Your business in Ukraine

March 2025

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Foreword

According to the sixth KPMG CEO Outlook in Ukraine, part of an annual global survey of business leaders that KPMG first conducted 10 years ago, the level of CEO confidence in the country's growth prospects in 2024 had increased compared to where they were in 2022: up from 44% to 46%. For more context, this figure is more than twice as high as 2020, where CEO growth confidence was a mere 20%.

Despite the impact of Russia's full-scale invasion and the ensuing geopolitical and economic uncertainty, Ukrainian business has demonstrated unprecedented resilience and continues to grow, with a market that is more open to investment than ever.

In such times, navigating the Ukrainian business landscape can be complex but also rewarding, and our guidance can give you the clarity you need to take on both challenges and opportunities.

We offer a comprehensive guide to help you deal with issues such as how to start a business in Ukraine, what you need to know about tax regulations, how currency restrictions might affect your business, how to insure your company against war risks, what the rules are regarding investment legislation, how to obtain all the necessary licences and permits, and many other useful insights that will help you simplify your business decisions.

We also provide you with a broad macroeconomic overview of Ukraine and explore the country's key industries to better support your strategic planning.

KPMG in Ukraine became a member of the KPMG's CEE cluster in 2022. Together with teams from the KPMG network, we are currently using our expertise and inspiration to help rebuild Ukraine.

Launched in 2024, the KPMG Ukraine Gateway initiative focuses on renewal and redevelopment for Ukrainian businesses. We work with donor organisations, the Government of Ukraine, and the EU to create opportunities for international investment and sustainable development.

KPMG is proud to be your strategic partner in the fulfilling task of taking an active hand in Ukraine's reconstruction process. Together, we can help make a difference in Ukraine: taking positive steps for business, for people, and for communities. Treat our practical guide as your essential handbook for starting a business in Ukraine. Staying abreast of broader economic trends and industry opportunities, as well as enhancing your understanding of the Ukrainian legal system, will enable you to make informed decisions about the local market environment.

Benefit from our experience and knowledge to make informed and effective decisions. If you feel like you need personalised advice and further guidance from our team of experts, feel free to get in touch using the relevant contacts in this guide.

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Do your business in Ukraine with KPMG

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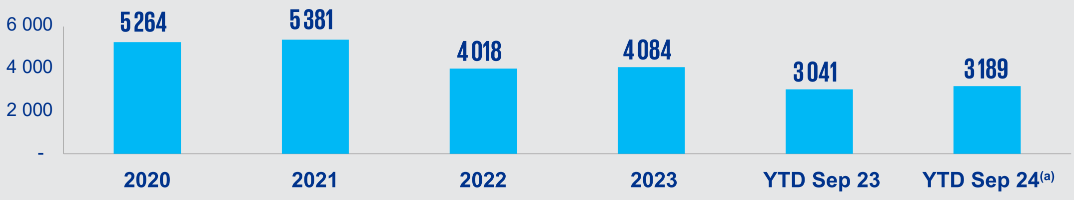
Content

1. Overview of the economic situation in Ukraine

Macroeconomic Overview

- The Ukrainian economy continues to maintain a measure of resilience to wartime shocks and has even demonstrated GDP growth since 2023. Further growth is expected between 2025–2026, with NBU forecasts projecting a 4.3–4.6% increase in GDP.
- According to preliminary estimates as of February 2024 from the United Nations' Third Rapid Damage and Needs Assessment (RDNA3), which analyses both the destruction done to Ukraine and its recovery and reconstruction needs, fixing the damage from the full-scale invasion would require a total of USD486 billion over the next 10 years. These significant costs reflect Ukraine's needs for extensive reconstruction while also presenting potential opportunities for investors.
- The key factors that will define Ukraine's economic capacity include the condition and functioning of the country's logistics infrastructure, electricity supplies sufficient to meet increasing civil and business needs, and the availability of labour on the job market.

Real GDP, UAHbn [b]



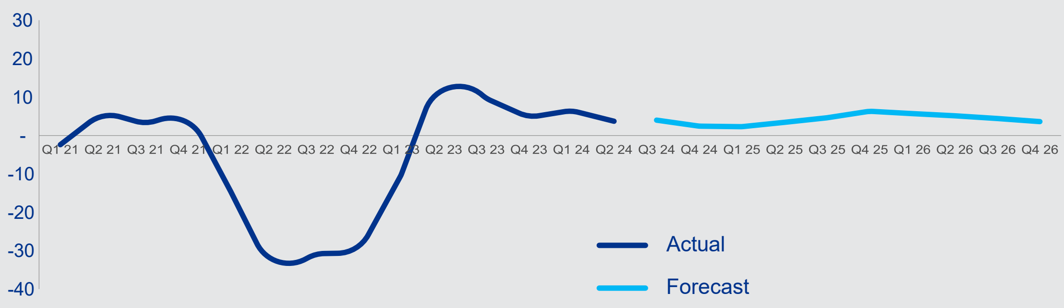
Note: a) Include NBU forecast for Q3 2024; b) Real GDP in constant 2021 prices
Source: NBU

Economic growth amidst wartime challenges

The Russian Federation's full-scale invasion of Ukraine and its associated consequences (territorial occupation, infrastructure and industrial destruction, port blockades and logistics disruptions, mass migration, etc.) resulted in a 28.8% decline in real GDP in 2022, marking the most significant downturn in Ukraine's history.

Nevertheless, Ukraine gradually adapted to the new wartime realities and economic recovery is underway. Real GDP growth for 2023 reached 5.3%, while the first three quarters of 2024 saw growth of 4.5% (±1%) compared to the corresponding period of the previous year.

Real GDP change, %

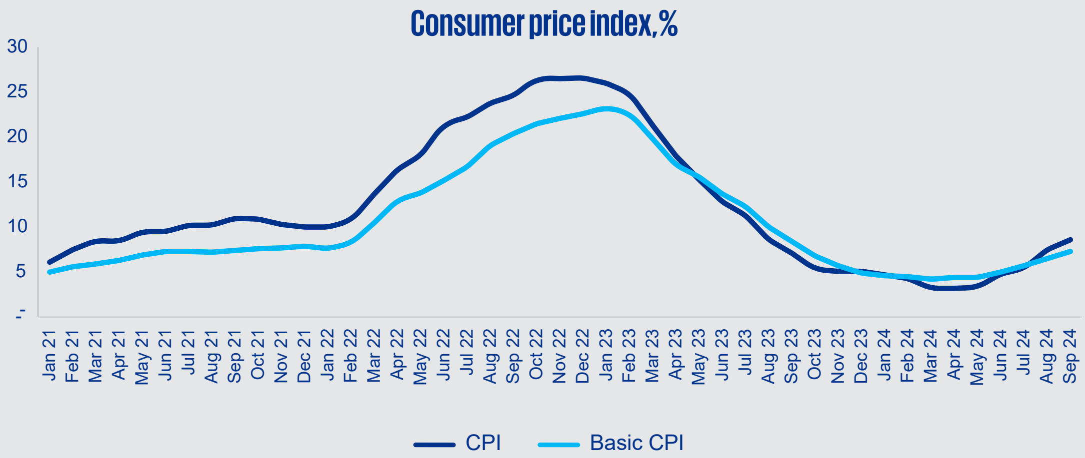


Source: NBU

Key factors contributing to Ukraine's economic recovery include increased consumer demand, favourable weather conditions, the recovery of stable operation of the Ukrainian maritime corridor, and budgetary financing (including defence orders, constructing fortifications, and restoring critical infrastructure and housing). Key constraints to further Ukrainian economic growth, meanwhile, include labour shortages, security risks, electricity deficits, negative migration trends, and the slow rate of normalising economic conditions.

According to current forecasts by the National Bank of Ukraine (NBU), the country's real GDP growth rate is projected to range from 4.3–4.6% between 2025–2026. However, based on World Bank estimates, the adverse effect of significant infrastructural damage and widespread electricity disruption may contribute to a more muted 2% GDP growth in 2025.

Inflation

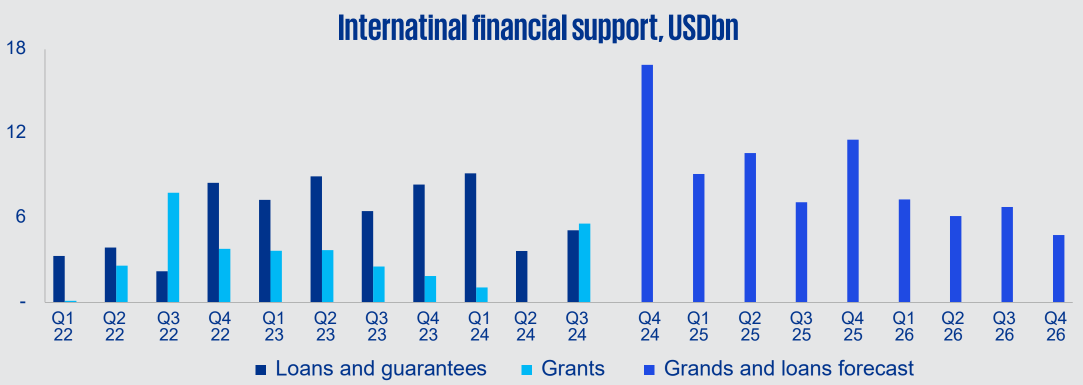


Source: NBU

The various economic and physical impacts of the full-scale invasion, including destruction of enterprises and infrastructure, disruptions to production and supply chains, rising business production costs, and the negative impact on the UAH exchange rate, collectively contributed to a 26.6% increase in consumer prices. Nonetheless, 2023 saw a marked slowdown in inflation, attributable to strong harvests, decreases in global energy prices, a moratorium on raising tariffs for certain utility services, and a balanced monetary policy from the NBU specifically targeting inflation.

Ukraine's inflation rate decreased in the first half of 2024 but began rising again in June as a result of higher business expenses and a weakening UAH exchange rate. By September, the inflation rate had accelerated to 8.6% per year, driven by increases in the cost of raw materials for the food industry due to poorer agricultural harvests. The NBU expects the rate of inflation to start decreasing in the first half of 2025, supported by monetary policy, easing external price pressures, energy sector improvements, and potentially better harvests.

International financial support



Source: NBU

A global coalition: international partners stand with Ukraine's economy

Financial grants, loans, and credit from international partners are one of the key factors supporting the current state of Ukraine's economy, helping to cover the state budget deficit and regulating the structural deficit in the foreign exchange market. In 2023 and during the first three quarters of 2024, international financial support amounted to USD31 billion. Of this, USD18 billion (73%) was provided in the form of loans and guarantees, with the remainder provided in the form of grants (compared to 2022, where 56% of USD32 billion in financial support was represented by loans and guarantees). Key partners in 2024 were the EU, USA, IMF, Japan, and the World Bank.

Imports and Exports

Foreign investment returns, signaling confidence in recovery

Top categories in Goods

	USDm YTD Sep 24	Change, % 2022-2023
Export		
Food products and raw materials for their production	**17 923**	**(6%)**
Ferrous and non-ferrous metals	**3 409**	**(34%)**
Mineral products	**2 418**	**(45%)**
Import		
Machinery and equipment	**17 348**	**32%**
Products of the chemical and related industries	**8 880**	**19%**
Mineral products	**6 777**	**(18%)**

Top categories in Services

	USDm YTD Sep 24	Change, % 2022-2023
Export		
Telecommunications	**4 895**	**(8%)**
Transport	**3 155**	**(1%)**
Other business services	**2 394**	**17%**
Import		
Travel services	**10 864**	**(13%)**
Transport	**2 477**	**18%**
State goods and services	**876**	**(22%)**

Source: NBU

The net import of goods to Ukraine increased by 339% in 2023 (compared to 2021). This was primarily driven by reduced exports of ferrous and non-ferrous metals, mineral products, machinery, and food products and a lower decrease in the total import figures, mostly caused by reduced need for machinery, chemical industry products, and ferrous and non-ferrous metals and their products. In the first three quarters of 2024, commodity net imports increased by 1.7% (USD347 million), due to increased import of machinery and ferrous and non-ferrous metals and their products, which was partially offset by exports of agricultural products, food, mineral products, and ferrous and non-ferrous metals.

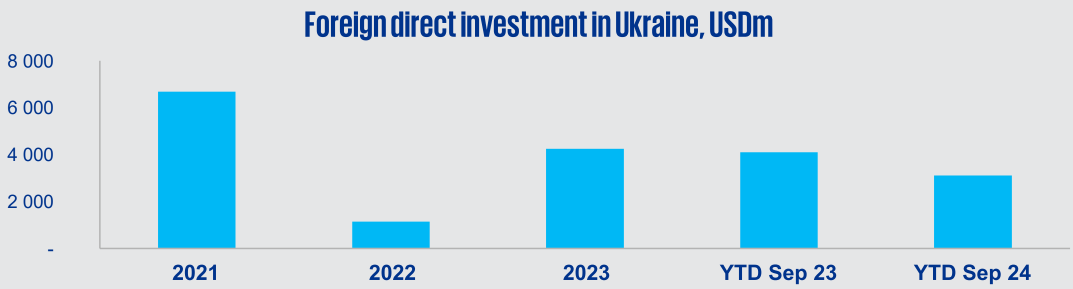
Prior to the war, Ukraine's services export exceeded imports by 28% in 2021. However, due to a sharp decline in the export of air transport services, processing services, professional and management consultancy services, and maritime transport services in 2022 and 2023, service imports in these years exceeded exports by USD11 billion and USD9 billion, respectively. Service exports grew to USD13 billion in the first three quarters of 2024, resulting in a 41% decrease in net imports compared to the same period of 2023. This change was driven by increased exports of transport services and business services, particularly technical and trading services. The main factors contributing to the decrease in imports involved reduced spending by travellers and short-term migrants.

Source: NBU

According to the NBU, Ukrainian exports are expected to gradually recover in the medium term, primarily due to the stable operation of Ukraine's maritime corridor through the Black Sea. The easing of trading conditions with several countries and trading blocs via new conditions to Ukraine's free trade agreements with the EU, Turkey, and Canada, should also contribute to recovery in external trade dynamics.

Foreign investment returns, signaling confidence in recovery

Foreign Direct Investment (FDI)



Source: Minfin

Russia's war of aggression against Ukraine resulted in a dramatic and immediate decrease in foreign investments to Ukraine (down 83% in 2022). However, foreign investors started to revive their activities in the following year, with nearly USD4.3 billion of total FDI in 2023. A substantial portion of these investments came from foreign investors that were already established in the Ukrainian market.

Foreign direct investment in Ukraine

Top countries by balances, USDm

	Cyprus	Netherlands	Germany	United Kingdom
31 Dec 2021	20 846	14 212	3 013	3 019
30 Oct 2024	17 527	11 572	2 282	2 789

Top industries by balances, USDm

	Agriculture	Industry	Wholesale and retail trade
31 Dec 2021	3 003	28 747	10 187
30 Oct 2024	3 376	21 236	9 234

Source: NBU

There was more than USD3 billion of investment in Ukraine in the first 3 quarters of 2024, with the highest investment balances maintained by Cyprus (32%), the Netherlands (21%), the United Kingdom (5%), Germany (4%), Switzerland (4%), the United States (4%), and Austria (4%).

As of the end of October 2024, the largest foreign direct investment volumes were directed towards wholesale and retail trade companies (17%), financial and insurance companies (10%), mining (9%), and real estate operations (7%). Notably, the financial and insurance services sector saw 36% growth compared to December 2022, while the agriculture sector and wholesale/retail trade also experienced significant increases. Three sectors have also surpassed 2021's pre-war levels: agriculture (up 12%), information/telecommunications (up 14%), and arts/sports/entertainment/recreation (up 10%).

M&A activity[1]

Ukraine's M&A market was severely affected by Russia's full-scale invasion. Out of 75 deals announced in 2021, 20 deals were cancelled and only 28 new deals with a disclosed total value of USD494 million were announced in 2022. Mirroring the Ukrainian economy, the M&A market also experienced limited improvement in 2023, though there were only 3 deals with a value exceeding USD100 million: reflecting a level of reluctance on the part of investors. Nonetheless, 2023 saw 47 transactions announced, with the volume of activity increasing by almost 70% compared to the prior year.

Deal volume in the first three quarters of 2024 remained at almost the same level as the same period of the previous year, though total deal value showed a marginal uptick of 2.9% compared to the first three quarters of 2023: reaching USD643 million (up from USD625 million in first three quarters of 2023).

There are four key sectors driving Ukraine's M&A activity: innovation and technology, agriculture, real estate and construction, and transport and infrastructure. Collectively, these sectors constituted more than half of total deal value and volume in 2023 (57% and 64%, respectively).

Similarly, the largest number of deals in the first three quarters of 2024 in terms of both value and volume, occurred in the IT sector, followed by the communication and media sector in terms of deal value, and the real estate and agriculture sectors in terms of deal volume.

Outbound transactions accounted for 28% of total deal volume. Relatively high levels of outbound deal activity (2022 and 2023 saw five and six outbound deals, respectively) was attributable to companies looking to further diversify their investments and pursue opportunities on international markets. Foreign investors remained relatively active in the first three quarters of 2024, with 10 inbound deals announced (compared to 13 in the first three quarters of 2023). The majority (60%) of these inbound deals were once again focused on Ukraine's IT sector. Domestic Ukrainian M&A activity appears to have declined compared to the first three quarters of 2023, accounting for just 18% of the total deal value and 44% of the volume of Ukrainian deal-making in the first three quarters of 2024. However, low levels of transparency, especially regarding domestic M&A deals, means that the actual level may be higher than presented. The first three quarters of 2024 saw the lowest levels of value disclosure reached since 2013, with only 25% of domestic transactions sharing deal values. This constituted a marked decrease from 71% of deal values disclosed in the same period of 2023.

Please refer to KPMG Ukraine M&A Radar for more details regarding Ukrainian M&A market trends.

Navigating uncertainty, embracing opportunity

[1] Only including deals with an individual deal value above USD5 million.
Please refer to M&A Radar methodology

Amidst the challenges and opportunities presented by the Russia's war of aggression, Ukrainian companies are currently focusing on three major areas that significantly impact their day-to-day operations.

Logistics

Despite decades of underinvestment and outdated infrastructure, Ukraine remained a vital logistics hub for European and Asian trade due to its geographical location and the availability of numerous affordable transport routes by rail, road, river, and sea. Various projects were previously being implemented to improve logistical connections with the west, including plans for public-private partnerships in developing port and airport infrastructure. However, Russia's full-scale war of aggression has had a significant negative impact on Ukraine's trade and transport infrastructure, including the complete closure of Ukrainian commercial airspace, restrictions on river transportation, and damage to road, railway, and other logistics infrastructure.

Prior to February 2022, 98% of grain exports passed through Ukraine's Black Sea ports, with the Mykolaiv Sea Port playing the foremost role. This naturally entailed significant infrastructure investment on the part of both domestic and foreign companies (e.g. Bunge, Nibulon, COFCO, etc.) to further develop Ukraine's sea transportation facilities. However, due to Russia's full-scale invasion, Mykolaiv port was closed and Ukraine lost control of the temporarily occupied Mariupol port facilities. Other key ports (Chornomorsk, Pivdennyi, and Odesa) have only been able to operate at partial capacity since February 2022.

According to a January 2024 report from the Kyiv School of Economics, the total amount of damage to Ukraine's transport infrastructure so far amounts to USD36.8 billion.

As per the UN's RDNA3, transportation and infrastructure constitutes 15% of this total estimated USD486 billion needed for reconstruction and recovery, second only to housing and residential property destruction (17%).

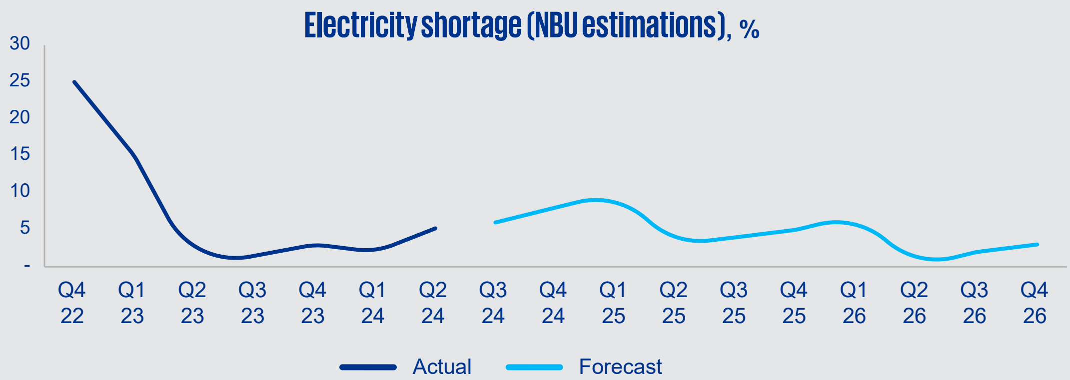
Priority investments Ukraine`s transportation sector are focused on domestic and transnational connectivity, including roads, railway, bridge, and port reconstruction, as well as rebuilding and improving the necessary infrastructure for checkpoints and postal services. Noted as among Ukraine's most urgent needs, more than 2,000km of emergency repairs have already been made to motorways and other national roads in 2023.

The key risks for Ukrainian logistics include the potential for further physical destruction of infrastructure and renewed border blockades by neighbouring countries. Highlighting the ongoing nature of these risks, there were a number of Russian attacks on Ukraine's seaports in October 2024, resulting in damage or destruction to 300 port infrastructure objects, 177 vehicles, 22 civilian vessels, and 79 civilian injuries.

Facing the challenges of war and reconstruction

Bukovel

Energy infrastructure



Source: NBU

Ukraine's energy infrastructure has continued to be the target of Russia's repeated mass missile and drone attacks, resulting in power outages across the country. While certain enterprises and institutions have been designated as critical infrastructure and experience minimal power outages, lack of energy autonomy is a key constraint for the majority of enterprises and the Ukrainian population as a whole and must be addressed to enable growth and functional day-to-day life.

According to the Kyiv School of Economics, direct damage to Ukrainian energy infrastructure was estimated to be at least USD9 billion as of January 2024, while the Ministry of Energy of Ukraine calculated the total loss of Ukrainian energy capacities due to Russian attacks to be 9 GW as of 8 October 2024.

Despite ongoing repairs, the situation in the Ukrainian energy sector remains challenging due to significant losses and damage to both generating and transmission capacities. However, thanks to the finalised ENTSO-E integration of Ukraine's energy system with European transmission networks in March 2022, deficits in domestic capacities can now be partially covered by imports. According to the NBU, these energy imports have an estimated annual cost of approximately USD1 billion. Starting from December 2024, the maximum capacity for importing electricity from EU countries increased from 1.7 GW to 2.1 GW.

Key goals for restoring Ukraine's energy systems involve repairs to transmission and distribution lines, decentralising and restoring generating capacities (including further developing Ukraine's renewable energy potential), and overall improvements to protecting the country's electrical grid.

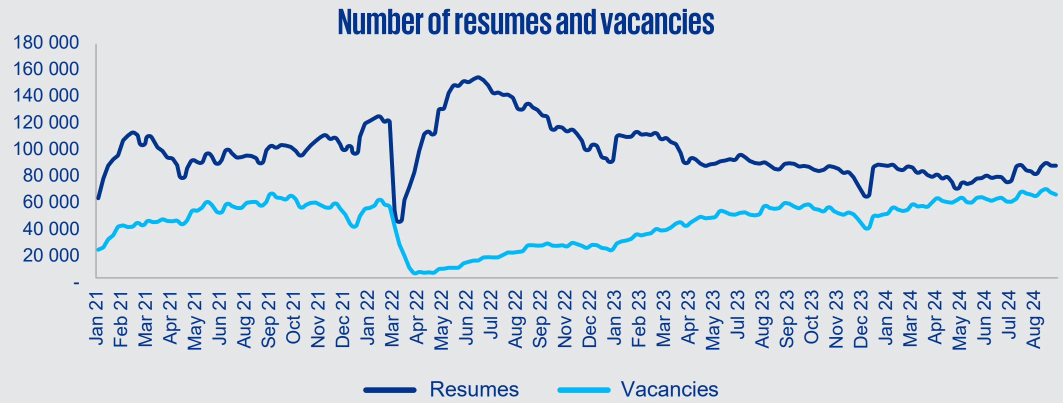
Investing in energy security for a sustainable future

With such pressing needs, Ukrainian businesses are taking an active role in developing solutions to improve their resilience in the face of an uncertain energy outlook. As of October 2024, 66% of companies participating in a European Business Association survey said they had their own generation capacities or alternative sources of energy. Similarly, 66% of those companies said they could cover up to half of their energy needs through autonomous energy sources, with 34% stating that they could cover more than half. Petrol station chain OKKO, for example, has installed solar power generation facilities at 198 of its 400 petrol stations, meeting 15–55% of their daily electricity needs. OKKO also signed a EUR60 million loan agreement with the EBRD in June 2024 to finance a new bioethanol production plant which will further alleviate risks arising from potential fuel and energy deficits.

Discount supermarket chain ATB has invested UAH600 million (USD14.2 million) in diesel generators and fuel tanks, and a further UAH250 million (USD5.9 million) in installing solar panels. Renewable sources currently cover 15% of store consumption, and ATB plans to equip more than 180 outlets with solar panels in 2025.

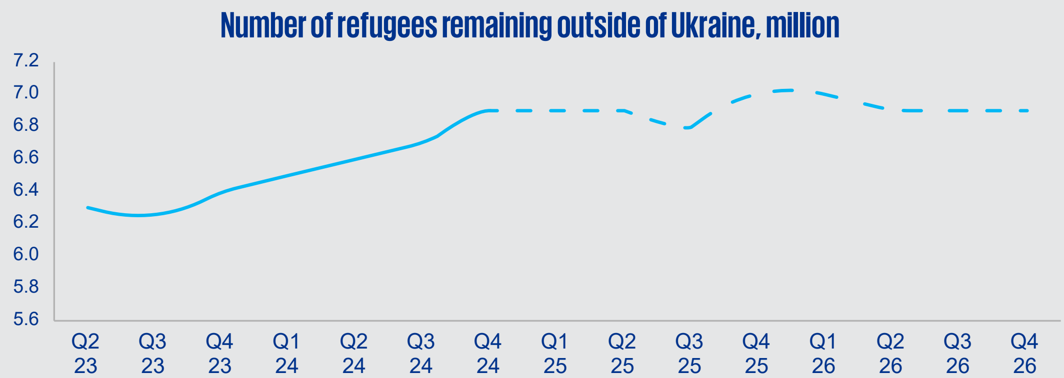
Despite targeted attacks on Ukraine's energy infrastructure, the energy sector continues to present investment opportunities. Plans to restore and decentralise generating capacities, develop renewable energy potential, and enhance grid protection show potential for growth and enhanced resilience. Ukrainian businesses are also investing in alternative energy sources, demonstrating an increasing commitment to energy sustainability.

Workforce development



Source: NBU

Matteo Patrone, former EBRD Managing Director for Eastern Europe and the Caucasus stated in a 2021 interview with Andriy Tsymbal (Managing Partner, KPMG in Ukraine) that “the true competitive advantage of [Ukraine] is its human capital”. However, while Ukraine retains many competitive advantages in terms of education, technical expertise, and moderate labour costs, Russia’s war of aggression has had an inevitable demographic impact.



Source: NBU

Looking at broad trends, around 7.7 million Ukrainians were outside the country due to the war as of November 2024, according to the Ministry of Foreign Affairs of Ukraine (excluding Ukrainians in the Russian Federation due to a lack of reliable official information). More region-specific data generally aligns with this assessment, with Eurostat observing that almost 4.2 million people from non-EU countries who fled Ukraine due to Russia’s invasion were under temporary protection in countries across the EU as of 30 September 2024. The NBU anticipates that the net return of displaced people Ukraine will begin in 2026.

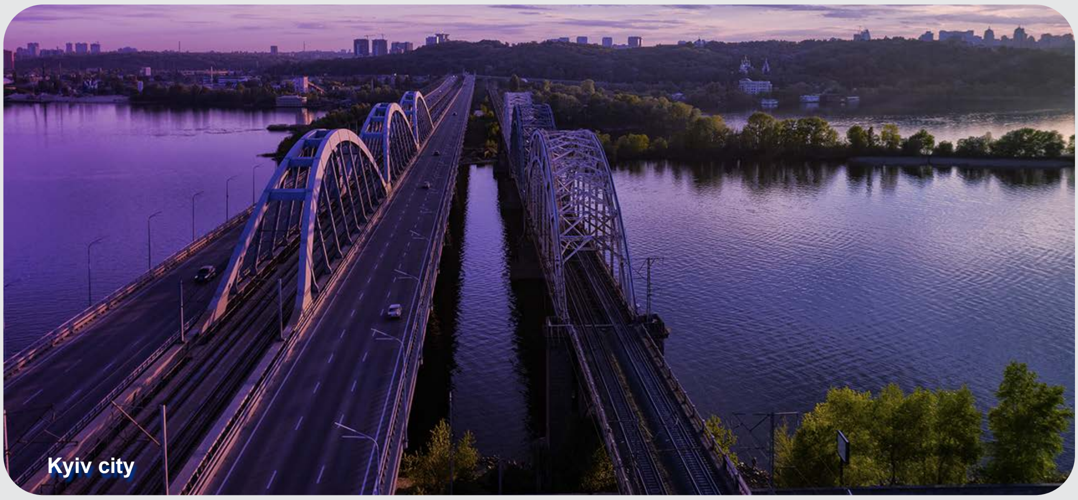
Adaptation and development despite the war

Displacement is just one aspect of the impact Russia’s war. While comprehensive information about the number of military and civilian casualties is not yet available, UN reports estimate that at least 12,162 civilians have lost their lives as a result of the full-scale invasion, with a further 26,919 wounded as of the end of October 2024. Mobilisation of Ukrainian males has also had an impact on employment, with drafting intensifying following the implementation of the new mobilisation law in May 2024.

High levels of competition for an increasingly scarce labour force has therefore driven higher average salaries in 2024, with the average monthly salary in the first three quarters of 2024 increasing by 15% compared to the previous year.

Despite rising salaries, the number of job vacancies by the third quarter of 2024 was still the highest since the beginning of the full-scale invasion, with growth in the number of vacancies observable across nearly all positions and sectors.

According to a survey by the Institute for Economic Research and Policy Consulting, shortages in labour are seen as an increasingly significant obstacle to business operations, regardless of industry.



Kyiv city

War risk insurance

One of the key factors in ensuring recovery and strengthening business activity and investment attractiveness during and following any wars is the availability of investment insurance tools against war and political risks.

Ukraine implemented a law for insuring investments against war risks in 2024, enabling the Export Credit Agency to insure and reinsure investments made by international and domestic companies, as well as investment loans made by Ukrainian banks. The Ministry of Economy of Ukraine also collaborates with international finance institutions to implement risk-mitigation insurance programmes, including partnerships with:

- the World Bank
- the Multilateral Investment Guarantee Agency (MIGA), providing more than USD324 million in guarantees since the start of the full-scale invasion
- the US Development Finance Corporation (DFC), developing war-risk insurance projects totalling more than USD380 million
- the European Bank of Reconstruction and Development (EBRD)
- export credit agencies from other partner countries.

War risk insurance opens doors for growth

A collaborative programme by the EBRD and Aon offers a recent example of such an insurance initiative. From December 2024, EUR110 million will be collectively provided for reinsurance of war-related risks in Ukraine, specifically in the sphere of inland transportation and damage to vehicles.

When considering war risk disruptions to logistics and the impact of the Black Sea transportation corridor, Marsh McLennan and Lloyd's of London continue to work jointly with the Government of Ukraine to implement the UNITY ship insurance programme, the success of which saw announcements of significant programme expansion in March 2024. Maritime transportation of grain and other essential foodstuffs can be insured under UNITY, ensuring the globally essential flow of Ukrainian agricultural produce to other countries. Beyond this, the programme also offers insurance to vessels carrying all non-military cargoes, such as iron ore, steel, and container shipments, further enabling the reopening of Ukraine's international trade routes.

Another option for war risk insurance was recently announced by McGill & Partners, ARX, and FortuneGuard, an AI-driven insurtech brokerage providing products designed for medium and large businesses, as well as foreign and local investors operating in high-risk areas of Ukraine. Policies offer base coverage of up to USD50 million against missile, drone, and air defence-related damage for Comprehensive protection against physical damage caused by missiles, drones, and air-defence system damage for assets located more than 100 kilometres from the frontline.

For more information regarding war risk insurance, please refer to 5. War risk insurance

Government support

State support also serves as a powerful stimulus for business development in Ukraine, attracting additional investment flows into the country. Various support programmes are offered to small- and medium-sized enterprises (SMEs) and large companies, suited to the scale of the business and their relevant projects.

Government programs drive business development

Key programmes on offer include the following:

- The "Affordable Loans 5-7-9%" programme: an entrepreneurship lending programme that principally targets SMEs (UAH18 billion in budget allocation for 2025)
- YeOselya programme: offering support for Ukraine's construction sector while simultaneously providing the Ukrainian population with much-needed housing (UAH9 billion in budget allocation for 2025)
- "Grants for producers": entrepreneurs in the processing sector will soon be able to receive up to UAH8 million to purchase necessary equipment and machinery (UAH1.4 billion budget allocation for 2025)
- "Compensation of the cost of Ukrainian agricultural machinery": agricultural entrepreneurs will be able to purchase Ukrainian agricultural machinery and receive 25% compensation for the costs of buying domestic machines (UAH1 billion budget allocation for 2025).
- Industrial parks: the Government of Ukraine plans to allocate UAH1 billion of support for projects involving the construction and modernisation industrial park infrastructure in 2025.
- "Projects with significant investments": investment projects which exceed EUR12 million can potentially receive compensation of up to 30% of their capital investments, with the state also offering support and facilitation for such projects in their preparation and implementation stages.
- "Partial compensation programme for the purchase of Ukrainian machinery": a programme offering 15% compensation of the costs towards purchases of machinery and equipment made in Ukraine. (UAH1 billion planned budget allocation for programme realisation in 2025).
- "Demining": a programme involving compensation for agricultural sector businesses that require demining for safe and productive business operations (UAH1 billion budget allocation for 2025).

Other tools have also been designed to increase potential investor interest, such as Product Sharing Agreements for developing land for mineral exploitation and extraction, and Public-Private Partnerships which offer concessions on large infrastructure objects and other state services. These tools present sizeable opportunities for investment by large-scale investors and state sovereign wealth funds.

There are also programmes and grants offered by international institutions and governments of foreign countries which can be used for investing in Ukraine. The Ukraine Investment Framework (UIF), for example, operates by providing guarantees and mixed financing, combining loans and grants. Investment areas include energy, access to finance, human capital, transport, agri-food, critical raw materials, digital transformation, and green energy transition.

Resources with lists of existing projects seeking financing:

Home - #AdvantageUkraine | #AdvantageUkraine

Головна - UkraineInvest

Invest in Ukraine - Investment map of Ukraine

Kyiv city

Overview of key sectors

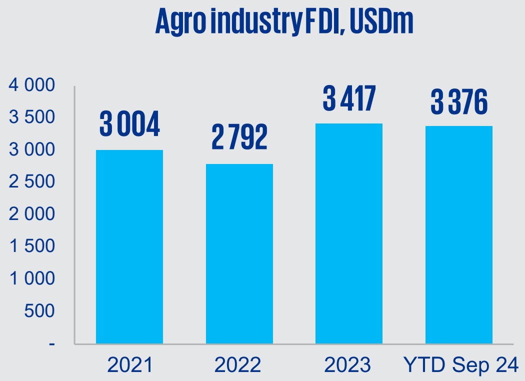
Agriculture

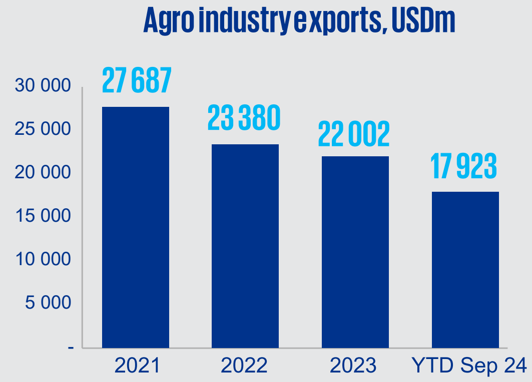
Agriculture remains one of the key pillars of Ukraine's economy, a vital sector with traditional strengths in crop production, as well as animal husbandry, forestry, and fisheries. To highlight agriculture's importance to the Ukrainian economy, the sector's share of goods exports varied between 57–63% from 2021 to the first three quarters of 2024. Before the full-scale Russian invasion, Ukraine was among the top-5 grain exporters worldwide, supplying 10% of global wheat exports, more than 14% of corn, and over 47% of sunflower oil. Ukraine currently remains a key supplier in the global grain and sunflower oil markets, with a share of over 10% of international trade.

Transforming agriculture: from raw materials to processed goods

- Despite Russia's invasion, Ukraine's farmers and agricultural conglomerates have continued to operate, growing and selling produce to meet demand from both domestic and international markets.
- Ukraine historically possesses extensive agricultural expertise, as well as exceptionally favourable local conditions, with considerable potential to further unlock even greater levels of productivity.
- According to reports from the Kyiv School of Economics, direct losses to Ukraine's agriculture sector amounted to USD10.3 billion as of January 2024. Significant investment opportunities currently exist, both as a result of the need to for reconstruction and Ukraine's aforementioned agricultural potential. Areas of particular interest include transportation and storage facilities and infrastructure, demining, irrigation, biofuel, innovation technologies, and high value-added production.

Industry overview





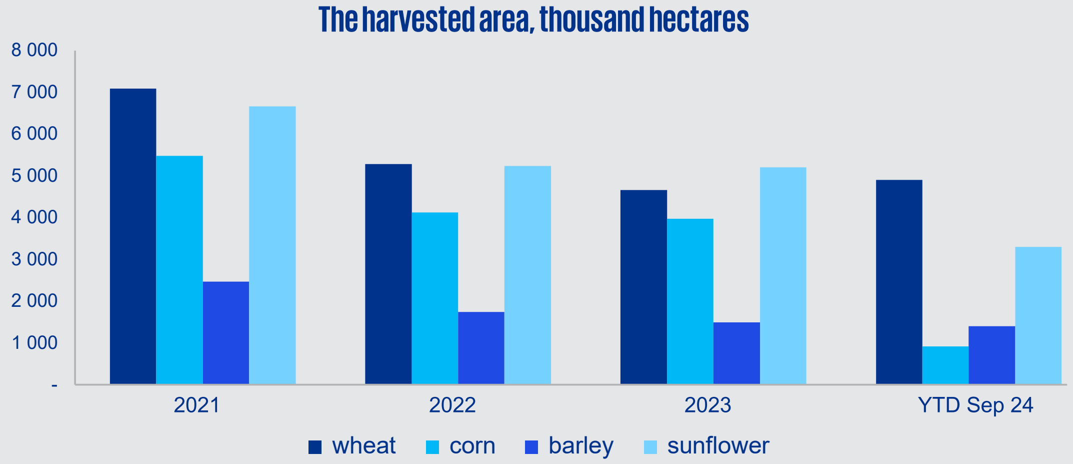
Source: NBU

Ukraine had approximately 60 million hectares of territory prior to the full-scale invasion, 42 million hectares (71%) of which constituted agricultural land.

As of November 2024, approximately 6.7 million hectares of Ukrainian territory are under temporary occupation (11% of the total area). However, this territory is disproportionately comprised of land used for agricultural purposes, with 18% of Ukraine's total arable land under occupation and an additional 6.5% of Ukraine's agricultural land temporarily withdrawn from activity due to combat actions. This represents close to one quarter of all Ukrainian agricultural lands prior to the February 2022 invasion. As of September 2024, the Ministry of Internal Affairs of Ukraine reported that over 139,000 km^2 is contaminated with landmines and unexploded ordnance, or approximately 25% of Ukrainian land. This presents a significant challenge to domestic economic recovery and global food security.

Harvested area

Ukraine's main agricultural crop outputs include wheat, corn and barley, sunflower seeds, and sugar beet.

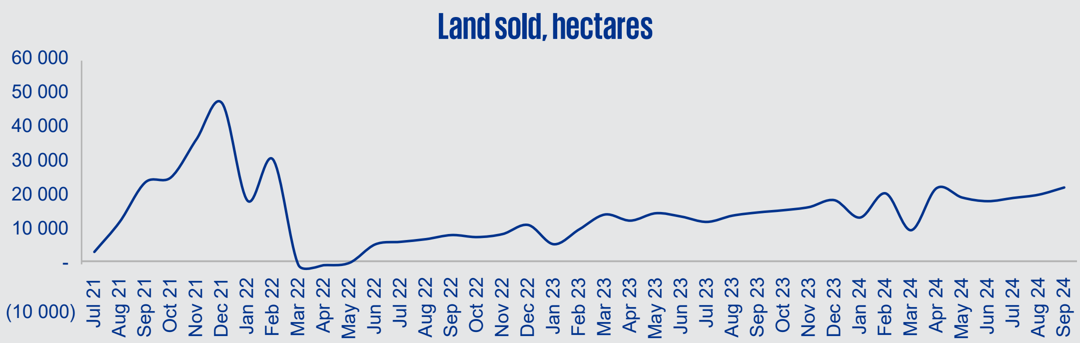


Source: State Statistics Service of Ukraine, Ministry of Agrarian Policy and Food of Ukraine

In response to various difficulties presented by the full-scale invasion, including restrictions imposed by bordering countries and the EU on the types of products that Ukraine can export, Ukrainian agricultural producers have changed the proportion of sown areas dedicated to crops that maximise profitability, such as oilseed crops which can be processed into unrestricted exportable products like sunflower oil. This has enabled agricultural producers to partially cover the higher costs associated with wartime production.

The harvested area of key crops (wheat, corn, barley, and sunflower) decreased by 29% in 2023 (compared to 2021), with the largest reduction of noted for barley crops (down 40%). Available information for the 2024 harvest indicates a further slight decrease by 7% for Ukraine's principal crops (largely attributable to falling volumes of corn and sunflower production).

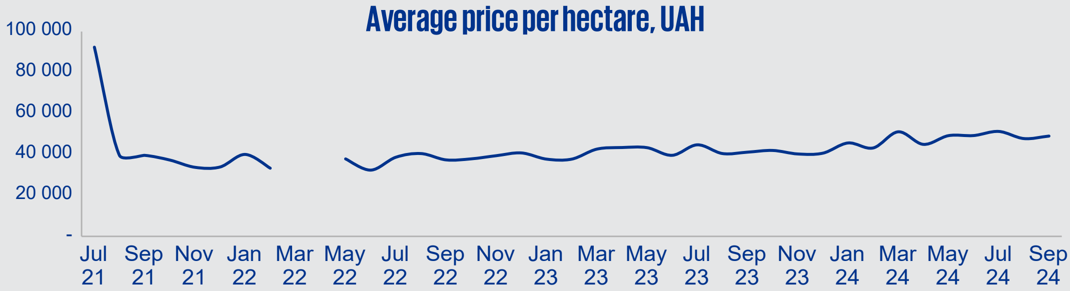
Land market



Source: Opendatabot

The Ukrainian agricultural land market opened on 1 July 2021, with sales of privately-owned initially exclusively available to Ukrainian private citizens. From 1 January 2024, legal entities have also been granted access to the Ukrainian land market.

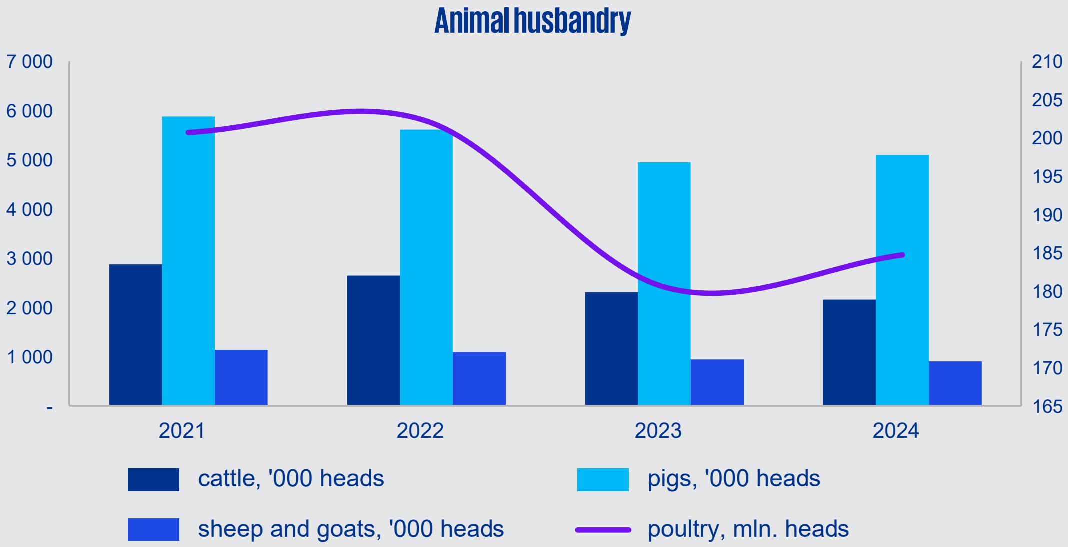
A total of 599,082 hectares were sold from when the land-sales moratorium was lifted in July 2021 to September 2024, with interest in the land market gradually increasing and an observable trend towards gradual growth in the volumes of land being purchased.



