KPMG

Your Business in Ukraine

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Foreword

Business in Ukraine is being built and rebuilt in real time. While the full-scale invasion remains a defining context, it is not the whole story. Every day, we see a market that continues to operate, adapt, and compete under unprecedented pressures. Companies are learning faster reorganising supply chains, investing in resilience, and finding practical ways to move forward.

These wartime realities are challenging, yet they point to a fundamental conclusion: **Ukraine continues to maintain a functional, growing economy**, with many businesses delivering results even under conditions that would have halted activity elsewhere. Based on a survey of 115 companies as part of KPMG's German-Central and Eastern European Business Outlook 2026, Ukraine **ranks second** among the CEE countries most frequently named in companies' investment plans, demonstrating that the country remains firmly on the international investors' radar.

The short-term data points are also encouraging: 43% of surveyed companies who are planning to invest in CEE say they are considering Ukraine as an investment location, while **19% were prepared to invest even during the war**. Separately, the overall share of respondents who were open to investing in Ukraine has risen to 48%, with 19% of surveyed companies already present in the market. This interest is pragmatic. Investors are focused on macroeconomic stability supported by international financing and on their ability to build resilient operations, and Ukraine offers both. Decisive success factors to doing business are now the level of investor preparation, deal structuring, and risk management, including accessing options for increasingly comprehensive war risk insurance.

Investor behaviour is also evolving. According to the most recent edition of KPMG in Ukraine's M&A Radar, domestic investors took a leading role in the Ukrainian market last year, actively deploying a build-up of local capital to capture opportunities. While 2025 saw international investors act more cautiously and selectively, there is a growing understanding that those willing to act early, prepare properly, and adopt flexible deal structures will shape the next phase of the market and position themselves to benefit as opportunities emerge.

This is exactly why preparation cannot wait. For many companies, the window to plan is already open, rather than dependent on a formal shift in the security situation. Market entry or re-entry takes time: to assess sector dynamics, choose the right legal and operating model, understand key regulatory expectations, and align internal decision-making with Ukraine's pace and complexity. The organisations that will be able to move with confidence when investment flows accelerate are the ones building that legal and operational foundation now.

Your Business in Ukraine 2026 is designed to help you do exactly that, to build the foundations for future success. We update this guide regularly to provide a practical, structured view of the market environment, from the economy and key sectors to clear starting points for entering or expanding in Ukraine. This guide supports you in making informed decisions by helping you to identify early priorities, assess key risks, and ask the right questions before committing capital or launching operations.

Ukraine's path forward will not be simple, but there are investment opportunities for organisations that prepare early, structure decisions carefully, and move with clarity. I encourage you to use this guide as a practical foundation for evaluating opportunities, managing risk, and building with confidence in Ukraine.

Sergii Popov

Partner,
Head of Tax & Legal

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Interview

with Anka Feldhusen

Head of the Business Ombudsman Council of Ukraine

Interview with

Anka Feldhusen

Head of the Business Ombudsman Council of Ukraine

- Anka Feldhusen is a German diplomat with more than thirty years of experience at the Federal Foreign Office of Germany. She served as Director for Civilian Crisis Prevention and Stabilization between 2023–2025, where she led a team of 100 staff members and coordinated oversight over a budget of approximately EUR500 million.
- From 2019–2023, Anka headed the German Embassy in Ukraine, playing a key role in the development of German-Ukrainian relations. Managing a staff of up to 170 employees, she oversaw the evacuation and restructuring of the embassy following the start of Russia's full-scale invasion in February 2022.
- Prior to this, Anka Feldhusen served as Head of Department at the Office of the Federal President of Germany (2016–2019) where she was responsible for foreign policy matters and advising the President on international affairs. From 2015–2016, Anka led the Regional Department for East Africa, the Horn of Africa, and Sudan at the German Federal Foreign Office, setting strategic objectives and supporting the work of a network of ten embassies.
- Anka has extensive diplomatic experience in Ukraine: from 2010–2015, she served as Deputy Head of Mission in Kyiv, and from 1994–1997 Anka headed the embassy's Press and Protocol Section. Earlier in her career, Anka also worked in Havana as Deputy Head of Mission (2002–2005), led internal training at the Foreign Service Academy (2005–2009), served as a protocol coordinator, and represented Germany in Kosovo as Head of the Prizren Coordination Office.

As Head of the Business Ombudsman Council of Ukraine since February 2026, Anka Feldhusen continues to lead an institution that independently and confidentially helps companies free of charge; supporting firms in removing barriers in their relations with state authorities and defending businesses' lawful rights.

We spoke with Ms. Feldhusen about the practical side of doing business in Ukraine, namely: which systemic problems businesses encounter most often in their interactions with the state, what these risks look like from a foreign investor's perspective, and what one needs to know before entering the Ukrainian market in order to make balanced decisions even amid a full-scale war.

According to public data, the Council received 820 complaints in 2025, 52% of which concerned tax issues. The next largest topics were law enforcement (16%), regulators (8%), and customs issues (7%). Are there currently any systemic changes being made to the way foreign investment is regulated? Which two or three problems would you say are the most critical today, specifically those that may affect a foreign investor at the market-entry stage and in the first year of operations?

Digitalisation, deregulation, and alignment with EU standards are key prerequisites for building a more favourable business environment. For investors, it's not just about the substance of the reforms, what matters is the predictability of their implementation.

Today, the most critical challenges for foreign investors are the unpredictability of law enforcement and regulatory practices; the difficulty of launching businesses during wartime due to security, logistical, and energy-related risks; and insufficient communication from the state. This last issue in particular has frequently become the subject of complaints submitted to the Business Ombudsman Council.

Most of the cases businesses bring to you are resolved successfully. What are the realistic outcomes that businesses should expect? That is to say, which cases are most often resolved quickly, and in which situations should companies prepare for a longer process (administrative appeals, repeated audits, court proceedings, etc.)?

Issues that are governed by clear pre-trial settlement procedures tend to be resolved relatively quickly. These include appeals against tax assessments, risk classification decisions, customs valuation adjustments, licensing disputes, and similar matters. While outcomes are not always in businesses' favour, decisions are ultimately resolved.

Policy-related issues, those that require changes to the regulatory framework, take the longest to resolve and, as practice shows, any issue depends heavily on political will.

Another persistent challenge is the enforcement of court rulings that have already entered into force. Many state authorities, most notably the tax service, operate on the premise that decisions must only be implemented after review by the Supreme Court rather than once they become legally binding, which is typically at the appellate stage. Given that two or more years may pass between appellate and cassation rulings, businesses must factor this delay into their litigation planning.

Criminal proceedings also tend to drag on. Unfortunately, the Council's role in resolving business issues within the law enforcement sector is limited. Due to the heavy workloads affecting investigators and prosecutors, not to mention inefficiencies in law enforcement, lengthy forensic examinations, and weak defence tactics, such cases may take years to resolve.

Some of the complaints you receive come from foreign companies. Does the "foreign" complaint portfolio tend to have a different profile (e.g. counterparty transparency, compliance, currency restrictions, investment protection)? What practical steps is the Council taking to make the foreign investment process simpler? Does the government follow your recommendations?

Complaints from foreign companies largely mirror those of Ukrainian businesses. Entrepreneurs most often raise concerns related to taxation, customs, and law enforcement. In some cases, foreign companies file complaints regarding currency control.

The Business Ombudsman Council operates through "soft power", issuing recommendations to government authorities to improve the business climate and leveraging its authority to ensure these recommendations are implemented fully and on time. In its interactions with public authorities, the Council frequently addresses issues that are not explicitly regulated by law, but which should nevertheless be resolved in favour of business based on fundamental legal principles. These are concepts such as the rule of law, legal certainty, proportionality, and reasonableness, all principles enshrined in the Constitution and legislation of Ukraine. If a public authority refuses to decide in favour of a business, they must provide a clear justification, explain what the applicant did incorrectly, and indicate how the situation can be remedied. While these principles may seem self-evident, the concept of "proper governance" was difficult to discuss with government officials even as recently as 8–10 years ago. Today, however, the situation has markedly improved.

VAT refunds remain a pressing concern

In this way, by promoting the principles of good governance in its day-to-day communications with public authorities, the Council helps to shape the legal culture of public servants and, as a result, improve the overall business climate, which depends to a large extent on the legal culture of those responsible for enforcing the law.

A positive example of systemic impact can be seen in the tax sector, where the Council's recommendations have helped reduce the number of blocked tax invoices and introduced an administrative appeals mechanism for risk classification decisions. While progress is evident, significant work remains ahead.

Tax issues consistently dominate complaints. Which "red flags" in tax administration do you consider the most troubling for an investor (e.g. delays, inconsistent decisions, repeated audits, etc.)? What steps should a foreign company take to ensure that the Council accepts and promptly reviews their complaint?

Inconsistent actions on the part of government bodies represent the most pressing issue facing investors. The problem lies not in the legislation itself, but in how it is enforced (or not enforced, as the case may be). If government officials fail to comply with the law, businesses have few means of exerting influence.

Alongside the issue of tax administration, there is also the question of the effectiveness of the courts. Even when the court rules in favour of a business, the guarantees that a court ruling against the state will be enforced are unfortunately more symbolic than substantive. This is yet another category of complaints that entrepreneurs periodically bring to our attention.

It is also worth highlighting the issue of VAT refunds which has once again become a pressing concern since the introduction of martial law.

When it comes to preparing complaints on behalf of a foreign company, the requirements are the same for all our clients. We always advise business owners that it is important for a complaint to meet the criteria set out in our regulations and ask them to submit their complaints via the website, attaching all the necessary documents. The Council conducts a preliminary assessment within 10 days; if the complaint meets the criteria, it proceeds to the investigation stage which typically lasts no longer than three months, depending on case complexity.

Actions by law enforcement agencies are the second most frequent topic of complaint (16% of complaints in 2025). What kinds of issues do businesses raise with the Council? What actions can the Council take within the scope of its mandate? In what situations is the Council unable to help?

As regards relations between businesses and law enforcement agencies, the Council most frequently handles complaints concerning temporarily seized property, as well as procedural violations or omissions during criminal investigations.

The Council has signed cooperation memoranda with key law enforcement bodies, including the Office of the Prosecutor General and the Bureau of Economic Security. These platforms are used to discuss problematic business complaints. It is precisely this format of engagement with law enforcement agencies, as well as the opportunity to meet in person with both senior officials and representatives of law enforcement agencies, that enable the Council to make headway on the issues raised by entrepreneurs in the field of law enforcement.

At the same time, the Council's mandate in the law enforcement sphere remains limited. The Council is not a party to criminal proceedings and cannot interfere in pre-trial investigations or advise investigators or prosecutors on whether a criminal offence has taken place.

Tax mediation helps resolve complex audit cases

The State Tax Service of Ukraine publicly reported the first practical "tax mediation" case that was jointly implemented as part of a pilot project with the Business Ombudsman Council. What role does the Council play in such proceedings? At what stage does it become involved? How is communication with the parties involved managed? And what outcome can be considered a "success" from a business perspective?

Following the lifting of the moratorium, the Council began receiving more complaints related to tax audits. A notable trend is the rise in repeated audits, which can take quite a long time and are resource-intensive for companies.

This created an opportunity to address such cases through tax mediation, in cooperation with the State Tax Service of Ukraine. Several similar cases are currently underway.

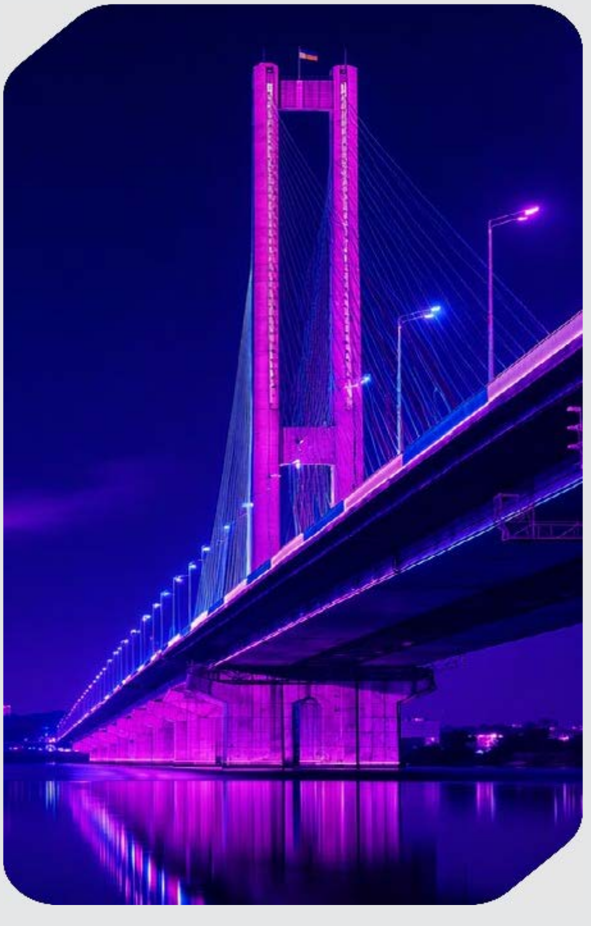
Our role in this process as the Business Ombudsman Council is to help the parties reach a mutually beneficial agreement. It is important to understand that any mediation case is based on the interests of the parties involved. In the pilot case, for instance, repeated tax audits rendered VAT reimbursement irrelevant for the company. By reallocating funds toward future tax liabilities, the company unlocked capital and exited the cycle of repeated audits. As a result, all parties were satisfied with the outcome.

What are the three most common myths about investing in Ukraine that you would like to debunk, and which risks do investors often underestimate?

Myth: Ukraine is a war zone and therefore unsafe for doing business

According to CFR Global Conflict Tracker, Russia occupies approximately 20% of Ukraine's internationally recognised territory, mainly in the east and south. Meanwhile, central and western regions of Ukraine, including Kyiv, as well as most industrial and logistics hubs, continue to operate.

A survey by the Business Ombudsman Council shows that 92.3% of businesses have not relocated, and over 92% plan to continue operating. As such, decisions made without understanding the actual geography of risk do not reflect on-the-ground realities.



Myth: Ukraine's reconstruction is only for large international capital, with no room for SMEs

The World Bank estimates Ukraine's reconstruction will need to be in excess of USD588 billion, creating the impression that only large investors can participate. However, the EU regulatory framework explicitly stipulates otherwise: the strategic guidelines of the Ukraine Investment Framework require that at least 15% of the guarantee volume be allocated specifically to supporting start-ups and small and medium-sized enterprises. At the Ukraine Recovery Conference in Rome held in July 2025, the EU confirmed that EUR2.3 billion in agreements includes support for micro, small, and medium-sized enterprises. In fact, such companies are currently the primary drivers of foreign investment activity in Ukraine.

Myth: Investment is only viable after the war ends

Foreign investors who are holding off on making a decision until the hostilities have ended are missing out on the advantage of early market entry – that advantage goes to those who are taking action now. It is worth noting that the EBRD, as the largest investor in Ukraine, has deployed over EUR8.5 billion since the start of the full-scale invasion, with EUR2.4 billion allocated for 2025. Companies currently operating in Ukraine are forming partnerships and establishing presence in sectors where demand is expected to concentrate once the active phase of the war has ended.

Our survey data also shows that 23.1% of foreign respondents do not view active hostilities as a barrier to investment.

Risks investors underestimate

Key risks that investors often underestimate include labour shortages, regulatory instability, underutilisation of war-risk mitigation instruments, and limited access to public procurement and reconstruction projects.

