



Ministry of Finance of Ukraine

Presentation

February 2006

Ukraine – brief review



Area:	603,700 km ²
Population:	47,4 million
Nominal GDP	
(2004):	US\$ 64,9 bn
(2005 prelim.):	US\$ 82.2 bn
Real GDP Growth	
(2004):	12.1%
(2005):	2.4%
Ratings:	BB- (Fitch)
	BB- (S&P)
	B1 (Moody's)



Macroeconomic Performance

Main macroeconomic figures in 2005

Macroeconomic trends in 2005 were negative, but in the second half of 2005 Ukraine has succeeded in stabilizing the situation.

Real GDP growth has stabilized in the last three months, the inflation processes have been subdued, and the currency market has remained stable and under control, the NBU international reserves have continued to grow.

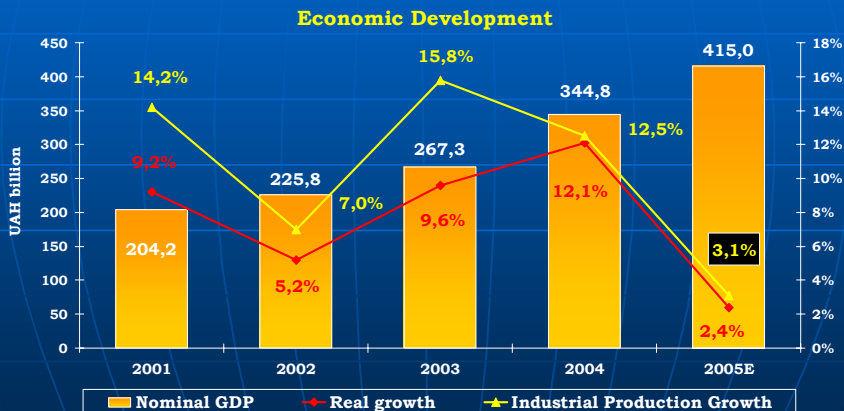
Macroeconomic indicators

	2005
Nominal GDP, operating data (UAH bn)	415.0
Real GDP (%)	2,4
Consumer Price Index (%)	110.3
Producer Price Index (%)	109,5
Industrial Production Growth (%)	3,1
Agricultural Production Growth (%)	0.0
Foreign Exchange Reserves (cumulative, US\$ bn)	19,4
Exchange rate UAH, as of 31 Dec 2005	5,05



Development during last 5 years

- From 2000 to 2004, Ukraine was one of the leading European countries in terms of the economy growth rates.
- Starting from the second half of 2005, the slowdown of the economy growth was recorded.

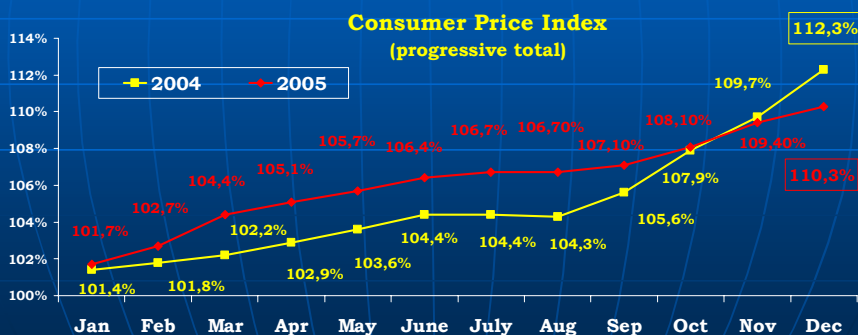


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Inflation

- Increase of inflation during 2005 was caused by significant social transfers of Yanukovich's government in September-December 2004.
- The overall figure for the year of 2005 stood at 10.3%, which is 2 pct less than previous year (2004 - 12.3%).
- Except for rise in prices for energy resources, emergence of misbalance on certain goods markets has become the principal reason for inflation, in particular, agricultural products market, which was caused by lack of development of efficient market instruments of their state regulation.