Source: Opendatabot

The average price per hectare in September 2024 was UAH49,000, representing a 21% increase in price compared to December 2023. This increase in average price was attributable to legal entities gaining access to the land market and more accurate disclosure of information regarding the actual cost of purchases. Compared to August 2021, land prices have grown by 24% which once again reflects both increased demand and improved disclosures of real purchase prices.

Livestock sector



Note: Data as of 1 January of each year

Source: State Statistics Service of Ukraine

The livestock sector in Ukraine is vital for ensuring domestic food security and holds significant export potential. Livestock also plays a key role in enhancing the profitability of crop and vegetable processing, as the by-products of processing plant-based products serve as a feed base for animals.

The market has experienced a steady decline in the numbers of livestock, with the war exacerbating this process. Animal husbandry currently constitutes 30–35% of Ukraine's agricultural sector output.

The strategy for the developing Ukraine's agro-industrial complex includes targets for substantial increases in the production of meat, eggs, and milk through additional sectoral investment, with an estimated USD4.8 billion required for essential improvements.

Key market players

According to Ukrainian company information site YouControl, agricultural companies comprised 97 of Ukraine's top 1,000 companies by revenue in 2023. These companies' combined revenues accounted for UAH506.9 billion, 7.1% of the total net revenues of Ukraine's top-1,000 companies.

The top players in terms of 2023 revenue included Kernel, MHP, Eridon, and Ukrlandfarming.

Top -6 agrarian companies based on the revenue 2023

		Revenue 2023, UAHbn	Change (2022-2023), UAHbn
1	**Kernel**	115	(14)
2	**MHP**	111	25
3	**Eridon**	33	12
4	**Ukrlandfarming**	20-30	(5)
5	**Astarta**	25	7
6	**Nibulon**	23	8

Sources: Forbes, Company Data

Current market development

Current and recent investment projects by agro-industry leaders highlight the need for active investment in storage infrastructure, strengthening logistical and energy autonomy, making improvements to food processing facilities, and providing support for local farmers that contribute to large-scale holdings.

Examples of these projects include the following:

- Since the start of the full-scale war, Kernel has made approximately USD250 million in investments, including in processing facilities. In February 2024, Kernel launched the Starokostiantyniv seed oil extraction plant in the hopes of compensating for the loss of productive capacity in Kharkiv region.
- In 2024, MHP acquired three companies worth a combined USD35 million: Myasnyi Hutir (processed meat products), Ovocheva Skarbnytsia (processed vegetable products), and KTL Ukraine (transportation). These investments were made in line with the company's stated strategy to transition its business from a raw materials company to culinary products.
- Nibulon has mainly focused its investment activities on property, plant, and equipment like agricultural machinery (USD17 million in 2023), logistics and storage infrastructure (USD20 million and USD7 million, respectively), and the company's IT segment (USD2 million).

Significant investment opportunities in the agricultural sector currently exist in transportation and storage, demining, irrigation, biofuel, innovation technologies, and high value-added production. Other areas of focus also involve localising seed and crop protection agent production (i.e. herbicides, insecticides, fungicides, etc.), driven by domestic demand and the need for import substitution. With the right level of targeted investment, UkraineInvest claims that Ukraine has all the necessary conditions to restore food export volumes to pre-war levels and could even double these figures. Ukraine also has the potential to emerge as a leading provider of organic and sustainable agricultural products to the EU and Middle East, as well as a primary supplier of private label food products to the EU.

For decades, there has been an understanding that Ukraine should move from primarily exporting raw materials to producing higher value-added goods. However, the lack of specific resources, knowledge, and political will has made progress towards this goal challenging. The ongoing war presents a new obstacle, though it can also serve as a stimulus to "build back better" by encouraging reconstruction of the Ukrainian agricultural sector based on new visions and perspectives.

As per initial projections presented at the Ukraine Recovery Conference, processing half of agricultural raw materials (notably wheat and corn) could potentially generate an additional USD30 billion in annual export revenues for Ukraine. Strategies for developing Ukraine's agro-industrial complex therefore include key performance indicators that envision 50% of agricultural raw materials undergoing deep processing in the future.

Biofuel production also presents a considerable opportunity, as Ukraine possesses vast potential resources that are currently underutilised. Developing this sector could contribute to the growth of the domestic market and support Ukraine's transition to more environmentally sustainable practices. In its strategy for developing the domestic agro-industrial complex, the Government of Ukraine states that one goal is the construction of 2,000 facilities with a total combined production capacity of 10 billion m3 of biomethane.

Ukraine's agricultural sector has consistently been a strategic priority for the country, receiving various forms of state support, with the challenges of the full-scale war underscoring the critical importance of state and international support. There are currently several mechanisms and programmes available to support agricultural producers, including: the "Affordable Loans 5-7-9" programme, budget subsidies and subventions, grants, the partial Deposit Guarantee Fund (which offers guarantees for farmers to purchase equipment and land), a 25% compensation for the purchase of Ukrainian agricultural machinery, as well as other programmes proposed by international donor organisations.

Mineral Resources

Zaporizhzhia city

Under Ukrainian law, mineral resources are owned by the Ukrainian people. However, the state authorities have the right to dispose of subsoil rights to these minerals on behalf of the people. The right to use Ukrainian subsoil is granted through licences issued by the Ukrainian Geological Survey. The licence holder becomes the owner of the mineral resources once the resource is extracted from the subsurface.

Since Ukraine's independence, the mineral resources industry has been a key driver of economic growth and remains vital to national resilience, even during wartime. Despite substantial challenges posed by Russia's ongoing military aggression, the sector has shown notable successes in recent years and holds considerable potential, making it an attractive opportunity for future investors. *The Ukrainian mineral resources industry includes the extraction of natural resources, such as iron, coal, natural gas, oil, metals, and others.*

Ukraine's minerals: a vital source of critical raw materials for a green transition

- Russia's full-scale invasion has heavily impacted Ukraine's mineral exports which have declined from a peak of USD7.9 billion in 2021 (12.5% of all Ukrainian exports) to USD2.3 billion in 2023 (6.5% of all exports). Nonetheless, there are still strategic opportunities, especially in critical raw materials (CRMs) such as titanium, lithium, and graphite resources which are essential for sectors like electronics, aerospace, and renewable energy.
- Ukraine's active privatisation strategy, as showcased by the recent sale of the United Mining and Chemical Company (UMCC), is aimed at increasing foreign investment and modernising the mineral resources industry. Ongoing efforts continue, such as the upcoming auctions of Zaporizhzhya Titanium and Magnesium Combine and Demurinsky Mining and Processing Plant, indicating a push to attract foreign capital and further strengthen the sector.
- The mineral resources sector faces several key challenges: many deposits of key exported resources (e.g. iron and coal) are located near the zone of hostilities, especially in the Dnipropetrovsk and Zaporizhzhia regions. Access to electricity is also inconsistent as Russian attacks on infrastructure often lead to power shortages which require scheduled outages that disrupt operations.
- Despite the challenges, new investment opportunities are emerging. Critical resources such as graphite, lithium, and titanium are located far from active hostilities. Ukraine's strategic partnership with the EU also has the potential to supply Europe with these resources, reducing reliance on China and Russia. Domestically abundant resources, including sand, clay, limestone, and various metals, highlight Ukraine's potential as a supplier to the EU and as being resource-rich for its own domestic rebuilding efforts.

Industry overview

The mining and mineral resources sector in Ukraine has grown as a share of GDP despite the ongoing war, reaching 4.8% in 2023. However, while still significant, exports of these mineral resources dropped from 13.4% of total exports in pre-invasion 2021 to 8.5% in the first three quarters of 2024, largely due to the loss of mining facilities and mines in occupied territories. While foreign direct investment in the sector has been negative since the war began, capital investment in mineral resource activities has remained stable, albeit at lower levels than before 2022. Ukraine holds around 5% of the world's mineral resources, with over 20,000 deposits. Ukraine has rich reserves of titanium (7% of the global supply), gallium, neon gas, and high-quality iron ore and manganese that are critical for green steel production. Ukraine's copper, lead, zinc, and silver rank among some of top-10 in Europe, and secure regions hold significant deposits of nickel and cobalt. Ukraine's graphite reserves also account for 20% of the global supply, underscoring the country's importance to sourcing critical resources for and renewable energy.

Russia's war of aggression has inflicted lasting economic damage on Ukraine's mineral sector, though, and substantial restructuring of the industry will be essential for post-war recovery and a redefined industrial strategy.

	2021	2022	2023	YTD Sep 24
Mineral extraction sector GDP share	6.4%	4.4%	4.1%	n/d
Mineral resources, total export share	13.4%	9.0%	6.6%	8.5%
Mineral resources, total import share	10.8%	8.2%	4.5%	13.6%
FDI, net inflows in the mineral extraction sector, USDm	1 731	(433)	(64)	354
Capital investments in the mineral resources sector, USDm	2 970	1 248	2 085	n/d

Source: Energy Map, NABU, UN ComtradePlus, NBU

Critical raw materials in Ukraine

In July 2021, Ukraine and the EU launched a strategic CRM partnership aimed at securing a reliable supply of essential minerals such as lithium, titanium, and cobalt. These materials are crucial for green energy, defence, and healthcare sectors: supporting EU goals to reduce reliance on China and Russia. For Ukraine, the partnership promised significant foreign investment in its mining sector, highlighted by a record USD1.7 billion of FDI in 2021. Despite the sharp decline of overall net foreign direct investment in 2022 and 2023 following Russia's full-scale invasion (-USD433 million and -USD64 million, respectively), these sectors still hold potential for recovery and further growth.

CRMs are essential for modern technologies and industries. Ukraine's lithium, estimated at 0.5 million tonnes and 10% of global reserves, has potential for use in manufacturing electric vehicle (EV) batteries. Ukraine also holds an estimated 18 million tonnes of graphite, representing 20% of global reserves, which is similarly used in EV batteries. Ukraine's titanium deposits, with vital aerospace and defence applications, account for 7% of global reserves at 8.4 million tonnes. These resources are concentrated in regions like Kirovohrad, Zaporizhzhia, and Dnipropetrovsk, making Ukraine strategically important to global raw material supply chains.

CRM reserves in Ukraine

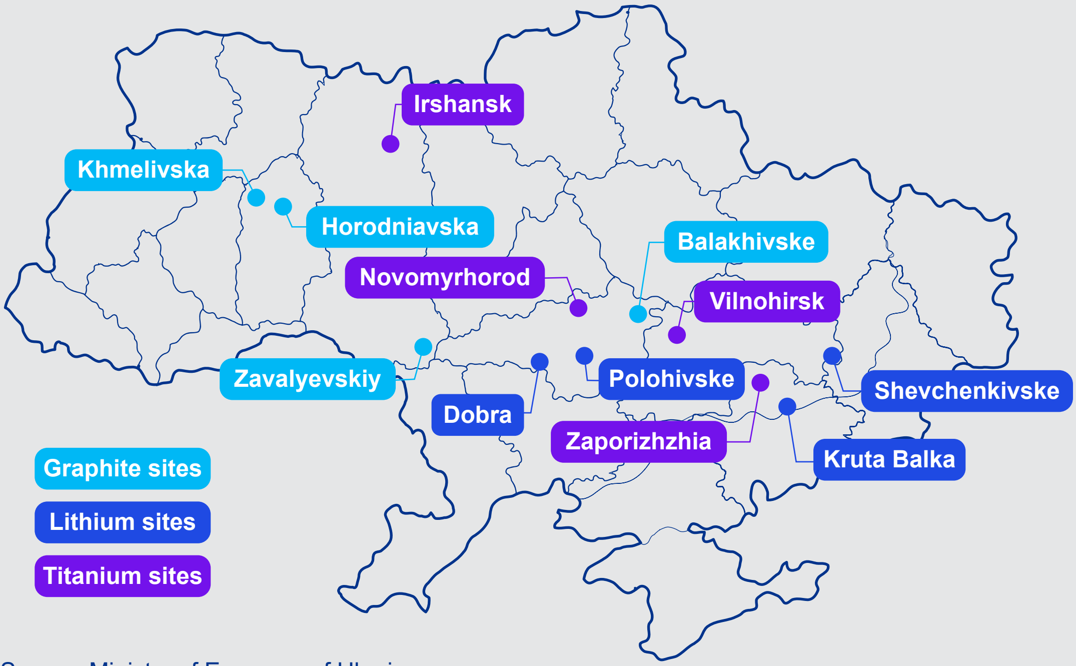
Resource & Usage of resource	Estimated volume in Ukraine, million tonne	Share of global reserves	Regions with discovered mineral
Lithium Component in the production of batteries for electric vehicles	0.5	10%	Kropyvnytskyi, Zaporizhzhia, Dnipropetrosk
Graphite Component in the production of batteries for electric vehicles	18	20%	Kropyvnytskyi, Vinnytsia, Khmelnytskyi
Titanium Component in construction of aircraft, spacecrafts, Defence sector	8.4	7%	Dnipropetrosk, Zhytomyr, Zaporizhzhia, Kropyvnytskyi

Source: UkraineInvest, Ministry of Economy of Ukraine, EDP sciences, World Economy Forum

The map below highlights the following major Ukrainian CRM mining sites: graphite, lithium, and titanium. Most sites remain operational and are located away from immediate zone of hostilities, ensuring relatively stable mining activities. However, two of the four lithium sites, specifically Shevchenkivske and Kruta Balka, are currently under Russian control which limits their investment potential until after liberation.

Ukraine advanced its privatisation efforts in the mining sector in 2024 by selling 100% of the state's shares in United Mining and Chemical Company (UMCC) to Azerbaijan's NEQSOL Holding for UAH3.9 billion. UMCC is one of Ukraine's leading titanium export-oriented firms, generating UAH517 million in turnover in first quarter 2024. NEQSOL is already a major investor in Ukrainian businesses such as Vodafone Ukraine and sees UMCC as a strategic asset to add to its portfolio.

The Ukrainian government views privatisation as a pathway to attracting greater foreign investment and more state-owned mining enterprises are slated for auction soon. Upcoming privatisations include Zaporizhzhya Titanium and Magnesium Combine and Demurinskyi Mining and Processing Plant, signalling Ukraine's commitment to restructuring its economy and attracting international players to strengthen the domestic mineral resources sector.



Source: Ministry of Economy of Ukraine

Subsectors

Titanium

The war has heavily impacted Ukraine's titanium industry, with a significant drop in titanium ore extraction and export. Export revenues fell by 56% between 2021 and 2023, down to USD87 million. Extraction and processing has also declined due to disrupted mining operations, energy shortages, and logistical issues. Companies such as Velta and UMCC have had to scale back operations, adapting logistics to circumvent hostilities. The aforementioned recently privatised UMCC, saw a significant drop in volume of realised titanium: volumes dropped by 289 million tonnes between 2021–2023 (down 73%). Despite current setbacks, however, strategic opportunities for investment exist and Ukrainian titanium markets are expected to improve as conditions stabilise.

Natural gas extraction

Immediately following the full-scale invasion, Ukraine's natural gas demand dropped by a third to reach historic lows (though 2023 saw a slight recovery). Domestic production has remained steady, with Naftogaz producing 13.2 billion m^3 of natural gas in 2023 and 13.9 billion m^3 in 2024, reducing reliance on imports for the heating season. After a natural decline as a result of the war, Russian gas transit through Ukraine ended completely with the expiry of contracts with Russian firm Gazprom on 1 January 2025. While eastern Ukrainian gas infrastructure has suffered damage, major western Ukrainian storage sites have remained operational and available to European partners, despite security concerns limiting their usage.

Metal mining

The full-scale invasion devastated Ukraine's metal mining industry, leading to major production losses, especially in steel as Russia destroyed facilities like Azovstal. Damaged infrastructure and blocked Black Sea ports forced companies to rely on costly land routes, reducing export capacity. Limited energy access and high transportation costs continue to hinder operations, impacting companies like Metinvest and ArcelorMittal. However, Ukraine's reserves of critical metals like titanium, lithium, and graphite offer promising opportunities for bold investors. With Europe seeking supply chain diversification, Ukraine's metal resources could meet global demand for green technologies and serve local reconstruction needs.

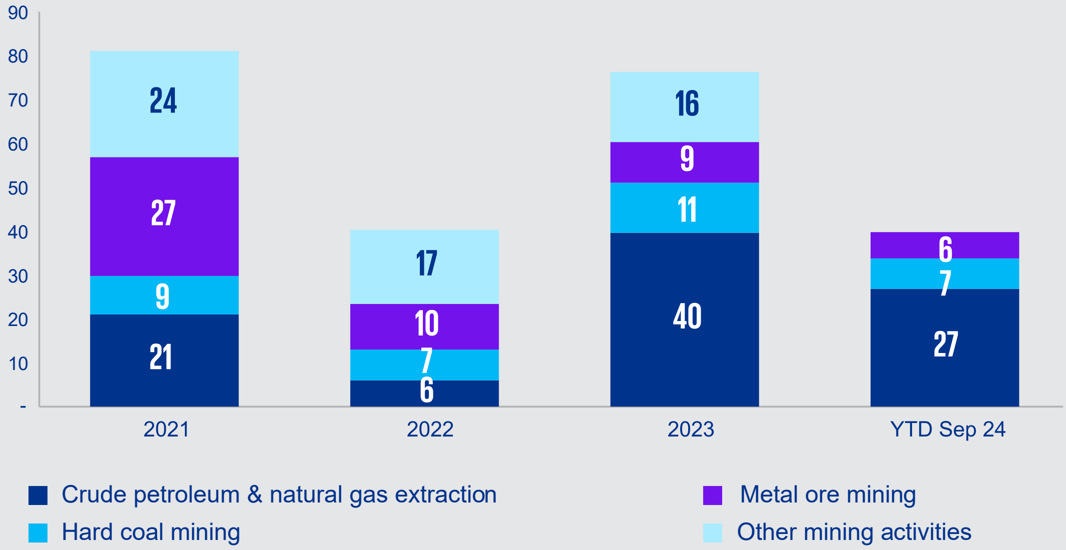
Building materials

The war has significantly impacted Ukraine's building materials sector, reducing production capacity and leading to varying degrees of damage for about 15% of producers. Production costs have substantially risen since the start of the invasion due to unstable electricity supplies, prompting companies to invest in decentralised energy sources.

Ukraine's vast reserves of raw construction materials (estimated at 11.3 billion tonnes of limestone, granite, and gypsum) will be essential for post-war reconstruction plans, creating substantial investment opportunities. Ukraine's current focus is on sustainable practices, recycling, and infrastructure projects to further support the subsector's growth, preparing for extensive involvement in rebuilding efforts.

Capital investments and risks

Capital investments in mineral resources sector, UAHbn[(a)]



Note: (a) Preliminary data
Source: Energy Map

ESG Potential

Investment in CRMs, such as lithium and graphite for EV batteries, can align Ukraine's mineral resources industry with meeting green energy needs, supporting a shift to renewable energy sources. Ukraine's mining sector is also increasingly focused on environmental, social, and governance (ESG) practices that meet global standards, enhancing value by reducing emissions, managing water and energy use, and strengthening community ties. Companies are seeking to integrate ESG risk assessments, and focus on critical areas such as waste management, greenhouse gas reduction, and employee relations.

Market participants

The following metals and mining and oil and gas companies number among the most notable market players based on their level of turnover in 2023.

Top market participants based on the revenue 2023

	Resource	Revenue 2023, UAHbn
Ukrnafta	Oil and gas	95
UkrGasVydobuvannya	Natural gas	94
Pokrovske Coal Company	Coal	44
DTEK Pavlogradugol	Coal	42
NaftoGasVydobuvannya	Natural gas	23
Total		**298**

Source: Opendatabot

Ukraine's mineral resources industry holds substantial investment potential despite wartime challenges, particularly due to its wealth in critical raw materials vital for European energy security and green transition goals. The privatisation of state assets and the industry's ongoing restructuring holds promising new entry points for investors. However, mineral resource extraction and exploitation facilities requires energy stabilisation, logistical improvements, and risk mitigation to unlock their full capacity. Successful partnerships and strategic investments are the key to post-war Ukraine continuing to be a pivotal player in the global mineral supply chain.


Kryvyi Rih

Power and Utilities[a]

Despite Russian efforts to disrupt Ukraine's power infrastructure, the domestic energy sector remains a cornerstone of the economy with diverse investment opportunities. Understanding these opportunities requires examining the challenges faced by the energy sector and Ukraine's response to disruptions.

Investing in energy security and a green transition

Minister of Energy Herman Halushchenko presented Ukraine's Energy Strategy 2050 at the Ukraine Recovery Conference in London in June 2023, offering a response to the difficulties posed by Russia's war of aggression against the country. Developed with the support of KPMG, the strategy focuses on rebuilding Ukraine's energy system with cutting-edge technologies, enhancing energy infrastructure resilience, and strengthening energy security. The key goal is to transform Ukraine into Europe's energy hub, supplying clean energy, driving a renewable energy transition, and eliminating dependence on Russian fossil fuels. Ambitious targets include the expansion of wind, solar, and nuclear power, as well as hydrogen and biofuel technologies and energy storage systems, with investment opportunities amounting to an estimated USD383 billion in investments.

- Despite the extensive damage to infrastructure, amounting to USD16 billion as of May 2024, Ukraine's energy sector has persevered and managed to maintain operations, even attracting new investments. Adaptation to crisis conditions, combined with its domestic strategic importance, highlight the Ukrainian energy sector's potential for post-war recovery and growth.
- EU support, including officially finalising the synchronisation of Ukraine's power grid with European infrastructure via the ENTSO-E project in November 2023, previously facilitated cross-border energy exchanges of up to 1,700 MW and this limit has since been increased to 2,100 MW based on increased demand and the project's overall success. This integration enhances Ukraine's energy security and access to regional energy markets, aligning its energy systems with EU standards as part of the EU-Ukraine Associate Agreement and Ukraine's eventual accession to the European trading bloc.
- Wartime vulnerabilities have necessitated moving Ukraine's energy sector towards more decentralised power generation on the part of both private households and businesses, with a growing reliance on independent and smaller-scale distributed power sources such as rooftop solar, bioenergy, and gas turbines. This shift reduces dependency on centralised infrastructure which has been susceptible to Russian attacks.
- Investment in Ukrainian renewable energy projects, particularly in solar and wind energy, continues to increase even amid the war. This focus on renewables reflects a commitment to both energy independence and environmental sustainability.

Zaporizhzhia

[a] This section of the report focuses on electric energy and infrastructure as the core of Ukraine's energy industry. Natural gas, fuel, and oil are not analysed here: these resources will be examined in a separate section dedicated to the mineral resources.

Industry overview

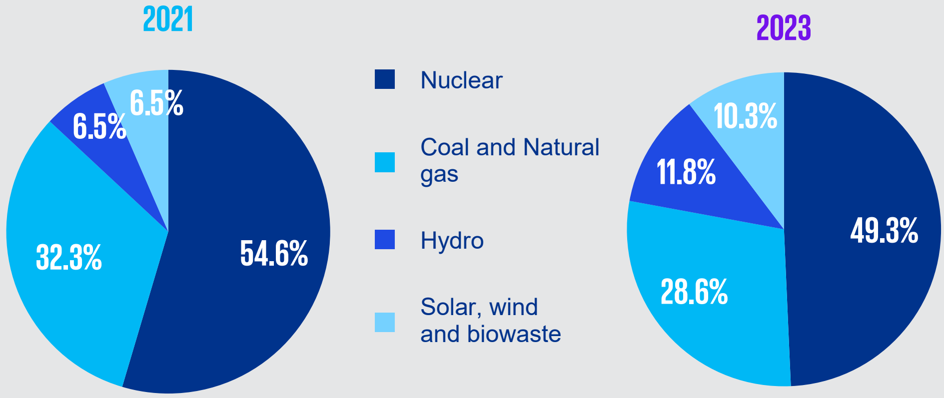
Despite limited sector expansion, the energy sector's share of Ukrainian GDP grew from 2.9% in 2020 to 4.8% in 2023, attributable to the impact of war-time factors on other key sectors. Energy exports peaked at 1.3% of total exports in 2022 before dropping to 0.2% in the first three quarters of 2024, with this decline attributed to export restrictions and low domestic production. Imports have surged, meanwhile, in order to address electricity shortages in 2022–2023 which engendered a heavy reliance on neighbouring countries. Sectoral foreign direct investment spiked at USD436 million in 2021 before falling sharply in 2022 due to the full-scale invasion, but has since shown signs of recovery in 2023–9 months 2024. Foreign direct investment still remains below levels seen in 2021, however.

	2021	2022	2023	YTD Sep 24
Share of energy sector in GDP	3.3%	4.4%	4.8%	n/d
FDI, net inflows in the energy sector, USDm	436	(402)	129	83
Capital investments in the energy sector, USDm	2 044	872	1 200	743

Sources: Energy Map, NABU, UN Comtrade, NBU, Energy Security Project

Since 2022, Russian attacks on Ukraine's power infrastructure have severely impacted the country's electricity generation capacity, especially at coal and gas power plants and the critical Zaporizhzhia nuclear power plant (NPP). This has accelerated a shift towards decentralisation of power generation capacities, with smaller gas turbines and rooftop solar installations seen as alternatives for bolstering energy security. The war has changed the structure of Ukraine's electricity generation too, with a declining share from coal and gas and a growing reliance on solar, wind, and biowaste. Nuclear power remains essential, still providing approximately half of Ukraine's electricity (including output from the occupied Zaporizhzhia NPP), and therefore remains essential to domestic energy needs.

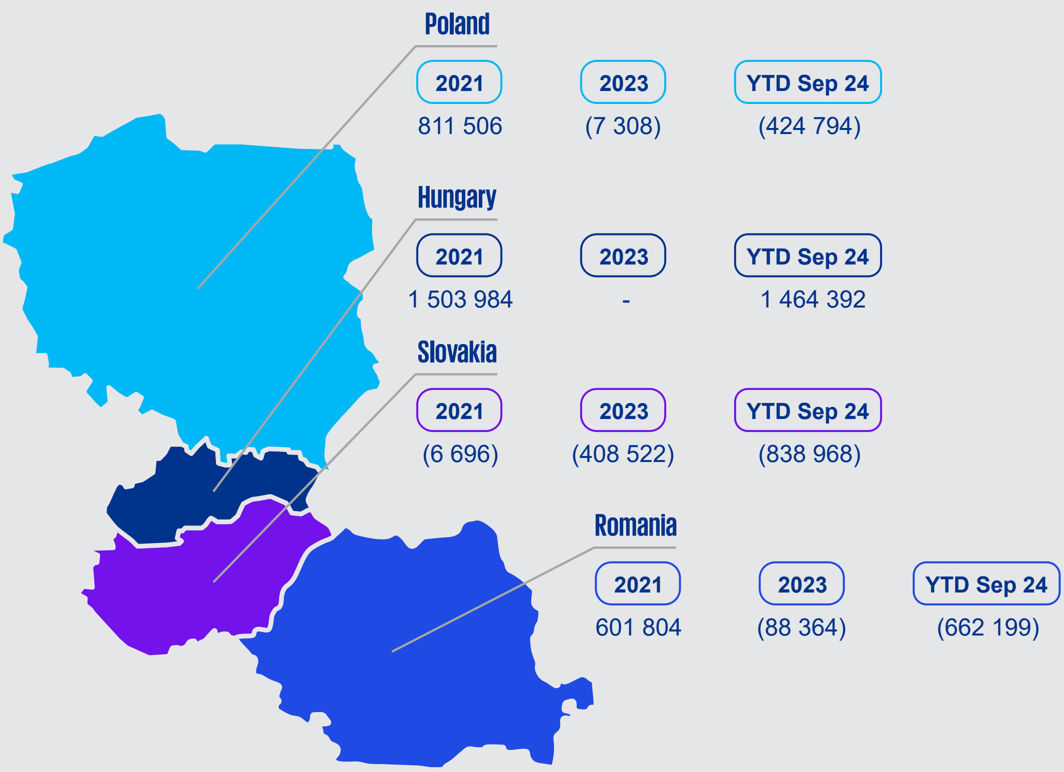
Structure of electricity generation in Ukraine



Source: IEA, NCSREPU

Ukraine's emergency synchronisation with the European grid in March 2022 has also been crucial for energy security, enabling a progressive increase of cross-border transmission capacities: with the energy capacity margin initially set at [1.7 GW](#) in December 2023 and further expanded to [2.1 GW](#) in December 2024. Before the full-scale invasion, Ukraine was a net electricity exporter, principally to the EU. However, invasion-related shortages of between [0.8–2.3](#) GW have since required daily imports from neighbouring EU countries to offset scheduled and unscheduled power cuts. Given that Ukraine's generation capacity cannot currently be fully utilised and that such a large and variable supply-demand gap exists (equivalent to Slovenia's peak demand at its most extreme), energy import capacities are essential to ensuring the stability of Ukraine's electricity system.

Net import of electricity by selected countries, MWh



Source: Energy Map

As a result, Ukraine is now a net electricity importer, with [3,420 GWh](#) imported in the first three quarters of 2024. Nonetheless, frequent scheduled and unscheduled power cuts for necessary maintenance and to alleviate demand on the [power grid](#) have forced many households and businesses to depend on diesel generators and power banks to manage shortages.

Heating sector

Ukraine's heating infrastructure, crucial for major cities, had incurred approximately USD2.1 billion in damage as of December 2023, especially to combined heat and power plants and boiler plants. Although severe disruptions were avoided in 2022 and 2023, intensified attacks in 2024 have raised serious risks to winter heating capabilities, with mean winter temperatures in Ukraine varying between -4.8°C to 2°C, but regularly falling below -20°C in some regions.

Nuclear energy

Nuclear energy currently generates half of Ukraine's electricity. Nuclear power production has stayed steady in spite of military actions, though risks to the supply of power have surged. Zaporizhzhia NPP, one of Ukraine's four nuclear plants, remains under Russian control, raising concerns about potential disconnection from Ukraine's grid as Zaporizhzhia NPP previously supplied nearly half of Ukraine's nuclear power.

Despite these risks, Ukraine remains focused on nuclear energy. Construction began on two new reactors at the Khmelnitsky NPP (KNPP) in April 2023, with systems designed for rapid response to supply-demand changes in an effort to offset disruptions from potential future attacks on the energy system and make KNPP the largest nuclear power plant in Europe.

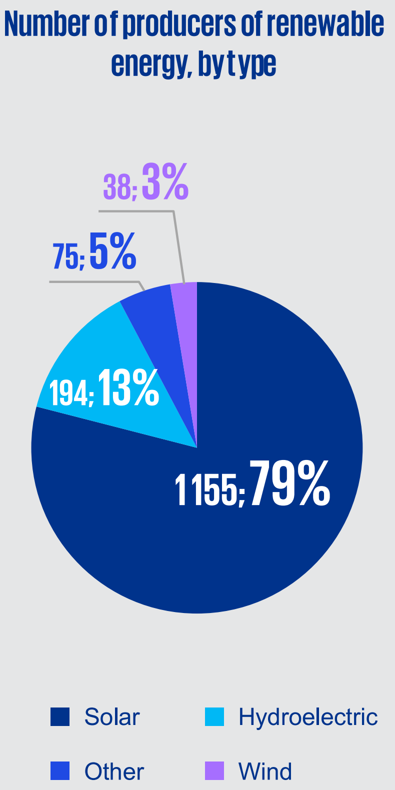
Renewable energy

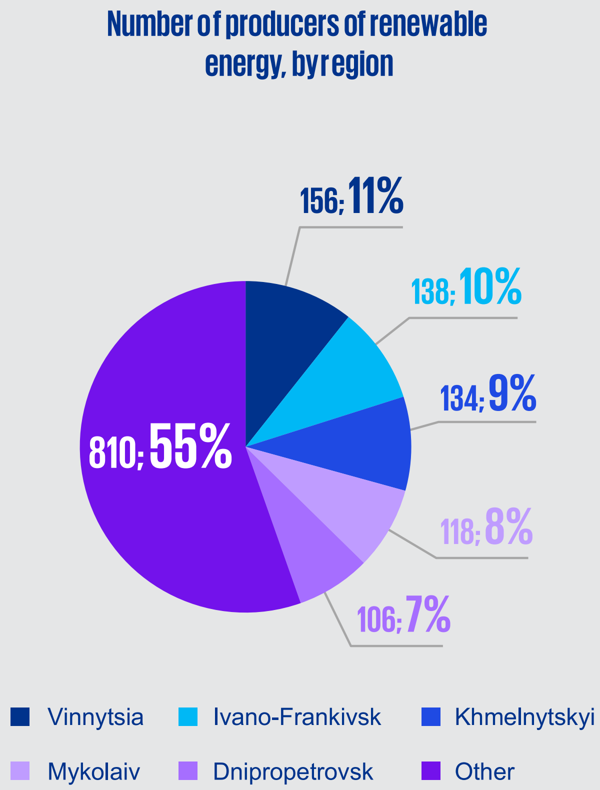
From its very first days, the full-scale invasion the country has required additional generational capabilities to cover electricity deficits caused by military actions. To this end, Ukraine has seen the construction of three new wind farms. In spring 2023, DTEK completed the Phase I of Tyligulska Wind Farm, Mykolaiv region (85 km from the border with Moldova) at a cost of EUR200 million to construct 19 turbines producing a combined 114 MW of energy. This production capacity is convertible to 3.9 TWh per year, an amount sufficient to power 200,000 households. DTEK noted that the Phase II of the Tyligulska project, with an further 64 turbines providing an additional 384 MW in capacity, will be completed in late 2025.

Oriv Wind Power Plant in Lviv region, developed by Ukraine's Eko Optima and Czech company MND, represents a EUR75 million investment to produce 54.6 MW energy capacity. Construction began in 2021 and despite the full-scale invasion the plant became operational in early 2024. This marks the largest foreign investment in Lviv's war-time energy sector. The plant supplies 5% of the region's electricity needs.

VR Capital-owned Elementum Energy currently operates 100 MW of wind capacity in Odesa region and plans to build approximately 400 MW of wind power capacity in Ukraine's southern and western regions. The company announced plans for three further wind farms in Odesa region and two projects in the south, with a combined capacity of 158 MW. Construction is expected to start in summer 2025. Elementum is also in negotiations to acquire 200 MW of wind projects in western Ukraine, with a total investment exceeding EUR300 million through targeted external financing.

Ukraine's solar energy sector, accounting for 79% of registered energy producers at the beginning October 2024, has also suffered the impact of the ongoing war. Development in certain regions has had to pause and 13% of Ukraine's industrial solar plants were damaged, mainly in Zaporizhzhia and Kherson regions. Despite this, growth in solar renewable energy projects continues, particularly through household-level installations. There has also been a notable rise in businesses and households producing their own energy, reducing dependence on nationwide sources of electricity and enhancing energy security and decentralisation efforts.





Sources: Energy Map

Ukraine is considered to have considerable potential for more widespread use of bioenergy, derived from biomass like agricultural and food waste, and biogas converted into biomethane for use in energy production. Recent legislative changes in August 2024 lifted the export ban on biomethane, opening new opportunities in the European market, where prices are generally much higher, and offering future growth prospects for the subsector.

Hydropower, meanwhile, accounted for 5% of Ukraine's energy capacity before the full-scale invasion but increased to nearly 12% of electricity generation in 2023. The Dnipro and Dniester rivers hold key hydropower plants (HPPs), but the war has had a major impact on generation capacity. Examples of such impact include the destruction of Kakhovska HPP and damage to Dnipro HPP. There are no large-scale hydropower projects being developed at present and the subsector faces significant challenges, with limited new infrastructure due to the ongoing war and its effect on existing facilities.

Market participants

Ukraine's electricity sector is based on the Unified Energy System which manages centralised power distribution, imports, exports, and transit. The "Energy Market", meanwhile, serves as the intermediary between power producers and consumers, with direct consumer purchases from generators being very rare.

There are numerous participants in the Ukrainian energy market. In essence, the energy market is split into energy production companies, energy resource traders, and energy system operators. The table below outlines the current top market participants by revenue in the Ukrainian energy sector.

Top market participants based on the revenue 2023

	Resource	Revenue 2023, UAHbn
D.Trading	Energy resource trader	166
Energoatom	Energy producer	154
Naftogaz Trading	Energy resource trader	120
Ukrenergo	Operator of the energy system	83
Naftogaz Ukraine	Energy producer	56
Total		**578**

Source: NBU

Current market development

Following the start of Russia's large-scale airstrikes on the Ukrainian energy sector in October 2022, regions faced outages, prompting many businesses and households to rely on diesel generators. As attacks continued, businesses and national chains began investing in larger independent power sources, such as gas generators, solar panels, and even wind farms.

Epicentr, a retail home improvement marketplace, has installed rooftop solar panels on its centres and terminals, generating up to 9.4 MW of electricity. The company plans to invest a further USD76.5 million to cover one million m^2 of roofing with solar panels by the end of 2025. Gas station chain OKKO has also installed solar panels on half of its stations and aims to equip all viable locations. Furthermore, in 2024 OKKO secured EUR60 million from the EBRD to build a bioethanol plant in Ukraine's Ternopil region which will contribute to decarbonising Ukraine's fuel sector and enhancing energy security.

Energy company DTEK is set to build power storage facilities in Ukraine with a total capacity of 200 MW. The project will involve investments of up to EUR140 million, establishing the company as the preeminent investor in domestic energy storage facilities.

In order to finance generation projects equivalent to approximately 400 MW, Ukrainian banks opened USD8 billion in credit lines from June to November 2024, as reported by NBU Governor Andriy Pyshnyy. However, according to assessments by experts and industry stakeholders, Ukraine fell short of its target to launch 1 GW of gas-fired "peak" power generation facilities by the end of 2024. Nonetheless, these construction efforts show that there is still substantial unmet demand for manoeuvrable energy generation and extensive efforts to implement facilities in 2024 are anticipated to set the stage for further industry development in 2025, including the connection of at least 500 MW of additional gas generation capacity.

On 22 July 2024, the government of Ukraine also expanded the “Affordable Loans 5-7-9%” programme to cover energy infrastructure projects to further support local business and SMEs. Loans of up to EUR25 million are available for projects that restore or enhance energy capacity, with equipment itself as considered as being collateral to simplify the loan process. The NBU has adjusted regulations to increase loan accessibility for projects to rebuild the Ukrainian economy, which naturally includes energy projects. To this end, the NBU has introduced higher liquidity coefficients for energy-related equipment used as collateral. This enables banks to value these assets more favourably, reducing perceived lending risk and encouraging banks to issue loans for energy infrastructure: supporting growth in energy production and enhancing Ukraine’s energy security.

The urgent need to decentralise Ukraine’s energy sector has led to the rise of Corporate Power Purchase Agreements (cPPAs), facilitating direct long-term stable electricity supply agreements between businesses and renewable energy producers. cPPAs offer benefits such as cost predictability and support for sustainability goals. Seen as crucial for attracting private capital and fostering a shift toward renewable sources in Ukraine’s recovering energy system, cPPAs offer benefits such as cost predictability and support for local and international sustainability goals.

Rengy Development and Starokostyantyniv Dairy Plant signed Ukraine’s first cPPA on 12 September 2024, contracting a nearby 1 MW solar station to supply approximately 20% of the dairy plant’s energy needs and potentially covering up to 30% in the summer months. This cPPA provides Rengy with stable energy demand, reducing investment risks and enabling the dairy plant to access renewable energy without large upfront costs.

While significant challenges from the ongoing hostilities continue to persist, Ukraine’s energy sector remains resilient and an attractive investment prospect, with objectives aimed recovery and growth through diversification and wider distribution of generation capacities. Investment in renewables and energy infrastructure will be a vital part of Ukraine’s efforts to stabilise its energy supply amid wartime disruptions. Meanwhile, the expanding use of independent power sources and the increase in capital investments highlight commitment to implementing a strategic response that meets Ukraine’s energy needs, positioning the Ukrainian energy sector as ready for a more robust, decentralised future.


Yuzhnoukrayinsk

Transport and infrastructure

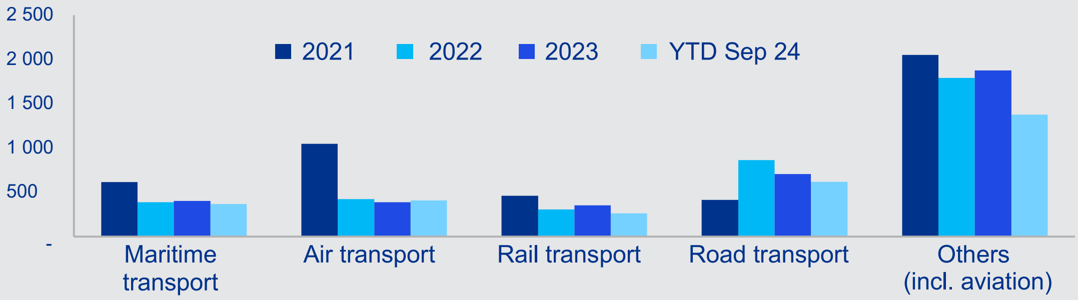
A strategic transportation hub, rebuilding for a connected future

Ukraine geographical location at the borders of Europe and Asia and extensive historical transport network offer a lot of potential for transportation sector growth, with connections bordering four EU countries, access to the Black Sea, and one of the longest rail networks in Europe. Transport and logistics play a crucial role in Ukraine's economy, as well as contributing to the economies of bordering nations.

Ukraine's transport and logistics complex is a vital part of the national economy, and the country has strong potential to serve as a transportation hub between Europe and Asia. Ukraine's location at the intersection of major trans-European corridors could help facilitate the development of greater foreign economic activity.

- Ukrainian exports largely ceased with the beginning of Russia's full-scale invasion of Ukraine, following the combined impact of port blockades, the prohibition of air travel, widespread shelling and destruction of logistical infrastructure, and inadequate remaining capacities for transportation and transshipment of goods. This compelled businesses to seek new routes and new approaches to establishing processes that could operate effectively in wartime conditions. As a result, Ukrainian logistics is rapidly developing enhanced resilience in the face of ongoing attacks, reopening sea routes and contending with ad hoc border blocks by bordering nations.
- The Ukrainian transportation sector can therefore be said to have successfully adapted to wartime conditions, continuing operations under challenging conditions, and maintaining attractiveness for potential investors through innovation and determination.

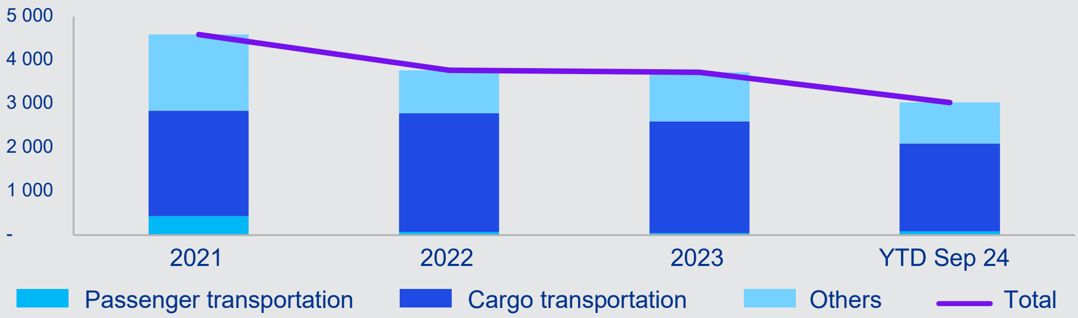
Export of transportation services by the type of transport, USDm



Source: NBU

Ukraine's transport potential is being heavily suppressed by Russia's full-scale invasion, which has disrupted established logistic chains and initially saw the Russian Federation entirely blockading sea transportation to and from Ukraine. This development shifted demand for transportation services to different modes of transport and alternative locations for the departure of goods. Cargo transshipment through the Danube River ports increased significantly to compensate for the decline in deep-sea transportation, leading to the construction of 23 new terminals between 2022–2024. Use of land-based export routes also rose considerably in the years following the full-scale invasion as a response to Russian attacks targeting maritime routes and Ukrainian seaports.

Export of transportation services by the type of transportation, USDm



Source: NBU

80% of Ukrainian exports in January 2022 were carried out by sea. This share dropped to 13% by April of the same year, substituted by goods being predominantly transported by rail and road. Despite the temporary transition, alternative means of land transport were not sufficient to transport all the required cargo. Following successful reopening of Black Sea shipping routes, approximately 80% of the volume of goods exported from Ukraine were transported by sea in October 2024.