1. Economic overview of Ukraine

1.1 Macroeconomic overview
1.2 Overview of key sectors

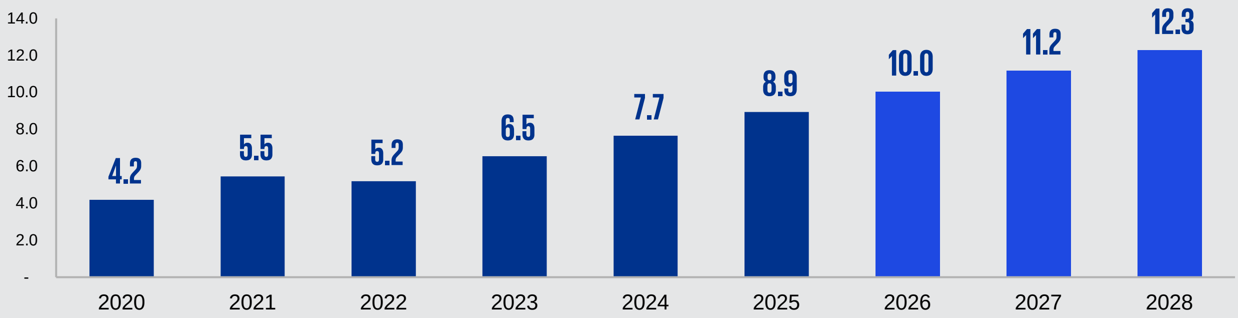
Macroeconomic Overview

- Despite the challenges and threats posed by Russia's ongoing full-scale invasion, the Ukrainian economy saw moderate growth in 2025, with real GDP up by 1.8% compared to 2024. Inflation, meanwhile, peaked at 15.9% Y-o-Y as of May 2025 before slowing to 8% as of December 2025. The National Bank of Ukraine (NBU) key policy rate was previously set 15.5% per annum from March 2025–December 2025 before declining slightly to 15% from January 2026, with the NBU's stated aim being to "support the attractiveness of hryvnia instruments, maintain the sustainability of the FX market, and keep inflation expectations in check amid rising price pressures".
- Ukraine's international reserves also rose by 31% in 2025, increasing to USD57.3 billion, while the state was also successful in attracting USD52.4 billion in external financing (70% of which came from frozen Russian assets).
- According to the UN's Fifth Rapid Damage and Needs Assessment (RDNA5) for the February 2022–December 2025 period, Ukraine's recovery and reconstruction needs have only continued to grow and are now estimated to be USD587.7 billion over a 10-year period, equivalent to almost three times Ukraine's entire GDP in 2025. There are therefore expectations that international aid alone will not be sufficient to support reconstruction efforts, with the role of private investment noted as a potential driver for recovery efforts. Domestic innovation, sustainable infrastructure solutions, and a "build back better" (BBB) approach all present potential investment opportunities, underpinned by local reforms as part of Ukraine's ongoing integration and alignment with the EU.
- The main risks to Ukraine's economic dynamics remain the consequences of Russian aggression, as well as developments of the conflict in the Persian Gulf, especially if such circumstances have a prolonged impact on global energy resilience and logistics routing. Ukrainian businesses are also impacted by multiple constraining factors, including direct military intervention, repeated attacks on Ukrainian electrical infrastructure, and a notable labour deficit due to displaced populations and mobilisation.

GDP

Russia's full-scale invasion and its consequences (territorial occupation, destruction of infrastructure and industry, blockade of ports and disruption of logistics, mass migration, etc.) caused the largest decline in real GDP in Ukraine's history in 2022, with the economy contracting by 28.8%. Since then, however, Ukraine has shown recovery in terms of economic activity despite ongoing geopolitical instability, extensive damage, and persistent threats. Real GDP grew by 5.5% in 2023 and, while moderating, this trend also continued in 2024 and 2025 with growth rates of 3.2% and 1.8%, respectively. As of May 2026, the NBU anticipates a further moderation with annual GDP growth, down to 1.3% in 2026. However, such circumstances are then expected to reverse, with projected growth of 2.8% and 3.7% in 2027 and 2028, respectively.

Ukrainian real GDP dynamics between 2022–2025, forecast for 2026–2028, UAH trillion



Source: NBU

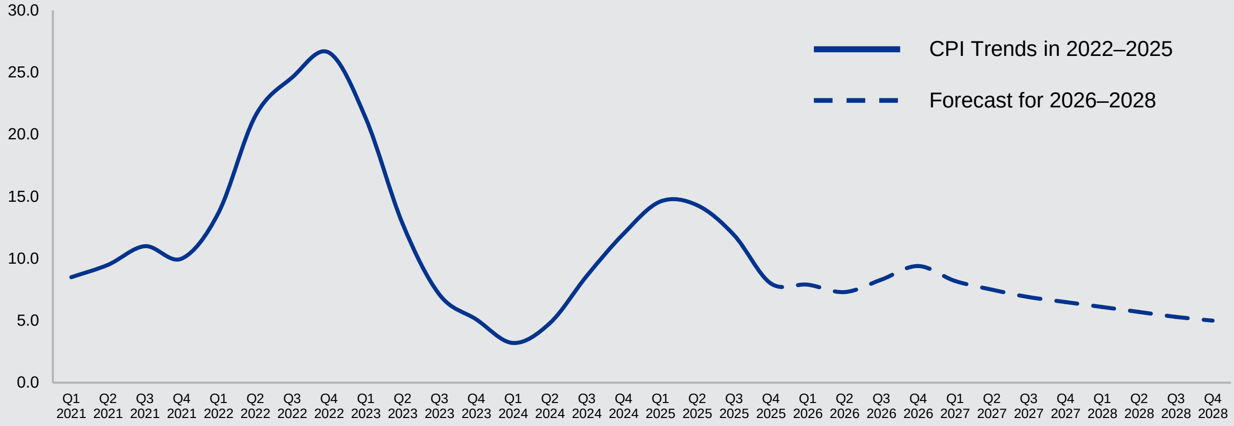
According to the NBU, such acceleration in GDP growth rates should be "facilitated by robust consumer demand, revived investment activity, the recovery of the energy system, and larger harvests." The World Bank's estimates also largely mirror short-term predictions, having revised down forecast GDP growth to 1.2% for 2026 but leaving estimates for 2027 unchanged at 4.0% for a more optimistic economic outlook.

The NBU expects inflationary pressures to gradually subside, supporting price stability over the medium term.

Inflation

Destruction of businesses and infrastructure, disruptions to production and supply chains, rising costs, and the negative impact of war on the hryvnia exchange rate all contributed to a 26.6% rise YoY in consumer prices by the end of 2022, more than double the 10% increase seen in 2021. Ukraine's inflation rate subsequently declined to a low of 3.2% by Q1 2024 before gradually accelerating to 14.6% by Q1 2025. As of December 2025, inflation stood at 8%. The NBU forecasts more accelerated growth in the second half of 2026, reaching 9.4% by year-end, primarily due to rising global energy prices and fuel costs driven by the conflict in the Persian Gulf. Such increases are expected to slow by 2027, however, down to 6.5% by year-end, before further moderation toward the NBU's 5% inflation target by 2028.

Inflation rate, annual change (%)



Source: NBU

International Financial Support

Financial grants, loans, and credits from international partners are one of the key factors supporting the Ukrainian economy, helping cover the state budget deficit, maintain high levels of international reserves, and manage the structural deficit in the foreign exchange market, thereby undergirding Ukraine's economic resilience to external and internal shocks. Ukraine was the recipient of USD52.4 billion in external financing in 2025, with more than USD53 billion expected in 2026, followed by approximately USD42 billion in 2027 and USD22 billion in 2028. Such sustainable international financial support was confirmed with the EU's release of a EUR90 billion Ukraine Support Loan, as well as the extension of the EU's Ukraine Facility, the G7's Extraordinary Revenue Acceleration (ERA) programme in 2026–2027, and the IMF's Extended Fund Facility (EFF) in 2026–2029.

Foreign Direct Investment (FDI)

Russia's military aggression against Ukraine led to a sharp and immediate 82.8% decline in foreign direct investment in Ukraine in 2022. Investors began to cautiously resume activities as early as the following year, however, contributing nearly USD4.3 billion in total FDI in 2023 (primarily from foreign investors who already had a presence in the Ukrainian market). In 2024 and 2025, however, saw Ukraine's FDI decline to USD3.5 billion and USD2.5 billion, respectively.

Foreign Direct Investment flow in Ukraine between 2021–2025, USD million

Year	FDI into Ukraine	FDI from Ukraine	Difference
2021	6,687	-198	+6,885
2022	1,152	529	+623
2023	4,247	42	+4,205
2024	3,329	-162	+3,491
2025	2,602	104	+2,498

Source: Ministry of Finance

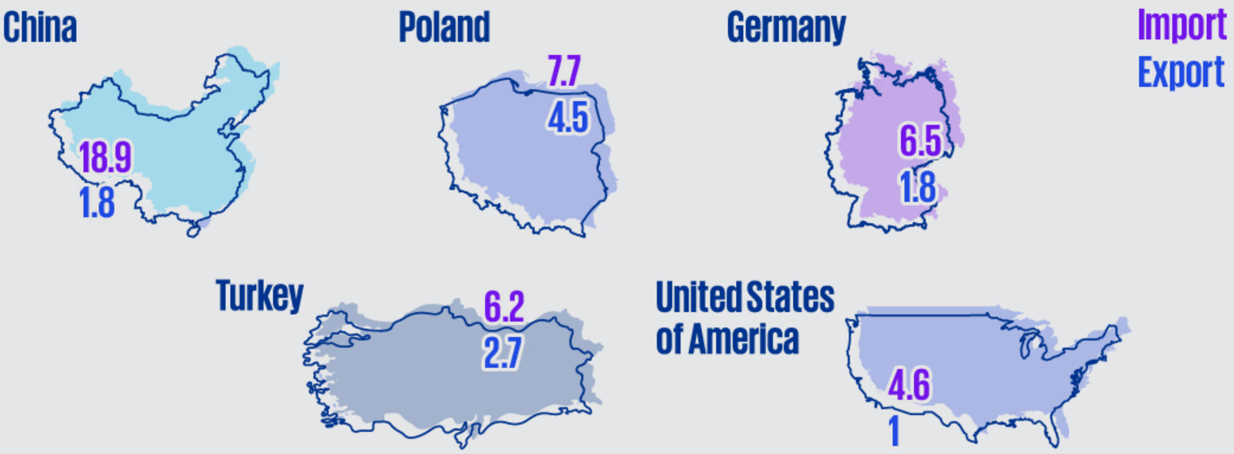
Imports and Exports

According to data from the State Statistics Service of Ukraine[1] and the State Customs Service of Ukraine[2], Ukraine's total import and export of goods turnover in 2025 increased by 31% compared to 2022, reaching USD127 billion: only 5.6% less than pre-war levels in 2021. A significant increase in imports was also observable in 2025 compared to both 2024 (+23.9%) and 2021 (+24.8%), though comparative exports also declined by 2.7% and 39.8%, respectively.

Services turnover prior to Russia's full-scale invasion was characterised by a net export surplus in 2021, while the 2022–2025 period saw service imports exceed exports. This was principally attributable to a sharp decline in the export of air and maritime transport services, processing services, and professional and management consultancy services. Net service imports of USD7.9 billion in 2025 demonstrated 36.7% growth compared to USD5.8 billion in 2024.

Key goods imported to Ukraine in 2025 included machinery, equipment, and transportation (USD34.1 billion), chemical products (USD12.5 billion), and fuel and energy (USD10.5 billion). Top exports, meanwhile, included food products (USD22.5 billion), metals and metal products (USD4.7 billion), as well as machinery, equipment, and transportation (USD3.6 billion).

Geography of Ukrainian export/ import in 2025, USD billion



Source: Ukrstat

M&A activity

Ukraine's M&A market continued its recovery in 2025 despite ongoing wartime challenges. According to KPMG's M&A Radar 2025, the number of transactions above USD5 million increased by 26% to 63 deals, while total disclosed deal value rose by 17% to USD1.2 billion. The average deal size remained broadly stable at USD34 million, indicating sustained investor appetite despite elevated risk levels.

Trade activity continues to support economic recovery, despite logistical and security challenges.

[1] Data for 2021–2024.
[2] Data for 2025.

The most active sectors in terms of transactions were agriculture, IT, real estate and construction, and power and utilities, which together accounted for more than 85% of total disclosed deal value and 71% of deal volume. Key transactions included:

- food and agritech company MHP's outbound acquisition of a 92% stake in the Spanish food processing company Uvesa for approximately USD300 million
- Telecoms group Kyivstar's domestic acquisition of ride-hailing app Uklon for USD155 million
- Agribusiness and food company Bunge's inbound acquisition of vegetable oil processing firm ViOil for USD138 million.

Investment in Ukrainian defence tech startups also exceeded USD100 million in 2025, compared to USD40 million in 2024.

Looking ahead, it is anticipated that reconstruction, infrastructure modernisation, energy resilience, and continued international support will foster further growth in M&A activity and attract additional investment into Ukraine.

Please refer to M&A Radar 2025 for further information.

Constraining factors

Logistics disruptions

Logistics remained a key cross-sector challenge for Ukrainian businesses in 2025. Due to the impact of Russia's war on Ukraine, traditional logistics routes (maritime and air transport) were initially either unavailable or experienced a significant reduction in capacity. However, after Russia's failure to adhere to the Black Sea Grain initiative, Ukraine has managed to enforce its own Black Sea Maritime Corridor since

Ukraine's logistics sector continues to evolve through the development of multimodal transport solutions and increasing digitalisation of supply chain operations.

August 2023. As of June 2026, approximately 200 million tonnes of cargo have been transported via this Ukrainian maritime corridor, including 118 million tonnes of grain. This is still a far cry from 153 million tonnes of cargo handled by Ukrainian ports in the pre-war year of 2021 alone, however, and port operations continue to endure ongoing targeted military attacks. As such, companies across the agriculture, manufacturing, retail, and construction sectors continue to face issues related to elevated transportation costs, longer delivery times, and supply chain uncertainty related to security risks and damage to transport infrastructure.

Multimodal logistics, combining rail and road transport, have developed in response to these maritime restrictions, along with increased utilisation of Danube river ports and transshipment terminals. Logistics processes are also undergoing increased digitalisation as EU land borders become a more prevalent feature of Ukraine's logistics mix. Electronic customs declarations, the use of IoT-enabled cargo tracking, and predictive route analytics have increasingly becoming essential components of operations.

Despite such modernisation, Ukraine's logistics sector still faces issues related to the impact of inflation on overall costs, with pressure driven by high energy prices, rising wages, and increased insurance premiums. Labour shortages, explored further below, have also had their own impact on logistics operations, especially notable in terms of a shortage of drivers and logistics managers.

Energy shortages

Following increased intensity in terms of targeted Russia attacks on Ukrainian infrastructure, energy security continues to be one of the most significant operational risks for Ukrainian business. During the 2025–2026 heating season specifically, Russian missile and drone attacks damaged more than 9 GW of generation capacity across Ukraine's thermal power plants, combined heat and power plants, and hydropower plants. Of this loss, only approximately 4 GW of capacity has since been restored by energy companies.

While Ukraine has made substantial progress in restoring damaged infrastructure and sourcing longer-term alternative distributed power solutions, available dispatchable generation capacity remains well below pre-war levels. According to the United Nations, as of January 2026, Ukraine lacked more than half of its electricity generation capacity due to occupation and damage from ongoing aggression. Available capacity stands at approximately 11 GW, significantly below the estimated 18 GW required to meet peak winter demand.

Ukrainian businesses have faced power disruptions, elevated energy costs, and the need for additional investment in backup generation and energy resilience measures, including the installation of autonomous small-scale power generation units and battery energy storage systems (BESS). These challenges have affected virtually all sectors, from manufacturing and agriculture to services and technology.

