



U.S.\$300,000,000 9.375 per cent. Loan Participation Notes due 2016

issued by, but with limited recourse to,

Kyiv Finance plc

for the sole purpose of financing a corresponding loan to

The City of Kyiv

acting through

the Kyiv City Council

Issue Price of the Notes: 100 per cent.

Kyiv Finance plc, incorporated under the laws of England and Wales (the “**Issuer**”), is issuing an aggregate principal amount of U.S.\$300,000,000 9.375 per cent. Loan Participation Notes due 2016 (the “**Notes**”) for the sole purpose of financing a U.S.\$300,000,000 loan (the “**Loan**”) to The City of Kyiv, acting through the Kyiv City Council, a legal entity under the laws of Ukraine (the “**Borrower**” or the “**City**”), pursuant to a loan agreement dated 4 July 2011 (the “**Loan Agreement**”) between the Issuer and the Borrower.

Pursuant to the trust deed (the “**Trust Deed**”) relating to the Notes between the Issuer and Deutsche Trustee Company Limited, as trustee (the “**Trustee**”), the Issuer will provide certain security for all payment obligations in respect of the Notes for the benefit of the Noteholders (as defined in the Loan Agreement), including a first fixed charge in favour of the Trustee of all amounts paid and payable to it under the Loan Agreement and an assignment to the Trustee of the Issuer’s rights and interests under the Loan Agreement, other than in respect of certain reserved rights (as more fully described in “*Description of the Transaction and the Security*”). Interest on the Notes will be paid at an annual rate equal to 9.375 per cent., subject to receipt of funds therefor from the Borrower. The Issuer will make interest payments on the Notes in arrear on 11 January and 11 July in each year, commencing on 11 January 2012, as described under “*Terms and Conditions of the Notes-Interest*”. The Terms and Conditions of the Notes shall be referred to as the “*Terms and Conditions of the Notes*”.

The Notes are limited recourse obligations of the Issuer. In each case where amounts of principal, interest, premium (if any) and additional amounts (if any) are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest, premium (if any) and additional amounts (if any) are due, for an amount equivalent to the principal, interest, premium (if any) and additional amounts (if any) actually received by or for the account of the Issuer from the Borrower pursuant to the Loan Agreement. The Issuer will have no other financial obligation under the Notes. Noteholders will be deemed to have accepted and agreed that they will be relying solely and exclusively on the credit and financial standing of the Borrower in respect of the financial servicing of the Notes.

Except as set forth herein, payments in respect of the Notes will be made without any deduction or withholding for, or on account of, the taxes of any relevant jurisdiction. The Loan and the Notes may be redeemed early at the option of the City in certain circumstances all as more fully described in the Loan Agreement and the Terms and Conditions of the Notes.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE “RISK FACTORS” BEGINNING ON PAGE 7.

The Notes and the Loan (together, the “**Securities**”) have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)). The Notes may be offered and sold (i) within the United States only to qualified institutional buyers (“**QIBs**”), as defined in Rule 144A under the Securities Act (“**Rule 144A**”), that are also qualified purchasers (“**QPs**”), as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”), in reliance on the exemption from registration provided by Rule 144A or on another exemption therefrom, (the “**Rule 144A Notes**”) and (ii) to non-U.S. Persons in offshore transactions as defined in and in reliance on Regulation S (the “**Regulation S Notes**”). The Issuer has not been and will not be registered under the Investment Company Act. 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. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and this distribution of the Prospectus, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

The Prospectus has been approved by the Central Bank of Ireland, (the “**Central Bank**”), as competent authority under Directive 2003/71/EC, (the “**Prospectus Directive**”). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List (the “**Official List**”) and trading on its regulated market (the “**Regulated Market**”). Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any member state of the European Economic Area. Reference in this Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to trading on the Regulated Market. This Prospectus constitutes a “**Prospectus**” for the purposes of the Prospectus Directive.

The Notes have received a rating of B- from Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies Inc. (“**S&P**”), B2 from Moody’s Investors Service, Inc. (“**Moody’s**”) and B- from Fitch Ratings Ltd. (“**Fitch**”). The Borrower’s current long term debt rating is B- (stable outlook) from S&P, B2 (stable outlook) from Moody’s and B- (negative outlook) from Fitch. 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. Credit ratings included or referred to in this Prospectus have been or, as applicable, may be, issued by Fitch, Moody’s and S&P, each of which is established or has offices established in the European Union and has applied to be (or have its European Union based offices) registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “**CRA Regulation**”). At the date of this Prospectus, neither Fitch, Moody’s nor S&P is registered under the CRA Regulation.