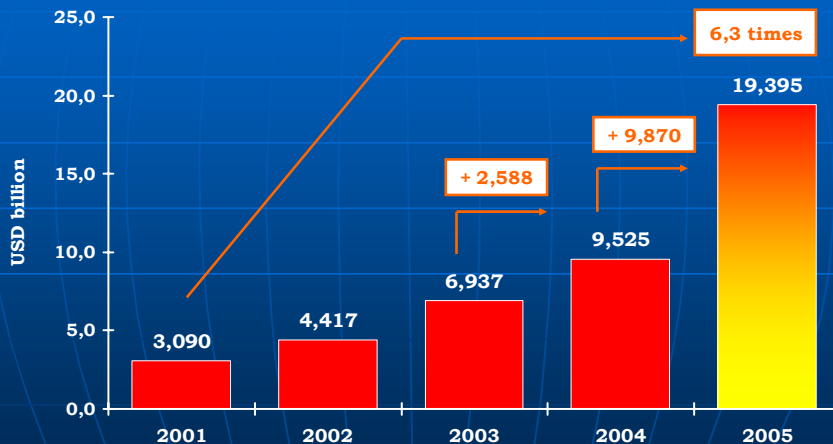
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External Position

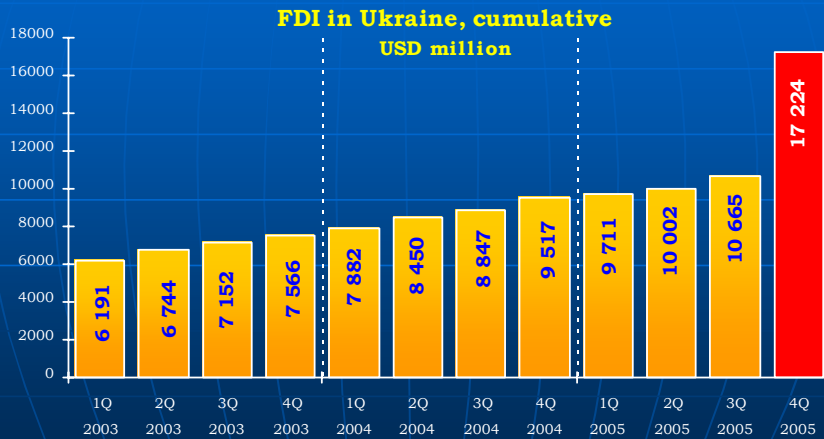
International Reserves

- The volumes of international reserves grew significantly during 2005 – up to **USD 19.4 billion** as of January 1, 2006 or near **5 months of import**.



Foreign Direct Investments in Ukraine

- Estimated cumulative FDI as at the end of 2005 (since 1994) amounted approximately **USD 17 billion** including **Kryvirizhstal** privatization proceeds and proceeds from selling of **Aval** commercial bank.



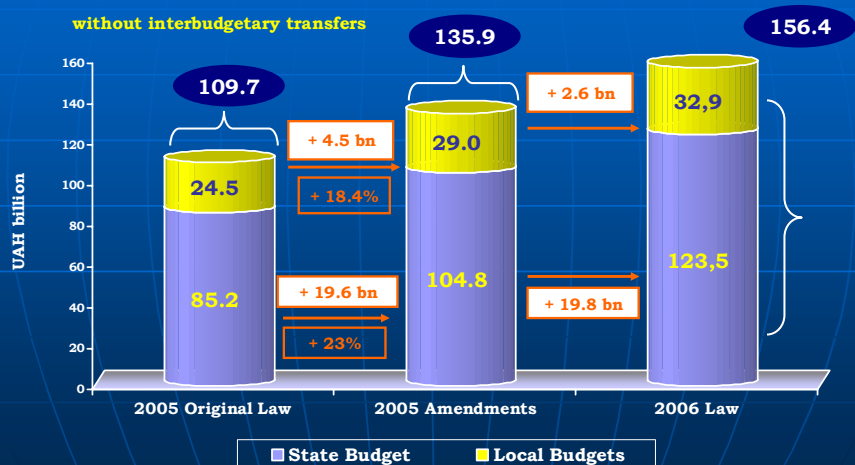
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Budget

2005 Budget Revenue

The 2005 State Budget Law initially was adopted Dec 20, 2004. Pursuant to an amendments to the budget law on 25 March 2005, budgeted revenues were increased to UAH 106.1 billion (including transfers).