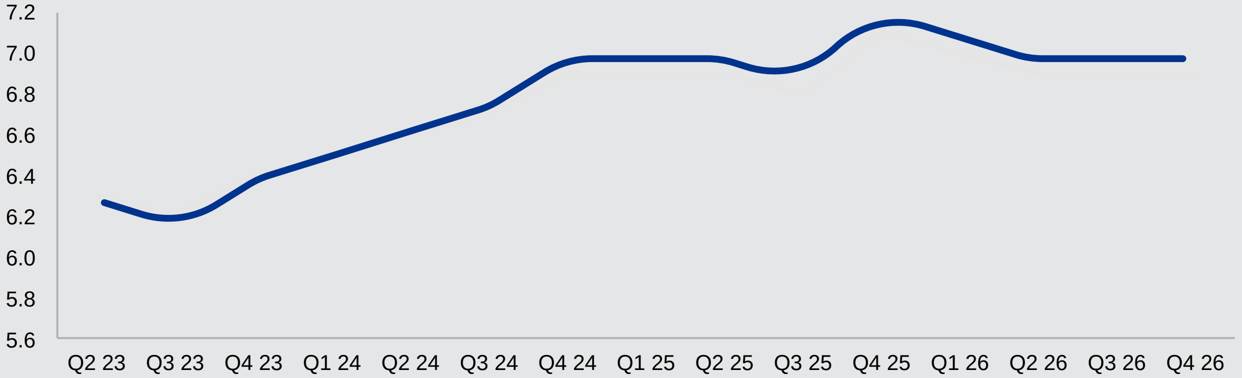
Ongoing restoration efforts, distributed generation projects, and investments in energy resilience are supporting the continued adaptation of Ukraine's energy sector.

Workforce development

Ukraine's labour market continues to operate under difficult conditions associated with continued displacement, both domestic and abroad, as well as mobilisation and broader demographic challenges. Many businesses have experienced difficulties in recruiting qualified personnel, particularly in engineering, manufacturing, construction, logistics, and technical professions. Labour shortages have also become a structural issue, driving wage inflation and increasing competition for skilled workers.

Businesses surveyed by the European Business Association (EBA) ranked the shortage of skilled workers second only to attacks on energy infrastructure as the biggest obstacles to doing business in Ukraine; ranked by entrepreneurs at 78% and 82%, respectively, in terms of having the greatest negative impact on business prospects.

Number of displaced people remaining outside of Ukraine, million



Source: NBU

Such shortages have been driven by a combination of structural and war-related factors, including large-scale emigration, internal displacement, and skills mismatches in the labour market. Ukraine's labour supply has also been significantly constrained by the effects of military mobilisation. 91% of companies surveyed by the EBA responded that they had employees serving in the Ukrainian armed forces, while 47% of companies noted that mobilised staff accounted for 10% of their workforce. 44% of respondents reported more than 10% of their staff had been mobilised, further intensifying workforce shortages.

To address this labour deficit, Ukrainian companies are increasingly adopting work process automation, incorporating AI into workflows, and expanding employment opportunities by recruiting women and older workers for roles where they were previously underrepresented, as well as employing remote specialists where the position allows, including those based abroad.

Preliminary estimates by the Institute for Demography and Quality of Life Problems of the National Academy of Sciences of Ukraine observed that in order to meet real annual GDP growth of 4%, labour demand between 2025–2030 (+10%) would continue to outpace the growth in labour supply during the same period (+7%). Ukraine's agriculture and industrial sectors would be particularly affected under this scenario, with demand for workers potentially outstripping supply by 30–40%.

Expanding access to war risk insurance is increasingly supporting capital deployment and facilitating investment in Ukraine's recovery.

War risk insurance

Access to effective war risk insurance mechanisms (a key prerequisite for maintaining investor confidence) has evolved significantly, transitioning from largely ad hoc solutions to a more structured and institutionalised risk-mitigation framework. Initially focused on transportation and trade-related risks, coverage has gradually expanded to include a broader range of sectors, such as manufacturing, energy infrastructure, and commercial real estate.

Ukraine introduced legislation enabling war risk insurance for investments in 2024, empowering the country's Export Credit Agency (ECA) to provide insurance and reinsurance coverage for capital invested both by domestic and foreign investors, as well as for investment lending extended by Ukrainian banks. The ECA has also started accepting applications under its own war risk insurance mechanism to provide direct compensation for property losses for businesses operating in frontline areas, as well as partial reimbursement of insurance premiums nationwide. Such compensation is capped at UAH10 million (including affiliated entities) for frontline businesses and limited to verified losses, with a one-time fee of 0.5% of the insured asset value. For companies elsewhere in Ukraine, the state reimburses insurance premiums exceeding a 1% tariff, up to UAH1 million per policy.

The Ministry of Economy of Ukraine recognises that the current supply of insurance services is still below market demand and continues to actively develop both existing programmes and new initiatives in cooperation with international organisations, including:

- the Multilateral Investment Guarantee Agency (MIGA), which has provided more than USD569 million in guarantees since the start of the full-scale invasion (as of March 2026)
- political risk insurance from the US Development Finance Corporation (DFC)
- the European Bank for Reconstruction and Development (EBRD)'s Ukraine Recovery and Reconstruction Guarantee Facility
- export credit agencies from other partner countries (including the Polish export credit agency KUKE, France's Bpifrance Assurance Export, Germany's Euler Hermes, Japan's NEXI, etc.)

The Ukraine Recovery and Reconstruction Guarantee Facility, launched by the EBRD and Aon at the end of 2024 offers an example of a collaborative programme between international institutions and private insurance providers. EUR110 million has already been allocated to support the reinsurance of war-related risks in Ukraine under the facility, primarily covering inland transport and vehicle damage. The facility became fully operational by 2025, with the first companies benefiting from the expanded availability of war risk insurance.

McGill & Partners, ARX, and FortuneGuard also launched a war-risk reinsurance facility in January 2025, initially providing up to USD50 million of coverage per risk for commercial property assets located more than 100 km from the frontline. By February 2026, the maximum line per risk was increased to USD100 million and the number of participating insurers more than doubled to 14 international carriers, with more than USD100 million of insurance coverage already in place for businesses operating in Ukraine in sectors such as energy, manufacturing, warehousing, food production and BESS.

For more information regarding war risk insurance, please refer to [TAX & LEGAL SECTION].

Government support

Ongoing Ukrainian state support has served as a stimulus for economic development as an attempt to bolster existing businesses and attract additional investment flows, even under challenging wartime conditions. This includes various support programmes that are tailored to the relevant scale of the business and project involved.

Key developments in 2025 included the refining of eligibility criteria for certain programmes (e.g. the YeOselya state mortgage programme was expanded to include IDPs and citizens registered as living in frontline territories but tightened qualification criteria elsewhere), as well as an increased focus on supporting projects in Ukraine's energy sector and demining activities, and further consolidation and structuring of most support instruments under the broader "Made in Ukraine" cashback platform. More details of the various state support programmes can be found below.

- Made in Ukraine: aims to increase the share of Ukraine's manufacturing sector from 10.3% of 20% of GDP by providing Ukrainian manufacturers with priority access to public procurement and offering cashback programmes to encourage demand for Ukrainian products, as well as affordable loans and grants for local investments and production expansion/modernisation.
- Affordable Loans 5–7–9% programme: an entrepreneurship lending programme that principally targets SMEs. Since the introduction of martial law in Ukraine, a total of 98,688 loans, amounting to UAH370.4 billion, have been issued under the programme. More than 30,000 of these loans totalling UAH93.9 billion were issued in 2025 alone.
- YeOselya: offering support for Ukraine's construction sector while simultaneously providing Ukrainians with much-needed housing through prioritised preferential mortgages for modern housing. The programme conditions were revised in March 2026, expanding access for mobilised citizens but also imposing stricter limits on property size and value.

- [Grants for producers]: entrepreneurs in the processing sector can receive "microgrants" of up to UAH16 million to purchase necessary equipment and machinery for business development purposes, with financing typically structured as 50% grant funding and 50% the recipient's own contribution.
- Compensation of the cost of Ukrainian agricultural machinery: agricultural entrepreneurs have the option to purchase agricultural machinery made in Ukraine and receive 25% compensation for the costs of buying domestic machines.
- Projects with significant investments: under the "Made in Ukraine" framework, eligible investment projects exceeding EUR12 million that have concluded a special investment agreement may qualify for compensation of up to 30% of capital expenditures, along with state support and facilitation throughout the preparation and implementation phases and exemption from import duties and VAT. The project implementation period is up to 5 years and target sectors include (among others): processing industries, mining, transport and logistics, education, science, healthcare, waste management, culture, tourism, sports, electronic communications.
- Partial compensation programme for the purchase of Ukrainian machinery: a programme offering 15% compensation of the costs towards purchases of industrial machinery and equipment made in Ukraine, including energy, transport and municipal , and construction and related specialised equipment.
- State support for the development of industrial parks: the Government of Ukraine also provides various incentives for projects involving the construction and modernisation industrial park infrastructure.

A "Humanitarian Demining" programme is also in place for Ukraine's agricultural sector, providing compensation to businesses requiring land clearance for safe and productive operations by covering 100% of the cost of demining agricultural land (as well as 80% reimbursement for plots already cleared between 24 February 2022–15 April 2024). UAH2 billion has been allocated to the programme for 2026 alone, while approximately 15,600 hectares have been cleared and a further 9,300 hectares were still undergoing clearance as of April 2026.

Other tools have also been designed to increase potential investor interest, such as Production Sharing Agreements for developing land for mineral exploitation and extraction, and Public-Private Partnerships (PPP) which offer concessions on large infrastructure objects and other state services. A new version of the Law of Ukraine "On Public-Private Partnership" came into force on 31 October 2025 and more closely aligns Ukrainian law with that of the EU acquis, enabling investors to incorporate access to existing state and local support instruments into PPP agreements (including tax, customs, financial, and infrastructure incentives provided under other legislative acts).

In addition to these domestic initiatives, Ukraine also benefits from programmes and grant funding provided by international institutions and foreign governments, such as the EU's Ukraine Investment Framework (UIF) which supports investments through guarantees and blended financing structures combining loans and grants targeting key sectors such as energy, financial access, human capital, transport, agri-food, critical raw materials, digitalisation, and the green energy transition.

Overview of key sectors

Agriculture

Agriculture continues to be a cornerstone of Ukraine's economy, driven by the country's historical agroeconomic strengths (crop farming, livestock breeding, forestry, fisheries, etc.). Despite the ongoing war, Ukrainian farmers and agribusinesses have sustained their operations and continue to produce and supply agricultural goods for both domestic consumption and international markets.

- Agricultural production declined by approximately 6.8% in 2025 compared to 2024, attributable to security risks, limited access to land, and unfavourable weather conditions. Despite this, Ukraine's gross grain harvest increased to 60 million tonnes in the same year, an increase of 8.2% on 2024, demonstrating the agriculture sector's ability to sustain production even under wartime conditions.
- Key challenges for market participants include logistics constraints, demining, increasing fuel and fertiliser prices, shortages of qualified labour, and the tightening of quotas and regulatory requirements imposed by the EU and other trading partners.

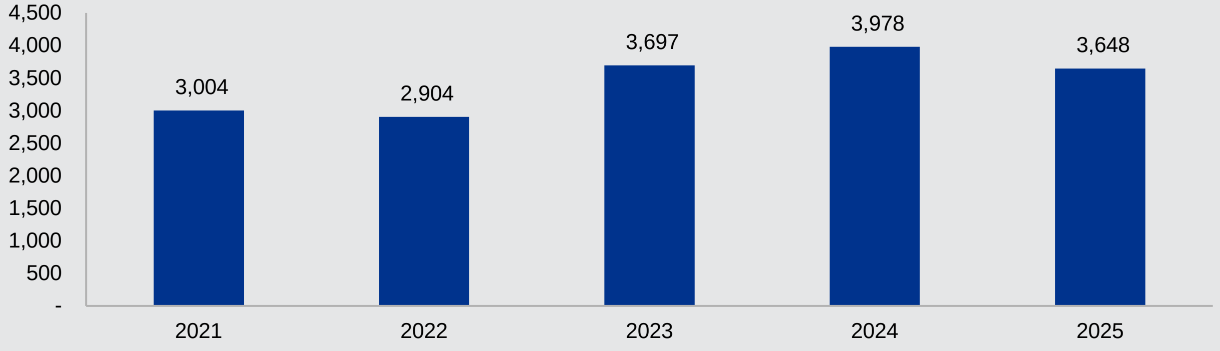
Agricultural products accounted for approximately 56.1% of total Ukraine's export earnings in 2025 (approximately USD22.5 billion), highlighting the sector's strong export orientation.

Prior to the full-scale Russian invasion, Ukraine ranked among the world's Top-5 grain exporters, supplying around 10% of global wheat exports, more than 14% of global corn, and over 47% of global sunflower oil. Despite the ongoing war, Ukraine has remained the world's leading sunflower oil supplier and third-largest exporter of corn, with wheat only slipping one place: down to sixth-largest global exporter. This tenacity in terms of agricultural output and exports, even in the face of adverse circumstances, underscores Ukraine's prominent role in global agricultural markets and the vital importance of the country's role as a contributor to international food security.

Foreign trade in 2025 was characterised by a continued reorientation toward European markets, with the EU's share in agricultural exports hovering around 48–52% over the last two years. While duty-free trade in agricultural products with the EU was discontinued and tariff quotas were reinstated from 5 June 2025, the EU has also reviewed its initially established quotas and introduced certain relaxations, including for sugar, corn, and honey.

Foreign direct investment balance in agriculture has remained relatively stable since 2023, totalling approximately USD3.6 billion in 2025 (versus USD3.9 billion in 2024). The moderate recent decline mainly reflects persistent geopolitical uncertainty, war-related risks, and continued investor caution toward the sector. Nonetheless, FDI in the Ukrainian agricultural sector remains above 2021 levels.

Agro industry FDI balances, USD million



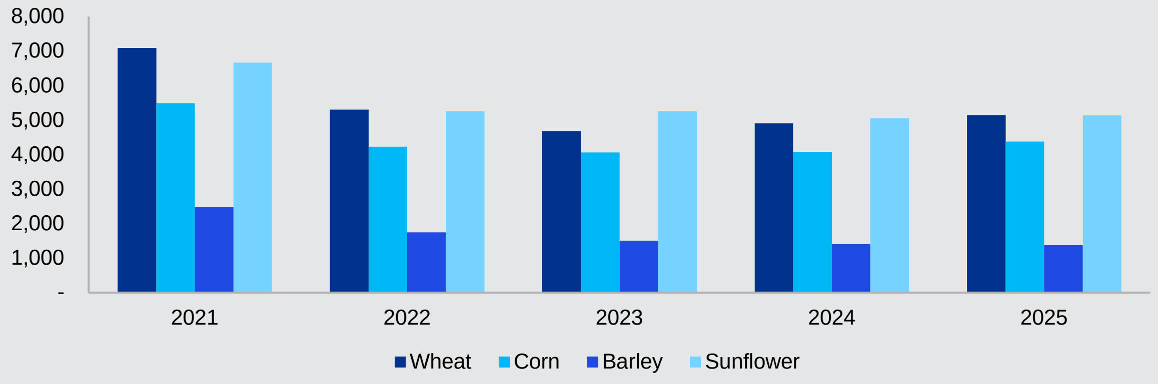
Source: NBU

Harvested area

Despite approximately 116,700 km^2 of Ukraine's territory (approximately 19.3% of the total area) remaining under occupation as of April 2026, as well as ongoing hostilities, continued aerial attacks, and widespread land mine contamination, the country's agricultural sector has demonstrated notable resilience. Ukraine harvested approximately 60 million tonnes of grain crops in agricultural marketing year 2025/26 (+8.2% compared to MY2024/25) from 11.6 million hectares (+4.4%). This indicates a substantial increase in productivity per hectare and reflects the sector's ability to adapt to severe land constraints and wartime disruptions.