The Notes will be offered and sold in the minimum denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 thereafter. The Regulation S Notes will initially be represented by interests in a global note certificate in registered form in respect of the Notes (the “**Regulation S Global Note Certificate**”) without interest coupons, which will be deposited with a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”), and registered in the name of a nominee, on or about 11 July 2011 (the “**Issue Date**”). The Rule 144A Notes will initially be represented by interests in a global note certificate in registered form in respect of the Notes (the “**Rule 144A Global Note Certificate**”), and together with the Regulation S Global Note Certificate, the “**Global Note Certificates**”), each without interest coupons which will be registered in the name of Cede & Co., as nominee of, and deposited with a custodian for, The Depository Trust Company (“**DTC**”) on or about the Issue Date. Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through records maintained by, DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participants. See “*Clearing and Settlement*”. Individual note certificates in registered form (“**Individual Note Certificates**”) evidencing holdings of Notes will only be available in certain limited circumstances as described herein.

Joint Lead Managers

CREDIT SUISSE

DEUTSCHE BANK

VEB CAPITAL

VTB CAPITAL

Co-Manager

COMMERCIAL BANK KHRESCHATYK

The date of this Prospectus is 4 July 2011.

Administration. In 2010, the City financed the construction of 91,058 square metres of housing out of a total of 1.0 million square metres that was built in the City, and plans to finance the construction of a further 91,508 square metres of housing out of a total of approximately 1.1 million square metres expected to be built in the City in 2011. New housing projects in the City are mainly taking place on the left bank of the Dnipro River. The City is currently implementing the Complex Programme of Reform and Development of the Housing Economy, which is intended to run through to 2014 and to improve the quality of communal and management services and reduce unreasonable expenses in the housing economy.

On 9 July 2010, the Law of Ukraine “On the National Commission on Regulation of Utilities Services Market of Ukraine” introduced amendments to the Law of Ukraine “On Utilities”. As a result of these amendments, the tariffs paid by the City residents for utilities services provided by natural monopoly utility providers (i.e. the sole providers of the relevant utility services) are currently established by the National Commission on Regulation of Utilities Services Market of Ukraine or the National Commission on Regulation of Electricity (collectively, the “**National Utilities Commissions**”). As of 9 July 2010, the City is only authorised to establish tariffs that do not fall within the remit of either of the National Utilities Commissions (for example, in certain cases the City continues to establish the maintenance services tariffs and sets tariffs for central heating service provided by small boiler houses, the number of which is constantly decreasing).

Prior to July 2010, the City regulated tariffs relating to central heating, water supply and sewage system services. If any such tariff regulated by the City at that time was lower than the economically justified expenses relating to the production of respective services, the City had to reimburse the shortfall between the actual tariff and such economically justified expenses. As at the date of this Prospectus, the City is yet to settle its indebtedness to Kyivvodokanal relating to water supply and sewage system services and to Kyivenergo relating to central heating services which arose between 2006 and 2010 and between 2008 and 2010 respectively, from the difference between the tariffs for the relevant utility service established by the City for the City residents and the actual cost to Kyivvodokanal and to Kyivenergo of providing such services to the City residents. While the City and Kyivvodokanal have not yet calculated the exact amount of indebtedness to Kyivvodokanal; the City does not expect such indebtedness to significantly exceed UAH 500 million. However, according to Kyivvodokanal’s claims, which the City believes are not properly substantiated, such indebtedness could be as high as UAH 670 million. As at the date of this Prospectus the remaining indebtedness to Kyivenergo amounts to UAH 202.4 million. See “City Budget and Financial Information—Borrowings and Guarantees of the City of Kyiv—Outstanding Indebtedness” and “Risk Factors—Risks Associated with the City—The City’s indebtedness to certain utility providers may be significant.”

In April 2011, the Parliament adopted amendments to the Law of Ukraine on the State Budget for 2011, which became effective on 21 April 2011. These amendments provide for the allocation of UAH 3.6 billion of additional subsidies from the State Budget to the local budgets (including the City Budget). These additional subsidies are intended to cover the indebtedness of the local budgets to the heating companies which arose between 1 October 2009 and 31 December 2010 from the difference between the tariffs for central heating services and their actual cost to the service providers. In May 2011, the Cabinet of Ministers approved the implementing resolution which sets out the procedure for determining the exact amount and method of approving these subsidies. The City is in the process of preparing an application for such subsidy from the State Budget to cover its indebtedness to Kyivenergo in the amount of UAH 202.4 million.