Number of passengers and goods transported

	2021	2022	2023	YTD Sep 24
Passengers, million	2 655	1 601	2 038	1 622
Goods, million tonnes	621	318	328	264

Source: State Statistics Service of Ukraine

The total volume of freight traffic in the first three quarters of 2024 was 263.5 million tonnes, (down 42 % compared to the same period in 2021). Transport services exports in the first three quarters of 2024 also showed some recovery compared to pre-war levels (USD3.4 billion in the first three quarters of 2021 vs USD3.1 billion in the same period of 2024). Transportation services imports also rose and now exceed pre-war levels (USD1.9 billion in the first three quarters of 2021 vs USD2.5 billion for the same period of 2024). However, transport and logistics as a share of Ukraine’s overall GDP fallen: down from 5.4% in 2021 to 4.3% in 2023.

The UN estimates the total cost of damage to Ukraine’s transport sector due to ongoing war to be USD33.6 billion, though the real figures may be much higher. The State Agency of Automobile Roads of Ukraine (Ukravtodor) made preliminary estimates that the cost of direct damages to Ukraine’s road destruction alone could be as much as USD26.7 billion.

Ukraine and its international partners are already moving beyond assessing invasion damages, however, and are actively restoring and reconstructing transportation infrastructure. Among the key initiatives aimed at helping support Ukraine’s transport and logistics sector in adapting to war-time conditions whose successful implementation will help the industry “build back better” include:

- “Solidarity Lanes”: a joint initiative between the EU and Moldova to introduce new transportation options that facilitate Ukraine’s continued imports and exports via rail, road, and river during the full-scale Russian invasion.
- Development of the Tran-European Transport (TEN-T) network: enhancing efficiency at border crossings with the EU and improving road safety.
- Modernisation of Ukrainian border infrastructure, extension of the Agreement on the Liberalisation of Freight Transport between Ukraine and the EU until 2025.
- Increasing export capacities by sea and rail.
- Support for the aviation industry from the European ATM Voluntary Solidarity Fund.

Railway transportation

Operated by both state and private entities, rail transportation plays a crucial role in Ukrainian logistics, comprising 50% of the total freight transport in the first three quarters of 2024. Prior to Russia's full-scale invasion, Ukraine's state-managed rail network was one of the largest in Europe, spanning nearly 20,000 km of track and serving as a transportation hub for international rail transport and multimodal corridors. As a result of hostilities, approximately 10,000 kilometres of railway tracks have been destroyed, damaged, or lost, as reported by Ukrzaliznytsia.

Ukrzaliznytsia, Ukraine's state-owned rail company, maintains a natural monopoly over the majority of the country's railway transportation infrastructure, with a network of 1,402 stations. While there are a high number of registered market participants (478 legal entities and 49 PEs are registered as providing railway transportation services based on data from YouControl), they do not play a crucial role in the market. Accordingly, one of the goals set by the government in Ukraine's National Transport Strategy 2030 was to increase the involvement of non-state carriers in rail transport (up to 25% of the transportation market by 2025, and 40% by 2030). Despite the war delaying the achievement of such goals, the Cabinet of Ministers of Ukraine approved a bill introducing a new model for Ukraine's railway transport market, anticipating the opening of the market to private carriers. However, as stated by Deputy Minister of Finance Oleksandr Kava, this bill will not come into effect until several years after the end of the war and will still need to go through several levels of approval before being fully adopted.

As the vast majority of tracks in Ukraine remain 1,520mm gauge, one of the key priorities for the state is to expand the use of 1,435mm standard-gauge railway tracks and align Ukrainian track width with bordering EU countries. There is currently active construction of European standard railway tracks between Chop and Uzhgorod, while Ukrzaliznytsia and the European Railway Agency (ERA) have signed a memorandum of cooperation to enhance the interoperability and safety of railway transport in Ukraine, further aligning with European standards.

Domestically, Ukraine's 2025 State Budget designates more than UAH7 billion for enhancing railway infrastructure and modernising the passenger wagon fleet.

Haivoron city

Maritime transportation

Before Russia's full-scale invasion in 2022, Ukraine's port system consisted of 18 seaports, 13 of which were located on the mainland territory of Ukraine, and five ports situated in the temporarily occupied territory of Crimea. Prior to February 2022, 90% of grain, 70% of iron ore, and 85% of ferrous metals were exported from Ukraine by sea. Alternative routes for exports were sought following the full-scale invasion and Russia's subsequent blockade of Ukrainian seaports. However, a lack of transshipment capacity at Ukraine's land borders became one of the key reasons that prevented the complete redirection of product flows to road, rail, and river port transport.

The following ports are still open and operational in Ukraine: the Black Sea ports of Odesa, Pivdennyi, and Chornomorsk, as well as the Danube River ports of Izmail, Reni, and Ust-Dunaisk. The latter were of critical importance in the first years of the full-scale invasion. In the first 11 months of 2022, Ukraine's Danube ports handled 14.5 million tonnes of cargo, almost doubling to 29.4 million tonnes in the same period of 2023. While these volumes significantly decreased by 2024 and the reopening of Black Sea maritime routes, they remain nearly three times higher than before the full-scale invasion.

By 2024, the majority of cargo was once again being exported by sea through the Ukraine's maritime corridor. According to the Ukrainian Sea Ports Authority, from the time operations started to the end of October 2024, the "Ukrainian corridor" has facilitated the passage of more than 2,900 ships with a total cargo turnover 79.1 million tonnes, enabling the export of Ukrainian goods to 46 countries.

Considering the need for greater transport capacities and logistical independence from external providers, companies are investing in their own fleets and port and storage infrastructure. Agricultural concern Kernel, for example, invested more than USD44 million in expanding its capacities for sunflower oil exports at the ports of Reni and Chornomorsk. Nibulon, meanwhile, has invested USD15.5 million in developing transshipment capacities for various grains from railway and road transport to river transport in Izmail. Home supply chain Epicentr also plans to construct its own port terminal with an undisclosed partner.

Beyond private construction contracts, investment opportunities also include options for privatising existing ports and public-private partnerships in developing transportation infrastructure. To this end, government representatives from the Ministry for Development of Communities and Territories of Ukraine are actively engaged in negotiations with international organisations, including the International Finance Corporation, to further develop investment activity in Ukrainian ports, discuss fleet modernisation, and attract private capital for infrastructure restoration and concession projects.

As an example, in January 2023 the State Property Fund of Ukraine sold the port of Ust-Dunaisk to Elixir Ukraine (associated with the grain market group Vimexim) for UAH201 million in a private auction conducted via Ukraine's ProZorro platform, realising three times the initial bidding price and marking the first instance a Ukrainian sea port had been sold in this manner. This was followed by further privatisation in November 2024, with the State Property Fund of Ukraine selling off the port of Bilhorod-Dnistrovskyi at auction for UAH90 million to Yevhen Boguslavsky's Top-Offer LLC which was operating on behalf of undisclosed investor. Looking to the future, the Ministry of Infrastructure of Ukraine has already developed feasibility studies to transfer berths at the port of Chornomorsk into concession and the Ministry for Development of Communities and Territories of Ukraine is examining the possibility of relaunching concession projects in the ports of Olvia and Kherson.

As recent deals and agreements have shown, there is an urgent need for expanded capacities, modernisation, and increased efficiencies in Ukraine's maritime logistics sector. Coupled with the Ukrainian government's readiness to support investors interested in infrastructure projects, there appear to be favourable conditions for future investment prospects in this area.

Road transportation and other logistic services

Ukraine's road system has high rural and urban penetration, with the public network comprising 169,600 kilometres of roads across the entire country. According to the Ministry of Infrastructure of Ukraine, approximately 25,400 kilometres of this network were considered damaged, destroyed, or occupied as of January 2024.

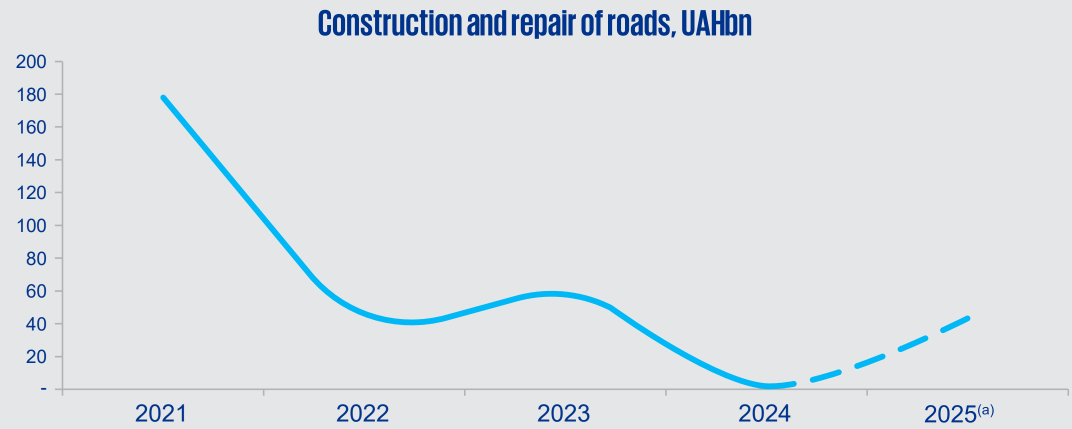
Even discounting this destruction to road infrastructure, wartime conditions have further intensified existing problems with bridges and roads that are not fit for purpose.

Using data from Ukravtodor, the State Agency of Automobile Roads of Ukraine, the Kyiv School of Economics estimates that the total cost of damages to Ukrainian roads to be USD27 billion, with a further USD2.6 billion in damages to bridges and bridge crossings. Foreign partners have made contributions to cover some of the existing needs and finance urgent infrastructure repairs:

- the European Investment Bank is providing over EUR60 million in EU-backed loans for infrastructure projects in Ukraine, including highway reconstruction and urban public transport renewal in Kyiv, Odesa, and Sumy.
- the EBRD has provided EUR267 million for urgent repairs to sections of the M-06 highway leading from Kyiv to the western border with Slovakia and Hungary.

This is evidently a fraction of what is needed for reconstruction, however, and private partnerships will inevitably be necessary if

Ukraine is to restore full road transport functionality. Market players also appear to have a favourable view for investment projects in this sector, with 82% of transport companies supporting the introduction of toll roads according to polling from the European Business Association, with many also citing "development of public-private partnerships" as a key priority area for stabilising transport and logistics in Ukraine. However, most respondents said they would also require improvements made to the existing quality of Ukrainian road infrastructure quality beforehand.



Note: a) according to the State budget for 2025
Sources: Finance.ua, Centre for Transport Strategies, Telegraf

The market for road transportation services in Ukraine is characterised by a high degree of diversity and is predominantly controlled by private companies.

Despite the challenges posed by the full-scale invasion, key leading transportation support companies have been able to actively increase their recent turnover and take advantage of opportunities arising from the war (e.g. increased demand for transportation abroad, as well as a growth in the local market).

Air transportation

Prior to Russia's full-scale invasion in 2022, Ukraine maintained six major international airports which collectively served 16.2 million passengers in 2021. Airport terminals were predominantly overseen by state operators (74% public vs 26% private).

As a result of Russia's attacks on Ukraine, active military operations have now made it impossible to resume flights. Nonetheless, one of Ukraine's strategic tasks has been to preserve its aviation infrastructure and related qualified personnel so as to help prepare for the return of air transportation to and from Ukraine.

Ukrainian companies are also entering or re-entering the international aviation services market. Supernova Airlines (a subsidiary of Nova Post) has already obtained permission to operate charter flights within EU countries and the final preparations for the official launch of flights are currently underway. Ukrainian budget airline SkyUp also recently announced a return to scheduled passenger flights from an operating base out of Chișinău, Moldova starting from 2025.

Based on Youcontrol data, there are 381 legal entities and 53 private entrepreneurs registered as providers of air cargo and passenger transportation services. The revenue of the top-5 companies in terms of passenger aviation decreased by 44% in 2023 compared to 2021. However, Ukrainian Helicopters LLC saw an increase in revenue of 104% and H3Operations experienced an increase of 109% over the same period. The top-5 aviation cargo transportation companies collectively increased their total revenue by 63%.

Such results have been boosted by a need for helicopter transportation related to the ongoing war, with companies specialising in transportation in dangerous environments naturally seeing increased demand for airlift services.

The dynamics of the transportation sector are closely linked to the overall state of the country's economy. As key sectors of the Ukrainian economy continue to recover, the transportation sector will also expand in response. Taking full advantage of the opportunities created by increased demand will require investment in sufficient modernised transport infrastructure, including transnational facilities. For most companies in the transportation sector, energy autonomy, developing storage infrastructure, digitisation, and optimising transportation approaches (including multimodal transportation) have become key areas of focus and investments.

When Ukraine first set out its National Transport Strategy 2030 in 2018, the government's stated intention was to create conditions that would increase the volume of transported goods to at least 1,900 million tonnes by 2030. The stated strategy that Ukraine would use to achieve this aim remains unchanged, regardless of current hostilities, with goods volumes increases coming from innovative development of the transport sector and aid from global investment projects. The strategy envisions that the majority of investment funds for infrastructure improvements are expected to come from external sources: international financial institutions, private investors, and public-private partnership projects.

Lviv city

Informational Technology

Despite Russia's ongoing full-scale invasion, Ukraine's IT industry is still considered a prominent global player. As one of the key drivers of Ukraine's pre- and post-invasion economy, the Ukrainian IT sector's resilience and adaptability in recent years has enabled welcome growth, contributing approximately 5% of Ukrainian GDP in 2023. The local tech sector is currently Ukraine's second largest exporter, accounting for 38% of total Ukrainian exports in the first three quarters of 2024.

Ukraine's digital engine: running strong

- Despite the challenges posed by the war, Ukraine's IT sector has shown resilience and remains a strategic industry, accounting for more than 4% of the country's GDP. While export growth has been affected by war-related challenges, Ukraine's IT exports reached USD7.3 billion in 2022 and approximately USD6.7 billion in 2023. In the first three quarters of 2024, IT exports amounted to USD4.8 billion. Driven by a high-skilled workforce and a reputation for delivering high-quality results.
- The Ukrainian IT sector has managed to rally despite the ongoing war. This has been driven by several factors, including increased digitalisation of products and services, Ukraine's strong background in STEM education, and educational initiatives launched by prominent IT companies to support societal awareness of the sector's potential and encourage citizens to be further involved in industry growth through employment, investment, etc. Prior to Russia's full-scale invasion, Ukraine's export of IT services demonstrated a growth rate of approximately 196% between 2017–2022, outperforming several CEE countries (e.g. Poland, Czechia), as well as Brazil and India.
- The Ukrainian government established Diia.City as a special tax and legislative regime that offers favourable conditions for tech businesses in Ukraine. Diia.City aims to create a powerful hub for domestic technology companies, nurturing industry growth and increasing investor confidence. The initiative provides bureaucratic flexibility and transparency, with lower tax rates, flexible hiring practices, and greater investment attractiveness. Many domestic IT companies have joined the ecosystem, and 98% of residents surveyed reported satisfaction with the regime's benefits.

Kharkiv city

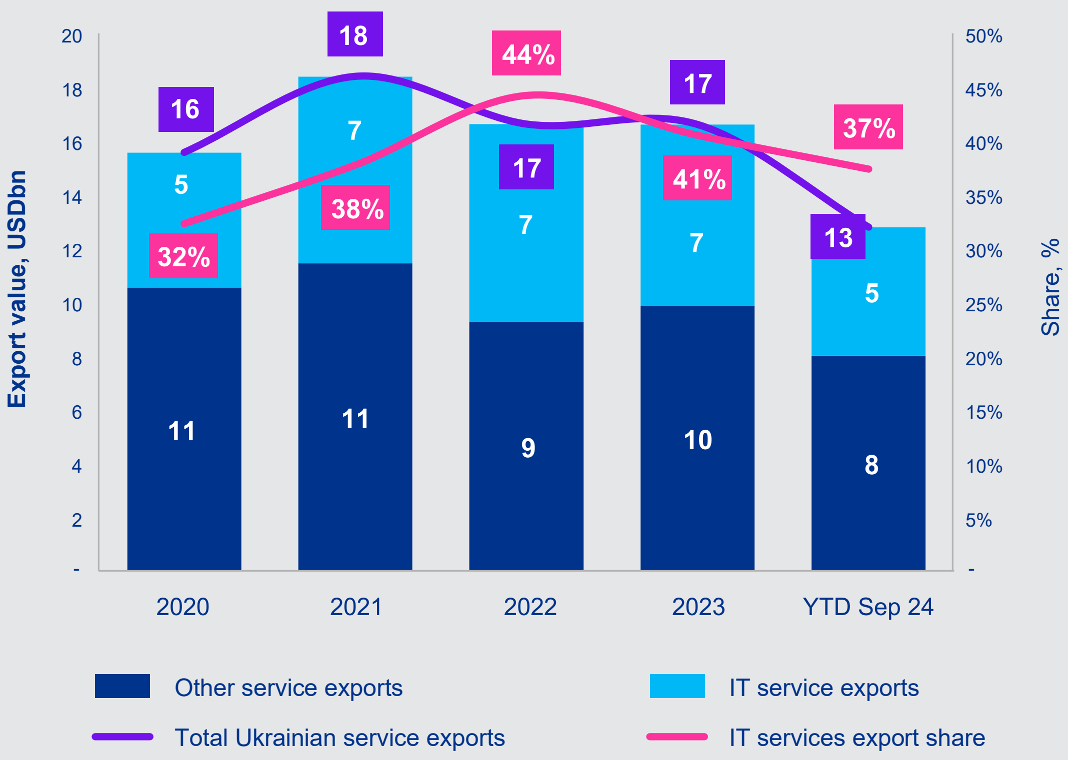
Industry overview

Prior to Russia's full-scale invasion, the Ukrainian IT market experienced significant growth: reaching a peak of USD7,349 million in 2022. However, owning to it being key pillar of the Ukrainian economy, the ongoing war has inevitably had an impact on the Ukrainian IT sector, leading to an 8.5% decline in IT service exports in 2023, down to USD6,727 million. Despite these challenges, IT has demonstrated remarkable resilience compared to other sectors (i.e. agriculture, transportation and infrastructure, energy). Declines in IT exports are significantly lower (only 1.2%) than the overall 28% drop in exports when comparing the first three quarters of 2024 and the same period of 2021, highlighting the IT sector's relative strength amidst the conflict.

The first three quarters of 2024 showed a slower decline in IT service exports, with revenue falling by 4.9% when compared to the same period in 2023 (down to USD4.8 billion), suggesting that the sector is gradually adapting to new realities and finding ways to maintain operations.

While the war has undoubtedly posed significant challenges, the stable performance of the Ukrainian IT sector is a testament to the industry's adaptability. As an initial response to an evolving war, recent performance offers positive prospects for the IT sector's potential in the future.

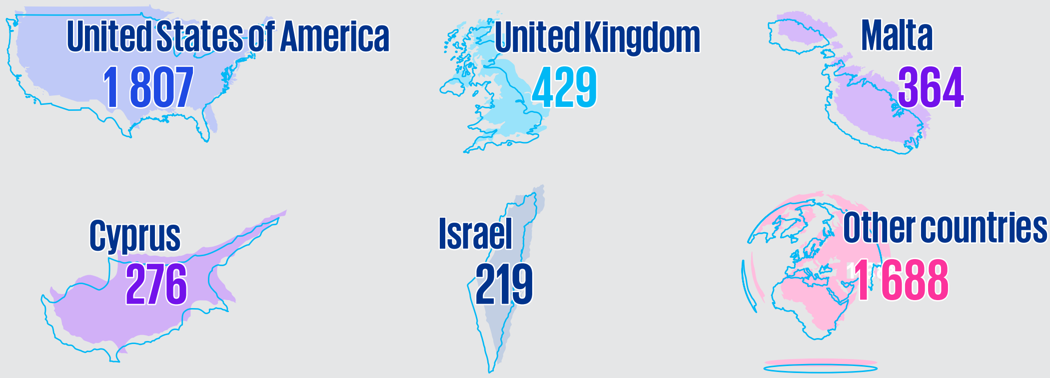
Ukrainian IT services dynamics and share



Source: NBU

The US is the top destination in terms Ukrainian IT service exports by a wide margin, followed by the United Kingdom, Malta, Cyprus, and Israel. "Other countries" are mostly represented by countries in the European region, including Switzerland (USD198 million), Germany (USD194 million), Poland (USD121 million), and Estonia (USD119 million).

Ukrainian IT services exports by countries during 9 months 2024, USDm



Source: NBU

After rapid growth, the number of IT specialists in Ukraine has plateaued in recent years as a consequence of war-related factors, standing at 302,000 employees as of 2024 (346,000, 2023). Nonetheless, despite this decrease between 2024 and 2023, there has been significant growth over a longer retrospective: up 18% compared to 2020 figures (256,000). This indicates that Ukraine's IT workforce would likely be much higher if not for issues attributable to ongoing hostilities. However, this growth in the number of Ukrainian specialists has largely been curtailed by the ongoing full-scale invasion, cut short by the relocation of populations to foreign countries and mobilisation of male Ukrainian citizens. The hiring market for Ukrainian IT workers has shifted from one that favours employees to one that favours employers who can now dictate and set rules and conditions for working, with potential employees mostly left to decide whether to accept the terms on offer.

Market participants

The Ukrainian IT sector is divided into two major categories:

- software development, including software engineering, product engineering, and digital design services (mostly provided on an outsourcing basis)
- product development, characterised by the full in-house development of applications and/or platforms either for corporate clients or directly for customers (users).

The IT sector currently constitutes approximately 2,300 enterprises. The table below outlines the top market participants in terms of revenue generated.

Top-5 market participants by 2023 revenue

		Activity	Revenue 2023, UAHbn
1	**SoftServe**	Outsource software development	23
2	**EPAM Systems**	Outsource software development	19
3	**Genesis**	Product development and other services	12
4	**GlobalLogic Ukraine**	Outsource software development	11
5	**Ajax Systems**	Product development and other services	8

Source: Forbes

Current market development

Prior to Russia's full-scale invasion and throughout current hostilities, several Ukrainian tech startups have managed to achieve so-called "unicorn" status by reaching over USD1 billion in company value. Among the most notable of these companies are:

- People.ai, a Ukrainian AI-powered platform for analysing sales department performance which raised over USD100 million in funding in 2021, putting the company value at USD1.1 billion.
- Grammarly, an AI-driven platform for checking grammar, spelling, and writing style in English written texts which also became a unicorn in 2021.
- airSlate, a leading automation platform that empowers businesses to streamline their operations and improve efficiency. airSlate's valuation was estimated at USD1.25 billion in 2022.
- Creatio, a worldwide provider of an AI-powered platform for automating CRM and workflows which was valued at USD1.2 billion in 2024.

Regardless of a decline in overall confidence, investors are still interested in the growth potential of Ukrainian tech companies during the war. Among the most notable recent investments in the tech sector are:

- a USD200 million fundraising round led by foreign investors in Creatio
- acquisition of Ukrainian-found online food ordering platform Allset by SoundHound, a company which provides voice AI solutions. The financial terms of the deal are not disclosed, but is estimated to be as much as USD35 million.
- other noteworthy outbound deals include Ukrainian IT companies Ciklum and Intellias acquiring companies in the US as part of their global expansion strategy into foreign markets.

Please refer to KPMG's M&A Radar Ukraine for more details regarding M&A transactions.

Despite facing challenges due to the ongoing War, the Ukrainian tech sector is expected to remain resilient and continue to play a crucial role in the country's economy. While a minor to moderate decline in export value is anticipated, the industry has demonstrated remarkable adaptability, identifying opportunities for development and job creation. Notably, Ukraine has emerged as a leading hub for developing military- and defence-related tech solutions.

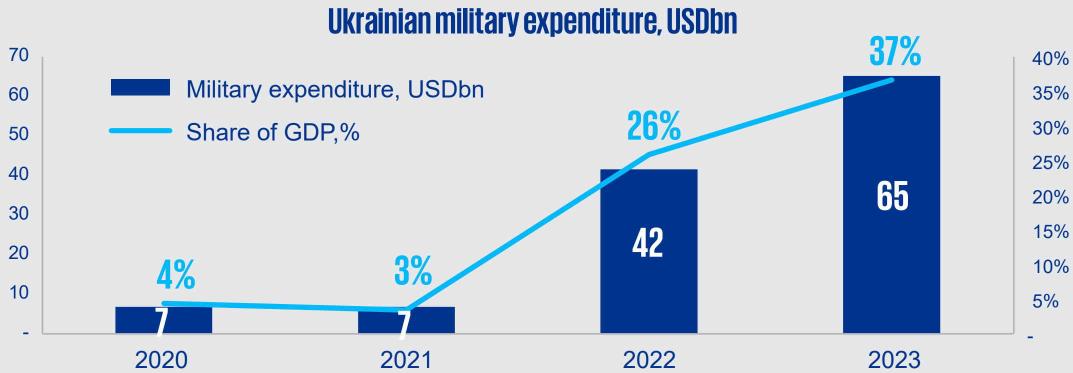
By leveraging Ukraine's talent, innovation, and resilience, the IT sector continues to have the potential to contribute significantly to the country's economic recovery and long-term prosperity.

Defence

The ongoing Russia full-scale invasion of Ukraine has acted as a natural catalyst for the growth of the local defence industry. The sector increased threefold in value in 2023, reaching USD3 billion (though this is still four times less than the value of imported weapons and repairs, estimated to be USD13.2 billion). Projections indicate that Ukraine's defence sector will continue to grow, reaching USD5 billion by 2025.

Rapid growth of the Ukrainian defense sector

- State-owned companies hold a significant share of the defence market in Ukraine. However, Ukraine's military tech and defence tech markets are diversified, with companies predominantly privately owned. Russia's full-scale invasion has consequently led to industry growth, not only in terms of quantitative indicators but also in improvements and new developments resulting from researching new tools to address real-time challenges faced by Ukraine's military. The opportunity to test products in real combat conditions is an important competitive advantage for Ukrainian manufacturers.
- Ukraine is actively involving foreign investors and technological partners to enhance defence production quality and productivity, aiming to establish joint production facilities and develop new technologies to counter the Russian invasion.
- In addition to high levels of local demand, Ukrainian weapons exports also have great potential on the global market. In the event of broader permission to export defence industry products to partner countries, there is already existing capacity for significant sectoral growth which would have a positive impact on employment, tax revenue, and Ukraine's GDP.

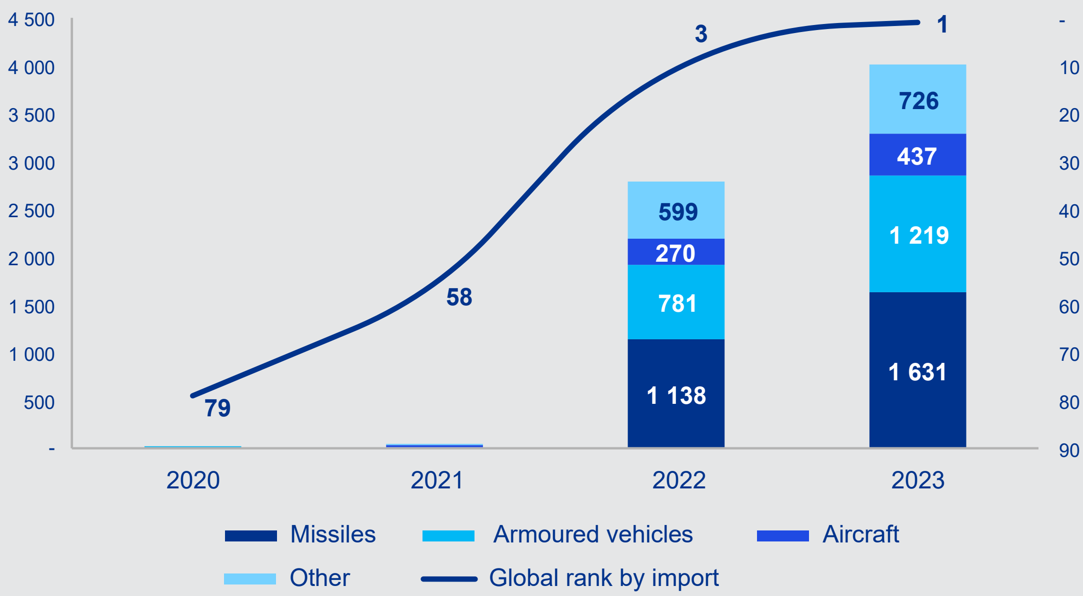


Source: SIPRI, NBU

Industry overview

Ukraine's defence industry accounted for 1.5% of domestic GDP growth in 2023, with the 2024 budget allocating nearly UAH300 billion for purchasing vehicles and weapons. Serhii Vysotskyi, Deputy Head of the National Association of Ukrainian Defense Industries (NAUDI), estimated that Ukraine private companies should expect to provide orders for as much as two-thirds of the allocated state funding for defence initiatives.

Ukraine imports of weapons by category, millions of SIPRI TIVs[a]

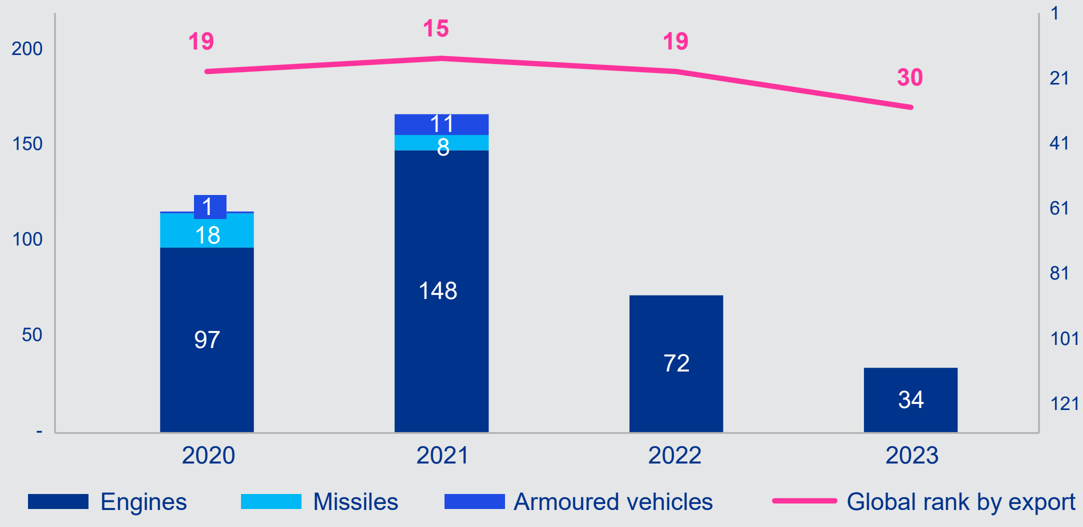


Note: a) SIPRI TIVs stands for Stockholm International Peace Research Institute trend-indicator values
Source: SIPRI

There are more than 500 Ukrainian companies operating in the defence sector, providing 300,000 jobs. Of these registered companies, approximately 100 are state-owned enterprises (70 of which are part of Ukroboronprom State Concern), and 400 are private. Approximately 300 of these private defence companies work in the subfields of miltech or defence tech. While defence tech is a broader category that encompasses technologies used in both combat and other defence contexts (such as demining, cybersecurity, and generalised AI), miltech, or "military tech", is a sub-category that focuses on technologies used in active combat (such as unmanned vehicles, electronic warfare, and more specific AI systems).

The Ukrainian market for miltech has tripled since 2023, with the private sector currently worth an annual USD1.5–2 billion. With adequate incentives from the Ukrainian government, the size of Ukraine's miltech industry could reach as much as USD10 billion by 2030. However, the defence tech industry as a whole is substantially underinvested, with research by the Kyiv School of Economics noting just USD25 million invested in defence startups in the first three quarters of 2024. While this was expected to double to USD50 million by the end of 2024, projections for total 2025 investments are expected to be multiple times higher. While foreign investors remain most interested in dual-use projects which are expected to have both clear military and civilian applications, Ukrainian companies obviously place more emphasis on defence tech products with an explicitly military focus.

Ukraine exports of weapons by category, millions of SIPRI TIVs



Source: SIPRI

International companies, including German firms Rheinmetall and Flensburger Fahrzeugbau Gesellschaft, Turkish company Bayraktar, British company BAE Systems, French company KNDS, and American company Northrop Grumman, are establishing factories and manufacturing centres in Ukraine. Norway has also granted Ukraine a licence to produce certain types of weapons.

According to former Minister for Strategic Industries Oleksandr Kamyshin, Ukraine's domestic defence sector production has the potential to contribute up to USD20 billion to the local economy, though a lack of state financial resources presents a substantial bottleneck to fully realising sectoral contributions. Kamyshin further noted that Ukraine's state budget for arms procurement in 2024 was USD6 billion, significantly below potential domestic defence production.

Regarding the potential for export market sales, Ukrainian arms and defence companies are eagerly awaiting the greenlighting of exports by the Government of Ukraine which would give them the opportunity to export their products with fewer restrictions and enable full utilisation of Ukraine's defence production capacities beyond what is already mandated in the state budget.

In response to challenges faced by the Ukrainian defence industry, including limited access to funding and the aforementioned export restrictions, Ukrainian defence companies are exploring opportunities to expand operations abroad. An August 2024 survey conducted by Tech Force in UA revealed that 85% of Ukraine's defence industry companies are considering relocating part of their enterprises overseas or have already done so.

Foreign demand for Ukrainian hardware is evident: the top-5 countries from which Ukrainian manufacturers most frequently receive requests for partnership or military equipment supplies includes NATO members such as Lithuania, the United Kingdom, the United States, the Czech Republic, and Latvia.

If controlled arms exports from Ukraine were to take place, it is expected that such sales would generate an additional source of foreign currency revenue and annual state income in the form of taxes amounting to between USD1–2 billion, further contributing to the growth of Ukraine's GDP.

The Ukrainian government, meanwhile, is seeking financial support from international partners to boost domestic utilisation of local defence manufacturers that face a lack of state funding. Through the "ZBROYARI: Manufacturing Freedom" initiative, Ukraine aims to secure as much as USD10 billion to increase local arms production contracts. This initiative would encourage direct financing by foreign partners contributing to domestic defence manufacturers as part of their military aid for Ukraine. Early successes in the initiative include agreements with Denmark, Canada, and the Netherlands, securing USD675 million in funding for local Ukrainian arms production.

Nonetheless, the Ukrainian government faces a difficult task in balancing the easing of arms export regulations to secure additional income from arms exports and ensuring sufficient weapons for the battlefield. While this approach could provide much-needed income, it also carries the risk of weakening Ukraine's defense capabilities and potentially leaving the country more vulnerable to attack. This balancing act presents a complex challenge, as the potential benefits of increased revenue must be weighed against the risks of depleting the country's military resources and potentially undermining the support of foreign partners.

The top priority for Ukraine's 2025 budget therefore remains security and state defence. The government of Ukraine plans for 26.3% of 2025 GDP to be allocated for this purpose. Defence budget expenditures are expected to total UAH2.2 trillion, UAH47.6 billion more than the revised plan for 2024, with the hopes that such increase will strengthen Ukrainian defence capabilities. According to Denys Shmyhal, Prime Minister of Ukraine, record funds will be assigned to produce and procure weapons and military equipment, with UAH739 billion earmarked for this in 2025 (up UAH34.1 billion compared to 2024). Increased funding is planned to further modernise Ukraine's military-industrial complex, as well as funds dedicated specifically for the increased procurement of drones.

Types of weapons produced by Ukraine:

- **Artillery**
- **Mortars**
- **Ammunition (artillery, small-calibre)**
- **Drones (sea)** (long-range, short-range)
- **Missiles**
- **Armoured vehicles**
- **Drones (air)** (long-range, short-range)
- **Communication systems**
- **Electronic warfare**
- **Air defence**

Well-known examples:

Artillery
2S22 Bohdana (155mm NATO-standard compliant ammunition calibre self-propelled howitzer vehicle)

Drones
Sea Baby unmanned surface vehicle naval drone

Missiles
R-360 Neptune subsonic cruise missile

Leleka-100 unmanned aerial reconnaissance vehicle

In addition to financing through the Ministry of Defence of Ukraine, developing new weapons is also funded via Brave1, a state defence tech cluster which provides grants of up to USD200,000 to private defence companies. Western partners (the European Union, Denmark, Canada, the Netherlands, and others) have also made donor funds available for the construction of Ukrainian weapons, making up for the state deficit in orders for domestic arms manufacturers and enabling manufacturers to work closer to their full capacity.

A new preferential lending programme for domestic defence industry manufacturers has been developed by the Ministry of Strategic Industries of Ukraine and is also currently in the process of implementation, offering 5% interest rates. The programme will provide loans of up to UAH100 million with terms of up to 3 years for working capital, and loans of up to UAH500 million with terms of up to 5 years for investment projects.

Market participants

State owned companies:

JSC Ukroboronprom
(state concern consisting of 70 of approximately 100 state companies)

Private companies:

- Ukrainian Armor
- AILAND Systems
- HIMERA
- Swarmer
- ZVOOK

Accelerators:

- BRAVE1
- INNOVATION HUB
- MITS
- LVIV TECH CLUSTER
- DARK STAR

Investors:

- USF
- Slava Fund
- Uklon Nezlamni
- Koryos
- Freedom Fund VC
- Green Flag

Offtakers:

- Armed Forces of Ukraine
- ZBROYARI
- Ministry of Digital Transformation of Ukraine
- Army of Drones
- UNITED24
- Serhiy Prytula charity foundation
- COME BACK ALIVE

Banking

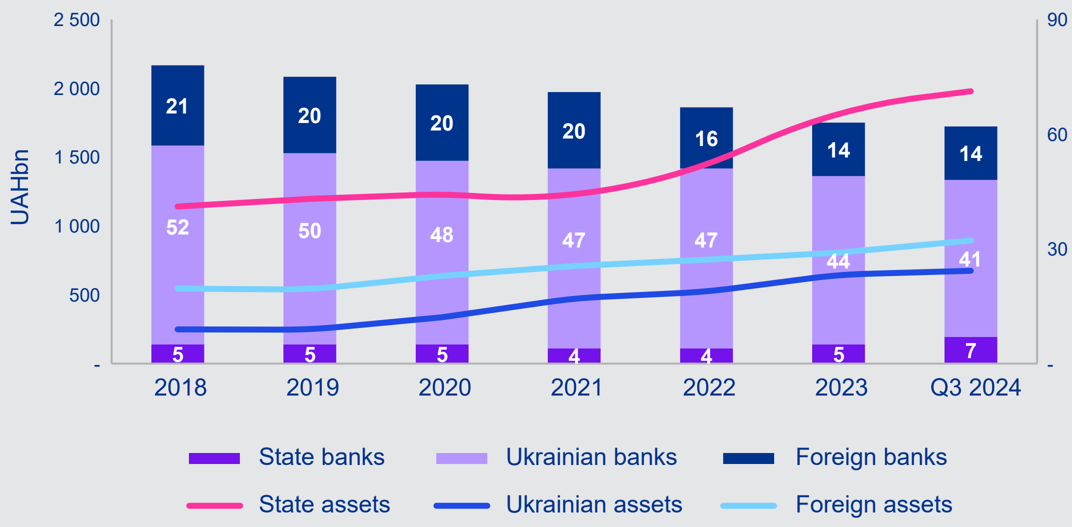
The Ukrainian banking sector has started to adjust to the challenges of the ongoing Russian full-scale invasion: total assets are increasing, the share of non-performing loans (NPLs) is decreasing, and banks' profitability continues to grow.

Ukraine's banking sector: adapting, innovating, developing amidst war

- The NBU decreased the refinancing rate from 25% to 13% between June 2022 and June 2024. This decision has been part of broader monetary policy measures aimed at reducing the cost of funding for both servicing national debt and stimulating economic activity, including lending to corporations and individuals. The rate reduction also aligns with NBU efforts to stabilise the Ukrainian financial system and provide support for a wartime economy. However, heightened inflationary pressures have caused the NBU to adjust its monetary policy stance, raising the key rate to 13.5% per year in December 2024 and 14.5% in January 2025.
- Bonds continue to play a crucial role in ensuring the stability of the Ukrainian banking system, comprising 50% of total assets; with government bonds accounting for 54% of this amount. The share of loans in the banking system's total assets, meanwhile, decreased from 32% in 2021 to 20% in 2024.
- Ukrainian banks have shifted to online platforms to enhance customer access to services such as digital payments, loan applications, and e-commerce integration. This trend is expected to bolster competitiveness and customer retention by offering more accessible, seamless, and diversified banking products.
- In 2021, the Board of the NBU approved the concept of making resilience assessments of banks and the Ukrainian banking system every two-to-three years, with the latest results expected to be available in 2025. Key stages of such assessments include asset quality review, extrapolation, and stress testing, giving potential investors assurance in the solidity and transparency of Ukraine's banking system.

Industry overview

Number of banks by group and total assets, UAHbn



Source: NBU

Number of banks. Between 2021–Q3 2024, the total number of banks in Ukraine decreased to 62, primarily due to the exit of seven banks with foreign capital. These included banks with Russian capital such as MR Bank (formerly Sberbank of Russia) and Prominvestbank, and smaller banks such as IBox Bank, Forward Bank, Concord Bank, and Ukrbudinvestbank which failed to meet the NBU's regulatory requirements.

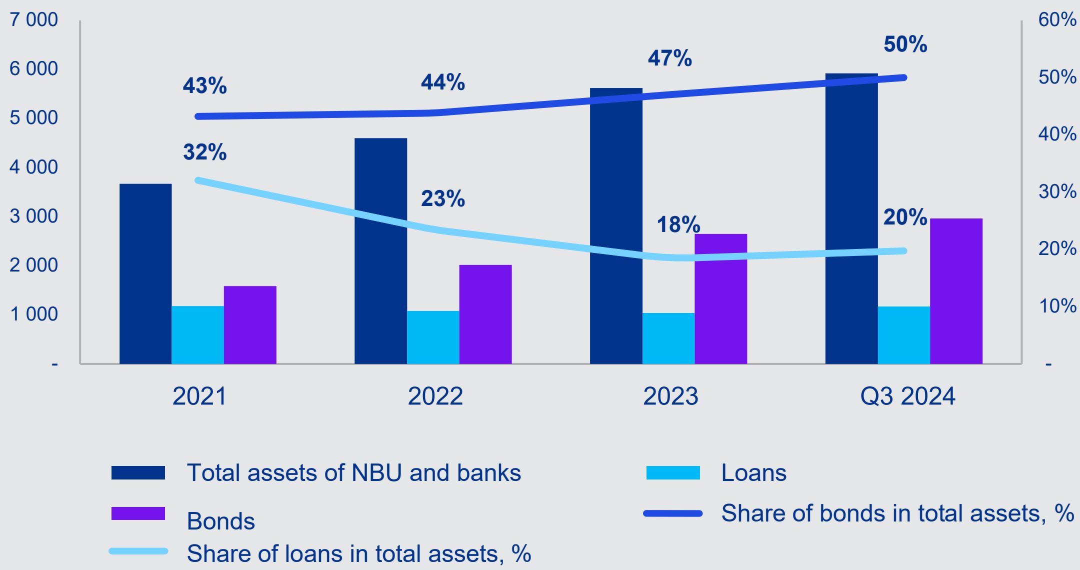
Banks owned by foreign bank groups

	2021	2022	2023	YTD Sep 24
Number of banks	20	16	14	14
Number of branches	1 309	1 140	1 104	1 080
Total assets of foreign banks, UAHbn	709	756	806	894
Share in total banking system	30.1%	27.8%	24.4%	25.2%
Share of top-5 in total banking system	20.0%	21.2%	19.4%	20.2%
Financial result after tax, UAHbn	22	(0)	22	27

Source: NBU

Commercial banks' assets. Despite the challenges of the ongoing war, Ukrainian banks' collective total assets continued to grow, driven by investment in domestic government bonds which have become a critical asset class. Increased reliance on government bonds has helped to stabilise Ukraine's banking sector amidst a period of extended uncertainty. As of the third quarter of 2024, total assets in the Ukrainian banking system have remained stable, reflecting adaptive strategies such as portfolio diversification and improved risk management. Government bonds represented a substantial portion of these assets, underscoring their importance for sector stability.

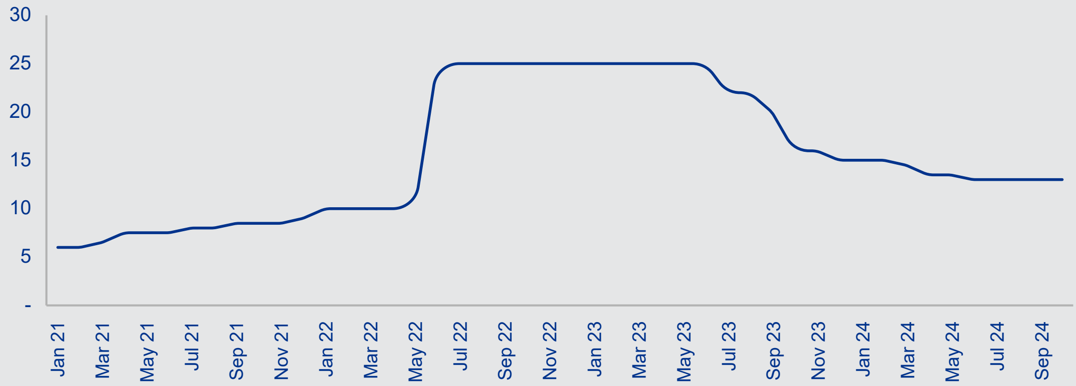
Total assets of NBU and banks, share of bonds and loans in assets, UAHbn



Source: NBU

The top-5 **foreign commercial banks** by total assets are Raiffeisen Bank, Ukrsibbank, Crédit Agricole Bank, OTP Bank, and Citibank JSC, which collectively accounted for 80% (or UAH718 billion) of the total assets held by foreign banks in Ukraine (UAH894 billion) as of 30 September 2024.

