions. These include economic policies, digital policies, good governance policies, social policies and environmental policies.

Economic Policies

Agricultural Land Market Reform

For over 20 years, a moratorium on sale of agricultural land remained in effect in Ukraine preventing private landowners from legally selling their land.

This moratorium was historically introduced as a temporary measure to protect Ukrainians who received agricultural land after the Soviet-era collective farms were dissolved. It was originally set to remain in effect until Ukraine developed an appropriate land market regulations and infrastructure. Albeit, as time passed, progress in achieving that objective has been for different reasons protracted and generally produced limited practical results.

As a consequence, the moratorium was extended repeatedly, leading, among other outcomes, to a lack of investment in agricultural land in Ukraine and a stagnating private small-scale agricultural business across the country. Another consequence was an opaque and largely unregulated market for long-term leases that has developed over time to substitute for actual sales which the moratorium formally prohibited. Further, in its 2018 judgment in *Zelenchuk and Tsytsyura v. Ukraine*, the ECHR found that the moratorium in question was not compatible with the European Convention on Human Rights.

In an effort to resolve this deadlock, on 10 October 2019, several members of the Parliament submitted to the Parliament draft law No. 2178-10 “*On Amendments to the Certain Legislative Acts of Ukraine on*

Turnover of Agricultural Land". This draft proposed to abolish the moratorium and to launch a free market for the buying and selling of agricultural land. On 31 March 2020, the Parliament adopted said draft law.

As in effect, the law provides for a partial lifting of the moratorium from 1 July 2021, followed by a subsequent broader lifting from 1 January 2024. The partial lifting contemplates that the citizens of Ukraine exclusively will have a right to purchase agricultural land plots for a total of up to 100 hectares per buyer. The broader lifting will also give such a right to companies owned by Ukrainian citizens. These companies will be able to buy up to 10,000 hectares per company. At the same time, the law does not permit to sell agricultural land to foreigners, stateless people, foreign companies and foreign states (unless a nation-wide referendum decides otherwise).

Based on the Government's preliminary assessment as at the date of this Offering Circular, average annual turnover of agricultural land after the moratorium is lifted would amount to approximately 1.5 million hectares, creating a market of approximately U.S.\$3 billion per year (assuming an average price of 1 hectare of agricultural land at a level of U.S.\$2,000).

"Great Construction" Programme

"Great Construction" is a flagship programme announced by President Zelenskyy in 2020. This is not a specific infrastructure project, but rather a high-level concept to restore and modernise various infrastructure facilities (including roads, schools, kindergartens, medical centres and stadiums) across the nation. Several Government agencies are involved in the development of specific measures within the framework of this programme.

As an example, in 2020 "Great Construction" in the part covering road infrastructure included 158 repairs for a total length of 4,056 kilometres. This was funded from various sources, including the State Budget financing and loans from international financial institutions.

As of the date of this Offering Circular, the road part of "Great Construction" also contemplated several keynote projects with the total amount of investment projected at around UAH 340 billion. These include important motorway across Dnipro River in Zaporizhia (UAH 12.3 billion) and road bridge in Kremenchuk (UAH 11.25 billion), as well as a large-scale construction of an outer ring road around Kyiv. The ring road is expected to account for UAH 85 billion and the road towards the port of Odesa is expected to account for UAH 2.28 billion out of the above total of UAH 340 billion.

As estimated by the NBU, the "Great Construction" programme has already contributed 1.5% to Ukraine's GDP in 2020. Ukraine was able to contain the economic downturn during the COVID-19 provoked recession at a level below the average of its main trading partners. "Great Construction" also boosted consumption in related industries, including mining, rubber, plastic and other non-metallic products, and freight transport services. 18,000 additional road construction jobs were created as part of the "Great Construction" programme.

Public-Private Partnership Reform

At the end of 2019 and in 2020 the Parliament passed restated laws "*On Concessions*" (effective from 20 October 2019) and "*On Public-Private Partnership*" (effective from 30 October 2010). These set out an updated legal framework for a number of important infrastructure projects.

In particular, on the back of the new law "On Concession", the Ministry of Infrastructure, state company "Ukrainian Sea Ports Authority" and Risoil, a joint venture of Georgian Industrial Group and Ukrainian port operator Risoil S.A. (incorporated in Switzerland), signed a 30-year concession agreement with respect to Kherson seaport in June 2020. Under the terms of the agreement, Risoil undertook to invest approximately UAH 300 million into development of the port and a further UAH 18 million to support local infrastructure in Kherson. Risoil was set to commence operations in Kherson seaport in 2021.

Following the Kherson seaport concession, the Ministry of Infrastructure, Ukrainian Sea Ports Authority and Qterminals, a Qatari port operator, signed a 35-year concession agreement with respect to Olvia seaport in August 2020. This agreement contemplated a UAH 3.4 billion investment towards development of the Olvia port and a further UAH 80 million to support local infrastructure in the nearby Mykolaiv. Qterminals was to commence operations in Olvia in September 2021.

In November 2020, the Issuer together with the International Finance Corporation and the Ministry of Infrastructure presented a programme for public-private partnership in development of roads. At its first stage, the programme contemplates that 6 pilot road sectors with a total length of 1,400 kilometres will be given over to private investors. The investors will not be able to charge any tolls for passage, but instead will be able to utilise various roadside infrastructure, as well as will be eligible for availability payments financed from the State Budget. As of the date of this Offering Circular, the Government assessed this programme to be implemented by 2025, having generated by that time a total of approximately U.S.\$2 billion of investment in roads.

Digital Policies

Electronic Governance; “Diia” Project

Ukraine has been making certain progress towards digitalising its governance processes and public services, particularly in the five years prior to the date of this Offering Circular. However, until recently that process lacked a common vision and a centralised management, leading to a situation where different government agencies would deploy their specialised digital products at different websites, practically without consideration of similar processes that concurrently may have been taking place at other agencies.

To rectify that, in September 2019 the Government launched the Ministry of Digital Transformation of Ukraine (the “**MDT**”), a central executive agency generally in charge of the Government’s digital policies, including digital innovation, e-government and e-democracy, open data, national information databases and systems and their interoperability, broadband internet and further development of telecommunications, as well as, importantly, measures to enhance digital awareness and digital education generally of the population.

MDT’s key products include the diia.gov.ua website, a one-stop shop for public services and the Diia app (the word “diia” in Ukrainian meaning “action”), a mobile application containing various documents commonly used by population in an easily accessible digital form.

As of the date of this Offering Circular, diia.gov.ua provided 50 types of public services, including in areas such as urban planning, social protection, business incorporation and vehicle registration. It also allows its users a centralised access to data from 12 public registers, including commercial register, real estate and land register, vehicle register, tax register and enforcement proceedings register.

The MDT designs each of these services in such a way that on average, a user should spend between 5 and 15 minutes to get any such service. To that end, the MDT’s function is not only to consolidate individual services that may otherwise also be available through specialised websites, but also to simplify and streamline the user experience with that service compared to what is otherwise available.

A notable example of that is the business incorporation services, where MDT achieved a significant reduction in the amount of data that was historically required to legally incorporate a business, all while preserving that this process fully complies with the applicable law. As a result, at diia.gov.ua a user needs to fill out only 12 data fields to register themselves as individual entrepreneur (compared to 58 such fields that were required before) and 46 data fields to register a limited liability company (compared to 88 fields that were required before). At each step, diia.gov.ua also provides details and explanations as to what needs to be indicated in each data field, thereby making the process significantly easier and more accessible.

The Diia app was originally developed by EPAM Systems, a commercial software developer, and officially released on 6 February 2020. The first version of the app had a limited functionality and only supported three types of documents, including driver licences, vehicle registration certificates and student ID cards.

Subsequently, the app was transferred to state company “Diia”, which was established specifically to administer and maintain the app. Diia is undergoing a continuous modification, resulting primarily in increasingly more documents becoming available through the app over time. For example, as of the date of this Offering Circular, in addition to the three original types of documents, the app also supported personal ID cards (a form of the local Ukrainian passport), mandatory vehicle insurance policies, tax identification number certificates, birth certificates, vehicle registration certificates and internally displaced person registration certificates.

In addition, the Diia app allows access to certain public services directly on the app, including review and payment of fines for breaches of traffic rules, review and payment of debts in enforcement proceedings. Importantly, it also allows for an easy access for individual entrepreneurs and employees to the Government’s support measures in connection with the COVID-19 Quarantine Measures (such as payments of a special one-time support to those in need of that, as well as a convenient online interface to sign up for COVID-19 vaccination). See “—*Government Policies—Social Policies—COVID-19 Response Measures*” for more details on the Government’s policy in that respect.

Both the website and the application, in addition to generally making everyday life situations much easier for the population, also follow another important objective – to possibly remove direct contact of a person with a government official, this way also significantly reducing the opportunities for corruption. One of the MDT’s general goals, as of the date of this Offering Circular, was to achieve by 2024 that practically all of the public services supplied by the State are accessible online through centralised resources such as diia.gov.ua.

Cybersecurity Resilience Measures

Enhanced cybersecurity has been an increasingly important policy direction for the Government in recent years.

The agency in charge of implementing the policy in this regard is the State Special Communications and Information Protection Service of Ukraine (the “CIP”). The CIP acts on the basis of the law of Ukraine “*On Principles of Cybersecurity in Ukraine*”, which was developed in 2017. A key structural element in the CIP’s framework is its Cyberthreat Response Centre, which was launched in early 2018. The Centre carries on a continuous, 24/7 early detection of unusual and potentially dangerous activities in the public sector systems connected to the internet, as well as coordinates governmental response measures.

In addition, the CIP has a Computer Emergency Response Team (the “CERT-UA”), which is a member of FIRST (Forum of Incident Response and Security Teams) since 1 January 2009. CERT-UA’s primary tasks include studying and analysis of data on cyberthreats and cyberattacks, maintenance of a register of cyberattacks and assistance with countering cyberthreats. CERT-UA’s membership with FIRST allows it to cooperate with more than 500 similar teams from approximately 100 foreign countries in coping with impact of cyberattacks and investigating their causes and related circumstances.

As of the date of this Offering Circular, the CIP was at the final stages of a full-scale rollout of a system for secure access of all governmental agencies to the internet. This has been a process of several years, initially deployed for a limited number of agencies with its spread then gradually increasing. According to the CIP, in a 2017 NotPetya malware cyberattack none of the agencies utilising the system at the time sustained any damage. In addition, the CIP was launching a training centre for governmental agencies involved with cybersecurity (including the law enforcement agencies), which will provide relevant trainings, seminars and, more importantly, modelling of cyberthreats and related response action.

Good Governance Policies

Budgetary Decentralisation Reform

In 2014, Ukraine commenced the decentralisation of budgetary responsibilities and implemented a reform of inter-budgetary relations, and as a result, on 28 December 2014, Parliament adopted amendments to the Tax Code of Ukraine and the Budget Code of Ukraine. Such amendments provided new financial means for the local authorities, set a new distribution of national taxes and introduced a new system of budget aligning.

The amendments to the Budget Code ensured full fiscal self-sustainability of local budgets, including by means of increasing their revenue and broadening the rights of local authorities, both as regards administration of taxes and charges and directing the use of budget funds.

The revenue of local budgets was increased by the transfer of certain revenues from the State Budget to local budgets, introduction of a new tax – the excise tax on sale of excisable goods, as well as the broadening of the tax base for the real estate tax. Amendments to the Tax Code enhanced the local authorities' fiscal independence as regards local taxes and duties, in particular by authorising them to define the rates of taxes and impose taxes prescribed by the Tax Code.

In addition, a new procedure for budget management was introduced – the previous system of total balancing of all local budgets was replaced by the system of horizontal alignment of the territories' taxpaying capacity depending on revenue per capita. Such aligning only applies to personal income tax, whereas other charges are fully within the control of the local authorities.

New types of transfers from the State Budget to the local budgets were also introduced, namely educational and medical subsidies that are provided to fund the exercise of competencies in the field of education and healthcare, which state authorities delegated to local authorities.

In 2017, the second stage of the inter-budgetary relations reform commenced. Its principal task was to delineate the responsibilities between the state and local authorities regarding the funding of general education and healthcare establishments.

In the course of further decentralisation and in order to ensure the optimal and justified distribution of national wealth among all budgets, as well as to align their fiscal capacity, local budgets were made responsible for funding general education establishments, excluding salaries for teachers. Such funding is to be based on the proceeds of educational subsidy. In addition, local budgets will now cover payments for utilities made by healthcare establishments (other expenses to fund such establishments will be covered by the proceeds of the medical subsidy).

In order to make educational services closer to the end customer, the State Budget has taken over from the local budgets the expenditures for training the staff for the state owned higher education institutions having first or second degrees of accreditation and incorporated as a legal entity.

Further, as part of the healthcare reform implementation measures, starting from 1 July 2018, the State Budget is also financing (out of a separate budget programme) the provision of primary medical aid services.

In 2015 through 2019, voluntary unification of territorial communities created 782 unified territorial communities' budgets, which have established direct inter-budgetary relations with the State Budget and receive inter-budgetary transfers directly. In 2020, 872 unified territorial communities' budgets have established direct inter-budgetary relations with the State Budget. In total, 1,453 local budgets have established direct inter-budgetary relations with the State Budget.

In 2020, a number of legislative measures were taken to complete the formation of administrative and territorial structure at the basic and district levels, which resulted in formation of 1,582 of local budgets, which have direct inter-budgetary relations with the State Budget. Thus, the introduction of a two-tier system of relations between the State Budget and local budgets has been completed.

Following the formation of administrative and territorial structure, the number of amendments were introduced to the Budget Code of Ukraine. In particular, according to such amendments 60 per cent. of personal income tax is transferred to the local budgets to fund institutions providing public services.

Anticorruption Reform

Since October 2014, in consultations with the international partners of Ukraine, a substantial effort has been undertaken at prevention of corruption. In particular, Ukraine's Parliament adopted a number of laws to that effect. On 30 March 2017, the law "*On Amendments to Certain Laws of Ukraine Regarding the Specifics of Financial Control of Certain Categories of Officials*" entered into force. These laws require, among other things, that senior officials of the non-governmental organisations which operate in the anti-corruption sphere must submit electronic declarations regarding their property, income, expenditures and financial liabilities.

In order to enforce the above laws, the Anti-Corruption Bureau and the National Agency on Corruption Prevention (the "**Agency on Corruption Prevention**") were established. The Anti-Corruption Bureau commenced activities on 16 April 2015. On the same day, the Director of the Anti-Corruption Bureau was appointed by the President of Ukraine. On 14 August 2016, the Agency on Corruption Prevention officially commenced its activity.

On 10 June 2016, the Agency on Corruption Prevention adopted a resolution on launching a system of electronic declaration of property, income, expenditures and financial liabilities by state and local government officials, starting from 1 September 2016. By April 2021, more than 6,500,000 documents were uploaded to the respective register.

The Agency on Corruption Prevention has implemented a system automating the verification of electronic declarations, as well as a system automating the exchange of related information with other databases, which simultaneously rates the risk level of each declaration, based on the assessment of information provided by officials to different sources.

On 7 June 2018, the law "*On the High Anti-Corruption Court*" was adopted and on 11 June 2018 it was signed by the President of Ukraine. On 11 April 2019, in an official ceremony with the attendance of the President of Ukraine, 38 judges of the High Anti-Corruption Court of Ukraine were formally appointed and sworn into the office and the Court commenced its duties on 5 September 2019.

However, on 26 February 2019, the CCU declared unconstitutional Article 368-2 of the Criminal Code of Ukraine relating to illicit enrichment. On 3 June 2019, President Zelenskyy submitted a revised draft law criminalising illicit enrichment, which was adopted by Parliament on 31 October 2019 and took effect on 25 November 2019.

Subsequently, on 27 October 2020, the CCU ruled that the electronic declaration of property, income, expenditures and financial liabilities by state and local government officials and the related Article 366-1 of the Criminal Code of Ukraine relating to illicit enrichment were unconstitutional. Following that decision of the CCU, the Agency on Corruption Prevention closed the register of electronic declarations. The decision of the CCU was viewed as partially blocking the basic function of the anticorruption system in Ukraine.

On the same day as the CCU ruling, President Zelenskyy called an urgent meeting of the National Security and Defence Council of Ukraine to restore the electronic declaration system. As a result of the measures

taken by the Council, the President and the Cabinet of Ministers of Ukraine, the Agency on Corruption Prevention restored the register of electronic declaration.

On 4 December 2020, the Parliament of Ukraine adopted draft law No. 4460-д reinstating criminal liability for public officials responsible for the intentional failure to submit an electronic declaration or the inclusion of false statements in such declaration. Further, on 15 December 2020, the Parliament of Ukraine adopted law No. 1079-IX “*On Amendments to the Law “On Prevention of the Corruption” regarding Restoration of Institutional Mechanism to Prevent Corruption*”. Both laws became effective on 30 December 2020, restoring the authority of the Agency on Corruption Prevention, which had been terminated as a result of the CCU ruling as of 27 October 2020. At the same time, as of the date of this Offering Circular some further amendments were required to underlying regulations to fully implement the new laws. On 31 December 2020, the Agency on Corruption Prevention restored the register of electronic declarations.

On 5 November 2020, the Parliament of Ukraine adopted draft law No. 4135 “*On the Principles of State Anti-Corruption Policy for 2020–2024*”, developed by the Agency on Corruption Prevention. The draft Anti-Corruption Policy was developed in accordance with international recommendations provided to Ukraine by the Group of States against Corruption (GRECO) and the OECD, as well as in accordance with commitments undertaken by Ukraine to received further macro-financial assistance for the IMF and the EU. The draft Anti-Corruption Policy includes, among others, (i) measures to reduce the “*human factor*” in implementing anti-corruption policies; (ii) an increase of transparency and efficiency in the relations between the state and citizens and companies; (iii) measures to allow for a legal substitute for existing corrupt practices such as to support discontinuation of the latter; (iv) measures to enhance state control and supervision over compliance by public servants with the ethical conduct rules and the requirements of anti-corruption legislation; and (v) reinforced liability for corruption and corruption-related offenses.

On 15 February 2021, the Cabinet of Ministers approved a draft bill aimed at resolving the issues raised by the CCU’s ruling. The bill has been submitted to the Parliament for consideration. As of the date of this Offering Circular, the Parliament has passed the bill in the first reading and is preparing for the second reading.

Anti-Money Laundering Reform

On 28 April 2020, the Law of Ukraine “*On the Prevention of and Counteraction to Legalisation (Laundering) of Criminal Proceeds, Financing of Terrorism and Proliferation of Weapons of Mass Destruction*” (the “**AML Law**”) took effect.

The AML Law is aimed at implementing the EU’s Fourth and, partially, Fifth Anti-Money Laundering Directive and Financial Action Task Force on Money Laundering (“**FATF**”) guidance into Ukrainian legislation.

The AML Law, among other measures, increased the threshold of financial transactions which must be reported to the State Financial Monitoring Service from UAH 150,000 to UAH 400,000, reduced the number of criteria for mandatory reporting to the State Financial Monitoring Service from 17 to four. These four criteria include cash operations, cross-border transfer operations, operations conducted by politically-exposed persons and operations with clients from countries that do not comply with recommendations of international and intergovernmental anti-money laundering organisations. The AML Law also provided for automated reporting tools for persons carrying out initial anti-money laundering checks (known under Ukrainian law as primary financial monitoring), set out a general risk-based approach for such checks, as well as improved on the rules and procedures to identify ultimate beneficiary owners.

The adoption of the new AML Law generally updated the current anti-money laundering legal framework and implemented relevant recommendations of FATF, the IMF, the European Commission and Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

(“**MONEYVAL**”). It was also a notable progress marker in terms of Ukraine’s commitments under the Implementation Agreement to harmonise Ukraine’s domestic laws and regulations with those of the EU.

In August 2020, MONEYVAL published a new follow-up report reviewing Ukraine’s progress in improving its anti-money laundering framework since MONEYVAL’s last mutual evaluation report in December 2017. In that new report, MONEYVAL noted Ukraine’s progress in two key areas: (a) improving the criminal law provisions for the offence of terrorism financing, and (b) enhanced sanctions for financial institutions and other entities for non-compliance with the anti-money laundering legislation. Accordingly, Ukraine has been re-rated from “partially compliant” to “largely compliant” in those areas. At the same time, MONEYVAL has not accepted the request of Ukraine to upgrade its ratings in four other areas (financial sanctions related to terrorism, financial sanctions related to proliferation, regulation and supervision on non-financial professions and maintenance of national statistics on anti-money laundering and countering the financing of terrorism).

As of the date of this Offering Circular, various governmental agencies in Ukraine were completing the process of developing and adopting regulations necessary to fully implement the AML Law. The NBU, in particular, had already completed that process as regards companies regulated by the NBU (primarily, banks).

Social Policies

Wages

The average monthly wage in Ukraine has steadily increased over recent years, from UAH 4,207 in 2015 to UAH 5,187 in 2016, UAH 7,105 in 2017, UAH 8,867 in 2018, UAH 10,503 in 2019 and UAH 14,179 in 2020 (increases of 20.5 per cent., 23.3 per cent., 37.0 per cent., 24.8 per cent., 18.5 per cent. and 35.0 per cent. compared to the previous year, respectively). This trend of rising wages was in line with the overall moderate growth of the economy (prior to the COVID-19 outbreak).

The minimum wage in Ukraine is determined by Parliament on the basis of the Government’s recommendation. The Government bases its recommendation on a number of factors, including the forecasts of key macroeconomic indices for the relevant period (for example, inflation) as well as the then current average wage and employment level and the provisions of collective contracts negotiated with workers. The State Budget Law for 2020 provided for a minimum monthly wage of UAH 4,723 and a minimum hourly wage of UAH 28.31 from 1 January 2020; this represents an increase of 13.2 per cent. and 12.7 per cent., respectively, compared to 31 December 2019.

As at 1 October 2020, total wage arrears amounted to UAH 3.6 billion, an increase of UAH 419.7 million, or 13.4 per cent. as compared to total wage arrears as at 1 October 2019.

Employment

The SSSU calculates unemployment quarterly on the basis of all persons between the ages of 15 and 70, using the International Labour Organisation’s (the “**ILO**”) internationally accepted methodology of household surveys.

The table below shows the annual average employment data for 2016, 2017, 2018, 2019 and 2020 (the numbers are calculated by the SSSU):

	For the year ended 31 December				
	2016⁽⁴⁾	2017⁽⁴⁾	2018⁽⁴⁾	2019⁽⁴⁾	2020⁽⁴⁾
Economically active population ⁽¹⁾	18.1	17.9	17.9	18.1	17.4

	For the year ended 31 December				
	2016 ⁽⁴⁾	2017 ⁽⁴⁾	2018 ⁽⁴⁾	2019 ⁽⁴⁾	2020 ⁽⁴⁾
Number of Employed ⁽¹⁾	16.3	16.2	16.4	16.6	15.7
Number of Unemployed ⁽¹⁾	1.7	1.7	1.6	1.5	1.8
Unemployment rate ⁽²⁾⁽³⁾	9.3	9.5	8.8	8.2	10.1
in rural areas	9.7	9.9	9.2	8.7	11.0
in urban areas.....	9.2	9.3	8.6	8.0	9.7

Notes:

- (1) In millions.
- (2) As a percentage of economically active population.
- (3) Based on a selective survey of the population (households) aged 15-70 years in Ukraine (excluding illegally occupied Crimea).
- (4) Based on a selective survey of the population (households) in Ukraine (excluding illegally occupied Crimea and certain parts of the Donetsk and Luhansk regions).

Pensions, Unemployment Benefits and Social Benefits

The Ukrainian social insurance system consists of pensions, benefits, compensations and other social and insurance payments.

As part of Ukraine's ongoing transition to a market economy, the Government is currently working with the World Bank and the IMF to restructure Ukraine's social insurance system. The restructuring includes the introduction of a system of collecting and accounting for a single social contribution under a mandatory State social insurance scheme (based on the Law of Ukraine "On Collection and Accounting of the Single Contribution under the Mandatory State Social Insurance" that entered into force on 1 January 2011), as well as the further development of the Ukrainian pension system.

The average monthly pension in Ukraine as at 1 April 2021 amounted to UAH 3,724.65, an increase of UAH 554.51, or 17.5 per cent., as compared to the average monthly pension as at 1 April 2020.

As at 1 April 2021, 11,052,849 pensioners were registered with the Pension Fund of Ukraine. Among that total number of pensioners, 8,316,443 are receiving retirement pension, 1,420,069 are receiving pensions due to physical disability, 640,174 are receiving pensions due to loss of a breadwinner, 600,683 are receiving pensions for the retirement from service, 71,924 are receiving social pensions, and 3,556 are receiving lifetime support as former judges.

The legal, financial and organisational basis of the state mandatory unemployment insurance is defined in the Law of Ukraine "On Mandatory State Social Unemployment Insurance".

Independent agricultural workers, as well as Ukrainians working abroad, may participate in the unemployment insurance scheme on a voluntary basis. Insured persons, as well as young persons who ended or suspended their studies or who are free from regular or alternative (non-military) service and who need assistance in finding employment for their first job, are entitled to benefits and social services; *provided that* they are registered as unemployed with the State Employment Service. Benefits are currently payable by the Unemployment Fund (a special-purpose organisation run by a board including representatives of the state, employers and employees). Insured unemployed persons' benefits depend on their wages (income), insurance period, duration of unemployment, and the reasons for dismissal from the last workplace or termination of the respective type of activity. Persons who receive unemployment benefits that do not take their insurance period and wages into account, as well as young persons who ended or suspended their studies, or who are free from regular or alternative (non-military) service, have the right to unemployment benefits at the minimum level.

Since 1 March 2020, management of the Unemployment Fund established the minimum unemployment benefit: (1) in the amount of UAH 650 per month for persons whose pensionable service within the twelve months preceding the registration as unemployed was shorter than six months (as well as for certain other categories); and (2) in the amount of UAH 1,800 per month for insured persons, recognised as unemployed, whose pensionable service within the twelve months preceding their registration as unemployed was shorter than six months.

The amount of benefits for persons receiving the minimum unemployment benefit without taking into account wages and insurance experience, for the duration of the Quarantine Measures has been increased from UAH 650 to UAH 1,000.

In accordance with Ukrainian employment insurance laws, any unemployed person whose pensionable service within the twelve months preceding the registration as unemployed was longer than six months is entitled to benefits, depending on such person's past employment period. In particular, a person is entitled to benefits: equivalent to 70 per cent. of that person's average monthly salary if the past employment period was more than ten years, 60 per cent. if it was between six and 10 years, 55 per cent. if it was between two and six years and 50 per cent. if it was less than two years. An unemployed person is entitled to 100 per cent. of such benefits for the first 90 calendar days, 80 per cent. for the subsequent 90 calendar days and 70 per cent. for the following months; however, for unemployment benefits the duration of payment is limited, in a two-year period, to 720 calendar days for persons of pre-retirement age, 360 calendar days for other persons and not longer than 180 calendar days for youth registered as unemployed and requiring employment support at the first job and internally displaced persons, who are not able to confirm their periods of employment.

Key social services rendered to the unemployed include search for an appropriate job and assistance in employment process, including by means of holding public works; professional training (including re-training and advanced training); providing subsidies to employers in compensation of the single social contribution under a mandatory State social insurance scheme for creation of additional jobs in new workplaces, providing citizens with a special voucher to keep up with competition in the labour market, as well as information and consulting services related to employment (including the provision of social services to vulnerable persons, IDPs and participants in the Donetsk and Luhansk Conflict).

In addition to pensions and unemployment benefits, social insurance also includes subsidies for the purchase of hard and liquid furnace fuel and liquefied gas, subsidies for the payment of housing and communal services, as well as assistance for health improvement (rehabilitation) and funeral costs.

As of the date of this Offering Circular, all social payments were financed in full.

Under the laws on compulsory state social insurance, the Social Insurance Fund of Ukraine pays temporary benefits for persons who are temporarily incapable of working or have suffered work related injury or illness. The Fund also pays temporary childbirth and childcare benefits, and funeral costs.

Government Measures to Regulate Natural Gas Prices for General Public

Pursuant to minutes No. 132 dated 28 December 2020 the Cabinet of Ministers of Ukraine authorised the Ministry of Energy to analyse the formation of gas price for households. According to the results of the analysis, the Ministry of Energy found out that in August-December 2020 the average price was 36 per cent. higher than the price proposed by Naftogaz. Such tendency caused by the dominant position of regional gas supply companies which share in the segment of gas sales for households was more than 90 per cent.

Due to this rapid rise in natural gas prices and the decline in incomes caused by the COVID-19 pandemic, the government has taken urgent measures to reduce the price of natural gas for household consumers.

Subsequently, the Ministry of Energy developed a draft resolution, which provides for an extraordinary and temporary regime of state regulation of natural gas prices until 31 March 2021 and sets out the maximum price for all households in the amount of UAH6.99 for 1 cubic meter. On 18 January 2021, the draft resolution was adopted by the Cabinet of Ministers of Ukraine. Subsequently, the National Energy and Utilities Regulatory Commission developed rules and procedures for natural gas suppliers to be able to offer their customers a fixed annual tariff for natural gas (along with so called commercial tariffs for different periods that can include prices different from the fixed annual tariff, leaving the choice to the customers). These rules took effect on 1 May 2021.

COVID-19 Response Measures

In December 2019, the emergence of a new strain of coronavirus was reported in Wuhan, Hubei Province, China. This new strain of coronavirus caused a new illness, subsequently named “COVID-19”, and spread throughout the world. On 3 March 2020, Ukraine reported its first case of COVID-19 and the number of cases has increased continuously since. On 11 March 2020, the WHO declared COVID-19 a global pandemic. The outbreak of COVID-19 has had and will likely continue to have an adverse impact on the global economy (including the economy of Ukraine), the severity and duration of which is difficult to predict. See *“Risk Factors—Risks Associated with Ukraine’s Economy—The economic effects of the outbreak of COVID-19 have had and could continue to have an adverse effect on Ukraine’s economy”*.

On 11 March 2020, the Government adopted Resolution No. 211 *“On Preventing the Spread of Coronavirus COVID-19 on the Territory of Ukraine”*, introducing specific nationwide restrictions on movement and economic activity aimed at combating COVID-19, such as self-quarantining, instituting curfews, suspending non-essential businesses, banning public gatherings and closing down schools and universities (the **“Quarantine Measures”**). The Government had initially introduced the Quarantine Measures for the period from 12 March 2020 to 3 April 2020, however they were extended first to 22 May 2020 and then to 31 August 2020. On 9 December 2020, the Government adopted Resolution No. 1236 *“On Introduction of Quarantine and Restrictive Anti-epidemiological Measures to Prevent the Spread of Acute Respiratory Disease COVID-19 in Ukraine”*, introducing the Quarantine Measures for the period from 19 December 2020 to 28 February 2021. Subsequently, the Quarantine Measures were extended to 30 June 2021. Concurrently, the Ukrainian Parliament adopted several laws aimed at supporting businesses affected by the implementation of the Quarantine Measures (the **“Support Laws”**).

In March-May 2020, the Government introduced certain additional measures, including a ban on entry by foreign nationals, except those holding residency permits, diplomats and employees of international organisations, the closure of border checkpoints and a halt to international air, bus and train traffic, all of which has since been resumed, subject to certain ongoing restrictions. In particular, the Ministry of Health of Ukraine developed criteria for “zoning” countries based on the number of new COVID-19 cases per 100,000 people in order to control entry into Ukraine by persons travelling from high risk countries. “Red zone” countries are those where the total number of new COVID-19 cases per 100,000 people for the last 14 days exceeds that number in Ukraine. Travellers entering Ukraine from the “red zone” countries need to undergo self-isolation or observation for 14 days upon arrival (except where they have a negative polymerase chain reaction (PCR) test made after their entry into Ukraine). “Green zone” countries are those where the number described above is lower than that number in Ukraine. Travellers entering Ukraine from the “green zone” countries do not need to undergo self-isolation or observation. All foreign nationals arriving in Ukraine must have a valid health insurance policy to cover the costs of COVID-19-related observation and treatment, if required. The Ministry of Health of Ukraine publishes and maintains a zoning list on its official website.

The Support Laws mainly offer tax and customs related support measures, as well as certain measures to facilitate corporate, labour and general commercial relations. The Support Laws cover the majority of corporate entities and individual entrepreneurs (*i.e.*, individuals who run their business without establishing

a corporate entity) conducting commercial activity in Ukraine. For example, the Support Laws expand the affordable loans programme to help small-to-medium-sized entities (“SMEs”), and include a one-off payment of approximately U.S.\$300 to each private entrepreneur. The Support Laws also provide for state guarantees for loans and partial compensation of loan principal for SMEs.

Under the Support Laws, the implementation of the Quarantine Measures may constitute a force majeure event, provided there is a clear causal link between the implementation of the Quarantine Measures and the fact of failing to perform its obligations by the relevant party. As regards financing, the Support Laws prohibit increasing interest rates on loans while the Quarantine Measures are in place, aiming to decrease the potential number of defaults caused by the deteriorating economic situation caused by the COVID-19 pandemic. Additionally, if a tenant cannot use leased property while the Quarantine Measures are in place, they may be exempt from lease payments.

The deadline for running an annual general meeting (an “AGM”) in joint stock companies, as well as for disclosures and reporting has been postponed. If it is impossible to hold an AGM in person due to the Quarantine Measures, the AGM may be held remotely. The Support Laws also extend the deadlines for submitting annual financial statements and audit reports of banks. Within commercial, administrative, and civil procedures, the deadlines for all submissions and appeals have been extended for the term of the Quarantine Measures. The statute of limitations for claims is temporarily suspended for the term of the Quarantine Measures.

A number of tax incentives were included in the Support Laws. Legal entities that provided charitable support to fight COVID-19 or donated funds and supplies while the Quarantine Measures were in place can fully deduct the amount of such support from their taxes. Additionally, a VAT exemption for medicines and medical products purchased or imported to fight COVID-19 has been introduced for the duration of the Quarantine Measures.

Save for a few exceptions, fines for violations of tax legislation committed during the period from 1 March 2020 to the end of the Quarantine Measures will not be imposed. Taxpayers are also not subject to late payment interest for the period from 1 March 2020 to the end of the Quarantine Measures. Under the Support Laws, certain documentary and factual tax audits are under a moratorium. However, the moratorium does not cover unscheduled documentary audits with respect to claimed VAT refunds, as well as factual tax audits, and the imposition of fines for excise tax violations.