With effect from 22 July 2010, if any tariff established by the National Utilities Commissions causes the relevant service provider to incur a loss in its operations, such loss must be reimbursed to the services provider from the State Budget. If any tariff established by the City does not allow the service provider to operate profitably, the shortfall between the actual tariff and the economically justified expenses for production the respective services must be reimbursed from the City Budget.

Maintenance Services

The City is responsible for the maintenance of City-owned apartment buildings in Kyiv, including buildings in which the apartments have been transferred to City residents as part of the City’s Housing Privatisation Programme. In 2007, the rates residents were charged for maintenance services in relation to municipally-owned houses were increased by 90.6 per cent., as compared to the rates charged in 2006. In 2008, the rates charged remained unchanged, before being increased by 94 per cent. with effect from 1 June 2009. The purpose of these increases was to bring the rates charged to

residents closer to the true cost of the maintenance services provided to them. The rates charged remained unchanged during remainder of 2009 and throughout 2010. As a result, City residents are currently paying on average approximately 64.3 per cent. of the true cost of such services. However, the City currently makes payments to low-income residents to compensate them for increased prices for maintenance services. The City expects that the full cost of maintaining City-owned residential property will be transferred to property occupants within the next several years through further increases in prices for maintenance services by up to 100 per cent. The exact timing in which this will occur is subject to political decision-making and is therefore uncertain.

Utilities

In 2010, on average 76 per cent. of the total cost of utilities (including hot and cold water, electricity and gas supply, sewerage and central heating) has been borne by the residents of the City, the remainder being reimbursed to the utility providers from the City Budget. In 2010, the City Council's Main Office of Fuel, Energy and Energy Saving issued two sets of promissory notes to finance the shortfall to Kyivenergo and Ecostandart which arose between 2008 and 2010. In addition, in 2009, the City took out the 2009 Domestic Loan to finance certain shortfalls to Kyivenergo. See "City Budget and Financial Information—Borrowings and Guarantees of the City of Kyiv—Outstanding Indebtedness".

However, starting from 2011, certain utilities tariffs have been set by the National Utilities Commissions, and any shortfall resulting from the National Utilities Commissions setting such tariffs at rates that would cause the relevant utilities providers to incur a loss should now be reimbursed from the State Budget. See also "—Housing and Utilities—General" above. Subsidies and benefits for utilities from the City Budget are generally only provided to qualifying low-income families, war veterans, retired military personnel and Chernobyl victims. Pursuant to applicable law, the entire cost of providing such subsidies is compensated by the corresponding subsidies provided to the City from the State Budget.

The City's public utilities assets are in poor condition, and the public utilities system has been characterised by a relatively low quality and increasing cost of service. Investments are necessary to upgrade existing facilities, introduce resource-saving technologies and construct new facilities necessary for the functioning and development of the City. The City Budget is essentially the only source of funds for capital investments in the public utilities area, as municipal businesses do not have their own funds for improvements and expansion, and the shortage of funds in this area is exacerbated by an improper tariffs policy and a failure of corporate consumers to make payments for public services on a timely basis.

Electricity. Electric power for Kyiv is generated and supplied mainly by privately-owned Joint-Stock Energy Supply Company "Kyivenergo" ("**Kyivenergo**"). The power supply for the City is considered to be adequate with the exception of the central part of the City (including Pechersky, Shevchenkivsky and other central districts), where it is provided by old substations built in the mid-1960s, which are unable to sustain increasing loads and do not meet safety requirements. The City does not generally subsidise the cost of electricity to Kyiv residents, but does provide subsidies and benefits for utilities to qualifying low-income families and other categories of people. Industrial consumers pay substantially higher tariffs for electricity than individuals.

Gas. Gas supply and maintenance of the gas network is provided by State Public Utility Gas Supply Enterprise "Kyivgas" OJSC ("**Kyivgas**"), a company in which the City holds an interest of 28.5 per cent. See "City Budget and Financial Information—Share Ownership" below. Kyivgas's gas supply network extends for approximately 5,000 kilometres of high, medium and low pressure gas chains. In 2010 the gas supply network in Kyiv processed approximately 3.7 billion cubic metres of natural gas, 8.9 per cent. of which was supplied to residential customers.