Structurally, Ukrainian agricultural production in 2025 remained focused on key export crops: wheat, corn, and sunflower. Based on the available information from the State Statistic Service, the largest harvested areas in Ukraine are traditionally dedicated to wheat and sunflower crops, while the harvested areas for barley remain significantly smaller. This reflects an ongoing trend of shifting toward more profitable crops, particularly oilseeds, which offer more stable export opportunities under current market and sector constraints.

Harvested area,'000 ha

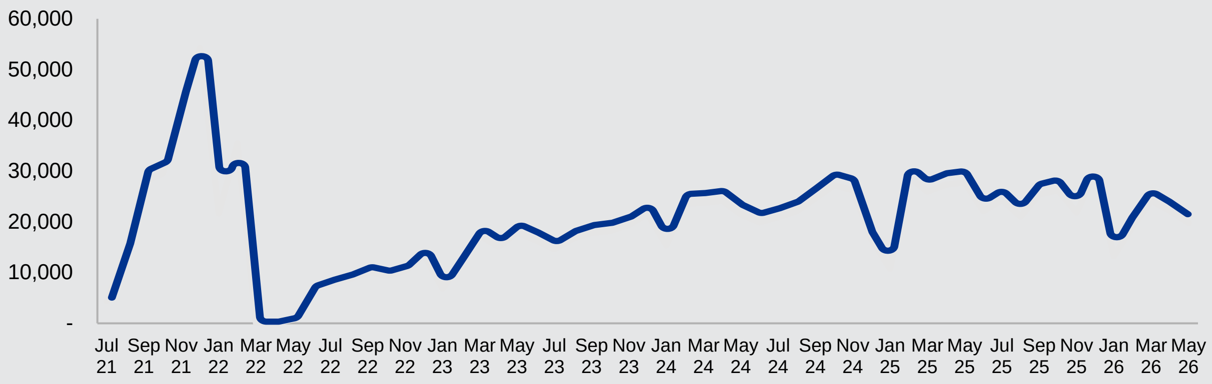


Source: Ukrstat

Land market

Opened in 2021, Ukraine's agricultural land market experienced a significant shift in 2024 when legal entities were granted access to purchasing land, contributing to increased transaction activity and rising land prices.

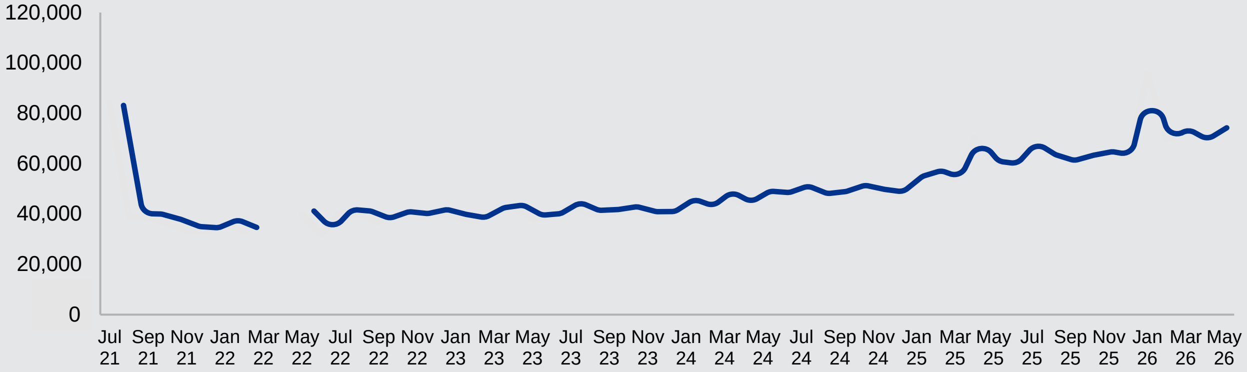
Land sold, hectares



Source: Opendatabot

The total area of land sold in 2025 amounted to 291,232 hectares, with an average annual price per hectare of approximately UAH61,548 (30% higher than 2024), reflecting growing demand and improved market transparency. Increases in prices for Ukrainian land have also accelerated since the end of 2025, demonstrating increasing interest from private individuals and legal entities alike a challenging economic circumstances.

Average price per hectare, UAH



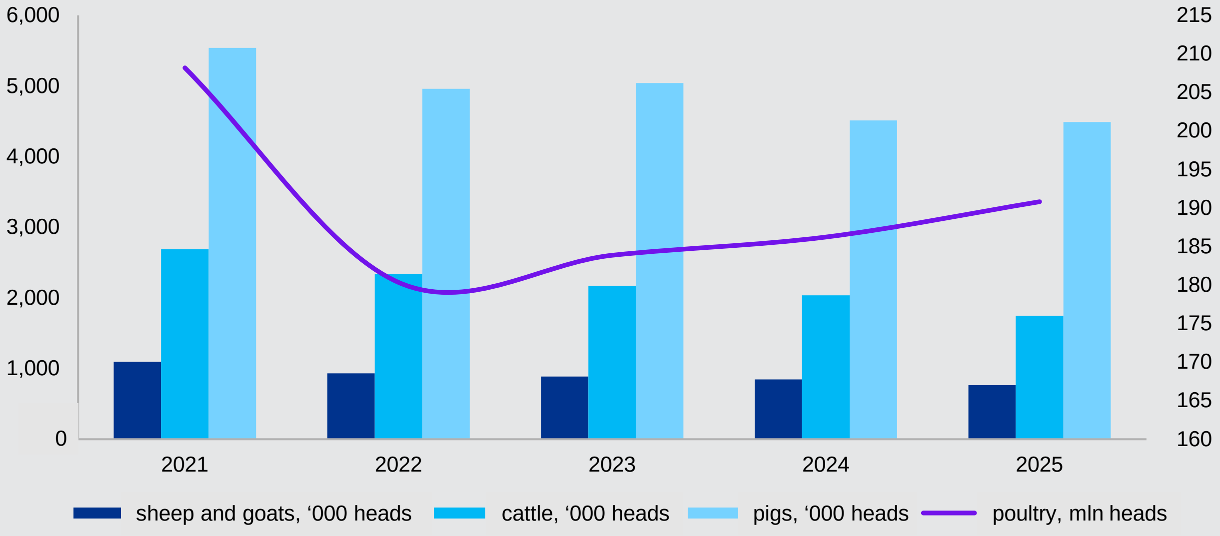
Source: [Opendatabot]

Livestock sector

Ukraine's livestock sector continued to face significant war-related economic and structural challenges in 2025, although certain segments have demonstrated recovery compared to previous years.

Despite facing a steady decline in livestock numbers, a trend that has been further exacerbated by the war, Ukraine's livestock sector continues to play a critical role in ensuring domestic food security and remains an important component of the agriculture sector.

Animal husbandry



Source: [Ukrstat]

Livestock dynamics indicate that the number of cattle in Ukraine amounted to 1.7 million head in 2025, down from 2.0 million in 2024 and remaining below the 2022 level of 2.3 million head. A similar trend can be observed in pig farming, with Ukraine's pig population standing at 4.5 million head in 2025, unchanged from 2024 but below the 2022 level of 5.0 million head.

The most dynamic development in terms of livestock farming in Ukraine can be observed under poultry farming, with the number of domestic poultry increasing to 2.7 billion head in 2025. This represents a significant rise compared to 2.3 billion head in the previous year and an increase on all prior periods, indicating higher adaptability to crisis conditions and a faster recovery compared to other livestock sectors.

Key market players

While continuing to be a key contributor to Ukraine's corporate economy, the agriculture sector remains highly concentrated among large players like Kernel, MHP, Ukrlandfarming, Agroprosperis, Astarta, and Continental Farmers Group.

According to InVenture, the 131 agricultural companies included in Ukraine's Top-1,000 largest companies saw a slight year-on-year decrease in terms of revenue, earning a collective UAH499.8 billion in 2024 (compared to UAH506.9 billion in 2023). Nonetheless, these companies also saw a combined net profit of UAH44.9 billion and the sector accounted for 6.3% of total revenues and 14.8% of total net profit overall, highlighting agriculture's relatively higher profitability share compared to its revenue contribution.

Current market development

Despite the persistence of wartime risks, Ukraine's agricultural sector remains one of the country's most investment-active sectors. Recent investment activity has been primarily concentrated in logistics and storage infrastructure, energy autonomy, demining, and developing processing capacities.

Excluding agro-processing, 10 M&A deals (with the value more than USD5 million) with a total value of approximately USD514 million were recorded in the sector in 2025, indicating sustained investor interest in the sector. According to the State Statistics Service, capital investments in Ukraine's agro-industrial complex in 2025 exceeded UAH45 billion, accounting for approximately 12% of the total capital investment in the country's economy.

The closing of MHP's deal to acquire more than 92% of the share capital of one of Spain's leading producers of poultry and pork, Grupo UVESA, in August 2025 represented an important signal regarding the international integration of Ukrainian agribusiness, with large-scale Ukrainian agriculture companies looking to expand their presence into foreign markets demonstrating an increasing ability to execute large cross-border M&A projects even under challenging conditions.

Land asset consolidation has also remained an important market trend, with non-traditional players increasingly seeing agriculture as an attractive sector for asset diversification. Petrol station chain OKKO Group, for example, recently acquired several agricultural companies, creating a land bank that measured approximately 50,000 hectares by early 2026, with plans for further investment in infrastructure and energy independence facilities.

Strengthening logistics resilience and infrastructure modernisation for agricultural purposes have also required investment attention. Kernel alone invested USD25 million in the development of logistics capacity and asset modernization between July–December 2025, including precision farming equipment. Plans to build a 250MW solar power plant in Western Ukraine also represent a step toward reducing dependence on traditional energy sources and increasing energy resilience.

The issue of land contamination resulting from the war remains a key constraint for conducting agricultural activities in certain regions of Ukraine. Demining activities are currently carried out through a combination of state programmes led by the State Emergency Service and the Ministry of Defence's Mine Action Centre, as well as through international initiatives including UNDP and HALO Trust-funded operations. Private-sector participation is also emerging, with agribusiness operators such as NIBULON becoming one of the first Ukrainian agribusinesses to be certified as a humanitarian demining operator, investing in dedicated teams, equipment, and training, and already returning thousands of hectares of farmland to use. As of 4 April 2026, Ukraine has returned approximately 40,700 km^2 of territory to use, including 15,100 hectares of agricultural land.

Rich deposits of critical minerals and growing international partnerships strengthen Ukraine's long-term investment potential.

Mineral resources and critical raw materials (CRM)

Subsoil resources are considered the property of the nation under Ukrainian legislation, with the Government of Ukraine acting on behalf of the public to administer and allocate the rights for their use. Access to subsoil resources is granted through licences issued by the State Service of Geology and Subsoil (the Ukrainian Geological Survey). The title to the extracted minerals passes to the licence holder once said minerals are brought to the surface.

The Ukrainian mineral resources industry includes the extraction of natural resources, including local deposits of iron, coal, natural gas, oil, metals, etc.

- Mineral exports declined sharply following Russia's full-scale invasion: down from USD7.9 billion in 2021 (12.4% of total Ukrainian goods exports) to USD2.9 billion in 2025 (7.6% of total Ukrainian goods exports), driven by war-related disruptions and ongoing uncertainties.
- Two large state-owned resources assets are on the privatisation list: Zaporizhzhya Titanium and Magnesium Combine and Demurinsky Mining and Processing Plant, reflecting continued efforts to attract foreign investment, strengthen sectoral efficiency through increased private competition, and align state asset management with EU requirements under the EU-Ukraine Plan.

- The CRM sector is more exposed to structural constraints caused by wartime conditions than some sectors. A significant share of economically important deposits (including iron ore and coal) is situated in close proximity to active conflict areas, notably in the Dnipropetrovsk and Zaporizhzhia regions, while others are now in temporarily occupied territories. Production continuity is also subject to disruption as the result of energy supply instability, with repeated attacks on critical infrastructure resulting in periodic power shortages and the need for planned outages to balance Ukraine's electrical grid. This significantly increases operational risk and has been a deterrent to large-scale capital investment.
- Ukraine's substantial geological resources, including significant reserves of graphite, lithium, and titanium, underpins its long-term strategic importance for European and global supply chains. Both the pre-war EU-Ukraine strategic partnership on raw materials and the more recent USA-Ukraine mineral resources agreement signal a gradual reintegration of Ukraine into international value chains, moving away from crisis management conditions and toward structural reform. These dynamics position the critical raw materials sector as a potential driver of post-war recovery and industrial modernisation.

Significant reserves of manganese, graphite, lithium, and titanium position Ukraine as a strategic supplier of critical raw minerals.

Ukraine's resource base includes several strategically important mineral resources, including:

- **Manganese reserves**, at approximately 2.4 billion tonnes, represent the largest global reserve of the metal, although relatively low ore grades (11–35%) increase processing costs and limit competitiveness.
- Substantial **graphite resources** (18.6 million tonnes), with Ukraine positioned among the leading global suppliers of materials to support growing demand from battery production
- **Lithium deposits** have a similar relevance in battery production, with an estimated potential 1.6–3 million tonnes of lithium oxides in Ukraine, though sites remain largely underdeveloped despite their relevance to the global energy transition.
- Ukraine ranks as one of the global Top-10 countries in terms of **titanium reserves**, contributing approximately 7% of global titanium production. Titanium is widely used in aerospace, defence, and other high-performance industries.

Key Critical Raw Materials in Ukraine

Mineral	Estimated Reserves/ Resources	Global Position	Key Use
Manganese	~2.4 billion tonnes	Largest globally	Steel, batteries
Graphite	~18–19 million tonnes	Top five globally	EV batteries, electronics
Lithium	~760,000 tonnes (confirmed)	Third-largest in Europe	EV batteries
Titanium	Between 7–10 % of global reserves (officially)	Among Top-10 countries globally	Aerospace, defence

The map below highlights the following major Ukrainian CRM mining sites for graphite, lithium, and titanium. Most viable 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 to post-liberation scenarios.

Source: Ministry of Economy of Ukraine

Current estimates indicate the presence of approximately 20,000 mineral deposits in Ukraine, covering 116 types of minerals. As well as the aforementioned lithium, titanium, graphite, manganese, this resource base includes selected rare earth elements such as neodymium and dysprosium which are essential for modern industries, including renewable energy, defence, aerospace, and advanced manufacturing.

However, although geological assessments indicate the presence of deposits linked to around two-thirds of the 34 critical raw materials listed by the EU, Ukraine's extraction and processing capacity and its role in both global and regional supply chains both remain underdeveloped while actual production of critical raw materials is limited. Nonetheless, though many deposits are yet to be commercially exploited, this underutilisation creates a significant investment opportunity.

EU-Ukraine strategic partnership on raw materials

The aforementioned strategic partnership between Ukraine and the EU, initiated in July 2021, specifically focuses on CRMs, with the aim of ensuring secure and diversified supplies of key inputs. For the EU, such a close and localised supply has the potential to reduce regional dependence on dominant suppliers such as China and Russia. For Ukraine, meanwhile, this initiative has created the expectations of increased foreign investment in its domestic mining sector.

The strategic partnership has already borne fruit in the form of REPTiS (Responsible Extraction and Processing of Titanium and other Primary Raw Materials), an EU-Ukraine Horizon Europe project for developing a sustainable, low-carbon, and zero-waste supply chain for extracting and processing titanium from Ukrainian ilmenite into industrial-grade titanium powders for EU industries. As of November 2025, Ukrainian ilmenite samples have already moved into the processing phase, enabling initial trials in titanium powder production for EU end users.

Ukraine-United States Mineral Resources Agreement

The Ukraine-United States Mineral Resources Agreement, meanwhile, was signed and subsequently ratified by the Verkhovna Rada of Ukraine between April–May 2025. The agreement provides for establishing the US-Ukraine Reconstruction Investment Fund, aimed at attracting international capital to support Ukraine's reconstruction and development. The Fund is expected to invest in infrastructure, energy, and critical raw materials projects while preserving Ukraine's ownership and control over its natural resources.