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Changes in State Budget Revenue

Total changes: + UAH 19.6 bn, of which:

- + UAH 5.97 bn – revision of macroeconomic indicators (GDP forecast changed from 6.5% to 8.2%);
- + UAH 5.0 bn – transfer of net profit of state-owned enterprises to the budget:
 - 1) share of profit to be transferred to the budget - increased from 15% to 50%;
 - 2) revision of economic activity of such enterprises and increasing their efficiency;
- + UAH 8.63 bn – increase in tax revenue:
 - 1) elimination of tax privileges and preferences;
 - 2) improvement of tax administration



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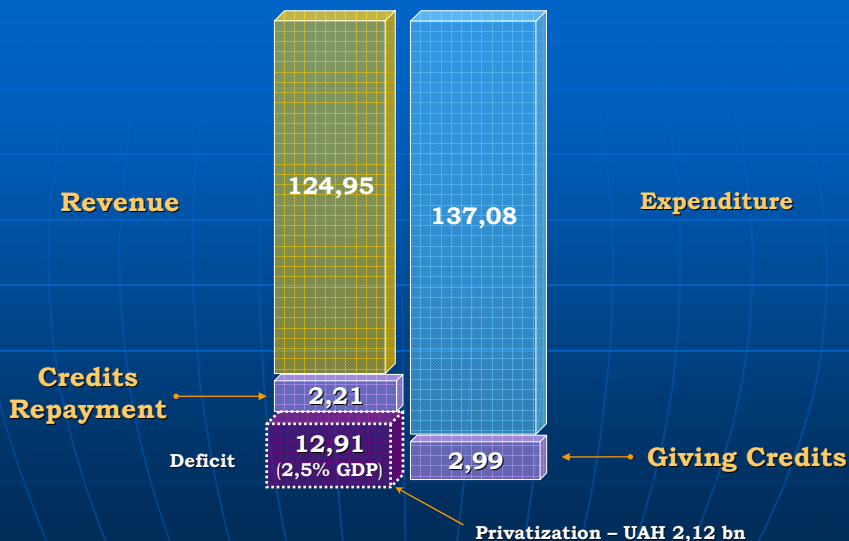
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Results of Tax Reform

- **Increase in revenue share in the GDP is a result of:**
 - creation of equal taxation conditions (liquidation of tax benefits)
 - administration improvement (equal approach to tax payers, increase in control over state enterprises activities)
 - economy structure changes (increase in share of households consumption and imports, by means of, *inter alia*, smuggling combating).
- **The negative impact of tax policy is evident only in the short-term perspective and only for the enterprises, which have previously had artificial, economically unmotivated advantages over other enterprises at the account of the budget (benefits). In the long-term perspective the economy will become more sound and competitive.**



2006 State Budget of Ukraine (UAH billion)



Main Targets of 2006 State Budget

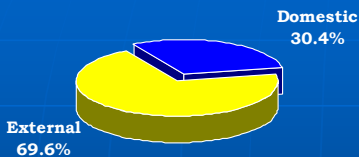
- 1. Social Payments Growth**
- 2. Investment Growth**
- 3. Taxes Decrease**
- 4. Rural Development**
- 5. Road-building**
- 6. Health Care**
- 7. Education Support**
- 8. Self-government strengthening**



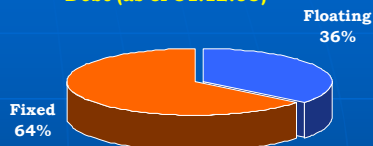
State Debt

Structure of State Direct Debt in 2005

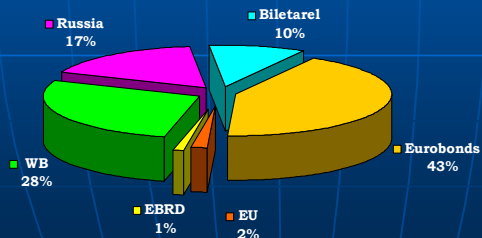
Domestic vs External in Total Debt (as of 31.12.05)



Fixed and Floating State Direct Debt (as of 31.12.05)