Central heating. The principal service providers for the generation and transfer of central heating to City residents are Kyivenergo and privately-owned company PJSC "Ekostandard". In 2007, the tariffs charged for providing central heating were increased by the City by 84.6 per cent. as compared to 2006. In 2008 and 2009 the central heating tariffs were unchanged. In 2010, they were increased by 41.3 per cent. In 2011, the central heating tariffs were increased further and incentives were introduced to encourage timely payment. As a result, tariffs have increased by 28.0 per cent. for those residents who pay their central heating bills on time and by 37.0 per cent. for those who do not, as compared to 2010. The purpose of the increases in 2007, 2010 and 2011 was to bring the amounts charged to residents to a level closer to the cost of supply. City residents currently pay 100 per cent. of the actual cost of central heating.

Water. The principal owner of the water supply system and the provider of the relevant service in the City is Kyivvodokanal, a company in which the City holds an interest of 25.46 per cent. See “City Budget and Financial Information—Share Ownership” below. The total length of the City’s water supply system exceeds 4,108 kilometres. The City’s water is supplied from three independent sources: the Dnipro River, the Desna River (together accounting for approximately 80 per cent. of supply) and underground natural reservoirs. Over 20 per cent. of the City’s water supply system is beyond the usage life recommended by the manufacturer and requires replacement. Currently, the improvement of the water supply system is included into the Complex Programme of Reform and Development of the Housing Economy, which was adopted on 10 September 2010 and is intended to run through the end of 2014. The City is also currently implementing the “Drinking Water for the City for 2011 – 2020” Programme, which aims to improve the drinking water purification system in the City.

In 2007, the City increased the tariffs for water supply services by 80 per cent. as compared to 2006. In 2008, these tariffs remained unchanged. In 2009, the City increased the tariffs for water supply by 77 per cent. as compared to 2008. On 1 March 2011 the tariffs for water supply services were increased by approximately 10 per cent. The purpose of the increases in 2007, 2009 and 2011 was to bring the amounts charged to residents to a level closer to the cost of supply. Currently, Kyiv residents pay approximately 100 per cent. of the actual cost of water supply services.

Sewerage. The City’s sewerage system, owned by Kyivvodokanal, is 2,582 kilometres long. Kyivvodokanal operates facilities for the processing of waste water supplied by 35 pump stations. In 2010, City residents paid approximately 75.4 per cent. of the actual cost of waste water disposal services. Currently, the capacity of the City’s sewerage system fully meets the demand of the City, but it requires renovation. Moreover, the quality of Kyiv’s waste water treatment is considered to be below acceptable standards. For example, approximately 880 kilometres or 34 per cent. of the total length of Kyivvodokanal’s sewerage network is beyond the usage life recommended by the manufacturer. Water supply problems have arisen due to insufficient waste water processing capabilities. From 2007 to 2010, the City implemented a programme (the Programme on the Repair, Reconstruction and Development of the Sewerage System). As a result, two embankments and three silt fields were constructed and a new water supply chain of 2.6 kilometres in length was built in Shevchenkivsky district of the City. Currently, the improvement of the sewerage system is included into the Complex Programme of Reform and Development of Housing Economy, which is intended to run through the end of 2014.

Waste Management. In 2010 the City adopted the Programme for Waste Management in the City for 2010-2015. The programme provides for certain measures relating to the improvement of waste management, including (i) the separate collection of different types of waste, (ii) the utilisation of waste in housing economy, and (iii) an upgrade of waste collection equipment.

In 2010, the Programme for the Social and Economic Development of the City recommended that UAH 71.4 million should be allocated from the City Budget for the improvement of the water supply and sewerage infrastructures of the City. As at 1 January 2011 only UAH 52.0 million had been applied for this purpose due to a lack of funds in the City Budget. The programme also recommended that approximately UAH 38.4 million should be allocated from the City Budget for the development of the socially important infrastructure of the City, such as Water Supply Station No.1 in the Desnyansky district of the City, and embankments around the silt fields of the Bortnytska station. In addition, certain works at Bortnytska station were financed from the City Fund for Environmental Protection in the amount of UAH 18 million. The 2011 City Budget provides funding of UAH 53.2 million for works at this station.

Transport and Infrastructure

The City funds the maintenance and repairs, renovation and reconstruction of all roads and transport routes within Kyiv. Due to the lack of profitability of the public transport system, which operates with regulated tariffs, the City also partly subsidises the operating costs of such system, on which more than 1.19 billion passenger journeys were made in 2010. The City intends to increase the proportion of the cost of public transport borne by users and intends in the future to increase fares to a level that fully covers the current operating costs of the public transport system, in particular, of the municipally-owned public transport.