In terms of social insurance issues, the Support Laws introduce the legal concept of “temporary unemployment due to COVID-19” and, under the Support Laws, the Government pays employers whose employees have become “temporarily unemployed”. The Support Laws increased the unemployment benefit from UAH650 (approximately U.S.\$24.0) to UAH1,000 (approximately U.S.\$36.0) for the period of the Quarantine Measures and to 30 days after the cancellation of the Quarantine Measures. The Support Laws also provided the opportunity for people to apply for the unemployment benefit and receive the benefit (via an online bank transfer) without visiting a jobs centre. In addition, UAH4.25 billion (approximately U.S.\$117.0 million) was allocated from the state budget to support temporarily unemployed people during the Quarantine Measures.

The Support Laws also introduced a 300 per cent. increase in salaries for medical personnel working with COVID-19 patients, a one-off pension increase for low-income pensioners and a monthly pension top-up for retirees over the age of 80, a moratorium on penalties and disconnection of consumers who are late on utility payments, among other measures.

In addition to the support measures described above, Ukraine supports the healthcare industry by, among other things, disapplying public procurement to certain medicines and medical equipment necessary to combat COVID-19 and increasing salaries for medical personnel. Moreover, under the Support Laws: (i) the Government and the NBU have adopted a national programme of special purpose loans to sustain a

salary fund; (ii) the Government has adopted a programme for stimulating the economy to overcome the negative consequences of COVID-19 in Ukraine; (iii) the Government has adopted a programme to support the economy and protect Ukrainian goods, works and services from their imported alternatives; and (iv) the Government has committed to ensuring the continued elaboration of the draft law providing for a suspension of the performance of underlying obligations secured by mortgages and the introduction of a moratorium on enforcement of mortgaged property while the Quarantine Measures are in place. On 13 April 2020, Parliament amended the Law of Ukraine “*On State Budget for 2020*”, launching the COVID-19 Fund. UAH 19.4 billion of the COVID-19 Fund has been allocated to the healthcare system, UAH 26.4 billion is for an economic stimulus programme, UAH 12.8 billion is for social insurance programmes, UAH 4.5 billion is for law enforcement programmes and UAH 2.8 billion is for other one-off payments.

On 15 April 2020, the Government adopted Resolution No. 283 “*On Amendments to the Procedure of Providing State Financial Support to Micro and Small Businesses*”, amending the existing state programme of lending to micro and small businesses to support business while the Quarantine Measures are in place (the “**Business Support Programme**”).

The Business Support Programme is provided by the State Fund of Entrepreneurship Development by partially covering interest rates and providing guarantees on commercial loans. The Business Support Programme is accessible through appointed banks by qualifying businesses.

The Business Support Programme is designed, *inter alia*, to cover business losses caused by the Quarantine Measures required to keep businesses operational while the Quarantine Measures are in place. Businesses that intend to refinance their current indebtedness under credit agreements may also benefit from the Business Support Programme.

For businesses affected by the Quarantine Measures, the Business Support Programme will be available for the duration of the Quarantine Measures and for 90 days after they have been lifted with a maximum payment grace period of nine months.

On 19 June 2020, the Government announced the allocation of UAH 19.0 billion (U.S.\$712.0 million) to support individuals and small and medium sized businesses adversely affected by COVID-19 and the Quarantine Measures.

In May 2020, the Government began to gradually ease or lift certain of the Quarantine Measures. For example, starting from 22 May 2020, the public, suburban and railway transport services were resumed. In addition, hotels were allowed to reopen and religious institutions were allowed to operate. On 25 May 2020, the subways resumed their work.

Since the Government started the gradual lifting of the Quarantine Measures, the Ministry of Health of Ukraine reported a gradual increase in the number of confirmed cases of COVID-19. This second wave of COVID-19 required the Government to reintroduce certain limited restrictions in November through December 2020, including most recently a weekend quarantine in November 2020, which prohibited places such as restaurants, bars, retail shops and fitness centres from servicing customers during weekends. That weekend quarantine expired on 30 November 2020. On 9 December 2020, the Government adopted Resolution No. 1236, which contemplates closures for most foodservice and retail trade companies such as restaurants, bars, shopping malls and markets, fitness centres etc., as well as cultural events such as concerts, conferences, sport events etc., for the period from 8 to 25 January 2021.

On 13 March 2020, the NBU reduced the discount rate to 10 per cent., on 24 April 2020, to 8 per cent. and on 11 June 2020, to 6 per cent. On 4 March 2021, the NBU increased the discount rate to 6.5 per cent. and, on 15 April 2021, the NBU further increased the discount rate to 7.5 per cent. Such monetary easing should partially offset the economic losses resulting from the COVID-19 pandemic.

Within its monetary support measures, the NBU encouraged banks to refrain from paying out dividends, modified the calculation of reserve requirements, postponed the introduction of capital buffers for banks, delayed banks' onsite inspections and stress testing, introduced a long-term refinancing instrument for banks (up to five years), doubled the frequency of liquidity tenders, extended the deadline for the development and approval of bank strategies for non-performing assets management, extended the deadline for banks to submit their risk tolerance declarations, extended the deadline for banks to submit financial accounts for the 2019 financial year and for the first quarter of 2020.

On 27 May 2020, the Government adopted the Resolution *“On Approval of the State Programme of Stimulating of the Economy to Overcome the Negative Consequences Caused by Restrictive Measures to Prevent the Outbreak and Spread of Coronavirus Disease (COVID-19) for 2020-2022”*, which contains short-term initiatives to support overall economic recovery, employment levels, international trade and foreign investment in response to the negative economic effects of COVID-19.

The Government has taken measures to roll out a mass COVID-19 vaccination programme in Ukraine. On 24 December 2020, the Ministry of Health approved a roadmap for 2021 – 2022, which defines target groups, stages and other organisational issues related to vaccination.

On 31 December 2020, a contract for supply of the CoronaVac vaccine developed by the Chinese biopharmaceutical company Sinovac was signed between state company “Medical Procurement of Ukraine” and joint-stock company “Lekhim”, a local pharmaceutical company. The contract provides for the supply of 1,913,316 vaccine doses for total amount of approximately UAH 1 billion. According to the delivery schedule, the CoronaVac vaccine is expected to be received in two instalments: a 700,000 dose instalment by 31 March 2021 and a further 1,213,316 dose instalment by 31 May 2021. Ukraine has also submitted a request for vaccines in accordance with the COVAX initiatives introduced on the basis of Gavi with participation of the World Health Organisation and the Coalition for Epidemic Preparedness Innovations. In February 2021, the Prime Minister's office announced that Ukraine had secured 15 million doses of the AstraZeneca and Novavax COVID-19 vaccines from the Serum Institute of India, and is hoping to negotiate with EU member states (particularly Poland) to secure supply of their surplus COVID-19 vaccine doses. The Government has also banned the registration of the Russian COVID-19 vaccine: “Sputnik V”.

On 24 February 2021, Ukraine began a COVID-19 vaccination programme. Ukraine received 500,000 doses of the AstraZeneca vaccine produced by the Serum Institute of India. Doses of the vaccine were distributed and delivered to all regions of Ukraine. In the first stage of the vaccination programme, medical personnel, those providing medical care to patients with COVID-19, and military personnel in the areas of the Joint Forces Operation were vaccinated. As of 18 June 2021, over 1,594,000 people have received the first dose of the vaccine, with over 313,600 people having received two doses of the vaccine.

On 29 January 2021, the Parliament adopted amendments to the Law *“On Pharmaceutical Products”* providing for simplified registration for COVID-19 vaccines. COVID-19 vaccines are to be supplied in Ukraine by the following ways: (i) on a commercial basis through a distribution network of pharmacies and private medical institutions; (ii) free of charge through the public procurement mechanism; (iii) in collaboration with the COVAX initiatives.

The pandemic will continue to have a significant impact on the macroeconomic environment, producing volatility, uncertainty and disruption in global financial markets, the severity and duration of which will depend on future developments. Such developments are inherently uncertain and cannot be accurately predicted, and key sectors of Ukraine's economy may prove slow to recover. Ukraine, like other countries, may prolong or renew the Quarantine Measures in 2021 in response to further outbreaks of COVID-19.

Environmental Policies

Environment Protection Framework

Ukraine has established a legal framework for environmental protection that is generally consistent with standards accepted by EU member states and international treaties. There is, however, some concern that Ukraine does not yet have sufficient resources to fully comply with these standards.

The main environmental issues facing Ukraine include waste accumulation (including toxic waste), water and atmosphere pollution, contamination from the Chernobyl incident, and the closure of mines. The construction of a New Safe Confinement (the “NSC”) over the “Shelter” and the destroyed Unit 4 of the Chernobyl Nuclear Power Station in 2016 was an important step in mitigating the consequences of the Chernobyl incident. After the NSC construction, the radiation exposure decreased more than 2 times. However, the process of Chernobyl Nuclear Power Station decommissioning and transformation of “Shelter” into an ecologically safe system takes a long time. The risks and threats in certain parts of the exclusion zone, which suffered the greatest contamination with plutonium isotopes (about a thousand square kilometres) remain for years.

Environmental protection is financed by the State Budget, local budgets, funds of enterprises and organisations, voluntary contributions and other funds. Environmental protection funds have been allocated each year within the State Budget, oblast budgets, the Kyiv and Sevastopol city budgets and local budgets for the purpose of remedying environmental pollution and damage caused by violations of environmental protection legislation. The Ministry of Ecology and Natural Resources of Ukraine (the “MENR”) intends to streamline the organisation of these funds and to utilise resources from other sources (including grants and loans from foreign sources).

In 2016, Ukraine ratified the Paris Agreement to the UN Framework Convention on Climate Change. To implement this agreement, the Cabinet of Ministers adopted the Concept of state policy in the field of climate change for the period until 2030 (Resolution No. 932-r on 7 December 2016) and the Plan of Measures for its implementation (Resolution No. 878-r on 6 December 2016). Currently, the draft of Ukraine’s low carbon growth strategy until 2050 is developed and published on the website of the MENR.

In terms of state control over environmental impact, the key legislation is the law “*On Environmental Audit*”. It sets basic legal and organisational criteria for carrying out environmental audits and aims to increase environmental awareness and efficiency of businesses. Mandatory environmental audits must be performed in the following cases, among others: bankruptcy; privatisation and concession of state and communal property, subject to exceptions provided by law; transfers of title or long term leases into state or communal property; establishment of joint ventures on the basis of state or communal assets; environmental insurance of objects; and termination of effectiveness of production sharing agreements according to law.

State control is exercised over management and protection of land, environmental and radiation safety, protection and management of territories and objects of natural reserve funds, management and disposal of waste products (other than radioactive waste products), hazardous chemical substances, pesticides and agrochemicals, the management, protection and use of the ecological network, as well as over compliance with environmental security standards. In addition, the State exercises geological and geodesic monitoring and control. However, the damages payable for the breach of environmental legislation tend to be low, which reduces their deterrent value and is inadequate compared to the sums required to remedy pollution.

Renewable Energy Support in Ukraine

Over recent years, the share of renewable energy in Ukraine's total energy generation has steadily grown. See "*Economy, Foreign Trade and Investment—Energy System and Environmental Aspects—Renewables*" for more detail in terms of the numbers.

The primary driving force behind the increased renewable energy output was a relatively high rate of the feed-in tariff offered by the State. In the longer perspective, however, this high a tariff has led also to a comparatively high price for the "green" energy. As a consequence, over time state company "Guaranteed Buyer" that purchases electricity from private producers has accumulated a shortage of funds to service its payment obligations, ultimately suspending all of its payments temporarily.

As a result of a prolonged negotiation mediated by the Energy Community Secretariat, the Government secured a compromise with the renewable energy investors set out in a memorandum of understanding signed on 10 June 2020 by, among others, the Prime Minister of Ukraine and representatives of renewable energy associations. Under this memorandum, investors agreed to a gradual decrease in the rate of the feed-in tariff, in exchange for which the State committed to resolve Guaranteed Buyer's liquidity issues and cover the accrued debt. Ukraine has therefore become one of the few countries in the world that held a successful negotiation with its renewable energy investors, as opposed to decreasing the tariff unilaterally.

Subsequently, the Parliament passed a law developed by the Ministry of Energy to implement that memorandum. The law took effect in August 2020. Since that time, Guaranteed Buyer has covered in full all of its debts for the renewable energy produced in August, September, October, November and December 2020. In addition, in early 2021 Guaranteed Buyer made a first advance payment for electricity produced from renewable sources. By comparison, in the period from January to July 2020, prior to the above referenced law taking effect, Guaranteed Buyer was only able to service approximately 27 per cent. of all it was required to pay then.

As of the date of this Offering Circular, the Ministry of Energy, together with several other governmental agencies and the renewable energy producers, was working to cover the Guaranteed Buyer's outstanding debt, as well as to secure its stable and predictable payments to producers going forward. The Government's plans for future development of renewable energy generation in Ukraine include moving to an auction-based support, reconciling the growth rates of local renewable generation with the technical capacities of energy transmission system in Ukraine (to ensure that the sector's growth is matched with appropriate technical and operational capacities of the broader energy system), as well as ensuring a long-term and transparent support to private investors in the sector.

In addition, the Ministry of Energy as at the date of this Offering Circular was working to develop legislative amendments that would allow for a feed-in premium / contract for difference model enabling renewable energy producers to sell their energy directly at the market (as opposed to selling to Guaranteed Buyer) with a premium from the State.

Other Recent Reforms and Policies

In addition to the above, the Government's other important reforms or policy actions launched or implemented in recent years include:

- as regards economic policies, a wide-scale banking sector reform (dubbed "velyka bankivska chystka" or, translating, "big banking clean-up" in Ukraine) that resulted in closing down and liquidation of a large number of inadequately capitalised banks, all to make the local banking market more robust and resilient. See "*Economy, Foreign Trade and Investment—Banking System, Non-Bank Financial Services and Domestic Financial Markets—Overview*" for more detail

regarding insolvency and subsequent nationalisation of PrivatBank, one of Ukraine's largest privately owned lenders at the time;

- as regards good governance policies, a notable reform of public procurement rules and practices implemented by the Ministry for Development of Economy, Trade and Agriculture that resulted in the launch of ProZorro, a transparent public e-procurement system, as well as a wide-scale corporate governance reform in state-owned banks and state companies to bring the historic processes there, prone to excessive bureaucracy and various other inefficiencies, closer to line to the global best standards of commercial corporate governance, and an effort to launch the large-scale privatisation in Ukraine led by the State Property Fund;
- as regards social policies, the nation-wide programmes to secure affordable loan and mortgage rates for general population announced by President Zelenskyy, a challenge in a system where high risks of borrower default and a significant proportion of non-performing loans historically have translated into high interest rates, at times making commercial bank credit not fully accessible to an average person working for an average salary in Ukraine, as well as a fundamental reform to the way healthcare system was organised and financed in Ukraine implemented by the Ministry of Health.

Disputes and Legal Proceedings

The following section outlines disputes and legal proceedings that Ukraine is a party to as of the date of this Offering Circular. As referred to below, “BIT” means a bilateral investment treaty, “ECT” means the Energy Charter Treaty, “UNCITRAL” means the UN Commission on International Trade Law, “SCC” means the Arbitration Institute of the Stockholm Chamber of Commerce and “ICSID” means the International Centre for Settlement of Investment Disputes.

Ukraine’s Legal Proceedings against Russia

2016 UNCLOS Dispute between Ukraine and Russia

Under the UN Convention on the Law of the Sea (the “UNCLOS”), Ukraine has, as a coastal state, exclusive rights to the territorial sea and the continental shelf adjacent to Crimea. Since 2014, Russia has taken actions violating such rights, including: (i) the regulation of the use of subsoil and the attempted revocation of certain licenses issued by competent Ukrainian authorities; (ii) the seizure of the Odeska natural gas deposit and other hydrocarbon deposits located within the continental shelf of Ukraine; (iii) the interference with the exercise by Ukrainian individuals and businesses of fishing rights in Ukraine’s maritime zones; (iv) the restriction of maritime traffic in the Kerch Strait; and (v) the construction of a land bridge and laying of an underwater cable and gas pipeline through the territorial sea of Ukraine. On 14 September 2016, the Ministry of Foreign Affairs of Ukraine served Russia with a notification of arbitration and statement of claim pursuant to the UNCLOS, claiming breach of the UNCLOS by Russia in the territorial sea and continental shelf adjacent to Crimea and the Black Sea, Sea of Azov, and Kerch Strait. On 10 to 14 June 2019, oral tribunal hearings on Russia’s preliminary objections to the tribunal’s jurisdiction took place. The decision on the tribunal’s jurisdiction was rendered on 21 February 2020. The tribunal rejected Russia’s objections to the tribunal’s jurisdiction and decided to consider merits of Ukraine’s claims, including Russia’s violations of the UNCLOS in the Kerch Strait and the Sea of Azov. On 20 May 2021, Ukraine submitted its updated memorandum. Russia is due to submit its updated memorandum by 21 February 2022.

2017 ICJ Dispute between Ukraine and Russia

On 16 January 2017, Ukraine filed a case against Russia at the International Court of Justice (the “ICJ”) in connection with alleged violations by Russia of the International Convention for the Suppression of the Financing of Terrorism (the “ICSFT”) and the International Convention on the Elimination of All Forms of Racial Discrimination (the “CERD”). Ukraine accuses Russia of breaching the ICSFT through the financing of terrorist activities of illegal armed formations in the Donbas, and of breaching the CERD by systematic discrimination against non-Russian ethnic groups living in the occupied territory of Crimea, in particular, Ukrainian and Crimean Tatars minorities. On 8 November 2019, the ICJ rejected Russia’s preliminary observations and declared that it had jurisdiction to hear the dispute on the merits. Russia is to prepare and submit a counter-memorandum by 8 July 2021.

2019 UNCLOS Dispute between Ukraine and Russia

On 25 November 2018, Russia illegally detained three Ukrainian naval vessels and their crews passing through the Kerch Strait. On 1 April 2019, following attempts over a period of several months to secure the release of the seized naval vessels and their crews, Ukraine notified Russia that it was commencing mandatory arbitration under UNCLOS. On 22 May 2020, Ukraine submitted its memorandum to the arbitral tribunal, which states facts and evidence, expert testimonies and legal qualifications. According to the Rules of Procedure for the arbitration, Russia had three months to state its preliminary objections to jurisdiction. On 22 August 2020, Russia provided its preliminary objections.

On 28 September 2020, Ukraine filed its response to these objections. On 27 October 2020, the arbitral tribunal ruled to bifurcate the proceedings into a jurisdictional stage and a substantive stage.

On 27 January 2021, Ukraine made a further submission in response to Russia's objections as to jurisdiction. In addition, Ukraine requested that the tribunal expedite the scheduling of an oral hearing. In response to that, on 4 February 2021, Russia made a submission requesting that the tribunal schedule an oral hearing for not earlier than August 2021 in view of COVID-19 related restrictions, Russia being preoccupied with the two other interstate disputes brought by Ukraine and the fact that the naval vessels in question and their crews were released to Ukraine.

On 5 February 2021, the arbitral tribunal determined that there was no need for any further submissions as to jurisdiction and requested that Ukraine file any further comments as to the scheduling of an oral hearing. On 11 February 2021, Ukraine requested that the tribunal consider the jurisdictional issues on the basis of the submissions the parties had already made with a view to prevent further delays in this proceeding. On 22 February 2021, Russia objected to Ukraine's request and stressed the need for oral hearings.

On 16 March 2021, the arbitral tribunal informed the parties that the oral hearings on the jurisdiction issue were scheduled for 11-16 October 2021.

The Law Debenture Trust Corporation plc

On 17 February 2016, Law Debenture, acting in its capacity as a trustee on behalf of Russia as sole holder of the December 2013 Notes, commenced a claim in the English courts seeking payment of U.S.\$3 billion of outstanding principal plus accrued interest allegedly due under the December 2013 Notes, as well as other relief. Ukraine denies the validity and enforceability of the December 2013 Notes on various grounds as set out in its defence.

The key procedural milestones and current status of the claim is as follows:

- 29 March 2017 – the High Court of England and Wales gave summary judgment in favour of Law Debenture for the full amount of the claim together with interest and legal costs (the “**Summary Judgment**”). Ukraine appealed to the Court of Appeal of England and Wales, which appeal hearing took place in January 2018.
- 14 September 2018 – the Court of Appeal handed down judgment in Ukraine's favour overturning the Summary Judgment and directing that there should be a full trial of Ukraine's defence based on duress (but not of Ukraine's other defences). The Court of Appeal also held that, had it found Ukraine's defence of duress not to be justiciable by the English courts (as Law Debenture had argued), the correct outcome would have been to stay the claim since a fair adjudication on the merits would not be possible. The Court of Appeal also required Law Debenture to repay to Ukraine by 9 November 2018 the interim payment in respect of Law Debenture's costs of approximately GBP1.1 million that the High Court had previously required Ukraine to pay Law Debenture consequent upon the first instance Summary Judgment, with interest at an annual rate of 2 per cent. above the Bank of England base rate. Both Ukraine and Law Debenture appealed to the Supreme Court of the United Kingdom on the issues on which they had been unsuccessful before the Court of Appeal
- 9 to 12 December 2019 – the Supreme Court heard the appeals and reserved its judgment until a later date. Subsequently, the Supreme Court decided to postpone giving its judgment until after it had heard a separate case, namely that of *Pakistan International Airline Corporation v Times Travel (UK) Ltd* (the “**Times Travel case**”). That case concerns an aspect of the English law of duress and it is possible that the Supreme Court's consideration of that case will be of some relevance to how it determines Law Debenture's appeal, which relates to Ukraine's duress defence.

- 2 to 3 November 2020 – the appeal in the Times Travel case was heard by the Supreme Court. Both Ukraine and Law Debenture intervened in the appeal. The Supreme Court reserved its judgment until a later date.
- Ukraine expects the probable time for the Supreme Court to hand down its decision in the Times Travel case is the second half of 2021. Further, it is possible that, once the judgment in the Times Travel case has been given, Ukraine and Law Debenture will then make further written and/or oral submissions to the Supreme Court before it makes its final decision on their pending appeals. As a result, it appears unlikely that the appeals to the Supreme Court will be finally determined before early 2022. The Court of Appeal’s stay of the underlying proceedings remains in place pending the outcome of the appeals to the Supreme Court.

Public joint stock company “Tatneft” (“Tatneft”)

On 21 May 2008, Tatneft commenced an UNCITRAL arbitration seated in Paris claiming that Ukraine violated the 1998 Ukraine - Russia BIT by depriving Tatneft (and other shareholders) of the right to control their investments in Ukrtatnafta, a Ukrainian company. The amount claimed is U.S.\$1.13 billion. Proceedings were subsequently commenced in the English, U.S. and Russian courts for enforcement of the arbitral award.

The key procedural milestones and current status of the claim is as follows:

- 29 July 2014 – the arbitral tribunal rendered a final award holding that Ukraine had violated the Ukraine - Russia BIT. It awarded Tatneft U.S.\$112 million plus interest, including a U.S.\$31 million compensation award in respect of Tatneft’s direct shareholding in Ukrtatnafta (the “**Award of U.S.\$31 million**”) and a U.S.\$81 million compensation award in respect of Tatneft’s indirect shareholdings in Ukrtatnafta (the “**Award of U.S.\$81 million**”). Subsequently, Tatneft has taken steps to enforce the award in England and Wales, the U.S. and Russia pursuant to the New York Convention.
- 20 December 2019 – in England and Wales, the High Court rendered a judgment allowing enforcement in respect of the Award of U.S.\$31 million. This recognition order is final insofar as it relates to the Award of U.S.\$31 million. As regards the Award of U.S.\$81 million, Ukraine made a timely set aside application. On 23 November 2020, the High Court declined to set aside the recognition order as it relates to the Award of U.S.\$81 million. On 4 December 2020, Ukraine applied to the High Court for permission to appeal. On 17 December 2020, the High Court declined the application of Ukraine. The Award of U.S.\$81 million is currently enforceable and there is no stay in place as a result of the appeal to the Court of Appeal. On 15 April 2021, the Court of Appeal granted Ukraine permission to appeal subject to payment of approximately USD1,200,000 as a security for costs by 30 June 2021
- 24 August 2020 – in the U.S., the District Court for the District of Columbia rendered a decision granting Tatneft’s petition to confirm the arbitral award in the U.S. On 23 September 2020, Ukraine filed an appeal to the U.S. Court of Appeals for the District of Columbia against, *inter alia*, the District Court decision dated 24 August 2020. On 11 January 2021, the U.S. Court of Appeals for the District of Columbia upheld the District Court decision dated 24 August 2020. The total amount awarded to Tatneft (including interest) is U.S.\$172,910,493.00. The decision became effective on 10 February 2021. With regard to the appeal, it was *de facto* held in abeyance (i.e., stayed) pending the entry of judgment. On 25 January 2021, Ukraine filed an amended notice of appeal in the District Court, which subsequently transmitted the notice to the District of Columbia Circuit for docketing in this case. On 2 February 2021, Ukraine and Tatneft filed with the U.S. Court of Appeals for the District of Columbia a joint motion to govern further proceedings. The appeal is currently pending,

and the decision may be enforced. As of the date of this Offering Circular, the briefing schedule has not been set out by the court. The hearing is expected to take place in the autumn of 2021.

- 11 November 2020 – in Russia, the Moscow District Arbitration Court affirmed prior judgments of the Russian courts recognising the Award of U.S.\$31 million and the Award of U.S.\$81 million and denied the cassation appeal of Ukraine against such judgement. Formal procedures to locate Ukraine’s assets in Russia have been commenced subsequently. On 30 December 2020, Ukraine filed a cassation appeal to the Supreme Court against, *inter alia*, the Moscow District Arbitration Court decision dated 11 November 2020. No decision has been made in that proceeding as of the date of this Offering Circular. The judgment in Russia is still currently enforceable pending the cassation appeal.
- 22 March 2021 – the representatives of Tatneft served notices to a number of U.S. banks informing them that the U.S. District Court for the District of Columbia would send them subpoenas requesting to disclose information on bank accounts of certain Ukrainian companies.
- 26 March 2021 – Ukraine filed a motion to quash with the U.S. District Court for the Southern District of New York claiming that such subpoenas are excessively burdensome and would require disclosure of bank accounts of third parties / companies not liable for Ukraine’s debts, and information on bank accounts that may not be used to enforce a judgment against Ukraine.
- 5 April 2021 – the U.S. District Court of the Southern District of New York approved the procedural schedule, according to which Tatneft filed an objection to Ukraine’s motion to quash on 10 May 2021, and the state must respond by 20 May 2021. The subpoenas sent to U.S. banks will be suspended pending the decision on the motion to quash. Therefore, Tatneft may not require U.S. banks to comply with such subpoenas before the decision on the motion to quash is rendered.
- 7 April 2021 – Ukraine filed an appellate brief with the U.S. Court of Appeals for the District of Columbia to overturn the decision of the U.S. District Court for the District of Columbia dated 11 January 2021 and deny Tatneft’s request to recognise the arbitral award under Article 5 of New York Convention.
- 23 April 2021 – Ukraine became aware of the fact that Tatneft registered the decision of the U.S. District Court for the District of Columbia in the Supreme Court of New York.
- 26 April 2021 – Ukraine filed an objection to Tatneft’s claim with the Supreme Court of New York, claiming that the appeal against the decision of the U.S. District Court for the District of Columbia and motion to suspend enforcement is pending before the U.S. District Court for the District of Columbia.
- 30 April 2021 – Ukraine filed a motion to suspend enforcement with the U.S. District Court for the District of Columbia in support of its position.

Ministry of Land and Property of the Republic of Tatarstan (“MLP Tatarstan”)

On 6 January 2016, MLP Tatarstan commenced an UNCITRAL *ad hoc* arbitration claiming that Ukraine violated the 1998 Ukraine - Russia BIT in connection with allegedly illegal decisions of the Ukrainian courts regarding forfeiture of the shares of MLP Tatarstan in Ukratnafta. The amount claimed is U.S.\$300 million.

The key procedural milestones and current status of the claim is as follows:

- 7 to 8 May 2018 – initial hearings in the case. The parties subsequently filed explanations requested by the arbitral tribunal.

- 9 December 2019 – the arbitral tribunal recognised MLP Tatarstan an investor (therefore eligible to the protections under the BIT).
- 7 January 2020 – Ukraine appealed to the Court of Appeal of Paris challenging the decision of the tribunal dated 9 December 2019. The arbitral tribunal subsequently dismissed Ukraine’s motion to stay the arbitral proceeding pending a decision in the Court of Appeal of Paris. In the Court of Appeal of Paris proceeding, a further oral hearing is scheduled for 15 March 2022.
- As of the date of this Offering Circular, this arbitration is ongoing. The hearing on merits is scheduled for 7 to 10 June 2021.

Ihor Boiko (“IB”)

On the 30 January 2017, IB commenced an UNCITRAL arbitration claiming that Ukraine violated the 1998 Ukraine - Russia BIT by failing to provide legal protection of investments. The amount claimed is U.S.\$100 million.

The key procedural milestones and current status of the claim is as follows:

- 22 February 2019 – Ukraine files its objections to the claim.
- 13 September 2019 – IB filed a response to Ukraine’s objections. Ukraine subsequently filed a rejoinder.
- As of the date of this Offering Circular, this arbitration is ongoing. A tribunal hearing took place from 1 to 10 February 2021. Following the parties’ subsequent exchange of their post-hearing briefs, the tribunal may hold a further one day of online hearings prior to deciding.
- On 15 May 2021, the tribunal informed the parties that no additional hearing was necessary. Instead, the parties must submit their final briefs by 11 June 2021.

Littop Enterprises Limited, Bridgemont Ventures Limited, Bordo Management Limited (collectively, “Littop Claimants”)

On 30 June 2015, Littop Claimants commenced a SCC arbitration alleging that Ukraine breached the ECT in connection with the government’s measures related to operations of Ukrnafta, a Ukrainian company. The amount claimed is U.S.\$5.4 billion plus interest.

The key procedural milestones and current status of the claim is as follows:

- 1 to 18 April 2019 – oral hearings were held in London.
- 31 July 2019 – the parties submitted their first round post-hearing briefs. Subsequently, on 19 November 2019, the parties exchanged second round explanations.
- The arbitration hearing was held from 1 to 4 February 2021.
- 4 February 2021 – the arbitral tribunal acknowledged lack of jurisdiction in the case and ruled that each party will cover its own legal costs. This effectively terminated the legal proceeding brought by the Littop Claimants.
- 4 May 2021 – Ukraine filed an appeal with the local Swedish court against the decision of the arbitral tribunal regarding the distribution of costs. The Littop Claimants also filed an application for annulment of the decision of the arbitral tribunal.

Gilward Investments B.V. (“Gilward”)

- On 31 July 2015, Gilward commenced an ICSID arbitration claiming that Ukraine breached the 1994 Ukraine – the Netherlands BIT in connection with the government’s measures related to the bankruptcy of Aerosvit, a Ukrainian company. The amount claimed is U.S.\$695 million.
- On 3 June 2019, Gilward informed the ICSID Secretariat that it had covered certain costs of the arbitral proceeding after having originally failed to do so (which resulted in suspension of the proceeding). The ICSID subsequently resumed the proceeding.
- As of the date of this Offering Circular, this arbitration is ongoing. A tribunal hearing is scheduled for 4 to 7 May 2021.
- On 4-7 May 2021, online hearings took place. The parties must submit to the tribunal their post-hearing briefs and estimates of costs by 16 July 2021 and 16 September 2021, respectively.

Emergofin B.V., Velbay Holdings Ltd. (collectively, “Emergofin Claimants”)

On 15 December 2015, Emergofin Claimants commenced an ICSID arbitration alleging that Ukraine breached the 1994 Ukraine – the Netherlands BIT as a result of expropriation of their majority stake in ZALK, a Ukrainian company. The amount claimed is U.S.\$835 million.

The key procedural milestones and current status of the claim is as follows:

- 27 March 2018 – Emergofin Claimants filed their memorial.
- 15 March 2019 – Ukraine filed its counter-memorial. Subsequently, the parties filed further submissions.
- 2 to 6 November 2020 – a tribunal hearing took place.

As of the date of this Offering Circular, this arbitration is ongoing. The tribunal is expected to determine further steps once it considers the parties’ explanations submitted following the November 2020 hearing. However, no timing indication is currently available.

Luxexpress II ltd, Mykola Ivanenko, Larysa Ivanenko et al. (collectively, “Luxexpress Claimants”)

On 23 June 2015, Luxexpress Claimants commenced an action in the U.S. courts claiming to have suffered a U.S.\$1 billion damage after a lease held by their now-defunct Ukrainian company in Kyiv was prematurely cancelled. Ukraine was not named a defendant when this case had been filed originally. It only become a party to the proceeding at a later stage.

The key procedural milestones and current status of the claim is as follows:

- 19 March 2020 – the District Court for the District of Columbia ruled in favour of Ukraine, upholding Ukraine’s motion to dismiss due to a lack of jurisdiction.
- 14 April 2020 – Luxexpress Claimants appealed to the Court of Appeals for the District of Columbia.
- 12 September 2020 – the Court of Appeals for the District of Columbia upheld Ukraine’s petition for extension of deadlines to submit written explanations and rescheduling of oral hearings.
- 21 January 2021 – Ukraine submitted written explanations to the Court of Appeals for the District of Columbia.

- 29 January 2021 – the Court of Appeals scheduled oral hearings for 22 March 2021.
- 22 March 2021 – the Court of Appeals considered the position of the parties via a Zoom conference.
- 23 April 2021 – the Court of Appeals decided for Ukraine and completely dismissed plaintiffs’ arguments.

VEB.RF (“VEB”)

On 26 June 2019, VEB commenced a SCC arbitration claiming that Ukraine breached the 1998 Ukraine – Russia BIT in connection with the government’s measures related to operations of Prominvestbank, a Ukrainian bank. The preliminary amount claimed is €200 million.

The key procedural milestones and current status of the claim is as follows:

- 15 July 2019 – Ukraine responded to the request for arbitration.
- 28 August 2019 – Ukraine received an emergency arbitrator award granting interim measures sought by VEB and prohibiting Ukraine from selling Prominvestbank’s shares through an auction.
- 8 to 11 November 2020 – a tribunal hearing took place.
- 31 January 2021 – partial decision of the arbitral tribunal confirming its jurisdiction to review the claim.
- 1 March 2021 – the defendant filed an application for annulment of partial award dated 31 January 2021 to the Stockholm Court of Appeal.
- 2 March 2021 – the plaintiff filed an application for interpretation of the partial award dated 31 January 2021 to the arbitral tribunal.
- 9 March 2021 – the arbitral tribunal issued procedural order No. 10 setting out the procedural schedule for the dispute. In particular, the notice of arbitration must be filed by 22 June 2021, the response to the notice of arbitration must be filed by 5 October 2021. The exact date of the oral hearings will be determined upon receipt of all procedural documents and evidence.