One example of a potential project under the agreement is the development of the Dobra lithium deposit by Dobra Lithium Holdings JV, LLC. The project, structured as a Production Sharing Agreement (PSA), is expected to require more than USD1.8 billion in total investments, including approximately USD700 million for exploration and mine development, and could become one of Ukraine's largest CRM investments.

The following metals and mining and oil and gas companies are among the most notable market players, based on their level of turnover in 2025.

Top market participants by revenue, 2025, UAH billion

Ukrnafta JSC	Oil and gas	105
Ukrgasvydobuvannya JSC	Natural gas	101
PJSC CG Pokrovs'ke	Coal	42
DTEK Pavlohradcoal PJSC	Coal and ores	40
PIVDGZK PJSC	Ores	29
Total		**317**

Source: Opendatabot

Ukraine's critical mineral resources sector represents significant long-term opportunities, albeit accompanied by considerable structural and geopolitical challenge and an elevated risk profile. While the country has large reserves of strategically important materials (including manganese, graphite, lithium, and titanium), positioning it as a potential player in global supply chains, production remains limited due to structural constraints, underinvestment, and the ongoing war.

Nonetheless, growing international interest suggests that this potential may be on the cusp of being realised. In the long term, the development of Ukraine's CRM sector could play a key role in post-war reconstruction and further integration into European and global industrial systems.

The US-Ukraine Mineral Resources Agreement, as well as various EU partnerships, are strengthening long-term development prospects for Ukraine's critical raw materials sector.

Power and Utilities

The development of Ukraine's power and utilities sector in 2025 was simultaneously influenced by major generation losses and the rapid expansion of distributed capacity to compensate for and counter such issues. Recent developments point to continued investment in restoration, decentralised generation, storage, and cross-border interconnection. While these trends may support medium-term sector recovery, the operating environment remains highly sensitive to the security situation, regulatory developments, and the pace of external financing.

- Ukraine's energy sector has lost USD75.3 billion in revenue since the start of Russia's full-scale invasion in February 2022, according to Kyiv School of Economics estimates.
- Over 9 GW of generation capacity was damaged between October 2025 and March 2026 alone, with just 3.5 GW in capacity partially restored in that timeframe. Decentralised generation continues to expand in response, with approximately 900 MW of distributed capacity now in operation, improving system resilience and reducing dependence on vulnerable centralised infrastructure through greater use of rooftop solar, bioenergy, and gas turbines.
- Ukraine's Energy Strategy 2050 continues to serve as the long-term framework for development, with a key objective being the positioning of Ukraine as a future EU energy hub. Cross-border electricity exports and imports are crucial to achieving this goal and supporting system stability under supply shortage conditions, enabled by Ukraine's successful synchronisation with the European grid via ENTSO-E.
- International support remains substantial: the European Bank for Reconstruction and Development (EBRD) specifically dedicated more than EUR1.2 billion in financing in 2025 to support Ukrainian energy security, focusing on restoring generation and developing new capacities.

Ukraine's energy sector continues to adapt through infrastructure restoration, decentralised and renewable energy development, and deeper integration with European energy markets.

Industry overview

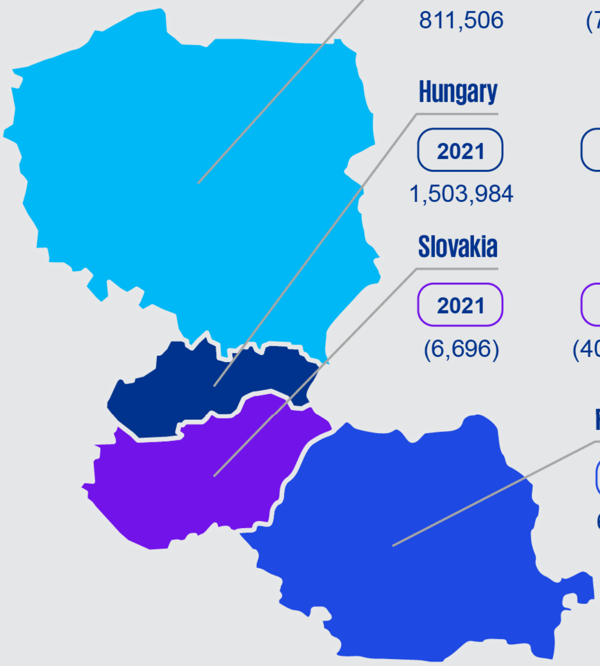
Ukraine's transition to a hybrid generation model continued throughout 2025 and the energy sector remains a strategically important contributor to the country's economy, accounting for approximately 5.1% of GDP through electricity generation, transmission, and other related industries.

	2021	2022	2023	2024	2025
Share of energy sector in GDP	3.3%	4.4%	4.8%	4.7%	5.1%
FDI, net inflows in the energy sector, USD million	436	(366)	137	217	142
Capital investments in the energy sector, USD million	2,998	1,474	1,933	2,644	3,461

Sources: EcoFin, NBU, SSSU

Ukraine imported [3.4 million MWh](#) of electricity in 2025, 24% less than in 2024, while available cross-border import capacity also increased from [1.7 GW to 2.45 GW](#), enabling greater system flexibility during domestic generation shortages.

Net import of electricity by selected countries, MWh

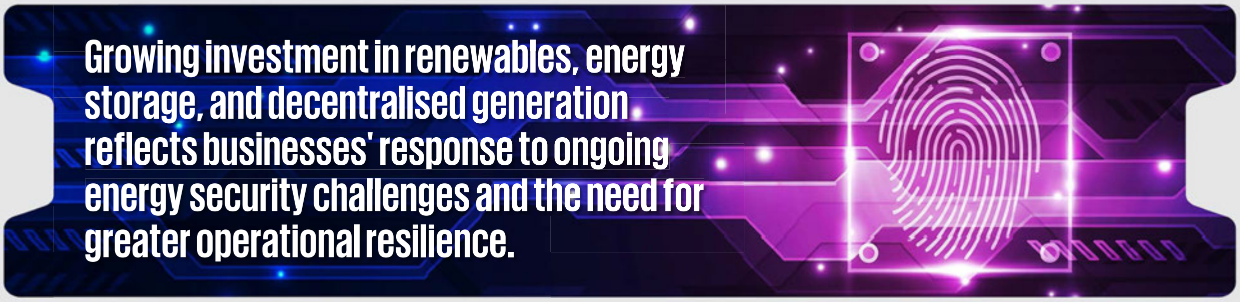


Country	2021	2023	2024	2025
Poland	811,506	(7,308)	(548,218)	(436,028)
Hungary	1,503,984	-	(1628,394)	(566,168)
Slovakia	(6,696)	(408,522)	(981,026)	(453,947)
Romania	601,804	(88,364)	(748,372)	(256,827)

Source: [Energy Map, "Import and Export of electricity, MWh"](#)

Investment activity

Investment activity in Ukraine's energy sector has also remained relatively modest, with total disclosed M&A [deal](#) value reaching approximately USD23 million (considering transactions with deal values above USD5 million), compared to USD32 million in 2024. Deal volume has generally remained stable, however, at four transactions per year in both 2024 and 2025, and three transactions in 2023. Despite limited deal volumes, the power and utilities sector continues to attract strategic interest, reflecting its long-term importance and reconstruction-driven investment potential.



Transaction activity highlights several structural trends, including the following:

- growing focus on renewable energy assets (e.g. the acquisition of 11 solar power plants in the Zhytomyr region by leading Ukrainian telecoms company Kyivstar)
- Decentralised generation projects (e.g. Ukrainian energy company Power One's project involving 37 MW of decentralised gas-piston generation combined with 32 MW of energy storage capacity in the Zakarpattia region).

Ukrainian energy companies continued expanding internationally in parallel, with examples including DTEK Renewables International (the European arm of Ukrainian energy group DTEK) scaling its solar generation assets in Romania and expanding its energy storage footprint in Poland.

The domestic energy market, meanwhile, has seen interest from local private equity investors, such as Concord Capital's investment of up to USD120 million in energy projects in 2025. Dragon Capital has also launched a EUR350 million infrastructure fund in partnership with Amber Infrastructure, with energy identified as a key investment priority.

Heating sector

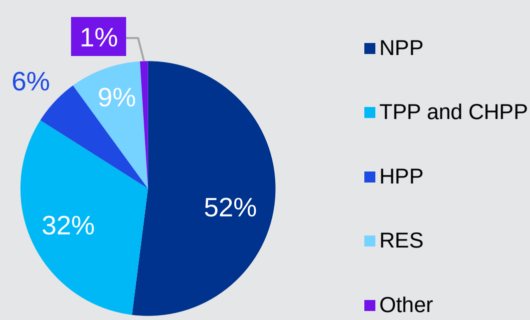
Ukraine's heating sector deteriorated significantly by the end of 2025 as a result of intensified Russian attacks. The World Bank's latest Rapid Damage and Needs Assessment (RDNA 5) estimated that damage to Ukraine's energy infrastructure represented 12.7% of the overall damage to economic sectors in financial terms, third only to housing and transport. The same study noted that energy represented 15.4% of overall reconstruction needs (second only to transport, at 16.4%).

Attacks intensified in 2025, with targeted strikes on small combined heat and power plants, as well as gas infrastructure and facilities located near the front line. As a result, tens of thousands of Ukrainian households were periodically left without heating and electricity during the winter period, with chronic insufficient heating also significantly increasing risks to the stable operations of regional heating infrastructure.

Ukraine's Energy Production Mix

Nuclear power remains the backbone of Ukraine's electricity generation structure, accounting for more than 50% of total output. Thermal generation ranks second, despite the aforementioned sustained Russian attacks on thermal power plants (TPPs) and combined heat and power plants (CHPPs); still representing approximately 32% of total electricity production as of March 2025.

Electricity production in Ukraine, March 2025, %



Source: ExPro

Ongoing infrastructure damage has reinforced a structural shift towards decentralised generation, driving investments in:

- gas-fired units, such as the Finnish-Ukrainian investment fund's plans to allocate UAH939 million to Ukrnafta projects for the construction of gas-piston power plants with a total capacity of up to 60 MW.
- renewable energy sources, accounting for 11% of Ukraine's power mix in 2025.
- parallel development of battery energy storage systems (BESS) to support system balancing and mitigate supply volatility, with more BESS projects in this segment attracting growing investor interest (as evidenced by the NEURC issuing 24 energy storage system licences in 2025, up from 2 existing licences in 2024).

Nuclear energy

Nuclear power remains the largest source of electricity generation in Ukraine, accounting for approximately half of the country's total output and maintaining relatively stable production despite heightened security risks. The main threats are linked to an unstable situation surrounding Zaporizhzhia NPP which is currently under occupation, as well as targeted Russia attacks on Ukraine's nuclear infrastructure, including substations and power lines. Nonetheless, Ukraine has continued to pursue developing nuclear energy as a strategic priority, with state nuclear energy company Energoatom entering into a partnership with US Westinghouse Electric Company to establish a line of local nuclear fuel production facilities that will empower Ukraine to produce fuel elements domestically and reduce dependence on foreign imports.

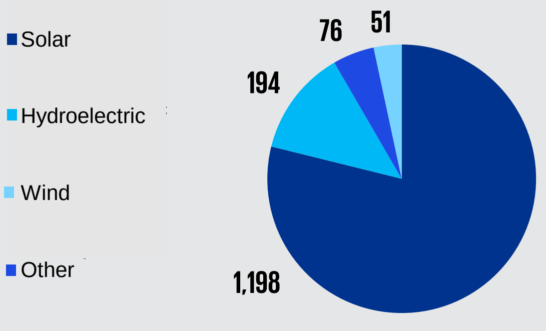
Increasing adoption of renewable energy and storage solutions highlights a shift towards greater energy independence, as well as proactive and pre-emptive crisis management.

Renewable energy

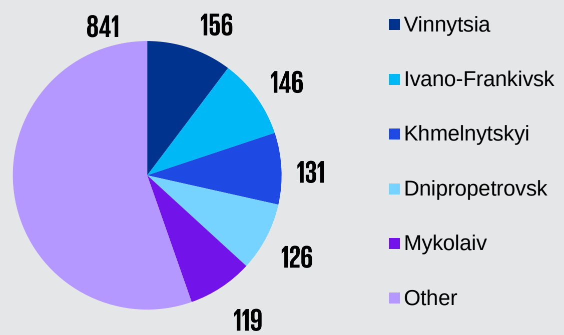
Development in Ukraine's renewable energy sector is mainly driven by the need to offset electricity shortages caused by war-related damage to conventional generation assets, developing increasingly resilient capacities through decentralised solutions. Ukrainian businesses, local authorities, and households are increasingly investing in their own energy sources, such as rooftop solar installations and small-scale wind turbines. Power storage via solutions such as battery energy storage systems (BESS) are becoming essential for grid balancing and renewable integration, as illustrated by DTEK and Fluence's 200 MW battery energy storage project launched in 2025. Commercial-scale wind energy also remains a key investment-driven segment, supported by large-scale projects such as DTEK's EUR450 million expansion Tyligulska Wind Farm, backed by Denmark's export credit agency (EKF).

Number of renewable energy producers

By type, 2025



By region, 2025



Source: Energy Map

Market participants

As of 2025, the Ukrainian energy market still remains highly concentrated, with state-owned companies playing a significant role. The aforementioned state-owned nuclear concern Energoatom, for example, is the country's sole electricity producer through nuclear generation, while state company Ukrhydroenergo plays the predominant role in national hydropower generation and system balancing.

Among private players, DTEK maintains a dominant position in thermal generation, renewables, and electricity distribution as Ukraine's largest private energy company. Ukraine's largest oil and gas extracting company, the state-owned Ukrnafta, has also recently expanded its presence into power generation through distributed gas-fired power generation capacities, supported by the EBRD and grant support from the US and the Netherlands.

Top market participants based by revenue 2025, UAH billion

	Activity	Revenue, 2025
D.Trading	Energy resource trader	216
SE Energoatom	Energy producer	207
Naftogaz Trading	Energy resource trader	125
Ukrenergo	Energy system operator	101
Naftogaz Ukraine	Energy producer	55
Total		**704**

Source: Opendatabot

Current market development

After Russia's large-scale attacks on Ukraine's energy infrastructure in 2022, widespread outages accelerated the shift toward self-generation, initially through ad hoc and small-scale fixes such as diesel generators and later through more sustainable solutions such as gas-fired units, solar installations and energy storage systems.

Ukraine's energy sector continued to adapt to wartime conditions in 2025 by prioritising decentralisation, system flexibility, and infrastructure restoration. Investment activity has increased significantly, with banks processing over 4,500 applications to finance renewable energy projects with a total capacity of 705 MW.

Developing balancing generation represented a key milestone for the energy sector, with auctions organised by NPC Ukrenergo enabling the commissioning of 423 MW of flexible capacity, strengthening system stability and supporting renewable integration. Energy storage programmes have also gained momentum, including the Power One project's 31.5 MW BESS facility, supported by the EBRD.

Industrial and commercial consumers, and even households, have also continued to increasingly invest in self-generation, further accelerating Ukraine's transition toward a distributed energy model.