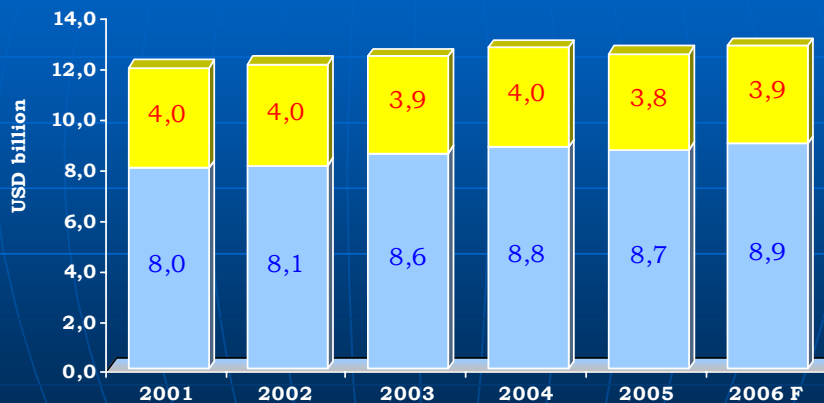


External Debt Breakdown by Creditors (\$8,704 mln as of 31.12.05)

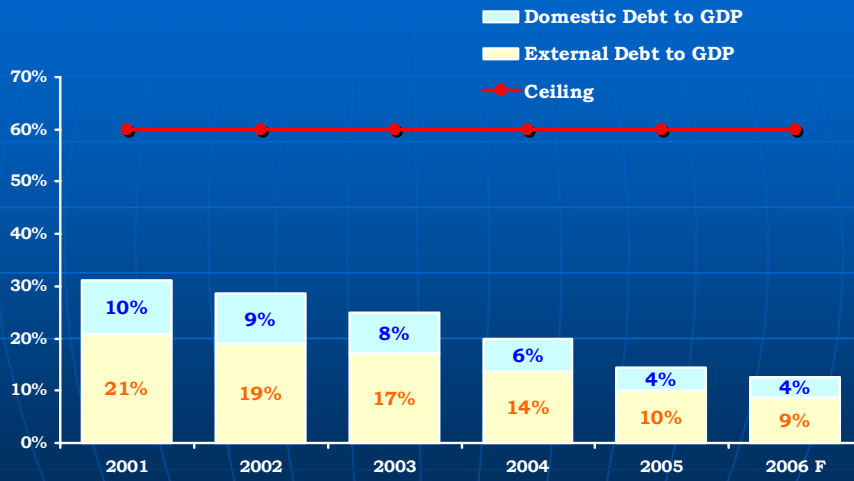


State Debt Dynamics

- Domestic state direct debt
- External state direct debt



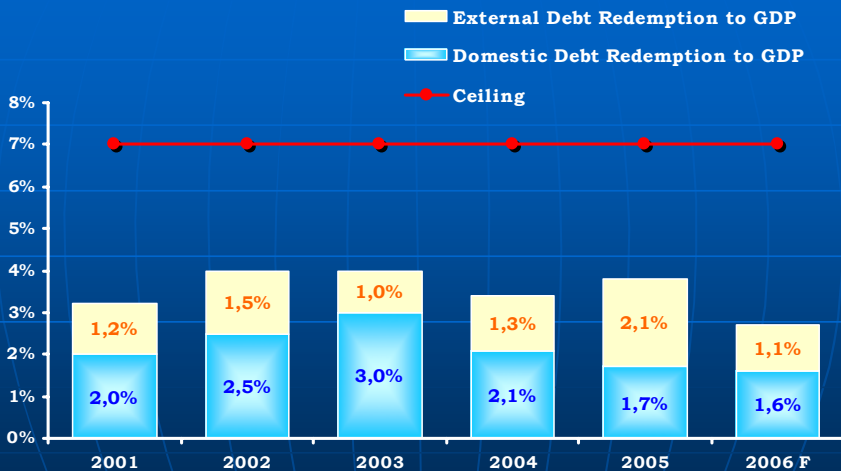
State Direct Debt as a percentage of GDP