Kyiv has extensive transportation infrastructure that is operating at full capacity and is in need of much upgrading. Approximately 3.3 million people use public transport in Kyiv each day, and demand for public transport services is expected to increase each year for the foreseeable future. Significant financing, including borrowings and investment, is needed in order to upgrade and expand

the City's public transport system. The City seeks to develop the road and transport route network in Kyiv in order to bring it in line with European standards, particularly in terms of reducing commuting times. Specific proposed investment projects for the development of the City's road and transport route network include the extension of several metro lines, the building of additional metro tunnels, the expansion of the fleet of municipally-owned buses to alleviate the need for smaller privately-owned buses, investment in green transport technology, the construction of multi-level transport intersections, substantial road-building and the reconstruction of the rapid-transit tram line.

One of the most significant investment projects in the City's transportation sector in 2011 is the continuous construction of the Podilsky Bridge over the Dnipro River, which was started in October 2004 and is scheduled to be completed in December 2014. The implementation of this project requires the compulsory purchase by the City of privately-owned parcels of land located in the area covered by the construction project. In 2009, the Parliament adopted the Law of Ukraine "On the Alienation of Privately Owned Land Parcels and other Objects of Immovable Property, Located on Certain Land, in Case of Public Need", which regulates the compulsory purchase of privately-owned land and property in cases of public need such as the construction of important infrastructure. The City is currently endeavouring to complete the compulsory purchase of the remaining land parcels and expects to complete these purchases so that to allow the proposed schedule for the construction of the Podilsky Bridge to be maintained. The 2011 City Budget provides for UAH 13.3 million funding for the construction of the Podilsky Bridge.

Roads

Kyiv's roads are maintained and renovated by Communal Enterprise "Kyivavtodor". Kyiv's roads include 11 radial highways, two meridional roads, two semi-ring roads with a total length of 1.6 thousand kilometres and 158 bridges and overpasses. The current extent of Kyiv's road network (in terms of length of roads compared to size of territory and number of residents) is one of the lowest among European capitals, and traffic capacity in many areas is insufficient. The City considers reducing traffic congestion to be a policy priority and is taking various steps to attempt to alleviate it, such as constructing underground pedestrian walkways in order to encourage people to walk rather than drive. Currently, the City funds the construction, renovation and maintenance of all major roads in Kyiv from funds provided by the City Budget and the State Budget.

Public Transport

Metro. The Kyiv metro extends over 63.7 kilometres and as at 1 January 2011 included three lines, 49 stations and 753 metro cars. Approximately 504.3 million passenger journeys were made on the Kyiv metro in 2010, as compared to 502.5 million journeys in 2009. The State Budget subsidises the cost of travel of some special categories of passengers in the Kyiv metro. The Kyiv metro is owned by the City and is not subsidised by the State Budget. The City has prioritised the use and development of the metro due to its environmental soundness, as compared to private automobile use. From 2000 to 2010, the City implemented the Programme for the Development of the Kyiv Metro, adopted in 2000, and from 2002 to 2010, the City implemented the Programme for the Renovation of the Escalators and Power Cables of the Kyiv Metro, adopted in 2002. As a result of the implementation of these programmes, one new technical depot was built in 2007, one new station was built in 2008 and three new stations were built in 2010 in addition to certain maintenance works undertaken at the existing metro stations, which included replacing the power cables and escalators.

Overground transport. As at 1 January 2011, the City's overground public transport infrastructure consisted of 249.6 kilometres of tram lines and 497 kilometres of trolley lines. In 2010, approximately 712.3 million passenger journeys were made on Kyiv's overground public transport system operated by Communal Enterprise "Kyivpastrans" ("Kyivpastrans"), which is wholly-owned by the City, and an additional 376.9 million journeys were made on privately-owned overground public transport systems. As at 1 January 2011, there were 71 regular bus routes and 55 "shuttle" bus routes, 34 trolley routes, 20 tram routes and one funicular tram route, and Kyivpastrans's fleet was comprised of 1,353 buses, 494 trolleys, 446 tram cars and four funicular trams. Currently, Kyivpastrans's operating costs are subsidised by the City to cover operating and maintenance expenses not otherwise covered by passenger fares. The travel of special categories of passengers is subsidised by the State Budget.

From 2007 to 2010, the City implemented the Programme for the Development of the Kyiv City Transport and the Programme for Transport Ecology, which was aimed at developing high speed railways and improving the environmental impact of the City's transport network. As a result,