Innovations and technology

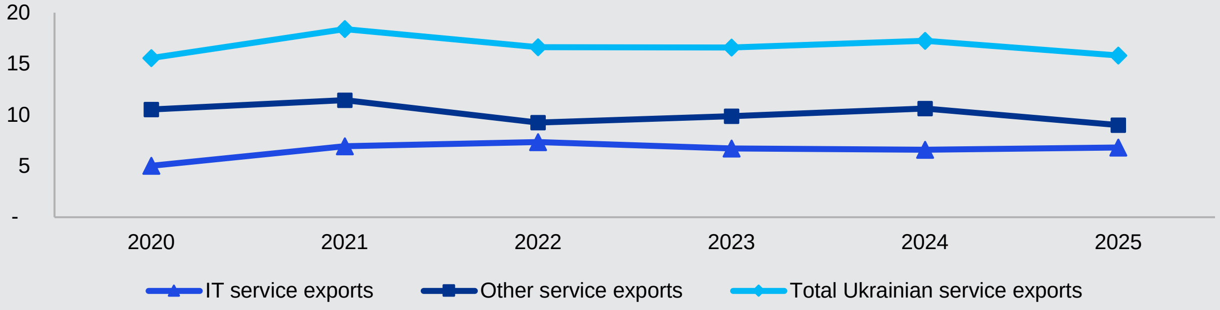
Despite Russia's full-scale invasion, Ukraine's innovations and technology sector has remained an active and internationally significant pillar of the country's economy, benefitting from the sector's physical asset "light" nature and potential for remote work and relocation. With the total market volume reaching USD7.9 billion and contributing 3.2% to Ukraine's GDP in 2025, the IT sector continues to demonstrate adaptability and attract investment interest.

Despite the impact of the Russia's full-scale invasion, including constraints on labour, operations, and financing, Ukraine's IT sector has proven resilient: with 2025 seeing IT exports recover to USD6.8 billion (compared to USD6.9 billion prior to the full-scale invasion).

The IT sector provides Ukraine's largest source of service exports, accounting for 43% of all exported services in 2025, whilst also ranking second after agriculture in terms of total exports of goods and services (12.6%).

Institutional changes have also contributed to IT sector resilience. Diia.City, created by the Ukrainian government in 2022 as a special tax regime and regulatory framework to encourage Ukrainian digital innovation, has helped Ukraine to develop a strong local technology hub and has provided a boost to investor confidence. With reduced tax rates, flexible employment procedures, and increased investment appeal, the programme offers flexibility and transparency when it comes to dealing with administrative processes and interactions with the Ukrainian tax authorities.

Ukrainian IT service exports, annual dynamics, USD billion



Source: NBU

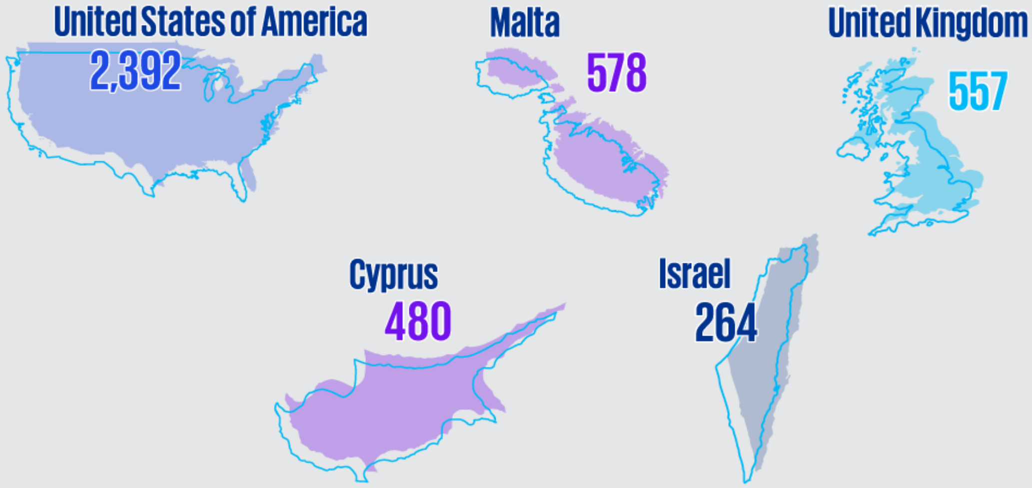
Recent IT sector developments

Continuing pre-war trends, Ukraine's IT sector has maintained a strategic position in terms of the country's export structure, job market, and business environment, with a positive outlook for long-term recovery prospects. As a significant driver of the Ukrainian economy, the IT sector generated 3.2% of GDP in 2025; with the total Ukrainian IT market reaching USD7.85 billion. IT exports for the same year reached USD6.8 billion, while monthly export figures of USD592 million as of March 2026 have also demonstrated an 8.4% increase year-on-year (up from USD546 million in March 2025).

IT sector development drivers

While 80% of Ukrainian IT sector exports come from Top-10 partner countries, the US predominates the sector's international client base, representing a significant percentage of total exports (USD2.4 billion in 2025, or 36%). Other countries with a significant share of overall IT sector exports include Malta, the UK, Cyprus, Israel, Switzerland, and Germany.

Ukrainian IT services exports by Top-5 countries 2025, USD million



Source: NBU

Local talent remains one of the Ukrainian IT sector's major competitive advantages: the number of Ukrainian IT specialists has remained stable at 303,000 in 2025, with 245,000 of these professionals living and working in Ukraine itself (a 2.9% increase on 2024). Sectoral stabilisation has also been supported by market demand for employees. While 2025 saw an 11% decline in the average number of open job listings (down to an average of 5,263 open positions per month compared to 5,895 average monthly open positions in 2024), figures for 5M 2026 appear to be improving: up to 5,468 job openings per month, with vacancies typically increasing in the latter half of the year.

Ukraine's IT sector also benefits from robust institutional frameworks, such as Diia.City which continues provide a clearer operating environment for investors looking to do business in Ukraine. Launched in 2022, Diia.City provides a special fiscal and legislative regime for IT companies located in Ukraine, encouraging financial transparency and improving investment attractiveness and corporate flexibility through the option to engage employees via "gig" contracts. As of the end of 2025, Diia.City was home to 3,095 resident companies, employing 130,000 IT professionals. The Ukrainian government has also announced further development of the Diia.City framework ("Diia.City 2.0"), expanding the regime to include hardware and deep-tech companies, including robotics and prosthetics development.

IT sector key players

Estimates indicate there are as many as 2,300 IT companies operating in Ukraine as of 2026, with the most common services including export-oriented software development, outstaffing services, and proprietary digital products, as well as miltech and agrotech solutions.

While the Top-5 companies in terms of IT specialists employed in Ukraine as of January 2026 were EPAM, SoftServe, GlobalLogic Ukraine, Ajax Systems, and Genesis, the share of Top-5 companies in total income represents a slightly different mix. Of these market players, the predominant companies by income were GlobalLogic, EPAM, Luxoft, and Kilobyte1024 (part of the Fintech-IT Group and the developer behind Ukrainian neobank monobank as a software supplier to Ukraine's Universal Bank).

Top-5 IT sector market participants, 2025

	Company revenue	UAH billion
1	GlobalLogic Ukraine	**10.88**
2	Epam Systems	**10.22**
3	Epam Digital	**9.24**
4	Luxoft Solutions	**4.85**
5	Kilobyte1024	**4.41**

Source: Opendatabot

Ukrainian IT sector M&A Dynamics

Ukraine's innovation and technology sector has seen a number of landmark deals in recent years, though M&A activity in 2025 was principally focused on internal investment rather than inbound transactions. Even though overall deal value (for deals valued of more than USD5 million) declined from USD342 million in 2024 to USD265 million in 2025 (a drop of 23%), increased to 16 (up from 11 deals in 2024). There was also widespread smaller dealmaking, with 59 transactions below USD5 million, highlighting the Ukrainian IT sector's ongoing ability to attract investment despite economic and geopolitical challenges.

Furthermore, despite the shift in focus from inbound to domestic dealmaking in 2025, Ukraine's innovation and technology sector remains the primary focus for foreign investors; accounting for approximately half of all inbound deals to Ukraine in terms of value in that period.

Recent significant domestic deals have involved local telecom group Kyivstar's ongoing strategy to develop as a holistic digital ecosystem. Enacting this strategy has seen Kyivstar engaging in transactions for a 97% stake in ride-hailing app Uklon for a total of USD155.2 million and a 100% stake in online pharmacy service provider Tabletki.ua for USD160 million.

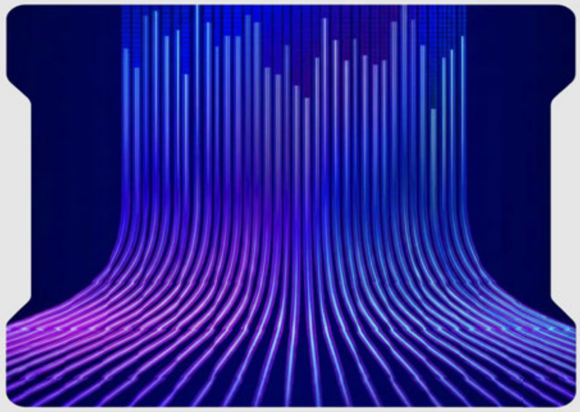
Other recent notable deals involving foreign investors include investment company NJJ Capital's acquisition of digital services and internet provider Datagroup-Volia for USD120 million and a USD200 million funding round pushing Ukrainian tech startup Creatio into "unicorn" valuation territory, with both transactions taking place in 2024.

Ukraine's IT sector continues is a mainstay attractor of investor interest, supported by its strong talent base and ability to operate effectively, even amid ongoing challenges.

Defence

Ukraine's defence industry has continued to grow amid sustained wartime demand and ongoing structural transformation, with a projected 2026 production capacity of USD55 billion; fifty-five times higher than prior to Russia's full-scale invasion. Domestic funding from the Government of Ukraine currently only covers USD15 billion worth of defence production capacity, with more external financing and foreign direct investment needed to plug the gap.

- Ukraine's defence sector is increasingly consolidating disparate small-scale responses to the onset of the full-scale invasion into coherent industrial-scale manufacturing. As a result, local defence production now meets more than 50% of the needs of both the Ukrainian Armed Forces and joint-production agreements, including recently negotiated drone deals with approximately 20 countries in the wake of the conflict in the Persian Gulf (of which as many as four have already been signed).
- Though imports of certain high-end platforms (e.g. air defence) and weaponry remain vital, Ukraine's own defence output has grown through rapid scaling, with local manufacturing now accounting for significant production capacity growth in terms of FPV drones, deep-strike UAVs, electronic warfare, and ammunition, as well as more recent increases in unmanned ground vehicle production.



- Ukraine's defence sector remains underfinance, with a notable funding gap remaining between production capacities and the volume of contracted work as of early 2026. Several proposed models to bridge this gap involve financing weapons procured from Ukrainian manufacturers (i.e. the Danish model) or directly funding selected Ukrainian producers to provide weaponry directly to the Ukrainian Armed Forces (i.e. the Dutch model). Joint ventures and localised manufacturing also provide options for foreign direct investment, though contract exclusivity with the Ukrainian Armed Forces until the end of the martial law period and elevated risks associated with Russian attacks continue to have an impact on investor confidence.
- 2026 has seen some liberalisation in terms of weapons exports, though these are still limited to "surplus" units while Ukraine's defence against the Russian invasion takes priority. Nonetheless, the Ukrainian Council of Defence Industry has prepared guidance for Ukrainian defence tech manufacturers entering foreign markets, both for companies looking to enter into joint weapons production agreements and for those looking for export pathways.
- Defence production arrangements also involve the development of manufacturing facilities abroad and shared IP licensing in order to avoid export complexities related to weapons and dual-use goods. Meanwhile, Ukraine's defence industrial complex has begun to engage with the Defence City initiative. Modelled after Ukrainian IT development hub Diia.City and launched in December 2025, residents of Defence City include defence businesses of strategic importance and benefit from tax exemptions, streamlined customs procedures, and relocation support.

Defence budget and financing

Ukraine's defence spending increased by 20% in 2025 to hit a record USD84.1 billion in absolute terms, or 40% of total GDP. Defence and security spending is also an overwhelming proportion of the Government of Ukraine's budget for 2025, accounting for 70% of total expenses.

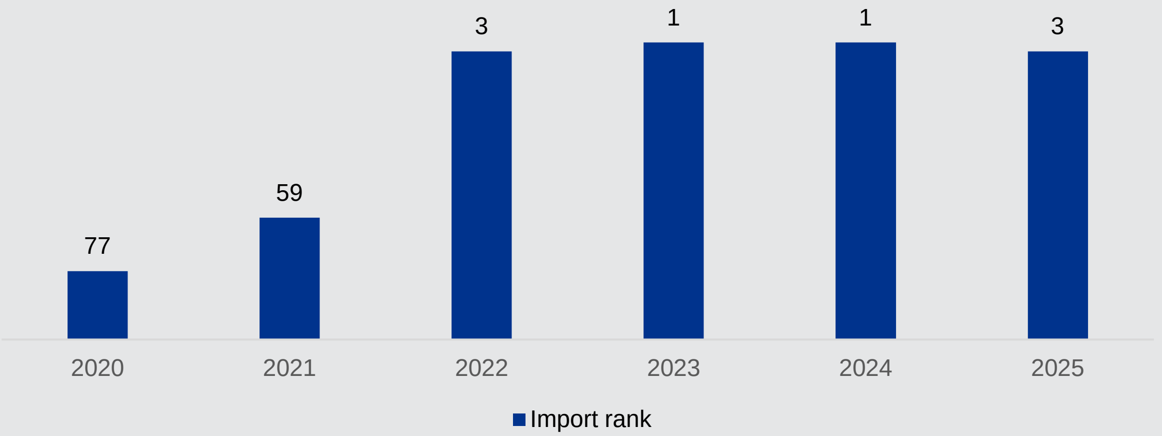
Ukraine's defence budget has only increased in 2026, with Prime Minister Yulia Svyrydenko noting that the finalisation of the EU's 2026–2027 EUR90 billion support loan has enabled the direction of an additional EUR31.8 billion for defence purposes. International support, including unilateral financing from partner countries such as Germany, Norway, the UK, Denmark, and the Netherlands, is an essential component of Ukraine's USD120 billion defence strategy for 2026; focusing on defending cities and critical infrastructure, stabilising the frontline, hitting Russian logistics at operational depth, and the systematic and ongoing targeting of strategic enemy facilities. In the long term, such spending will also provide for scaling industrial output and increased export potential, demonstrating a commitment to sustaining high levels of defence investment beyond the acute phase of wartime mobilisation.

Record defence spending and growing international funding are enabling Ukraine to rapidly scale its domestic defence production capacity.

Ukrainian Arms Imports

As noted, Russia's full-scale invasion of Ukraine in 2022 has engendered a staggering increase in terms of Ukrainian arms imports as a percentage of global imports, with data from the Stockholm International Peace Research Institute (SIPRI) showing a dramatic rise compared to 2020–2021 levels. Despite peaking in 2024 before a relative decline in 2025, Ukrainian arms imports have remained extremely high compared to historical levels.

Ukrainian arms imports, global rank

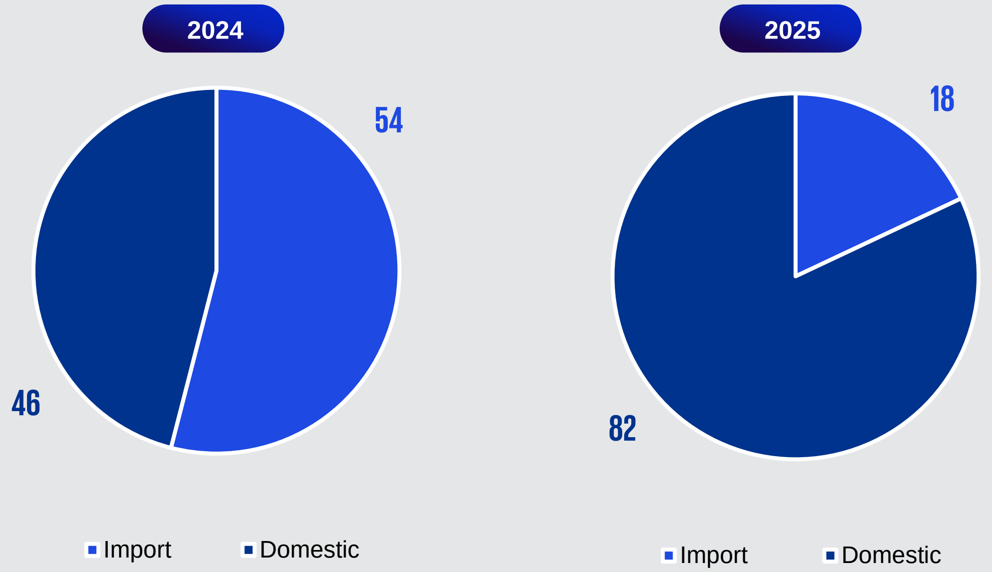


SIPRI arms transfer database (excluding NATO and Unknown recipients) [3]

[3] Measured in SIPRI trend-indicator value (TIV). For more details, see SIPRI database explanations here.