Certain Chinese citizens (collectively, the “Chinese Claimants”)

On 5 December 2020, the Chinese Claimants commenced a claim in the Permanent Court of Arbitration under the UNCITRAL rules alleging that Ukraine breached the 1993 Ukraine – China BIT in connection with the government’s measures related to operations of Motor Sich, a Ukrainian company. The preliminary amount claimed is U.S.\$3.6 billion.

The key procedural milestones and current status of the claim is as follows:

- February 2021 – each party appointed an arbitrator. The parties agreed to apply 1976 UNCITRAL Arbitration Rules subject to the fact that certain provisions of 2013 UNCITRAL Arbitration Rules will apply (the procedural rules for arbitration).
- 30 April 2021, Prof. Pierre Tercier was elected as the president of the tribunal. Ukraine appointed Zachary Douglas as its arbitrator. The Plaintiff appointed Klaus Reichart.

Misen Energy AB (publ) and Misen Enterprises AB (collectively, the “Misen Claimants”)

On 25 March 2021, Ukraine received a letter from the ICSID as to the registration of an arbitral claim and commencement of the respective proceedings brought by Misen Energy AB (publ) and Misen Enterprises AB, both Swedish companies.

The Misen Claimants allege that Ukraine breached the 1995 Ukraine – Sweden BIT in connection with certain measures related to natural gas production royalties imposed by the Ukrainian government.

Dr. Stanimir Alexandrov was appointed as arbitrator on behalf of the plaintiffs. Prof. Michael Risman was appointed as arbitrator on behalf of Ukraine. The parties agreed that the chairman of the arbitral tribunal should be appointed by the arbitrators by 30 June 2021.

ECONOMY, FOREIGN TRADE AND INVESTMENT

Gross Domestic Product and Inflation

The following table sets out certain information about Ukraine’s GDP for the periods indicated (as reported by the SSSU, but not accounting for the illegally occupied Crimea and the territories in the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict):

	Nominal GDP	Nominal GDP ⁽¹⁾	Real GDP	Nominal GDP per capita ⁽¹⁾
	<i>(UAH billions)</i>	<i>(U.S.\$ billions)</i>	<i>(% change)</i>	<i>(U.S.\$)</i>
2016 (1 st quarter).....	455.3	17.7	0.3	415.7
2016 (2 nd quarter).....	535.7	21.2	1.8	496.9
2016 (3 rd quarter).....	671.5	26.5	2.6	619.8
2016 (4 th quarter).....	722.9	27.9	4.5	654.4
2016 (annual).....	2,385.4	93.4	2.4	2,187.7
2017 (1 st quarter).....	592.5	21.9	2.6	515.4
2017 (2 nd quarter).....	665.2	25.1	2.7	591.7
2017 (3 rd quarter).....	834.3	32.2	2.4	758.1
2017 (4 th quarter).....	891.8	33.1	2.2	778.7
2017 (annual).....	2,983.9	112.2	2.5	2,640.7
2018 (1 st quarter).....	706.0	25.8	3.5	611.4
2018 (2 nd quarter).....	810.2	30.9	3.9	732.2
2018 (3 rd quarter).....	994.8	36.4	2.7	860.3
2018 (4 th quarter).....	1,049.6	37.5	3.7	888.4
2018 (annual).....	3,560.6	130.9	3.4	3,096.8
2019 (1 st quarter).....	820.3	30.0	3.1	708.9
2019 (2 nd quarter).....	932.8	35.1	4.8	834.4
2019 (3 rd quarter).....	1,112.2	44.0	3.8	1,046.8
2019 (4 th quarter).....	1,113.1	45.9	1.4	1,097.0
2019 (annual).....	3,978.4	153.9	3.2	3,662.6
2020 (1 st quarter).....	854.1	34.1	-1.2	817.0
2020 (2 nd quarter).....	875.3	32.5	-11.2	779.1
2020 (3 rd quarter).....	1,163.2	42.1	-3.5	1,009.4
2020 (4 th quarter).....	1,301.5	46.0	-0.5	1,102.9
2020 (annual).....	4,194.1	155.6	-4.0	3,726.9
2021 (1 st quarter).....	-(2)	-(2)	-2.0	-(2)

Notes:

(1) Hryvnia amounts have been converted to U.S. dollar amounts using the average exchange rate specified under the heading “The Monetary System—Exchange Rate History”.

(2) As of the date of this Offering Circular, these numbers were not yet available.

In the recent years preceding the COVID-19 outbreak, Ukrainian GDP showed a consistent moderate growth. However, according to the SSSU, in the first quarter of 2020, GDP shrunk by 1.2 per cent., in the second quarter of 2020 by 11.2 per cent., in the third quarter of 2020 by 3.5 per cent., and in the fourth quarter of 2020 by 0.5 per cent. as compared to the corresponding periods in 2019. Overall for the full year

2020, according to the SSSU, GDP declined by 4.0 per cent. as compared to 2019. The reason for these fluctuations is the impact of the COVID-19 pandemic and various restrictive measures adopted in Ukraine and abroad in connection with it. The COVID-19 pandemic has had a global effect translating into reduced business activity, logistical problems and reduced demand and prices, in particular in ferrous and metal ore markets. Meanwhile, according to the SSSU, in the first quarter of 2021, GDP shrunk by 2.0 per cent. In addition, as at the date of this Offering Circular, it is not possible to calculate the extent of the impact that the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict have had on Ukraine's GDP.

The table below shows the component contribution of private consumption and gross fixed capital accumulation to GDP growth for the periods indicated (as reported by the SSSU):

	Real GDP growth	Private Consumption	Gross fixed capital accumulation
	<i>(% change)</i>	<i>(% contribution)</i>	
2016 (annual).....	2.4	1.8	2.8
2017 (annual).....	2.5	6.3	2.5
2018 (annual).....	3.4	5.9	2.3
2019 (annual).....	3.2	7.4	2.0
2020 (1 st quarter).....	(1.3)	7.0	(3.2)
2020 (2 nd quarter).....	(11.4)	(7.5)	(3.8)
2020 (3 rd quarter).....	(3.5)	1.2	(3.9)
2020 (4 th quarter).....	(0.5)	3.9	(5.9)
2020 (annual).....	(4.0)	1.2	(4.3)

Consumer inflation in Ukraine stood at 12.4 per cent., 13.7 per cent., 9.8 per cent., 4.1 per cent. and 5.0 per cent. in 2016, 2017, 2018, 2019 and 2020, respectively. In April 2021, consumer inflation in Ukraine stood at 8.4 per cent.

Principal Sectors of the Economy

Agriculture

Overview of the Sector

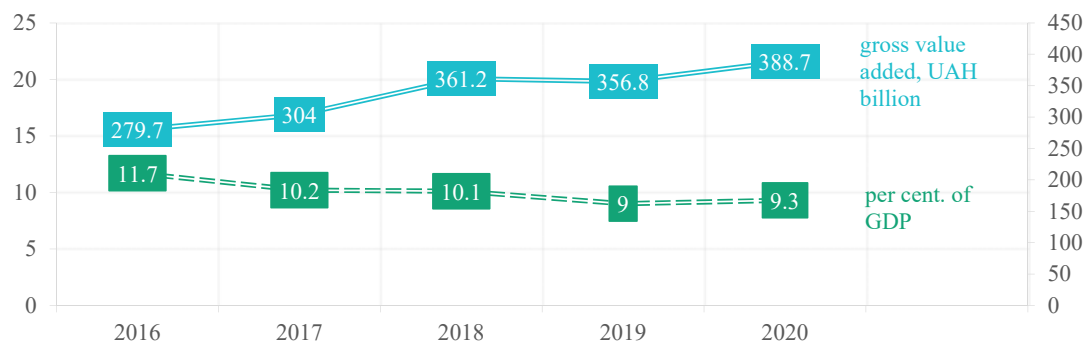
Agribusiness is one of the key building blocks in Ukraine's economy generating a substantial portion of Ukraine's GDP and consistently attracting foreign direct investment. According to the calculations reported by the Government's Investment Promotion Office, Ukraine has an approximately 33 million hectares breadth of arable land. By volume of agricultural exports, Ukraine is one of the key world's producers of, among others, sunflower oil and sunflower meal, rapeseed, nuts, corn, barley and wheat. As of 30 September 2020, agricultural sector overall employed approximately 325,000 workers.

Major Ukrainian agricultural companies with key production assets in Ukraine include, among others, MHP, Kernel, Nibulon, Astarta and Delta Wilmar Ukraine. In addition, a number of major foreign agricultural companies is doing business in Ukraine, including such companies as Archer Daniels Midland, Cargill, Louis Dreyfus Company, Bunge, COFCO International and SALIC.

The Government expects that a recent reform of agricultural land market will foster a considerable further growth in agribusiness sector in a mid-term perspective. For a more detailed description of the reform, see "*Description of the Guarantor—Government Policies—Economic Policies—Agricultural Land Market Reform*".

Recent Statistics

The following chart shows the percentage contribution of agricultural sector to the overall GDP and the gross value added of agricultural production for the periods indicated (as reported by the SSSU):



Information Technology

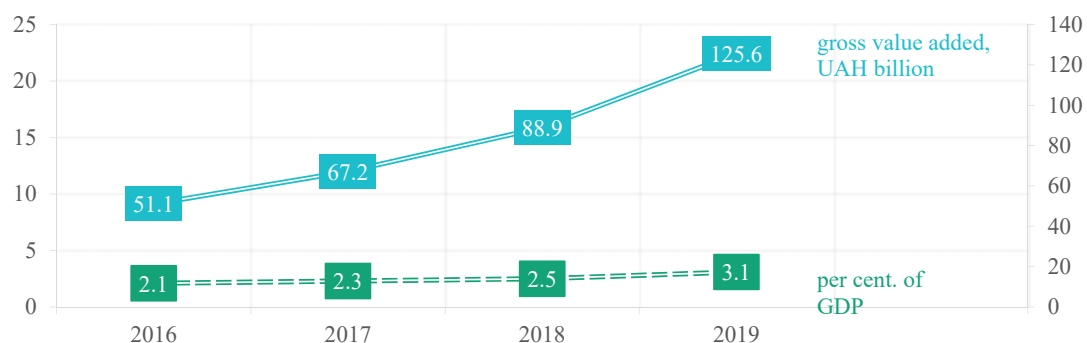
Overview of the Sector

The information technology (“IT”) industry is among Ukraine’s fastest growing industries and a major driving force of Ukraine’s economy. According to the calculations reported by the Government’s Investment Promotion Office, approximately 4,000 IT companies are doing business in Ukraine, ranging from cutting edge work in AI, cyber security and natural language processing to highly commercial ventures in fintech, big data management, gaming, agribusiness and e-commerce. The sector employs approximately 180,000 workers and is among the highest paying sectors in terms of average salary.

Leading IT companies with offices in Ukraine include, among many others, EPAM, Softserve, GlobalLogic, Luxoft and Ciklum.

Recent Statistics

The following chart shows the percentage contribution of IT to the overall GDP and the gross value added of IT services for the periods indicated (as reported by the SSSU)⁽¹⁾:



Notes:

(1) IT output is calculated annually and, as of the date of this Offering Circular, the full year 2020 figures were not available.

Manufacturing

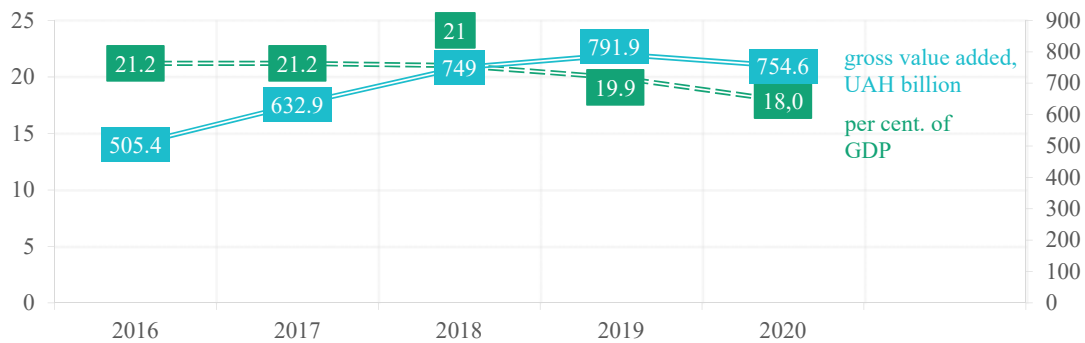
Overview of the Sector

Ukraine's favourable geographical location, as well as highly skilled and cost competitive workforce make the country a notable location for manufacturing business.

According to the calculations reported by the Government's Investment Promotion Office, manufacturing sector employs approximately 1.8 million workers. Among many companies doing manufacturing business in Ukraine the following can be named for an example: Metinvest group (in particular, Azovstal Iron and Steel Works), Odesa Port Plant (chemical products), Novokramatorsk Machine-Building Plant, Turboatom (mechanical engineering). The companies with significant foreign investments included ArcelorMittal Kryvyi Rih (metal products), Eurocar (automobiles), and Carlsberg Ukraine (beverages).

Recent Statistics

The following chart shows the percentage contribution of manufacturing sector to the overall GDP and the gross value added of manufacturing production for the periods indicated (as reported by the SSSU):



Mining

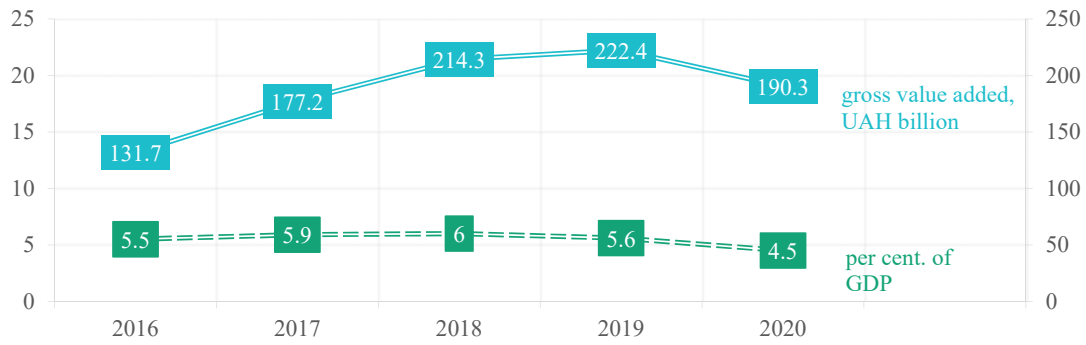
Overview of the Sector

Ukraine has a rich and easily exploitable mineral resource, found in high concentrations and in close proximity to each other. In particular, the country has abundant reserves of coal, iron ore, natural gas, manganese, salt, oil, graphite, sulphur, kaolin, titanium, nickel, magnesium, timber and mercury. Approximately 8,000 deposits of different minerals are of industrial importance. Key companies in Ukrainian mining industry include Metinvest group (in particular, Northern Iron Ore Enrichment Works and Ingulets Iron Ore Enrichment Works), Southern Iron Ore Enrichment Works (co-owned by Metinvest and Evraz Group), Marganets Mining and Processing Industrial Complex (manganese ore), and Ferrexpo (iron ore). In addition, the State-owned Naftogaz is also involved with hydrocarbon production.

According to the calculations reported by the Government's Investment Promotion Office, the sector employs approximately 235,000 workers.

Recent Statistics

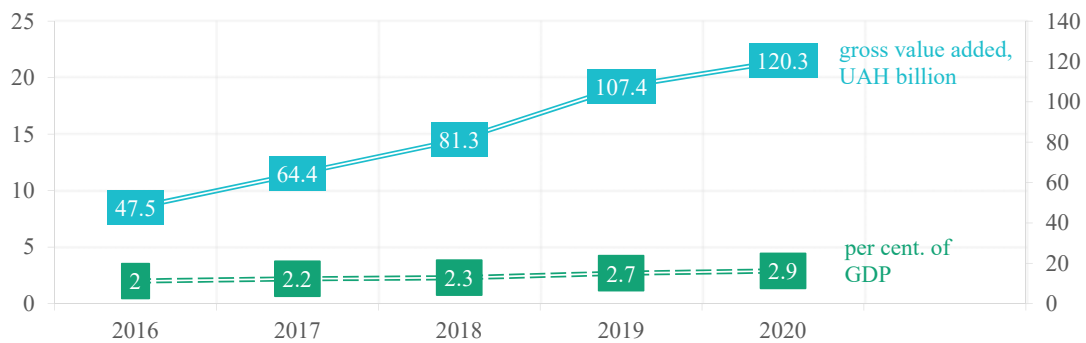
The following chart shows the percentage contribution of mining sector to the overall GDP and the gross value added of mining production for the periods indicated (as reported by the SSSU):



Other Sectors

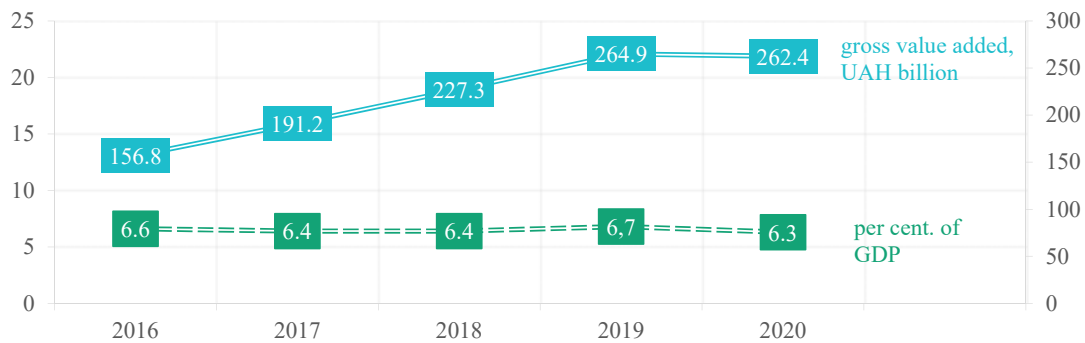
Construction

The following chart shows the percentage contribution of construction sector to the overall GDP and the gross value added of construction works for the periods indicated (as reported by the SSSU):



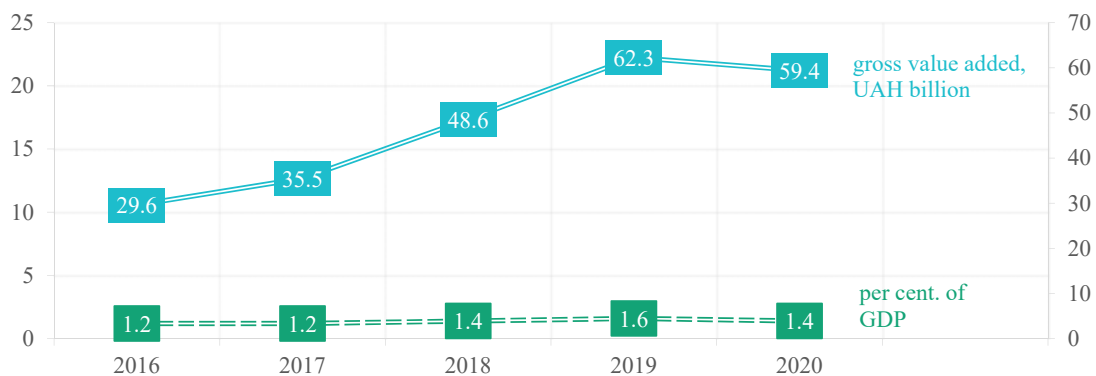
Transportation and Logistics

The following chart shows the percentage contribution of transportation sector to the overall GDP and the gross value added of transportation services for the periods indicated (as reported by the SSSU):



Tourism and Leisure

The following chart shows the percentage contribution of tourism and leisure sector to the overall GDP and the gross value added of tourism and leisure services for the periods indicated (as reported by the SSSU):



In 2016, 2017, 2018, 2019 and 2020 transportation accounted for 1.2 per cent., 1.2 per cent., 1.4 per cent., 1.6 per cent. and 1.4 per cent. of Ukraine's nominal GDP, respectively.

Energy System and Environmental Aspects

Overview

Ukraine has a diverse endowment of natural energy resources, including gas, electricity, coal, hydro and nuclear energy. The country continues to be a net exporter of electricity. In addition, an important part of the Government's policy is the state support of renewable energy generation (see "Description of the Guarantor—Government Policies—Environmental Policies—Renewable Energy Support in Ukraine" for more detail).

According to the calculations reported by the Government's Investment Promotion Office, the energy sector overall employs approximately 300,000 workers.

Renewables

Over recent years, the share of renewable energy in Ukraine's total energy generation has steadily grown. As at 31 December 2016, it stood at 1.2 per cent., subsequently increasing to 1.5 per cent., 1.9 per cent., 3.7 per cent. and 7.4 per cent. as at 31 December 2017, 2018, 2019 and 2020 accordingly.

As at 31 December 2020, the installed capacity of renewable energy producers in Ukraine benefitting from the feed-in tariff stood at 8.5 GW (not including the facilities located in the Autonomous Republic of Crimea and the territories affected by the Donetsk and Luhansk Conflict). This included: 6.1 GW of commercial solar farms, 0.8 GW of private solar panels, 1.3 GW of wind farms and a 0.1 GW of each of biomass facilities, biogas facilities and small hydroelectric plants. In addition, as at the stated date, Ukraine had 4.8 GW of installed capacity at large hydroelectric plants operated by joint-stock company "Ukrhidroenergo".

Virtually all of the more than 800 renewable energy facilities that benefitted from the feed-in tariff at the time were privately owned and constructed by local and foreign private investors. The total amount of private investment in renewable energy production as at 31 December 2020 was estimated at approximately €10.0 billion. In addition, the 0.8 GW of private solar generation was the result of more than 30,000 local households installing small capacity solar panels for private use.

Nuclear Energy and Spent Fuel Treatment

Ukraine currently operates 15 nuclear energy reactors located at four nuclear power stations ("NPS"):

- Zaporizhia NPS, with six reactors and a production capacity of 1,000 megawatts each;
- Rivne NPS, with four reactors and a production capacity of 415 megawatts, 420 megawatts and two at 1,000 megawatts, respectively;
- Khmelnytsky NPS, with two reactors of 1,000 megawatts each; and
- Yuzhno-Ukrainska NPS, with three reactors with a production capacity of 1,000 megawatts each.

These four power stations have a total production capacity of 13,835 megawatts. All Ukrainian NPS are operated by Energoatom. In addition, Yuzhno-Ukrainska NPS energy complex operates two hydro units of the Tashlytska pumped-storage hydroelectric power plant, with established capacity of 302 megawatts and 2 hydro units of Oleksandrivska hydroelectric power plant, with established capacity of 2.5 megawatts.

Most of the nuclear reactors in Ukraine commenced operation during the 1980s and 1990s, with one commencing operations in 1995 and two in 2004. The projected operational life of the active nuclear power stations in Ukraine is 30 years. Currently, out of 15 active NPSs, the operational life of 12 NPSs has been prolonged beyond the projected operational life. These are energy blocks No. 1, No. 2 and No. 3 of Rivne NPS (operational life extended by 20 years), all energy blocks of Yuzhno-Ukrainska NPS, energy blocks No. 1, No. 2, No. 3, No. 4 and No. 5 of Zaporizhia NPS and energy block No. 1 of Khmelnytsky NPS (operational life extended by 10 years each).

International experts have been positively assessing the security level of Ukraine's NPS for many years. IAEA held periodic meetings on compliance with the provisions of the Convention on Nuclear Safety; various international expert missions continue monitoring in the framework of international cooperation.

With the aim of diversifying nuclear fuel supply sources, Energoatom is currently working in cooperation with Westinghouse Electric Sweden AB ("**Westinghouse**"). Since 2011, Westinghouse has provided Ukraine's NPSs with nuclear fuel. Starting from November 2017, the fuel from Westinghouse is loaded into nuclear units of six energy blocks of Energoatom: four energy blocks of Zaporizhia NPS and two

energy blocks of Yuzhno-Ukrainska NPS. The other nuclear reactors are supplied with nuclear fuel by Joint Stock Company “TVEL”, a Russian nuclear fuel manufacturer (this practice follows on from the Soviet era as the reactors are Soviet-constructed and were primary designed for Russian fuel). On 29 January 2018, Energoatom and Westinghouse entered into a new nuclear fuel contract, which provides for expanded cooperation and extension of the term of the current agreement until 2025.

In 2021, it is planned to supply the first batch of nuclear fuel produced by Westinghouse for energy block No. 3 of Rivne NPS. On 30 September 2020, the contract was signed for the supply of nuclear fuel produced by Westinghouse starting from 2024 for the energy block No. 2 of Rivne NPS.

As regards treatment of spent nuclear fuel, Ukraine has for many years exported its nuclear wastes for temporary safekeeping and recycling to Russia. That line of cooperation, however, has become complicated given the developments around the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict. Accordingly, on 9 November 2017, Energoatom and the United States based Holtec International started construction of a Central Spent Fuel Storage Facility (“CSFSF”), located in the Chernobyl Exclusion Zone. The facility will store spent nuclear fuel from three Ukrainian NPS. This project is designed in part to improve Ukraine’s energy security by eliminating the need to ship and store spent nuclear fuel in Russia. It is planned to start loading the spent nuclear fuel into the CSFSF in 2021. Furthermore, the spent nuclear fuel of Zaporizhia NPS is currently offloaded in full to the Spent Fuel Storage Facility located near the NPS.

On 28 February 2018, Energoatom and Holtec International further signed a memorandum on cooperation in using small modular reactors (SMR 160) and establishment of one of the leading global production centres for small modular reactors systems and components in Ukraine.

Fossil Fuels

Oil and Natural Gas

In the first quarter of 2021, Naftogaz group companies extracted 486.8 thousand tonnes of oil and gas condensate, a decrease of 5.0 per cent. compared to the same period in 2020. Extraction of oil and gas condensate in Ukraine by enterprises managed by Naftogaz was 2.2 million tonnes in 2015, 2.0 million tonnes in 2016, 1.8 million tonnes in 2017, 1.9 million tonnes in 2018, 2.0 million tonnes in 2019 and 1.95 million tonnes in 2020.

In the first quarter of 2021, Naftogaz extracted 3.7 billion cubic metres of natural gas, a decrease of 6.4 per cent. compared to the same period in 2020. In 2020, the Naftogaz group companies produced 15.3 billion cubic metres of natural gas, a decrease of 5.0 per cent. compared to 2019. In 2019, the Naftogaz group companies produced 16.1 billion cubic metres of natural gas, a decrease of 3.2 per cent. compared to 2018.

In the first quarter of 2021, Ukrgezvydobuvannya processed 125.3 thousand tonnes of oil and gas condensate, a decrease of 3.1 per cent. compared to the same period in 2020. In 2020, Ukrgezvydobuvannya processed 445.9 thousand tonnes of oil and gas condensate, a decrease of 6.8 per cent. compared to 2019. In the first quarter of 2021, Ukrgezvydobuvannya processed 35.0 thousand tonnes of gasoline, a decrease of 6.9 per cent. compared to the same period in 2020; 24.0 thousand tonnes of diesel fuel, an increase of 15.0 per cent. compared to the same period in 2020; 9.8 thousand tonnes of fuel oil, an increase of 82.4 per cent. compared to the same period in 2020. In 2020, Ukrgezvydobuvannya produced 139.7 thousand tonnes of gasoline (an increase of 3.2 per cent. compared to 2019), 75.2 thousand tonnes of diesel fuel (a decrease of 4.7 per cent. compared to 2019) and 23.5 thousand tonnes of fuel oil (a decrease of 34.2 per cent. compared to 2019).

In 2019, the volume of drilling by Ukrgezvydobuvannya amounted to 211,614 metres (including outsourcing of Ukrgezvydobuvannya – 65,228 metres) at the planned level of 216,563 metres (96.4 per

cent. of the plan). As compared to 2018 the volume of drilling by Ukrgezvydobuvannya decreased by 101,517 metres or by 32.4 per cent. From January to September 2020, Ukrgezvydobuvannya drilled 100,197 metres as compared to the planned level of 98,671 metres (including outsourcing of Ukrgezvydobuvannya –17,710 metres at the planned level of 17,696 metres).

Recent Production Sharing Agreements

On 31 December 2020, seven hydrocarbon production sharing agreements were signed, including:

- four agreements between Ukraine and Ukrgezvydobuvannya (in relation to Buzivska, Ivanivska, Berestianska and Bakaliyska blocks);
- one agreement between Ukraine, Geo Alliance Partnership LLC and Geo Alliance Partnership B.V. (in relation to Sofiivska block);
- one agreement between Ukraine and WELL KO LLC (in relation to Ugnivska block); and
- one agreement between Ukraine, Gas Overseas Trading B.V. and Oil and Gas Exploitation LLC (in relation to Zinkivska block).

In addition, on 13 January 2021 a hydrocarbon production sharing agreement in relation to Varvynska block was signed between Ukraine and Ukrainian Energy LLC (a special-purpose vehicle established jointly by U.S. investors Aspect Energy and SigmaBleyzer). The investors committed to invest at least UAH 1 billion (approximately U.S.\$40 million) during the first years of the exploration period.

All of the above agreements are signed for a 50 years term.

On 16 December 2020, the CMU passed decision No. 1 574-p “Certain Issues regarding the Acquisition of Corporate Rights by the JSC “National Joint-Stock Company “Naftogaz of Ukraine”. authorising Naftogaz to acquire shares in of Nadra Yuzivska, LLC, previously held by PJSC “National Joint-Stock Company “Nadra of Ukraine”.

On 18 December 2020, Naftogaz and Nadra of Ukraine signed a share purchase agreement in respect of a 99 per cent. stake of Nadra Yuzivska, LLC. Naftogaz became the owner of Nadra Yuzivska, LLC that holds a special permit for Yuzivska area until 2063.

On 2 April, the CMU adopted decision No. 271-p to appoint Derzhgeonadra in charge of implementing the agreement.

Naftogaz is considering an option to attract foreign investors to implement the Production Sharing Agreement. To that end, Naftogaz is making preparations for an audit on the implementation of the Agreement (to be carried out every 5 years) and updating its action plan.

Coal

In 2016, 31.6 million tonnes of coal were produced, an increase of 4.8 per cent., as compared to 2015. In 2017, production of coal decreased by 7.5 million tonnes as compared to 2016 and was equal to 24.2 million tonnes. In 2018, production of coal increased by 2.1 million tonnes of coal as compared to 2017 and was equal to 26.3 million tonnes. In 2019, production of coal decreased by 2.1 million tonnes as compared to 2018 and was equal to 25.5 million tonnes. In 2020, production of coal increased by 3.3 million tonnes as compared to 2019 and was equal to 28.8 million tonnes. In January – April 2021, production of coal increased by 1,592.4 thousand tonnes as compared to the same period in 2020 and was equal to 10.4 million tonnes.

The aggregate volume of coal deposits in Ukraine is estimated at approximately 117.5 billion tonnes. This volume represents 95.4 per cent. of Ukraine's energy reserves and includes industrial reserves located at active mines of approximately 4.3 billion tonnes. The remaining 2 per cent. and 2.6 per cent. of Ukraine's energy reserves consist of oil and natural gas, respectively.

Many mines are also located in territories in the Donetsk and Luhansk Conflict, so they are beyond the effective control or monitoring of the Government. In addition, many coal mines are seen as "social assets", as they are the only or the largest source of employment for certain communities.

However, in total since the beginning of the "*Restructuring of Coal and Peat Industries*" state programme in 1996, liquidation of 148 unprofitable coal mining companies, coal refineries, and peat mining companies has been initiated, of which 10 liquidation projects have been completed; 13 projects on liquidation of unprofitable coal mining companies and coal refineries are being carried out as of the date of this Offering Circular.

As a result of the Joint Forces Operation, 62 mines under liquidation and 11 mines prepared for liquidation are temporarily outside the control of the Ukrainian authorities.

As at the date of this Offering Circular, 16 coal mining enterprises operate in the territory controlled by Ukrainian authorities, out of 37 coal mining enterprises that operated in this territory prior to the beginning of the Donetsk and Luhansk Conflict. The coal mining industry suffers from limited working capital for investment, untimely payments for shipped coal products and reduced investor interest. The Donetsk and Luhansk Conflict has resulted in widespread damage to vital infrastructure as well as to industrial assets and road and transport infrastructure. Additionally, protectionist measures by Russia have negatively impacted industrial imports, while at the same time increasing the costs of different types of raw materials. See "*Risk Factors—Relations with Russia*".

Gas Transit following Naftogaz Unbundling

Ukraine has a well-developed pipeline system to transport gas and oil from the CIS to Western Europe. According to Naftogaz, Ukraine's gas transit system consists of more than 38,000 kilometres of gas pipelines (or 37,500 kilometres excluding Chornomornaftogaz (in Crimea)). Approximately 68 per cent. of the pipelines have been in operation for more than 30 years, 30 per cent. of the pipelines have been in operation for between 11 to 30 years and 2 per cent. have been in operation for ten years or less.

Ukraine's oil transit system consists of 19 oil pipelines with an aggregate length of approximately 4,767.3 kilometres and an aggregate entrance capacity of 114.0 million tonnes per year and aggregate exit capacity of 56.3 million tonnes per year.

In recent years, the Ministry of Energy and Naftogaz have actively cooperated with international consultants, financial organisations (including the World Bank, EIB and EBRD), the European Commission and the Energy Community Secretariat on reforming the gas sector of Ukraine. An analysis of potential unbundling models for the gas transit system of Ukraine was carried out with international consultants and a large-scale unbundling process was launched subsequently. On 1 January 2020, Naftogaz announced the completion of the unbundling process by signing the act of acceptance of GTSOU between JSC Ukrtransgaz and JSC MGPU. On the same day, GTSOU adopted a separate act on the balance sheet assets of the Ukrainian GTS transferred from Ukrtransgaz. The act of acceptance contained more than 47,000 balance units with a total book value of approximately UAH 32.0 billion. This act was agreed by all parties involved in the unbundling procedure, including Naftogaz, the SPF, the Ministry of Economic Development, Trade and Agriculture, the Ministry of Finance as well as the Ministry of Energy and Environmental Protection.