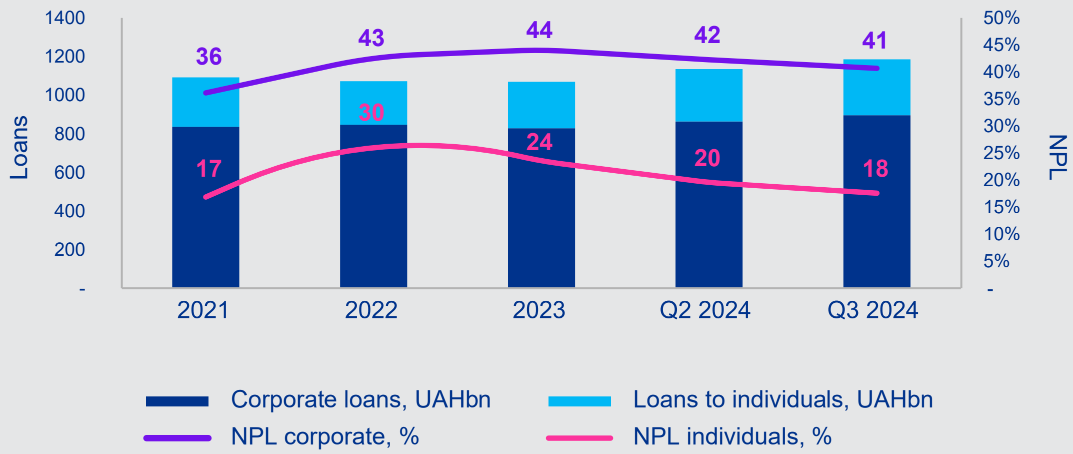
NBU rate, %



Source: NBU

The quality of the collective loan portfolio held by banks in Ukraine has improved since 2023, with the share of non-performing loans (NPLs) in the corporate and the individual loan portfolios decreasing by 3pp and 6pp, respectively. As of October 2024, the NPL ratio stood at 41% for corporate loans and 17% for individual loans. This improvement is attributed to: a) active restructuring and write-off of NPLs, b) sale of NPLs to debt collection agencies, c) economic adaptation which has led to restored borrower solvency, and d) regulatory measures implemented by the NBU.

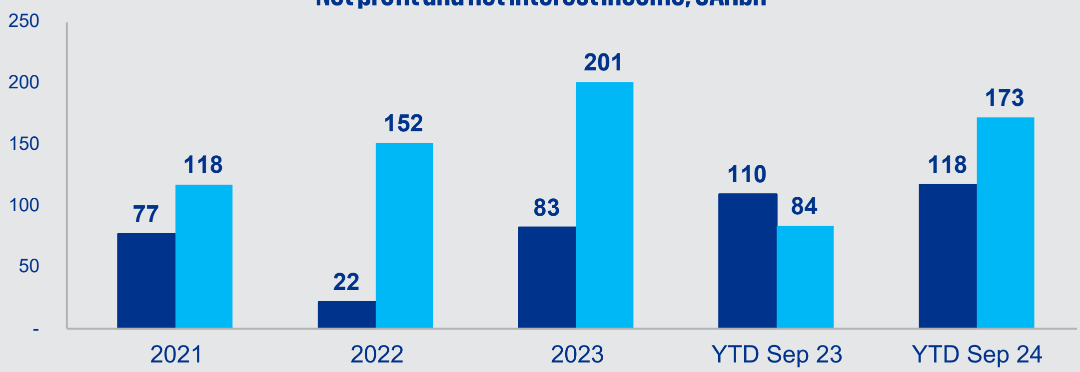
Loans by portfolio and NPL by portfolio, %



Source: NBU

Profit tax increase. Starting in 2023, the tax rate on bank profits in Ukraine was increased to 50% in the hopes of enhancing fiscal revenues to address budgetary deficits caused by the prolonged war and reduced external financing. The NBU has expressed significant concerns about this sharp increase though, arguing that it could harm banking stability and limit credit growth potential. The NBU instead advocates for balancing fiscal measures with financial sector stability.

Net profit and net interest income, UAHbn



Source: NBU

Kyiv city

Digitalisation. Recent digital initiatives led by both the NBU and the Ministry of Digital Transformation of Ukraine include promoting cashless payments, expanding the use of the BankID system, and exploring the introduction of a central bank digital currency referred to as the "e-hryvnia". These efforts aim to modernise Ukraine's financial infrastructure and ensure compliance with global standards.

According to Mastercard data, 60% of payments in Ukraine utilising the company's payment cards are made digitally. In last five years, Ukraine has become one of the top-10 countries worldwide by the number of NFC payments using Mastercard's digital cards.

According to NBU data, the share of contactless transactions (via contactless cards or smartphones and other devices) continues to increase. In the first three quarters of 2024, contactless transactions reached 94.2% by value and 95.3% by volume (compared to 89.4% and 90.6%, respectively, in the same period of the previous year).

As a part of a state initiative to modernise financial infrastructure and develop cashless payments, the NBU launched its updated System of Electronic Payments (SEP) in December 2024. Key advantages for individual users include reduced payment transfer times and convenient payment initiation (via payment service providers' applications), as well as simplified payment detail transfers between users (using QR codes or Deeplinks). Corporate users also benefit from low transaction costs, effective liquidity management, and 24/7 system availability. According to the NBU, launching this new version of the SEP will increase competition among payment systems and services, driving enhanced transparency and lower transaction costs while encouraging the potential for future integration with international instant transfer systems, particularly within the EU.

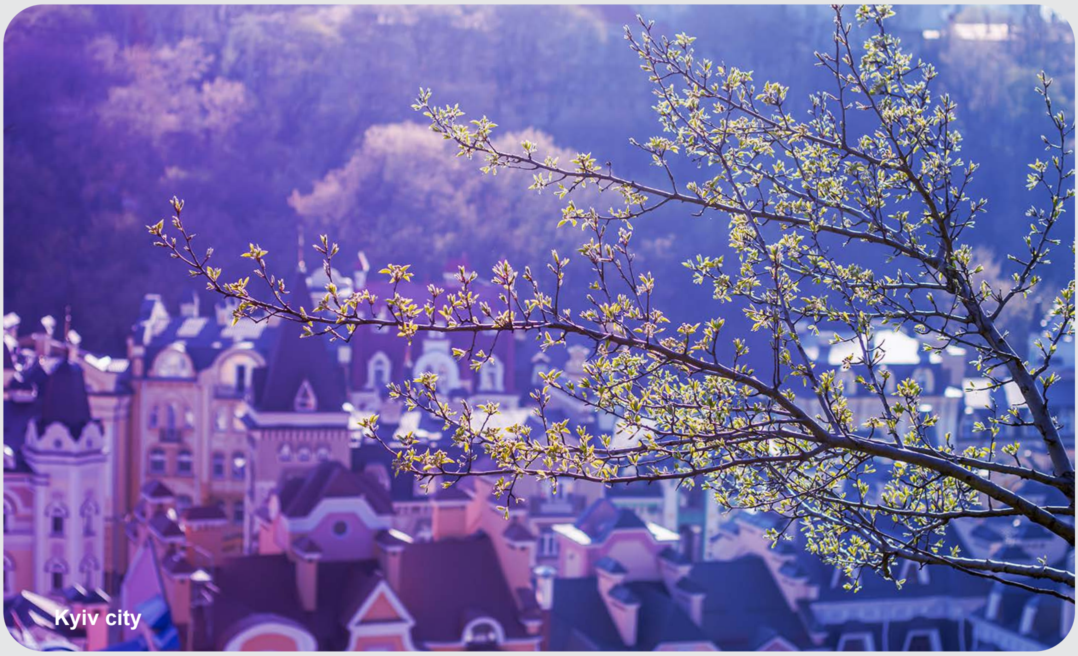
Since the start of full-scale invasion, banks providing customers with 24/7 key financial services such as including personal banking, savings accounts, loans, and investments via mobile apps have increased in popularity, with a lack of physical banking locations considered no obstacle to entering the market. There are currently five "branchless" digital banks in Ukraine, with monobank among the largest of these "direct" banks.

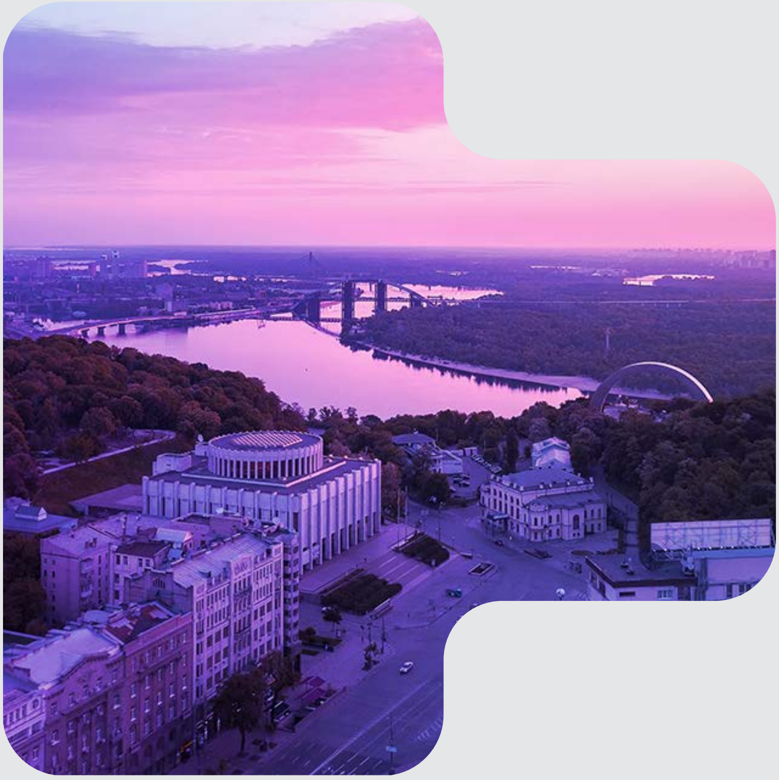
Key challenges that must be overcome to enable further digital banking growth in Ukraine include integrating and implementing AI for service personalisation and efficiency, ensuring adequate levels of cybersecurity to protect users against threats, and achieving long-term profitability in the face of competitive pricing and operational constraints.

Resilience assessment. According Bank Resilience assessments approved by NBU, all 62 banks in Ukraine initially went through an asset quality review (AQR) performed by external auditors, with results submitted for 30 April 2024. After stages one, two, and three (the latter two being extrapolation and stress testing), the NBU has continued to assess the 20 largest banks in Ukraine, as well as banks that faced capital needs following their prior resilience assessment in 2023. Banks in Ukraine are expected to reflect AQR results in their reporting, with the next deadline being 1 August 2025.

Key investment opportunities

- Digital transformation has created significant competitive advantages for Ukrainian banks by enabling personalised services, increasing their customer base, and optimising operational costs. Banks heavily investing in digital technologies have shown improved profitability and market positions.
- SME Financing. The EIB and the European Commission have mobilised over EUR1 billion in loans to support Ukrainian SMEs, with a focus on those most affected by war, including internally displaced people, women, and young entrepreneurs. This funding also supports job creation and economic resilience.
- Banks such as Raiffeisen Bank and Ukrgasbank frequently introduce SME-targeted financial products, including tailored loan packages, leasing options, and advisory services. These programmes can include extended credit lines, reduced interest rates for certain sectors, or digital solutions to streamline business financing processes.
- International Collaboration: Initiatives like "Vision: Business Development Fund 2.0" aim to enhance SME access to financing, involving cooperation between Ukrainian and international institutions such as the German KfW bank. This includes grants, loan guarantees, and capacity-building programmes.
- Renewable Energy Solutions (RES) Programme: Supported by a EUR20 million grant from the German government and the EIB, this programme focuses on integrating renewable energy solutions like solar panels, biomass systems, and geothermal heat pumps in public buildings such as schools and hospitals. The RES programme also aims to enhance resilience with battery storage projects to counter grid vulnerabilities caused by ongoing war-related destruction.


Kyiv city



2. Market entry

Foreign investment and repatriation of profits

Starting up a business has been simplified

Ukraine has introduced series of legislative changes aimed at simplifying starting up and operating a business, including:

- online access to the Unified State Register of Legal Entities, Individual Entrepreneurs and Non-Governmental Organisations (USR)
- abolishing annuals requirements to confirm data about a legal entity
- simplifying liquidation and restructuring procedures
- permitting notaries to perform the functions of registrars
- speeding up the registration process if a complete set of documents is provided
- enabling successors to legal entities, terminated by way of merger, accession, or change in legal form to carry out economic activities under the licence issued to the terminated entity for a transitional period of up to 6 months or until a new licence is obtained.

The need for mandatory licensing or other authorisation by state bodies has been abolished in many industry sectors and replaced with a system of silent consent and declarations (i.e. a company may undertake certain types of business upon making a relevant declaration to the Ukrainian state authorities).

According to Resolution of the CMU "On the Suspension of State Supervision (Control) Measures under Martial Law" dated 13 March 2022, planned and unplanned state supervision (control) activities have been suspended during the period of martial law.

However, such activities are may take place if:

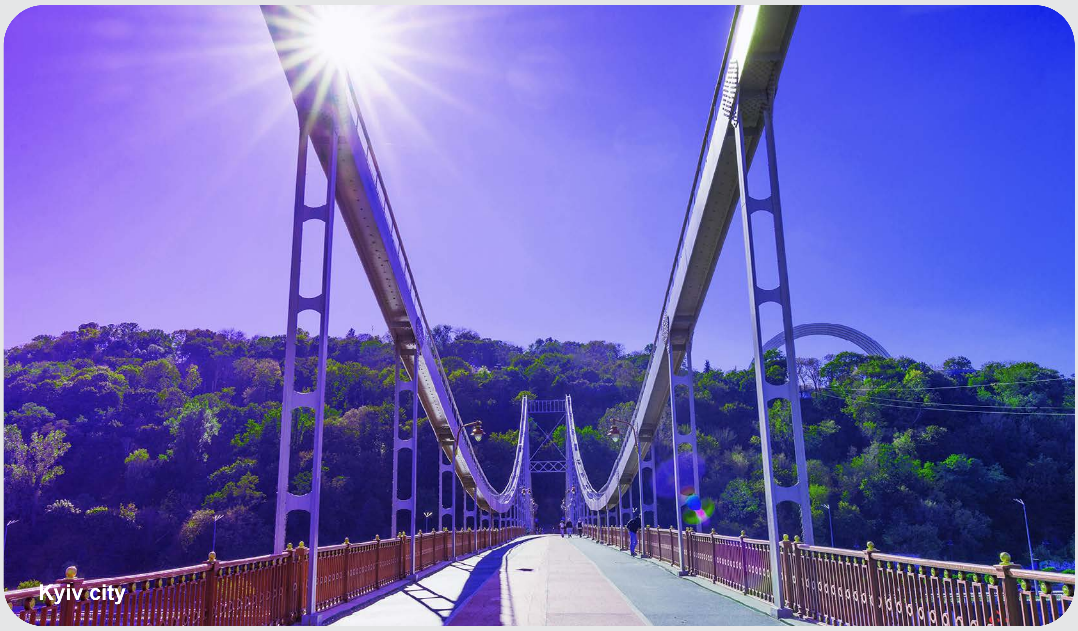
- there is a threat to human life or health
- it is necessary for environmental protection
- it is required to ensure national security.

Furthermore, some authorised bodies such as the State Tax Service, the National Commission for State Regulation of Energy and Utilities, the National Council on Television and Radio Broadcasting, and the State Service of Ukraine for Food Safety and Consumer Protection are permitted to conduct inspections during martial law.

1.1 Market entry strategies

Foreign investors have the following options when entering the Ukrainian market:

- direct sales
- agency and commission arrangements
- joint venture with a Ukrainian partner
- registration of the representative office (commercial and non-commercial)
- registration of a Ukrainian subsidiary.



The choice made by foreign investors is usually motivated by their business strategy, incorporation and maintenance costs, and the legal and tax risks involved.

1.1.1 Direct sales

The simplest option to enter the Ukrainian market is to conclude direct sales contracts with the Ukrainian customers. In such circumstances, a foreign legal entity selling goods or services directly from abroad to customers (or distributors) in Ukraine would not be subject to Ukrainian tax on income, unless activities of such foreign legal entity create appearance of its permanent establishment in Ukraine. Depending on the agreed terms of delivery, Ukrainian customers (or distributors) would be responsible for customs clearance and would be liable to pay customs duties and taxes (VAT, excise etc.), if any.

A properly drafted cross-border contract enables a foreign company to avoid taxation in Ukraine.

Direct sales is the simplest way to trade

Direct sales contracts are the simplest way to trade with Ukrainian companies.

Choosing your governing law or that of a respected international jurisdiction to govern the contract makes direct sales a viable option for business. However, if choosing this option, one must still be aware of the mandatory provisions of Ukrainian laws (e.g. currency control regulations, land regulations, licensing and permitting requirements, etc.)

Ternopil city

Odesa city

1.1.2 Agency and commission arrangements

Agency and commission contracts are another convenient alternative for structuring a business in Ukraine. From a legal standpoint, such arrangements permit a foreign company to carry out commercial activities in Ukraine without setting-up a corporate entity and bearing the associated costs and risks of employing personnel or complying with local accounting and reporting rules. Agency and commission contracts may trigger taxation in Ukraine, specifically when an agent acts exclusively on behalf of a particular foreign company and the supply of agency or commission services does not constitute its core business (as may be the case for securities, insurance brokers, etc.)

As a result of applying agency and commission contracts for activities of a preparatory or auxiliary nature (such as market research and analysis) that do not create the permanent establishment of a foreign enterprise in Ukraine profits would only be taxed in the country of tax residence.

1.1.3 Joint venture with a Ukrainian partner

Ukrainian laws give a foreign investor the right to enter into a joint venture with a Ukrainian partner (formally referred to as a “a joint activity agreement” which can take the form of a simple partnership agreement, a production sharing agreement (PSA), or a co-operation agreement with a Ukrainian partner or partners). Investment of this nature may be subject to state guarantees and should be registered with the relevant local state authorities in Ukraine.

Ukrainian subsidiary may be engaged in any commercial activity

It is common practice to establish a joint venture as a legal entity under Ukrainian law, typically in the form of a Limited Liability Company (LLC). Ukrainian legislation also permits the partners of such a joint venture to enter into a Shareholders Agreement which serves to regulate their corporate rights and obligations. A Shareholders Agreement may be governed by foreign law, if the Shareholders Agreement meets the requirements outlined in the Law of Ukraine on International Private Law (e.g. at least one of the parties to the Shareholder's Agreement is a foreigner/ foreign entity).

To secure parties' obligations under the Shareholders Agreement, Ukrainian legislation stipulates the potential to issue irrevocable powers of attorney.

1.1.4 Registration of a representative office (commercial and non-commercial)

Day-to-day business in Ukraine can also be carried out through a representative office (RO). A RO is not a legal entity but a branch of a foreign company that is registered in Ukraine. The subsidiary's head office assumes all rights and obligations of the RO and has liability for its actions.

A RO that carries out commercial activities in Ukraine is deemed to be a commercial RO and becomes a permanent establishment of the foreign company in Ukraine for tax purposes. Consequently, if a double taxation treaty is in place between Ukraine and the jurisdiction of the foreign company's tax residence, only the portion of the company's profits attributable to the RO would be taxed in Ukraine. A RO which undertakes activities of a preparatory or auxiliary nature is not usually regarded as a permanent establishment and is not subject to corporate income taxes in Ukraine.

Due to legislative amendments introduced in 2024, a RO can be registered under procedures similar to registering the legal entities in Ukraine (including via private notaries) with state registration in the USR. Documents for registering an RO with the state may only be submitted by a defined list of persons, including attorneys-at-law.

1.1.5 Registration of a Ukrainian subsidiary

A foreign company may choose to establish a Ukrainian subsidiary to conduct business in Ukraine.

A Ukrainian subsidiary controlled by foreign companies or nationals generally enjoys the same legal treatment as legal entities without foreign participation. For example, while foreign companies are not permitted to possess agricultural land in Ukraine or purchase land or state property, having a Ukrainian subsidiary enables foreign companies to engage in such purchases.

The Ukrainian subsidiary may be engaged in any commercial activity, assume legal obligations, acquire property, and sue and be sued in their own name. They may be engaged in any commercial activity (within certain restrictions and limitations) as envisaged in its charter or articles of incorporation. However, some activities may require licences and permits or other authorisations.

For more details on the available forms of incorporation, see the Company and Labour Law section below.

Lviv city

Corporate law

Common corporate structures

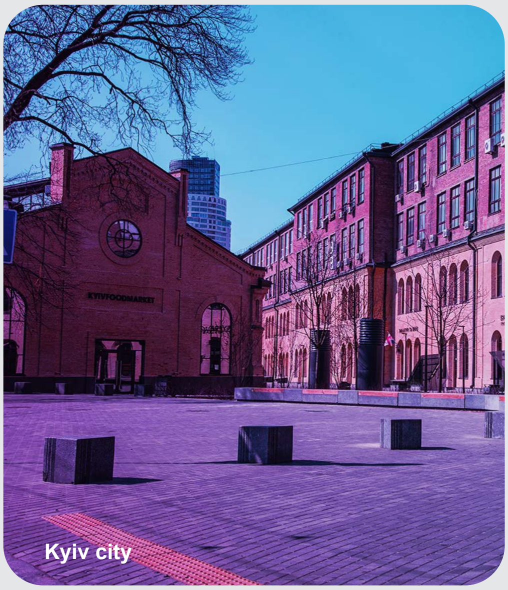
The most common forms of incorporation in Ukraine are as a limited liability company (LLC) and a joint stock company (JSC).

Ukraine adopted the Law of Ukraine "On Joint Stock Companies" which entered into force on 1 January 2023 and provides new regulations, such as for implementing a single-tier corporate governance model with a board of directors, online general meetings, etc.

General registration issues

An LLC can be registered within 2-3 business days (including registration with the fiscal, statistical, and social security authorities)[1]. Opening a related bank account takes up to 2 weeks, in practice.

Submission, examination, and registration of documents with the State Registrar, the fiscal authorities, and the pension fund can be completed in 24 hours. Once this stage is complete, the LL C is entered in the USR. At the request of the applicant, and upon payment of an additional fee, the time taken can be reduced to between two to six hours.


Kyiv city

Unlike an LLC, a JSC is entitled to issue shares, subject to registration with the National Securities and Stock Market Commission. Incorporation of a JSC is more time consuming and usually takes between 2 to 4 months.

While both offer limited liability for shareholders, foreign investors prefer to set up an LLC rather than a JSC in the majority of cases as incorporating an LLC is less onerous and operations are more straightforward.

Number of shareholders

Both LLCs and JSCs may have an unlimited number of shareholders, though they may also be established with a single shareholder.

A JSC may either be public (whereby its shares are traded publicly) or private (shares are privately held).

Disclosure of ultimate beneficiaries

Since 2014, all Ukrainian companies have been obliged to disclose their ultimate beneficiaries in the course of incorporation and update this information regularly. This information is publicly available in the USR.

Companies must also file all the up-to-date extracts to the relevant commercial/trade/business/court registers for all legal entities included in the ownership structure of the company that is to be established. According to legislative requirements, such extracts should be notarised and apostilled and need to be prepared not earlier than 30 days prior to the date for submission to the registrar.

For companies with sophisticated or opaque ownership structures, the process of UBO disclosure could be a challenging and time-consuming process, considering all the legislative requirements.

[1] Subject to collection of necessary documents required by the effective legislation

Company can be registered within 3 days

Minimum share capital

There is currently no minimum share capital requirement for an LLC. Founders of an LLC should contribute 100% of the declared share capital within 6 months of the date of incorporation unless an alternative period is stipulated in the charter.

The minimum share capital of a JSC is set at 200 minimum monthly salaries as defined by the Ukrainian authorities (approximately EUR36,772)[2]. Shares in a JSC should be fully paid up before registration with the state.

Share capital may be increased by converting retained earnings

Instead of making additional contributions to share capital, shareholders may decide at the General Meeting of Shareholders (GMS) to increase share capital by converting retained earnings.

In this case, the proportion of each participant's holding will remain the same.

Possibility of debt-to-equity swap

Many foreign investors finance their Ukrainian LLCs by means of granting shareholder loans. The most widespread way of restructuring intra-group indebtedness available to Ukrainian LLCs is the use of an off-set: the company (the debtor) increases its share capital to the amount of indebtedness and the creditor is obliged to contribute the same amount to the share capital.

Grounds for exclusion of participants are very limited

Ukrainian law stipulates that a participant in an LLC can only be excluded in the event that they fail to make payment for their shares or in the event of their death or liquidation (in case of company), subject to certain conditions.

Governing bodies

LLCs are required to have two internal bodies, namely:

- a GMS
- an executive body (either a Board of Directors or a sole Director)

Establishment of a Supervisory Board at an LLC is optional.

The new Law of Ukraine "On Joint Stock Companies" introduced changes to the model of JSC corporate governance. The Law provides for two models of joint-stock company governance:

- one-tier
- two-tier.

Under the one-tier governance structure, the governing bodies of the JSC are the GMS and the Board of Directors. Under the two-tier governance structure, the governing bodies of the JSC are the GMS, the Supervisory Board, and the executive

[2] All calculations based on minimum salaries relate to one minimum salary, or UAH8,000 (approximately EUR184), established as of 1 January 2025.

There is no minimum share capital for establishment of LLC

body (either a Board of Directors or a sole Director). JSC shareholders can now choose and switch to a one-tier or two-tier governance model if necessary (unless prohibited from doing so by legislation, i.e. banks must have a GMS, a Supervisory Board, and an executive body).

The GMS is the highest decision-making body for an LLC or a JSC, having the ultimate authority to resolve issues arising in the course of the company's business. The GMS may alter the company's charter and bylaws, change the amount of its share capital, elect members of the executive body (or the sole director), approve annual reports (in the case of a JSC), adopt decisions on re-organisation or liquidation, and undertake a number of other functions. If an LLC/JSC has only one participant, there is no need to convene the GMS.

An executive body (i.e. a Board of Directors or a sole Director) is responsible for day-to-day management of the company's business.

The Supervisory Board is responsible for monitoring the activities of the executive body and protecting shareholder rights.

Recent amendments to Ukrainian legislation introduced the concept of Independent Directors (independent members of the supervisory board and independent directors of the board of directors) to JSCs.

JSCs may also decide to establish an Audit Committee or appoint an internal auditor within their corporate structure. Under recent legislative amendments, a Supervisory Board may establish an Audit Committee as an internal committee (LLCs are not required to establish an audit committee).

A public JSC should arrange for an annual external audit of its financial statements and file the audited financial reports with the National Securities and Exchange Commission. Any JSC can be required to arrange for an external audit at the request of shareholder(s) holding at least 5% of its shares. Though an external audit is generally not mandatory for an LLC, shareholders with holding of more than 10% of shares have the right to request an audit of the company by an external audit firm.

Enterprises of public interest, including public joint-stock companies (PJSC), state-owned enterprises, economic entities receiving state aid, large- and medium-sized enterprises, and banks and financial institutions are required to undergo an independent audit of their annual financial statements.

The Supervisory Board of a JSC has the right to appoint a corporate secretary, responsible for communication with shareholders and investors.

The aforementioned Law of Ukraine "On Joint Stock Companies" also introduced the position of a corporate rights advisor. The advisor analyses disclosure of regulated information and other information regarding the JSC related to shares for which a public offer has been made or whose shares are admitted for trading on an organised market. This analysis provides shareholders with the information necessary for them to make a decision on exercising shareholder voting rights, providing consultations, and any other recommendations on the exercise of voting rights. A corporate rights advisor may only be a legal entity.

JSCs are obliged to disclose regular and special information in the manner established by the National Securities and Stock Market Commission.

Lviv city

Corporate rights

A shareholder (participant) in an LLC may freely divest its shares in the LLC's capital to a third party (unless the LLC's charter requires the approval of the other shareholders for such transactions). Other LLC participants have preemptive rights to the purchase of such shares.

However, following the Russian full-scale invasion of Ukraine, the Cabinet of Ministers of Ukraine passed Resolution No. 187 "On Ensuring the Protection Of National Interests in Future Claims of the State of Ukraine in Connection with the Military Aggression of the Russian Federation" dated 3 March 2022. This resolution nullifies transfers of shares in certain circumstances. To wit, there is a moratorium on:

- "the execution, including by force, of monetary and other obligations, the creditors (collectors) of which are the Russian Federation or such persons [considered to be…]
- "legal entities established and registered in accordance with the legislation of Ukraine, [whereby] the ultimate beneficial owner, member or participant (shareholder) of which is the Russian Federation, a citizen of the Russian Federation, [including those] residing in the territory of Ukraine on legal grounds, or a legal entity established and registered in accordance with the legislation of the Russian Federation".

A participant in an LLC that holds less than 50% of its shares may exit the company at any time without the consent of other participants.

Ukrrainian law protects the rights of minority shareholders

Ukrainian law protects the rights of minority shareholders

Shareholders in a public JSC may divest their shares without restrictions. Shareholders of a private JSC, however, may be restricted by the right of first refusal granted to other shareholders (should such a right be formalised in the JSC's charter)[3].

In addition, the Law of Ukraine "On Joint Stock Companies" contains a series of generally recognised legal instruments to protect the rights of minority shareholders, namely:

- a cumulative voting rule for election of the Supervisory Board and Audit Committee
- right to request information regarding the company's activities (annual financial statements, reports on the company's financial and economic activities, audit commission protocols, and minutes of management meetings, etc.)
- right to demand an audit by shareholders with a 5% holding
- specifying which decisions may be made by shareholders with a 75% or 95% holding, and permitting the company charter to set higher shareholding thresholds for decision making
- a requirement that a company buys out shares at the request of a minority shareholder (less than 5% holding) in the event of material changes related to the company's business (e.g. reorganisation, changes in share capital, etc.) As of 1 December 2016, the Law of Ukraine "On Financial Restructuring" introduced a new provision concerning the inapplicability of compulsory buyout of shares by a JSC-debtor in the process of restructuring resulting from a shareholder request
- companies must comply with special requirements related to material transactions and transactions with affiliated parties (also applicable to LLCs)
- majority shareholders with at least a 95% holding may perform a squeeze-out and minority shareholders with less than 5% holdings may initiate a sell out
- in the event of liquidation, minority shareholders are entitled to a share of the assets after the company's liabilities have been settled.

[3] Subject to restrictions outlined by Resolution of Cabinet of Ministers of Ukraine No. 187 dated 3 March 2022

Reorganisation

Under Ukrainian law, a reorganisation may be carried out through merging, accession, split-up, spin-off, or transformation of a legal entity. The decision to reorganise is usually passed by the GMS. In certain instances (e.g. when a company is found to be abusing its monopoly position), the Antimonopoly Committee of Ukraine may require the company to institute a split-up procedure.

As a result of a reorganisation, all of a company's rights and liabilities are transferred to its successors.

Reorganisation requires that a number of stages are followed:

- a tax audit should be conducted by the tax authorities
- a written notification must be forwarded to creditors
- outstanding obligations should be settled
- in certain cases, clearance should be sought from the antimonopoly authorities.

Ukrainian legislation does not currently allow for cross-border reorganisations.


Kyiv city

Anti-corruption measures

Ukrainian entities required to implement anti-corruption measures

Ukrainian companies are required to implement a number of anti-corruption measures in their activities. Managers and owners of businesses are obliged to assess corruption risks in their business activity on a regular basis and apply adequate measures to prevent and mitigate such risks. Management may engage external specialists to implement such measures which may involve appointing external auditors. Implementing anti-corruption measures is mandatory for companies involved in public procurement, with an exhaustive list of mandatory measures is prescribed by law.

Additional measures may be implemented at a business' discretion. A Compliance Officer should be appointed as the person responsible for implementing anti-corruption measures (where mandatory requirements have been applied).

The law establishes criteria applicable to Compliance Officers, including conflict of interest and independence requirements.

3. Taxation

Intro

The general principles of the Ukrainian tax system and the taxes and duties levied are given in the Tax Code of Ukraine (TCU) and the Law of Ukraine “On Unified Social Security Contributions”.

The TCU details the tax rates, exemptions, and administrative procedures, and is generally subject to annual improvement. The Parliament of Ukraine may introduce changes or amendments to the TCU no less than six months before the beginning of a new tax year through the adoption of a new law.

The main taxes in Ukraine are: corporate income tax (CIT), value added tax (VAT), personal income tax (PIT), property tax, and the unified social security contribution.

Since 24 February 2022 and the introduction of martial law, the Parliament of Ukraine has introduced numerous changes to the TCU to manage the challenges that both taxpayers and the state have faced as a result of the full-scale military invasion of Ukraine by the Russian Federation. Such changes include temporarily reliefs from tax penalties, suspension of tax audits, tax exemptions for defence-related supplies and production, charitable activities, and other relevant matters. The Parliament of Ukraine constantly reviews adopted changes to the TCU and implements new ones as necessary so as to adapt to new circumstances during martial law, including increases to certain taxes.

Corporate Income Tax

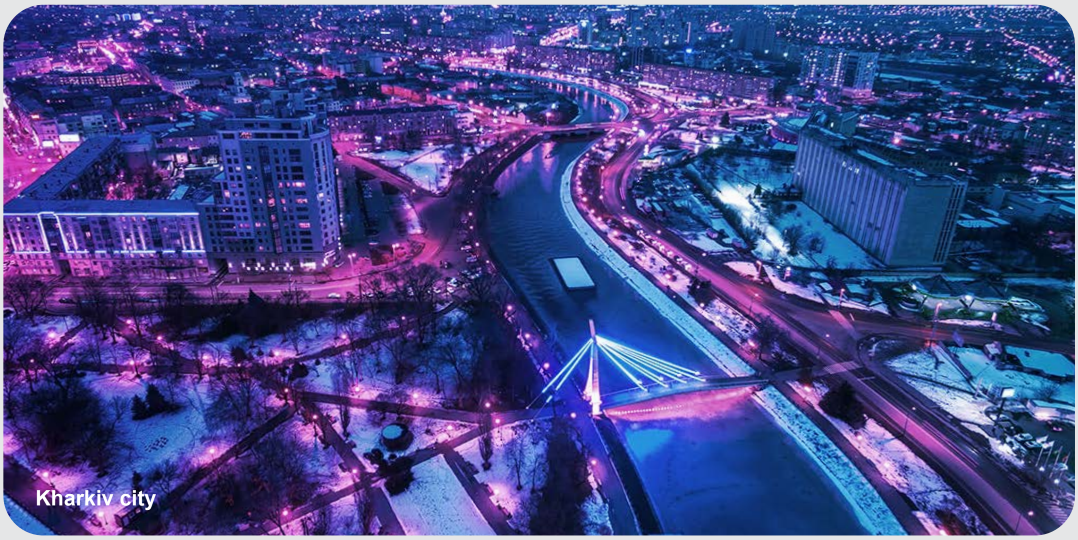
Tax Rates

The basic corporate income tax rate is 18%

The basic CIT rate is 18%. CIT is calculated for each reporting period.

The taxable base is determined based on the taxpayer’s financial statements, as calculated according to the Ukrainian National Accounting Standards (UNAS) or International Financial Reporting Standards (IFRS), and subject to adjustments and limitations as envisaged by the TCU.

CIT administration is centralised in Ukraine, with no additional corporate profits taxes imposed at the regional or local levels.



Kharkiv city

Tax Reporting

CIT returns are based on cumulative results and should be filed quarterly, within 40 calendar days following the reporting quarter. Annual CIT tax returns (for the whole financial year ending December 31) shall be filed within 60 calendar days following the reporting year.

Main Adjustments and Limitations

The main adjustments and limitations envisaged by the TCU include the following:

- Tax depreciation difference
- Reserves recorded for accounting purposes
- Thin-cap rule limitation
- Transfer pricing adjustments
- Royalty adjustments, etc.

Tax Depreciation and Amortisation

Taxpayers can determine the period of a fixed asset's useful economic life

Fixed asset costs that are used by taxpayers in business activities are capitalised and depreciated. An asset is treated as fixed if its cost exceeds UAH20,000 and its useful economic life exceeds one year. Each fixed asset is accounted for separately and depreciated on a monthly basis.

The taxpayer can determine the period of a fixed asset's useful economic life in internal accounting policies, provided that such a period is not less than the minimum period prescribed by the TCU. The minimum statutory periods vary from two years (for computers and similar electronic devices) to 20 years (for real estate).

The cost of land and natural resources are not subject to depreciation.

There are special accounting rules for land, land improvements, and expenses incurred for the exploration, development, and mining of natural resources. Taxpayers may choose one of the following five tax depreciation methods:

- Straight-line
- Declining balance
- Accelerated declining balance
- Cumulative
- Production

Tax Losses

In Ukraine, tax losses may be carried forward for an indefinite period but may not be carried back.

CIT payers can utilise losses carried forward without limitations, except for large taxpayers who can generally utilise up to 50% of the losses carried forward within one reporting year.

Foreign Tax Credit

To avoid double taxation of income derived from international sources, a taxpayer may apply a tax credit. A tax credit applies to foreign taxes paid up to the amount of the Ukrainian tax due on such income, though only if there is a double tax treaty with the state where the tax was paid and provided that the taxpayer presents documentation confirming payment of tax liabilities in the source state.

Kyiv city

The Tax Deductibility of Certain Fees Can be Subject to Limitations

1. Fees for Goods/Services/Works

Taxpayers are required to increase their taxable income by 30% of the contractual price of goods/services/works received from and/or provided to non-residents registered in tax havens or non-residents that do not pay corporate income tax as defined by the Cabinet of Ministers of Ukraine, provided that the relevant transactions are deemed not to be controlled for the purposes of Ukrainian transfer pricing rules or if the taxpayer did not opt to voluntarily confirm the arm's-length level of the relevant prices.

2. Royalties

Royalties of up to 4% of turnover from the sale of goods and services paid to non-residents in the previous reporting year are tax deductible.

This limitation should not apply if the market level of royalty payments is in accordance with transfer pricing rules (even if the relevant transactions are not deemed to be controlled for Ukrainian transfer pricing purposes).

The following royalty payments are not considered tax deductible:

- Royalties paid to non-residents who are not the beneficial owners of such payments, except when the beneficial owner has vested the right to receive such payments to the other person.
- Royalty payments for intellectual property, the rights to which first arose in Ukraine.
- Royalty payments made to persons where such payments are not subject to tax in their state of residence.
- Royalty payments to persons who pay tax on royalties as part of other taxes, except for individuals who are taxable in the manner prescribed in Section IV of Tax Code.
- Royalty payments to legal entities exempt from CIT or which pay CIT at a rate other than 18%.

According to the TCU, the following payments are not treated as royalties:

- Remuneration for the use of a computer program, if the terms of use are limited to the functional purpose of such a program and its reproduction is limited to the number of copies.
- Payments for the acquisition of samples of intellectual property (such as DVD media) in physical form or samples for resale.
- Payments for the acquisition of items containing installed software.
- Payments for the transfer of intellectual property rights to information on industrial, commercial, or scientific experience (know-how); or a transfer of such rights allowing the further sale of rights or the publishing (disclosure) of secret drawings, models, formulae, or processes.
- Payments for the transfer of the right to distribute samples of software products without the right to reproduce them or if their reproduction is limited to use by the end user.

Non-deductible interest can be carried forward and deducted in a subsequent tax period subject to the same limitations

3. Interest

Interest paid by a Ukrainian taxpayer is subject to unlimited deductibility, unless paid to a non-resident. Tax deductibility of interest payable by a Ukrainian resident to a non-resident is limited to 30% of the resident's CIT base before tax, financial expenses, and depreciation deductions (i.e. 30% of a resident's EBITDA), provided that the outstanding loan exceeds the net assets of the resident by a factor of 3.5.

Non-deductible interest can be carried forward and deducted in a subsequent tax period subject to the same limitations. Non-deductible interest carried forward is decreased by 5% annually.

Kyiv city

Withholding Tax

Ukraine-sourced income of a non-resident company is subject to a withholding tax in Ukraine at a rate of 15%

Any Ukraine-sourced income of a non-resident company is subject to a withholding tax (WHT) at a rate of 15%. Such income includes (among others) dividends, interest, royalties, capital gains, lease payments, brokerage, and agency commission.

Other income of a non-resident such as freight or insurance premiums paid abroad is subject to WHT at differentiated rates.

Income paid by a Ukrainian resident to a non-resident for works and supply of goods and certain services is exempt from WHT .

Interest paid to non-residents is subject to a reduced 5% WHT if the following requirements are met:

- if loans are granted using funds generated from bonds placed on an international stock exchange included in the list approved by the Cabinet of Ministers of Ukraine

- if the purpose of the loan is to finance a resident entity
- if non-resident recipients of Ukraine-sourced interest are not residents of a low-tax jurisdiction included in the list approved by the Cabinet of Ministers of Ukraine.

A non-resident may be required to register in Ukraine for tax purposes in order to pay WHT in certain instances.

Double Tax Treaties

Ukraine has a network of effective double tax treaties (DTT). Rules envisaged by DTTs ratified by the Parliament of Ukraine prevail over those contained in Ukrainian domestic tax legislation. The most recent DTTs signed by Ukraine are those with Spain (2020) and Japan (2024). However, the DTT with Spain is still pending ratification by both parties and the DTT with Japan is yet to be ratified by Japan. As a result, neither of these DTTs is effective as of the date that this guide was published. Until new DTTs enter into force (e.g. those with Spain and Japan), DTTs concluded by the USSR are effective by virtue of state succession rules.

As of 1 January 2025, Ukraine denounced and terminated DTTs with the Russian Federation, Belarus, Syria, and Iran.

Please refer to Annex 1 for a full list of DTTs and rates.

Anti-Tax Avoidance Rules

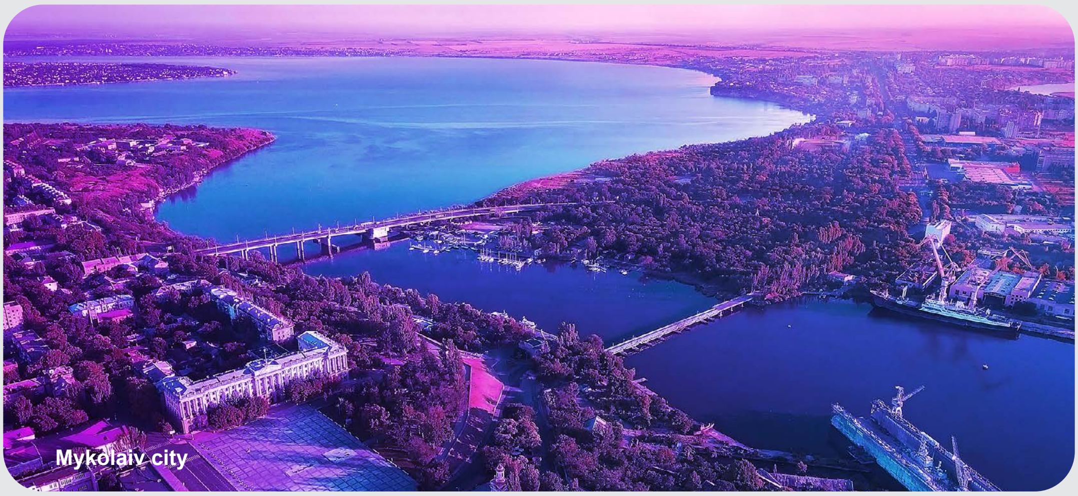
To benefit, a non-resident must meet the criteria of beneficial ownership and primary purpose

To take advantage of benefits envisaged by any DTT to which Ukraine is a party, a non-resident recipient of Ukraine-sourced income must, among other things, comply with the beneficial ownership and principal purpose tests.

Under the TCU, a beneficial owner is a person who has the right to receive the relevant Ukraine-sourced income and is not an agent, nominee, or intermediary (conduit). For the purposes of determining a non-resident recipient of Ukraine-sourced income as the beneficial owner, the criteria provided by the TCU should be applied, as well as consideration for court practice regarding interpretation of the concept of beneficial ownership in compliance with OECD Commentaries.

According to OECD Commentaries to the OECD Model Tax Convention, if a person is the legal owner of income but, in reality, has limited powers in respect of such income and acts as a mere fiduciary or administrator for the benefit of other interested parties, this person is treated as a conduit and not entitled to treaty benefits.