This comparative decline in imported military goods was mainly attributable to increased domestic production of weapons, equipment, and ammunition through Defence Procurement Agency DOT contracting, with the share of imports declining from more than half at the start of 2025 to less than one-fifth by the end of the year.

Military goods imports vs domestic production, %



Source: Ministry of Defence of Ukraine

Improved logistics and more selective procurement strategies are expected to continue to play a role in bolstering Ukraine's local defence industry in 2026. Ukraine made strides towards improving local mass production artillery and mortar ammunition in 2025, while domestic production in terms of interceptor drones, ground-based robotic systems and UGVs, tactical electronic warfare systems, bomber drones, and deep-strike capabilities continue be increasingly localised. According to the Ministry of Defence of Ukraine, the domestic share of weapons, equipment, and ammunition ordered from Ukrainian manufacturers by the Defence Procurement Agency DOT increased to 82% in 2025, up from 46% in 2024, compared to a decline in imported military goods from 54% to 18% in 2024 and 2025, respectively.

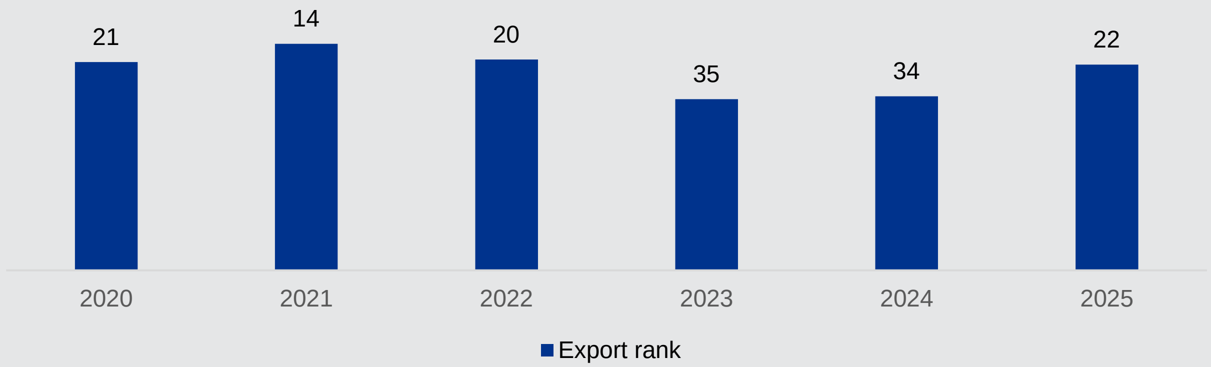
More defence component and dual-use goods manufacturing in 2026 could help reduce reliance on imports from other countries: while a significant proportion of goods are assembled locally, parts such as drone electronics, small engines, construction materials and plastics, and explosives still depend on import markets. Scaling up local production efforts will require a number of gradual regulatory updates to improve domestic competitiveness, however, including import duty and VAT relief on imported raw materials for Ukrainian arms and defence manufacturers (as opposed to imports of finished foreign components which are VAT and duty free during the period of martial law).

Increasing localisation of defence production has reduced Ukraine's reliance on imported military equipment and strengthened domestic manufacturing capabilities.

Ukrainian Arms Exports

Prior to Russia's full-scale invasion, Ukraine was a net exporter of military equipment. Such markets have largely disappeared due to immediate defence needs and related legislative restrictions, with domestic demand absorbing nearly all available production between 2022–2025 and leaving little capacity for foreign sales. However, recent geopolitical developments in the Gulf and elsewhere have seen policies restricting exports shift in favour of production prioritisation, with some weapons systems potentially available for limited surplus exports or foreign production of drones, interceptors, and EW systems through programmes like 2026's Drone Deal initiative.

Ukrainian arms exports, global rank



SIPRI arms transfer database (excluding Unknown suppliers)[4]

Ukrainian defence companies are increasingly seeking new opportunities to expand by developing production facilities abroad, often through joint production and localisation partnerships, as well as IP licencing and technology transfers.

The Government of Ukraine has proposed as many as 10 international export centres with key European partner states. While output remains prioritised for Ukrainian military needs under current agreements, Ukraine's co-production model enables technology transfers that effectively transform Ukraine's battlefield-tested IP into an exportable industrial platform.

This co-production strategy offers investment prospects to interested parties who are otherwise wary of Ukraine's restrictive domestic export regulations (not to mention the security concerns involved in facilities located in Ukraine). Such models also benefit the Ukrainian state budget by increasing sorely needed revenue, whether through state-owned defence enterprises or additional tax income, while also to further tying Ukrainian defence products into NATO-aligned procurement systems and European defence supply chains.

[4] Measured in SIPRI trend-indicator value (TIV). For more details, see SIPRI database explanations here.

Drone Production: The Core of Ukraine's Defence Industry

Since 2024, Ukraine's defence sector has started to realise the potential in scaling its drone production capacity, with drone manufacturing developing into an industry capable of mass production in a manner comparable to traditional artillery and munitions manufacturing in terms of strategic importance.

According to the National Security and Defense Council of Ukraine, trends as of the end of 2025 indicated that:

Drone production capacity exceeds 8 million FPV drones per year

160+ companies involved in drone manufacturing

FPV drones account for around 60% of enemy battlefield losses

Ukraine's current annual production capacity for all aerial drone types (FPV; intelligence, survey, and reconnaissance (ISR), etc.) could even be as high as 20 million, though such numbers are bottlenecked by available funding from investors and international partners.

Long-range strike system development has also encouraged increases in production capacity and technical capabilities, with a variety of Ukrainian-made long-range drones now achieving operational ranges of up to 1,750 kilometres (and potentially beyond by the end of 2026). Through a combination of private and public sector collaboration in both long-range drone and missile development, as well as cooperation with international partners, Ukraine's deep-strike production capacity was estimated to be up to USD25 billion as of January 2025.

Mass-scale drone production has become a cornerstone of Ukraine's defence industry, driving innovation and enhancing battlefield effectiveness.

Future prospects

While Ukraine's defence industry has undergone a significant period of expansion and adaptation since 2022, its medium-term trajectory is still likely to remain closely linked to the duration and intensity of hostilities, the availability of international support, the evolution of procurement policy, and the sector's ability to transition parts of its wartime capacity into a more durable industrial base over time.

Successfully transitioning Ukraine's defence industry into a sustainable peacetime model will therefore be one of the key questions shaping the country's economic and security future.

Key Defence Concerns

Key Ukrainian defence manufacturers now shaping the sector, both at home and abroad:

Ukrainian Defence Industry	Ukrainian Armor	Kvertus	Athlon Avia
Aerorozvidka	Skyeton	DevDroid	

Defence growth areas

[Resilience Media]() identified the following Ukrainian defence tech and miltech companies as being "ones to watch" in 2026.

Drones and interceptors (land, air, and sea)

Frontline Robotics
Odd Systems
Perennial Autonomy
UForce (Ukraine's first defence tech unicorn)

EW and Counter EW

Vermeer

Autonomous systems and AI

Farsight Vision
The Fourth Law
Osavul
SWARMER

Deep-strike platforms

Fire Point

Banking

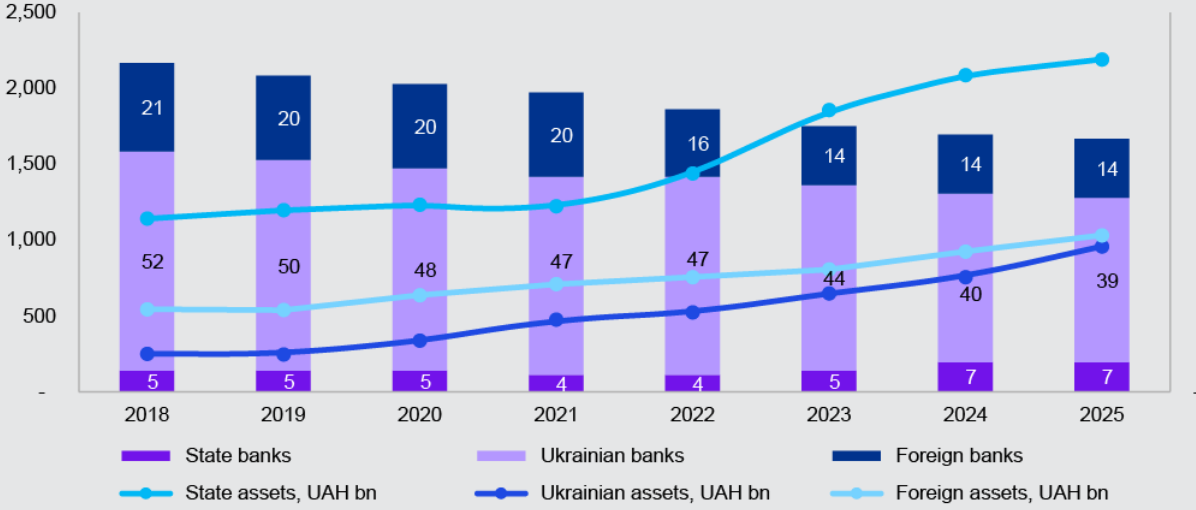
Ukrainian banks have been gradually adapting to the conditions of Russia’s full-scale invasion, with sector assets expanding, the share of non-performing loans continuing to decline, and profitability supported by strong interest income and improved balance sheet dynamics.

- The National Bank of Ukraine (NBU) has gradually adjusted its monetary policy stance in response to changing inflation dynamics and macroeconomic conditions. These changes are mainly made as a response to inflation, caused by a combination of wartime constraints, energy infrastructure disruptions, and strong demand-side pressure. The NBU reduced the key policy rate from 25% in mid-2022 to 13% by the end of 2024, before increasing again to 15.5% as of year-end 2025. The key rate was subsequently reduced, down to 15% at the start of 2026.
- Government bonds remain an important component of Ukrainian banking sector balance sheets, though their relative weight has gradually shifted. As of 2025, bonds still represent approximately 41% of total banking assets, a slight decline compared to the previous year. The share of loans in total banking assets has also continued to decline, falling from about 32% in 2021 to approximately 18% in 2025. This decrease reflects a broader rebalancing of the composition of banks’ assets.
- For the first time since the start of Russia’s full-scale invasion, the NBU incorporated adverse scenario performance into its 2025 banking sector stress testing. The NBU assessed 21 of the largest banks (accounting for more than 90% of sector assets) and concluded that the system remains adequately capitalised, although nine banks (representing approximately 18% of sector assets) were required to strengthen their capital positions.

Prudent monetary policy and a strong capital position continue to support stability in Ukraine’s financial sector.

Industry overview

Banks in Ukraine by type and assets



Source: NBU

Number of banks. Between 2021–2025, the number of banks operating in Ukraine declined to 60, largely reflecting consolidation and the exit of several institutions with foreign ownership. This included the departure of banks with Russian-linked capital, such as Alfa-Bank (subsequently rebranded as Sense Bank and transferred to state ownership), International Reserve Bank (formerly Sberbank of Russia), and Prominvestbank, as well as the closure or withdrawal of smaller banks (such as IBox Bank, Forward Bank, Concord Bank, and Ukrainian Construction Investment Bank) which were unable to fully comply with the regulatory requirements set by the NBU.

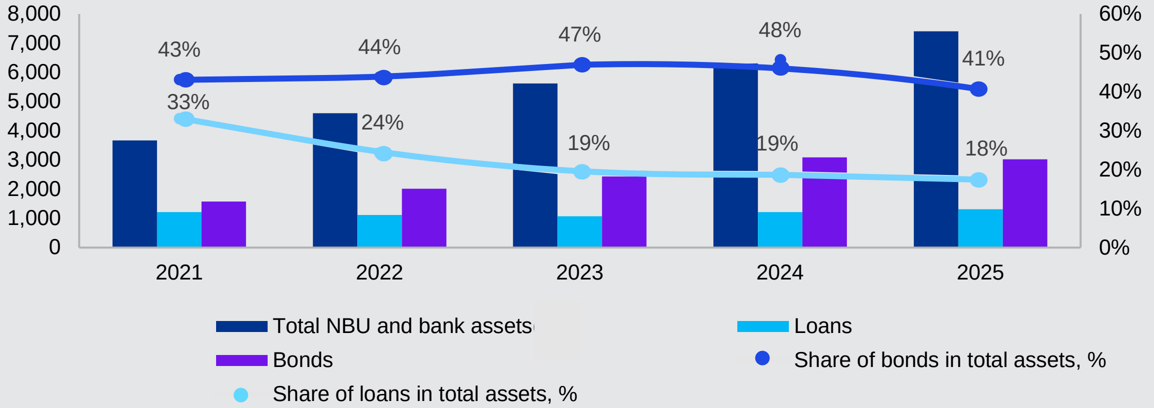
Banks owned by foreign bank groups

	2018	2019	2020	2021	2022	2023	2024	2025
Number of banks	21	20	20	20	16	14	14	14
Total assets of foreign banks, UAH billion	544	539	637	709	756	806	924	1,032
Share in total banking system	28.1%	27.2%	28.9%	30.1%	27.8%	24.3%	24.5%	24.7%
Share of Top-5 in total banking system	16.9%	17.5%	19.4%	20.0%	21.2%	19.4%	19.6%	19.6%
Financial result after tax, UAH billion	4	19	12	22	(0)	22	23	36

Source: NBU

Commercial banks' assets. Despite the ongoing war, the Ukrainian banking sector has continued to expand its aggregate asset base, though the drivers of this growth have gradually shifted. Before 2025, expansion was largely underpinned by increasing holdings of domestic government securities. This pattern softened in 2025, with the share of bonds in total assets gradually decreasing compared to 2024. More recently, bank asset growth has primarily been supported by higher balances in highly liquid instruments, including cash and deposits with the central bank and other financial institutions. This reflects a more conservative, liquidity-focused approach amid continued uncertainty, with Ukrainian banks prioritising flexibility and capital preservation over further accumulation of sovereign debt. Government securities nevertheless remain an important part of banks' balance sheets and continue to contribute to overall stability, even if they are no longer the dominant driver of asset expansion.

Total assets of NBU and banks, share of bonds and loans in assets, UAH billion

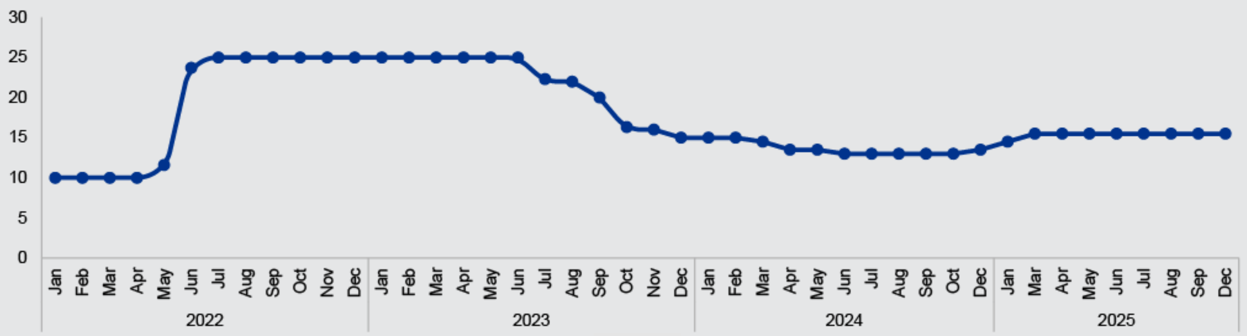


Source: NBU

The Top-5 foreign commercial banks by total assets are Raiffeisen Bank, Ukrsibbank (BNP Paribas), OTP Bank, Crédit Agricole Bank, and Citibank JSC; collectively accounting for almost 80% of the total assets held by foreign banks in Ukraine (UAH819 billion of UAH1,032 billion) as of 31 December 2025. .