In 2020, 93.4 billion cubic metres of natural gas were transported via Ukraine (including 55.9 billion cubic metres of natural gas in transit), an increase of 4.2 per cent. as compared to 2019. In 2020, 15.7 million

tonnes of oil were transported through Ukraine (including transportation for the Ukrainian oil refineries – 2.6 million tonnes), an increase of 1.5 per cent. as compared to 2019.

The gas transit corridor through Ukraine is the only route for transportation of Russian gas that is not controlled by Russia.

Currently, Ukraine's gas transit pipeline system continues to transit Russian gas to European customers.

On 20 December 2019, during tripartite negotiations between Ukraine, Russia and the EU, the parties agreed on a preliminary basis to the extension of the prior gas transit contract for a mid-term period of five years with a possible extension for the next ten years. On 30 December 2019, joint stock company "Naftogaz" (the national oil and gas company), limited liability company "Gas Transmission System Operator of Ukraine" (the national gas transit company) and Gazprom (the Russian counterparty) signed a set of agreements to continue Russian gas transit through Ukraine until 2024 inclusive, including a settlement agreement concluding a long-lasting arbitration proceeding between Naftogaz and Gazprom. These agreements include, *inter alia*, (i) withdrawal from all arbitration proceedings where final decisions have not been ruled; (ii) Russian party agreement to pay a U.S.\$2.9 billion compensation to Naftogaz; (iii) arrangements related to lifting attachments on Gazprom's property, assets and funds and prohibiting any future claims and proceedings under the contracts signed in January 2009 (which were arbitrated in the referenced proceeding); and (iv) minimal transit volumes of 65 billion cubic metres per year for 2020 and 40 billion cubic metres per year for 2021 to 2024. These agreements, however, do not affect Naftogaz claims against Russia regarding its assets seized in Crimea.

Despite the extension of the gas transit contract, Russia has attempted to decrease gas transit through Ukraine by constructing alternative gas pipelines, in particular Nord Stream 2 and Turk Stream. On 8 January 2020, Turk Stream pipeline was officially launched. It is estimated that Turk Stream may partially replace Ukraine's gas transit system by routing Russian gas directly to Southern Europe which may lead to a reduction of Russian gas transited through Ukraine by around 15 billion cubic metres per year. As regards Nord Stream 2, in view of the sanctions imposed, in particular, under the National Defense Authorization Acts for 2020 and 2021, the U.S. federal laws, Allseas, an independent contractor to Nord Stream 2 AG, the project company implementing the Nord Stream 2 project, chose to suspend its operations. Nonetheless, the construction works in Danish waters resumed in February 2021.

The Nord Stream 2 project involves the construction and operation of two parallel gas pipelines connecting Russia with Germany through the Baltic Sea and has a total capacity of 55 billion cubic metres. per annum. Both pipelines have the same capacity (27.5 billion cubic metres per annum). About 5 per cent. of the project works remain to be completed in Danish and German territorial waters. The pipeline is being built by Russian pipe-laying vessels Fortuna and Academician Chersky in Danish territorial waters.

According to the project promoters, as of 31 March 2021, about 93 kilometres of pipeline need to be laid in Danish waters and 28 kilometres in German waters. According to ICIS agency, citing the Federal Maritime and Hydrographic Agency of Germany, 13.9 kilometres of the first pipeline and 16.5 kilometres of the second pipeline remain to be completed.

According to the Department of Water Management and Shipping of Germany, the pipe-laying vessel Fortuna will continue working in German waters from 22 May until 30 June. The German construction permit authorises the works to be carried out from late May to late September, but the maritime agency recently allowed the construction of a 2-kilometre long section by the end of May. The German federal election in September could affect the schedule of the pipeline project due to a change in power and sentiments towards the project. Russia may also seek to speed up the completion of the project to be able to use part of its capacity to supply gas during the winter season.

In 2021, weather conditions in April caused EU gas supplies to be much lower compared to 2020. According to data from system storage operators in 18 EU member states, gas supplies increased by 940 million cubic metres between 1 April and 11 May to reach 24.6 billion cubic metres. During the same period in 2016-2020, gas supplies increased by an average of 10 billion cubic metres and amounted to 38.8 billion cubic metres.

The Nord Stream-2 project is a threat to the Ukraine's Gas Transit System in terms of security and natural gas transit.

Banking System, Non-Bank Financial Services and Domestic Financial Markets

Overview

As at 1 May 2021, Ukraine had 73 active banks. As at 1 April 2021, approximately 126,000 people were employed at the banking system.

Ukraine's banking sector is predominantly state-owned. This included five state-owned banks; 20 banks of foreign banking groups and 48 privately owned banks operating in Ukraine. As at 1 May 2021, of the top ten largest Ukrainian banks (by aggregate value of assets), four banks were controlled by the state of Ukraine, one bank was controlled by Ukrainian citizens and five banks were controlled by foreign citizens and legal entities. Some of the key foreign banking groups with a presence in Ukraine include BNP Paribas, Deutsche Bank, Citi, ING, OTP Bank, Credit Agricole and Raiffeisen Bank International (listed not in any particular order).

The NBU is responsible for banking regulation and supervision. Banks are required to submit an annual report that contains audited financial statements as well as a general description of their business. Banks are also required to submit financial and statistical data to the NBU, including on a daily, ten-day period, monthly, quarterly and annual basis, permitting continual review by the NBU of the banks' performance and financial position. In addition, banks are required to post quarterly and annual financial statements and annual audit reports on their websites, as well as certain other information required by the NBU, including information on ultimate key shareholders, owners of material shareholdings, and on the ownership structure.

The NBU oversees the activities of banks using both off site and on-site inspections. Planned inspections are carried out not more than once a year, although the NBU also has the power to decide to carry out extra (unplanned) inspections if it has sufficient grounds. Annual financial statements of banks are subject to inspection by a firm of auditors.

If a bank violates banking laws and regulations, including anti-money laundering laws, performs risk related activity threatening the interests of depositors or other lenders, or has sanctions imposed on it or on an owner of a material shareholding in it by any foreign state or intergovernmental organisation threatening the interests of depositors or other creditors and/or the stability of the banking system, the NBU may impose a variety of sanctions available to it, depending on the nature of the violation or the risk level (from written warnings to withdrawing the licence of the bank and putting the bank into liquidation).

The NBU also carries out consolidated supervision in respect of banking groups in order to ensure stability of the banking system and containment of risks which a bank may face in view of it being a member of the banking group, by means of regulating, monitoring, and controlling risks of the banking group following the procedure set forth by the NBU. Non-banking financial companies, including members of financial groups (meaning groups of companies, which consist of two or more financial institutions), are also subject to the NBU's consolidated supervision, save for investment firms and private pension funds, which are also supervised by the National Securities and Stock Market Commission.

An important development in Ukraine's banking system was that on 18 December 2016, the NBU declared insolvent PrivatBank, one of the largest lenders in the country, leading to the bank's nationalisation by the Government on 21 December 2016. At the time of such declaration, the NBU identified a total capital requirement of UAH 148 billion. Taking into account the systemic importance of the bank for the financial sector and economy, PrivatBank was nationalised. On 26 December 2016, PrivatBank's existing debt was converted into equity. As a result of the nationalisation of PrivatBank, the State's equity share in the banking sector exceeded 50 per cent. in the net assets.

As of the date of this Offering Circular, several claims to the NBU and PrivatBank in relation to the latter's nationalisation were being tried at courts of various levels. However, no judgment that could serve as a basis to change the state ownership of PrivatBank has entered into legal force.

On 14 May 2021, the Bank of England, the central bank of the United Kingdom, announced that the Bail-in procedure carried out during the nationalisation of PrivatBank in December 2016 was lawful in respect of four loans in the total amount of U.S.\$595.0 million. By this decision, the Bank of England, with the approval of Her Majesty's Treasury, acknowledged that the Bail-in procedure was substantially similar to an analogous procedure in the United Kingdom regarding its objectives and expectations.

In addition, following the Government's announcement of the Quarantine Measures (see "*Description of the Guarantor—Government Policies—Social Policies—COVID-19 Response Measures*" for more detail), the NBU has been working closely with the banking sector to develop and enact appropriate forbearance measures to deal with the consequences of COVID-19 pandemic.

Selected Banking Sector Performance Indicators

The following table sets out information on the Ukrainian banking system as at the dates indicated (as reported by the NBU):

	As at 31 December					As at 1 May
	2016	2017	2018	2019	2020	2021
	<i>(UAH millions, unless otherwise indicated)</i>					
Total assets	1,781,380	1,876,037	1,910,641	1,982,628	2,210,647	2,242,972
Correspondent accounts in other banks.....	121,739	96,200	86,607	118,139	175,974	192,136
Assets in NBU (including correspondent accounts with NBU) ..	41,321	37,475	35,549	76,126	37,629	47,275
Interbank loans and deposits.....	23,084	28,282	33,610	34,951	50,356	52,014
Loans to customers	966,978	974,694	964,303	887,256	841,077	864,305
Accumulated interest income	72,988	100,977	161,113	151,203	123,844	126,222
Other assets ⁽¹⁾	555,270	638,409	629,433	714,953	981,768	961,020
Total liabilities	1,154,661	1,190,552	1,204,743	1,293,606	1,613,201	1,659,733
Interbank loan and deposits.....	73,567	49,513	40,823	22,468	22,253	20,107
Customer deposits.....	833,861	896,642	929,066	1,066,453	1,358,003	1,381,878
Securities of active debt.....	13,635	6,360	5,443	6,449	2,975	2,852

	As at 31 December					As at 1 May
	2016	2017	2018	2019	2020	2021
	<i>(UAH millions, unless otherwise indicated)</i>					
Other liabilities	233,598	238,037	229,412	198,235	229,931	254,790
Total capital.....	124,681	159,852	154,960	200,854	210,859	203,096
Total liabilities and capital.....	1,279,342	1,350,403	1,359,703	1,494,460	1,824,060	1,862,829
Capital adequacy ratio (%).....	12.69	16.10	16.18	19.66	21.98	23.02
Total deposits/total liabilities (%).....	72.2	75.31	77.12	82.44	84.18	83.26
Provisions/total loans (%).....	48.95	47.38	48.45	47.48	41.80	40.25
Foreign currency loans/total loans (%)..	49.84	45.81	44.59	38.49	36.73	34.78
Non-performing loans/total loans (%)..	42.00	55.62	54.17	49.85	42.78	40.97
Foreign currency deposits/total deposits (%).....	48.13	44.59	41.41	39.52	37.90	38.12
Interest margin (%)....	3.56	4.29	5.50	5.85	5.19	5.7
Interest rate spread (basis points).....	600	681	525	622	788	792 ⁽²⁾
Total assets (U.S.\$ millions).....	65.51	66.84	69.0	83.70	78.18	80.83

Notes:

- (1) "Other assets" includes assets which are not mentioned in other rows of the table (such as securities, derivatives, receivables, fixed assets, etc.).
- (2) As at 30 April 2021.

The following table further sets out information on the loans and deposits of Ukrainian residents for the periods indicated (as reported by the NBU):

	For the year ended 31 December					As at 30 April
	2016	2017	2018	2019	2020	2021
	<i>(UAH billions, unless otherwise indicated)</i>					
Total amount of deposits	793.5	898.8	933.0	1,071.7	1,290.1	1,381.0
Total amount of deposits (% change)...	10.7	13.3	3.8	14.9	25.8	2.4
Deposits in UAH (% change)	8.8	15.1	10.1	18.9	30.7	2.8
Deposits in foreign currency (% change) ..	13.0	11.1	(3.8)	9.3	18.4	1.8
Term deposits (%).....	80.2	79.3	83.4	87.6	89.1	89.1
Long term deposits (%).....	19.8	20.7	16.6	12.4	10.9	10.9

	For the year ended 31 December					As at
	2016	2017	2018	2019	2020	30 April 2021
	<i>(UAH billions, unless otherwise indicated)</i>					
Total amount of loans	998.7	1,016.7	1,073.1	971.9	948.4	970.3
Total amount of loans (% change).....	1.7	1.8	5.6	(9.4)	(2.4)	2.3
Loans in UAH (% change)	16.4	13.0	7.6	(0.05)	(2.2)	5.2
Loans in foreign currency (% change) ..	(9.9)	(9.7)	2.9	(22.0)	(2.9)	(2.7)

The following table sets out information on the revenues and profitability of the banking sector for the periods indicated (as reported by the NBU, based daily balance sheets):

	For the year ended 31 December					As at 1 May
	2016	2017	2018	2019	2020	2021
	<i>(UAH billions)</i>					
Interest income	138.5	126.9	140.8	154.3	147.4	51.42
Fees income	31.4	37.1	51.0	62.6	70.6	26.86
Total revenues	194.2	181.0	204.6	244.4	249.9	80.10
Financial result.....	(160.1)	(28.1)	21.2	59.6	41.3	17.54

Fintech

The Ukrainian Fintech Catalogue 2020 produced by the Ukrainian Association of Fintech and Innovation Companies with the support of the MDT, the NBU, Visa and the Ukrainian Start-up Fund demonstrated a vibrant fintech market that has developed in Ukraine to date, including more than 150 innovative companies as at 31 December 2020. The vast majority of these companies provide payment services, online lending and payment infrastructure solutions. In 2020, the number of companies in the sector of payment services and money transfers increased by 14 per cent. In 2020, the number of Ukrainian neo-banks increased, in particular, Sportbank, Izibank and O bank were officially launched, and Neobank, which announced its split from Concord Bank is at beta testing stage. The first fully mobile bank without any physical branches, Monobank, operating under the licence of Universal Bank, grew in 2020, and has more than 3 million customers as at the date of this Offering Circular.

Throughout 2020, the NBU regulatory policies were focused on creating conditions for the development of innovative financial technologies and payment instruments in Ukraine. For example, in November 2020, the NBU submitted to the Parliament a draft law on payment services, which aimed at, among other things, implementation of the corresponding EU directives, including the Second Payment Services Directive and the E-Money Directive, and launch of the regulatory “sandbox” by the NBU in payment services market. In addition, as of the date of this Offering Circular, the NBU was undertaking a systemic update of the technical regulations for financial companies in order to bring that closer in line with international standards and increase the level of consumers protection.

On 9 July 2020, the NBU Board approved the Strategy for Fintech Development in Ukraine for the Period until 2025 (the “**Fintech Strategy**”), which contains a step-by-step plan to create a full-fledged fintech ecosystem in Ukraine with innovative financial services and affordable digital services. One of the notable

initiatives in that strategy is the launch of a fully functional “regulatory sandbox” platform, where innovative companies will have the ability to test innovative technologies under the control of the regulator. As of the date of this Offering Circular, the NBU is developing a regulatory “sandbox” model. It is scheduled to launch during the second half of 2022.

On 15 February 2021, the NBU announced it had joined the Global Financial Innovation Network (the “GFIN”) or a global regulatory “sandbox” - an international network of financial regulators that have regulatory “sandboxes”. This membership is in line with the Fintech Strategy roadmap and, according to the NBU, will simplify the exchange of information with the world’s leading regulators and facilitate an improvement in the regulatory approach to the fintech sector.

Ukrainian Deposit Guarantee Scheme

Deposits made by individuals and individual entrepreneurs in Ukraine are guaranteed by the Deposit Guarantee Fund (the “DGF”), which was established in 1998 and whose membership includes all licenced banks in Ukraine. The DGF operates pursuant to the Law of Ukraine “*On the Deposit Guarantee System*”. The DGF is managed by its administrative council and executive board.

As of 1 May 2021, 72 banks were members of the DGF. As of 1 May 2021, the aggregate amount of assets accumulated by the DGF was approximately UAH 16.0 billion. Key sources of these assets include regular contributions of member banks, repayment of the DGF’s creditor claims by insolvent banks, and income from the DGF’s investments. As of 1 May 2021, the DGF guaranteed the deposits of 2 million individuals, the aggregate amount of all repayments made out of the DGF for that purpose was UAH 95.0 billion.

The DGF guarantees deposits for the amount of up to UAH 200,000 in all banks that are its members, other than the State Savings Bank (in Ukrainian: *Oschadbank*), deposits in which the state guarantees in full.

Non-bank Financial Services

This sector includes such companies as insurance companies, insurance and reinsurance brokers, credit unions, non-State pension funds and their administrators, pawnbrokers, financial companies supplying services such as financial leasing, factoring and the provision of guarantees, lending, money transfer, currency trading and managing property to finance construction and/or real estate operations (fundraising), as well as companies that are not licenced as a financial institution, but are permitted to provide specific kinds of financial services. As of the date of this Offering Circular, the NBU regulates and supervises the entire non-bank financial services sector, save for professional participants of capital market, private pension funds and their administrators and asset managers relating to construction financing which are regulated by the National Securities and Stock Market Commission.

Historically, the sector was regulated by the National Commission for the Regulation of Financial Services Markets in Ukraine. With a view to streamline the structure and responsibilities of regulatory agencies looking over the financial sector, on 12 September 2019, the Parliament adopted Law of Ukraine No. 79-IX “*On Amendments to Certain Legislative Acts of Ukraine on Improving the Functions of State Regulation of Financial Services Markets*”, which was signed on 16 October 2019 by President Zelenskyy. Pursuant to this law, the powers and functions of the National Commission for the Regulation of Financial Services Market in Ukraine were transferred to the National Securities Commission and the NBU on 1 July 2020.

After the transfer of regulatory functions for most of the financial services to the NBU, the NBU started updating the general structure of legislation governing activities on the financial services markets, preparing proposals for the draft laws regulating general issues of financial services and the status of financial companies, insurance business and credit union business.

As a result of discussions with the financial community, relevant associations and international experts, the NBU prepared a set of legislative proposals. The proposals were set out in: (1) the draft Law of Ukraine

“On Financial Services and Financial Companies” dated 15 February 2021 No. 5065 and approved in the first reading on 27 April 2021, which establishes common standards of regulation and supervision for both regulators, the NBU and the National Securities and Stock Market Commission, and also provides for a significant modernisation of the approach to the general principles of functioning and regulation of financial services markets, based on the risk-based approach and the principle of proportionality, as well as the implementation of the NBU regulatory “sandbox” in the financial services market; (2) the restated Law of Ukraine “On Credit Unions”, dated 22 February 2021 No. 5125, providing a new approach to the regulation of the credit unions market; and (3) the restated Law of Ukraine “On Insurance” (registered by the Parliament on 29 March 2021 under No. 5315), which aims to introduce a new model of regulation and supervision of the insurance market, including requirements for intermediaries and interactions with consumers.

New laws are aimed at implementing the provisions of EU Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) and EU Directive 2016/97 on insurance distribution (and thereby also implementing Ukraine’s commitments under the Association Agreement), the Model Law for Credit Unions, the principles of the International Association of Insurance Supervisors, as well as the recommendations of international experts provided within the framework of international technical assistance.

In addition, on 27 April 2021, the Parliament approved draft law No. 5104 “On Amendments to the Tax Code of Ukraine to Improve Legal Regulation of Agricultural Products Insurance with State Support” in the first reading. The draft law addresses the issues of state support for insurance of agriculture products, as well as defines a mechanism whereby the state compensates part of the insurance premium under the insurance contract, and sets additional requirements for participants of the agricultural products insurance market. In addition, the draft law abolishes the provisions on insurance of agricultural products through the Agrarian Insurance Pool and establishes additional requirements for the return of all insurance payments by the insurer in case of the violation of law.

In addition, the Parliament of Ukraine adopted a new draft Law “On Financial Leasing”, which was developed together with the professional community.

The financial services market reform will have a long-term effect. Currently, some non-active participants of the market voluntarily renounce licenses for certain types of financial services. In addition, some companies, whose licenses were previously cancelled are excluded from the State Register of Financial Institutions This trend is likely to continue due to significant number of companies that are not active or are not ready to comply with prudential requirements and disclose their ownership structure. In some sectors, such as insurance services, exit from the market resulted in a reduction of assets. At the same time, the trends of 2020 for non-banking financial services were largely determined by the COVID-19 pandemic that had an uneven impact on market participants. In particular, the increase of participant’s assets slowed down significantly and some financial institutions did not resume positive trends even by the end of the year. Currently, financial companies have the biggest amount of assets among non-bank financial institutions. In total, they account for 72 per cent. of non-bank financial institutions assets regulated by the NBU. The second largest segment is insurance companies. Other non-bank financial institutions only account for 2.4 per cent. of the total amount of assets.

The total assets of the non-bank financial sector are significantly smaller in comparison with the total assets of commercial banks. The total assets of non-bank financial companies, which are presently regulated and supervised by the NBU, amounted to UAH 158.8 billion, UAH 170.8 billion, UAH 194.8 billion and to UAH 232.8 billion in 2016, 2017, 2018 and 2019, respectively. As at 31 December 2020, the total assets of the non-bank financial sector amounted to UAH 257.6 billion. As at 31 March 2021, the total assets of the non-bank financial sector amounted to UAH 232.8 billion.

The following table sets forth the total assets of non-bank financial companies as at the dates indicated (as reported by the National Commission for the Regulation of Financial Services Market in Ukraine (2015 – 2019), the NBU (2020)):

	As at 31 December					As at 31 March
	2016	2017	2018	2019	2020	2021
Insurance	56,075.6	57,381.0	63,493.3	63,866.8	64,920.2	64,246.7
Financial companies	97,332.0	107,533.9	125,322.3	162,197.0	186,501.1	162,292.2
Credit unions	2,032.5	2,169.8	2,218.4	2,502.5	2,311.1	2,335.0
Pawnbrokers	3,317.7	3,763.7	3,721.3	4,264.8	3,866.8	3,934.7

Private Pension Funds

The private pension system is the third level of the Ukrainian pension system, which development has been carried out since 2004 after the entry into force of the Law of Ukraine “*On Private Pension Fund Scheme*”. The basis of such a system is private pension funds (the “PPF”).

The Ukrainian private pension system is underdeveloped and faces a number of problems. According to a recent USAID report, the issues affecting the Ukrainian private system include, among others, unfavourable macroeconomic situation, lack of developed capital markets and reliable financial instruments, low household incomes, as well as internal problems of PPF associated with inefficient management, significant related costs and numerous cases of fraudulent practices.

In order to improve legislation regulating the third level of the pension system and increase the efficiency of the PPF, the Roadmap for the Implementation of the Strategy for Development of Financial Sector of Ukraine for the Period until 2025 provides for the following measures: (i) implementation of European standards (IORPII), (ii) expanding the authority of the PPF board and (iii) stricter liability for the board’s members.

As at 31 December 2020, the State Register of Financial Institutions contained information about 63 PPF and 20 PPF administrators. The following table sets forth information about operation of Ukrainian PPF:

	As at 31 December			Growth rates, per cent	
	2018	2019	2020	31 December 2018 / 2019	31 December 2019 / 2020
Number of executed pension contracts, thousand contracts	68.8	77.1	87.8	12.1	13.9
Total number of PPF participants, thousand persons	855.3	874.6	883.0	2.3	1.0
Total value of PPF assets, UAH million	2,745.0	3,143.3	3,563.7	14.5	13.4
Pension contributions, UAH million	2,000.5	2,160.8	2,377.9	8.0	10.0
including:					
- from individuals	172.1	222.7	300.7	29.4	35.0
- from individual-entrepreneurs	0.2	0.2	0.3	0.0	50.0
- from legal entities	1,827.7	1,937.3	2,075.5	6.0	7.1

	As at 31 December			Growth rates, per cent	
	2018	2019	2020	31 December 2018 / 2019	31 December 2019 / 2020
Pension payments, UAH million.....	809.9	947.4	1,107.4	17.0	16.9
Number of participants received / receiving pension payments, thousand persons..	81.3	83.9	87.0	3.2	3.7
Amount of investment income, UAH million.....	1,767.7	2,200.0	2,635.7	24.5	19.8

As at 31 December 2020, the main areas of investment of pension assets included government securities (47.3 per cent.), bank deposits (38.8 per cent.), bonds of Ukrainian legal entities (5.4 per cent.), domestic government bonds (2.7 per cent.) and real estate (2.5 per cent.).

Domestic Financial Markets

The National Securities and Stock Market Commission of Ukraine (the “**National Securities Commission**”), which was established on 23 November 2011, carries out state regulation of the domestic financial markets, which include a securities market and a derivative contracts market. State regulation of the financial markets includes comprehensive measures aimed at organising the markets, controlling and supervising them, as well as preventing abuses and violations on the markets.

Historically, domestic financial market in Ukraine was substantially the securities market, while derivatives segment was virtually non-existent. However, one of the important recent achievements of the National Securities Commission was that the Parliament passed a law “*On Capital Markets and Organised Commodities Markets*”. The law was officially promulgated on 15 July 2020, while the majority of its provisions will enter into force on 1 July 2021. It introduces the following three models of organised markets: (i) regulated market for large business issuers, (ii) multilateral trading facility for medium and small-sized business issuers, and (iii) organised trading facility for derivatives and bonds trading. These differentiated models of organised markets aim to provide access to capital markets not only for large companies, but also for small and medium-sized companies. In addition, the law introduced thorough regulation for derivative financial instruments such as options, futures, warrants, swaps and forwards.

The above new law on capital markets implements the relevant provisions of key EU directives and regulations establishing rules for the operation of capital and financial markets, including the MiFID II, the European Market Infrastructure Regulation and UK MiFIR. It also incorporates principles of settlement finality and provisions on “close-out netting”, which are based on the EU Settlement Finality Directive and the ISDA Model Netting Act. The new financial instruments and market rules introduced by the Capital Market Law require adoption of number of secondary legislation, which is currently under development.

As at 30 April 2021, the following number of professional stock market participants had licences to undertake professional activities in the securities market: 205 security brokers, 174 custodians, 301 asset management companies, five trade organisers, one clearing house, 22 authorised pension fund managers, and 48 real estate financing asset managers.

With a view at a further reform and development of the financial sector of Ukraine and to ensure the implementation of measures provided for in the Association Agreement, financial sector regulators prepared the Strategy for the Development of the Financial Sector of Ukraine for the Period until 2025, which was approved by the National Bank of Ukraine, the National Commission on Securities and Stock Market, the National Commission for State Regulation of Financial Services Markets of Ukraine and the Deposit Guarantee Fund. The Roadmap for Implementation of this Strategy sets out, among others, the

following tasks: (i) implementation of new and development of existing financial instruments as well as securitisation mechanisms; (ii) development of state regulation for financial markets in accordance with international standards of the EU and the International Organisation of Securities Commissions; (iii) consolidation and development of exchange, settlement and clearing infrastructure of organised commodity markets and capital markets, etc.

The following table sets out information on the nominal value of securities registered by the National Securities Commission and aggregate amounts of trades on the stock exchange markets in Ukraine for the periods indicated (as reported by the National Securities Commission):

	For the year ended 31 December					As at
	2016	2017	2018	2019	2020	30 April
	<i>(UAH billions)</i>					
Total nominal value of securities registered by the National Securities Commission	222.5	353.7	60.3	112.7	113.4	16.76
Shares	199.4	324.8	22.3	63.54	33.0	4.4
Corporate bonds	5.5	8.4	15.5	11.2	32.9	4.24
Aggregate amount of stock exchange trades.....	235.4	205.8	260.9	305.0	335.0	149.8

In January-April 2021, the National Securities Commission registered 19 issues of shares for total value of UAH4.4 billion. As compared to 2020, the total value of registered issues of shares increased by UAH3.45 billion. In January-April 2021, the National Securities Commission registered 44 issues of corporate bonds for total value of UAH4.2 billion. As compared to 2020, the total value of registered issues of corporate bonds decreased by UAH6.7 billion. In January-April 2021, the National Securities Commission also registered issues of corporate bonds in foreign currency for the total amount of U.S.\$6.0 million dollars.

The most significant shares issues in January-April 2021 include shares issue of Public JSC “AKB Pivdennyi” for the amount of UAH1.83 billion and shares issue of Private JSC “Silpo Retail” for the amount of UAH1.0 billion. The most significant bond issues in 2021 include LLC “Shato Invest” for the amount of UAH1.0 billion.

In 2021, the largest trade volume with financial instruments was recorded in respect of domestic government bonds for the amount of UAH148.2 billion. In addition to the spot secondary market, a significant volume of the secondary market of domestic government bonds constitutes the repo market.

Balance of Payments

The following table sets out Ukraine’s balance of payments for the periods shown (as reported by the NBU):

	For the year ended 31 December					For the four
	2016	2017	2018	2019	2020	months ended 30 April
	<i>(U.S.\$ millions)</i>					
A. Current account	(1,866)	(3,473)	(6,432)	(4,124)	6,224	1,130
Goods and services (balance).....	(6,453)	(8,744)	(11,378)	(12,511)	(1,790)	(266)

	For the year ended 31 December					For the four months ended 30 April
	2016	2017	2018	2019	2020	2021
Export of goods and services	46,008	53,944	59,177	63,556	60,673	22,596
Import of goods and services	52,461	62,688	70,555	76,067	62,463	22,862
Goods (balance).....	(6,942)	(9,663)	(12,714)	(14,261)	(6,604)	(2,055)
Services (balance).....	489	919	1,336	1,750	4,814	1,789
Initial revenues (balance) ⁽¹⁾	951	1,648	1,294	1,924	4,252	60
Secondary revenues (balance) ⁽²⁾	3,636	3,623	3,652	6,463	3,762	1,336
B. Capital account	92	(4)	37	38	(3)	7
Net lending (+) / Net borrowing (-) (=A+B).	(1,774)	(3,477)	(6,395)	(4,086)	6,221	1,137
C. Financial account	(3,120)	(6,043)	(9,272)	(10,066)	4,231	1,303
Direct investment (balance).....	(3,794)	(3,684)	(4,460)	(5,212)	950	(336)
Portfolio investment (balance).....	(293)	(1,800)	(2,080)	(5,134)	829	(1,325)
Derivative financial instruments	0	0	0	0	329	0
Other investments (balance).....	392	(137)	(1,061)	1,474	3,039	2,934
D. Consolidated balance (= A + B - C).....	1,346	2,566	2,877	5,980	1,990	(166)
E. Reserves and related items	1,346	2,566	2,877	5,980	1,990	(166)
Reserve assets.....	2,348	2,673	2,161	4,386	2,965	(815)
Loan from IMF (NBU).....	1,002	678	658	(590)	(655)	(421)
Loan from IMF (Government of Ukraine)....	0	(571)	(1,374)	(1,004)	1,630	(228)

Notes:

- (1) Initial revenues include wages and investment income (dividends and withdrawals from the income of quasi-corporations, reinvested income and interest)
- (2) Secondary revenues include current transfers between residents and non-residents, *i.e.*, physical capital and financial assets are transferred without compensation in the form of a certain value equivalent (private transfers, current taxes on income, social security contributions, social payments, net insurance premiums and recoveries (except life insurance), current transactions in the framework of international cooperation, *etc.*)

Recent Current Account Statistics

In 2019, the current account deficit decreased to U.S.\$4.1 billion or 2.7 per cent. of GDP as compared to 2018 due to a number of factors. In particular, a decrease at the end of 2019 was a reflection of a significant, but one-time operation, namely, the receipt of compensation from PJSC “Gazprom” under the Stockholm Arbitration Award. Apart from this one-time operation, the current account deficit increased only slightly: the increase of trade deficit and reinvested earnings payments was almost offset by further increase in remittances, lower repatriation of dividends and the increase of trade surplus in services. The trade deficit in goods (excluding the temporary effect of customs clearance of previously imported cars) increased. The GDP deficit decreased for the first time in post crisis periods. This was caused by the improvement of conditions for the trade of raw materials and increasing economy productivity, especially in the agricultural sector.

In 2020, the current account balance ran a surplus of U.S.\$6.2 billion or 4.0 per cent. of GDP, which is the highest level in Ukrainian history. The surplus was caused by a significant narrowing of the trade deficit

in goods and a reduction in payments on primary incomes. High external demand for food, the use by exporters of opportunities of the world market, and the rapid rise in prices on world markets have ensured a certain stability of export of goods, which decreased by only 2 per cent. At the same time, imports of goods decreased much more significantly (by 14.2 per cent.), primarily due to a decrease in energy imports and a narrowing of domestic demand due to the COVID-19-related crisis. The suspension of tourism led to a significant drop in this sphere, which together with further growth in exports of IT services ensured the trade surplus in services (up to U.S.\$4.8 billion). In addition, surplus of the initial revenues reached a record high (U.S.\$4.3 billion) due to reduced investment payments caused by the negative reinvested income.

In the first quarter of 2021, the current account surplus amounted to U.S.\$0.9 billion (or 2.8 per cent of GDP) and was secured by a favourable services trade ratio and stable currency transfers. At the same time, services trade deficit remained low: despite favourable prices, the increase of exported goods value by 11 per cent. year-on-year was hampered by worse harvest in 2020 and increased competition in the global markets. At the same time, the increase of domestic consumption led to a decrease in imports of goods by 11.8 per cent. year-on-year, primarily for consumer and investment purposes, and the increase of energy resources prices led to their increased import See “—*Government Policies — COVID-19 Response Measures*”.

Recent Financial Account Statistics

In 2019, the net inflow of capital into the financial account increased to U.S.\$10.1 billion and was provided by both private and public sectors. The state attracted U.S.\$4.3 billion by placement of domestic government bonds in hryvnia, U.S.\$1.5 billion by issuance of sovereign Eurobonds and U.S.\$0.6 billion by financing from the World Bank. The private sector attracted a record U.S.\$2.1 billion by placement of Eurobonds by individual Ukrainian companies. Net FDI inflows was U.S.\$5.2 billion, 88 per cent. of which were directed to the real sector. At the same time, a number of state-owned banks repaid Eurobonds.

In 2020, net outflow of capital from Ukraine’s financial account amounted to U.S.\$4.2 billion and related to private capital. The private sector experienced outflows due to an increase in cash outside banks as a result of a decrease in financing of informal trade and tourism due to global COVID-19 restrictions. In addition to that, the deterioration of the financial results of the private sector resulted in a U.S.\$1.0 billion net outflow of FDI. Banking sector capital outflow was caused by an increase in assets, in particular, due to the repayment of domestic government bonds in foreign currency. At the same time, the public sector generated capital inflows due to significant borrowings in December, including U.S.\$0.7 billion through the additional issuance of sovereign Eurobonds, loans from the EU, IBRD and private creditors amounted to U.S.\$1.5 billion in total.