The principal purpose test shall be applied considering rules established by the relevant DTT.


Mykolaiv city

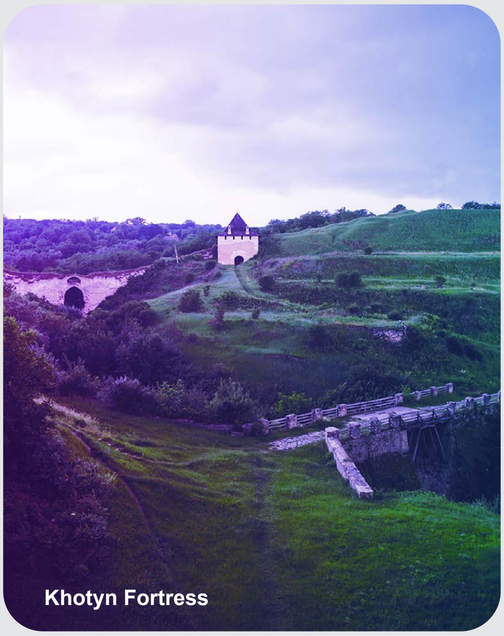
MLI Convention

On 23 July 2018, Ukraine signed the Protocol to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI Convention). The Protocol to the MLI Convention was ratified by the Parliament of Ukraine on 28 February 2019 and entered into force on 1 December 2019.

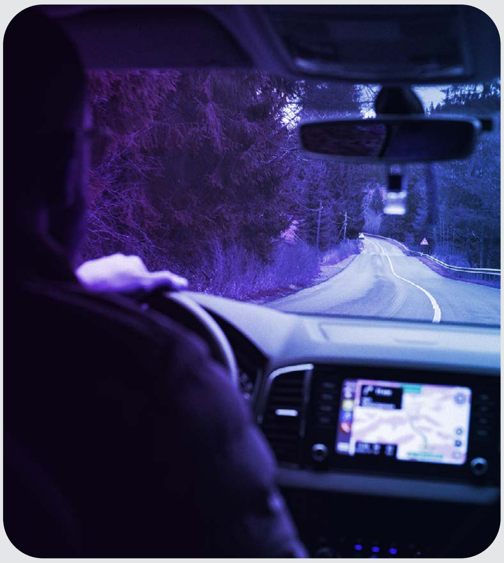
Based on the Protocol to the MLI Convention, Ukraine undertook to introduce the following concepts to its current DTTs:

- the Principal Purpose Test, which denies DTT benefits if obtaining such benefits was the only reason for the transaction
- inclusion in DTTs of capital gains tax arising from any method of transfer or sale of shares directly or indirectly that derive more than 50% of their value from immovable property during any 365-day period preceding the divestment
- improvement of the permanent establishment concept
- other minor changes.

The introduction of changes to each specific DTT depends on whether the other contracting state is also a party to the MLI Convention, and the approaches chosen by both states when signing the MLI Convention. If their approach differs from the approach chosen by Ukraine, amendments must be negotiated separately by signing a new protocol to the relevant DTT.



Khotyn Fortress



"Look-Through" Rules

The TCU has allowed application of the "look-through" approach since 2021, introducing the potential to apply DTT provisions to the country of the beneficial owner of the Ukraine-sourced income if the income is paid to a non-resident that does not qualify as the beneficial owner.

FATCA

On 7 February 2017, the Governments of Ukraine and the United States of America signed an Intergovernmental Agreement to implement FATCA.

The agreement was ratified by the Parliament of Ukraine on 29 October 2019 and entered into force on 15 November 2019.

In order to comply with FATCA's requirements, the Parliament of Ukraine adopted amendments to the TCU that entered into force on 29 December 2019.

Ukraine applies the indirect reporting approach under FATCA (i.e. all reports from Ukrainian financial companies are collected by the Ukrainian tax authorities and transferred to authorised bodies in the USA).

Failure to comply with FATCA's requirements can result in the application of a 30% WHT that must be withheld by the United States Internal Revenue Service from all US-sourced payments (the obligation to withhold 30% WHT is imposed on US financial companies and financial companies from other states that are parties to FATCA).

Automatic Exchange of Information

In August 2022, the State Tax Service of Ukraine joined to the Common Standard on Reporting and Due Diligence for Financial Account Information (CRS).

To comply with CRS requirements, the Parliament of Ukraine adopted amendments to the TCU that entered into force on 28 April 2023.

As of 30 September 2024, Ukraine has successfully performed the first automatic exchange of information under CRS for the first reporting period of July–December 2023.

Value-Added Tax

Transactions Subject to VAT

The following transactions are subject to VAT in Ukraine:

- sale of goods/provision of services within the customs territory of Ukraine by VAT registered payers
- import of goods into the customs territory of Ukraine
- export of goods out of the customs territory of Ukraine
- provision of services by a non-resident within the customs territory of Ukraine.

Tax Rates

Basic VAT rate is 20%

The basic VAT rate is 20%. VAT liabilities are assessed on the contractual value of the relevant goods/services.

The TCU has provisions for other VAT rates; for example, a 14% VAT applies to the supply of certain agricultural goods. A 7% VAT applies to the sale and import of medicines and medical devices approved by the Cabinet of Ministers of Ukraine, as well as to certain services. Export of goods is subject to 0% VAT.

The import of electric vehicles (cars, lorries) is temporarily VAT exempt (until 1 January 2026).

The TCU also provides for other temporary VAT exemptions, such as for the import and supply of certain goods for defence purposes during the period of martial law in Ukraine.

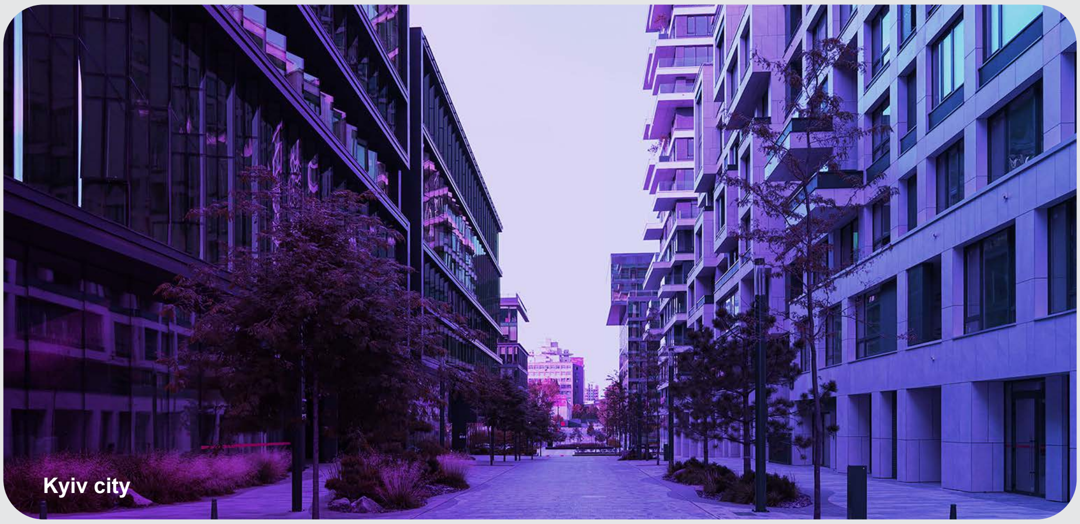
VAT Registration

Registration as a VAT payer is compulsory for all Ukrainian companies, individuals, and commercial representative offices of non-residents if the volume of VATable transactions exceeds UAH1 million for any previous 12-month period of operations.

Within a few days of registration, a VAT account is assigned which the taxpayer should use for settlements with the state budget.

Voluntary registration as a VAT payer is also available for Ukrainian residents.

Non-residents of Ukraine may be required to register as VAT payers in Ukraine if they provide certain digital services in Ukraine (special rules apply).



Kyiv city

VAT Mechanism

A VAT payer may credit input VAT up to the amount recorded in a VAT invoice if the VAT invoice is registered in the Electronic Register of VAT Invoices.

The Ukrainian tax authorities are prohibited from cancelling VAT credits for minor errors in VAT invoices.

In order to issue and register a VAT invoice, a VAT payer must have sufficient funds available in its electronic VAT account. If the account is insufficiently funded, the amount of VAT liabilities should be transferred from a bank account.

Input VAT amounts in excess of VAT liabilities may be offset against VAT liabilities, refunded from the state budget, or offset against future VAT liabilities.

Certain services acquired from non-residents are subject to VAT through a reverse-charge mechanism.

This mechanism requires self-assessment and payment of 20% VAT by the Ukrainian importer in (or for) the tax period (month) when the services are imported into Ukraine. The VAT paid can usually be reclaimed by the Ukrainian importer as a VAT credit in the same tax period (month).

VAT reports can only be submitted via the Ukrainian electronic tax system

VAT Reporting

The standard tax reporting period for VAT purposes is one month.

VAT reports may only be submitted in electronic form.

VAT Refund

VAT refunds can only be claimed by VAT payers and can be obtained:

- as a cash refund from the state budget provided that the VAT payer submits a VAT refund application and does not have VAT liabilities
- as an offset against VAT liabilities due
- as an offset against future VAT liabilities.

Cash refunds may be made via submission of cash refund applications entered in the single register and become publicly available data. In such cases, the VAT payer will be subject to a desk audit.

Property and Land Taxes

Property taxes include the following:

- Real estate tax
- Transport tax
- Land tax

Real Estate Tax

Real estate tax is levied on residential property held by individuals or legal entities. The tax rate is established annually by individual municipal authorities as a percentage of the minimum monthly salary (as established on 1 January of the reporting year: UAH8,000 for FY2025) per square metre but not exceeding 1.5% of the minimum monthly salary.

If a property is owned by an individual (both residents and non-residents of Ukraine), real estate tax applies to properties whose size exceeds the allowable exemption from real estate tax of 60m2 (in case of an apartment) or 120m2 (in case of a house).

An additional UAH25,000 in real estate tax per year applies to properties whose size exceeds 300m2 (in case of an apartment) or 500m2 (in case of a house) for each such object.

In addition to real estate tax, there are also certain statutory charges levied on the sale/purchase of real estate (state duty and a contribution to the State Pension Fund, each at 1% of the contract price).

Transport Tax

Transport tax is levied against cars with a market value exceeding 375 minimum monthly salaries (as established on 1 January of the reporting year: UAH3 million for FY2025), which are less than five years old and held by individuals (both residents and non-residents of Ukraine). The amount of tax is UAH25,000 per car.

Land Tax

Land tax is levied against land plots owned or used by individuals or legal entities in the form of a direct land tax or lease payments (in the case of state-owned land). The taxable base is the registered value of the land or the size of the land plot if the plot has not been valued. The tax rate depends on the location and use of the land plot and may vary. In most cases, this will not exceed 5% of the value of the plot annually.

Personal income tax and military tax

Both resident and non-resident individuals are subject to a personal income tax at a rate of 18% and 5% military tax

Individuals in Ukraine are subject to personal income tax (PIT), regardless of whether or not they are a tax resident in Ukraine. Tax resident individuals are taxed on their worldwide income whereas non-residents are only taxed on their Ukraine-sourced income.

According to Ukrainian legislation, an individual is treated as a tax resident of Ukraine if they meet the following criteria:

- they are domiciled in Ukraine
- if the individual also has a residence in another state, then they are deemed to be resident in Ukraine for tax purposes if they have a permanent place of residence in Ukraine
- if the individual has a permanent place of residence in another state, the individual is deemed to be a tax resident of Ukraine if their centre of vital interests (family, employer, etc.) is situated in Ukraine
- if it is not possible to determine the actual centre of vital interests or if the individual does not have a permanent place of residence in any state, the individual is deemed to be a tax resident of Ukraine if they are in Ukraine for at least 183 days during a tax (calendar) year, where days are calculated as including every day of physical presence in Ukraine (including entry and departure days).

If tax residence still cannot be determined, the individual will be deemed to be a tax resident if they have Ukrainian citizenship.

The TCU determines Ukraine-sourced income as income derived by an individual as a result of any business activity performed in Ukraine which, among other things, includes remuneration for work in Ukraine, whether paid by a Ukrainian or a foreign company.

Resident and non-resident individuals are taxable at the same flat tax rate of 18%.

Any benefit provided by an employer or any refund of an employee's expenses is subject to tax in Ukraine, unless any benefit and/or reimbursement of expenses is provided by the Ukrainian employer and is connected with the duties of the employee according to their employment agreement.

Self-assessed tax is due by 31 July of the year following the end of the tax (calendar) year

Based on the TCU, income received from foreign sources or income originating from Ukraine that was not taxed at source is subject to taxation in Ukraine and reported via annual tax return. The obligation to report this income in Ukraine and pay the tax rests with the individual.

However, if an individual's remuneration (either tax resident or non-resident) is paid through the payroll of a Ukrainian entity, the tax is withheld at the source of payment. In such cases, the individual is not required to submit tax returns in Ukraine. In instances where Ukraine maintains double taxation treaties with other nations that provide for a tax treatment other than the one established by the TCU, the rules of international treaties prevail over domestic legislation.

Annual tax returns are due by 30 April of the year following the end of the tax (calendar) year. Self-assessed tax is due by 31 July of the year following the end of the tax (calendar) year. PIT can only be paid in UAH.

All income taxable by PIT is also a base for a "military tax". A rate of 1.5% was initially imposed in August 2014, though this has since been revised: as of 1 December 2024, the military tax rate is now 5% (except for military personnel in Ukraine, for whom the tax rate remains unchanged).

Mykolaiv region

Unified social security charge

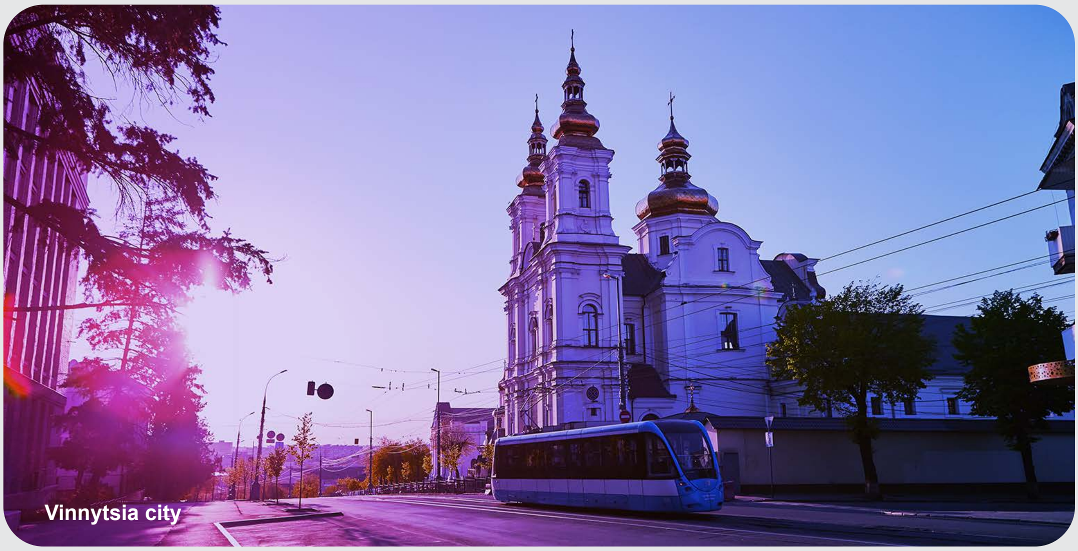
The Unified social security contribution (USSC) is a regular mandatory payment made by employers to the Pension Fund of Ukraine. The USSC provides employees access to state benefits, including payments for retirement, loss of productivity, state health insurance, work-related accidents or illness, and unemployment.

Salaries and similar payments made to employees (either Ukrainian or foreign nationals) through the payroll of a Ukrainian entity or a local representative office are subject to the USSC and are due from the employer. USSC is paid at a 22% rate of the gross income or up to a cap.

The taxable base for USSC is capped at 20 monthly minimum salaries: UAH160,000 (approximately EUR3,560).

Individual entrepreneurs are obliged to pay a minimum social security contribution of one minimum salary, even if they have not made a profit in the current month.

Tax returns may be required annually, quarterly, or monthly



Vinnytsia city

Administration of Taxes

Tax Reporting

Depending on the tax and the class of taxpayer, tax returns may be required annually, quarterly, or monthly, and should be filed within a specified time period (e.g. within 40 days of the end of the period for a quarterly tax return).

Tax returns can be filed electronically.

As well as a tax return, CIT payers (companies and permanent establishments of non-residents) are usually required to submit quarterly financial statements.

From 27 August 2021, large taxpayers are obliged to submit Standard Audit Tax filings (SAF-T UA) at the request of the Ukrainian tax authorities. These must be filed no later than two business days following the day the request was received as part of a tax audit.

Taxpayers have access to an online system for managing their tax affairs: the Electronic Tax-payer's Office.

Settlements with the State Budget

Self-assessed tax liabilities are due within 10 days of the filing deadline (with specific limited exceptions). If liabilities assessed by the tax authorities are challenged by a taxpayer administratively or through the courts, settlement is postponed until the end of an administrative review or court proceedings.

Tax Audits

The tax authorities may conduct desktop audits, documentary audits, as well as impromptu audits

The authorities may conduct desktop audits, documentary audits (scheduled and unscheduled; field and non-field), as well as impromptu audits.

During a desktop audit, the only data audited is that in the taxpayer's tax returns, in the Electronic VAT system, in the Unified register of excise duty invoices, and in the electronic system for monitoring the sale of fuel.

Scheduled audits are conducted according to an approved schedule but, as the name suggests, an unscheduled audit may be held at any time if at least one condition is met from a detailed list given in the TCU. Field audits and impromptu audits are carried out at the taxpayer's premises. The TCU lays down specific procedures for the conduct of a tax audit.

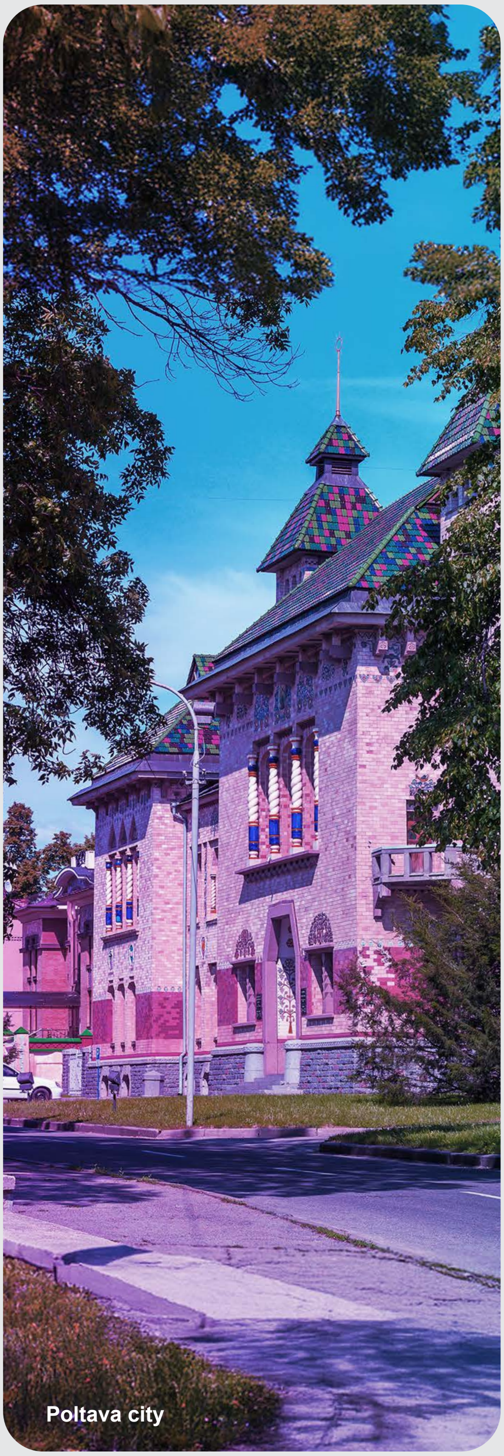
A scheduled field audit can last:

- 10 business days in the case of a small taxpayer (i.e. the taxpayer that employs less than 50 employees and whose annual income does not exceed EUR8 million)
- 30 business days in the case of a large taxpayer (i.e. a taxpayer that pays more than EUR1.5 million of tax liabilities annually, except for customs payments, or whose income for any four consecutive calendar quarters exceeds EUR50 million)

Scheduled field audits may also be prolonged for five (small taxpayer) to 15 (large taxpayer) business days.

The duration of an unscheduled audit is:

- three business days for individual entrepreneurs



Poltava city

- five business days for small taxpayers
- 15 business days for large taxpayers
- 10 business days for all other taxpayers (i.e. that are not small or large taxpayers)

Unscheduled audits may be prolonged for additional two, five, or 10 days for small/other/large taxpayers, respectively.

An impromptu audit is scheduled for up to 10 business days and may be prolonged for a further five days.

During periods of martial law in Ukraine, there are limitations to how the Ukrainian tax authorities can conduct tax audits depending on safety conditions.

Administrative and Court Appeal

The tax authorities' decisions may be challenged through administrative or court proceedings. A taxpayer may opt for either, though administrative proceedings may no longer be taken once a court appeal has been submitted.

An administrative appeal against a decision made by the local tax authorities should be submitted to the central tax office within 10 business days of receipt of the original decision. Should the 10-business-day period expire without appeal, the amount assessed by the tax authorities falls due.

Deliberations on administrative appeals can take from 20 to 60 days from the date of submission. Decisions taken at an administrative appeal by the principal tax authorities' office can be further contested in court if the necessary documents are lodged no later than one month after the conclusion of the administrative appeal procedure.

Decisions of the Ukrainian tax authorities may be challenged via administrative or court proceedings

Tax pledge and Tax Debt Collection

If a taxpayer fails to settle their tax liabilities, a tax pledge will usually be executed over the taxpayer's property in an amount equal to the tax debt.

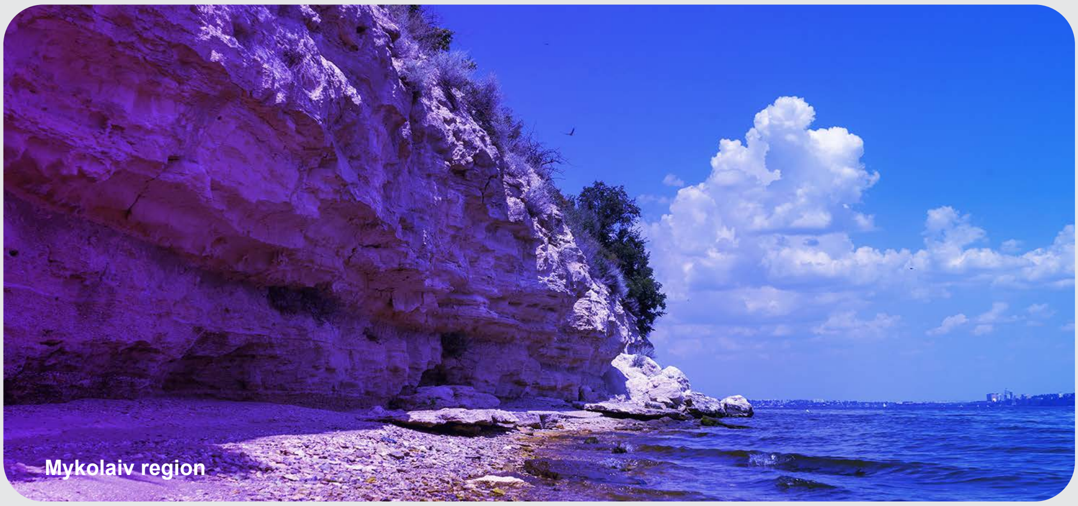
A tax official will be specifically assigned to compile an inventory of goods.

Certain kinds of property (e.g. property held on lease terms) may not be the subject of a tax pledge.

The taxpayer may continue to use the property subject to a tax pledge, though they may only dispose of the property with the permission of the tax authorities. A tax pledge may only be executed if the total tax debt of the taxpayer exceeds 180 tax-free minimum incomes (UAH3,060, given that a tax-free minimum income is UAH17). Under certain circumstances, as identified in the TCU, the tax authorities may impose an administrative arrest on the taxpayer's property. In this case, the taxpayer would have to seek prior permission from the tax authorities to exercise ownership rights (conditional arrest) or else would be debarred of the right to use or dispose of the property (full arrest).

Once 30 days lapse from the date when a taxpayer is notified about their tax liabilities, the tax authorities may recover tax debt through forfeiture of taxpayer property placed under tax pledge or from funds available in their bank accounts.

The state authorities may also open criminal proceedings against the taxpayer's officials under Article 212 of the Criminal Code of Ukraine (tax evasion) if the amount of unpaid tax liabilities exceeds a minimum of 3,000 non-taxable personal incomes (UAH4,542,000).



Mykolaiv region

Customs regulations

One of the key laws regulating legal treatment of goods moving through the customs border of Ukraine is the Customs Code of Ukraine which establishes different types of customs regimes, namely:

- import/export
- re-import/re-export
- transit
- temporary export/import
- processing of goods inside/outside the customs territory of Ukraine
- bonded warehouses
- free customs zones
- duty-free trade stores
- destruction or damage of goods
- waiver of goods in favour of the state.

Customs duties and charges are usually calculated and paid based on the data indicated in the customs declaration

In order to declare goods moving through a Ukrainian customs border post, an importer/exporter of goods (or an authorised person) is generally required to file a customs declaration with the customs authorities. The customs declaration usually includes a description of goods including their specification, customs value (which may differ from that stated in the relevant invoice), volume of goods, customs procedures, etc. Ukrainian customs authorities may make adjustments to the declared customs value of goods.

No customs duties and no declaration are required if hand luggage/accompanied baggage does not exceed:

1. EUR1,000 (by plane)
2. EUR500 (other transport)
3. 50 kg

Customs duties and charges are usually calculated and paid based on the data indicated in the customs declaration submitted, although other expenses may be included such as transport expenses, royalty fees, agency fees, and others. If the total value of goods crossing the customs border of Ukraine as hand luggage and/or as accompanied baggage does not exceed a specified amount (EUR1,000 for travel by air, and EUR500 for other means of transport) and their weight does not exceed 50 kg, no customs declaration is required and no customs duties need to be paid.

Ukraine and the EU signed an Association Agreement in June 2014. In the Agreement, Ukraine undertook to bring its legislation into compliance with EU regulations and to carry out institutional reform in various sectors of the local economy and public governance. The Agreement contains the following commitments:

- parties to the Agreement shall reduce or cancel import duties in relation to goods originating from the other party in accordance with the Schedules of the Agreement
- the parties should abstain from maintaining existing (or introducing new) duties, taxes, or any other measures having equivalent effect, in connection with the export/import of goods to/from the other party
- upon their import into Ukraine/the EU, goods originating from the EU/Ukraine will be subject to treatment established in the Agreement provided one of the following documents is produced:
  - a movement certificate, No. EUR.1
  - an invoice declaration (in certain cases).

Customs Duties and Taxes

Import of equipment, machinery, materials, and other goods is usually subject to Ukrainian import duties. No import duties apply if a foreign shareholder (investor) contributes equipment and machinery to the share capital of its Ukrainian subsidiary, provided that the Ukrainian company does not dispose of the contributed equipment or machinery within three years. However, in-kind capital contributions are subject to Ukrainian VAT at 20%.

Import (customs) duties are levied on the customs value of imported goods and are calculated as a percentage of customs value of the imported goods (ad valorem duty), as a certain fixed amount per imported item (specific duty), or as a combination of the two (mixed duty). Regular Ukrainian customs duty rates on import of specific goods are set out in the Law of Ukraine “On the Customs Tariffs of Ukraine”.

Export of goods from Ukraine is generally not subject to Ukrainian VAT and in most cases is exempt from customs duties.

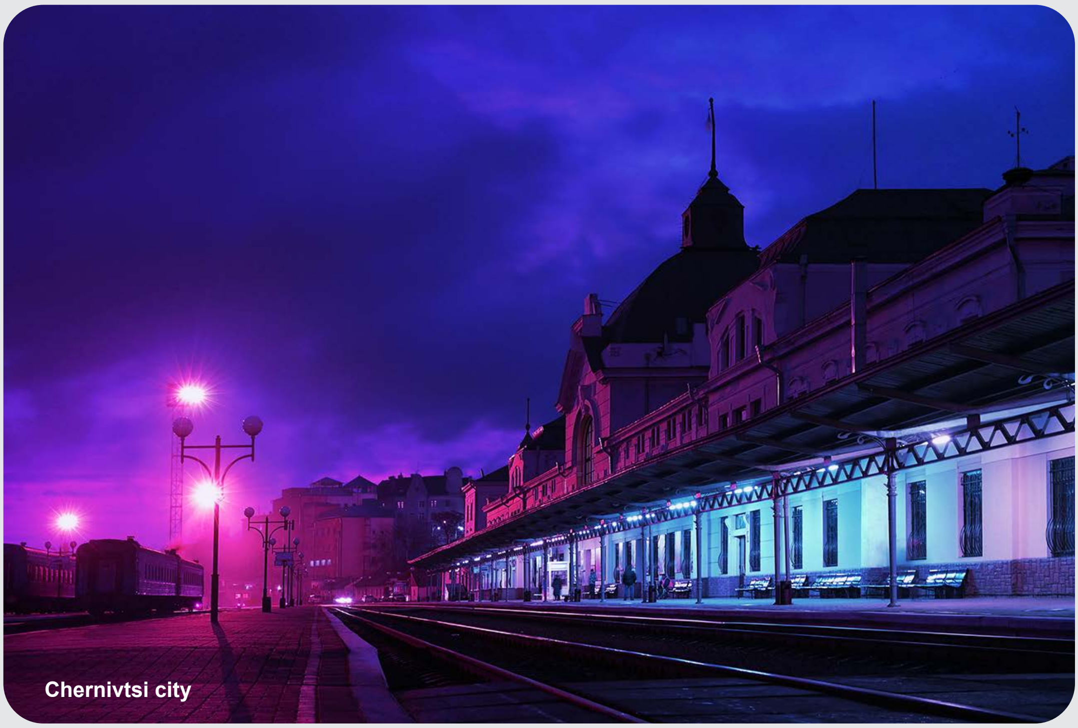
Standard customs duty rates can be reduced or mitigated based on the relevant certificate of origin (or invoice, or other transportation document identifying the country of origin). Import of goods is subject to 20% VAT, paid using a reverse-charge mechanism. The amount of VAT liabilities is assessed based on the customs value of the imported goods, plus import customs duties and excise duties. Export of goods from Ukraine is not generally subject to Ukrainian VAT and is generally exempt from customs duties.

Export of goods from Ukraine is generally not subject to Ukrainian VAT

Payment for Customs Clearance of Goods

Customs clearance of goods outside of the customs authorities’ offices or beyond their business hours is subject to special fees.

Generally, payments for customs clearance of goods are minimal.



Chernivtsi city

Authorised economic operator

On 2 October 2019, the Parliament of Ukraine amended the Customs Code of Ukraine by introducing the status of an Authorised Economic Operator (AEO).

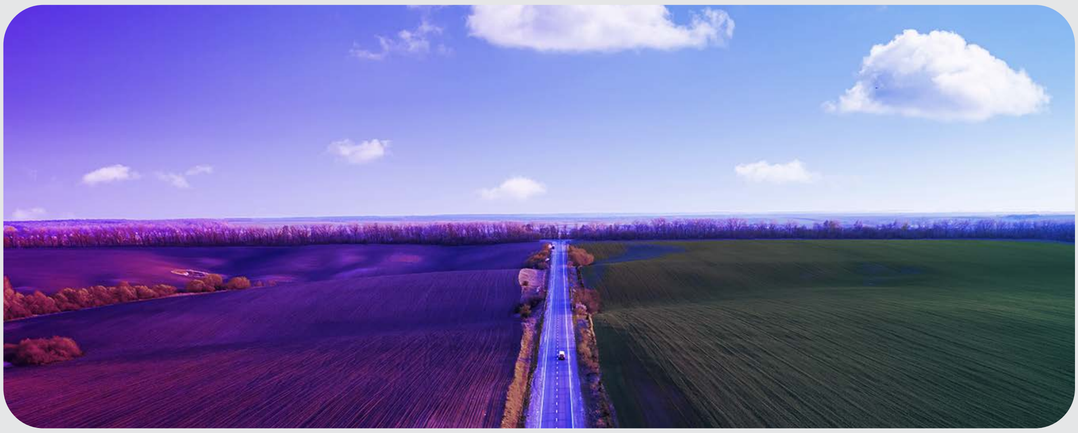
Ukrainian companies that meet the following criteria can obtain AEO status (AEO-B, AEO-C, or both):

- demonstration of compliance with Ukrainian tax and custom legislation (e.g. company directors and senior officials must not have convictions for serious crimes)
- accurate accounting, commercial, and transport documentation
- stable financial position
- practical standards for competence (professional) for the relevant person in charge
- compliance with security and sustainability standards.

Ukraine became the 36th member of the Convention on Common Transit Procedure

AEO status generally grants the following benefits:

1. Simplified customs clearance and declaration procedures
2. Opportunity to import goods using a simplified pre-import declaration
3. Reduced financial guarantee for companies with AEO status (50%, 30%, or 0% of the regular financial guarantee)
4. Priority for customs formalities
5. Permission to use a special traffic lane (commercial vehicles only) to cross the border.



Common Transit of Goods

The Parliament of Ukraine has ratified the Convention on Common Transit Procedure and Ukraine became the 36th member of the Convention. This Convention became effective starting from 1 October 2022 and replaced the Law of Ukraine "On a Common Transit Regime".

The Convention allows Ukraine to enjoy the following benefits:

1. Opportunities to exchange customs information with other members in real time
2. Use of a unified declaration for the common transit of goods from origin state to destination state through third states under the Convention on Common Transit Procedure
3. The chance to obtain special benefits (e.g. authorised shipper status, simplified filling procedure, financial guarantee etc.)

Transfer pricing regulations

Only business transactions with non-residents are deemed to be controlled

Since 1 September 2013, transfer pricing (TP) rules have applied in Ukraine. These TP rules employ the concept of controlled transactions which must be undertaken using the arm's-length principle and are subject to oversight by the Ukrainian tax authorities.

Only business transactions with non-residents are deemed to be controlled.

The following business transactions carried out by Ukrainian taxpayers are deemed to be controlled:

- transactions with non-resident related parties
- transactions with non-resident agents
- transactions through nominal agents
- transactions with non-residents that are registered in or that are residents of jurisdictions listed by the Cabinet of Ministers of Ukraine, where the state in which they reside has an income tax rate five or more percentage points lower than that in Ukraine
- transactions with non-residents with specialised legal forms as listed by the Cabinet of Ministers of Ukraine (so-called "hybrid mismatch" entities)
- transactions carried out between a non-resident and their permanent representative office in Ukraine
- functions, assets, and risk transfers to other taxpayers (other entities) that lead to decreases in the taxpayer's financial result.

The abovementioned transactions, other than transactions between a non-resident and their permanent establishment, are deemed to be controlled if both of the following conditions are met:

1. The local entity's annual income exceeds UAH150 million (net of indirect taxes) for the calendar reporting year
2. The transaction volume (turnover) with one counterparty exceeds UAH10 million (net of indirect taxes) for the calendar reporting year.

Transactions between a non-resident head office and its permanent establishment are deemed to be controlled if the volume of such business transactions, determined in accordance with the accounting rules, exceeds UAH10 million (except for indirect taxes) for the relevant tax (calendar reporting) year.

Vinnytsia city

Similar to OECD rules, Ukrainian TP rules provide for five methods to determine whether the conditions of a commercial and financial relationship between related parties satisfies the arm's length principle. These are:

- comparable uncontrolled price method (the primary method)
- resale price method
- cost-plus method
- transactional net margin method
- profit split method.

A combination of two or more of the methods can be used to substantiate the price used in a controlled transaction.

Large taxpayers have the option of concluding an advance pricing agreement with the Ukrainian tax authorities

Large taxpayers have the option of concluding an advance pricing agreement (APA) with the Ukrainian tax authorities in which an approach to the pricing of controlled transactions can be agreed in advance. The APA is an instrument that aims to resolve potential TP disputes in a proactive and co-operative manner. Opting for an APA should guarantee that the Ukrainian tax authorities accept the selected TP methodology for controlled transactions. However, despite existence of an APA option in local legislation, there is no record so far of an APA being successfully requested.

All taxpayers have the option of conducting a proportional adjustment based on the effective Double tax treaty in cases where the non-resident counterparty involved in a controlled transaction has conducted the relevant TP adjustment. However, despite Ukrainian tax legislation providing an option for proportional adjustment, there is no record of any completed cases regarding such proportional adjustment being made.

The Ukrainian tax authorities are authorised to audit compliance with TP rules

The Ukrainian tax authorities are authorised to conduct specialised TP audits to monitor taxpayer compliance with TP rules. Such audits may last for a period of 18 months and can be further prolonged for a further 12 months in certain cases. The limitation period for TP audits is 7 years.

Compliance requirements

The limitation period for TP audits is 7 years

All taxpayers are required to report their controlled transactions (TP report) to the Ukrainian tax authorities and submit notifications about participation in international groups of companies before 1 October of the year following the tax (reporting) year, as well as being required to prepare and keep transfer pricing documentation (TP documentation) and submit such within 30 calendar days upon relevant request from the Ukrainian tax authorities.

Taxpayers which belongs to an international group of companies with consolidated revenue exceeding EUR50 million should prepare a group Master file in order to be able to provide such documentation to the local tax authority within 90 calendar days following their request.

Taxpayers which belong to international groups of companies with consolidated revenue exceeding EUR750 million should prepare and submit a Country-by-Country report to the local tax authority within 12 months after group's FY closing (in case of secondary filing). The first reporting period for international groups of companies is FY2024.

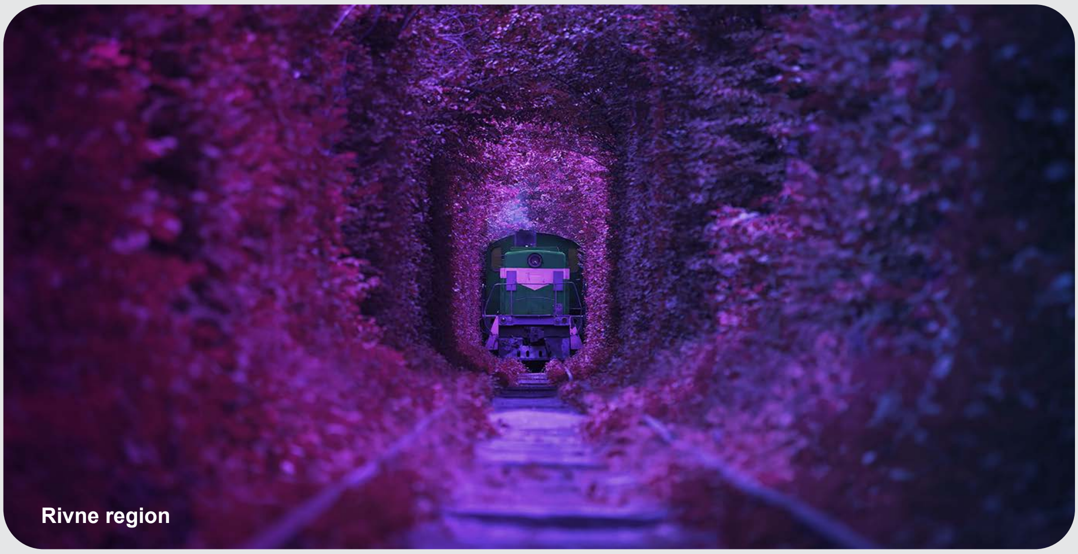
The Ukrainian tax authorities are also authorised to request additional information regarding discrepancies between the market price and the price in a controlled transaction, and to request further information regarding any omissions of TP documentation. The taxpayer is required to submit such additional information no later than 15 business days after receipt of the request.

Failure to submit a TP report will result in a tax penalty in the amount of 300 minimum living wage amounts as of 1 January of the reporting year, (UAH 908,400 (approximately EUR20,200) as of 2024).

Failure to include any controlled transaction to a TP report will result in a penalty of 1% of the value of each transaction (but not more than 300 minimum living wages).

Failure to submit a TP report by the relevant deadline, or failure to include all controlled transactions into the report, will result in a minimum penalty of one minimum living wage amount as of 1 January of the reporting year for each day of delay (UAH3,028 (approximately EUR70) per day as of 2024) but not more than 300 minimum living wages.

Failure to submit TP documentation will result in a tax penalty in the amount of 200 minimum living wage amounts as of 1 January of the reporting year (UAH 605,600 (approximately EUR13,450) as of 2024).



Rivne region

4. FX control, banks and foreign investment

Exchange controls and currency regulation

The legislative framework for currency control in Ukraine is based on the Law of Ukraine "On Currency and Currency Operations", as well as NBU eight resolutions which came into force in 2019 for the purposes of liberalising currency regulations and enhancing the attractiveness of Ukraine as an investment destination.

However, since the full-scale Russian invasion of Ukraine on 24 February 2022, the NBU introduced significant restrictions in terms of currency control due to the state of martial law implemented in Ukraine (Resolution No. 18). As part of those restrictions, there are limitations to conducting certain cross-border payments (though there have been certain relaxations, the most notable of which occurred in 2023–2024.

Permitted transactions

Continuous relaxation of currency regulation restrictions

The NBU has permitted payments for any goods (including, products, services, and works) since May 2024, although a settlement period under transactions involving the export/import of certain goods is still in place. As a general rule, this settlement period is 180 days, though this settlement period could be either 90 or 270 days for certain goods defined by the NBU.

Certain relaxations for repaying credit and loans in foreign currency received by Ukrainian residents from non-residents were introduced in 2023, depending on date of the provision of such credit or loans. For credit and loans received prior to 20 June 2023, only the repayment of interest is permitted (no more than EUR1 million per quarter). For foreign credit and loans received after 20 June 2023, the repayment of both the principal and interest is permitted (subject to certain conditions, e.g. maximum interest rate of 12%, payment of interest only applicable 1 year after the loan was issued, etc.)

Since 2024, repatriation of dividends for the period starting from 1 January 2024 is generally permitted, subject to certain conditions:

- the payment is conducting directly to the bank account of the shareholder or via the deposit system
- the company paying dividends was incorporated not earlier than 12 months before the payment
- the person involved became a shareholder of the company no earlier than 6 months prior to the payment
- limited to EUR1 million per month.

Kyiv city

The NBU may also provide special permits for transactions that are not specifically listed as permissible by the NBU and which could be be considered important for the Ukrainian economy.

There are also a range of currency control restrictions which have been introduced since 2019, namely:

- Companies are allowed to transfer no more than the equivalent of EUR2 million in currency per year for the purpose of conducting foreign investments.
- Residents are banned from crediting, investing, or depositing in an aggressor/invader country, “off-shore” accounts, and jurisdictions that violate Financial Action Task Force recommendations or which are recognised as having significant deficiencies, etc.

Purchasing foreign currency

Foreign currency may only be purchased for purposes defined by the NBU in its Resolution No. 18, adopted on 24 February 2022. The list of such purposes has been expanded since 24 February 2022 and includes payment for importing goods, paying principal and interest for foreign currency credit and loans, dividends, etc. Under existing regulations, purchased foreign currency should be spent within 2 business days from being credited to the bank account of a resident in Ukraine.

Risk-Based Currency Supervision approach

The NBU has introduced a new approach to currency supervision concerning transactions based on the following principle: “fewer risks, less attention; more risks, more attention”.

Foreign currency transactions up to approximately EUR9,500 are subject to simplified currency monitoring, while transactions exceeding this amount are subject to mandatory financial monitoring in accordance with anti-money-laundering legislation. During an initial review of documents supporting currency transactions, banks identify whether transactions have hallmarks associated with ambiguous transactions, as based on specific indicators. Should such indicators be present, authorised persons conduct additional analysis of relevant documents. An authorised bank may carry out a currency transaction if, based on the results of the additional analysis, there are no reasons to believe that said transaction is ambiguous.

Odesa city

Banking activity

The banking system in Ukraine has two levels:

1. The National Bank of Ukraine, the central bank of Ukraine and the ultimate regulator of the banking activity in Ukraine
2. Other banks (either in state or private ownership)

Banking activity in Ukraine is mainly regulated by the Law of Ukraine "On Banks and Banking Activity", as well as by the Law of Ukraine "On Financial Services and Financial Companies" which was introduced in 2024.

Banking activity is a licensed activity with strict requirements, including those related to share capital, ownership structure, affiliates and related persons, origin of bank shareholder funds as confirmed by an independent auditor, as well as regulations concerning corporate governance systems, qualifications, etc.