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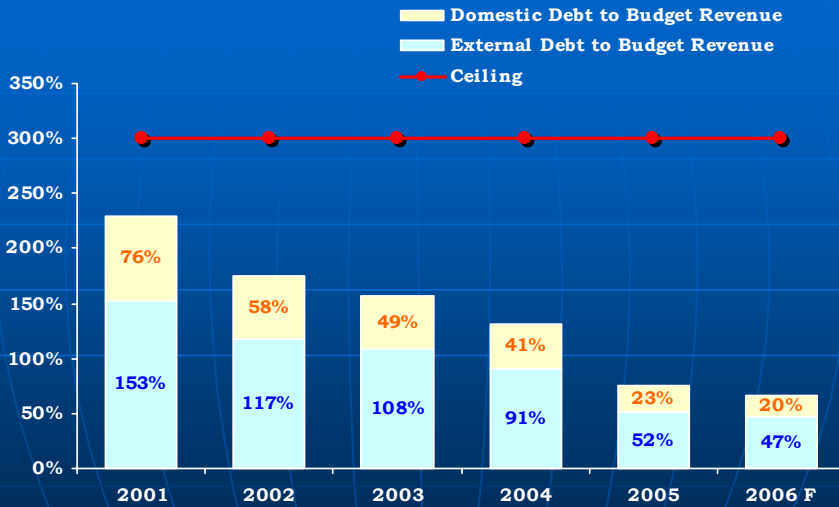
Debt Redemption as a percentage of GDP



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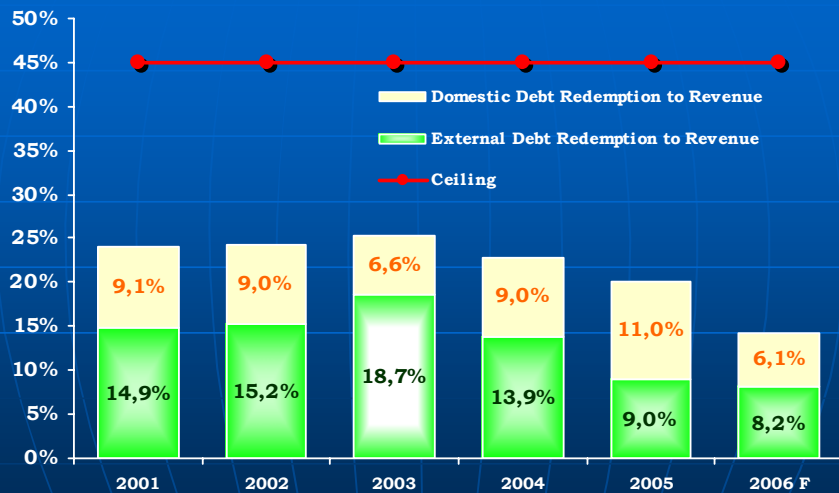
Debt as a percentage of State Budget Revenue



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Debt Redemption as a percentage of the State Budget Revenue



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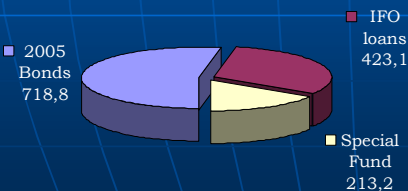
State Budget Financing in 2005-2006

(UAH million)	2005	2006 Law *
Total borrowings	12,665.5	9,600.5
Domestic Borrowings	6,896.6	4,550.5
External Borrowings	5,768.9	5,050.0
Privatization receipts, of which:	20,758.9	2,121.5
Kryvirizhstal proceeds ** (24.2 - 4.3 to first owners)	19.9	--

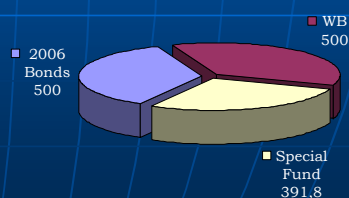
* MoF has the right to replace domestic borrowings with external and vice-versa.

** For financing 2005 State Budget there were used only **UAH7.9bn**. The rest was moved to 2006, of which **UAH9bn** for financing 2006 State Budget, and **UAH3bn** - for creating Stabilization Fund.