In the first quarter of 2021, an outflow of capital from Ukraine’s financial account amounted to U.S.\$1.9 billion and was primarily generated by certain private companies and banks making payments to redeem eurobonds. The outflow of capital from real sector was further caused by the growth of cash outside banks and payments on external liabilities. The net outflow of FDI resulted from payments to direct investor loans and negative reinvested earnings due to higher dividend payments. At the same time, the continued interest of non-residents in UAH denominated domestic bonds ensured the inflow of capital into the public sector. However, by the end of the quarter, the deterioration of financial market conditions in emerging market countries caused the inflow of capital into the public sector to slow down.

Foreign Trade

Overview

The following table represents Ukraine’s foreign trade balance in goods and services for the years ended 31 December 2016, 2017, 2018, 2019, and 2020 (based on data reported by the SSSU):

For the year ended 31 December

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<i>(U.S.\$ billions)</i>				
Balance of foreign trade in goods and services	+0.5	-2.5	-6.2	-3.7	-0.3

The following table represents the import and export of goods and services as a percentage of GDP for the years ended 31 December 2016, 2017, 2018, 2019 and 2020 (based on preliminary data reported by the NBU)⁽¹⁾:

	For the year ended 31 December				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<i>(% of GDP)</i>				
Export of goods and services	49.3	48.1	45.2	41.3	39.0
Import of goods and services	56.2	55.9	53.9	49.4	40.1

Notes:

- (1) The data set out in this table does not account for the illegally occupied Crimea and the territories in the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict.

Export Dynamics

Exports of goods and services in 2019 amounted to U.S.\$64.1 billion (or 41.3 per cent. of GDP), representing an increase of 11.8 per cent., as compared to 2018. Exports of food increased by 19 per cent. due to increased productivity of the agricultural sector and increased demand from China. Exports of iron ores increased by 18.3 per cent. due to the rapid increase of world ferrous ore prices at the beginning of 2019. Exports of IT services continued to grow at a high pace (24.7 per cent.). Exports of metallurgical and chemical products decreased by 11.8 per cent. and 10.0 per cent. respectively, due to deterioration of the external price situation.

In 2020, Ukraine experienced a 7.8 per cent. decrease in exports of goods and services. Such decrease was less than initially expected due to the higher supply of selected foods, iron ore and chemical products. In particular, the export of wheat, sunflower oil, and oil meal reached record volumes for this period, growth of barley exports continued. High demand from China contributed to the increase in exports of iron ore by 4.5 per cent. The increase in production and exports of fertilisers against the background of low gas prices led to a growth in exports of chemical products by 5.9 per cent. Physical exports of metallurgical products remained almost at last year's level due to the partial reorientation of supplies of cast iron, semi-finished products and rolled steel to China, but the value of its exports decreased by 17.2 per cent. due to lower world prices. Despite the reduction in the number of foreign tourists and the volume of natural gas transit through the territory of Ukraine, the decline in exports of services by 12.0 per cent. was set off by steady growth in exports of IT services of 15.2 per cent.

In 2020, exports of goods amounted to U.S.\$49.2 billion representing a decrease of 1.7 per cent. as compared to 2019. In the first quarter of 2021, exports of goods and services amounted to U.S.\$15.8 billion, an increase of 7.6 per cent. as compared to the corresponding period in 2020.

The EU is Ukraine's largest trading partner. The trade turnover with EU accounted for 40.7 per cent. of Ukraine's total trade turnover.

In 2020, exports of goods and services to the EU amounted to U.S.\$21.9 billion, a decrease 9.4 per cent (or 2.3 billion U.S.\$). The exports of goods and services to the EU accounted for 37.1 per cent. of Ukraine's total trade turnover.

In January – March 2021, exports of goods and services to the EU amounted to U.S.\$6,1 billion, an increase of 16.3 per cent. (or U.S.\$0.9 billion). The exports of goods and services to the EU accounted for 38.9 per cent. of Ukraine's total trade turnover.

In addition, Ukraine sends a substantial portion of its exports to the CIS countries, although that direction generally saw a decline over recent years. The CIS countries in total accounted for 20.8 per cent. of Ukraine's total exported goods and services in 2019, 14.9 per cent. in 2020 and 10.5 per cent. in the first quarter of 2021. In 2019, exports of goods to CIS countries amounted to U.S.\$6.8 billion (or 13.5 per cent. of Ukraine's total exports of goods), a 3.9 per cent. decrease as compared to 2018. In 2020, exports of goods to CIS countries amounted to U.S.\$5.9 billion (or 12.1 per cent. of Ukraine's total exports of goods), a 12.1 per cent. decrease as compared to 2019. In the first quarter of 2021, exports of goods to CIS countries amounted to U.S.\$1.4 billion (or 10.3 per cent. of Ukraine's total exports of goods), a decrease of 2.2 per cent. as compared to the corresponding period in 2020.

Other than the EU and the CIS, other key markets for Ukrainian trade are Asia (where China's role is particularly prominent) and Africa. In 2019, exports of goods to Asian countries increased by 12.0 per cent. as compared to 2018 and amounted to U.S.\$15.4 billion (or 30.8 per cent. of Ukraine's total exports of goods). In 2020, exports of goods to Asian countries amounted to U.S.\$18.5 billion and increased by 20.0 per cent. as compared to 2019 (or 37.6 per cent. of total goods exports of Ukraine for the same period). In the first quarter of 2021, exports of goods to Asian countries amounted to U.S.\$ 4.8 billion, an increase of 14.1 per cent. as compared to the corresponding period in 2020.

In 2019, exports of goods to African countries increased by 20.5 per cent. as compared to 2018 and amounted to U.S.\$5.0 billion (or 9.9 per cent. of Ukraine's total exports of goods). In 2020, exports of goods to African countries amounted to U.S.\$4.0 billion (or 8.2 per cent. of Ukraine's total exports of goods) and decreased by 18.6 per cent. as compared to 2019. In the first quarter of 2021, exports of goods to African countries amounted to U.S.\$1.0 billion, an increase of 26.4 per cent. as compared to the corresponding period in 2020.

In 2019, exports of goods to North America and South America amounted to U.S.\$1.5 billion (or 2.9 per cent. of Ukraine's total exports of goods), an increase of 20.5 per cent. as compared to 2018. In 2020, exports of goods to North America and South America amounted to U.S.\$1.5 billion (or 3.1 per cent. of Ukraine's total exports of goods), an increase of 5.5 per cent. as compared to 2019. In the first quarter of 2021, exports of goods to North America and South America amounted to U.S.\$713.3 million (or 5.2 per cent. of Ukraine's total exports of goods), a 2.4-fold increase as compared to the same period in 2020.

Key Export Destinations

The following table sets out exports of goods by country of destination for the periods shown⁽¹⁾ (as reported by the SSSU):

	For the year ended 31 December									
	2016 ⁽²⁾		2017 ⁽²⁾		2018 ⁽²⁾		2019 ⁽²⁾		2020 ⁽²⁾	
	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)
China	1,832.5	5.0	2,039.3	4.7	2,200.1	4.6	3,593.1	7.2	7,112.7	14.5
Germany	1,423.7	3.9	1,754.2	4.1	2,208.4	4.7	2,383.0	4.8	2,071.8	4.2
Turkey	2,049.1	5.6	2,519.1	5.8	2,352.4	5.0	2,619.0	5.2	2,436.3	5.0
United States	426.6	1.2	828.1	1.9	1,111.4	2.3	978.6	2.0	983.9	2.0
Italy	1,929.6	5.3	2,469.5	5.7	2,628.8	5.6	2,418.9	4.8	1,928.9	3.9
Poland.....	2,200.0	6.1	2,724.6	6.3	3,257.2	6.9	3,295.8	6.6	3,273.1	6.7
Hungary.....	1,053.1	2.9	1,326.4	3.1	1,646.0	3.5	1,562.8	3.1	1,263.8	2.6
Thailand.....	413.5	1.1	249.1	0.6	228.6	0.5	322.1	0.6	164.5	0.3
Slovakia.....	471.4	1.3	656.0	1.5	863.9	1.8	709.6	1.4	446.8	0.9
Syrian Arab Republic	43.2	0.1	8.5	0.0	7.9	0.0	4.0	0.0	4.1	0.0
Lebanon.....	338.5	0.9	427.0	1.0	404.8	0.9	372.1	0.7	327.3	0.7
Czech Republic.....	560.8	1.5	715.2	1.7	878.0	1.9	920.9	1.8	826.3	1.7
Netherlands.....	995.3	2.7	1,676.1	3.9	1,603.5	3.4	1,848.4	3.7	1,808.4	3.7
Greece	159.1	0.4	196.8	0.5	279.9	0.6	274.2	0.5	178.8	0.4
Spain.....	1,004.5	2.8	1,260.1	2.9	1,369.9	2.9	1,500.8	3.0	1,250.2	2.5
Lithuania	258.2	0.7	374.2	0.9	342.7	0.7	410.8	0.8	431.5	0.9
Latvia	138.2	0.4	213.7	0.5	294.4	0.6	300.1	0.6	229.4	0.5
Russia.....	3,592.9	9.9	3,936.5	9.1	3,652.6	7.7	3,242.8	6.5	2,706.0	5.5
Moldova	481.1	1.3	707.6	1.6	789.2	1.7	726.6	1.5	679.7	1.4
Kazakhstan	400.1	1.1	372.1	0.9	376.5	0.8	367.0	0.7	336.1	0.7
Belarus.....	903.2	2.5	1,142.9	2.6	1,304.2	2.8	1,549.8	3.1	1,335.3	2.7
Turkmenistan.....	109.0	0.3	62.1	0.1	56.8	0.1	54.9	0.1	56.0	0.1
Azerbaijan	248.0	0.7	354.7	0.8	360.0	0.8	400.5	0.8	346.9	0.7
Uzbekistan.....	142.4	0.4	167.1	0.4	286.0	0.6	215.8	0.4	295.6	0.6
Other.....	15,187.8	41.8	17,083.9	39.5	18,831.6	39.8	19,982.6	39.9	18,719.2	38.0
Total.....	36,361.7	100.0	43,264.7	100.0	47,335.0	100.0	50,054.6	100.0	49,212.9	100.0

Notes:

(1) Percentages may not add up to 100.0 because of rounding.

(2) The data set out in this table does not account for the illegally occupied Crimea and the territories in the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict.

Key Commodity Groups Exported

The following table sets out exports from Ukraine by major commodity group and as a percentage⁽¹⁾ of total exports for the periods shown (as reported by the SSSU):

	For the year ended 31 December									
	2016 ⁽²⁾		2017 ⁽²⁾		2018 ⁽²⁾		2019 ⁽²⁾		2020 ⁽²⁾	
	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)
Fuel and Energy Products.....	446.5	1.2	790.2	1.8	861.3	1.8	863.0	1.7	555.4	1.1
Machinery and Equipment	3,637.9	10.0	4,276.8	9.9	4,654.7	9.8	4,464.4	8.9	4,487.1	9.1
Wood and Paper Products.....	1,668.5	4.6	1,723.9	4.0	2,043.2	4.3	1,838.1	3.7	1,814.6	3.7
Chemical Products.....	1,558.2	4.3	1,660.6	3.8	1,871.3	4.0	1,930.8	3.9	2,702.9	5.5
Agriculture Products.....	15,281.8	42.0	17,756.9	41.0	18,611.8	39.3	22,144.2	44.2	22,199.1	45.1
Ferrous Metals and Products thereof.....	7,937.0	21.8	9,562.8	22.1	11,046.9	23.3	9,777.6	19.5	8,568.7	17.4
Non-Ferrous Metals and Products thereof.....	401.8	1.1	561.8	1.3	585.8	1.2	478.1	1.0	461.6	0.9
Mineral Products	2,282.3	6.3	3,157.5	7.3	3,478.3	7.3	4,003.5	8.0	4,776.6	9.7
Textiles and shoes	841.3	2.3	939.9	2.2	1,054.8	2.2	1,035.6	2.1	943.7	1.9
Other.....	2,306.4	6.3	2,834.2	6.6	3,126.9	6.6	3,519.3	7.0	2,703.2	5.5
Total.....	36,361.7	100.0	43,264.7	100.0	47,339.9	100.0	50,054.6	100.0	49,212.9	100.0

Notes:

(1) Percentages may not add up to 100.0 because of rounding.

(2) The data set out in this table does not account for the illegally occupied Crimea and the territories in the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict.

Import Dynamics

Imports of goods and services in 2019 amounted to U.S.\$67.7 billion (or 49.1 per cent. of GDP), representing an increase of 6.7 per cent., as compared to 2018. Such dynamic was caused, in particular, by a significant drop in energy prices, which contributed to a decrease in energy imports by 9.2 per cent. Instead, non-energy imports increased steadily, supported by high investment and consumer demand. Imports of mechanical engineering products increased by 17.8 per cent. due to further increase in investment in alternative energy and record volumes of car purchases. Imports of food and industrial products also continued to grow by 17.7 per cent. and 13.5 per cent., respectively, alongside with the strengthening of the hryvnia and improvement of consumer demand.

The decrease in imports of goods and services in 2020 by 12.5 per cent. was much greater than the decrease in exports for the same period. At the beginning of the year, the decrease in imports was caused by low global energy prices and preferential customs clearance of previously imported cars. Starting from the second quarter of 2020, imports of goods decreased further due to a decrease in domestic demand amid COVID-19 quarantine restrictions. As a result, imports decreased in all commodity groups. In 2020, imports of engineering products decreased by 9.7 per cent. due to reduced purchases of equipment for renewable energy, ground vehicles and industrial equipment. The narrowing of consumer demand and changing consumer behaviour due to the spread of remote work led to a reduction in imports of industrial products, as well as a significant slowdown in the growth of imports of food products and household appliances. In addition, restrictions on travel led to a reduction in imports of services by 46.3 per cent. in 2020 due to a significant share of travels in the structure of imports of tourist services. In turn, a further decrease in world energy prices and smaller volumes of purchases of individual energy carriers led to a decrease in energy imports up to 38.2 per cent.

In 2020, imports of goods amounted to U.S.\$54.1 billion representing a decrease of 11.0 per cent., as compared to 2019. In January – March 2021, imports of goods amounted to U.S.\$16.8 billion, an increase of 12.9 per cent. as compared to the corresponding period in 2020.

In 2020, total imports of goods and services from the EU amounted to U.S.\$26.3 billion, a decrease of 8.7 per cent. (or U.S.\$2.5 billion). The import of goods and services from the EU accounted for 44.3 per cent. of Ukraine's total import.

In January – March 2021, imports of goods from the EU amounted to U.S.\$6.9 billion, an increase of 8.6 per cent. (or U.S.\$0.6 billion). The import of goods and services from the EU accounted for 41.1 per cent. of Ukraine's total import.

In 2019, imports of goods from CIS countries, which represent another major source of Ukraine's import, amounted to U.S.\$11.9 billion (or 19.5 per cent. of total imports of goods in Ukraine), a 10.1 per cent. decrease as compared to 2018, and in 2020, it amounted to U.S.\$8.4 billion (or 15.6 per cent. of total imports of goods in Ukraine), a 29.1 per cent. decrease as compared to the corresponding period in 2019. In the first quarter of 2021, imports of goods from CIS countries amounted to U.S.\$2.4 billion (or 15.9 per cent. of the total imports in Ukraine), an increase of 14.3 per cent. as compared to the corresponding period in 2020.

In 2019, imports of goods from Asian countries increased by 20.0 per cent. as compared to 2018 and amounted to U.S.\$16.3 billion (or 26.9 per cent. of total imports of goods in Ukraine). In 2020, imports of goods from Asian amounted to U.S.\$15.4 billion (or 28.5 per cent. of total imports of goods in Ukraine), a 5.5 per cent. decrease as compared to 2019. In January – March 2021, imports of goods from Asian countries amounted to U.S.\$4.2 billion (or 27.8 per cent. of total imports of goods in Ukraine), an increase of 13.4 per cent. as compared to the corresponding period in 2020.

In 2019, imports of goods from North America and South America increased by 7.0 per cent. as compared to 2018 and amounted to U.S.\$4.4 billion (or 7.2 per cent. of total imports of goods in Ukraine). In 2020,

imports of goods from North America and South America amounted to U.S.\$4.1 billion (or 7.6 per cent. of total imports of goods in Ukraine), a 6.2 per cent. decrease as compared to 2019. In January – March 2021, imports of goods from North America and South America amounted to U.S.\$1.2 billion (or 8.2 per cent. of total imports of goods in Ukraine), an increase of 11.3 per cent. as compared to the corresponding period in 2020.

In 2019, imports of goods from Africa increased by 8.1 per cent. as compared to 2018 and amounted to U.S.\$0.8 billion (or 1.3 per cent. of total imports of goods in Ukraine). In 2020, imports of goods from Asian amounted to U.S.\$0.8 billion (or 1.5 per cent. of total imports of goods in Ukraine), a 1.1 per cent. decrease as compared to 2019. In January – March 2021, imports of goods from Africa amounted to U.S.\$202.6 million, a decrease of 11.8 per cent. as compared to the corresponding period in 2020.

Key Import Sources

The following table sets out imports of goods by country of origin for the periods shown⁽¹⁾ (as reported by the SSSU):

	For the year ended 31 December									
	2016 ⁽²⁾		2017 ⁽²⁾		2018 ⁽²⁾		2019 ⁽²⁾		2020 ⁽²⁾	
	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)
Germany.....	4,318.4	11.0	5,445.0	11.0	5,983.3	10.5	5,986.9	9.8	5,338.0	9.9
United States.....	1,687.9	4.3	2,524.6	5.1	2,962.4	5.2	3,284.4	5.4	2,955.4	5.5
Poland.....	2,693.3	6.9	3,453.8	7.0	3,641.9	6.4	4,109.1	6.8	4,088.8	7.6
Italy.....	1,358.2	3.5	1,625.0	3.3	2,033.0	3.6	2,074.8	3.4	2,127.5	3.9
France.....	1,530.5	3.9	1,563.8	3.2	1,480.6	2.6	1,652.7	2.7	1,475.4	2.7
Czech Republic.....	654.8	1.7	869.5	1.8	1,034.8	1.8	1,165.5	1.9	972.7	1.8
Slovakia.....	434.9	1.1	508.7	1.0	525.9	0.9	651.8	1.1	875.5	1.6
Hungary.....	802.0	2.0	1,152.3	2.3	1,260.2	2.2	1,251.1	2.1	1,214.4	2.2
United Kingdom.....	709.3	1.8	798.9	1.6	892.1	1.6	769.9	1.3	817.3	1.5
Netherlands.....	546.8	1.4	643.7	1.3	776.5	1.4	765.1	1.3	740.6	1.4
Austria.....	465.1	1.2	484.5	1.0	607.9	1.1	657.0	1.1	575.8	1.1
Turkey.....	1,098.6	2.8	1,262.5	2.5	1,714.3	3.0	2,355.4	3.9	2,415.0	4.5
Japan.....	551.8	1.4	723.5	1.5	737.4	1.3	962.9	1.6	1,076.3	2.0
Switzerland.....	983.8	2.5	1,682.2	3.4	1,644.9	2.9	1,592.1	2.6	1,166.0	2.2
China.....	4,687.7	11.9	5,648.7	11.4	7,608.4	13.3	9,204.8	15.1	8,305.7	15.4
Lithuania.....	492.5	1.3	679.8	1.4	879.1	1.5	1,144.5	1.9	813.3	1.5
Latvia.....	112.5	0.3	144.3	0.3	152.1	0.3	166.5	0.3	158.9	0.3
Russia.....	5,149.3	13.1	7,204.0	14.5	8,090.4	14.1	6,985.0	11.5	4,542.4	8.4
Turkmenistan.....	34.3	0.1	89.3	0.2	144.4	0.3	83.0	0.1	29.5	0.1
Belarus.....	2,777.8	7.1	3,205.3	6.5	3,786.9	6.6	3,751.9	6.2	2,874.4	5.3
Kazakhstan.....	434.3	1.1	318.0	0.6	460.0	0.8	450.4	0.7	424.4	0.8
Uzbekistan.....	71.1	0.2	122.7	0.2	121.4	0.2	112.7	0.2	136.9	0.3
Moldova.....	47.6	0.1	106.7	0.2	118.1	0.2	91.3	0.2	74.1	0.1
Other.....	7,607.2	19.4	9,350.2	18.8	10,531.5	18.4	11,531.4	19.0	10,893.2	20.1
Total.....	39,249.8	100.0	49,607.2	100.0	57,187.6	100.0	60,800.2	100.0	54,091.3	100.0

Notes:

(1) Percentages may not add up to 100.0 because of rounding.

(2) The data set out in this table does not account for the illegally occupied Crimea and the territories in the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict.

Key Commodity Groups Imported

The following table sets out imports to Ukraine by major commodity group and as a percentage⁽¹⁾ of total imports for the periods shown (as reported by the SSSU):

	For the year ended 31 December									
	2016 ⁽²⁾		2017 ⁽²⁾		2018 ⁽²⁾		2019 ⁽²⁾		2020 ⁽²⁾	
	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)
Fuel and Energy Products	7,851.5	20.0	11,699.6	23.6	13,398.6	23.4	12,172.5	20.0	7,753.2	14.3
Machinery and Equipment	7,889.4	20.1	9,902.6	20.0	11,955.2	20.9	13,312.8	21.9	11,544.2	21.3
Wood and Paper Products	1,112.0	2.8	1,205.4	2.4	1,389.1	2.4	1,310.4	2.2	1,414.5	2.6
Chemical Products.....	5,619.5	14.3	6,545.9	13.2	7,058.3	12.3	7,483.4	12.3	10,740.5	19.9
Agriculture Products.....	3,891.1	9.9	4,301.2	8.7	5,055.5	8.8	5,736.0	9.4	6,495.4	12.0
Ferrous Metals and Products thereof.....	1,445.7	3.7	1,941.8	3.9	2,334.5	4.1	2,352.1	3.9	1,859.6	3.4
Non-Ferrous Metals and Products thereof.....	860.8	2.2	1,070.9	2.2	1,240.7	2.2	1,298.7	2.1	1,268.0	2.3
Mineral Products	643.5	1.6	805.2	1.6	793.4	1.4	812.1	1.3	649.6	1.2
Textiles and shoes	1,815.2	4.6	2,005.7	4.0	2,376.8	4.2	2,849.4	4.7	2,724.7	5.0
Other.....	8,121.2	20.7	10,128.8	20.4	11,585.6	20.3	13,472.8	22.2	9,641.5	17.8
Total.....	39,249.8	100.0	49,607.2	100.0	57,187.6	100.0	60,800.2	100.0	54,091.3	100.0

Notes:

(1) Percentages may not add up to 100.0 because of rounding.

(2) The data set out in this table does not account for the illegally occupied Crimea and the territories in the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict.

Free Trade Agreements and Trade Policy

As of the date of this Offering Circular, Ukraine had a total of 19 free trade agreements. Most recent agreements include:

- an agreement with the European Free Trade Association (Norway, Switzerland, Iceland and Liechtenstein), which was signed in June 2010 and came into effect in June 2012;
- the Association Agreement (trade-related sections), which was signed in 2014 and fully came into effect in September 2017;
- an agreement with Canada, which was signed in July 2016 and came into effect in August 2017;
- an agreement with Israel, which was signed in January 2019 and came into effect on 1 January 2021; and
- an Agreement on Political Cooperation, Free Trade and Strategic Partnership between Ukraine and the United Kingdom of Great Britain and Northern Ireland, which was signed in October 2020 and came into effect on 1 January 2021.

As at the date of this Offering Circular, negotiations and consultations in relation to amending the Free Trade Agreement between Ukraine and the Republic of Macedonia and in relation to entering into free trade agreements with Turkey and Serbia are being held.

As at 25 May 2021, three anti-dumping investigations, nine procedures relating to the review of the implemented anti-dumping measures concerning Ukrainian products, and one safeguard investigation and one review of safeguard measures are being carried out on external markets. These trade protection measures relate to twisted wires, pipes (seamless, rustproof, steel), and hot-rolled steel and honey. The jurisdictions undertaking procedures of trade protection are the Eurasian Economic Union, the European Union, the United States, Mexico, Thailand, India, Pakistan and countries of the Gulf Cooperation Council.

In addition, based on the outcome of previous investigations, 35 restrictive measures, including 31 anti-dumping measures and three protective measures are being applied in relation to Ukrainian products (mainly metallurgical products) in countries and economic organisations including the United States, the Eurasian Economic Union, the EU, Canada, Mexico, Thailand, Taiwan, Korea, India, Indonesia, Egypt, Pakistan, Brazil and Morocco, as well as an additional import duty on metallurgical products by the United States.

As at 25 May 2021, Ukraine itself was conducting (i) eight anti-dumping investigations regarding the import of plywood from Belarus; heat-insulating materials from Belarus and Russia; rolled carbon steel China; cement from Turkey; wood boards from Belarus and Russia, potato starch from Belarus, certain types of asphalt and similar substances from Belarus and Russia; wires from China (ii) two special investigations concerning import to Ukraine of wires; (iii) two reviews of anti-dumping measures concerning import to Ukraine of incandescent lamps of general purpose from Kyrgyzstan, fibreboards from Russia.

As at 25 March 2021, following previous investigations, Ukraine applies 30 trade protective measures (including 26 anti-dumping measures and four special measures).

Foreign Direct Investment

As a consequence of the significant shortage of internal financial resources, Ukraine has sought to attract foreign investment as an important contributor to economic growth and further structural reforms of the

economy. However, the pace and amount of FDI in Ukraine has been adversely affected by overly complex and inconsistent legislation and opaque procedures, including in the areas of privatisation, Government intervention and taxation, as well as through perceived corruption and, more recently, by the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict.

According to Ukrainian law, foreign investors are treated on a similar basis to domestic investors and, in most circumstances, are permitted to conduct business on the same terms as domestic business enterprises. In addition, capital assets brought into Ukraine as a contribution to the charter capital of a Ukrainian legal entity by a foreign investor are exempt from customs duties on imports (subject to compliance with certain requirements).

Foreigners are permitted to own up to 100 per cent. of a Ukrainian company, subject to foreign ownership restrictions in certain industry sectors, such as media. The hryvnia is not yet freely tradable, and a withholding tax of up to 15 per cent. may be imposed on profit repatriation. Profit repatriation is subject to the provisions of treaties on the avoidance of double taxation, which can reduce or eliminate the withholding tax.

The following table sets out information on FDI for the periods indicated⁽¹⁾⁽²⁾ (as reported by the NBU):

	FDI (cumulative total)	Growth (decline) of FDI over the relevant period		
	<i>(U.S.\$ millions)</i>	<i>(% change)</i>	<i>(U.S.\$ millions)</i>	<i>(% of GDP)</i>
Year ended 31 December 2016 ⁽¹⁾⁽²⁾	45,195	3.2	3,810	4.1
Year ended 31 December 2017 ⁽¹⁾⁽²⁾	45,179	0.0	3,692	3.3
Year ended 31 December 2018 ⁽¹⁾⁽²⁾	44,009	(2.6)	4,455	3.4
Year ended 31 December 2019 ⁽¹⁾⁽²⁾	51,387	16.8	5,860	3.8
Year ended 31 December 2020 ⁽¹⁾⁽²⁾	48,933	(4.8)	(868)	(0.6)

Notes:

- (1) Information provided does not include illegally occupied Crimea and certain parts of the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict.
- (2) The data on FDI includes the amounts of reinvested earnings of Ukrainian banks and enterprises (calculated based on the retained earnings or losses data corresponding to a direct investor's share in Ukrainian banks and enterprises).

From 2015 to 2020, Cyprus was the largest contributor of FDI to Ukraine. As at the end of 2020, Cypriot direct investments in Ukraine amounted to U.S.\$15.0 billion, constituting 30.6 per cent. of the total volume of investments (excluding illegally occupied Crimea and certain parts of the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict). Cypriot FDI is believed to consist primarily of “offshore” investments originating in Russia or other countries that are structured through Cyprus for tax reasons. As at 31 December 2020, Cyprus, the Netherlands, the United Kingdom, Switzerland and Germany were among the most important sources of FDI into Ukraine.

Investments made in Ukraine as at the end of 2020 have primarily been in the fields of manufacturing, metal and food industries, trade, and real estate.

The following table shows the breakdown of cumulative FDI by country of origin as at the dates indicated⁽¹⁾⁽²⁾ (as reported by the NBU):

	As at 31 December								As at 31 December	
	2016 ⁽¹⁾⁽²⁾		2017 ⁽¹⁾⁽²⁾		2018 ⁽¹⁾⁽²⁾		2019 ⁽¹⁾⁽²⁾		2020 ⁽¹⁾⁽²⁾	
	<i>(U.S.\$ millions)</i>	<i>(%)</i>	<i>(U.S.\$ millions)</i>	<i>(%)</i>	<i>(U.S.\$ millions)</i>	<i>(%)</i>	<i>(U.S.\$ millions)</i>	<i>(%)</i>	<i>(U.S.\$ millions)</i>	<i>(%)</i>
United States.....	892.9	2.0	778.2	1.7	636.2	1.4	811.7	1.6	710.3	1.5
Cyprus.....	14,339.5	31.7	13,853.4	30.7	13,308.2	30.2	16,043.7	31.2	14,958.21	30.57
Netherlands.....	7,928.7	17.5	9,084.0	20.1	9,616.8	21.9	11,693.3	22.8	10,004.67	20.44
United Kingdom.....	2,039.8	4.5	2,230.2	4.9	1,913.1	4.3	2,159.3	4.2	2,952.90	6.03
Germany.....	2,098.7	4.6	2,395.6	5.3	2,284.3	5.2	2,496.8	4.9	2,301.28	4.70
Switzerland.....	1,579.5	3.5	2,001.6	4.4	2,052.1	4.7	3,190.1	6.2	2,758.40	5.64
Russia.....	1,409.2	3.1	1,004.1	2.2	1,226.9	2.8	1,155.0	2.2	1,028.38	2.10
Other ⁽³⁾	14,907.1	33.0	13,831.8	30.6	12,970.9	29.5	13,836.6	26.9	14,219.36	29.06
Total.....	45,195.3	100.0	45,178.9	100.0	44,008.7	100.0	51,386.6	100.0	48,933.48	100.0

Notes:

- (1) The data set out in this table does not account for the illegally occupied Crimea and the territories in the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict.
- (2) The data on FDI includes the amounts of reinvested earnings of Ukrainian banks and enterprises (calculated based on the retained earnings or losses data corresponding to a direct investor's share in Ukrainian banks and enterprises).
- (3) This line represents a total for all the countries whose cumulative FDI contribution did not exceed 3.5 per cent. of the total (other than the United States and Russia, which are included in separate lines) as at 30 September 2020.

The following table sets out cumulative FDI by sector as at the dates indicated⁽¹⁾⁽²⁾ (as reported by the NBU):

	As at 31 December						As at 30 September			
	2016 ⁽¹⁾⁽²⁾		2017 ⁽¹⁾⁽²⁾		2018 ⁽¹⁾⁽²⁾		2019 ⁽¹⁾⁽²⁾		2020 ⁽¹⁾⁽²⁾	
	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)	(U.S.\$ millions)	(%)
Production of basic metals and fabricated metal products, except machinery and equipment	2,888.0	5.1	3,549.6	7.9	3,802.1	8.6	3,988.7	7.8	3,438.2	7.0
Production of rubber and plastics products, and other non-metallic mineral products	1,220.8	2.7	1,192.4	2.6	1,199.5	2.7	1,337.6	2.6	1,259.7	2.6
Manufacturing of food, beverages and tobacco products	3,007.9	6.7	3,243.4	7.2	3,194.4	7.3	3,672.8	7.1	3,221.3	6.6
Information and telecommunications ..	2,909.8	6.4	3,019.2	6.7	2,669.6	6.1	2,960.7	5.8	3,079.4	6.3
Supply of electricity, gas, steam and condensed air	1,171.3	2.6	1,637.3	3.6	1,842.3	4.2	3,580.7	7.0	3,803.1	7.8
Financial and insurance business	6,306.0	14.0	4,247.3	9.4	3,908.5	8.9	5,166.0	10.1	4,515.2	9.2
Machine-building, except repairs and installation	917.5	2.0	957.5	2.1	1,010.8	2.3	1,065.2	2.1	990.6	2.0
Mining	3,127.1	6.9	3,069.1	6.8	3,404.6	7.7	5,213.8	10.1	4,604.1	9.4
Construction	1,159.8	2.6	1,137.5	2.5	893.1	2.0	852.8	1.7	981.4	2.0
Real estate business	4,027.0	8.9	3,931.8	8.7	4,270.6	9.7	4,736.6	9.2	4,559.5	9.3
Wholesale and retail trade; repair of cars and motorcycles	6,983.4	15.5	6,903.7	15.3	6,423.2	14.6	7,330.8	14.3	7,842.4	16.0
Transport, warehouse services, post and courier services technical activities	1,533.2	3.4	1,653.2	3.7	1,504.8	3.4	2,007.3	3.9	1,576.1	3.2
Professional services, scientific and	2,442.4	5.4	2,456.6	5.4	1,883.5	4.3	2,272.1	4.4	1,845.7	3.8
Other	8,101.1	17.9	8,180.6	18.1	8,002.0	18.2	7,200.8	14.0	7,216.8	14.7
Total	45,195.3	100.0	45,179.2	100.0	44,008.7	100.0	51,386.6	100.0	48,933.48	100.0

Notes:

(1) The data set out in this table does not account for the illegally occupied Crimea and the territories in the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict.

(2) The data on FDI now includes the amounts of reinvested earnings of Ukrainian banks and enterprises (calculated by the NBU based on the retained earnings or losses (as the case may be) data corresponding to a direct investor's shareholding in Ukrainian banks and enterprises).

MONETARY POLICY

Overview and Key Strategic Documents

The NBU is responsible for carrying out monetary policy in Ukraine. For details on the status and structure of the NBU, see “*Description of the Guarantor–The Constitution and Government Structure–Central Government and Judiciary; National Bank of Ukraine–National Bank of Ukraine*”.

Monetary Policy Strategy

In August 2015 the NBU Board approved the Monetary Policy Strategy for 2016-2020 (the “**Monetary Policy Strategy 2016-2020**”). The Monetary Policy Strategy 2016-2020 defined principles of the NBU’s monetary policy based on the inflation targeting regime, as well as set out annual and medium-term quantitative inflation targets.