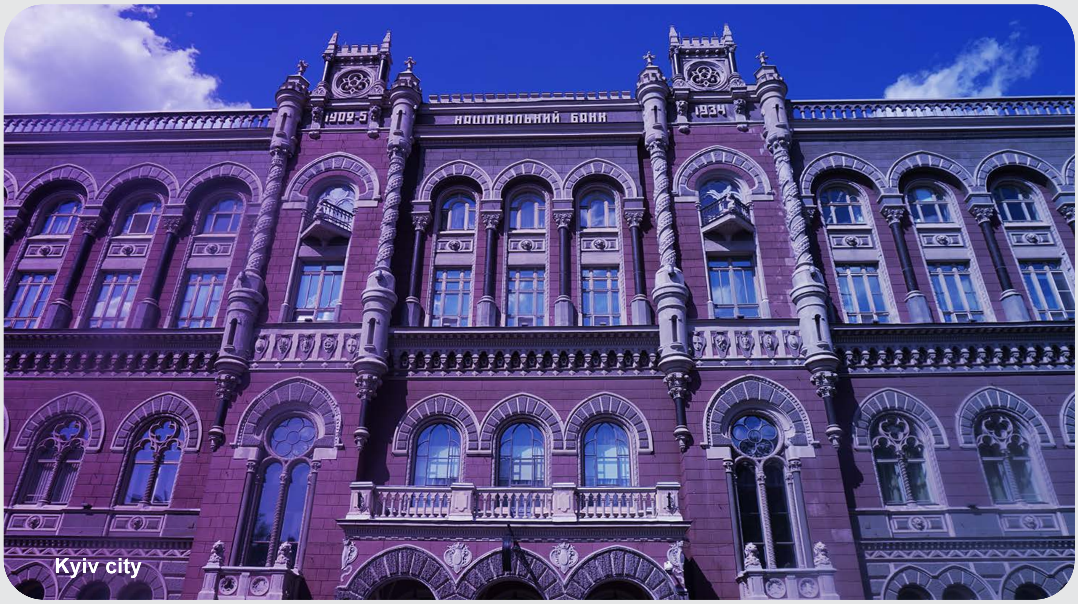
A bank's share capital of may not be less than approximately EUR4.5 million. A bank can be incorporated either as joint-stock company or a cooperative bank. In addition to incorporating a bank in Ukraine, foreign banks can receive accreditation for branches in Ukraine, subject to certain requirements.

In the event of purchasing a bank in Ukraine, receiving approval from the National Bank of Ukraine in accordance with its regulations is mandatory, as well as merger clearance from the Antimonopoly Committee of Ukraine if applicable in certain cases.

Banks are managed by their shareholders, the board of directors and the supervisory board, with the powers of such management bodies generally defined by legislative provisions.

Aside from banking services, a bank may provide leasing, factoring, guarantees, currency exchange, other financial and financial payments services. Banks may provide their services via electronic payment instruments, namely via payment cards and/or by using cloud services provided by equipment located in other countries.

The NBU conducts bank supervision and inspection and may choose to impose certain sanctions on banks (e.g. written warnings, fines, etc.) in case of any violation.



Kyiv city

Foreign investment and repatriation of profits

Investing in Ukraine is conducted via a defined legal framework which includes the presence of concluded bilateral agreements on promoting investments with different states, as well as mutual protection.

There are various different mechanisms and state support programmes for investments in Ukraine, including:

- "Green" auctions and feed-in-premiums
- Public-private partnerships and concessions
- Industrial parks
- Diia City regime
- Production sharing agreements
- Investment "nannies", etc.

Different investment options are in place

The abovementioned mechanisms cover a wide range of sectors and industries, including energy, IT, infrastructure, etc.

The most common means of investing in Ukraine is incorporating a company where a foreign investor is a shareholder, with subsequent return on investment in the form of dividends. Due to the introduction of a state of martial law, repatriation of dividends was abolished for the term of martial law in Ukraine (though there have been several relaxations since May 2024 which provide for repatriating dividends that are subject to the conditions described in the "Exchange controls and currency regulations" section above).

Banking regulations provide for foreign investor to potentially open current and investment bank accounts, conduct investments, and receive returns on investments (subject to the implications of introducing martial law).

Chernihiv city

5. Financial reporting

Taking effect from 1 January 2000, Ukraine implemented the Ukrainian National Accounting Standards (UNAS) which are primarily based on the International Financial Reporting Standards (IFRS) but with certain differences and omissions.

Principal features of UNAS

UNAS are primarily based on IFRS

The principal features of UNAS are as follows:

- financial statements with itemised schedules are prepared using state-approved forms
- the chief accountant is responsible for accounting and preparation of financial statements
- foreign-owned Ukrainian entities must adopt and follow the Ukrainian chart of accounts and accounting principles for statutory reporting (but simultaneously may use their own chart of accounts for management reporting purposes)
- accounts must be prepared in compliance with the chart of accounts and directions for making entries as envisaged by UNAS
- all local accounting materials must be in Ukrainian
- the basic accounting currency unit is UAH
- any transactions denominated in foreign currencies must also be recorded separately in UAH at the official exchange rate according to the National Bank of Ukraine (NBU) at the date of the transaction for statutory accounting and tax purposes
- the financial year is a calendar year.

Kyiv city

Ukrainian accounting principles

The key Ukrainian accounting principles are:

- financial statements should contain all information about the actual and potential consequences of business transactions and events that may affect the decisions based on them
- each enterprise is treated as a legal entity separate from its owners
- constant (from year to year) application of the chosen accounting policy by the company. Accounting policies may be changed only in cases provided for by UNAS and IFRS
- the assets and liabilities of the entity are valued on the assumption that the entity will continue operating
- revenues and expenses are recognised in the accounting and financial statements as they are incurred
- the form of a transaction, rather than its substance, dictates its accounting.

Mandatory application of IFRS

Compliance with IFRS is mandatory for certain types of enterprises

Compliance with IFRS is mandatory for preparing financial statements and consolidated financial statements from the following enterprises:

- enterprises of public interest (companies, issuers of securities whose securities are traded on stock markets, banks, insurers, non-state pension funds, other financial institutions)
- public joint stock companies
- enterprises engaged in the extraction of minerals of national importance
- parent companies of groups that include enterprises of public interest, parent companies of a large group that are not classified as large enterprises
- enterprises conducting a business activity outlined by the Cabinet of Ministers of Ukraine (resolution of the Cabinet of Ministers of Ukraine No. 419 dated 28 February 2000) such as financial services companies, non-state pension funds, companies providing supporting financial and insurance services
- large companies (see chart below).

Other enterprises that are not listed above can also voluntarily use IFRS instead of UNAS if they so choose.

Although there are still many differences between accounting under UNAS and IFRS, such differences are regularly being reduced in number.

Statutory reporting requirements

Companies submit commercial financial statements to the Ukrainian tax authorities and the Ministry of Statistics for the reporting year no later than 28 February of the year following the reporting year, and no later than 30 days of the end of the reporting quarter for the first quarter, first half of the year, and first nine months. Stock issuers should also provide annual reports to the Ukrainian National Securities and Exchange Commission.

Audit requirements

Statutory audit reports are required for Ukrainian companies such as financial institutions, security issuers and public joint stock companies, companies engaged in the extraction of minerals of national importance, natural monopolies on the national market, and large and medium enterprises as outlined below.

The criteria for qualifying as a Micro/Small/Medium/Large enterprise are as follows:

Category of company	Total assets EUR '000	Revenue EUR '000	Average number of employees
Micro	< 350	< 700	< 10
Small	350–4,000	700–8,000	10–50
Medium	4,000–20,000	8,000–40,000	50–250
Large	> 20,000	> 40,000	> 250

Large- and Medium-sized companies are required to publish their financial statements and auditors report

A company should meet at least two out of three criteria to fall into the respective category.

Companies that qualify as financial institutions, security issuers, and public joint stock companies (as well as companies engaged in the extraction of minerals of national importance, subjects of natural monopolies on the national market, or large companies that are issuers of securities) are likewise required to publish their financial statements and an auditor's report on their website before 30 April of the year following the reporting year.

Large- and Medium-sized companies are required to publish their financial statements and auditors report on their website before 1 June of the year following the reporting year.

Qualified statutory auditors can either be an individual with appropriate qualifications or a firm employing registered auditors.

A list of such audit firms and individual auditors is maintained by the Ukrainian Chamber of Auditors and is available on the Chamber's website.

Odesa city

6. War risk insurance

In response to military aggression on the part of the Russian Federation, Ukraine initiated the establishment of a legal framework for insurance against war risks.

The key regulations concerning military insurance are:

- The Law of Ukraine “On Financial Mechanisms for Stimulating Export Activity”
- Resolution No. 388 dated 9 April 2024 “On Approval of the List of Military and Political Risks and the Terms and Procedure for Insurance (Reinsurance) of Military and Political Risks in the Course of the Export Credit Agency's Activities”

Ukraine introduces a war risk insurance system

Insurance against war risks in Ukraine is currently carried out by the Export Credit Agency (the ECA), with insurance products offered by the ECA covering both military and political risks. Such war and political risks include military conflict risks (such as war or armed conflict, armed aggression, hostilities, and mass riots), acts of terrorism and/or sabotage, occupation and annexation, deprivation of property ownership by state authorities, bans on payments, etc.

Under effective Ukrainian legislation, the ECA is permitted to insure and reinsure loans for Ukrainian businesses against military and political risks for projects in the processing industry and export of Ukrainian goods and services, as well as for direct investments both from Ukraine and into Ukraine. The ECA has established internal polices with requirements for insurance of loans and investments.

The ECA recently provided its first instance of insurance for an investment loan for purchasing a gas turbine generator for a major Ukrainian company selling printing inks.

On 26 and 27 March, representatives of the NBU and the Ministry of Economy presented the draft Law of Ukraine “On the War Risk Insurance System”. This draft law provides for protecting the insurance interests of individuals and legal entities and is aimed at ensuring compensation for losses incurred by such persons as a result of war risks in Ukraine.

The draft law also provides for the Ministry of Economy of Ukraine to create a State Agency for War Risk Insurance which will determine a common policy for assessing and accepting risks for insurers participating in the system. The agency will also develop standardise insurance products, define centralised approaches to pricing, and maintain a single centralised database for the war risk insurance system.

Furthermore, aside from domestic insurance frameworks, Ukraine has also implemented its first successful war risk insurance projects MIGA and the DFC.

Lviv city

7. Competition law

7.1 Economic concentration

7.2 Definition of “control”

7.3 Concerted actions

7.4 Abuse of dominant position

7.5 Unfair competition

7.6 State Aid

7.7 Fines policy

Ukrainian competition legislation is largely aligned with global regulatory frameworks and seeks to combat anti-competitive activities such as economic concentration, concerted actions, and unfair competition.

Ukraine introduces new antimonopoly rules

Economic concentration

In order to protect Ukrainian markets from monopolies and avoid the adverse effects of companies abusing a consequent dominant position, Ukrainian antimonopoly laws require prior approval from the Antimonopoly Committee (AMC) for transactions which could lead to economic concentration.

Changes were made to the main legislative acts related to competition law in 2023, namely the Law of Ukraine "On Protection of Economic Competition" regarding what is considered as concentration. According to the changes, mergers or acquisitions of business entities, acquisition of direct or indirect control over all or part of a business entity or other assets, and establishment by two or more business entities of a business that would independently carry out fully functional business activities for a long period of time, etc. would all be considered concentration.

Definition of "control"

The Law of Ukraine "On Protection of Economic Competition" defines control as the ability of one or more legal entities and/or individuals to exercise decisive influence over the economic activities of a business entity or a part thereof, exercised directly or through other persons, including through:

- the right to own or use all or a significant part of a legal entity's assets
- the right to exercise decisive influence on the composition, voting results, and decisions of the legal entity's management bodies
- entering into agreements that enable determining the terms of a legal entity's economic activity, including giving binding instructions or performing management body functions
- substitution of the position of a chairman, deputy chairman of the supervisory board, management board, other supervisory or executive body of a business entity with a person who already holds one or more of these positions in other business entities
- holding more than half of the positions of members of the supervisory board, management board, or other supervisory or executive bodies.

"On Protection of Economic Competition" also introduced financial thresholds whereby AMC approval is required when the following conditions are met (two-step appraisal procedure):

1. The aggregate value of assets or the gross revenues of the participants (including offshore transactions) in the previous financial year exceed EUR30 million (or the equivalent in any other currency) while the aggregate value of assets (in Ukraine) or the gross Ukrainian revenues of at least two participants in the previous financial year exceed EUR4 million (or the equivalent in any other currency)
2. The aggregate value of assets (in Ukraine) or the gross Ukrainian revenues of a target (or owner of assets to be acquired or founder of a JV) including affiliated or related companies in the previous financial year exceeded EUR8 million while the gross revenue of at least one other participant (including offshore transactions) in the previous financial year exceeded EUR150 million.

The aggregate value of revenues or assets for the entire target/purchaser group should be considered for the purposes of calculating whether the above thresholds apply to an entity. The entire group of a participant includes all the legal entities/ individuals connected by relationships of control to the relevant participant, i.e. with the target or with the purchaser.

A merger or acquisition does not require approval from the AMC if it occurs within the same group of companies or involves short-term investments by financial companies with no intention to gain control. Approval is also not required when a bank enforces a pledge in accordance with debt obligations.

If a legal entity within a group jointly controls another legal entity with a third party that is not part of the group, such legal entity is considered part of the group. The third party and its affiliated business entities are not included in the group.

"On Protection of Economic Competition" also establishes a simplified procedure allowing for approval by the AMC within 25 days, provided that:

- only one participant operates within the territory of Ukraine
- the aggregate market share of all the participants in the same product market does not exceed 15%, and the market shares or aggregate market shares of the parties to the share concentration do not exceed 20% at a higher or lower level than the market in which the concentration is carried out.

AMC approval may also be required even if transaction takes place between non-residents of Ukraine. It is therefore important to consider the potential antitrust implications of any merger/acquisition transaction with substantial linkage to Ukraine.

AMC approval may be required even in transactions between non-residents

A participant in a concentration which completes a transaction without AMC approval may be subject to a fine of up to 5% of its turnover in the previous financial year.

Concerted actions

Concerted actions include any covenants concluded between competitors or any other action which may prejudice market competition.

Ukrainian law forbids any concerted actions which are likely to adversely affect market competition (i.e. arrangements concerning prices for goods and services, limitations of production, agreed allocation of goods, etc.) Prior approval from the AMC or the Cabinet of Ministers of Ukraine (as a potential second option) is therefore necessary before commencing any concerted actions. Financial sanctions for carrying out unauthorised concerted actions amount to 10% of the previous financial year's turnover (please also refer to the fines policy section detailed below).

The AMC has adopted a set of requirements for companies to comply


Dnipro city

with concerted action regulations under which they would not need to obtain AMC consent for entering into agreements with competitors.

The AMC has developed legislation concerning the following related topics:

- typical requirements for concerted actions by business entities that are generally exempt from prior AMC approval
- typical requirements for vertical concerted actions by business entities regarding the supply and use of goods
- typical requirements for concerted actions by business entities regarding joint research and or development works
- typical requirements for concerted actions by business entities related to specialising production processes
- model requirements for concerted actions by business entities in the field of technology transfer.

An applicant for approval for either economic concentration or a concerted action should submit a package of documents as specified by the Law of Ukraine "On Protection of Economic Competition", after which it may take several months to obtain approval.

Under the legislation, participants in concentrations and concerted actions may subsequently apply for approval from the Cabinet of Ministers within 30 days of refusal by the AMC. Approval may be granted if the Cabinet of Ministers believes that the planned activities have a positive countervailing impact on social interests which outweighs the consequences of restricting competition.

Ivano-Frankivsk city

Approval of AMC or CMU is required prior concerted actions

Abuse of dominant position

Under the Law of Ukraine "On Protection of Economic Competition", an entity that holds a monopoly position in the market that has led or may lead to the prevention, removal, or restriction of competition or the violation of the interests of other economic entities or consumers (e.g. setting excessive prices) which would be impossible under competitive market conditions is regarded as having abused its dominant position and will be liable to sanctions of up to 10% of its turnover from the previous financial year.

Unfair competition

Unfair competition encompasses all actions contrary to fair market principles of business and trade.

Comparative advertising, and unlawful use of company names, trademarks, or advertising material may all be considered unfair competitive practices. If the actions of a business entity are recognised as unfair competition by the AMC, the business entity will be subject to a fine of up to 5% of its previous financial year's turnover.

State Aid

The Law of Ukraine "On State Aid to Economic Entities" (State Aid Law) came into force in summer 2017 to bring Ukrainian legislation into compliance with its obligations under the EU-Ukraine Association Agreement.

The State Aid Law establishes the legal framework for monitoring state aid to economic entities as well as the admissibility of such assistance, and is aimed at ensuring protection and developing competition, increasing transparency in the functioning of the state aid system, and maintaining adherence to Ukraine's international obligations in the field of state aid.

The term "state aid" for the purposes of this law refers to support by state or local bodies provided to economic entities which distorts or threatens to distort economic competition, creating preferences for the production of certain types of goods or conducting certain types of economic activity.

State aid is deemed to be permissible in the following cases:

- ► providing consumers with socially necessary goods, provided that such aid is granted without discrimination regarding the source of the product concerned
- ► compensation for damage caused by natural or technological disasters.

In other cases, the permissibility of state aid is decided on a case-by-case basis, in accordance with the State Aid Law.

Due to the full-scale military aggression of the Russian Federation in 2022 and the subsequent introduction of martial law in Ukraine, state aid that may distort economic competition is permissible during the period of martial law and providers of state aid do not need to submit notifications regarding such aid to the AMC.

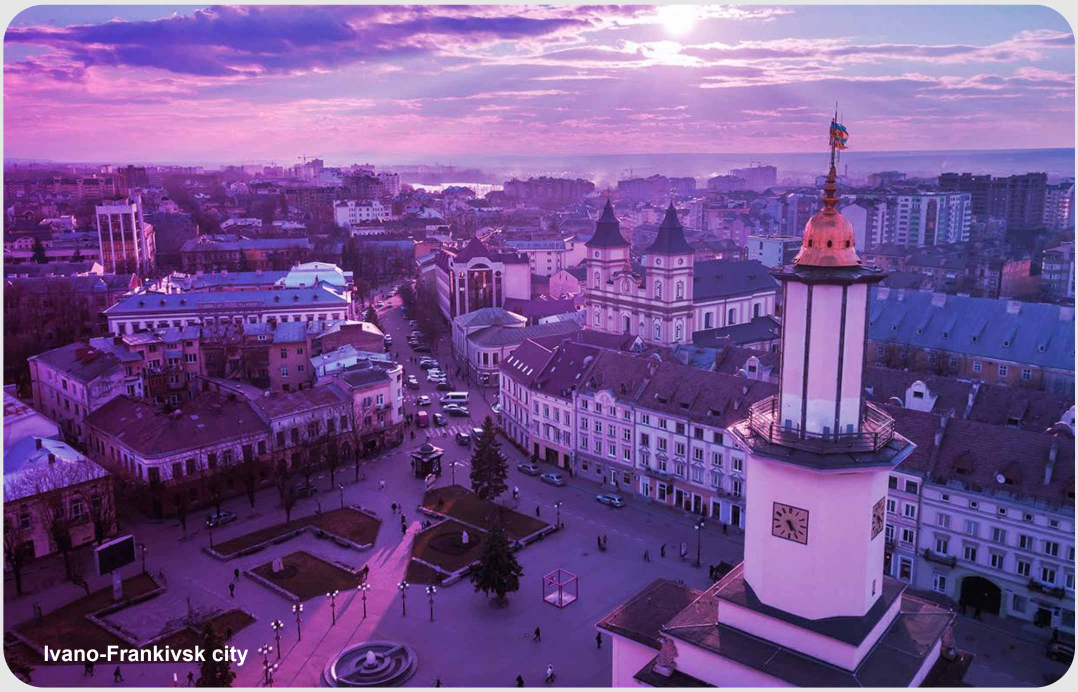
Fines policy

The new fines policy has been recently adopted

The AMC adopted Resolution No.22-RP “On the Procedure for Determining the Amount of Fines Imposed for Violation of Legislation on Protection of Economic Competition” dated 14 December 2023.

The Regulation provides a detailed procedure for determining fines for violations of Ukrainian competition law and specifying how fines are calculated based on the benefits gained from the violation considering the violator’s income related to the infraction. The process begins with establishing a base fine which is then adjusted according to aggravating or mitigating factors, such as the severity of the violation and whether the violator cooperated while under investigation. The document also sets forth the maximum permissible fine limits to ensure compliance with legal standards.

Calculating fines is made on a case-by-case basis, taking into account all the circumstances of the case.



Ivano-Frankivsk city

8. Intellectual property

IP system in Ukraine

National IP Office based on a “single window” principle

Ukraine’s state intellectual property (IP) system is actively going through institutional reform. Since November 2022, the state organisation Ukrainian National Office of Intellectual Property and Innovations (Ukrainian IP Office) has been acting as the National IP Office (following examples from the EU whereby a sole IP Office provides services concerning all IP matters and supports a “single window environment”). The Ukrainian IP Office recently presented a roadmap for a National IP & Innovations Hub, envisaged as a centre for innovation to support research, development, and commercialisation of IP rights and technology transfer, as well as encouraging investment in the Ukrainian economy and promoting the creation of new jobs. The Ukrainian IP Office also plans to launch a full-fledged Mediation Center as a new tool within the Ukrainian IP system to help authors, inventors, and businesses in resolving disputes.

Ukraine has a developed IP regulatory framework which consists of both national laws and international treaties, as Ukraine is a contracting party to numerous agreements[1]. However, if Ukrainian laws conflict with any international treaties to which Ukraine is a party, the provisions of international treaties prevail.

Furthermore, legislative changes aiming to strengthen IP rights protection in Ukraine and align Ukrainian IP laws with the EU laws and standards were introduced in April 2023 which made changes to enable IP rights owners to more effectively enforce their rights in Ukrainian courts.

[1] Among others, the Paris Convention for the Protection of Industrial Property (Paris Convention), Berne Convention for the Protection of Literary and Artistic Works (Berne Convention), International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention), the Patent Cooperation Treaty (PCT), the Patent Law Treaty (PLT), Madrid Agreement Concerning the International Registration of Marks and Protocol relating to it (Madrid system), Hague Agreement Concerning the International Registration of Industrial Designs (Hague Act), Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).

Copyright and related rights

Under Ukrainian law, literary and artistic works (including novels, plays, musical works, paintings, sculptures, works of architecture, audio-visual and photographic works), as well as software and databases, are considered as works protected by copyright, while performances (performed by an actor, singer, musician, dancer, conductor or other performer), phonograms, videograms, and broadcasting programmes are protected by related rights. IP protected under copyright and related rights is not subject to obligatory state registration, though state registration may be carried out upon the request of an IP rights holder.

Types of IP rights

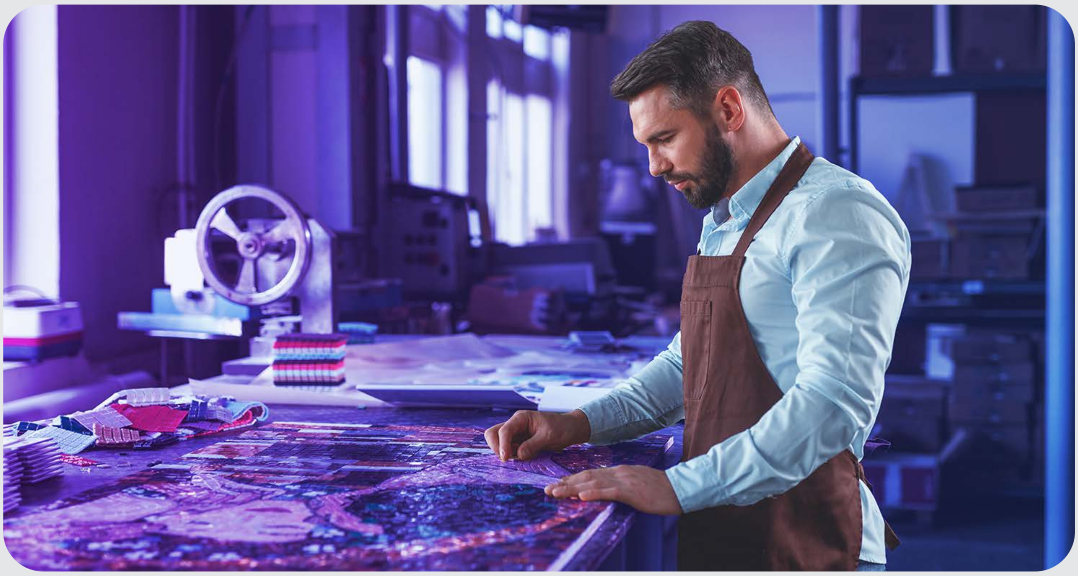
Ukrainian law recognises two types of copyright and related rights: non-property (moral) rights and property rights. Non-property (moral) rights are protected for an indefinite period of time, while property rights for copyright expire 70 years after the author's death and related rights expire 50 years from the performance/creation/broadcast or from when a performance/phonogram/videogram was lawfully made public, with the expiration date effective from 1 January of the year following the last year in which the rights were still valid. Non-property (moral) rights are wholly applicable to IP rights' owners regardless of property rights and cannot be transferred to others or inherited.

Non-property (moral) rights include:

- the right to claim authorship
- the right to remain anonymous
- the right to use a pseudonym
- the right to object to any distortion or other modification of the work
- the right to demand acknowledgment as the performer of the relevant performance
- the right to demand indication of the producer's name in the original and each copy of a phono- /videogram.

Property rights include the exclusive right to:

- use the work/performance/phonogram/videogram/broadcasting programme
- authorise or object to the use of the work/performance/phonogram/videogram/broadcasting programme.



Sui generis right

“Sui generis” right was introduced by the new copyright law

In 2022, Ukraine adopted a new copyright law which, among other novelties, introduced and defined “sui generis” right under which non-original works generated by a computer programme and databases are protected. Moreover, sui generis right may be exercised regardless of whether the relevant database (or its content) is subject to copyright or other rights.

Sui generis right to a database takes effect from the date of the database’s creation and expires after 15 years, while sui generis right to a non-original work generated by a computer programme takes effect from the date of its generation and expires after 25 years (with the expiration date effective from 1 January of the year following the last year in which the rights were still valid).


Lviv city

Trademarks

Under Ukrainian law, legal protection is granted to a trademark which does not contravene public order and the generally accepted principles of morality, as well as laws providing for condemnation of propaganda for certain regimes, and that is not subject to the grounds for refusal of legal protection as established by Ukrainian law. A trademark is considered a sign or combination of signs, such as words, letters, digits, graphic elements, colours, sounds, forms of goods or their packaging, as long as such sign or signs are capable of distinguishing the goods or services of one person from those of another. Legal protection is granted based on state registration.

Certificates of trademark registration confirm the title to a trademark. A certificate is issued for 10 years and can be prolonged for a further 10 years an indefinite number of times.

A registered trademark owner is entitled to use the trademark in the following manner:

- to indicate a trademark on any goods for which it has been registered, on packaging, signboards, labels, or other objects attached to them, as well as to store goods bearing the trademark and offers for sale, selling, importing, and exporting such goods
- to apply a trademark in course of supplying a service for which it has been registered
- to apply a trademark in business documentation, for advertising, or on the Internet.

A certificate of trademark registration grants the owner the exclusive right to forbid any person the from the following (without prior consent):

- using a sign which is identical to the registered trademark for the same and related goods and services as those indicated in the trademark certificate
- using a sign which is similar to the registered trademark for the same and related goods and services as those indicated in the certificate, if the result of such use means the two signs could be confused, or the similar sign could be associated with the registered trademark.

Inventions and utility models

Legal protection in Ukraine is granted to inventions and utility models which do not contravene public order and the “generally accepted principles of morality”, and that meet the criteria for patentability. IP rights to inventions and utility models are subject to state registration and confirmed by a patent. A patent is a document confirming priority, authorship, and title to an invention or utility model. An invention or utility model may be in form of device or process.

Inventions should have the following criteria for patentability:

- novelty
- an inventive step (not obvious to a skilled person aware of state of the art, i.e. “non-obviousness”)
- industrial applicability.

Utility models should have the following criteria for patentability:

- novelty
- industrial applicability.

Regarding inventions and utility models, Ukrainian law recognises two types of IP rights: (i) non-property (moral) right of authorship, and (ii) property rights. Non-property (moral) rights are protected for an indefinite period of time, while property rights expire after the following periods: (i)20 years for inventions, and (ii)10 years for utility models after the application date.

Property rights include the exclusive right to:

- use the invention or utility model at the rights holder’s own discretion by producing goods or deploying the process which include the invention or utility model
- authorise or object to use of the invention or utility model.

Secret inventions and utility models are subject to stricter regulation and their registration should not be made public.

Industrial designs

Legal protection is granted to industrial designs which do not contravene public order and generally accepted principles of morality, and meet the criteria for protection. Industrial designs can receive protection via state registration confirmed by a certificate, as well as without a certificate in cases such as non-registered industrial designs. An industrial design may constitute the appearance of a product or its part which is defined by its lines, contours, colour, shape, texture and/or material of the product, and/or its ornamentation.

Industrial designs should have the following criteria for protection:

- novelty
- individual nature.

Regarding industrial designs, Ukrainian law also recognises two types of IP rights: (i) the non-property (moral) right of authorship, and (ii) property rights. Non-property (moral) rights are protected for an indefinite period of time. Property rights to a registered industrial design are valid for 5 years and may be extended for up to four more 5-year term. The overall term of protection provided by the law should therefore not exceed 25 years from the day the application was filed. IP rights to a non-registered industrial design are valid for 3 years from the date of public disclosure in Ukraine.

Property rights include the exclusive right to:

- use the industrial design at the rights holder’s own discretion by producing goods which include such industrial design
- authorise or object the use of the industrial design.

Geographical Indications

Ukrainian law defines geographical indication as the name of a place which identifies the product originating from a particular geographical area and has a special quality, reputation, or other characteristics mainly related to its geographical place of origin, and at least one of the product's production stages that is carried out in the indicated geographical area.

Legal protection is granted to geographical indications based on state registration and in accordance with procedures established by Ukrainian law or international treaties to which Ukraine is a party. Legal protection is also be granted to a geographical indication if the name filed for registration meets the definition described above and is not subject to grounds for refusal as established by Ukrainian law. Grounds for refusal are applicable if the name of a geographical indication became a general term (i.e. lost it distinguishability for consumers in Ukraine), or a geographical indication includes a name of a plant variety or an animal breed that may mislead consumers regarding the origin of the product, or the name of a geographical indication could be confused with a trademark that is recognised in Ukraine and its use may mislead the consumers.

IP rights to a geographical indication include:

- the right to use geographical indication by applying it to a product and its label/packaging, asl well as applying it in advertising and documentation accompanying the product.
- the right to prevent unlawful use of geographical indication, including prohibition of such use.

Chernivtsi city

Transfer and licensing of IP rights

Property rights may be transferred or licensed to another person by the IP rights' owner related to relevant IP, including inventions, utility models, industrial designs (registered), copyright works, performances, phonograms, videograms, broadcasting programmes, etc.

Upon transfer, a transferee becomes the owner of the IP rights. Upon licensing, the licensee obtains the rights to the relevant IP, to the extent set forth in the licence agreement (either exclusive or non-exclusive).

The law does not provide for transfer or licensing of property rights to non-registered industrial designs (the right to transfer or license of IP rights is only envisaged regarding registered industrial designs). Furthermore, due to the specifics of the nature of geographical indications', Ukrainian law does not provide for transfer and directly prohibits licensing of the rights to geographical indications.

By general rules, transferring IP rights requires obligatory state registration for the IP to which legal protection was granted via state registration (i.e. copyright transfer is not necessarily subject to state registration). However, a licence and/or licence agreement are not subject to obligatory state registration, and their state registration could be carried out upon the request of a licensor or licensee. Absence of state registration does not affect the validity of the rights granted under a licence and/or a licence agreement, or other rights relevant to the IP being licensed.

IP rights protection under martial law

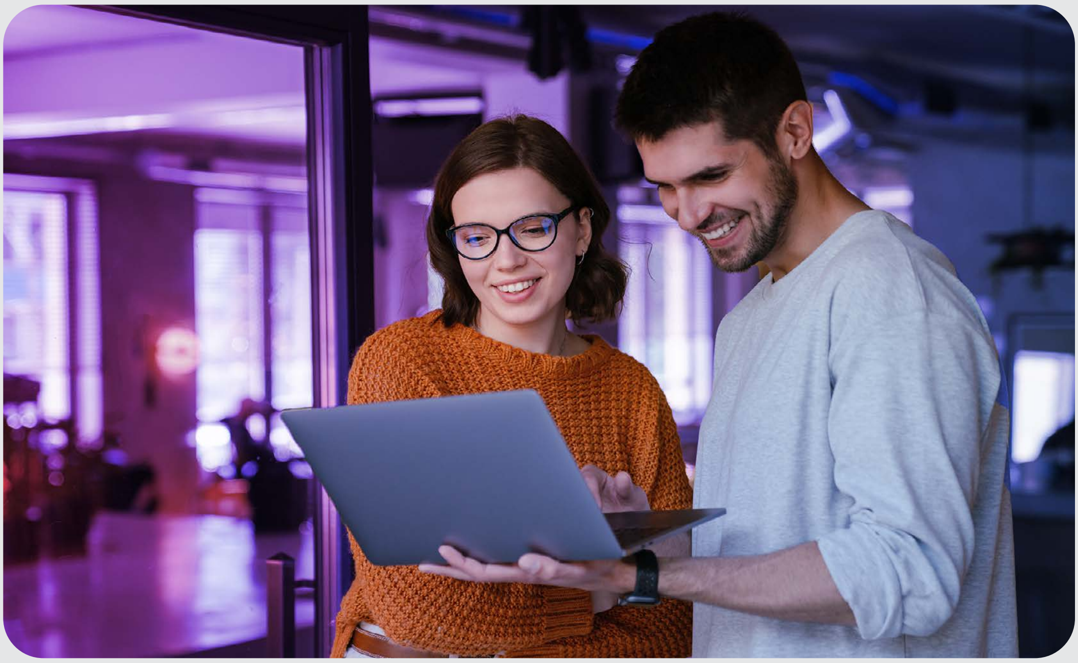
Suspension of protection periods during martial law

Due to imposition of martial law in response to the Russian full-scale invasion of Ukraine, temporary rules for running the terms for IP rights protection were introduced in April 2022. From the day martial law was imposed, the duration of protection periods related to IP rights were suspended, as well as the procedural terms for obtaining such rights regarding copyright and related rights, trademarks, inventions and utility models, industrial designs, geographical indications, topographies of semiconductor products, plant varieties, etc.

These terms include the following:

- terms for renewal of missed terms
- terms for filing an objection against the application or international registration in Ukraine
- terms for filing against the decision of the Ukrainian IP Office on an application before Ukrainian courts or the Appeal Chamber (a body of the Ukrainian IP Office)
- terms for filing for invalidation of IP rights to an invention, etc.

The running of these terms will continue from the day following the lifting of martial law, taking into account the time that has passed before term suspension. IP rights owners may extend the validity of their certificates/patents/registrations without paying any additional fee for missing relevant terms within 90 days after martial law is lifted.



9. ESG – Environmental

Ukraine is actively integrating European approaches to environmental policy by establishing a regulatory framework that promotes sustainable development and addresses climate challenges.

Framework Climate Policy Law

Greenhouse gas emissions to be reduced by at least 65% by 2030

Adopted in October 2024, the Framework Climate Policy Law defines the legal and organisational principles of Ukraine's state climate policy. The law aims to achieve climate neutrality by 2050 through adopting low-carbon and sustainable development; ensuring environmental, food, and energy security; and addressing the challenges of climate change mitigation and adaptation.

The law sets an interim target of reducing greenhouse gas emissions by at least 65% by 2030 (compared to 1990 levels). It also focuses on fulfilling Ukraine's international climate commitments; enhancing the national system for inventorying greenhouse gas emissions and absorption; and establishing a robust system for monitoring, assessing, and forecasting progress toward climate policy objectives.

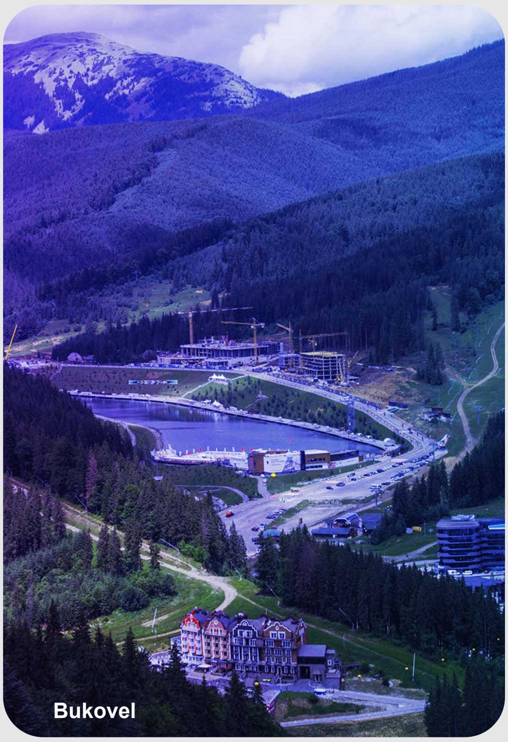
National Energy and Climate Plan (NECP)

Approved by the Cabinet of Ministers of Ukraine on 25 June 2024, Ukraine's National Energy and Climate Plan (NECP) outlines strategic priorities for harmonising environmental, energy, and economic policies to promote sustainable development. Aligned with EU Regulation (EU) 2018/1999 and best practices from EU member states, the NECP reflects Ukraine's commitments under the Energy Community Treaty and its EU accession process. As well as the aforementioned 65% reduction in greenhouse gas emissions, Ukraine aims to achieve a 27% share of renewable energy in its final energy consumption mix, diversification of energy supply sources (no more than 30% dependence on a single supplier), and capping of both primary energy consumption and final energy consumption at 72.224 million tonnes and 42.168 million tonnes of oil equivalent, respectively.

Greenhouse Gas Monitoring, Reporting, and Verification (MRV) System

Since 1 January 2021, Ukraine's Law "On the principles of monitoring, reporting and verification of greenhouse gas emissions" (MRV) has established a framework for operators to register in the country's MRV Registry, monitor emissions, and report on activities listed in the government-approved list of activities. This system ensures compliance with international climate obligations and is the first step toward creating an Emissions Trading System (ETS) in Ukraine, enabling market-based mechanisms for emissions reduction.

Operators must follow the Procedure for Monitoring and Reporting on Greenhouse Gas Emissions, while verifiers ensure accuracy through established verification protocols. These measures align Ukraine's climate actions with EU standards and support its transition to a low-carbon economy.


Bukovel

Key Planned Measures for 2025 in the Latest Climate Policy Action Plan

The key planned actions under Ukraine's climate policy strategy in 2025 will focus on the first phase of a comprehensive four-stage approach aimed at achieving low-carbon development and ensuring Ukraine's economic, energy, and environmental security. These actions include:

1. Developing Organisational and Legal Frameworks: Creating necessary legal frameworks for effective climate policy implementation, including alignment with EU regulations to support Ukraine's European integration.

2. Climate Action Plans: Preparing and executing operational plans that detail steps for addressing climate change, promoting sustainability, and enhancing citizens' wellbeing.

3. Annual Reporting and Evaluation: Regular evaluation of the strategy's progress will take place, with annual reports outlining achievements and setting directions for future actions.

Integrated Pollution Prevention and Control Law

Multiple permits replaced with a single integrated environmental permit

The Ukrainian Parliament recently adopted the law "On Integrated Pollution Prevention and Control" aimed at improving industrial pollution control, introducing integrated environmental permits for high-polluting industries and requiring them to adopt best available technologies in line with EU Directive 2010/75/EU. This law simplifies environmental permitting processes by replacing multiple permits with a single integrated environmental permit, streamlining the process and increasing transparency.

For businesses, this law offers a more efficient and digitalised permit system, reducing bureaucracy while encouraging environmental modernisation. The law also introduces a gradual transition to stricter pollution control measures for existing industries, while permitting companies to request exemptions based on their financial capacity and helping them to transition at a manageable pace. The implementation of this law is intended to support sustainable development and green recovery, benefitting both businesses and the environment.

Implementation of National Pollution Register (NPPR)

The Law of Ukraine "On the National Register of Emissions and Transfers of Pollutants" adopted on 8 September 2022 establishes the NPPR, a system providing real-time environmental data. This law promotes transparency, public participation, and supports e-governance in environmental protection, aligning with Ukraine's commitments under the Aarhus Convention and the Protocol on Pollutant Release and Transfer Registers.

The registration of facilities in the began on 8 October 2023, with businesses having six months to submit data. The Ministry of Environmental Protection offers a simple online service through the EcoSystem platform (https://eco.gov.ua/) to facilitate registration. The data is publicly accessible, supporting transparency and fulfilling Ukraine's international obligations.

The NPPR is intended to reduce pollution, improve public health, and ensure compliance with international agreements, enabling effective monitoring and timely interventions to prevent environmental harm.

10. Employment

General provisions

Employment agreements

Employment can be formalised through an employment agreement or an internal HR order (a simplified one-page version of an employment agreement). Employment is generally for an indefinite term. However, where employment cannot be indefinite due to the specifics of the work or situation, fixed-term employment agreements may be concluded.

Protected categories of employees

Ukrainian law provides extra protection to some vulnerable categories of employees, such as pregnant women, single parents, parents of young children, persons with disabilities, etc. Such employees have additional rights, such as extra vacation days, limitations to or prohibition of overtime work, protection against termination in certain cases, etc.

Termination of employment

The Labour Code of Ukraine lays down specific grounds for the termination of employment. If an employee wishes to terminate their employment, they should give the employer two weeks' written notice.

If an employer wishes to terminate employment, they must demonstrate the grounds for the termination by reference to one of the specific legal grounds for dismissal stipulated in the Labour Code. The most common legal grounds are as follows:

- layoff or redundancy
- liquidation of the employer or reorganisation of the employer's corporate structure
- an employee's incompatibility with the role (e.g. due to insufficient qualifications or poor health)
- an employee's systematic failure to perform their duties without good reason, provided that the employer has previously issued disciplinary warnings
- absence from work without good reason (including absence from work for more than 3 hours during a business day)
- dismissal of members of official company bodies.

The Law of Ukraine "On Amendment of Certain Legislative Acts of Ukraine Regarding the Optimisation of Labour Relations" was introduced in July 2022. The lawprovides new grounds for terminating employment, such as:

- an employee's absence from work for more than four consecutive months without information regarding the reason for such absence
- an employer's inability to provide an employee with work as defined in the employment agreement, due to the absence/destruction of the organisational or technical apparatus, means of production, or the employer's property, etc. resulting from military hostilities.

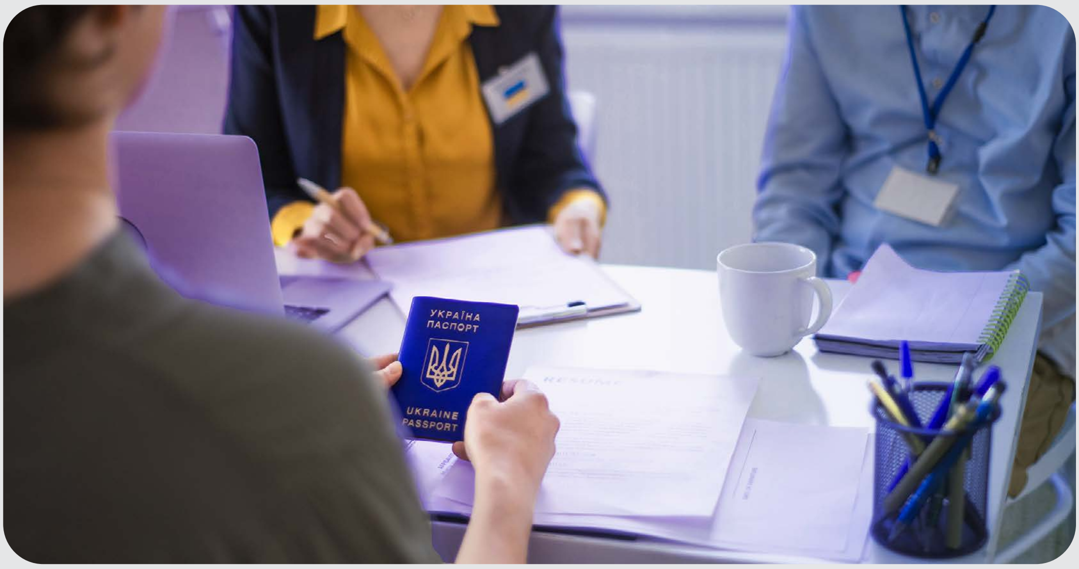

Kyiv region

Employer obligations with regard to additional safety measures

Employers are recommended to introduce measures that ensure safe working conditions

The introduction of martial law in 2022 in response to the Russian full-scale invasion of Ukraine did not formally impose any new obligations on employers regarding labour safety measures.

However, employers still remain liable for ensuring safe working conditions for employees. For this reason, employers are recommended to introduce administrative measures that ensure safe working conditions for employees, such as introducing rules of conduct in case of air raid alarms, and offering flexible working hours or remote work (including from abroad).