External Borrowings in 2005 (\$1,355.1 mln)



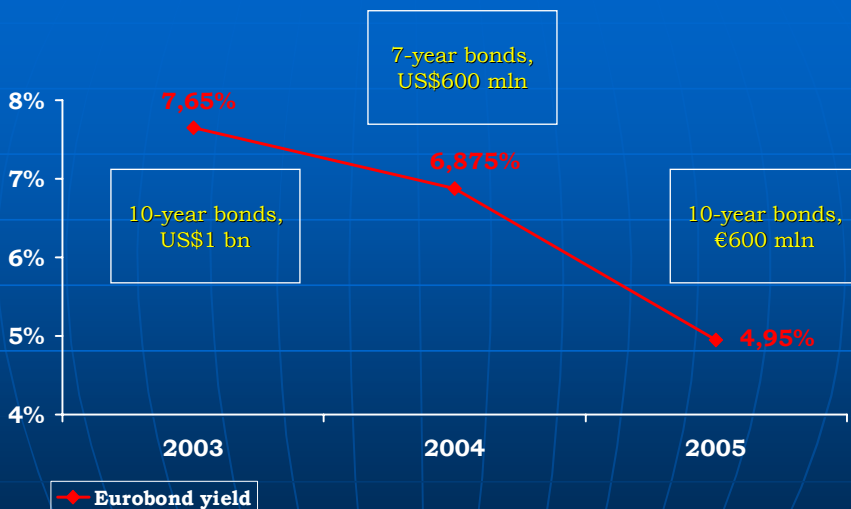
External Borrowings in 2006 Budget Law (\$1,391.8 mln)



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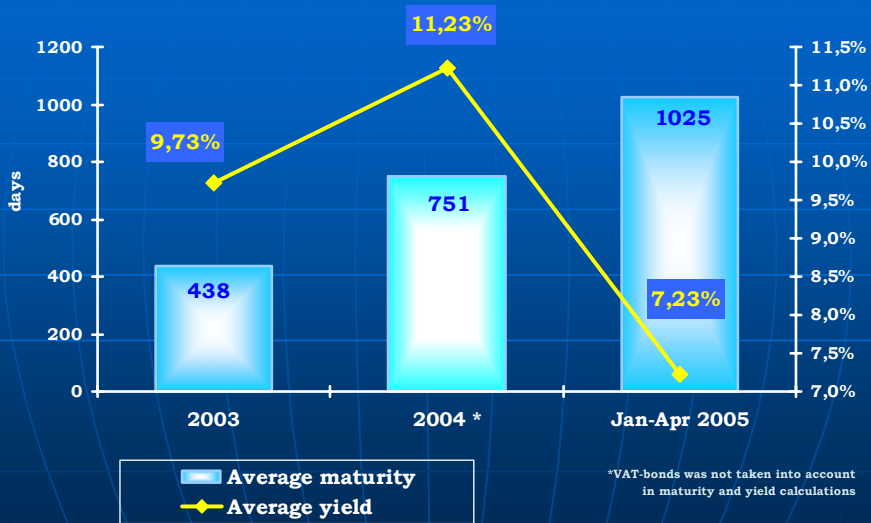
2003-2005 Eurobond Yield Dynamics



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UAH-denominated T-bills in 2003-2005

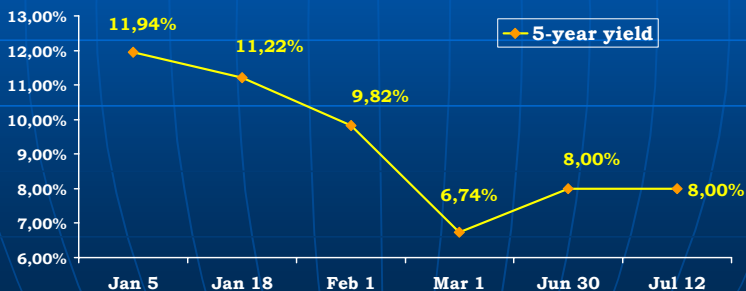


Domestic Financing: 2005 UAH T-bills

Total amount of issuance in Jan-Oct 2005 amounted for UAH7.15 billion, out of which:

- 5-year - UAH2 bn;
- 4-year - UAH337 mln;
- 3-year - UAH1,2 bn;
- 2-year - UAH2,7 bn;
- 1-year - UAH974 mln (medium-term, more than 1 year).

The last issuance of T-bills was in July 2005.



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