In July 2018 the Council of the NBU approved the Monetary Policy Strategy of the National Bank of Ukraine (the “**Monetary Policy Strategy**”), which is currently effective. This document confirms the key elements of the inflation targeting regime, defines the main goals, principles and tools of NBU’s monetary policy and the directions of their evolution for the medium term.

The Monetary Policy Strategy confirms medium-term aim for inflation at the level of 5 per cent. \pm 1 per cent., which was set to be achieved by the end of 2019. From December 2019 onwards, the aim of 5 per cent. became permanent, and can be reviewed only downwards, provided that volatility of the exchange rate of the hryvnia decreases, relative prices change and effects of convergence on Ukrainian economy reduces to the levels of Ukraine’s key trade partners.

Monetary Policy Guidelines

Monetary policy guidelines detail the NBU’s monetary policies and the macroeconomic context thereof. In accordance with the Law of Ukraine “On the National Bank of Ukraine”, the NBU Council develops the monetary policy guidelines on the basis of proposals submitted by the NBU Board, officially publishes the document and submits it to the Parliament of Ukraine each year by 15 September.

Most recently, in September 2020, the NBU Council approved the Monetary Policy Guidelines for 2021 and the Mid-Term (the “**2021 Monetary Policy Guidelines**”). The 2021 Monetary Policy Guidelines stated that the NBU will continue to use flexible inflation targeting based on floating exchange rates with a focus on financial stability support and stable economic growth in 2021. The objective of monetary policy in terms of maintaining inflation in the mid-term at the level of 5 per cent. \pm 1 per cent. remained unchanged from the previous year.

Further, pursuant to the 2021 Monetary Policy Guidelines, the NBU’s monetary policy will be based on the principles of the NBU’s institutional, financial, and operational independence. The primary criteria for the success of the monetary policy will continue to be the anchoring of inflation expectations at the target level, and the alignment of actual inflation with its medium-term target. Monetary policy decisions will continue to be forward-looking, meaning they will be aimed at bringing inflation to the 5% target over a period of 9–18 months.

The NBU will also use the flexibility of the inflation targeting regime to best promote economic growth. This means that in order to prevent economic growth from slowing, the NBU will allow inflation to deviate from the target in the short run in response to external and internal shocks that are beyond the direct influence of monetary policy. However, the NBU will use its monetary policy instruments to return inflation to target values over an acceptable time period.

The NBU will pay special attention to the development of lending. By ensuring that inflation is predictable and monetary policy solutions are clear to economic agents, the NBU will lay the groundwork for strengthening the financial system and making a sufficient amount of financial resources available to the economy over the long term. Measures to support lending will also include active cooperation with the government to reduce credit risks to the banking system and to restructure the economy.

Since the transition to the inflation targeting regime in 2016, all strategic documents, including the Monetary Policy Guidelines adopted for each year, have confirmed the consistency of monetary policy in adhering to the inflation targeting regime and continuance of the goals and principles of the monetary policy.

Instruments of Monetary Policy

A key instrument of NBU's monetary policy is the discount rate. The NBU also uses a range of other instruments, in particular, to manage interest rates at the interbank lending market and contribute to the development of the financial markets in general. These include mandatory reserve requirements, and a wide range of instruments for the regulation of bank liquidity, namely refinancing operations (overnight loans, refinancing loans), direct repo operations, operations with its own debt obligations, operations with government bonds of Ukraine, currency swap operations and emergency liquidity support operations.

The instruments of monetary policy and the framework for their use are regularly reviewed and updated. In particular, operational design of the monetary policy was reviewed in April 2016. As part of that reform, the discount rate was aligned with the key interest rate under the principal liquidity management operations, particularly the issue of the NBU's two-week deposit certificates. In addition, for so called constant access operations (which include overnight loans and overnight deposit certificates (together referred to as "**Continuous Access Operations**") as distinct from instruments with longer maturity) a 2 per cent. symmetrical interest rate corridor was introduced, meaning the key interest rate under the Continuous Access Operations could deviate for up to ± 2 per cent. around the discount rate. As a result, the discount rate became the *de facto* key interest rate of the monetary policy.

From 19 March 2020, the NBU further modified the operational design of its monetary policy to allow for a more flexible reaction to changes in the banking system liquidity.

Principal liquidity management operations under the new design are tenders on placement of deposit certificates for a term of up to seven days and tenders for banking sector liquidity maintenance for a term of up to 30 days. The rate under these operations is equal to the discount rate of the NBU. Tenders for banking sector liquidity maintenance are not limited in volumes. These changes will strengthen the role of the discount rate as a benchmark to assess the price of interbank loan resources.

In April 2020, the NBU expanded its liquidity support for banks to counteract the negative impact of the COVID-19 pandemic and the Quarantine Measures on the economy and the financial sector. First, the frequency of tenders for banking sector liquidity maintenance was increased to once per week. as well as the term of loans was extended from 30 days up to 90 days. Second, the list of acceptable collateral that banks can provide for refinancing was expanded. Third, new instruments were introduced, including long-term refinancing for a period from one to five years. The NBU also introduced a new instrument: an interest rate swap that banks will be able to use to manage interest rate risks. First operations using this instrument were carried out on 2 July 2020. Since the introduction of the instrument, a total of thirteen interest rate swap auctions were held (eight in 2020 and five in 2021), the total volume of satisfied bids amounted to UAH 17.6 billion.

In May 2020, the NBU signed a currency swap agreement with the EBRD, under which the first transactions have already been made in June 2020. Funds in hryvnia will be used by the EBRD to lend to Ukrainian

businesses, and the purchase of foreign currency on swap terms will contribute to the increase of international reserves.

In June 2020, the NBU also narrowed the corridor for the interest rate under the Continuous Access Operations to ± 1 per cent. around the discount rate. Given the low discount rate, a narrowed corridor of discount rates for the Continuous Access Operations allows the NBU to keep hryvnia interbank rates close to the discount rate more effectively.

Banking Sector Liquidity

The following table describes operations aimed at regulating the liquidity of banks in Ukraine in 2016, 2017, 2018, 2019, 2020 and for the period in 2021 ended on 21 May (in accordance with NBU data):

	For the year ended 31 December					As at
	2016	2017	2018	2019	2020	24 May
	<i>(UAH billion)</i>					
Liquidity support						
Refinancing operations.....	50.8	35.7	181.2	102.0	168.0	36.9
REPO operations.....	0.0	0.0	0.0	0.0	0.0	0.0
Stabilising loans	25.0	0.0	0.0	0.0	0.0	0.0
Other loans	0.0	0.0	0.0	0.0	0.0	0.0
Prevention of excessive liquidity						
Reverse REPO operations	0.0	0.0	0.0	0.0	0.0	0.0
NBU deposit certificates	2,946.9	2,667.0	2,898.9	5,074.4	10,697.2	4,812.7
Sale of securities						
Repurchase of UAH denominated securities	27.9	3.9	0.0	0.0	0.0	0.0
Sale of UAH denominated securities.....	0.0	0.0	0.0	0.0	0.0	0.0

Money Supply

The following table sets out Ukraine's money supply data (including accrued interest) as at the dates indicated, as reported by the NBU monetary statistic:

	As at 31 December					As at
	2016	2017	2018	2019	2020	30 April
	<i>(in UAH millions except as noted)</i>					
Money outside banks (M0)	314,392	332,546	363,629	384,366	516,085	531,060
Money supply (M1)	529,928	601,631	671,285	770,043	1,050,057	1,073,281
Money supply (M2)	1,102,391	1,208,557	1,273,772	1,435,221	1,847,370	1,883,505
Money supply (M3)	1,102,700	1,208,859	1,277,635	1,438,311	1,850,014	1,886,047
% change to prior period	110.9	109.6	105.7	112.6	128.6	101.9
Monetary base	381,575	399,057	435,798	477,491	595,993	621,936
% change to prior period	113.6	104.6	109.2	109.6	124.8	104.4
UAH deposits included in M3	425,697	490,594	540,109	640,930	836,915	848,078
Foreign currency deposits included in M3	362,302	385,417	370,034	409,925	494,370	504,368

Loans extended to residents.....	998,682	1,016,657	1,073,131	971,871	948,386	970,258
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In 2016 and 2017, money supply increased compared to prior periods in view of a general improvement of financial conditions of businesses and wages increase. In 2018 and 2019, further growth of money supply was attributable to favourable currency market conditions that prevailed over most of the period, as well as increased interest rates for deposits and general growth in incomes leading to a growth in the volume of deposits. In 2020, the growth rate of money supply increased due to both cash and deposits. The high growth rates of deposits are caused by the growth of household incomes and the improvement of financial results of enterprises in the second half of the year. The rapid expansion of cash in 2020 is the response of the population to the uncertainty relating to the spread of COVID-19 and the quarantine restrictions.

Money supply continued to increase in January – April 2021 as a consequence of increase in deposits and amount of cash outside bank. See “—Government Policies—COVID-19 Response Measures”.

Exchange Rate History

Ukraine’s currency, the hryvnia, was introduced in 1996. As at 31 December 2013, immediately prior to the Euro-Maidan Revolution, the NBU official UAH/U.S. dollar exchange rate was pegged at UAH 7.9930 to one U.S. dollar. In February 2014, due to increasing pressure on the hryvnia and a low level of reserves, the NBU allowed the exchange rate to float against the U.S. dollar, helping to stabilise the financial market. Based on the NBU resolutions of 19 March 2015, as of 31 March 2015, the official exchange rate of hryvnia was established by the NBU as the average weighted ratio of buyers and sellers on the interbank exchange market at the end of the preceding business day. The NBU intends to maintain a floating exchange rate regime.

In 2014, the hryvnia depreciated against the U.S. dollar by 97.3 per cent. and against the euro by 74.2 per cent. As at 31 December 2014, the NBU official UAH/U.S. dollar exchange rate was UAH 15.77 to one U.S. dollar. As at 31 December 2015, the NBU official UAH/U.S. dollar exchange rate was UAH 24.00 to one U.S. dollar; hryvnia depreciation against one U.S. dollar was 52.2 per cent. during 2015. In 2016, the hryvnia depreciated against the U.S. dollar by 13.3 per cent., while the NBU set the official exchange rate to the U.S. dollar of UAH 27.19 per one U.S. dollar as of 31 December 2016.

The situation in the currency market during 2017 mostly remained stable; this was primarily due to favourable external price conditions and significant volumes of grain exports following a good harvest in previous year. The official exchange rate of hryvnia to the U.S. dollar for a year devalued by 3.2 per cent. to UAH 28.07 per U.S. dollar.

From 2018 through the beginning of 2020, the situation on the currency market was mainly favourable (except specific short-term periods of increasing turbulence) – the supply of the foreign currency from clients of banks prevailed over the demand. Among other factors, this was facilitated by the decision of the NBU on the discount rate. In 2018, the official UAH/U.S. dollar exchange rate strengthened by 1.35 per cent. as at 31 December 2018 to UAH 27.69 to 1 U.S. dollar. In 2019, the official UAH/U.S. dollar exchange rate strengthened by 14.5 per cent. as at 31 December 2019 to UAH 23.69 to 1 U.S. dollar.

The global spread of COVID-19 in early 2020 provoked an increase in demand for foreign currency and a weakening of the hryvnia. Prompt preventive measures by the NBU contributed to a significant reduction in the demand for foreign currency. As a result, by 31 March 2020, the foreign exchange market stabilised. However, as at 31 December 2020, the official UAH/U.S. dollar exchange rate weakened to UAH 28.27 to 1 U.S. dollar (or by 19.4 per cent. compared to the rate at 1 January 2020).

At the beginning of 2021, the exchange rate fluctuated in a narrow range (UAH 27.2 – UAH 28.4 to 1 U.S. dollar).

From the beginning of 2021, the official exchange rate of UAH to the U.S. dollar strengthened by 3.8 per cent. and as of 8 June 2021, the official UAH/U.S. dollar exchange rate was UAH 27.19 to 1 U.S. dollar.

The following table sets out the average official hryvnia/U.S. dollar exchange rates for the periods indicated, as reported by the NBU:

	<u>Average</u>	<u>Period end</u>
2016.....	25.6	27.2
2017.....	26.6	28.1
2018.....	27.2	27.7
2019.....	25.8	23.7
2020.....	27.0	28.3

Currency Control Liberalisation

In 2016, the NBU presented a new concept of currency regulation, which contemplates a phased and gradual simplification and/or cancellation of currency restrictions leading up to free movement of capital. In addition, the NBU together with the IMF experts developed a roadmap for gradual cancellation of currency restrictions with implementation phases tied to specific macroeconomic conditions rather than calendar dates.

On 7 July 2018, the Law of Ukraine “*On Currency and Currency Operations*” No. 2473-VIII dated 21 June 2018 (the “**Currency Law**”) became formally effective. It then became fully operational on 7 February 2019. The Currency Law creates a legal basis for the new currency regulation regime, as well as sets out specifics of state supervision over currency transactions, exchange of information related to currency transactions, including between supervisory authorities, and application of sanctions for breach of requirements of currency legislation.

On 2 January 2019, the NBU adopted eight regulations setting out new currency regulation rules in line with the Currency Law. The regulations took effect on 7 February 2019, along with the Currency Law becoming fully operational. The new regulations abolished, among other measures, (i) the individual licencing regime for cross border payments in foreign currency (replacing it with a more flexible electronic limits system), and (ii) the registration of cross-border loans with the NBU. Additionally, the NBU softened a number of previously established temporary restrictions and took further steps towards the general liberalisation of foreign currency transactions.

The newly introduced electronic limits (e-limits) system allows resident legal entities and individuals to make investments and certain other related foreign currency transfers abroad within the annual limits of €2 million for legal entities and €200,000.00 for individuals.

Further, with effect from 10 July 2019, the NBU lifted all prior restrictions on dividend repatriation. As a result, Ukrainian businesses with foreign capital are no longer subject to a prior €12 million monthly limit on dividend payments to foreign accounts or to non-resident accounts in Ukraine.

Effective from 10 September 2019, the NBU also abolished a prior €5 million monthly limit for payments abroad or to current accounts of non-residents opened in Ukraine for transactions related to the sale of securities or corporate rights, as well as revenues received from decreasing the charter capital of Ukrainian companies and the withdrawal by foreign investors of their investments in Ukrainian companies.

Effective from 26 April 2021, the annual e-limit of €2 million does not apply to payments under eurobonds issued by Ukrainian companies. Ukrainian companies issuing eurobonds may also purchase and accumulate foreign currency to make debt payments.

International Reserves

The following table sets out Ukraine's international reserves data (including accrued interest) as at the dates indicated, as reported by the NBU:

	As at 31 December					As at
	2016	2017	2018	2019	2020	30 April
	<i>(in U.S. dollars, unless otherwise indicated)</i>					
International reserves ⁽¹⁾	15,539.3	18,808.4	20,820.4	25,302.2	29,132.9	28,000.1
Monetary gold ⁽²⁾	941.7	1,060.6	1,002.2	1,218.8	1,583.9	1,502.3
SDR	2,703.9	2,165.8	3.9	10.2	4.9	70.6
Foreign currency ⁽³⁾	11,893.7	15,582.0	19,814.3	24,073.2	27,544.2	26,427.2
Import coverage (months) ⁽⁴⁾	3.0	3.2	3.3	4.9	4.8	4.3

Notes:

- (1) International reserves are equal to the sum of foreign currency, SDR and monetary gold.
- (2) Value of gold is calculated on the basis of the price for one ounce of gold in U.S. dollars at the London Precious Metal Exchange.
- (3) Including securities issued by non-residents.
- (4) Imports of goods and services of the immediately succeeding month are used for these calculations.

As at 31 December 2016, international reserves amounted to U.S.\$15.5 billion, an increase of U.S.\$2.2 billion as compared with 31 December 2015. The increase was the result of revenue in favour of the government in the amount of U.S.\$4.6 billion, receipt of funds from the IMF in the amount of U.S.\$1.0 billion and positive balance of interventions in foreign currency amounting to U.S.\$1.6 billion.

As of 31 December 2017, international reserves amounted to U.S.\$18.8 billion. The increase in international reserves was the result of a positive balance of interventions in foreign currency amounting to U.S.\$1.3 billion, revenue in favour of the Government in the amount of U.S.\$3.9 billion, and receipt of U.S.\$1.0 billion from the IMF.

As of 31 December 2018, international reserves amounted to U.S.\$20.8 billion, which is an increase of 10.7 per cent. compared to the previous year and the highest level achieved over the last five years. The increase in the volume of international reserves from the beginning of 2018 by U.S.\$2 billion was the result of the Government's income in the amount of U.S.\$7.1 billion, receipt of funds from the IMF in the amount of U.S.\$1.4 billion and a positive balance of interventions in foreign currency in the amount of U.S.\$1.4 billion.

As at 31 December 2019, international reserves amounted to U.S.\$25.3 billion, an increase of 21.5 per cent. as compared to 1 January 2019. This increase was caused by a surplus of foreign exchange interventions of U.S.\$7.9 billion, the generation of U.S.\$7.2 billion in Government revenues and other factors. At the same time, the factors contributing to the decrease of foreign exchange reserves were the government's payments for obligations of U.S.\$9.5 billion and repayments to the IMF of U.S.\$1.9 billion.

As at 31 December 2020, international reserves amounted to U.S.\$29.1 billion, an increase of 15.1 per cent. as compared to 1 January 2020. This increase was caused by, among other factors, receipt of funds from the IMF under the 2020 SBA in the amount of U.S.\$2.1 billion, issue of Eurobonds by Ukrainian government for the total amount of U.S.\$3.2 billion, receipt of macro financial assistance from the EU in the amount up to U.S.\$1.3 billion, a positive balance of foreign exchange intervention in the amount of

U.S.\$1 billion and other revenues. At the same time, the factors contributing to the decrease of foreign exchange reserves were the Government's payments for obligations of U.S.\$10.4 billion and repayments to the IMF of U.S.\$1.4 billion.

As at 1 May 2021, international reserves amounted to U.S.\$28.0 billion (4.3 months of future import), a slight decrease of 3.9 per cent. as compared to 1 January 2021, caused by government payments of U.S.\$2.8 billion on its liabilities and payments to the IMF in the amount of U.S.\$0.7 billion. At the same time, the issuance of sovereign bonds in the amount of U.S.\$1.25 billion and the NBU's net interventions to purchase foreign currency on the interbank market in the amount of U.S.\$0.2 billion helped stabilise international reserves.

STATE BUDGET OF UKRAINE AND TAX POLICY

State Budget Key Parameters

The State Budget of Ukraine (the “**State Budget**”) is the central Government budget and has two components, the general fund (the “**General Fund**”) and the special fund (the “**Special Fund**”). The General Fund includes all revenues of the State Budget, except for those designated for the Special Fund, and expenditure financed out of those revenues. The Special Fund consists of special purpose revenues and their designated expenditure. The Special Fund expenditures have their specific sources assigned to the special fund (including own sources of the budgetary institutions).

External debt of the State is reliant upon the State Budget for its servicing requirements. The Government is not permitted to use the funds from local budgets to service its external debt payments. This limitation includes payments to be made under the Notes.

The following table sets out the actual revenues, expenditure, lending, deficit/surplus, and deficit/surplus as a percentage of GDP as calculated by the Ministry of Finance for the State Budget for the years ended 31 December 2016, 2017, 2018, 2019 and 2020, and for the four months ended 30 April 2021:

	For the year ended 31 December					For the four months ended 30 April	
	2016 ⁽¹⁾	2017 ⁽¹⁾	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾⁽²⁾
	<i>(UAH millions, unless otherwise indicated)</i>						
Revenues	616,283.2	793,441.9	928,114.9	998,344.9	1,076,027.0	314,847.3	357,471.1
Expenditure	684,883.7	839,453.0	985,851.8	1,075,122.1	1,288,121.3	340,116.4	385,252.7
Lending ⁽³⁾	1,661.6	1,870.9	1,514.3	4,216.5	5,516.5	(961.3)	1,311.3
Surplus (Deficit).....	(70,262.1)	(47,882.1)	(59,251.1)	(80,993.7)	(217,611.0)	(24,307.9)	(29,092.9)
Surplus (Deficit) (% of GDP)	(2.9)	(1.6)	(1.7)	(2.0)	(5.2)	-	-

Notes:

- (1) The data on performance of the State budget for 2016 through 2020 do not include data of the illegally occupied Crimea, the city of Sevastopol and certain parts of the temporarily occupied Donetsk and Luhansk regions.
- (2) This represents the numbers budgeted as per the 2021 State Budget Law.
- (3) Lending figures are calculated as the aggregate amount of loans provided from the budget minus aggregate amount of repayments made to the budget under the existing loans in the given period. Where there are negative lending figures, this is because the amount of loan repayments to the budget exceeds the amount of provided new loans from the budget.

2017 State Budget

The 2017 State Budget Law was adopted by the Parliament on 21 December 2016.

The budgeted revenues and expenditure of the 2017 State Budget amounted to UAH 771.3 billion and UAH 841.4 billion, respectively. The increase in budgeted revenues from 2016 reflects the expected effects of a more efficient tax collection and recovery of monies that had previously been misappropriated due to corruption. The budgeted deficit of the 2017 State Budget amounted to UAH 77.6 billion (or 2.9 per cent. of GDP). The actual revenues and expenditure of the 2017 State Budget amounted to UAH 793.4 billion and UAH 839.5 billion, respectively. The actual deficit of the 2017 State Budget in 2017 amounted to UAH 47.9 billion (or 1.6 per cent. of GDP).

The 2017 State Budget Law was based on the following assumptions: real GDP growth at 1.8 per cent., nominal GDP of UAH 2,845.8 billion, CPI (December-on-December) of 11.2 per cent., WPI

(December-on-December) of 16.8 per cent. and an average annual exchange rate of UAH 27.8 to U.S.\$1.00 in 2017.

2018 State Budget

The 2018 State Budget Law was adopted by the Parliament on 7 December 2017.

The budgeted revenues and expenditure of the 2018 State Budget amounted to UAH 918 billion and UAH 991.9 billion, respectively. The increase in the budgeted revenues of the 2018 State Budget compared to the budgeted revenues of the 2017 State Budget largely reflected overall economic development trends, as well as was partially due to amendments to certain provisions of the tax and budget legislation. The budgeted deficit of the 2018 State Budget amounted to UAH 80.6 billion (or 2.4 per cent. of GDP). The actual revenues and expenditure of the 2018 State Budget amounted to UAH 928.1 billion and UAH 985.9 billion, respectively. The actual deficit of the 2018 State Budget amounted to UAH 59.3 billion (or 1.7 per cent. of GDP).

The 2018 State Budget Law was based on the following assumptions: real GDP growth at 3.0 per cent., nominal GDP of UAH 3,332.3 billion, CPI (December-on-December) of 9.0 per cent., WPI (December-on-December) of 10.3 per cent. and an average annual exchange rate of UAH 29.3 to U.S.\$1.00 in 2018.

2019 State Budget

The 2019 State Budget Law was adopted by the Parliament on 23 November 2018.

The 2019 State Budget Law provided for State Budget revenue and expenditure in the amount of UAH 1,007.3 billion and UAH 1,093.1 billion, respectively. The budgeted deficit of the 2019 State Budget amounted to UAH 91.1 billion (or 2.26 per cent. of GDP). The actual revenues and expenditure of the 2019 State Budget amounted to UAH 998.3 billion and UAH 1,075.1 billion, respectively. The actual deficit of the 2019 State Budget amounted to UAH 59.3 billion (or 1.7 per cent. of GDP).

The 2019 State Budget Law was based on the following assumptions: real GDP growth at 3.0 per cent., nominal GDP of UAH 3,946.9 billion, CPI (December-on-December) of 7.4 per cent., WPI (December-on-December) of 10.1 per cent. and an average annual exchange rate of UAH 28.2 to U.S.\$1.00 in 2019.

2020 State Budget

The 2020 State Budget Law was adopted by the Parliament on 14 November 2019.

The 2020 State Budget Law provided for State Budget revenues and expenditures in the amount of UAH 1,022.1 billion and UAH 1,312.6 billion, respectively. The budgeted maximum deficit figure of the 2020 State Budget amounted to UAH 298.4 billion (or 7.5 per cent. of GDP). The actual revenues and expenditure of the 2020 State Budget amounted to UAH 1,076 billion and UAH 1,288.1 billion, respectively. The actual deficit of the 2020 State Budget amounted to UAH 217.6 billion (or 5.2 per cent. of GDP).

The 2020 State Budget Law was based on the following assumptions: real GDP decline at 4.8 per cent., nominal GDP of UAH 3,985.5 billion, CPI (December-on-December) of 11.6 per cent., WPI (December-on-December) of 12.0 per cent. and an average annual exchange rate of UAH 30.0 to U.S.\$1.00 in 2020.

2021 State Budget

The 2021 State Budget Law was adopted by the Parliament on 15 December 2020.

The 2021 State Budget Law provided for State Budget revenues and expenditures in the amount of UAH 1,084 billion and UAH 1,320.2 billion, respectively. The budgeted maximum deficit figure of the 2021 State Budget amounted to UAH 246.6 billion (or 5.47 per cent. of GDP). The actual revenues and expenditures of the 2021 State Budget as of 30 April 2021 amounted to UAH 357.5 billion and UAH 385.3 billion, respectively. The actual deficit of the 2021 State Budget as of 30 April 2021 amounted to UAH 29.1 billion.

The 2021 State Budget Law was based on the following assumptions: real GDP increase at 4.6 per cent., nominal GDP of UAH 4,505.9 billion, CPI (December-on-December) of 7.3 per cent., WPI (December-on-December) of 8.7 per cent. and an average annual exchange rate of UAH 29.1 to U.S.\$1.00 in 2021.

On 26 November 2020, the Ministry of Finance reported the successful completion of discussions with the IMF on the main budget parameters for 2021 (revenues, expenditures and budget deficit). Compliance with the assessments of the IMF is important for further cooperation between Ukraine and the IMF and was one of the main conditions for the first review of the 2020 SBA, arranging the date of the visit of the IMF mission and for receiving the next tranche. See “*Description of the Guarantor—International Relations—International Financial Institutions—International Monetary Fund*” for more details.

State Budget Revenues

The following table sets out key sources of the State Budget revenue as reported by the State Treasury for the years ended 31 December 2016, 2017, 2018, 2019 and 2020, as well as for the four months ended 30 April 2021:

Source of revenue	Year ended 31 December										For the four months ended 30 April	
	2016		2017		2018		2019		2020		2021	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	<i>(in UAH billions)</i>											
Tax revenues.....	502.6	503.9	632.2	627.2	760.0	753.8	846.7	799.8	826.3	851.1	929.5	302.1
Personal income tax.....	56.1	59.8	77.2	75.0	91.1	91.7	106.2	110.0	111.3	117.3	137.6	41.1
Corporate income tax....	48.6	54.3	67.1	66.9	82.3	96.9	95.5	107.1	110.5	108.7	107.7	32.6
VAT.....	232.7	235.5	302.9	314.0	384.4	374.5	417.7	378.7	389.9	400.6	468.5	156.5
Excise tax	81.9	90.1	113.3	108.3	124.1	118.9	134.1	123.4	128.5	138.3	138.8	44.3
Other taxes.....	63.7	43.7	48.2	38.4	49.4	44.8	62.4	50.6	57.5	55.8	44.3	16.5
Non-tax revenues	110.1	103.6	133.7	128.6	171.7	164.7	176.4	186.8	227.3	213.0	148.5	51.1
Business and property...	52.5	51.6	71.5	71.6	90.7	87.2	95.4	114.4	118.9	119.2	70.2	27.3
Other non-tax ⁽¹⁾	50.9	44.0	54.4	46.6	65.7	59.1	71.5	62.0	91.1	84.0	61.3	19.7
Official transfers	4.3	4.2	6.0	6.0	7.4	7.3	8.8	8.7	10.8	10.7	11.0	4.03
From the EU, etc.....	5.5	4.1	1.8	1.6	2.4	1.5	1.5	1.1	1.8	1.0	2.0	0.04
Special funds.....	7.9	0.3	22.7	29.8	4.9	0.2	1.7	1.8	0.2	0.2	0.2	0.2
Fund for Social Insurance of Disabled ...	0.1	0.3	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Fund for National Defence and Security....	7.7	0.02	22.6	29.7	4.7	0.01	1.6	1.6	-	-	-	-
Total revenues	631.5	616.3	796.8	793.4	946.8	928.1	1,036.5	998.3	1,067.0	1,076.0	1,092.0	357.5

Notes:

(1) Includes own source of revenues of budget-funded institutions and organisations.

State Budget revenues predominantly consist of tax revenues, and tax revenues in turn are to a large degree revenues from VAT, personal income tax and corporate income tax. VAT collection constituted approximately; 39.6 per cent. of actual total revenues and 50.1 per cent. of actual total tax revenues in 2017; 40.4 per cent. of actual total revenues and 49.7 per cent. of actual total tax revenues in 2018; 37.9 per cent. of actual total revenues and 47.3 per cent. of actual total tax revenues in 2019; 37.2 per cent. of actual total revenues and 47.1 per cent. of actual total tax revenues in 2020; and 43.8 per cent. of actual total revenues and 51.8 per cent. of actual total tax revenues for the four months ended 30 April 2021.

Another significant part of the overall revenues of the State Budget are personal income tax collection, which constituted approximately: 9.5 per cent. of actual total revenues and 12 per cent. of actual total tax revenues in 2017; 9.9 per cent. of actual total revenues and 12.2 per cent. of actual total tax revenues in 2018; 11 per cent. of actual total revenues and 13.7 per cent. of actual total tax revenues in 2019; 13.8 per cent. of actual total revenues and 10.9 per cent. of actual total tax revenues in 2020; and 11.5 per cent. of actual total revenues and 13.6 per cent. of actual total tax revenues for the four months ended 30 April 2021.

The proportion of corporate income tax in the tax revenues of the State budget and in the overall revenues of the State budget was, respectively, 10.7 per cent. and 8.4 per cent. in 2017, 12.8 per cent. and 10.4 per cent. in 2018, 13.4 per cent. and 10.7 per cent. in 2019, 12.8 per cent. and 10.1 per cent. in 2020, and 10.8 per cent. and 9.1 per cent. for the four months ended 30 April 2021.

State Budget tax arrears (excluding arrears of taxpayers subject to ongoing insolvency proceedings or insolvency proceedings stayed by a court order) amounted to UAH 43.9 billion as at 1 January 2017, UAH 58.2 billion as at 1 January 2018, UAH 60 billion as at 1 January 2019, UAH 76.7 billion as at 1 January 2020 and UAH 58.1 billion as at 1 January 2021. As of the beginning of 2021, the State Budget tax arrears has decreased by UAH 18.5 billion in 2021 as compared to the beginning of 2020. Increases in the State Budget tax arrears were largely due to arrears in payment of subsoil use royalties (which amounted to, UAH 13.2 billion as at 1 January 2017, UAH 14.9 billion as at 1 January 2018, UAH 14.8 billion as at 1 January 2019, UAH 14.8 billion as at 1 January 2020 and UAH 14.5 billion as at 1 December 2020). A major part of the subsoil use royalties' arrears consists of the arrears of joint stock company "Ukrnafta", which were primarily brought about by falling oil prices. In addition, a substantial part of the State Budget tax arrears was also due to the Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict, which disrupted taxpayers' production chains and generally deteriorated their financial condition. The spread of COVID-19 and the restrictive measures introduced in connection with it (in particular, tax deferrals granted to certain categories of business) have also impacted tax revenues of the State Budget in 2020.

Since the Illegal Occupation of Crimea, tax receipts from that region have been completely cut off. The Government estimates the lost tax and customs revenues of the State Budget to have been approximately UAH 4.8 billion in 2014. The Donetsk and Luhansk Conflict has also effectively limited tax collections and therefore revenues from the affected areas. The Government estimates the lost revenues of the State Budget to have been approximately UAH 9.9 billion in 2014 (actual tax and customs revenues from Donetsk and Luhansk regions in 2014 amounted to UAH 20.8 billion, as compared to UAH 30.7 billion in 2013). In 2015 and 2016 actual tax and customs revenues from Donetsk and Luhansk regions amounted to UAH 15.7 billion and UAH 17.0 billion respectively, taking into account that revenues throughout the period from 2014 to 2016 were also affected by price dynamics, in particular GDP deflator.

State Budget Expenditures

The following table sets out key articles of the State Budget expenditure as reported by the State Treasury for the years ended on 31 December 2016, 2017, 2018, 2019 and 2020, as well as for the four months ended 30 April 2021:

Article of expenditure	Year ended 31 December										For the four months ended 30 April	
	2016		2017		2018		2019		2020		2021	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	<i>(in UAH billions)</i>											
State function.....	122.0	118.0	147.0	142.5	179.3	163.0	177.3	168.2	185.0	163.9	215.5	58.7
Central Government, local government and local administrations, financial and foreign policy											42.4	10.3
Sovereign debt service and payments under state GDP-linked securities ⁽¹⁾											159.8	45.7
96.3	95.8	110.6	110.5	127.7	115.4	122.9	119.2	135.8	119.7			
National defence.....	66.7	59.4	77.8	74.3	97.8	97.0	109.0	106.6	122.5	120.4	120.6	32.9
Law enforcement, national security and judiciary	72.5	71.7	92.1	87.9	123.5	116.9	146.7	142.4	162.6	157.7	167.8	44.9
Economic activity	35.9	31.4	51.7	47.0	74.4	63.6	84.7	72.4	178.9	168.9	103.4	23.9
Protection of environment.....	5.4	4.8	5.2	4.7	6.1	5.2	7.7	6.3	7.6	6.6	8.8	1.2
Housing and utilities infrastructure..	0.04	0.01	0.04	0.02	0.4	0.3	0.2	0.1	0.3	0.1	0.4	0.00
Health	12.8	12.5	17.3	16.7	23.3	22.6	39.4	38.6	133.2	124.9	161.3	44.1
Culture, sports, mass media, etc.....	5.1	5.0	8.2	7.9	10.5	10.1	10.8	10.0	10.8	9.8	19.2	3.0
Education.....	38.9	34.8	46.7	41.3	50.2	44.3	58.5	51.7	59.7	52.9	66.5	18.2
Social protection and social insurance.....	152.5	152.0	145.1	144.5	164.2	163.9	221.3	218.6	330.4	322.7	316.5	116.4
Interbudgetary transfers	196.7	195.4	279.2	272.6	304.7	298.9	273.9	260.3	164.8	160.2	161.2	41.9
Total expenditure	708.6	684.9	870.5	839.5	1,034.4	985.9	1,129.5	1,075.1	1,355.6	1,288.1	3,141.2	385.3

Notes:

(1) This line does not include repayments of the sovereign debt's principal.