Employer financial obligations

Employer can be exempted from liability for failure to pay salary in a timely manner

Salary payment

An Employer obligation to pay salaries in full and in a timely manner remains valid. Employer can be exempted from liability for failure to pay salary in a timely manner in circumstances arising from military action, however, or an employer’s inability to function normally as a result.

Additional benefits

The introduction of martial law did not impose additional financial obligations on employers, such as providing additional benefits, payments, etc. to employees. Nonetheless, many employers have chosen to voluntarily provide additional benefits (such as financial assistance with relocation, financial assistance to ensure continuous work in case of power outages, etc.).

Working time / Rest time

Working hours

Normal working hours may now be extended to 60 hours per week for employees who work at critical infrastructure enterprises (or a 40-hour working week for certain protected categories of employees as stipulated above). In such cases, salaries should be paid in proportion to the extra hours worked.

Most restrictions with regard to the duration of working time (e.g. reduced working days before a holiday, annual limits on overtime work, prohibition of work on days off) have been cancelled for the duration of martial law.

Regular vacations

As a result of the implementation of martial law, , employers of employees who work at critical infrastructure enterprises may refuse to grant annual vacations or any other kind of vacation, except for maternity and childcare leave.

Unpaid vacation

Under the conditions of martial law, employers are allowed to grant unlimited periods of unpaid vacation. Furthermore, if an employee has moved abroad or became internally displaced, they are entitled to a 90-day long unpaid vacation upon their request.

Changes in employment for foreign employees

Conditions for employment of foreign citizens were simplified

In general, conditions for employment of foreign citizens have simplified. For example, there is no longer a special salary threshold (10 minimum salaries) for engaging foreign employees. It is also now officially permitted for foreign employees to have concurrent employment at the same company without an additional work permit.

However, citizens of Belarus and the Russian Federation must undergo security checks before being granted a work permit for employment in Ukraine.

Mobilisation and related matters

Employer obligations towards drafted employees

Employees who have been drafted are entitled to retain their position until the end of their service. However, any obligation on the part of employers to pay such employees their average salary was cancelled in 2022.

Keeping military records

In 2023, new rules were introduced for employers keeping of military records. The following obligations were imposed on employers:

- employment of an individual can only take place if they are in compliance with military registration requirements
- employers must inform territorial recruitment and social support centers regarding any new hires or employee dismissals
- employers are liable for keeping military registration records.

In case of any violation, a fine may be imposed on the company's officials in the amount of up to UAH59,500 (approximately EUR1,360) during martial law.

Reservation of employees from mobilisation

Employees can be exempted from mobilisation

Reservation of employees from mobilisation

The Ukrainian government is trying to strike a balance between enhancing the country's military strength and economic potential. In order to ensure economic stability, Ukrainian legislation provides for reservation of employees from military mobilisation.

Reservation is a procedure that ensures temporary exemption of an employee from military service (up to 1 year, with the potential for prolongation). Reservation is available to employers whose enterprises are considered critical to the functioning of the Ukrainian economy or to fulfilling the needs of the Armed Forces/other military organisations. There are certain criteria defined by the relevant Ministries/local authorities that a company must meet to be considered "critical".

After obtaining "critical" status, a company may reserve up to 50% of those employees considered viable for military service. There are also special circumstances where this quota may be raised to 100% and certain categories of non-employees may also be reserved, e.g. ultimate beneficial owners or supervisory board members of certain companies, etc.

Reservation is done via Ukraine's electronic "Diia" portal and takes up to 3 days.

Other regulatory changes

Martial law introduced new concepts in Employment law

Simplified employment regime

The Law of Ukraine “On Amendments to Certain Laws of Ukraine on the Regulation of Simplification of Regulation of Labour Relations in the Sphere of Small and Medium Enterprises and Reduction of Administrative Burden on Entrepreneurial Activity” came into effect in August 2022. This legislation provides for a “simplified employment” regime which is applicable when:

- an employer is a small or medium enterprise (fewer than 250 employees and an annual income of less than EUR50,000,000), or
- employees with a salary is more than eight times the statutory minimum monthly salary (UAH64,000, approximately EUR1,460).

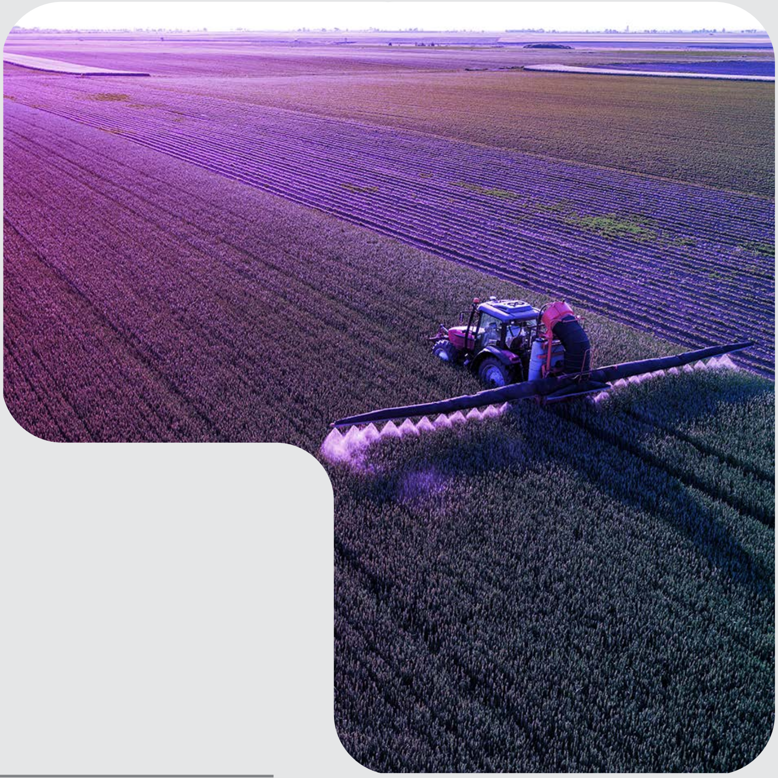
If the parties agree to apply the simplified employment regime to their relations, they may regulate various aspects of their relations in the relevant employment agreement, including working hours, incentives, vacations, grounds for dismissal, etc.

This law remains in force for the duration of martial law and lapses thereafter.

Suspension of employment

The Law of Ukraine “On Employment Relations during Martial Law” allows for the suspension of employment relations for the duration of the martial law.

Suspension of employment may be initiated when both the employer and the employee are temporarily unable to perform their respective duties due to military hostilities. In this case, employment may be suspended but persists and must be renewed when the reasons for the suspension cease, though no later than the termination of martial law.



11. Land

Different regulations apply to land relations in Ukraine depending on the type of land in question, with land is classified according to its designated purpose. Each category has specific legal status.

Such categories include:

– agricultural land

– land for residential and urban construction purposes

– nature reserves and other lands with a nature-oriented purpose

– land with natural springs or other features providing health benefits

– recreational land

– land designated as having a historical or cultural purpose

– land-forming lakes or river beds

– forest land

– land for industrial, transport, communications, energy, or defence purposes.

Information about land plots formed as objects of rights must be registered in the State Land Cadastre. The right to own and use land plots requires registration in the State Register of Proprietary Rights to Immovable Property.

Title to land

Ukrainian legal entities can own up to 10,000 ha

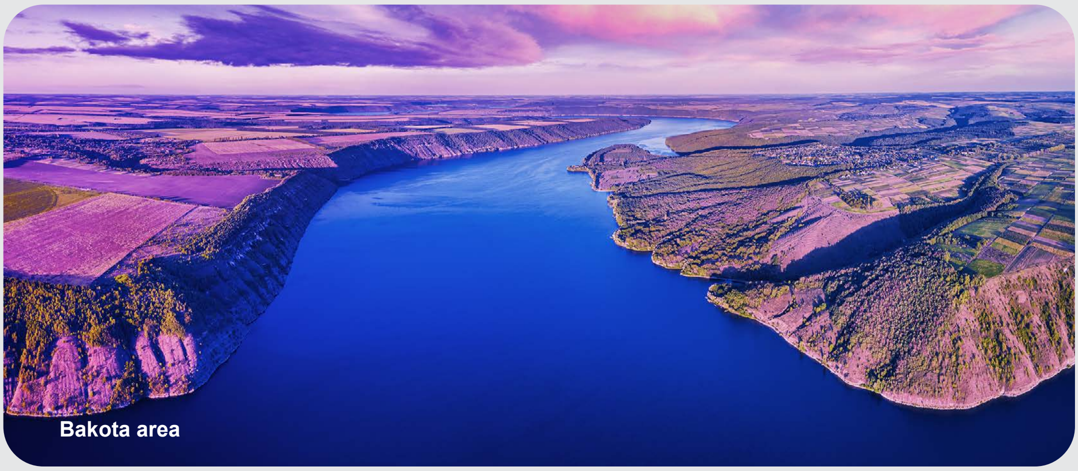
Land laws and regulations effective in Ukraine stipulate a number of restrictions on foreign entities acquiring a title to land in Ukraine. For instance, foreign companies and individuals were previously prohibited from owning agricultural land.

Starting from 1 January 2024, legal entities gained access to Ukraine's agricultural land market and can now acquire up to 10,000 hectares of agricultural land under one owner.

Non-agricultural land may only be acquired by foreign persons within urban areas or outside urban areas when a foreigner owns real estate on the land. Foreign entities may acquire land in urban areas for the acquisition or construction of business-related facilities. These rules also apply to joint ventures with foreign persons or entities.

In the event that a foreign entity purchases state-owned or municipal land in Ukraine, they are required to register a commercial representative office in Ukraine. Furthermore, approval from the Parliament of Ukraine is required for purchasing state-owned land or the Cabinet of Ministers of Ukraine for purchasing municipal land.

Buyers may be granted an installment plan for purchases of state-owned or municipal land (except for agricultural land) of up to 5 years.



Bakota area

Lease

Foreign entities may hold a lease for both agricultural and non-agricultural land without any significant limitations, with lease rights to land granted for up to 50 years. A minimum period of 7 years is set for such leases concerning agricultural land or land for the purpose of manufacturing agricultural goods, farming, and holding a personal agricultural estate.

Ukraine has recently simplified the procedure for investors to acquire the right to lease non-agricultural land plots related to state and municipal property for the purposes of implementing public-private partnership projects (PPPs), investment projects with significant investments, industrial parks, etc.

According to the general rule, the right to lease state and communal land is acquired through land auctions. However, land lease legislation provides for a number of cases when the right to lease such land is granted without auction, such as in the following cases:

(i) real estate (buildings, structures) owned by individuals or legal entities is located on the land plot in question

(ii) the land plot is provided for use (lease) to an investor with significant investments in order to implement an investment project

(iii) the land plot is provided for the needs of a private partner within the framework of a PPP

(iv) lease of industrial park land plots to the management companies of said industrial parks.

Simplified leasing process for investment projects

The law governing leases of land in Ukraine grants rather broad rights to lessees, including:

– priority rights to extend a lease

– priority rights to purchase the land plot

– rights to sell, contribute to share capital, and pledge private land plots held under lease.

Lease rights to state and municipal land under a property are transferable in the event of the sale of the property.

The list of material clauses necessary for a lease to be registered, and therefore enter into force, is limited to a description of the land plot, the term of the agreement, and the amount of the lease payment. Other clauses may be added if the parties agree. In addition to state registration, land lease rights may now be provided by state registrars and private notaries.

Lviv region

12. Real Estate

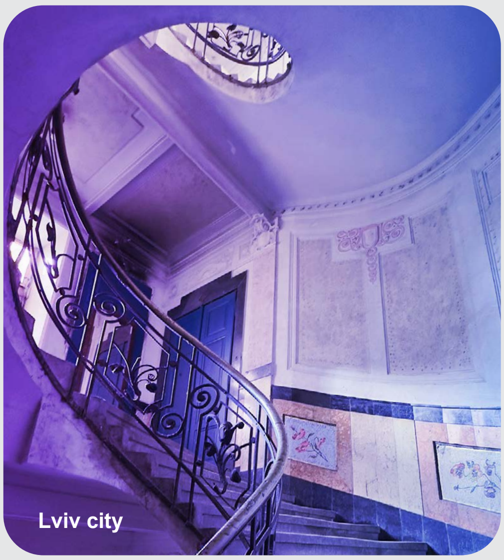
Foreign entities are generally allowed to acquire any real estate objects (i.e. buildings, installations) situated in Ukraine.

The rights to real estate (e.g. ownership), as well as any encumbrances related to such property (e.g. mortgage), are subject to state registration. The Unified State Register of Immovable Property incorporates information on real estate ownership, long-term lease, mortgages, liens, and other related encumbrances. Registration of immovable property rights can be undertaken either by the state registrar through the administrative services centre or by a notary in the region where the property is located. Information from the register can be provided by a notary, state registrar, or the administrative centre, and can be issued either on paper or electronically from the web-portal of the Ministry of Justice.

Real estate can be acquired through an asset or share deal agreement.

An asset deal agreement is likely to be the most straightforward way of acquiring real estate in Ukraine. Such an agreement is subject to notarisation and the rights arising in connection with this agreement should be registered in the State Register of Proprietary Rights to Immovable Property. In addition to 20% Ukrainian VAT, pension contributions and a state duty for state notary services (each at 1% of the contract price or appraised value, whichever is higher) or an agreed notary fee with a private notary are due on these kinds of transactions.

Real estate can also be acquired by means of construction. Construction projects require a complex and time-consuming administrative process that involves submitting an extensive list of documents and engaging external advisors.



Lviv city

State guarantees PPP projects stability & investor rights

Khmelnytskyi city

The title to newly constructed real estate is issued upon completion of the construction, its commissioning, and its subsequent registration in the State Register of Proprietary Rights to Immovable Property.

The following mechanisms for investing in construction of infrastructure objects in Ukraine provide some kind of state support or other benefits for investors.

Concessions

Concessions in Ukraine are a form of public-private partnership (PPP). In this partnership, the concessor (public partner) grants the concessionaire (investor) the right to create and/or construct (new construction, reconstruction, restoration, overhaul, and technical re-equipment) and/or manage (use, operation, maintenance) a concession object and/or provide socially important services. In concession projects, public and private partners pool their resources and share responsibilities, benefits, and potential risks (including the transfer of operational risk from the concessionaire to the concessionaire). These rights are specified in the concession agreement.

Advantages of concessions:

(i) The concession agreement is generally governed by the laws of Ukraine, but the parties may choose the law that will govern their legal relations.

(ii) The parties are free to choose a dispute resolution mechanism, including national or international commercial or investment arbitration,

Flexible ownership and dispute resolution options for joint activities

(iii) The investor is not subject to regulatory legal acts from executive authorities and local self-government bodies, if such acts restrict the rights of the investor (concessionaire) as defined by the concession agreement (except for the instructions of state control and supervision bodies issued in accordance with the legislation of Ukraine).

(iv) The State guarantees the stability of the conditions for the implementation of the projects carried out under the concession and respect of the rights and legitimate interests of the concessionaire.

(v) Potential support from the State in implementing the concession:

a. payment of operational readiness fee

b. purchase from the concessionaire of a certain amount of goods (works, services) produced (performed, rendered) by the concessionaire in accordance with the concession agreement

c. supply of goods (works, services) to the concessionaire necessary to perform the concession agreement

d. construction of related infrastructure facilities (railways, roads, communication lines, heat, gas, water and electricity supply facilities, engineering communications, etc.) that are not concession objects but are necessary for the performance of the concession agreement.


Ivano-Frankivsk city


Kyiv city

Joint Activities

Under a joint activity, the parties (participants) undertake to act together without establishing a legal entity to achieve a specific goal that does not contravene Ukrainian legislation.

A joint activity by parties is regulated by the joint venture agreement (JVA) whereby participants seek to achieve a common goal but do not act as a debtor and a creditor to each other. The purpose of the agreement must not contradict Ukrainian law, though the law does not contain any other reservations. JVAs may be entered into for both commercial and non-profit purposes.

The joint activity by parties may become a PPP if it fulfils the following qualifying conditions:

(i) creation and/or construction (new construction, reconstruction, restoration, overhaul and technical re-equipment) of a PPP object and/or management (use, operation, maintenance) of such an object

(ii) relationship of between 5–50 years

(iii) transfer of a part of the risks to the private partner in the course of implementing the public-private partnership

(iv) investment in the PPP object by a private partner.

Advantages of JVAs:

(i) An agreement concluded within the framework of a PPP may provide for the emergence of private ownership of the Client or the emergence of joint private ownership of the public and private partner.

(ii) If the JVA has the features of a PPP and founder of the private partner is an enterprise with foreign investments, the terms of a JVA may provide for a waiver of immunity by the State, and parties are free to choose a dispute resolution mechanism (including national or international commercial or investment arbitration).

Significant investment projects (Investment Nanny Law)

Priority sectors: industry, logistics, healthcare, etc.

In order to attract significant investments in the Ukrainian economy, the Verkhovna Rada of Ukraine adopted Law of Ukraine "On State Support of Investment Projects with Significant Investments in Ukraine" No. 1116 dated 17 February 2022 (the Investment Nanny Law). According to the Investment Nanny Law, the State provides investors with a package of special investment incentives to implement projects with significant investments.

Such investment incentives are available to investment projects that meet the following requirements:

(i) The project must be in one of the following fields:

a. processing industry

b. extraction for further processing and/or enrichment of minerals

c. waste management

d. transport

e. warehousing

f. postal and courier activities

g. logistics

h. education

i. scientific and scientific and technical activities

j. healthcare

k. art

l. culture

m. sports

n. tourism or resorts and recreation.

(ii) Such project involves construction, modernisation, technical and/or technological re-equipment of investment objects, purchase of equipment and components thereto, and may also involve construction of related infrastructure at the expense of the investor

(iii) Creation of at least 80 new jobs during the project implementation period. The average salary of employees must be at least 15% higher than the average salary in the previous year for the relevant type of activity in the region of project implementation.

Eligibility: €20M+, 80+ jobs, 5-year term

(iv) The amount of investment during the project implementation must exceed the equivalent of EUR20 million at the official exchange rate.

(v) the term of implementing the relevant investment project with significant investments does not exceed 5 years.

State support does not apply to investment projects that meet the criteria of a PPP and is not provided in the course of privatising state and municipal property.

Advantages of the "Investment Nanny" Law:

(i) 5-year income tax exemption.

(ii) Investors can obtain lease of a land plot of state or municipal property without an auction.

(iii) Compensation of expenses for connection to engineering and transportation networks.

(iv) "Special investment agreements" are governed by the law of Ukraine, unless otherwise provided for by such agreement and different choice of mechanism dispute resolution (if the investor with significant investments is a foreign investment enterprise under the terms of the Law of Ukraine "On the Regime of Foreign Investment".

(v) The State provides privileges and guarantees for the stability of business conditions investment projects are being implemented (i.e. exemption from certain taxes and fees, exemption from import duty on new equipment and components imported to implement an investment project, pre-emptive right to use a land plot of state or municipal property, etc.)

The state also assists investors with significant investments in the process of connecting to heat, gas, water, and electricity networks, engineering communications, etc. that are owned by natural monopolies.

Industrial Parks

Industrial Parks (IP) indicate a territory equipped with appropriate infrastructure within which IP participants can carry out: economic activities in the processing industry, research and development activities, and activities in the field of information and telecommunications. Initiators of an IP's creation can be the owners or tenants of state, communal, or private industrial land plots.

The State supports and stimulates the creation of industrial parks

State support for IP management companies, IP creation initiators, and IP participants:

(i) full or partial compensation of the interest rate on credit (loans) for arranging and/or implementing economic activities within industrial parks (to be provided by the State within six months after the termination or cancellation of martial law).

(ii) non-refundable grants to develop industrial parks and/or construct engineering and transport infrastructure facilities (roads, communication lines, heat, gas, water, and electricity supply, engineering communications, etc.)

(iii) compensation of expenses for connecting to engineering and transport infrastructure networks (though under martial law management companies and initiators of the establishment of Ips are only compensated for connection to the electricity network).


Kyiv city

13. Energy

Ukrainian electricity market

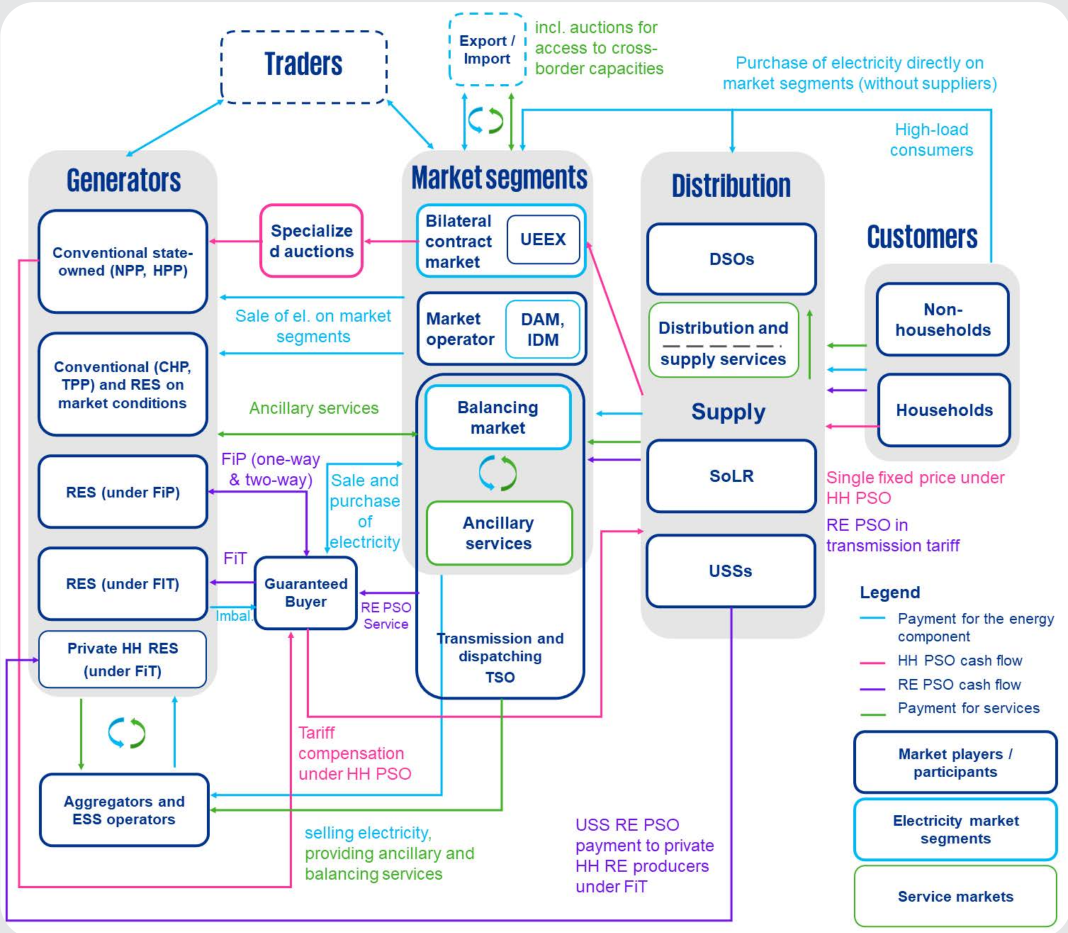
Electricity market model overview

Ukraine is currently transitioning to a more competitive electricity market structure that aligns with EU acquis

The current Ukrainian electricity market model was implemented in July 2019 as part of Ukraine's efforts to align its energy sector with EU standards and create a competitive and transparent electricity market. The model was implemented with the understanding that the Ukrainian electricity market should operate on a competitive basis (other than in the case of natural monopolies), with limitations established by the Electricity Market Law.

There are also some Public Service Obligations (PSO) mechanisms and other regulatory interventions in Ukraine, such as the Renewable Energy (RE) PSO and the PSO for households provided by the state-owned Guaranteed Buyer. Large- and medium-sized businesses buy electricity under market-based tariffs (regulated by price caps), while households and small-sized businesses with specific consumption profiles benefit from regulated prices under the household PSO.

Ukraine is currently transitioning from a highly regulated, state-controlled electricity model to a more competitive structure that aligns with EU acquis. Ukraine has completed the unbundling of its Transmission System Operators (TSOs) and Distribution System Operators (DSOs) in accordance with the requirements of the Third Energy Package. While the country has made significant improvements towards achieving these goals, there are still challenges to complete integration with the EU grid. Nonetheless, Ukraine continues to make significant strides to enhance energy security and attracting investment for additional generation capacities.



New RE support mechanisms aligned with EU acquis

Green Transformation Law introduced some novel RE support mechanisms

On 27 July 2023, the Law of Ukraine "On Amendments to Certain Laws of Ukraine on Restoration and Green Transformation of the Energy System of Ukraine" No. 3220-IX (the Green Transformation Law) became effective. The Green Transformation Law updated regulations regarding support for RE market participants while aiming to reform the industry as a whole.

The Green Transformation Law amended existing mechanisms while also introducing new RES support mechanisms:

1. Feed in Premium (FiP) mechanism

RE producers who have been granted a feed-in tariff (FiT) or have acquired the right to support can choose to participate in the FiP mechanism. However, producers of electricity that do not already have an established FiT may only enter the system through an auction process which means they would need to compete for the right to benefit from the premium mechanism.

Under this system, the Guaranteed Buyer should pay the difference between the FiT, or "auction price", and the calculated market price. This is meant to help stabilise revenues for RE producers by compensating them for any shortfall between the fixed support price (auction/FiT) and the fluctuating market price.

2. Changes to "green" auction framework

Instead of guaranteeing the offtake of all electricity at the auction price, the Green Transformation Law has established a market premium for services provided by RE producers (also known as two-way FiP, operating as a contract for difference (CfD)).

If RE producers sell electricity on the energy market cheaper than the auction price, the Guaranteed Buyer is obliged to pay RE producers the difference between auction price and the calculated market price. If RE producers sell electricity on the energy market for a higher price than the auction price, RE producers are obliged to pay the Guaranteed Buyer the difference between calculated market price and the auction price.

The term of the financial support provided under the FiP has also been reduced: down from 20 years to 12 years.

Corporate PPAs

The Green Transformation Law introduced a mechanism that enabled RES producers to leave the Guaranteed Buyer's balancing group and enter into agreements to provide services to ensure the stability of electricity prices for energy generated from alternative energy sources with consumers, electricity suppliers, or traders (i.e. financial or virtual power purchase agreements (PPAs)). These contracts aim to stabilise the price of electricity generated from renewable sources and do not envisage physical power delivery.

The mechanism is based on the concept of a CfD, a well-known financial tool used in many countries to manage price volatility from a mid- and long-term perspective. The maximum term of such contracts is not fixed, providing flexibility regarding how long the agreement can last.

Concerning corporate PPAs with physical delivery, the Ukrainian legislator improved the conditions for concluding and executing bilateral contracts through the following amendments:

- There are no more term limitations for such agreements (limited to 1 year in the prior regulations).
- RE producers may now conclude such agreements without using the auction system.

Net billing

The net billing mechanism introduced by the Green Transformation Law is designed to encourage self-consumption of electricity by prosumers (i.e. those who generate their own electricity). This mechanism ensures the right of prosumers to sell amounts of electricity that produced and not consumed by such prosumers.

The mechanism allows for a mutual calculation where the electricity supplied to the grid by the prosumer's generating facilities is offset against the electricity withdrawn from the grid.

For prosumers (excluding households and small non-domestic consumers), the amount of electricity supplied to the grid cannot exceed 50% of the permitted (contractual) capacity of the prosumer's electrical power installations. If certain technical requirements set by the DSO or TSO are met, the permitted amount of power to be supplied to the grid may be increased.

Guarantees of Origin (GOs)

The introduction of GOs under the Green Transformation Law is designed to certify the source of electricity generated from RE sources. This mechanism is important for ensuring transparency and verifying that electricity being marketed as renewable is indeed sourced from RE sources.

GOs are issued free of charge and are automatically generated through a special register managed by the National Energy and Utilities Regulatory Commission (NEURC). The guarantee is separate from the actual electricity supply, meaning that ownership and transfer of GOs can occur independently from the physical electricity represented. GOs can therefore be traded or transferred without the corresponding electricity being sold or consumed at the same time.

RE producers who do not operate under FiT or FiP may sell or dispose of their GOs to third parties, allowing GOs to be traded or transferred at market-driven prices. This ensures flexibility for producers to monetise their GO RE certificates on the open market. RE producers may also present GOs to prove the origin of their electricity for various purposes (e.g. to reduce tax levels under a Carbon Border Adjustment Mechanism (CBAM) in the future).

Transferring GOs may be possible outside of Ukraine, with GO certificate exports potentially viable under bilateral agreements that are subject to mutual GO recognition between the countries from which they are sold and bought. Ukraine's membership in the Association of Issuing Bodies Hub (AIB hub), an organisation of issuers of GOs, would also facilitate such trading.

Development and deregulation of distributed generation remains Ukraine's top priority

Decentralised generation

On 18 July 2024, the Ukrainian Government approved its Strategy for the Development of Distributed Generation up to 2035, including approval of the operational plan of measures for its implementation in 2024–2026.

Distributed generation is comprised of all gas pump and gas turbine facilities, RES facilities, energy storage, and cogeneration up to 20 MW connected to the DSO grid. Construction and commissioning of such facilities has been significantly simplified and deregulated in recent years (e.g. streamlining regulations regarding grid connection, incentive schemes, permitting documents, etc.)

Development and construction of distributed generation facilities is expected to grow, especially in light of Russian missile attacks targeting Ukraine's energy infrastructure, with the government of Ukraine actively supporting initiatives for further deregulation and simplification to develop more resilient distributed generation facilities.

Capacity auctions

Ukraine has recently introduced auctions for constructing new energy generation capacity and implemented demand response measures in accordance with Article 29 of the Electricity Market Law.

These measures include:

Building new generating capacity and energy storage

Reconstructing (modernising) existing generating capacity

Extending the life of nuclear units

One major incentive for participants is the establishment of a fee for services ensuring the development of generating capacity provided by the TSO. The law provides for other incentives as well, such as state aid, land allocation, and public-private partnerships.

Capacity tenders and long-term auctions for ancillary services (as described below) serve distinct yet complementary roles. Capacity tenders incentivise the development of new, highly manoeuvrable generating capacities to enhance energy infrastructure and improve system reliability and flexibility. Long-term auctions for ancillary services aim to procure support for grid stability through additional reserves. New providers under capacity tenders can participate in ancillary services auctions and provide their capacities to the TSO.

Long-term auctions for ancillary services

Auctions for ancillary services are expected to attract necessary reserves for the power system

The NEURC recently issued Resolution No. 1172 “On Approval of Amendments to Certain NEURC Resolutions” dated 26 June 2024 regarding introducing special auctions for ancillary services to provide Ukraine’s power system with frequency and active power control reserves. Reserves are procured for a period of one to five years, potentially prolonged for up to three years. The UAH fee for providing reserves was also pegged against EUR, offering hedging opportunities against currency devaluation for auction winners.

In August 2024, Ukrenergo (the Ukrainian TSO) held its first two long-term auctions for 99 MW and 1,000 MW of ancillary services. According to the results of the first auction frequency containment reserves (FCR), the need for new capacities was almost completely covered, while the second auction for automatic frequency restoration reserves (aFRR) covered 41% of needs for withdrawal and 62% for withdrawal/injection.

The results of the auctions were that the winners received 5-year contracts under which the TSO undertook an obligation to pay for the provision of reserves at the price established at the auction.

Price offers ranged from approximately EUR 13.6–23.1 per MW at the first auction for FCR provision.

Prices for injection offers, meanwhile, ranged from approximately EUR11.2–22.4 per MW at the second auction for aFRR provision, and from approximately EUR 24.2–EUR 30.7 per MW for symmetrical reserve.

The winners are obliged to build generating facilities (gas and biomass power plants) and energy storage systems by October 2025.

Ukrenergo held its third competitive special auction for the purchase of ancillary services for a period of 5 years on 24 December 2024 in an auction held for the purchase of aFRR services. The two types of products purchased included: 472 to 555 MW (for each billing period) of injection service, and 201 to 252 MW (for each billing period) of symmetrical reserve.

The average price per MW of symmetric reserve purchased at the auction was approximately EUR 29.3, and the average price of injection reserve was approximately EUR 21.

Investors will have until mid-November 2025 to build a new power plant, certify equipment, and start providing services from 1 January 2026.

The annual, quarterly, monthly and weekly schedules of auctions for ancillary services for 2025 are also published on Ukrenergo's website.

Transposition of REMIT Regulation

The Law of Ukraine "On Amendments to Certain Laws of Ukraine on Prevention of Abuse in Wholesale Energy Markets" No. 3141-IX dated 10 June 2023 entered into force on 2 July 2023 (the REMIT Law). The REMIT Law implemented EU Regulation No. 1227/2011 on Wholesale Energy Market Integrity and Transparency (REMIT) into Ukrainian national legislation.

In accordance with the Law, the NEURC is empowered to:

1. Register wholesale energy market participants
2. Monitor market behaviour and business and trading operations of wholesale energy market participants in order to detect and prevent abuse on the wholesale energy market
3. Detect potential manipulations or attempts to manipulate the wholesale energy market and Conduct investigations into abuses on the wholesale energy market
4. Establish sanctions for manipulating the market and trading on the basis of insider information.

The NEURC has already successfully adopted multiple bylaws in line with the REMIT Law, taking the necessary steps for regulatory reform and alignment after official adoption of the REMIT Law itself.

The NEURC has also fully launched a register of participants of wholesale energy market, with energy market participants obliged to register as participants.

Despite progress, Ukraine is yet to transpose REMIT II into national legislation (adopted in the EU on 18 March 2024).

Import and export

1. Joint cross-border capacity allocation

Under the Electricity Market Law, Physical Transmission Rights (PTR) are allocated through joint auctions by the TSO or another legal entity, as agreed upon by the Ukrainian TSO and foreign TSO. Ukrainian legislation defines PTR as the acquired right to use the capacity of cross-border interconnections between two neighbouring countries' energy systems (trade zones) in a specific direction and for a defined period.

PTR have been allocated for the following borders, with joint auctions organised by Ukrenergo or the Joint Allocation Platform (JAO):

- Ukraine–Romania
- Ukraine–Moldova
- Ukraine–Poland (KhNPP (Ukraine)–Rzeszów (Poland) interconnection)
- Ukraine–Hungary
- Ukraine–Slovakia.

Ukraine is yet to develop the framework for allocating Financial Transmission Rights (options and obligations).

2. Mandatory 10% import sale on the Day-Ahead Market (DAM)

According to currently effective Ukrainian legislation, the lower limit of the mandatory monthly volume of electricity sales by producers (excluding RES producers) and importers on the DAM must be at least 10% of their monthly volume of electricity sales.

However, according to the recently passed draft law No. 9381, provisions regarding the mandatory monthly volume of electricity sales on the DAM should temporarily not apply to importers (until 1 April 2025).

Expected implementation of EU Integration Package to enable market coupling

The Ukrainian Parliament is currently considering the Draft Law of Ukraine "On Amendments to the Laws of Ukraine on the Integration of Electricity Markets of Ukraine and the European Union" (the Draft Law). The main purpose of the Draft Law is to establish a legislative framework for implementing EU Integration Package legislation.

The transposition and implementation of the EU Integration Package is a prerequisite for coupling Ukrainian and EU electricity markets. The Draft Law provides for coupling spot markets (day-ahead (DAM) and intra-day (IDM) markets) and designating a nominated market operator (NEMO). The draft law would also integrate balancing markets by providing opportunities to exchange balancing services (balancing capacity and energy).

The integration package will allow to unite the electricity markets of the EU and Ukraine

Market coupling involves optimising the allocation and use of cross-border transmission capacity, coordinating price calculation on spot markets, enabling cross-border exchange of balancing services, and forming appropriate price signals for investments in the development of cross-border transmission capacities. Market coupling would bring Ukraine's market increased liquidity, reduce market concentration, and provide more risk-hedging incentives for consumers. Market coupling is also essential to obtaining a derogation from the Carbon Border Adjustment Mechanism (CBAM) for electricity from Ukraine.

The full transposition of the EU Integration Package is expected to require multiple changes to Ukrainian secondary legislation (network codes, Market Rules, and others). Such changes are currently being developed.

Natural gas market

General overview

Ukraine's natural gas market liberalisation, aligned with European energy trends, has promoted free competition and non-discriminatory network access. The natural gas market involves the following key players: gas producers, suppliers, storage operators, TSOs, and DSOs. TSOs and DSOs are essential for getting gas to consumers, operating as natural monopolies within their regions.

A crucial element of reform in Ukraine's gas sector has been separating the functions within Naftogaz. Prior to the unbundling, Naftogaz was a vertically integrated state-owned company engaged in all aspects of the oil and gas business in Ukraine, with activities that included producing, transporting, storing, refining, and selling natural gas and oil. Naftogaz also controlled the country's main gas transmission systems. Following the Third Energy Package regarding unbundling, the TSO now operates independently and is not allowed to be controlled by companies engaged in gas production, distribution, or supply. Similarly, DSOs must also follow unbundling requirements (with the exception of some smaller DSOs), staying separate from production and supply operations and maintaining separate accounting for diverse business activities.

The liberalisation has also led to the introduction of unregulated tariffs. In the past, gas prices were tightly controlled by the government of Ukraine. However, industrial users have been able buy gas on a competitive and unregulated market since October 2015.

An enabling framework has also recently been introduced for renewable gas (biomethane), with biomethane producers now being able to access gas network and distribution systems and gas storage facilities while also obtaining the right to export volumes to EU countries. A register of biomethane GOs has been established to certify that the gas involved is fully from renewable sources and the Ukrainian register is expected to be synchronised with the EU system soon, meaning that Ukrainian guarantees will be recognised internationally. Ukraine's "National Energy and Climate Action Plan for the period up to 2030" envisages the annual production of 100 million m3 of biomethane.

However, Ukraine's gas market is still limited by various regulatory hurdles, including different PSOs (e.g. requiring Naftogaz to supply gas to regional distributors for resale to households, as well as the sale of gas to gas DSOs and thermal energy producers for the purposes of heat production).

The government of Ukraine has recently adopted a new PSO to ensure that DSOs are provided with the necessary natural gas resources to cover normative production and technological losses (PTL) and gas leaks from the gas distribution system (GDS) related to military actions. Under this PSO mechanism, Naftogaz must supply natural gas to DSOs in the amount of normative and excess PTL for the period of martial law, as well as for losses caused by military actions or incurred in connection with the prevention/settlement of humanitarian crises. The approved gas price for normative PTL volumes per 1,000 m3 of gas is approximately EUR171.1, while the approved price for gas losses from the GDS related to military actions is EUR0.00023.

Customs warehouse regime for gas traders

Ukriane's customs warehouse regime enables traders (both international and domestic) to store gas in Ukrainian underground gas storage facilities for more than 1,000 days without paying taxes and customs duties. This regime has replaced the previous transit regime which permitted gas transit for 31 days. As of October 2024, natural gas reserves in Ukrainian underground gas storage facilities exceeded 12.4 billion m3.

Oil and gas production

Investment mechanisms

Investors may extract natural gas and crude oil through the following mechanisms:

- Participation in auctions to obtain special permits for geological study, exploration of wells and extraction of natural resources (via the Special Permits) for up to 20 years.
- Execution of production sharing agreements (PSAs) with the Ukrainian Government for up to 50 years. Under the PSA mechanism, Special Permits are granted without the need to participate in auctions.
- Engaging in joint activities with entities possessing the Special Permits.
- Acquisition of shares in the share capitals of: (i) companies possessing Special Permits, (ii) companies that are parties to PSAs and joint activity agreements related to conducting geological study, exploration, drilling, and extraction of natural resources
- Obtaining Special Permits without participation in auctions under the conditions described below.

PSAs are generally considered the most advantageous option in comparison with other investment mechanisms given the following:

1) preferential oil and gas royalty rates

2) guarantees against changes in legislation (stabilisation clause)

3) option to choose English law and international arbitration

4) state assistance in obtaining land rights and permits required for PSAs

5) potential for additional tax benefits and currency regulation relief

6) exemptions from Ukraine's gas export moratorium

7) relaxation of state control over investors' activities.

Special Permits without participation in auctions may be obtained for the following activities:

- geological study, exploration of wells and extraction of natural resources of local significance (provided that the total area of the subsoil plot for which the special permit for subsoil use is granted does not exceed 25 hectares and the applicant is the owner of the land plot (or several adjacent land plots) within which such subsoil plot is located)

- geological study, including pilot development, with subsequent extraction of groundwater (except for mineral water) for all needs (except for the production of packaged drinking water and/or its transfer for packaging and/or for drinking water supplies), as well as for extraction of groundwater (except for mineral water) for all needs (except for production of packaged drinking water and (or) its transfer for packaging and (or) for drinking water supply), provided that the volume of groundwater extraction from water intakes exceeds 300 m3 per day
- geological study, including pilot development, with subsequent extraction of groundwater (except for mineral water) for drinking water supplies, including extraction of groundwater (except for mineral water) for drinking water supply (regardless of the volume of extraction).

While Ukraine lacks a comprehensive legal regulation of service contracts with risk (e.g. Production Enhancement Contracts), there is some limited practice of investors concluding such agreements.

Kremenchuk city

Transfer of rights under the Special Permits

Ukrainian legislation enables investors in natural resources to transfer rights for use of natural resources under special permits through:

- concluding sale and purchase agreements for such rights
- transferring such rights as a contribution to the share capital of entities
- contributing rights in share capital.

Land and construction permits

Ukrainian legislation permits drilling oil and gas wells and extracting natural resources on lands based on the right of land easement and without any change of land designation. Works on lands connected with geological study, exploration, and drilling and extraction of natural resources may also be conducted without any construction permits.

14. Dispute resolution

14.1 Litigation

14.2 Arbitration

14.3 Recognition and Enforcement of Foreign Judicial Decisions and International Arbitral Awards

Litigation

In Ukraine, legal disputes, including civil, commercial, administrative, criminal, and other cases, are resolved by courts of general jurisdiction which, alongside the Constitutional Court of Ukraine, form the Ukrainian judicial system.

Administrative courts are endowed with powers to resolve disputes with public administrative agencies (i.e. with state and municipal authorities). This includes appeals against unlawful acts or omissions committed by state officials.

A significant number of administrative disputes arise as a result of audits conducted by the Ukrainian tax authorities. Decisions made by the tax authorities may be appealed in pre-trial procedures and in the administrative courts.

Filing objections to tax audit reports is the first (and optional) pre-trial stage challenging the results of a tax audit. Objections are filed to the same authority that conducted the audit. If the tax authority leaves the conclusions of the tax audit unchanged and issues tax decisions to assess additional taxes, these decisions may then be challenged at a higher tax authority: the State Tax Service of Ukraine.

If the tax decisions in question remain in force, the taxpayer may then submit their claim to the administrative court. Lawsuits should be brought to the administrative court by the taxpayer or its representative within a relatively short time limit: within one month if the pre-trial appealing procedure was applied, or within six months if the taxpayer applies directly to the court without pre-trial appeal.

Commercial courts resolve disputes of a commercial nature between legal entities and/or individual entrepreneurs.

The exclusive jurisdiction of commercial courts includes:

- **Corporate disputes**
- **Disputes related to the record of title to securities**
- **Privatisation disputes**
- **Certain anti-trust disputes**
- **Bankruptcy proceedings**

Companies wishing to defend their rights in a court of law should normally file claims with local courts of general jurisdiction. Judgments may be appealed at courts of second instance (i.e. appeal courts).

Precedents are not recognized as source of law

The appellate court of Ukraine re-evaluates cases by reviewing evidence available in the case file, establishing the circumstances of the case, and, under certain conditions, may consider new evidence that was not presented in the court of first instance.

Rulings by these courts may be further contested at the Supreme Court.

The law allows for submission of cases to the Supreme Court for a cassation appeal in the event of matters regarding the incorrect application of substantive law by the court or violation of procedural law.

The Supreme Court of Ukraine focuses solely on evaluating the legal interpretation and the correctness of the court's application of the law without re-examining the facts of the case.

The Grand Chamber of the Supreme Court is mainly aimed at forming a unified court practice.

While precedents are not recognised as a source of law, effective procedural laws provide for a concept similar to a judicial precedent.

Ukraine also recognised the Convention for the Protection of Human Rights and Fundamental Freedoms in 1997 and later adopted legislation in 2006 to abide by the decisions of the European Court of Human Rights (ECHR). ECHR decisions are therefore considered to be a source of law in Ukraine and their implementation is obligatory.

Recent judicial reform provides for the reformation of the entire system, the creation of new courts, and raising the level of qualifications for judges.

Changes to procedural legislation are designed to speed up the process of judicial hearings and introduce penalties for abuse of procedural rights. These changes are also intended to promote peaceful settlement of disputes through judicial mediation and other alternative dispute resolution methods.