State Budget Development and Execution Process

Pursuant to the Constitution, each year, the Ministry of Finance submits proposed draft State Budget Law to the Cabinet of Ministers. Following a review by the Cabinet of Ministers, a proposed State Budget is to be submitted to the Parliament by 15 September. The deadline for approval of the State Budget Law by the Parliament is 1 December. If the State Budget Law is not adopted by 1 January of the following year, certain borrowing restrictions apply until the adoption of the State Budget Law for the relevant year.

The Budget Code of Ukraine (the “**Budget Code**”) was adopted in 2001. On 8 July 2010, the Parliament approved a restatement of the Budget Code, which took effect on 1 January 2011, subject to certain exceptions that came into effect on 1 January 2013. As distinct from the prior Budget Code, the restated Budget Code focuses on, among other things, the following:

- further development of the programme-target budgeting (which key principles consist in using budget funds to achieve specific results, as well as evaluation of the effectiveness of using budget funds), and medium term budgetary planning;
- introduction of modern forms and methods of budget management and State and local debt management;
- improvement of the system for State control over budget performance;
- formalising the responsibility of budget process participants; and
- strengthening the financial independence of local budgets.

Further legislative amendments have aimed at harmonisation of Ukrainian laws with the Budget Code, the principles of State and local debt management (including guaranteed debt), increasing the transparency of State finances and financial self-sufficiency of local budgets, improving legislative governance of quasi fiscal operations and compliance of laws with the balancing of the State Budget. The amendments to the Budget Code of 1 January 2019 are significant. These provided for the legal basis of medium-term budget planning and further development of the programme-target budgeting, as well as laid out provisions for the launch of a dedicated State debt management agency (which will take over this specific function from the Ministry of Finance).

The budget year in Ukraine commences on 1 January and ends on 31 December. The Cabinet of Ministers ensures the implementation of the State Budget, and local authorities are responsible for the implementation of their respective local budgets. Implementation of the budget involves ensuring that revenues are collected, budget programmes are implemented and the deficit is financed. The Ministry of Finance and local authorities develop regulations concerning the implementation of the budget, provide methodological guidance, and maintain budget performance and accounting records (the latter as regards the State Budget is the responsibility of the State Treasury).

Tax Policies

Ukrainian Tax System

Corporate Income Tax

The current corporate income tax rate is 18 per cent. There are certain exceptions to the general corporate income tax rate including for businesses in the insurance industry. Special tax rates are applicable in certain circumstances, including in respect of small general income or revenue generated from gambling services, for example.

Personal Income Tax and Single Social Contribution

Since 1 January 2016, the basic rate of personal income tax in Ukraine has been 18 per cent. This rate applies to most types of income.

In addition to personal income tax, wages of individuals are subject to a single social contribution. Since 1 January 2016, the single social contribution paid by employers is charged at the unified rate of 22 per cent. The maximum amount subject to the single social contribution is capped at 15 minimum wages (UAH 90,000).

VAT

VAT is currently charged in Ukraine at a standard rate of 20 per cent. The Tax Code also provides for decreased VAT rates for certain types of goods. For example, a 7 per cent. rate applies to creative industry and certain medicinal products and a 0 per cent. rate applies to the export of goods.

Tax Reform Process and Notable Achievements

OECD Base Erosion and Profit Shifting Action Plan

As of 2017, Ukraine has joined the Expanded Cooperation Programme within the framework of the Organisation for Economic Cooperation and Development on combating the erosion of the Base Erosion and Profit Shifting (“**BEPS**”) and has undertaken to implement the minimum standard of the BEPS Action Plan.

On 23 July 2018, Ukraine signed the Multilateral Convention on the Implementation of Measures Relating to Tax Agreements in order to counteract the dilution of the tax base and the elimination of taxable profits (the “**MLI**”). MLI makes changes to all existing international treaties of Ukraine on avoidance of double taxation and is subject to ratification by Parliament. On 28 February 2019, the Law of Ukraine No. 2692-VIII “*On Ratification of the Multilateral Convention for the Implementation of Measures Concerning Taxation Agreements with the Purpose of Countering the Erosion of the Tax Base and the Removal of Profit Tax*” was adopted. On 1 December 2019, the MLI became effective for Ukraine.

On 1 January 2017 Ukraine joined the Inclusive Framework for the implementation of the BEPS with an undertaking to implement a “minimum standard” of four recommended actions.

Furthermore, the 2020 Tax Reform Law enshrined steps 9 and 15 of the OECD Action Plan, imposed taxation on controlled foreign companies, improved transfer pricing rules, introduced a three-level reporting structure for members of international groups of companies, and enhanced thin capitalisation rules, among other innovations. This Law also implements automatic exchange of tax information between countries, mutual agreement procedure, the enlargement of scope of the definition of permanent representation, the concept of “sufficient economic reason”, an increase the threshold of recognition of parties related through the possession of corporate rights from 20 per cent. to 25 per cent., which is typical for most European countries.

The 2018 – 2021 reform of the State Fiscal Service of Ukraine

In order to optimise the structure of the State Fiscal Service of Ukraine (the “**SFS**”), on 28 March 2018, the Government adopted Resolution “On the Reform of Some Territorial Bodies of the State Fiscal Service”, under which state tax inspections in districts, cities (except Kyiv), districts in cities and the combined state tax inspectorates lost the status of separate legal entities and joined the main SFS departments in those regions.

With a view to institutional, structural and functional updating of SFS, on 18 December 2018, the Government adopted Resolution “On the Establishment of the State Tax Service of Ukraine and the State Customs Service of Ukraine”.

Subsequently, the Government adopted Resolution No. 1202 dated 27 December 2018 “On the Establishment of the Interagency Working Group on Reforming the System of Bodies Implementing the State Tax and Customs Policy”. Based on the work of this interagency working group, regulations on the State Tax Service and the State Customs Service were prepared and approved by the Government on 6 March 2019. The Government of Ukraine determined the conceptual objectives of reforming the system of bodies implementing state tax and customs policy and adopted action plans for the implementation of these conceptual objectives.

In accordance with Resolutions of the Cabinet of Ministers of Ukraine No. 537 dated 19 June 2019 and No. 858 dated 2 October 2019, local bodies of the State Tax Service and the State Customs Service were incorporated as legal entities through reorganisation of certain local bodies of the SFS.

On 16 January 2020, the Parliament of Ukraine adopted the Law of Ukraine No. 466 “*On Amendments to the Tax Code of Ukraine on Improvement of Tax Administration, Elimination of Technical and Logical Inconsistencies in Tax Law*”, introducing, among others, new format of activities of the State Tax Service as a single legal entity. In particular, the detached departments were liquidated and tax inspections became part of the principal departments in their respective regions.

Further, the CMU liquidated the territorial departments of the State Tax Service, previously existing as separate legal entities, and replaced them with new territorial departments. On 1 January 2021 the order of the State Tax Service No. 755 dated 24 December 2020 “On Exercise of Powers and Functions by Territorial Departments of the State Tax Service” came into force implementing the structural changes.

In addition, CMU Resolutions No. 643 dated 27 July 2020, No. 1207 dated 9 December 2020 and No. 137 dated 24 February 2021 amended the Regulation on the State Tax Service of Ukraine with a view to bring the functions of the State Tax Service in line with the new changes to Of the Tax Code of Ukraine and other laws. The changes related to the delegation of powers to officials of the central apparatus and territorial bodies of the State Tax Service, self-representation of the State Tax Service in courts etc.

On 25 March 2021, the Law of Ukraine No. 1150-IX dated 28 January 2021 “On the Bureau of Economic Security of Ukraine” came into force providing for the liquidation of the State Fiscal Service as from the date of the respective CMU decision. On 12 May 2021, the CMU adopted Resolution No. 510 “On the establishment of the Bureau of Economic Security of Ukraine.”

On 13 May 2020 the CMU adopted Instruction No. 569-p approving the Action Plan for reforming and developing the system of customs organs. The plan provides for the optimization of organizational and functional structure; professional development, anti-corruption measures; promotion of security and international trade, efficient collection of customs duties, and efficient international cooperation. On 27 May 2021, the pilot project for testing customs officials’ qualifications was completed. The results of the project are assessed and will be available publicly.

Other Tax Revisions

In addition to the foregoing, Ukrainian tax regulations are subject to continuous review and updating. This process is more technical compared to the broader changes as described above or, with regards to other Government’s policies, at “*Description of the Guarantor—Government Policies*”. Some of its milestones are discussed below (other than various minor revisions to the rates of certain taxes):

- *December 2014* – total number of taxes reduced from 22 to 11; information of companies with tax arrears was made available online; land levy became a local tax to be defined by the respective local authorities; transfer pricing rules were updated in line with OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations;
- *December 2016* – various changes relating to administration of VAT and VAT refunds available to exporters; in addition, the Government introduced budget subsidies for qualifying agricultural companies to replace VAT incentives for agricultural producers;
- *December 2017* – various changes relating to administration of corporate income tax and other taxes; a full VAT exemption introduced for import and export of electric vehicles (for an initial period until 31 December 2018); in addition, preferential rent tax rates introduced for production of natural gas from new wells (originally at 12 per cent. for deposits of up to 5,000 metres depth and 6 per cent. for deposits exceeding 5,000 metres depth); rent tax for production of minerals under product sharing agreements was set at 2 per cent. for oil and 1.25 per cent. for natural gas;
- *December 2018* – VAT exemption for import of electric vehicles extended until 31 December 2022 and expanded to also cover import of equipment for renewable energy production (including wind power units, certain liquid dielectric transformers, solar panels and inverters); rent tax for natural gas production revised to 31 per cent. (for deposits of up to 5,000 metres depth) and 16 per cent. (for deposits exceeding 5,000 metres depth); in addition, introduction of a statutory “substance over form” principle for tax authorities to analyse transactions subject to transfer pricing controls;
- *January 2020* – concept of controlled foreign companies introduced to tax profits thereof; depreciation policy was improved, including by expanding the application of methods of accelerated depreciation of fixed assets; and
- *March – May 2020* – temporary rules and tax preferences introduced to support businesses affected by the Quarantine Measures. These measures supported, in particular, small and medium sized enterprises to reduce some of the more immediate negative effects of the Quarantine Measures.

STATE DEBT OF UKRAINE

When calculating public debt figures (including for the purposes of this section) Ukraine takes into account only liabilities of the State (the Government) for which specific bonds or loans have been issued. The data relating to borrowings and repayments in this section do not include borrowings disbursed to the Special Fund of the State Budget in 2020 or previous years and also take no account of repayments from the Special Fund to the State Budget. See “—Special Fund Borrowings”. The data relating to outstanding State debt include the debt raised through such borrowings. In some tables shown below, borrowings, outstanding State debt and debt servicing data are presented excluding debt owed to the IMF, which is accounted for as a liability of the NBU as opposed to debt owed to the IMF that is accounted for as a direct debt of the State (for more information on this see the relevant tables and notes).

Ukraine’s debt figures (including for the purposes of this section) include reference to the December 2013 Notes, however such inclusion is made without prejudice to Ukraine’s ongoing litigation in the courts of England and Wales, see “Description of the Guarantor—Disputes and Legal Proceedings”.

For the purposes of this Offering Circular, ratios of (i) total debt and/or State external debt to GDP were calculated based on nominal GDP converted into U.S.\$ and (ii) State external debt and State external debt service (including principal and interest payments, but excluding debt owed to the IMF by the NBU) to State budget revenues or State budget expenditures were calculated based on revenues or expenditures converted into U.S.\$, in each case using the period end exchange rates specified under the heading “Monetary System—Exchange Rate History”.

In this section, the ratios of certain figures as to GDP for 31 December 2020 are projected, because the final full-year GDP statistics for 2020 were not available as of the date of this Offering Circular.

Overview and Credit Ratings

State debt of Ukraine consists of State external debt and State internal debt.

The following table sets out the total outstanding debt obligations of Ukraine as at the dates indicated (as reported by the Ministry of Finance):

	As at 31 December					As at 30 April
	2016	2017	2018	2019	2020	2021
	<i>(in U.S.\$ billions)</i>					
Direct State debt⁽¹⁾	60.7	65.3	67.2	74.4	79.9	81.4
Direct domestic debt ⁽²⁾	24.7	26.8	27.5	35.0	35.4	36.3
Domestic Bonds	24.6	26.8	27.4	34.9	35.3	36.2
Foreign currency denominated	3.9	4.4	5.1	4.5	4.9	4.6
Direct external debt	36.0	38.5	39.7	39.3	44.5	45.1
IFI Loans ⁽³⁾	13.7	14.5	13.4	12.3	15.7	15.5
IMF loans to the Government ⁽⁴⁾	5.2	4.9	3.4	2.4	4.2	4.2
External Bonds	19.0	20.5	22.5	22.3	23.3	24.6
Foreign government loans ⁽⁵⁾	1.7	1.8	1.7	1.6	1.5	1.5
Foreign bank loans	0	0	0.4	1.4	2.2	1.8
Other	1.7	1.7	1.7	1.7	1.8	1.8
State-guaranteed debt⁽⁶⁾	10.3	11.0	11.1	10.0	10.4	10.0
Guaranteed domestic debt ⁽²⁾	0.7	0.5	0.4	0.4	1.1	1.3
Guaranteed external debt	9.6	10.5	10.8	9.6	9.2	8.7
IFI Loans ⁽⁷⁾	7.0	8.2	8.6	8.1	7.8	7.4
IMF loans to the NBU ⁽⁸⁾	6.1	7.2	7.7	7.1	6.7	6.3

	As at 31 December					As at 30 April
	2016	2017	2018	2019	2020	2021
	<i>(in U.S.\$ billions)</i>					
Foreign government loans ⁽⁹⁾	0.1	0.1	0	0	0	0
Foreign bank loans	2.3	2.1	2.0	1.4	1.3	1.2
Other ⁽¹⁰⁾	0.1	0.1	0.1	0.1	0.1	0.1
Total state debt.....	71.0	76.3	78.3	84.4	90.3	91.3

Notes:

- (1) Debt figures as per this table represent the total amounts outstanding under the respective instruments as at each date indicated.
- (2) Internal debt is denominated in Ukrainian Hryvnia. Hryvnia amounts have been converted to U.S. dollar amounts using the period end exchange rate specified under the heading “*Monetary System—Exchange Rate History*”.
- (3) Direct IFI loans include loans to the State Budget from such organisations as the IMF, EBRD, EIB, EU and World Bank.
- (4) Debt to IMF owed by the Government is accounted as State direct debt and so makes part of the direct external debt statistics.
- (5) Direct foreign government loans include a total of all bilateral loans to the State Budget outstanding at the respective dates. At different dates, lenders included such countries as the U.S., France, Japan, Germany, Canada, Poland and Russia.
- (6) State guaranteed debt represents the total notional amount of all outstanding loans covered by sovereign guarantees given by Ukraine as at each date indicated. For an overview of the amounts Ukraine paid pursuant to its guarantees, see “*State Debt of Ukraine—History of State Debt Service*”.
- (7) Guaranteed IFI loans include loans to Ukrainian companies from such organisations as Euratom, EBRD and EIB guaranteed by the State.
- (8) Debt to IMF owed by the NBU, as opposed to the debt owed by the Government, is accounted not as State direct debt, but as State guaranteed state debt instead.
- (9) Foreign government loans over the period covered by this table only includes a loan given by Export Development Canada to state enterprise “Ukrkosmos” (a Ukrainian operator of satellite telecommunication systems) and guaranteed by the state.
- (10) This includes SDRs which were included to foreign exchange reserves of Ukraine.

The limit for State debt (direct debt) was set by the respective State Budget Laws for 2016, 2017, 2018, 2019, 2020 and 2021 at UAH 1,501.5 billion (U.S.\$61.5 billion), UAH 1,823.7 billion (U.S.\$65.6 billion), UAH 2,001.8 billion (U.S.\$66.4 billion), UAH 2,060.1 billion (U.S.\$70.1 billion), UAH 2,386.8 billion (U.S.\$79.6 billion) and UAH 2,544.9 billion (U.S.\$87.4 billion), respectively.

The total debt of Ukraine (including IMF debt) as a percentage of GDP, including both State debt (direct debt) and State guaranteed debt (contingent liabilities), was 80.9 per cent., 71.8 per cent., 60.9 per cent., 50.3 per cent. and 60.9 per cent. as at 31 December 2016, 2017, 2018, 2019 and 2020, respectively.

According to the Budget Code of Ukraine, the volume of total State debt and State guaranteed debt at the end of the budget period (31 December of each year) should not exceed 60 per cent. of the annual nominal GDP of Ukraine. If this threshold is exceeded, the Cabinet of Ministers of Ukraine must submit for approval by Parliament its proposed plan to return the level of total State debt and State guaranteed debt to within the statutory threshold. As of the date of this Offering Circular, however, this provision is temporarily suspended due to ongoing Operation of the Joint Forces on the territory of Ukraine. In addition, the 2021 State Budget Law suspends the application of this provision in 2021.

State external debt (direct debt) as a percentage of GDP was 41.1 per cent., 36.2 per cent., 30.9 per cent., 23.4 per cent. and 30 per cent. as at 31 December 2016, 2017, 2018, 2019 and 2020, respectively. The ratio of State external debt service (including principal and interest payments, but excluding debt owed to the IMF by the NBU) to GDP was approximately 1.8 per cent., approximately 3.5 per cent., approximately 3.1 per cent., 3.3 per cent. and 4.6 per cent. for the years ended 31 December 2016, 2017, 2018, 2019 and 2020, respectively.

The total of State external and internal debt (direct debt) as a percentage of GDP was 69.2 per cent., 61.5 per cent., 52.3 per cent., 44.3 per cent. and 53.9 per cent. as at 31 December 2016, 2017, 2018, 2019 and 2020, respectively.

State external debt (direct debt) as a percentage of State Budget revenue amounted to 159.0 per cent., 136.2 per cent., 118.4 per cent., 93.3 per cent. and 117.0 per cent. for the years ended 31 December 2016, 2017, 2018, 2019 and 2020, respectively.

State external debt (direct debt) as a percentage of State Budget expenditure amounted to 143.1 per cent., 128.7 per cent., 111.5 per cent., 86.7 per cent. and 97.7 per cent. for the years ended 31 December 2016, 2017, 2018, 2019 and 2020, respectively.

The ratio of State external debt service (including principal and interest payments, but excluding debt owed to the IMF by the NBU) to State Budget revenue amounted to 6.9 per cent., 13.3 per cent., 11.8 per cent., 13.0 per cent. and 17.8 per cent. for the years ended 31 December 2016, 2017, 2018, 2019 and 2020, respectively.

The ratio of State external debt service (including principal and interest payments, but excluding debt owed to the IMF by the NBU) to State Budget expenditure amounted to 6.2 per cent., 12.5 per cent., 11.1 per cent., 12.1 per cent. and 14.8 per cent. for the years ended 31 December 2016, 2017, 2018, 2019 and 2020.

As of 31 December 2020, based on the calculations of the Ministry of Finance, the average maturity of Ukrainian state debt was 6.7 years (6.1 years for State external debt and 7.4 years for State domestic debt). As of 31 December 2020, approximately 14 per cent. of Ukraine’s outstanding debt was denominated in euro, approximately 14 per cent. in SDR, approximately 35 per cent. in U.S. dollars and approximately 36 per cent. in UAH.

The following table summarises Ukraine’s foreign currency long-term debt as reported by the rating agencies indicated as of the date of this Offering Circular:

	S&P	Fitch
Rating	B	B
Outlook	Stable	Stable
Last rating action	12 March 2021	26 February 2021
Expected next review.....	10 September 2021	6 August 2021

External State Debt

Ukraine’s external debt comprises two broad categories: (i) State direct debt, including Eurobonds issued by the State (referred to below as “**External Bonds**”), loans from international financial organisations (collectively, “**IFI Loans**”), foreign governments and foreign financial institutions, and (ii) State-guaranteed debt, including mainly obligations under external loans guaranteed by Ukraine.

External Bonds

Since 1997, Ukraine has been regularly issuing External Bonds in the international capital markets denominated in various foreign currencies. As of the date of this Offering Circular, Ukraine has U.S.\$23.35 billion of outstanding foreign currency External Bonds (including the December 2013 Notes that are currently the subject of litigation in the English courts) with maturities ranging from 2021 to 2033.

When drafting the 2021 State Budget Law the total External Bond issuances were contemplated at U.S.\$1.4 billion.

State-guaranteed Debt

Historically, Ukraine issued guarantees not only in favour of State owned entities, but also other enterprises, including liabilities arising under export credit lines. From 1999 to 2003, Ukraine has been limited to issuing guarantees in favour of State owned entities. The Budget law sets out caps for guarantees provided by Ukraine for any given year. The cap was set at UAH 27.3 billion and UAH 29.3 billion for 2019 and 2020, respectively. However, according to the amendments to the 2020 State Budget Law, the state guarantees caps for 2020 did not apply until 1 January 2021.

According to the 2021 State Budget Law the caps for state guarantees in 2021 amounts to UAH 88.7 billion.

As at 31 December 2016, 2017, 2018, 2019, 2020 and 30 April 2021, the total value of guarantees outstanding provided by Ukraine amounted to UAH 278.9 billion, UAH 308.0 billion, UAH 308.1 billion, UAH 236.9 billion, UAH 292.7 billion and UAH 276.2 billion, respectively.

Special Fund Borrowings

In addition to borrowing accounted for in the General Fund of the State Budget, certain Government borrowing is accounted for in the Special Fund of the State Budget. Such borrowing includes certain IFI Loans and special

issuances of Domestic Bonds (as defined below) to replenish the Stabilisation Fund, including for the purpose of financing the Euro 2012 Championships in Ukraine and the Agrarian Fund, although the majority of IFI Loans and Domestic Bond issuances is accounted for in the General Fund of the State Budget. In 2016, 2017, 2018, 2019, 2020 and as at 30 April 2021, the amount of borrowing of the Special Fund was UAH 6,757.7 million (U.S.\$63.6 million), UAH 7,446.5 million (U.S.\$278.7 million), UAH 9,102.0 million (U.S.\$336.7 million) UAH 15,939.4 million (U.S.\$638.7 million), UAH 18,074.6 million (U.S.\$652.7 million) and UAH 2,611.2 million (U.S.\$82.0 million), respectively.

Domestic State Debt

The domestic debt of Ukraine is made up of three categories: (i) securities issued by the State, including predominantly domestic bonds (the “**Domestic Bonds**”); (ii) rescheduled Government debt owed to the NBU; and (iii) State guaranteed debt (including obligations guaranteed by the State and Government bonds issued during the Soviet period).

The State Budget Law sets the limit for State debt (direct debt) for each year, although the relevant Budget Law may permit additional borrowing by the Government in certain extraordinary cases. In addition, the Budget Code permits the switching of borrowing sources (from external to internal or vice versa), *provided that* the combined limit on State debt is complied with.

As at 31 December 2017, 2018, 2019, 2020 and as at 30 April 2021, the ratio of State internal debt (direct debt) to total State debt (direct debt) was approximately 41.1 per cent., 40.9 per cent., 47.1 per cent., 44.3 per cent. and 44.6 per cent., respectively.

Domestic Bonds

Domestic Bonds were historically only denominated in Ukrainian hryvnia. On 9 December 2011, Parliament approved a law allowing issuances of Domestic Bonds denominated in foreign currency. Since then, Ukraine has been issuing Domestic Bonds denominated in Ukrainian hryvnia, U.S. dollar and Euro.

The 2021 State Budget Law contemplates Domestic Bond issuances of UAH 497.3 billion to meet state financing needs, including UAH 197.8 billion in short-term Domestic Bonds, UAH 173.4 billion in medium-term Domestic Bonds, and UAH 126.0 billion in long-term borrowing. As referred to in the preceding sentence, “short-term” Domestic Bonds are bonds maturing in up to a year from the date of issuance, “medium-term” Domestic Bonds are bonds maturing in within one to five years from the date of issuance, while “long-term” Domestic Bonds are bonds maturing in more than five years from the date of issuance.

The following table details the total amounts of Domestic Bonds denominated in Ukrainian hryvnia, U.S. dollar and Euro issued and average annual primary market yield thereunder as at the dates indicated (as reported by the Ministry of Finance):

	UAH denominated		U.S.\$ denominated		€ denominated	
	Principal	Yield	Principal	Yield	Principal	Yield
	<i>(in UAH billions)</i>	<i>(in % p.a.)</i>	<i>(in U.S.\$ billions)</i>	<i>(in % p.a.)</i>	<i>(in € billions)</i>	<i>(in % p.a.)</i>
Year ended 31 December 2016.....	165.9	14.87	3.0	7.29	0.1	4.0
Year ended 31 December 2017.....	32.4	15.0	1.8	4.8	0.1	4.0
Year ended 31 December 2018.....	64.9	17.8	3.5	6.0	0.5	4.2
Year ended 31 December 2019.....	222.7	17.0	4.3	5.9	0.4	3.5
Year ended 31 December 2020.....	251.6	10.2	3.8	3.4	0.8	2.3
Two months ended 30 April 2021	105.0	11.2	1.0.	3.9	0.1	2.5

As at 30 April 2021, Ukraine’s UAH 321.0 billion outstanding Domestic Bonds are held by the NBU (32.0 per cent.), banks including both Ukrainian and foreign banks carrying on business as such in Ukraine (52.3 per cent.), companies (4.4 per cent.), resident individuals (1.6 per cent.), and foreign individuals (9.7 per cent.).

Ukraine (with support from, among others, the World Bank) is in the process of developing the Domestic Bond market infrastructure. The goal is to increase liquidity of the Domestic Bonds. Measures undertaken in that direction as of the date of this Offering Circular include a reduction in the overall number of domestic debt instruments (to remove the instruments that are not routinely issued), setting up of a quarterly Domestic Bond auction calendar and general improvement in communications with primary dealers prior to Domestic Bond auctions. Since October 2019, Ukraine has moved to a Bloomberg auction system to carry out Domestic Bond primary auctions and plans to start regular liquidity management operations on the domestic market in line with international practices.

On 27 May 2019, Clearstream, the international central securities depository (ICSD) of Deutsche Börse Group, connected the Ukrainian market to its network and made Ukrainian government securities eligible in its system. Citibank is acting as cash correspondent bank and local operator of Clearstream's account at the National Bank of Ukraine. This resulted in the share of Domestic Bonds held by foreign residents to grow exponentially in 2019 and subsequently. In terms of numbers, as at 31 December 2017 and 2018 foreign residents held approximately 0.7 per cent., 0.8 per cent. of Ukraine's Domestic Bonds outstanding as at the respective dates. However, as at 31 December 2019, foreign residents held 14.2 per cent. of the then outstanding Domestic Bonds. As at 31 December 2020, foreign residents held approximately 8.5 per cent. of the outstanding Domestic Bonds.

On 8 April 2021, Ukraine was placed on Index Watch Positive for JP Morgan GBI EM suite of indices following a steady improvement in liquidity and access to the onshore government bond markets for foreign investors.

State Savings Bonds

In addition to Domestic Bonds, applicable Ukrainian laws contemplate that Ukraine may also issue State savings bonds. The mechanics of this instrument is similar to Domestic Bonds, although State savings bonds are only sold to individuals and there are no auctions to sell these bonds (ordinarily, they can be purchased by individuals through local banks).

On 21 May 2014, the Ministry of Finance launched an issue of UAH 100 million of saving bonds (series entitled "Military") with a two- year term and an interest rate of 7 per cent. per annum. This was in addition to two separate savings bonds issuances in 2012, which totalled U.S.\$200 million. As at 1 January 2018, all saving bonds were repaid in full. Since then, no further State savings bonds have been issued as of the date of this Offering Circular.

History of State Debt Service

Overview

Ukraine attaches great significance to servicing its State Debt timely and in full. The 2021 State Budget Law provides for anticipated total State debt service payments (including principal and interest payments, but excluding debt owed to the IMF by the NBU) of UAH 627.1 billion. Payments of principal are approved in the amount of UAH 468.4 billion, 78.9 per cent. (or UAH 369.5 billion) of which will be internal debt payments and 21.1 per cent. (or UAH 98.9 billion) of which will be external debt payments. Payments of interest are approved in the amount of UAH 158.7 billion.

In 2017, 2018, 2019 and 2020, the aggregate amount of State external debt service payments (including principal and interest payments but excluding debt owed to the IMF by the NBU) amounted to U.S.\$3.992 billion, U.S.\$4.002 billion, U.S.\$5.034 billion and U.S.\$7.022 billion, respectively. As at 30 April 2021, the aggregate amount of State external debt service payments (including principal and interest payments but excluding debt owed to the IMF by the NBU) amounted to U.S.\$1.408 billion.

In addition, Ukraine paid U.S.\$ 35.6 million, U.S.\$45.2 million, U.S.\$29.5 million, U.S.\$66.0 million and U.S.\$60.8 million in 2017, 2018, 2019, 2020, and as at 30 April 2021, respectively, to service its obligations under State guarantees.

The table below shows actual and projected State external and domestic debt service payments (*excluding the NBU debt owed to the IMF*) as at the dates indicated (as reported by the Ministry of Finance):

	2018	2019	2020	2021 ⁽¹⁾	2022	2023
	<i>(in U.S.\$ millions)</i>					
Direct State external debt.....	4,002.4	5,033.6	7,025.6	5,637.9	4,398.8	5,403.0
Interest.....	1,523.0	1,783.2	1,704.80	1,943.6	1,857.9	1,764.4
Principal, incl.	2,479.4	3,250.4	5,320.80	3,694.3	2,540.9	3,638.6
External Bonds.....	692.7	1,661.3	3,499.0	1,974.1	1,013.3	1,355.2
IFI Loans.....	1,776.4	1,385.9	3,499.0	1,052.7	1,222.3	1,812.7
Foreign government loans.....	10.2	162.4	1,544.70	66.0	86.8	86.7
Foreign bank loans.....	0.0	40.7	174.7	601.0	218.5	384.0
Direct State domestic debt	8,859.4	12,810.6	11,742.7	15,476.4	8,227.6	5,132.7
Interest.....	2,714.3	2,846.0	2,754.40	3,288.8	2,573.9	2,005.7
Principal, incl.	6,145.1	9,964.6	8,988.30	12,187.6	5,653.7	3,127.0

Notes:

(1) This represents the numbers budgeted as per the 2021 State Budget Law.

The table below shows actual and projected State external debt service payments particularly to the IMF as at the dates indicated (as reported by the Ministry of Finance):

	2018	2019	2020	2021 ⁽²⁾	2022 ⁽²⁾	2023 ⁽²⁾
	<i>(in U.S.\$ millions)</i>					
Total debt to IMF	2,449.2	2,117.2	1,391.4	1,685.5	2,501.3	3,001.9
Debt of the Government.....	1,514.5	1,117.8	549.7	586.3	574.1	1,119.9
Interest.....	143.2	115.0	99.7	107.6	95.3	78.7
Principal.....	1,371.3	1,002.8	450.0	478.7	478.7	1,041.2
Debt of the NBU.....	934.7	999.4	841.7	1,099.2	1,927.2	1,881.3
Interest.....	202.6	409.2	187.3	145.1	111.4	65.5
Principal.....	732.0	590.2	654.4	954.1	1,815.8	1,815.8

Notes:

(1) This represents the numbers budgeted as per the 2021 State Budget Law.

(2) SDR amounts have been converted to dollars using the exchange rate as of the end of the reporting period.

2015 Ukraine's External Debt Restructuring

The Illegal Occupation of Crimea and the Donetsk and Luhansk Conflict triggered a substantial depreciation in the hryvnia, which by early 2015 had lost more than half of its value as compared with the exchange rates at 31 December 2013. Over the same period, Ukraine's real GDP shrank by 18.9 per cent. due to the temporary loss of productive capacity in illegally occupied Crimea and certain parts of the Donetsk and Luhansk regions affected by the Donetsk and Luhansk Conflict. The substantial depreciation of the hryvnia, combined with reduced tax revenues due to the economic recession and increased fiscal expenditures associated with the Donetsk and Luhansk Conflict, created a financial crisis in Ukraine. In order to address this crisis, the Government agreed in connection with the 2015 EFF to undertake a debt operation aimed at restoring the sustainability of Ukraine's external debt burden. To this end, on 4 April 2015, the Cabinet of Ministers passed a resolution permitting the restructuring of certain state and state guaranteed debt obligations of Ukraine in order for Ukraine to be able to meet its financing obligations under the 2015 EFF.

The Ministry of Finance subsequently engaged in negotiations with an ad hoc committee of creditors (the "AHC"), comprised of some of the largest holders of its outstanding Eurobonds. On 27 August 2015, the Government announced that it had reached an agreement with the AHC on restructuring Ukraine's Eurobonds and state-guaranteed Eurobonds of the State Enterprise "Financing of Infrastructural Projects". This agreement provided, *inter alia*, for a 20 per cent. nominal haircut, an increase in coupon to 7.75 per cent. per annum, the extension of the maturities of the notes to fall in the period from 2019 to 2027, and the issuance to bondholders participating in the debt restructuring of GDP-linked securities providing potential value recovery and upside to holders from 2021 to 2040, conditional on real-GDP growth in Ukraine reaching certain thresholds. The new sovereign notes and GDP-linked securities issued as a result of this restructuring were issued together as a

package, in consideration for the exchange and cancellation of Ukraine's then outstanding Eurobonds. Based on an assessment by the Ministry of Finance, expected payouts under GDP-linked securities in 2021 will be approximately U.S.\$40 million.

On 12 November 2015, the Ministry of Finance of Ukraine announced the settlement of Ukraine's debt restructuring operation in respect of thirteen series of Ukraine's Eurobonds and state-guaranteed Eurobonds. Following the passing of extraordinary resolutions for each series of Eurobonds at bondholder meetings held on 14 October 2015, the holders of such Eurobonds who submitted valid and timely participation instructions received distributions of new Ukrainian securities on 12 November 2015 in accordance with the terms of the exchange offer. Only one series of eligible debt instruments, the December 2013 Notes (the validity and enforceability of which is currently the subject of legal proceedings in the English courts), did not participate in the exchange offer. In November 2015, the Ministry of Finance of Ukraine stated that the Government of Ukraine remained open to finding a solution with the holders of the December 2013 Notes. On 18 December 2015, the Cabinet of Ministers of Ukraine announced the imposition of a moratorium on payments under the December 2013 Notes until a solution on restructuring was found. The moratorium also applied to certain state-guaranteed loans, which were subsequently restructured in early 2016.

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

In 2016, further tranches of Ukraine's existing Eurobonds and GDP-linked securities were issued in exchange for the termination of state-guaranteed loans of the Issuer with Sberbank, VTB and a syndicate of banks, respectively, as well as a state-guaranteed loan to Yuzhnoye State Design Office. Accordingly, following the final issuance of new tranches of Eurobonds and GDP-linked securities in 2016 to fulfil the final elements of the sovereign restructuring, the sovereign restructuring was completed in June 2016, other than in respect of the December 2013 Notes as discussed above.

Public Debt Management Strategy and Related Policies

The Budget Code establishes the current legal framework for various types of State borrowing, including State borrowing, State guaranteed borrowings and borrowings by the NBU, including limits on State direct and guaranteed debt.

The Medium-term Strategy for State Debt Management for 2019-2022 was prepared by the Ministry of Finance of Ukraine and approved by the Government (CMU Resolution No. 473 dated 5 July 2019). The strategy was developed in accordance with the aims of Ukraine's budget policy and macroeconomic forecasts and establishes key objectives, tasks, and measures for state debt management. It is designed to reduce risks related to the current state debt (in particular, the currency risk and the refinancing risk), increase the level of transparency and efficiency of state debt management policy, and maintain cooperation with investors and further explore concessional financing by expanding cooperation with international financial institutions and partner countries. The Ministry of Finance of Ukraine is in charge of the strategy implementation.

Due to COVID-19 pandemic in 2020 the macroeconomic forecasts, budget figures and respective debt figures for 2020-2022 were amended. According to the indicators of the 2021 State Budget Law (as amended), the ratio of State debt to GDP at the end of 2021 will be approximately 56.5 per cent. Given that some goals and measures will be reviewed; however, the principal goal to reduce state debt risks remains valid. The Medium-term Strategy for State Debt Management for 2021-2024, to be developed in 2021, will be based on updated macroeconomic figures, however the consequences of COVID-19 pandemic for the future remains unpredictable around the world.

On 14 November 2019, the amendments to the Budget Code of Ukraine were introduced, which provided that implementation of public debt policy and policy of state guaranteed debt management will be performed by the Debt Management Agency of Ukraine. On 12 February 2020, the Cabinet of Ministers of Ukraine approved the

Regulation on the Debt Management Agency of Ukraine. However, as of the date of this Offering Circular the Debt Management Agency has not been established yet.

The debt management by the Debt Management Agency should (i) limit the exposure of the debt management goals to political agenda; (ii) introduce transparent control and reporting mechanism; (iii) accelerate decision making process in respect of market operations, etc. The roles of the Debt Management Agency also include management of the liquidity of the treasury single account, including by using the instruments of the capital market.

TAXATION

The following discussion summarises certain United States federal income tax and Ukrainian tax considerations that may be relevant to holders of Notes. This summary is based on laws, regulations, rulings and decisions now in effect and is subject to changes in tax law and the interpretation thereof, including changes that could have a retroactive effect.

This summary does not describe all of the tax considerations that may be relevant to holders of Notes, particularly holders of Notes subject to special tax rules. Holders of Notes are advised to consult their own professional tax advisors as to the consequences under the tax laws of the country of which they are resident of purchasing Notes.

United States Federal Income Tax

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with purchasers of Notes in this offering at their initial “issue price” that are U.S. Holders and that will hold the Notes as capital assets within the meaning of Section 1221 of the United States Internal Revenue Code of 1986, as amended (the “Code”). The “issue price” of a series of Notes is generally equal to the first price at which a substantial amount of the Notes are sold for money to investors (excluding sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, non-U.S. or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks or other financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, investors liable for the alternative minimum tax, certain former citizens or long-term residents of the United States, investors that are required to include certain amounts no later than the time such amounts are reflected on certain financial statements, individual retirement accounts and other tax deferred accounts, tax exempt organisations, dealers or traders in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions, wash sale or conversion transactions for U.S. federal income tax purposes, investors whose functional currency is not the U.S. dollar, and partnerships (or other entities or arrangements treated as pass-through entities for U.S. federal income tax purposes)). In addition, this summary does not address the U.S. federal estate and gift tax consequences, non-U.S., state or local tax consequences, or the U.S. federal income tax consequences of the Medicare surtax or the possible application of the U.S.-Ukrainian tax treaty.

As used herein, the term “**U.S. Holder**” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation (or any other entity that is treated as a corporation for U.S. federal income tax purposes) created or organised under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has a valid election in effect to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States, including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as at the date hereof and all subject to change at any time, possibly with retroactive effect. No rulings from the United States Internal Revenue Service have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the United States Internal Revenue Service will not take a different position concerning the tax consequences of the acquisition, ownership and disposition of the Notes or that any such position would not be sustained.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

Interest on a Note (as well as additional amounts in respect of withholding taxes and without reduction for any taxes withheld) will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes constitutes income from sources outside the United States and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by a U.S. Holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. Holder's particular circumstances. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit. It is expected and this discussion assumes that the Notes will not be issued with original issue discount for U.S. federal income tax purposes.

Sale, Exchange, Retirement or Redemption of the Notes

A U.S. Holder will generally recognise gain or loss on the sale, exchange, retirement or redemption of a Note equal to the difference, if any, between the amount realised on such sale, exchange, retirement or redemption and the U.S. Holder's tax basis in the Note. The amount realised will generally be equal to the amount of cash and the fair market value of any property received in exchange therefor (excluding amounts attributable to accrued but unpaid interest, which will be taxable as ordinary interest income to such U.S. Holder as discussed above to the extent not previously included in income). A U.S. Holder's tax basis in a Note will generally be the cost of the Note, decreased by any payments on such Note other than payments of stated interest. Gain or loss recognised by a U.S. Holder on the sale, exchange, retirement or redemption of a Note generally will be capital gain or loss and will be long term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Long term capital gains recognised by certain non-corporate U.S. Holders are generally subject to preferential rates of taxation. The deductibility of capital losses is subject to limitation.

Gain or loss recognised by a U.S. Holder on the sale, exchange, retirement or redemption of a Note generally will be U.S. source. A U.S. Holder may use foreign tax credits to offset only the portion of U.S. federal income tax liability attributable to foreign source income. Consequently, if such gain is subject to tax in Ukraine, a U.S. Holder may not be able to utilise any foreign tax credit claimed with respect to the sale, exchange, retirement or redemption of a Note. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits in their particular circumstances.

Backup Withholding and Information Reporting

Payments of principal and interest on the Notes as well as the proceeds of the sale or other disposition of Notes made by a U.S. paying agent or other U.S. intermediary may be reported to the United States Internal Revenue Service and to the U.S. Holder as required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules generally will be allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is furnished to the IRS in a timely manner. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

Ukrainian Taxation

This section summarises the basic Ukrainian tax consequences of the issue and redemption of the Notes for both non-residents and residents of Ukraine pursuant to applicable Ukrainian legislation.

Certain Ukrainian Tax Consequences

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

Tax on Issue of the Notes

No state duty or similar tax will be payable in Ukraine upon the issue of the Notes.

Tax Implications for Non-Residents of Ukraine

According to the Tax Code, no withholding tax shall be levied on income earned by non-resident (legal entities or, if certain requirements are satisfied, individuals) in the form of interest on state-guaranteed debt securities. Given that the Notes qualify as state-guaranteed debt securities for Ukrainian tax purposes, no withholding tax shall be levied on income in the form of interest on the Notes earned by non-resident legal entities, and, if certain requirements are satisfied, non-resident individuals.

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

With respect to non-resident individual holders of the Notes, the exemption from withholding tax applies if the Notes were purchased by such individuals outside the territory of Ukraine through an authorized non-resident agent.

Capital gains realised by a non-resident legal entity as a result of sale or other disposal of state-guaranteed debt securities are exempt from withholding tax in Ukraine (except for legal entities registered in low-tax jurisdictions). The list of low-tax jurisdictions is adopted by the Cabinet of Ministers of Ukraine for transfer pricing purposes. The Cabinet of Ministers of Ukraine uses the following criteria for including of the jurisdiction into the list of low-tax jurisdictions: (i) statutory / effective corporate income tax rate is 5 p.p. lower than in Ukraine; (ii) Ukraine has not signed double tax treaty containing clause on exchange of information with the respective jurisdiction; (iii) official authorities of the jurisdiction are not cooperative in tax and financial information exchange. Capital gains realised by a legal entity registered in low-tax jurisdiction would be subject to withholding tax at the rate of 15 per cent. (multiplied by 1.17647 if income is paid in kind, presumably including note-for-note transaction). Tax may be reduced or eliminated based on a relevant double tax treaty subject to compliance with the requirements and formalities imposed by the relevant treaty and/or applicable Ukrainian legislation.

With effect from 1 July 2020, capital gains from disposal of securities, which are traded on stock exchanges from the list adopted by the Cabinet of Ministers of Ukraine, are not treated as taxable income of non-residents,

including non-residents from low-tax jurisdictions. However, applicable law is not sufficiently clear in this respect. Ukrainian tax authorities have not issued any clarifications on this issue as of the date of this Offering Circular.

Capital gains of non-resident individuals from disposal of securities are subject to 18 per cent. personal income tax and 1.5 per cent. military duty. Personal income tax may be reduced or eliminated based on the relevant double tax treaty subject to compliance with the requirements and formalities imposed by the relevant tax treaty and/or applicable Ukrainian legislation. The ability of a non-resident individual to benefit from a reduced rate of, or exemption from, military duty would largely depend on the provisions of the relevant double tax treaty, which may arguably not cover levies such as the military duty.

Tax Implications for Residents of Ukraine

According to the Tax Code, interest and any other income derived from debt claims (including capital gains) are treated as taxable income of a resident legal entity or permanent establishment of a foreign company. Interest income on the Notes received by resident legal entities, holders of the Notes, as well as capital gains realised by resident legal entities from disposal of the Notes will be subject to corporate profit taxation in Ukraine by self-assessment at the rate of 18 per cent.

Interest income received by resident individuals from the Notes as well as capital gains realised by resident individuals from disposal of the Notes will be subject to personal income tax and military duty at the rate of 18 per cent. and 1.5 per cent. respectively. Individual investors receiving interest or capital gains on the Notes have an obligation to independently declare the income and pay personal income tax and military duty on it (unless the income is (i) received from a person who would be deemed a tax agent in Ukraine, or (ii) received on the account opened with a Ukrainian bank that is a tax agent in Ukraine).

Payments under the Deed of Guarantee

The Tax Code of Ukraine provides that (i) payments of principal under borrowings are not taxable, and (ii) payments of interest income under borrowings supported by sovereign guarantees are exempt from Ukrainian withholding tax.

Therefore, no Ukrainian withholding tax will apply to payments of principal and interest by the Issuer under the Notes. At the same time, the Tax Code of Ukraine is silent about the tax treatment of payments under the sovereign guarantee itself resulting in some legal uncertainty as to whether this exemption should also apply to payments under such sovereign guarantee. The fair reading of relevant provisions of the Tax Code of Ukraine suggests that payments by the Guarantor under the Guarantee should have the similar nature, and, therefore, have the same tax treatment as payments of principal and interest by the Issuer under the Notes. However, in the absence of any official guidance of Ukrainian tax authorities on this matter, it is unclear whether the tax authorities would support such position. If such position is not supported, payments of principal and interest by the Guarantor under the Guarantee may be treated as other Ukraine-sourced income which would be subject to withholding tax in Ukraine unless exempt from withholding tax in Ukraine under the provisions of the respective double tax treaty.

Until 23 May 2020, Ukrainian law generally prohibited payment of tax for another person and contractual provisions requiring such payment and, in particular, gross-up provisions. With the entry into force of Law of Ukraine “On Amendments to the Tax Code of Ukraine to Improve Tax Administration and Remove Technical and Logical Inconsistencies in Tax Legislation” No. 466-IX, dated 16 January 2020, such prohibition was abolished. However, Ukrainian tax authorities have not issued any clarifications in this respect, and, as a result, there is still some uncertainty as to how Ukrainian tax authorities would interpret relevant tax gross-up provisions. See Condition 7 (*Taxation*) in “*Terms and Conditions of the Notes*”.

FORM OF NOTES AND TRANSFER RESTRICTIONS

The following information relates to the form, transfer and delivery of the Notes. Because of the restrictions set out below, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult appropriately qualified legal counsel prior to making any offer, resale, pledge or transfer of Notes. Capitalised terms used but not defined herein have the meanings provided in “Terms and Conditions of the Notes”.

1. Form of Notes

All Notes will be in registered form, without interest coupons attached. Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in the Unrestricted Global Note, in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with the Common Depositary in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes offered and sold in reliance on Rule 144A will be represented by interests in the Restricted Global Note in registered form without interest coupons attached, which will be deposited on or about the Closing Date with the Custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

The Restricted Global Note (and any Note Certificates issued in exchange therefore) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth under “—*Transfer Restrictions*” below.

Each of the Unrestricted Global Note and the Restricted Global Note will have separate CUSIPs, ISINs and Common Codes.

2. Transfer Restrictions

Transfers of interests in Global Notes within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

On or prior to the 40th day after the Closing Date, a beneficial interest in the Unrestricted Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form scheduled to the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

The Restricted Global Note will bear a legend substantially identical to that set out below and neither the Restricted Global Note nor any beneficial interest in the Restricted Global Note may be transferred except in compliance with the transfer restrictions set forth in such legend.

A beneficial interest in the Restricted Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form scheduled to the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available) under the Securities Act.

Any beneficial interest in either the Restricted Global Note or the Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other relevant Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other relevant Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other relevant Global Note for so long as such person retains such an interest.

The Notes are being offered and sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes

offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

3. Restricted Notes

Each prospective purchaser of Notes in reliance on Rule 144A (a “**144A Offeree**”), by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged as follows:

- (a) such 144A Offeree acknowledges that this Offering Circular is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Offering Circular, or disclosure of any of its contents to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.
- (b) such 144A Offeree agrees to make no photocopies of this Offering Circular or any documents referred to herein.

Each purchaser of Restricted Notes within the United States, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged as follows (terms used herein that are defined in Rule 144A or in Regulation S are used herein as defined therein, as applicable):

- (a) the purchaser (i) is a QIB, (ii) is acquiring the Notes for its own account or for the account of a QIB and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account;
- (b) the purchaser understands that such Restricted Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, such Restricted Notes have not been and will not be registered under the Securities Act or any other applicable State securities laws, the purchaser acknowledges that such Restricted Note is a “restricted security” (as defined in Rule 144(a)(3) under the Securities Act) and that (i) if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Restricted Notes, such Restricted Notes may be offered, sold, pledged or otherwise transferred only (A) in the United States to a person that the seller reasonably believes is a QIB purchasing for its own account in a transaction meeting the requirements of Rule 144A whom the seller has notified, in each case, that the offer, resale, pledge or other transfer is being made in reliance on Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (D) to the Issuer or an affiliate of the Issuer (upon redemption thereof or a similar transaction); in each case in accordance with any applicable securities laws of any state of the United States and (ii) no representation can be made as to the availability at any time of the exemption provided by Rule 144 for the resale of the Restricted Notes;
- (c) the Restricted Notes offered hereby will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO THE ISSUER, (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER

WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THIS NOTE.

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT”;

- (d) the purchaser understands that Notes offered in reliance on Rule 144A will be represented by the Restricted Global Note. Before any interest in a Note represented by the Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and
- (e) the Issuer and the Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

For so long as the Notes are held in global form, Noteholders may not require transfers to be registered during the period beginning on the third business day before the due date for any payment of principal or interest in respect of such Notes.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

4. Unrestricted Notes

Each purchaser of Notes pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
- (2) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (3) the Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.
- (4) it understands that the Notes offered in reliance on Regulation S will be represented by the Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before

any interest in the Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

- (5) none of the Issuer, the Managers or any person representing any such entity has made any representation to it with respect to any such entity or the offering or sale of any Notes, other than the information in this Offering Circular.
- (6) it understands that the Notes, while represented by the Unrestricted Global Note or if issued in exchange for an interest in the Unrestricted Global Note or for Note Certificates, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”). THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF ANY U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED.

5. Exchange of Interests in Global Notes for Note Certificates

Registration of title to Notes initially represented by a Restricted Global Note in a name other than DTC or a successor depository or one of their respective nominees will not be permitted in respect of the Notes unless (a) such depository notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Notes or ceases to be a “clearing agency” registered under the United States Securities Exchange Act of 1934 (the “Exchange Act”), or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository or (b) following a failure to pay principal in respect of the relevant Notes at maturity or upon acceleration of any such Note, and the Fiscal Agent has received a request from the registered holder of the Restricted Global Note requesting exchange of the Restricted Global Note for individual note certificates (the “**Restricted Note Certificates**”).

Registration of title to Notes initially represented by the Unrestricted Global Note in a name other than the nominee of the common depository for Euroclear and Clearstream, Luxembourg will not be permitted unless (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Fiscal Agent is available or (b) following a failure to pay principal in respect of any relevant Note at maturity or upon acceleration of any such Note, and the Fiscal Agent has received a request from the registered holder of the Unrestricted Global Note requesting exchange of the Unrestricted Global Note for individual note certificates (the “**Unrestricted Note Certificates**”, and together with the Restricted Note Certificates, the “**Note Certificates**”).

In such circumstances, the relevant Global Note shall be exchanged in full for Note Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Note Certificates and (b) in the case of the Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A or Regulation S, a certification that the transfer is being made in compliance with the provisions of Rule 144A or Regulation S. Note Certificates issued in exchange for a beneficial interest in a Restricted Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under “—*Transfer Restrictions*” above.

The holder of a Note may transfer such Note in accordance with the provisions of Condition 2 of the Conditions. See “*Terms and Conditions of the Notes—Register, Title and Transfers*”. Note Certificates may not be eligible for trading in the DTC, Euroclear and Clearstream, Luxembourg systems.

Upon the transfer, exchange or replacement of a Restricted Note Certificate bearing the legend referred to under “—*Transfer Restrictions*”, or upon specific request for removal of the legend on a Restricted Note Certificate, the Issuer will deliver only Restricted Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of or exchange of interests in a Global Note for Note Certificates for a period of 15 calendar days ending on the due date for payment of principal or interest.

6. DTC, Euroclear and Clearstream, Luxembourg Arrangements

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of a Global Note, DTC Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement and the Notes. Payments of principal, interest and additional amounts, if any, in respect of the Global Notes will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, any Agent, or the Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system’s rules and procedures.

Holders of book entry interests in Notes held through DTC will receive from the Principal Paying Agent through DTC, to the extent received by DTC from the Principal Paying Agent, all distributions of principal and interest made with respect to book entry interests in such Notes. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note to such persons will be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book entry interests in the Notes through Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) the nominee of the Common Depositary and (ii) Cede & Co. to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg and DTC, respectively. Beneficial ownership of Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

Interests in the Unrestricted Global Note and the Restricted Global Note will be in uncertificated book entry form.

7. Secondary Market Trading in Relation to Global Notes

The Issuer has obtained the information in this section concerning DTC, Euroclear and Clearstream, Luxembourg and their book entry systems from sources made publicly available by DTC, Euroclear

and Clearstream, Luxembourg, which the Issuer believes to be reliable and which has been accurately extracted and/or summarised from those sources. The Issuer takes no responsibility for the accuracy of this information and only accepts responsibility for accurately extracting the information from those sources.

8. Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market sales of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

9. Trading between DTC Participants

Secondary market sales of book entry interests in Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same Day Funds Settlement System.

10. Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When a book entry interest in Notes is to be transferred from the account of a DTC participant holding a beneficial interest in the Restricted Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Unrestricted Global Note (subject to such certification procedures as are provided in the Agency Agreement), the purchaser must send instructions to Euroclear or Clearstream, Luxembourg at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct the common depository to receive the beneficial interest and make payment for it. Payment will include interest accrued on the beneficial interest in the Notes from and including the last interest payment date to and excluding the settlement date. On the settlement date, the common depository will make payment to the DTC participant's account against delivery of the beneficial interest. After settlement has been completed, the beneficial interest will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Euroclear or Clearstream, Luxembourg accountholder's account. The securities credit will appear the next day, European time. The cash debit will be back valued to, and interest on the Unrestricted Global Note will accrue from, the value date, which will be the preceding day when settlement occurs in New York. If settlement is not completed on the intended value date, that is, if the trade fails, the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date, whenever that may be.

The Euroclear or Clearstream, Luxembourg accountholder will need to make available to its clearing system the funds necessary to process same day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as it would for any pre settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, the purchasing accountholder may take on credit exposure to Euroclear or Clearstream, Luxembourg until the beneficial interest in the Unrestricted Global Note is credited to its account one day later. As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to the purchasing accountholder, it can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, the Euroclear or Clearstream, Luxembourg accountholder purchasing the beneficial interest in the Unrestricted Global Note would incur overdraft charges for one day, assuming it cleared the overdraft when the beneficial interest was credited to its account. However, interest on the Unrestricted Global Note would accrue from the value date. Therefore, in many cases, the investment income on the Unrestricted Global Note earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each accountholder's particular cost of funds.

Because the settlement is taking place during New York business hours, the DTC participant can use its usual procedures for transferring a beneficial interest in the Global Notes to the common depository for the benefit of the Euroclear or Clearstream, Luxembourg accountholder. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross market transaction will settle no differently than a trade between two DTC participants.

Day traders that use Clearstream, Luxembourg or Euroclear to purchase interests in the Notes from DTC participants for delivery to Clearstream, Luxembourg participants or Euroclear participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- (i) Borrowing through Clearstream, Luxembourg or Euroclear for one day, until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts, in accordance with the clearing system's customary procedures; or
- (ii) Borrowing the interests in the United States from a DTC participant no later than one day prior to settlement, which will give the interests sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear account in order to settle the sale side of the trade; or
- (iii) Staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Clearstream, Luxembourg participant or Euroclear participant.

11. Trading between Euroclear/Clearstream Seller and DTC Purchaser

Due to time zone differences in its favour, a Euroclear or Clearstream, Luxembourg account holder may employ customary transfer procedures when transferring a book entry interest in the Unrestricted Global Note to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Note (subject to such certification procedures as are provided in the Agency Agreement). The seller must send instructions to Euroclear or Clearstream, Luxembourg at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will instruct the common depository to credit the beneficial interest in the Global Notes to the DTC participant's account and receive payment. Payment will include interest accrued on the beneficial interest in the Notes from and including the last interest payment date to and excluding the settlement date. Payment will be reflected in the account of the Euroclear or Clearstream, Luxembourg account holder the following day. Receipt of cash proceeds in the Euroclear or Clearstream, Luxembourg account holder's account will be back valued to the value date, which will be the preceding day, when settlement occurs in New York. If the Euroclear or Clearstream, Luxembourg account holder has a line of credit with its clearing system and elects to draw on such line of credit in anticipation of receipt of sale proceeds in its account, the back valuation may substantially reduce or offset any overdraft charges incurred over that one day period. If settlement is not completed on the intended value date, that is, if the trade fails, receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg account holder's account will instead be valued as of the actual settlement date, whenever that may be.

For a further description of restrictions on the transfer of Notes, see "*—Transfer Restrictions*" above.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Global Notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Notes are credited and only in respect of such portion of the aggregate principal amount of the relevant Global Notes as to which such participant or participants has or have given such direction. In the circumstances described above, DTC will surrender the Global Notes for exchange for individual Note Certificates, which will, in the case of Restricted Note Certificates, bear the legend applicable to transfers pursuant to Rule 144A.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance settlement of transactions between its participants through electronic book entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. DTC participants include securities brokers and dealers, banks, trust companies and clearing corporations and may in the future include certain other organisations. Indirect access to the DTC system is also available to banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a participant, either directly or

indirectly. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers.

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows: Euroclear and Clearstream, Luxembourg hold securities for participating organisations and facilitate the clearance and settlement of securities between their respective accountholders through electronic book entry changes in accounts of such accountholders. Euroclear and Clearstream, Luxembourg provide to their accountholders, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg accountholders are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream, Luxembourg accountholder, either directly or indirectly.

Although the foregoing sets out the procedures of DTC, Euroclear and Clearstream, Luxembourg to facilitate transfers of beneficial interests in global bonds among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, none of DTC, Euroclear or Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor any agent of the Issuer nor any person by whom any of them is controlled for purposes of the Securities Act will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or the sufficiency for any purpose of the arrangements described above.

While a Global Note is lodged with DTC or the Custodian, Notes represented by individual Notes Certificates will not be eligible for clearing or settlement through DTC. While a Global Note is lodged with Euroclear or Clearstream, Luxembourg or the common depository for Euroclear or Clearstream, Luxembourg, Notes represented by individual Note Certificates will not be eligible for clearing or settlement through Euroclear or Clearstream, Luxembourg.

12. Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effects of the relevant terms and conditions. The following is a summary of those provisions:

13. Payments Record Date

Payments of principal and interest in respect of Notes evidenced by a Global Note will be made to, or to the order of, the person whose name is entered on the relevant register of holders at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive, except 25 December and 1 January.

14. Meetings

The holder of each Global Note will be treated as being one person for the purposes of any quorum requirements of, or have the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.\$1,000 principal amount of Notes for which the relevant Global Note may be exchangeable.

15. Purchase and Cancellation

Cancellation of any Note required by the relevant terms and conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

16. Notices

So long as the relevant Unrestricted Global Note is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”), notices to holders of

Notes represented by a beneficial interest in such relevant Unrestricted Global Note may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System and so long as the relevant Restricted Global Note is held on behalf of DTC or an Alternative Clearing System, notices to holders of Notes represented by a beneficial interest in the relevant Restricted Global Note may be given by delivery of the relevant notice to DTC or the Alternative Clearing System; except that, so long as the Notes are listed on a stock exchange, or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, in a subscription agreement dated 22 June 2021 (the “**Subscription Agreement**”) and made between the Issuer and the Managers upon the terms, and subject to the conditions, contained therein, agreed to subscribe and pay for the respective number of Notes set forth opposite their names in the table below at the issue prices set forth on the cover page hereof. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the Closing Date. The Managers have entered into a separate agreement with the Guarantor in connection with the issue of the Notes (the “**Guarantor Agreement**”).

Pursuant to the Subscription Agreement and the Guarantor Agreement, as applicable, the Issuer and the Guarantor have each agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes, including liabilities under the Securities Act. The Managers may have performed investment banking and other services for the Issuer and the Guarantor in the past and received customary compensation for such services.

	<u>Principal Amount of Notes</u>
	<i>(U.S.\$)</i>
Joint Lead Managers	
Dragon Capital (Cyprus) Limited.....	350,000,000
J.P. Morgan Securities plc.....	350,000,000
Total	<u><u>700,000,000</u></u>

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Managers have agreed (severally and not jointly) to offer the Notes and the Guarantee for resale in the United States initially only to persons they reasonably believe to be qualified institutional buyers in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

The Notes and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S. The Subscription Agreement provides that each of the Managers may through its respective U.S. agents or affiliates resell a portion of the Notes and the Guarantee within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee, an offer or sale of Notes and the Guarantee within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each of the Managers has represented and agreed (severally and not jointly) that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Ukraine

Each of the Managers has represented and agreed (severally and not jointly) that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment to any purchaser located within the territory of Ukraine, except in compliance with applicable laws and regulations.

Republic of Italy

The offering has not been cleared by the Commissione Nazionale per la Società e la Borsa (“**CONSOB**”) (the Italian securities exchange commission), pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (investitori qualificati) as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended (“**Regulation No. 16190**”), which shall apply as provided by Article 34-ter, first paragraph letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the “**Issuer Regulation**”), implementing Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Italian Financial Act**”); and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and Article 34-ter, first paragraph of the Issuer Regulation and/or any other implementing CONSOB regulations.

Each Manager has severally and not jointly represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy according to the provisions above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Act, Legislative Decree No. 385 of September 1, 1993, Regulation No. 16190 (in each case, as amended from time to time) and any other applicable laws and regulations; and
- (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) or any other relevant Italian authorities.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

This Offering Circular and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this Offering Circular may rely on them or their contents.

Hong Kong

Each Manager has severally and not jointly represented and agreed that:

- (a) it has not be offered or sold and will not offer or sell in Hong Kong, by means of any document, the Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a “offering circular” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMPO)**”) or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong

Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

Each Manager has severally and not jointly acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has (severally and not jointly) represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each, as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the Securities and Futures Act; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the “**Securities and Futures Act**” is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the Securities and Futures Act or any provision in the Securities and Futures Act is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“**FinSA**”) and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes an offering circular pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

General

Other than with respect to the admission of the Notes to listing on the Official List and to trading on the Main Market of the London Stock Exchange, no action has been taken by the Issuer or any of the Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Managers has undertaken that it will, to the best of its knowledge and belief, comply with all applicable laws and regulations in each jurisdiction in which it acquires, purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular (or any amendment or supplement thereto) or any other offering material relating to the Notes, in all cases at its own expense. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each jurisdiction in which they acquire, purchase, offer, sell or deliver Notes or possess, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

Certain Relationships

Certain of the Managers and their affiliates from time to time have performed, and in the future will perform, banking, investment banking, advisory, consulting and other financial services for the Issuer, the Guarantor and their respective affiliates, for which they may receive customary advisory and transaction fees and expenses reimbursement. In addition, the Managers may provide to the Issuer and/or the Guarantor services in relation to liability management activities of the Issuer and/or the Guarantor that the Issuer and/or the Guarantor may pursue in relation to its securities.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. In particular, certain of the Managers may submit orders for the Notes and so may hold a portion of the Notes at the Closing Date. If they do so, each such Manager may distribute the Notes held by it to the market as permitted by applicable laws and regulations, but will be under no obligation to do so.

Furthermore, if the Managers or their affiliates have a lending relationship with the Issuer, the Guarantor or their respective affiliates, certain of those Managers or their affiliates routinely hedge, and certain of those Managers or their affiliates may hedge their credit exposure to the Issuer, the Guarantor and/or their respective affiliates consistent with their customary risk management policies. Such Managers and their affiliates may hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities (potentially including the Notes). Any such short positions could adversely affect future trading prices of Notes.

The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Other Relationships

The Managers and their respective affiliates have engaged and may engage in transactions with the Issuer or the Guarantor in the ordinary course of their business, performing various investment banking, financial advisory, and other services for the Issuer, for which they received and may receive customary fees. The Managers and their respective affiliates expect to provide such services in the future.

GENERAL INFORMATION

Authorisation

The issue of the Notes and the giving of the Guarantee is duly authorised by CMU Resolutions No. 327 and No. 442, both titled “The Issues of Financing Construction, Reconstruction, Capital and Current Repair of National Roads in 2021 by Means of Sovereign Guaranteed Borrowings” dated 2 April 2021 and 28 April 2021, and CMU Resolution No. 519 “Certain Issues regarding Sovereign Guaranteed Borrowings by the State Road Agency in 2021” dated 26 May 2021.

Contact Details

The Issuer’s address is 9 Fizkultury Street, Kyiv, 03150, Ukraine. The Issuer’s telephone number is +38 (044) 287-24-05. The website of the Issuer is <https://ukravtodor.gov.ua/> (in Ukrainian only). This website does not form part of this Offering Circular.

The Guarantor’s address is 12/2 Hrushevskoho Street, Kyiv, Ukraine. The Guarantor’s telephone number is +38 044 463 6855. The website of the Guarantor is <https://mof.gov.ua/>. This website does not form part of this Offering Circular.

Listing

Application will be made for the Notes to be admitted to the Official List and to trading on the Main Market of the London Stock Exchange. The Main Market of the London Stock Exchange is a regulated market for the purposes of UK MiFIR.

The admission of the Notes to the Official List and to trading on the Main Market of the London Stock Exchange is expected to become effective on 25 June 2021.

Clearing Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Unrestricted Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code No. 235727714. The ISIN for the Unrestricted Global Note is XS2357277149.

The Restricted Global Note has been accepted for clearance through DTC. The ISIN for the Restricted Global Note is US857329AA47. The Common Code for the Restricted Global Note is 235781786. The CUSIP for the Restricted Global Note is 857329AA4.

Significant Change

There has been no significant change in the financial performance or financial position of the Issuer or material adverse change in the prospects of the Issuer since 31 December 2020.

Since 31 December 2020, there has been no significant change in the Guarantor’s (a) tax and budgetary systems, (b) gross public debt or the maturity structure or currency of its outstanding debt and debt payment record, (c) foreign trade and balance of payment figures, (d) foreign exchange reserves including any potential encumbrances to such foreign exchange reserves as forward contracts or derivatives, (e) financial position and resources including liquid deposits available in domestic currency and (f) income and expenditure figures, save as disclosed in this Offering Circular under *Economy, Foreign Trade and Investment*” beginning on page 134; *Monetary Policy*” beginning on page 168; *State Budget of Ukraine and Tax Policy*” beginning on page 175; and *State Debt of Ukraine*” beginning on page 184.

Litigation

Save as disclosed in this Offering Circular in *Description of the Issuer – Legal Proceedings*”, the Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the previous 12 months which may have or have had in the recent past, significant effects on the Issuer’s financial position.

Save as disclosed in this Offering Circular in “*Description of the Guarantor – Disputes and Legal Proceedings*”, the Guarantor is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) during the previous 12 months which may have or have had in the recent past, significant effects on the Guarantor’s financial position.

Documents

So long as the Notes are listed on the London Stock Exchange, a copy of this Offering Circular will be available for inspection on the website of the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-newshome.html> and the latest law “On the State Budget of Ukraine” (in the Ukrainian language) will be available for inspection at <https://ukravtodor.gov.ua/>. These websites do not form part of this Offering Circular. The following documents will also be available for inspection (in electronic form) on the Issuer’s website, as long as the Notes are outstanding:

- the Deed of Covenant; and
- the Deed of Guarantee.

Foreign Language

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

THE ISSUER

State Road Agency of Ukraine (Ukravtodor)

9 Fizkultury Street,
Kyiv, 03150,
Ukraine

THE GUARANTOR

Ukraine

Represented by the Minister of Finance of Ukraine
acting upon instructions of the Cabinet of Ministers of Ukraine
12/2 Hrushevskoho Street
Kyiv
Ukraine

JOINT LEAD MANAGERS AND BOOKRUNNERS

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Dragon Capital

69 Gladstonos Street
Acropolis Centre, Office 402
Limassol, 3040
Cyprus

CO-MANAGER

Joint Stock Company “The State Export-Import Bank of Ukraine”

127 Antonovycha Street
Kyiv 03150
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