Ukraine ratified the Convention on Choice of Court Agreements on 15 June 2021. According to effective Ukrainian legislation, the jurisdiction of cases involving foreign persons may be determined by agreement of the parties in cases established by law or an international treaty ratified by the Verkhovna Rada of Ukraine (including Convention on Choice of Court Agreements).

Poltava city

Arbitration

Commercial disputes (except for disputes in which the commercial courts of Ukraine hold exclusive jurisdiction) which arise between Ukrainian companies and do not involve a foreign element may be settled in local arbitration courts as an alternative to state courts. Resorting to international commercial arbitration (either in Ukraine or abroad) in disputes between local companies (except for companies with foreign investment) is prohibited.

Commercial disputes involving both Ukrainian and foreign entities can be adjudicated by arbitration courts (institutional or ad hoc), either in Ukraine or abroad. Under Ukrainian law, disputes between enterprises with foreign investments and international associations and organisations established in Ukraine, as well as disputes between their participants and disputes with other subjects of Ukrainian law, can be settled in international commercial arbitration courts in Ukraine.

There are two major institutional arbitration courts in Ukraine: the International Arbitration Court of Ukraine and the Maritime Arbitration Commission. Both institutions act under the auspices of the Ukrainian Chamber of Commerce and Industry and operate under their own rules of procedure.

Other arbitration institutions such as the Stockholm Chamber of Commerce, the Vienna International Arbitral Centre, the International Centre for Settlement of Investment Disputes, and the London Court of International Arbitration are typically also considered by investors for dispute resolution.

There are two major institutional arbitration courts: the International Arbitration Court of Ukraine and the Maritime Arbitration Commission

Recognition and Enforcement of Foreign Judicial Decisions and International Arbitral Awards

Ukrainian legislation is generaly consistent with UNCITRAL Law on International Commercial Arbitration

Foreign court judgments can generally be recognised and enforced in Ukraine provided that there is an effective international treaty on cooperation in civil and criminal matters between Ukraine and the foreign state.

In the absence of such a treaty, foreign court judgments can be enforced based on the reciprocity principle acknowledged by Ukraine and the other state.

The Law of Ukraine "On International Commercial Arbitration" is generally consistent with the United Nations Commission on International Trade Law (UNCITRAL) Model Law on International Commercial Arbitration and provides for a series of grounds when recognition and enforcement of an arbitral award can be denied by a Ukrainian court (provided the judgment in question was delivered by a state that was not party to the 1958 New York Convention or the 1961 European Conventions). Such cases concern material defects in the award, its adoption procedure (specifically violations of the defendant's right to present its position), and defects in the arbitration clause, as well as the award's incompatibility with Ukrainian laws, such as:

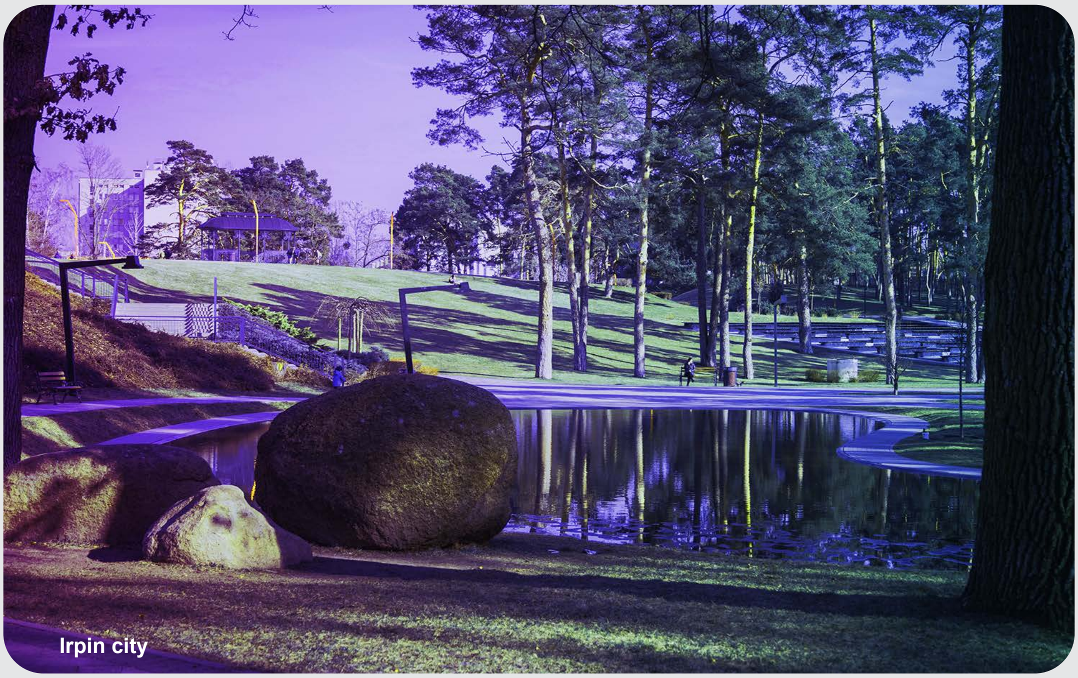
(i) cases where arbitration of a dispute is not permitted (e.g. corporate disputes, bankruptcy proceedings), and

(ii) conflict with public order in Ukraine (i.e. enforcement of the judgment would threaten the interests of Ukraine).

Ukrainian courts have occasionally interpreted the public order concept very broadly and employed this interpretation to deny recognition and enforcement of arbitral awards as being inconsistent with Ukrainian laws. The Supreme Court of Ukraine has prepared a digest of the Supreme Court's case law in cases related to the recognition of arbitration agreements and the recognition and enforcement of international commercial arbitration awards which provides guidelines for implementing legislation regarding conflicts with public order.

As a result of military aggression against Ukraine on the part of the Russian Federation, enforcement of International Commerical Arbitration Court decision via the Russian Chamber of Commerce and Industry violates the rules of public order in Ukraine,

Importantly, awards rendered by the International Centre for Settlement of Investment Disputes tribunals are not subject to special enforcement proceedings in Ukraine and are recognised automatically (by virtue of Ukraine's international undertakings).



Irpin city

15. Winding up / Liquidation

Businesses in Ukraine can be wound up a business can be done through either voluntary or forced liquidation.

Ukrainian laws stipulate several legal grounds for initiating liquidation procedures for a business, including:

- in the event of expiry of the period for which the business was set up or after achieving the objectives the business was created for
- following a decision from the highest decision-making body of the company
- based on a court judgment
- based on other grounds as defined by the company's articles of association.

While the fundamental principles of liquidation are similar across all types of companies, the specific processes of liquidation may vary depending on the type of the company.

Kyiv city

Voluntary liquidation

Voluntary liquidation may take from 6 months to 2 years to complete

A company may be liquidated by the decision of its highest decision-making body (a general meeting of the shareholders for a JSC or a general meeting of participants for an LLC). Liquidation of a company is conducted by a liquidation committee or a liquidator, as established by the company's owner(s).

The liquidation committee (or liquidator) takes over governance and control of the company, prepares an interim liquidation balance sheet, estimates the asset value of the company, pays the company's creditors, and prepares a final liquidation balance sheet to be submitted to the owners. If it transpires that the company is insolvent in the course of voluntary liquidation then the company must file for bankruptcy.

Voluntary liquidation may take from 6 months to 2 years to complete, and the liquidation procedure is rather complicated with many procedural actions required to complete this process. Inspections from the Ukrainian tax authorities and potential subsequent tax disputes can cause significant delays, for example.

Bankruptcy

Insolvency is defined as the failure of a legal entity or an individual to meet claims advanced by creditors within a prescribed time period..

Alleged insolvency of a debtor should be closely examined by a commercial court as a condition for commencing bankruptcy procedures.

There is no minimum level of indisputable debts to be proven by debtor/creditors. However, a debtor's insolvency should be proven before the courts.

Bankruptcy proceedings may be initiated by submitting a written claim to the commercial court by either the debtor or creditor. Any creditor (including an individual) may initiate bankruptcy proceedings upon advance payment of a fee for the services of an insolvency officer in the amount of not less than three minimum salaries for three months of performing such duties. A debtor is obliged to apply to the commercial court within a month with an application to initiate proceedings in the case if the satisfaction of the claims of one or more creditors will lead to the impossibility of fulfilling the debtor's monetary obligations in full to other creditors (threat of insolvency). In both cases, the court should examine if the business is indeed insolvent in detail before commencing proceedings.

In course of insolvency proceedings, court can recognize certain agreements of a debtor as invalid

The commercial court based on the claim of the arbitration administrator can recognize certain agreements of a debtor for the last three years before the insolvency proceedings commence as invalid (e.g., a debtor fulfilled the property obligations prematurely). Persons who have committed, or approved, or committed property related actions related to such agreements bear subsidiary liability for the debtor's obligations within the amount of losses caused to the debtor by such actions.

Debtor's management can be jointly and severally liable for failure to satisfy creditors' claims if such a management fails to comply with the requirement to initiate proceedings in the case if the satisfaction of the claims of one or more creditors will lead to the impossibility of fulfilling the debtor's monetary obligations in full to other creditors (threat of insolvency).

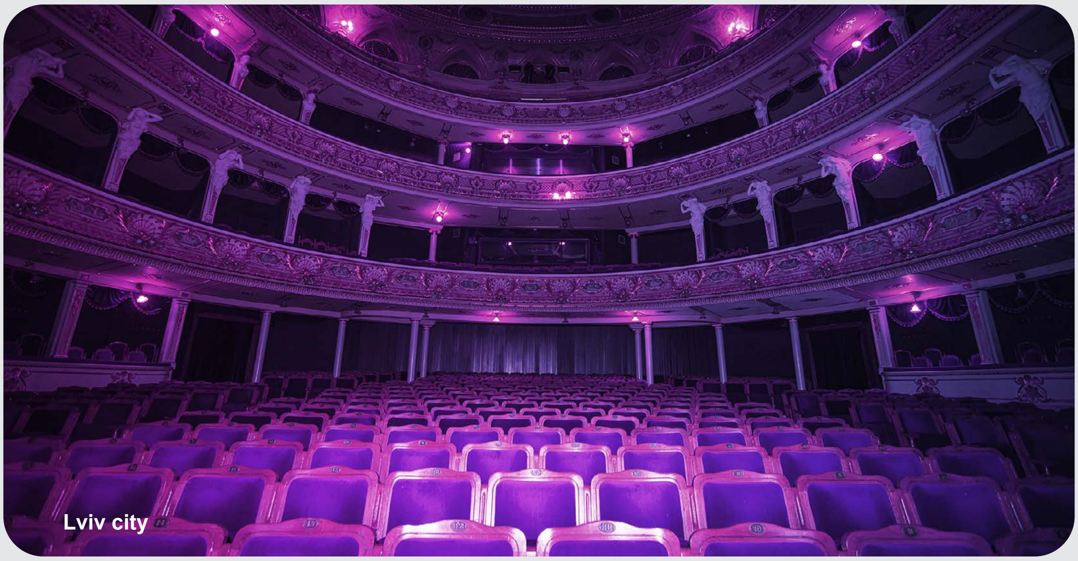
Bankruptcy cases are initiated against legal entities or individuals (both private and entrepreneurs) rather than against a legal entity's separate structural units (such as representative offices, departments, or branches). However, bankruptcy against a private individual may only be initiated by a debtor themselves.

Forced liquidation

A company may also be liquidated by a court decision in the event of insolvency or in specific cases set forth in Ukrainian legislation (e.g. annulment of registration due to irregularities in the registration procedures, claims from the state authorities and/or participants (shareholders) of the company, etc.).

Impact of martial law

In general, liquidation procedures have not faced any significant changes as a result of martial law being implemented in Ukraine. However, factual circumstances and the provisions of tangential legislative acts may negatively influence liquidation procedures (i.e., loss of documents, military action, currency control regulations, etc.).



Lviv city

Interview

with Oleksii Sobolev, the First Deputy Minister of Economy of Ukraine

- **Extensive work experience in the investment and financial sector.** Worked as an Asset Manager at Dragon Asset Management.
- **In 2015-2016**, as an Adviser to the Minister of Infrastructure of Ukraine, coordinated projects to increase transparency of activities, open data and improve corporate governance of state-owned enterprises.
- **In 2016-2018**, managed the Prozorro.Sale project at Transparency International Ukraine, coordinated the development of IT solutions for the transparent sale of state assets.
- **Since 2018**, he has been the Head of Prozorro.Sale SE.
- Was President of CFA Society Ukraine, Head of the Consulting Supervisory Group of CoST Ukraine.

Countries find themselves in increasingly competitive positions when trying to attract foreign investors. As a country that is currently defending itself against a war of aggression, Ukraine is obviously in a disadvantageous position compared to other countries. What can Ukraine offer for foreign investors in such a difficult situation, at least in order for Ukraine to stay in the game and take its deserved place in the global economic market?

You're absolutely right that the situation is difficult and the ongoing war places Ukraine in a challenging position. However, despite these hardships, Ukraine offers compelling opportunities for foreign investors looking for both immediate engagement in the recovery process and long-term growth potential.

One of the most significant factors is the massive need for reconstruction and development. According to the World Bank, the total cost of rebuilding Ukraine has already surpassed USD 542 billion over the next decade and public finances from both Ukraine and partner nations are insufficient to cover these expenses. As a result, Ukraine's recovery plan emphasises creating incentives for private investors to contribute funds and participate in public procurement processes. With energy, infrastructure, agriculture, manufacturing, housing, and defence among the industries open to foreign investors, this situation presents a rare moment to help rebuild and shape an entire economy. The government of Ukraine is actively collaborating with its partners and financial institutions to create new mechanisms that will enhance the profitability and security of investments for both local and international investors. A key example of this effort is the Ukraine Investment Framework, which was set up by the EU in partnership with the Ukrainian government. This initiative is designed to attract more than EUR 30 billion of investment by 2027, supported by EU-backed guarantees and grants.

Ukraine is home to 22 of the 50 critical raw materials

Country is adopting of new technologies such as small modular nuclear reactors

Another significant advantage is Ukraine's cost effectiveness. Production costs in Ukraine are considerably lower than in the European Union due to the availability of cheap labour and abundant natural resources. This makes the country an attractive manufacturing hub, especially for industries looking to reduce costs while maintaining ready access to the European market.

The Ukrainian government has pinpointed several key sectors for investment, including energy, IT, agrifood, and transportation and logistics. Ukraine also has vast reserves of strategic resources, being home to 22 of the 50 critical raw materials which are deemed economically essential for development by the EU and the US. These include lithium, titanium, uranium, and graphite; all of which are in high demand for the growing global clean energy and advanced technology sectors. Ukraine's iron ore reserves and potential for green metallurgy also make it a prime candidate to replace Russia as a key supplier of iron ore and other ferrous metals to the European market.

The energy sector is another major area of focus. Ukraine is home to some of the largest natural gas reserves in Europe, with untapped shale gas and offshore hydrocarbon resources in the Black Sea. The country's gas transportation infrastructure is highly developed and its 31 billion cubic metres of gas storage capacity make Ukraine a critical player in European energy security for both natural gas and hydrogen in the future. Ukraine is also looking to expand its renewable energy capacity, with wind and solar energy projects offering great investment potential. Ukraine's strategic priority to decentralise its energy infrastructure, driven by both energy security concerns and the need for a green transition, means that the country is exploring innovative solutions and the adopting of new technologies such as small modular nuclear reactors. Further development of existing nuclear capacities will position Ukraine as a long-term player in Europe's energy landscape.

On top of these sector-specific opportunities, Ukraine's ongoing privatisation efforts continue to create a wide range of investment opportunities. More than 400 assets were made available for privatisation through transparent electronic auctions in 2024 alone, with a prime example being the United Mining and Chemical Company (UMCC). Ukraine's largest titanium ore mining and processing enterprise, UMCC was sold at auction for UAH3.94 billion. Furthermore, the new owner must invest at least UAH400 million in the modernisation of the company according to the terms of the privatisation agreement. This deal represents just one aspect of Ukraine's broader efforts to streamline its economy and make it more investor friendly.

Ukraine continues to actively integrate with the European Union and aims to be a full EU member within the next 5–7 years. This represents a significant enhancement of Ukraine's existing Deep and Comprehensive Free Trade association agreement with the EU which currently provides access to one of the largest and most stable markets in the world. Ukraine is also positioning itself to be an integral part of EU supply chains, particularly for the aforementioned critical raw materials and as an integrated part of the wider European energy sector.

Finally, the Ukrainian government has introduced incentive programmes to encourage foreign investment, including special economic zones, industrial parks, and initiatives like Diia City which is tailor-made to foster tech sector development. These programmes offer tax breaks, simplified regulations, and other benefits to investors, making it easier and more profitable to do business in Ukraine. The Made in Ukraine initiative is also helping to promote the country's industrial output abroad, ensuring that products manufactured in Ukraine are recognised for their quality.

Ukraine offers a rare chance to invest in a nation poised for significant economic transformation

Ukraine's potential to replace Russia as a key supplier of iron ore and steel to the EU

While it's true that the war has imposed significant challenges, Ukraine's resilience and determination to rebuild its economy present unique opportunities for investors. By taking advantage factors such as strategic resource availability, cost-effective production, energy potential, and government-backed investment incentives, foreign investors can position themselves at the forefront of Ukraine's recovery and long-term growth.

In short, Ukraine offers a rare chance to invest in a nation poised for significant economic transformation. For those who are willing to take on some of the risk now, the rewards in the years to come could be substantial.

If you were asked to comment positively about support for foreign investors working in specific industries, what these industries would they be? What industries are the most welcoming in Ukraine from a foreign investment perspective and why? Finally, how does the government support or plan to support these industries?

If I were to offer a positive message for foreign investors, I would emphasise the immense opportunities available in Ukraine's priority sectors which are aligned with the government's strategic goals for economic development. The Ukrainian government is focused on creating an investment-friendly environment and fostering growth in key industries that are vital for long-term stability. The sectors that are particularly attractive to foreign investors include energy, agri-food, transport and logistics, critical raw materials, processing industries, green steel, IT, and defence. These industries are crucial for Ukraine's economic recovery and growth.

Energy remains a top priority for the Ukrainian government. Ukraine is home to some of the largest natural gas reserves in Europe, estimated at over 3.3 trillion cubic metres. Ukraine's aforementioned 31 billion cubic metres of gas storage capacity and its gas transportation system enable more than 140 billion cubic metres of annual gas exports. Ukraine has substantial renewable energy potential too, particularly wind and solar power whose commercial potential is estimated at 680 GW and 100 GW, respectively, and a combined generation potential of 2200 TWh per year. The Ukrainian government is focused on becoming a net energy exporter, supplying green energy to the European Union and helping to support the EU's green transition goals while reducing dependency on foreign sources of energy.

Green Steel is another high-priority sector. Ukraine holds the largest iron ore reserves in, with over 6.5 billion tonnes of crude iron ore, making it an attractive destination for investments in the production of Hot Briquetted Iron, Direct Reduced Iron, and green steel manufacturing. These investments will not only help meet EU demand but also contribute to the decarbonisation of the European steel industry, once again aligning with the EU's green transition goals. Ukraine's potential to replace Russia as a key supplier of iron ore and steel to the EU makes this sector highly promising for foreign investors.

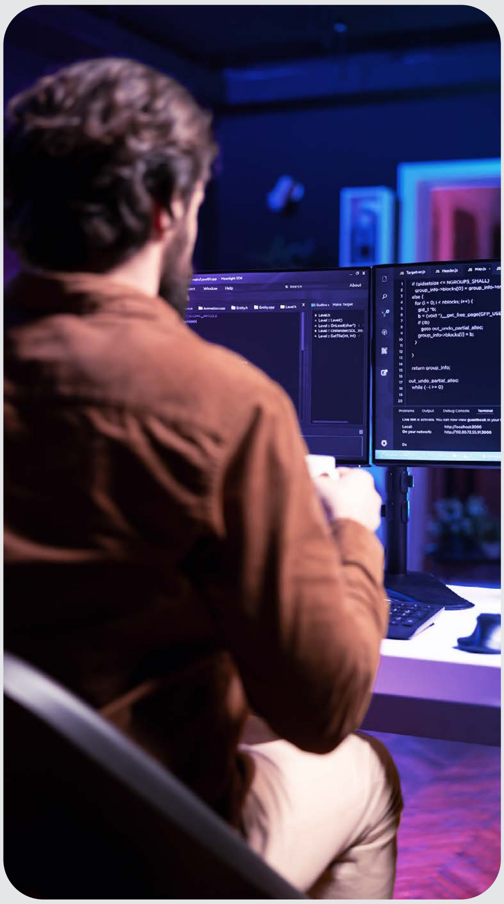
The IT sector remains a key area for investment. Ukraine has established a strong reputation for its highly skilled workforce in software development and IT services, making it an excellent location for global tech companies to expand operations. The Ukrainian government continues to support the IT sector by aligning regulatory frameworks with EU standards and providing financial incentives for innovation, particularly in IT infrastructure and technology modernisation.

Agri-food is one of the most important sectors for Ukraine. As one of the world's largest agricultural producers, Ukraine has well-developed infrastructure to support agri-food production. The Ukrainian government is focused on modernising this sector too: expanding export opportunities, particularly in organic farming and value-added food products, and attracting foreign investment to enhance productivity and sustainability.

The transport and logistics sector also offers significant investment potential, particularly with Ukraine's strategic location as a transit hub between Europe and Asia. As such, the Ukrainian government is heavily investing in infrastructure development to improve logistics efficiency and connectivity, making this an area of interest for foreign investors.

Finally, the defence industry and dual-use goods have naturally become increasingly important given the current geopolitical climate. Investments in these sectors not only contribute to Ukraine's defence capabilities but also create new opportunities in other high-tech industries, mutually supporting technological advancement and security.

The Ukrainian government has implemented several measures aimed at attracting foreign investment to support these industries. The Law on State Support of Investment Projects with Significant Investments in Ukraine provides significant incentives, including tax and customs concessions of up to 30% of capital expenditures, simplified licensing and administrative procedures, and compensation for infrastructure-related costs. The Ukrainian government is also developing risk mitigation tools and financial incentives to support large-scale projects and SME development. Ukraine's ongoing improvements to its regulatory environment to align with EU standards also make it an increasingly attractive destination for foreign investors.



Over the next 3 years, the Skills Alliance will cover more than 180,000 Ukrainians

In conclusion, I strongly encourage foreign investors to explore Ukraine's dynamic and diverse sectors such as energy, green steel, IT, defence, and agri-food. The country is committed to supporting these industries through comprehensive government programmes, regulatory reforms, and significant incentives, ensuring a stable and rewarding investment environment. Ukraine's strategic location, abundant resources, and governmental commitment to modernisation offer vast opportunities for long-term investment growth.

Every nation is first and foremost its people. Despite the fact that many Ukrainian citizens left the country after the outbreak of the Russian full-scale invasion, these people could make a significant contribution to the Ukrainian economy. Many industries and companies have also noted an acute shortage of both skilled and unskilled personnel. How can foreign investors develop successful businesses in Ukraine in light of such circumstances? In other words, is there anything that the Ukrainian government can do or is planning to do in the short and long term to incentivise Ukrainian citizens to return to their home country?

The full-scale invasion has significantly affected the labour market in Ukraine. According to various estimates, more than 6.8 million Ukrainians have been displaced abroad by the conflict. Ukraine is simultaneously faced with structural unemployment issues, with employers unable to find suitable workers and workers unable to find suitable jobs.

In order to support Ukraine's reconstruction, the "Skills Alliance for Ukraine" programme was announced during the Ukraine Recovery Conference on 11 June 2024. The Skills Alliance for Ukraine initiative was founded as a multilateral alliance bringing together nearly 70 countries, donors, and international partners, as well as representatives of the business community. Over the next three years, the Skills Alliance will cover various training programmes for new professions and retraining for more than 180,000 Ukrainians both in Ukraine and abroad. The scheme will also enable internally displaced persons, youth, veterans, people with disabilities, and Ukrainians returning home to better integrate into the domestic labour market.

Given the challenges presented by the current state of martial law, the Ministry of Economy of Ukraine is focusing on supporting women's entrepreneurship and implementing programmes aimed at training and retraining women, particularly as part of the Reskilling Ukraine project as well as with support from USAID, GiZ, the UK Government, and other international partners.

The Ministry of Economy is also creating the necessary conditions for the return of youth talent. The Create Ukraine programme has provided more than a dozen young Ukrainians with positions in the Ministry of Economy of Ukraine who will work alongside government officials on implementing economic reforms and addressing the challenges posed by the war.

Ukraine continues to develop a full-scale war risk insurance system

The Ministry is also developing an Employment Strategy to create incentives and infrastructure for Ukrainians to return and to ensure a sustainable workforce. We are undertaking a systemic upgrade of Ukraine's vocational training system and building up new reskilling and upskilling programmes on a national level.

Creating the necessary conditions for the return of Ukrainians from abroad is ultimately one of the key priorities of the Ministry of Economy. Many short- and long-term initiatives and projects have already been implemented and we are constantly working with national stakeholders and foreign partners to launch new ones.

Ukraine currently has eight insurance companies offering war risk coverage

Insurance against war risks is one of the key points of consideration for foreign investors. How far is Ukraine from adopting legislation that provides concrete mechanisms for investors to insure against risks related to the full-scale invasion? What can the Ukrainian government propose to protect foreign investors from war risks right now? What existing mechanisms and methods are currently used in practice by foreign investors (or can be used by potential investors) to protect themselves against risk?

Ukraine is actively working to create a comprehensive framework for war risk insurance which is critical for foreign investors concerned about protecting their assets amid the ongoing conflict.

Ukraine continues to develop a full-scale war risk insurance system and the country is making significant strides in this area. In August 2024, the draft law On the System of War Risk Insurance was approved by the Financial Stability Board and sent for review by both the European Commission and the US Department of State. Discussions with public participants were facilitated by the Ministry of Economy with involvement of the Regulator. As of 30 December 2024, the law was officially registered with the Ukrainian Parliament and is expected to contribute to the creation of a comprehensive national system of war risk insurance for both the Ukrainian population and businesses.

Once fully implemented, this system will provide war risk insurance coverage to foreign investors, specifically covering physical damages caused by external aggression, such as the military destruction of property, infrastructure, and assets. However, the initial mandatory coverage is currently drafted to be limited to certain types of property, such as residential buildings and bank collateral, with further


Dnipro city

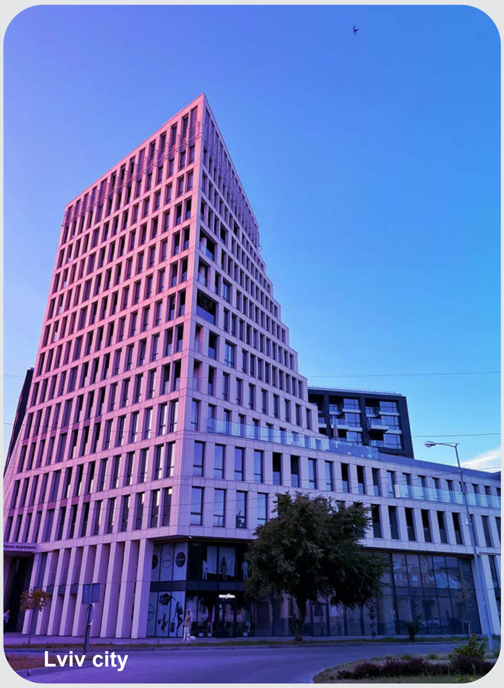
expansion to sectors like agriculture, business properties, and transportation planned for the future.

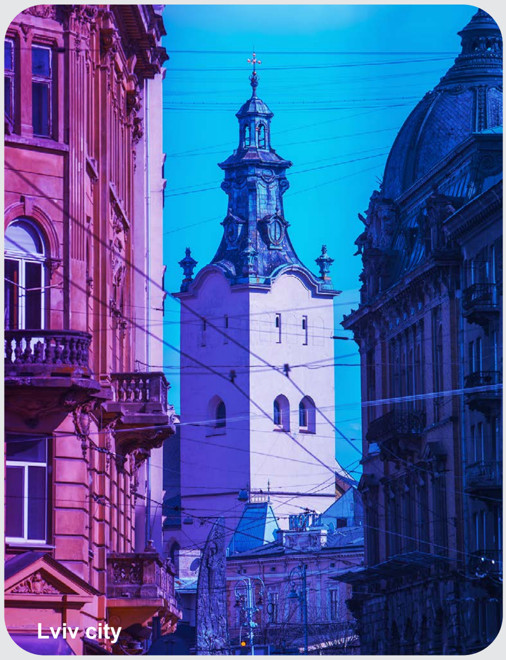
The system will operate through a state-backed agency which will oversee the underwriting, risk assessment, and claims processing. The state agency will initially carry the majority of the responsibility for war risk coverage within its own financial limits, with the potential to involve international reinsurers at a later stage. The Ministry is now actively working with various experts to set up the state agency with proper corporate governance and efficient operational frameworks that would ensure its long-term viability and credibility.

For foreign investors looking to mitigate risks right now, there are several mechanisms already in place:

1. Insurance Providers: Ukraine currently has eight registered insurance companies offering war risk coverage, although the market is limited and coverage is only available on a case-by-case basis. These companies are mainly top-tier insurers but often lack the capacity to cover larger risks due to international reinsurers generally pulling back from the market.
2. State-Supported Mechanisms: For certain sectors, particularly agriculture and transportation, the Ukrainian government has created programmes like the Unity Facility which offers insurance for vessels transporting goods through Ukraine's maritime Black Sea corridor and is operated through private sector backing.

Several ECAs offer guarantee that can cover up to 90% of investment risks


Lviv city


Lviv city

3. Export Credit Agencies (ECAs): Several ECAs, such as those from France, the UK, and Germany, offer guarantees and insurance for investments and trade with Ukraine. These guarantees can cover up to 90% of investment risks, especially for foreign companies engaged in large infrastructure and industrial projects. Ukraine's ECA has also implemented several products for insuring direct investments and investments in processing industry and exports of Ukrainian products against war and political risks.
4. MIGA and DFC Agreements: Options for coverage of investments have been introduced by MIGA (the Multilateral Investment Guarantee Agency) and the DFC (U.S. International Development Finance Corporation). These institutions provided war risk insurance for several projects, such as the Lviv Superhumans Centre, ensuring protection against political and military risks.
5. Reinsurance Facilities: The European Bank for Reconstruction and Development has also stepped in to provide reinsurance for war risks to Ukrainian insurers, with coverage of up to EUR2 million per insured object and EUR5 million per contract. This enables local insurers to offer more comprehensive coverage to businesses in Ukraine.

While Ukraine is still in the process of finalising its legislative framework for war risk insurance, there are already a variety of options for foreign investors to mitigate risks through both state-backed programmes and international insurance mechanisms.

The NBU is implementing its broader strategy to ease foreign exchange (FX) restrictions

These initiatives are critical to attracting continued investment during this period of uncertainty and, with the planned launch of the national war risk insurance system, Ukraine is taking important steps towards creating a more secure environment for foreign investments in the future, where insurance products will play a major part.

Current restrictions on repatriation of profits are often named as a major concern for those considering investment in Ukraine. Despite recent steps taken towards easing currency regulation restrictions, this matter is still seen as a significant obstacle to investing in Ukraine. Can you elaborate on the specific challenges and limitations faced by foreign investors when seeking to transfer profits abroad? Furthermore, what measures are being taken to address these restrictions and facilitate foreign investors being able to repatriate profits so as to attract more investment into the country?

It's true that one of the primary concerns for foreign investors in Ukraine has been restrictions on repatriating profits. Since the onset of the full-scale invasion, the Ukrainian government has had to implement strict capital controls to preserve foreign currency reserves and stabilise the economy. While necessary to maintain macroeconomic stability during the war, these measures have created challenges for investors looking to transfer profits abroad.

The specific challenges faced by foreign investors included:

1. Restrictions on Profit Repatriation: Until recently, foreign businesses faced significant barriers in repatriating profits which hindered the free flow of capital and posed a liquidity challenge.
2. Currency Transfer Limitations: Companies operating in Ukraine faced limitations in transferring foreign currency to their parent companies, particularly through representative offices, which made it difficult for multinational corporations to manage funds efficiently across borders.
3. High Transaction Costs: Restrictions also led to higher costs for companies engaged in international trade, particularly in relation to the repayment of external loans and the import of services, as companies had to manage these payments within a constrained foreign exchange market.

Starting from 1 January 2024, businesses can now repatriate "new" dividends

However, there has been a significant shift towards easing these currency regulations over the previous year. The National Bank of Ukraine (NBU) has been gradually lifting restrictions since May 2024, and key steps taken to facilitate the repatriation of profits include:

1. Repatriation of Dividends: Starting from 1 January 2024, businesses can now repatriate "new" dividends. This is a crucial step, allowing foreign investors to transfer profits back to their home countries and thereby enhancing confidence in Ukraine's market as a place to reinvest.
2. Relaxation of Currency Transfers: There has been a relaxation of the limitations on transferring foreign currency from representative offices to parent companies. This move is aimed at ensuring smoother capital flow within multinational operations.
3. Gradual Liberalisation: The NBU is implementing its broader strategy to ease foreign exchange (FX) restrictions with a view towards greater exchange rate flexibility and the eventual return to targeting inflation once macroeconomic conditions stabilise. This would envisage simplifying deadlines for mandatory settlement on foreign exchanges and facilitating better access to currency markets for businesses, as well as possibilities to repay old debts and repatriate dividends on older investments in the future.

The Ukrainian government and the NBU are closely monitoring macroeconomic preconditions such as inflation, FX reserve levels, and market stability, with an eye to further relaxing capital controls. While the central bank is understandably cautious, there is a productive dialogue between the Ministry and the NBU on the priority steps in the direction of FX liberalisation.

Appendices

App.1. Chart of withholding tax rates

The following chart presents a list of withholding tax rates as applicable to certain types of Ukraine-sourced income derived by non-residents of Ukraine.

Notes:

(1) Figures in the brackets in the Dividends column indicate the minimum share of a foreign shareholder in a Ukrainian company for the reduced WHT rate to be applied (provided the shareholder is the beneficial owner of the dividends).

In the chart, reduced WHT rates on dividends paid in respect of investment with a specific connection to either of the contracting parties of a relevant Double Taxation Treaty (including to any of its public bodies or agencies) are omitted.

(2) Figures in the table below separated by a backslash (/) suggest that different WHT rates may apply to particular types of income under the relevant double taxation treaty.

Double Taxation Treaties/Recipient residing in	Withholding tax rates (WHT)		
	Dividends, %	Interest, %	Royalties, %
Algeria	5 (25) / 15	10	10
Armenia	5 (25) / 15	10	0
Austria	5 (10) / 15	5	5 / 10
Azerbaijan	10	10	10
Belgium	5 (20) / 15	2 / 10	0 / 10
Brazil	10 (25) / 15	15	15
Bulgaria	5 (25) / 15	10	10
Canada	5 (20) / 15	0 / 10	0 / 10
China	5 (25) / 10	10	10
Croatia	5 (25) / 10	10	10
Cyprus[1]	5 (20) / 10	5	5 / 10
Czech Republic	5 (25) / 15	0 / 5	10
Denmark	5 (25) / 15	0 / 10	5
Egypt	12	0 / 12	12
Estonia	5 (25) / 15	10	10
Finland[2]	0 / 5 (20) / 15	5 / 10	0 / 5 / 10
France[3]	0 / 5 (20 / 10) / 15	2 / 10	0 / 10
Georgia	5 (25) / 10	10	10
Germany	5 (20) / 10	2 / 5	0 / 5
Greece	5 (25) / 10	0 / 10	10
Hungary	5 (25) / 15	10	5
Iceland	5 (25) / 15	10	10
India	10 (25) / 15	0 / 10	10
Indonesia	10 (20) / 15	0 / 10	10
Ireland	5 (25) / 15	0 / 5 / 10	5 / 10
Israel	5 (25) / 10 (10)/ 15	5 / 10	10
Italy	5 (20) / 15	0 / 10	7
Japan	15	10	0 / 10
Jordan	10 (25) / 15	10	10
Kazakhstan	5 (25) / 15	10	10
Korea	5 (20) / 15	5	5
Kuwait	5	0	10

Kyrgyzstan	5 (50) / 15	10	10
Latvia	5 (25) / 15	10	10
Lebanon	5 (20) / 15	10	10
Libya	5 (25) / 15	10	10
Lithuania	5 (25) / 15	10	10
Luxemburg	5 (20) / 15	5 / 10	5 / 10
Macedonia	5 (25) / 15	10	10
Malaysia	5 (20) / 15	0 / 10	8
Malta	5 (20) / 15	10	10
Mexico	5 (25) / 15	10	10
Moldova	5 (25) / 15	0 / 10	10
Mongolia	10	10	10
Montenegro	5 (25) / 10	0 / 10	10
Morocco	10	10	10
Netherlands	0 / 5 (20) / 15	0 / 5	5 / 10
Norway	5 (25) / 15	0 / 10	5 / 10
Pakistan	10 (25) / 15	10	10
Poland	5 (25) / 15	10	10
Portugal	10 (25) / 15	0 / 10	10
Qatar	5 (10) / 10	5 / 10	5 / 10
Romania	10 (25) / 15	10	10 / 15
Saudi Arabia	5 (20) / 15	10	10
Serbia	5 (25) / 10	0 / 10	10
Singapore	5 (20) / 15	0 / 10	7.5
Slovakia	10	10	10
Slovenia	5 (25) / 15	5	5 / 10
South Africa	5 (20) / 15	10	10
Spain	18	0	0 / 5
Sweden	0 / 5 (20) / 10	10	0 / 10
Switzerland	5 (10) / 15	0 / 5	5
Tajikistan	10	10	10
Thailand	10 (25) / 15	10 / 15	15
Turkey	10 (25) / 15	0 / 10	10
Turkmenistan	10	10	10
United Arab Emirates	5 (10) / 15	0 / 5	5 / 10
United Kingdom	5 (20) / 15	0 / 5	5
USA	5 (10) / 15	0	10
Uzbekistan	10	10	10
Vietnam	10	0 / 10	10

[1] if the beneficial owner holds at least 20% and the direct investment is EUR100,000 or more
[2] if the capital invested is no less than USD1,000,000 or its equivalent in Finnish Markkas (FIM) and the recipient holds at least 50% of the equity capital of the company
[3] if the beneficial owner directly or indirectly holds at least 50% of the company's equity and the total investment in that company is no less than five million French Francs or the equivalent in Ukrainian currency (according to clarifications made by the Ukrainian tax authorities, five million French Francs should be equal to approximately EUR762,245 according to the historical French Franc/EUR exchange rate as of the date of the Franc's replacement by EUR)

App.2. About KPMG in Ukraine

KPMG is a global organization of independent professional services firms providing Audit, Tax and Advisory services. KPMG is the brand under which the member firms of KPMG International Limited ("KPMG International") operate and provide professional services. "KPMG" is used to refer to individual member firms within the KPMG organization or to one or more member firms collectively.

KPMG firms operate in 142 countries and territories with more than 275,000 partners and employees working in member firms around the world.

Our purpose and aspiration is to turn knowledge into value for the benefit of our clients, our people, and the world's capital markets.

KPMG in Ukraine provides audit, tax and legal, accounting and advisory services to local and international businesses. KPMG has been working in Ukraine since 1992, and our goal has always been to use the firm's global intellectual potential, combined with the practical experience of our Ukrainian professionals, to help leading companies to achieve their goals.

To learn more about our values, what we offer, how we research, the industries we work in, what's new, and our journey to sustainability, please visit our website.

Our rankings and awards

- KPMG in Ukraine was included in the list of leaders of the annual international rating **ITR World Tax 2025** in General corporate tax and Transfer pricing - Tier 1; in Tax controversy - Tier 3.
- KPMG in Ukraine has been awarded prestigious **ITR EMEA Tax Awards 2024** in two categories: Ukraine Transfer Pricing Advisory Firm of the Year; Ukraine Indirect Tax Advisory Firm of the Year.
- KPMG Law Ukraine were awarded the international ranking **The Legal 500 EMEA 2023**, including Tax (Tier I), Private Clients (Tier II), Banking and Finance (Tier III), Corporate law and M&A (Tier III), Employment (Tier III), Disputes resolutions (Tier III), Practice of energy sector and natural resources (Tier III), Real Estate (Tier III)
- KPMG Law Ukraine was ranked 3rd among international law firms in Ukraine and 1st in the Tax Law nomination, according to the rating **"50 Leading Law Firms of Ukraine 2025"** by Yuridicheskaya Practika.

- KPMG Law Ukraine ranks among the leading law firms in 2024 according to **IFLR1000** in four practice areas of financial and corporate law: Banking and finance (Tier 5), M&A (Tier 5), Restructuring and insolvency (Notable), Project development (Notable).
- KPMG Law Ukraine has been recognized by **Ukrainian Law Firms 2023: A Handbook for Foreign Clients** as a leading firm in Tax Consulting and Tax Dispute Resolution. Highly regarded practices: Corporate and M&A, Energy and Natural Resources, Labor and Employment, Real Estate, Construction, Land Law, Transfer Pricing.
- Ten KPMG Law Ukraine practices were ranked according to the results of the annual **“Market Leaders. Ranking of Law Firms of Ukraine - 2024”** survey announced “Yurydychna Hazeta”, namely: Corporate / M&A, Employment, Energy & Natural Resources / Environmental, Tax / Consulting, Private client practice, Transfer pricing, Compliance, Construction / Real estate, Bankruptcy / Restructuring, NGO practice.

Our Services

Audit & Assurance

- Financial statements audits and reviews
- Non-financial information assurance services, including ESG and sustainability reporting
- Accounting advisory services
- Agreed-upon procedures
- IFRS trainings
- Audit readiness analysis

Advisory

Consulting

- Strategy & Operations
- Financial Services Advisory
- Risk Consulting & ESG
- Cyber
- IT Advisory
- Information Risk Management

Deal Advisory

- Transaction services
- Valuation
- M&A Lead Advisory
- Debt Advisory
- Restructuring
- Pre-IPO
- Integrations & separations

IDAS

Tax & Legal

Tax

- Global Compliance Management Services
- Corporate Tax
- International Corporate Tax
- Mergers & Acquisitions Tax
- Tax Dispute Resolution & White-Collar Crime
- Value-added Tax / Indirect Tax
- Global Mobility Services
- Transfer Pricing Services
- Customs and International Trade
- Tax Structuring and Modelling

Legal

- Corporate & M&A
- Antitrust & Competition
- Banking & Finance
- Bankruptcy & Debt Restructuring
- Compliance & Corporate Governance
- Dispute Resolution & Arbitration
- Intellectual Property
- International Trade
- Employment & Immigration
- Market Entry & Exit
- Private Clients
- Real Estate & Infrastructure
- Public Projects and EU Accession

Deal Advisory Team

Experienced team — delivering exceptional value to our clients throughout the deal process

KPMG in Ukraine supported 3 of the top 10 transactions announced in 2024

Delivering tangible results: 8 M&A deals completed in 2024

Proven cross-border capabilities

International projects completed with the support of our team, demonstrating our expertise and cross-border capacity, enabling us to provide clients with tailored solutions

Providing tailored solutions backed by 30 years of experience

Deal advisory services

- Financial due diligence
- SPA support
  - financial definitions / clauses / schedules
  - purchase price mechanism
  - warranties and indemnities
- Support during the negotiation and completion process
- Valuation advisory services
- M&A advisory services
- Restructuring services

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Visit our page | Deal Advisory Services - KPMG Ukraine

Tax Advisory & Transfer Pricing

Team 50+ experienced professionals

Tier 1 Firm in Corporate Tax

KPMG in Ukraine's Tax Advisory team is consistently ranked as a Tier 1 firm for Corporate Tax according to ITR World Tax Ranking

Ukraine Transfer Pricing Advisory Firm of the Year

As a leading transfer pricing firm, KPMG was recognised as Ukraine Transfer Pricing Advisory Firm of the Year by ITR EMEA Tax Awards in 2024

Ukraine Indirect Advisory Firm of the Year

KPMG was acknowledged as Ukraine Indirect Tax Advisory Firm of the Year in 2024 by ITR EMEA Tax Awards

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KPMG Law

Key to your strategic success

Our team:
20+ experienced professionals

Providing the highest quality business services for 30+ years

8 practice from KPMG Law Ukraine awarded international ranking in **The Legal 500 EMEA 2023**

IFLR1000 recognised and recommended KPMG Law Ukraine as a leading firm in the Ukrainian legal services market in 2024

Today, we are working to rebuild Ukraine:

KPMG Law Ukraine has **provided legal support** to EU defence companies entering the Ukrainian market since 2022

We assisted one of Ukraine's largest oil and gas companies in **attracting investors for joint development** of brownfield blocks

We support the Ukrainian government in **integrating and implementing** the EU acquis, sectoral reforms, institutional development, and capacity building for government agencies

As part of the Energy Security Project, our **legal team continues to advise the Ukrainian government** about energy sector reforms

We are supporting the Ukrainian Ministry of Digital Transformation in **developing a national cloud programme**

Need legal advice? Don't hesitate to contact us:

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Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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Document classification: Public
Publication date: March 2025