NBU and commercial bank funding

NBU key rate,%

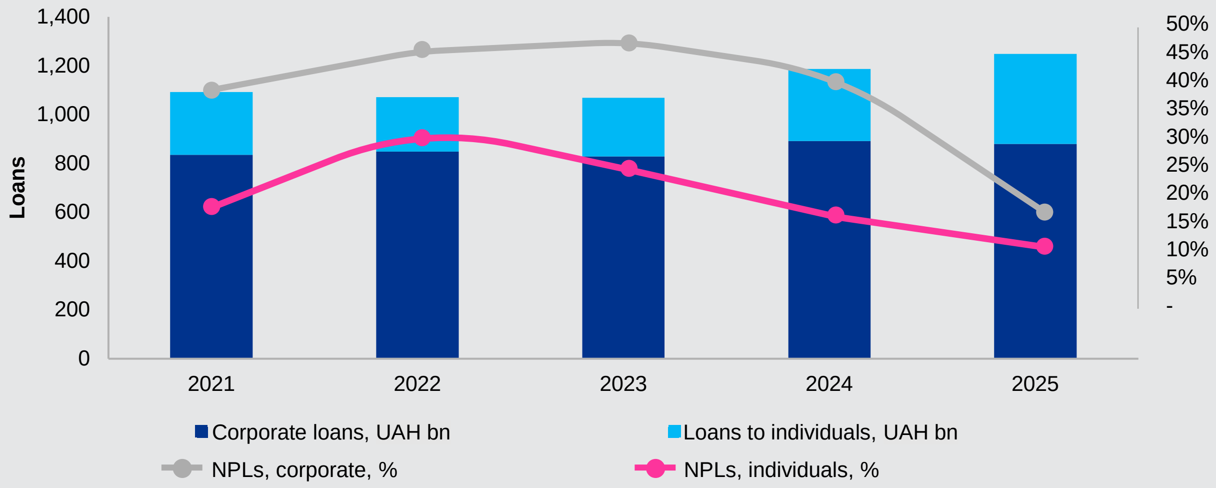


Source: NBU

The quality of Ukraine's banking sector loan portfolio has continued to improve since 2024, with a noticeable reduction in non-performing loans across both corporate and retail segments. This decline was particularly pronounced in corporate lending, while banks' retail portfolios also recorded steady improvement. As at the end of 2025, NPL ratios stood at approximately 17% for corporate loans and 11% for household loans. This overall improvement reflects a combination of factors, including active restructuring and write-offs of impaired exposures, sales of distressed assets to specialised collection companies, gradual recovery in borrower repayment capacity as the Ukrainian economy adjusts, and ongoing supervisory and regulatory actions on the part of the NBU.

A notable shift can be observed in terms of state support, which has become more targeted since 2020. The "Affordable Loans 5–7–9%" programme, for example, continued to undergo transformation and modernisation in 2025, with support financing of working capital for broad business categories tightened, the maximum loan amounts for certain client groups reduced, and interest rate caps revised. As a result, the share of subsidised instruments in the net UAH loan and leasing portfolio decreased by 4 p.p. over the course of 2025, down to approximately 28% as of the end of the year.

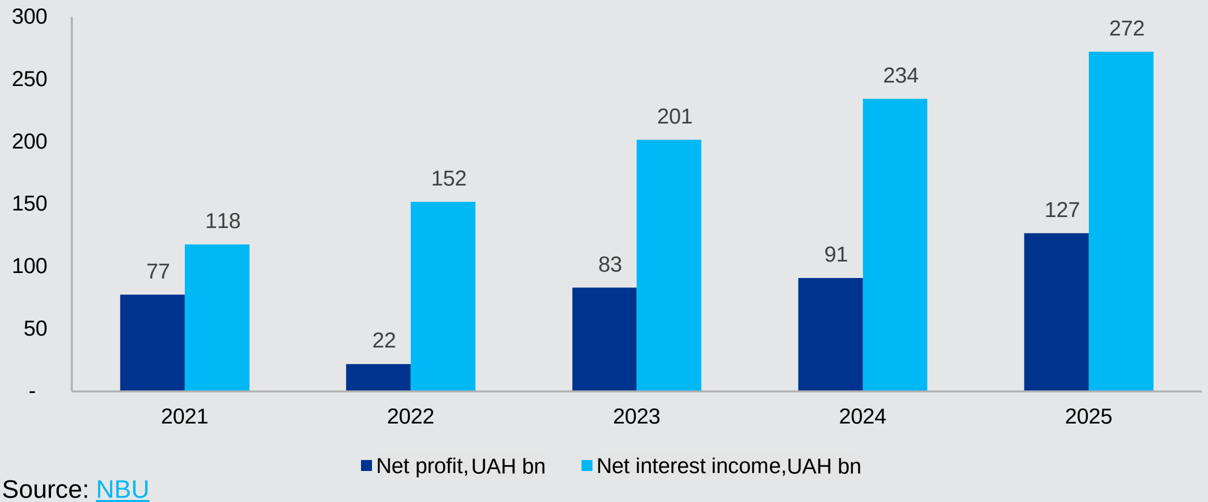
Loans and NPLs by portfolio, %



Source: NBU

Profit tax increase. Starting in 2023, Ukraine introduced an increased 50% corporate income tax rate for banks as a temporary fiscal measure aimed at supporting public finances amid wartime pressures and reduced external funding. This regime has since been extended and is effectively embedded into Ukraine's tax framework for 2026. The NBU has repeatedly expressed concerns regarding this approach, however, highlighting potential risks to banking sector resilience, capital accumulation, and credit expansion. The regulator continues to advocate for a more balanced fiscal policy that safeguards financial stability while addressing budgetary needs.

Net profit and net interest income, UAH billion



Source: NBU

Digitalisation. Ukrainian financial authorities, including the NBU and the Ministry of Digital Transformation, have continued to advance the country's digital financial infrastructure. Key initiatives include the promotion of cashless payments, wider implementation of the BankID system, and ongoing exploratory work on a potential central bank digital currency, known as the "e-hryvnia". These efforts aim to modernise Ukraine's financial infrastructure and ensure compliance with global standards.

According to recent research from Mastercard, digital payment adoption in Ukraine has continued to accelerate with a clear shift towards mobile-first solutions. As of 2025, nearly half of all users have a digital card stored in their digital wallet, while 41% use fully digital cards without a physical analogue. At the same time, approximately 60% of consumers regularly make payments using contactless digital cards via smartphones or other NFC-enabled devices. NBU data also confirms that cashless transactions dominate payment activity, with cashless payments accounting for approximately 95.5% of all payment card transactions by number and 65.4% by value in 2025, reflecting a mature stage of adoption of non-cash instruments.

To this end, the NBU has continued to develop its System of Electronic Payments (SEP) as part of ongoing efforts to modernise financial infrastructure and support cashless payments, upgrading SEP functionality in late 2024. The use of SEP expanded significantly in 2025, with the number of transactions processed through the system increasing by 23% year-on-year. The introduction of TrackSEP in December 2025 now enables users to monitor the status of transactions in real time, with such moves to improve banking transparency and efficiency reflecting a growing demand for fast and reliable interbank payments.

Ongoing development of Ukraine's digital financial infrastructure is enhancing the efficiency, transparency, and accessibility of local and international banking services.

Resilience assessment. For the first time since the start of Russia's full-scale invasion, the NBU included adverse-scenario stress testing as part of its banking sector resilience assessment in 2025, confirming that Ukrainian banks have largely remained resilient and adequately capitalised even in the face of wartime conditions.

External auditors provided asset quality reviews (AQRs) for all banks while the NBU conducted stress testing of Ukraine's 21 largest banks (collectively accounting for more than 90% of banking sector assets).

The overall banking system was determined as maintaining sufficient capital to withstand adverse macroeconomic scenarios, though nine banks were required to strengthen their capital positions or implement restructuring measures. To address this risk, the NBU has imposed higher capital adequacy requirements on these institutions.

Importantly, the estimated capital shortfall identified in the 2025 assessment is significantly lower than in pre-war assessments, reflecting improved balance sheet resilience and risk management across the sector even under adverse conditions.

Continued regulatory alignment with EU standards strengthens the long-term stability and attractiveness of Ukraine's banking sector.

Further additional capital buffer requirements are expected to be introduced from 1 January 2027 as part of a continued alignment of the Ukrainian banking regulatory framework with EU standards, with these requirements including capital conservation and systemic importance buffers. The introduction of a capital buffer regime is anticipated to provide greater flexibility regarding dividend distributions, enabling banks that fully comply with both minimum capital requirements and applicable buffers to distribute profits without the current regulatory restrictions.

International support. Ukraine's reconstruction and recovery efforts continue to attract substantial financial support from international partners, creating opportunities for the domestic banking sector.

For example, a significant share of funds from initiatives such as the EU's Ukraine Investment Framework (mobilising more than EUR40 billion in investment) and ongoing EBRD and EIB support (totalling more than EUR9.1 billion and EUR4 billion, respectively) are channelled through local banks, which play a central role in distributing this financing to businesses, municipalities, infrastructure projects, and energy-sector investments.

As a result, Ukrainian banks are positioned to benefit from increased lending activity, project financing mandates, guarantee programmes, trade finance operations, and related fee-based income, with reconstruction financing becoming an important driver of future banking sector growth.

The Ukrainian government is also preparing to privatise both state-owned Sense Bank and Ukrgasbank as part of its strategy to reduce state participation in the banking sector. Preparatory measures, including the selection of financial advisers and the establishment of a competitive sale process, are already underway.

M&A Radar 2025: Ukraine

Navigate Ukraine's M&A market with confidence, backed by key data* and expert analysis

Discover how the **M&A market** in Ukraine is evolving amid shifting economic and geopolitical realities

Explore the **key dealmaking trends** shaping transaction activity and investor behaviour

Uncover which **sectors** are driving growth and attracting strategic investment interest

Get a clear snapshot of Ukraine's **macroeconomic landscape** and the role of international support in sustaining investment momentum

*Based on reputable, publicly-available data sources, alongside KPMG's independent analysis to ensure consistency and reliability.

Clarity starts here

Discover the full analysis

M&A Radar shows you WHERE. This guide shows you HOW.

2. Market entry

2.1 Business registration
2.2 Market entry strategies
2.3 Corporate law

Business registration

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 annual 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.

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.

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 the 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 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.)

Direct sales is the simplest way to enter the market

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.

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.

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.

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, an 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.

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

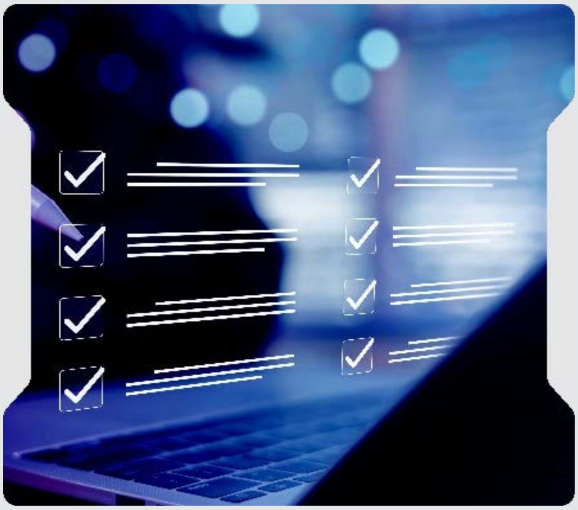
A Ukrainian subsidiary may be engaged in any commercial activity

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 LLC 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.

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. During the period of martial law in Ukraine and for one year after its termination, defence-related companies (including those involved in the development, production, modernisation, disposal, and supply of military or dual-use products, as well as services under defence contracts) may enter addresses used for official communication with the state authorities into the USR (rather than their actual location).

For the same period, access to public electronic registers, including information on legal entities and other data related to national security and defence, may be restricted by the register holder in accordance with the procedures established by the Cabinet of Ministers of Ukraine.

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).

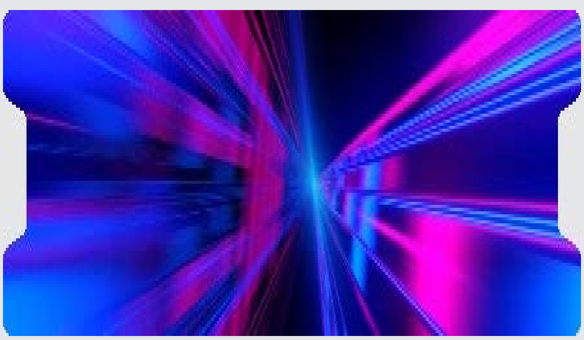
[1] Subject to the collection of the necessary documents required by the effective legislation.

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 their 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 notarized 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.



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 EUR34,003)[2]. Shares in a JSC should be fully paid up before registration with the state.

[2]All calculations based on minimum salaries relate to one minimum salary, or UAH8,647 (approximately EUR170), established as of 1 January 2026.

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 the 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 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.

There is no minimum capital for establishing an LLC

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 holding 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 concept of a legal entity acting as a "corporate rights advisor". The advisor analyses disclosure of regulated information and other information regarding a 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.

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

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 pre-emptive 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 [that are 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.

Shareholderrs may freely divest shares in an LLC to third Parties, subject to charter provisions

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 recognized 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.) From 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

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

- in the event of liquidation, minority shareholders are entitled to a share of the assets after the company's liabilities have been settled.

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.

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 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.

Ukrainian entities are required to implement anti-corruption measures

Personal income tax and 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.

Resident and non-resident individuals are subject to a personal income tax at a rate of 18%, as well as a 5% military tax

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

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.

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 relevant taxes 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, then 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).

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 retirement pensions, compensation for work-related accidents, sickness benefits, maternity leave, and unemployment benefits.

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 the USSC is capped at 20 monthly minimum salaries: UAH172,940 for 2026 (approximately EUR3,350).

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.

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**Remember: M&A Radar shows you WHERE. This guide shows you HOW.
KPMG Ukraine Gateway helps you CONNECT opportunities.**

3. Taxation

3.1 Corporate income Tax

3.2 Withholding Tax

3.3 Double Tax Treaties

3.4 Value-Added Tax

3.5 Property and Land Taxes

3.6 Transfer pricing regulations

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 temporary 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 planned increases to certain taxes.

Corporate Income Tax

Tax Rates

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 profit taxes imposed at the regional or local levels.

The basic CIT rate in Ukraine is 18%

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 31 December) 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

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).

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

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.

The Tax Deductibility of Certain Fees Can be Subject to Limitations

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.

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 does 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 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 in physical form (such as DVD media) 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.

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.

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

Withholding Tax

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), Japan (2024), and Australia (2025), though the DTTs with Spain and Australia are still pending ratification by both parties. The DTT with Japan became effective on 1 August 2025 and has been applicable since 1 January 2026.

As a result, neither of the DTTs with Spain or Australia is effective as of the date that this guide was published. Until the new DTT with Spain enters into force, the DTT concluded by the USSR is effective by virtue of state succession rules. The DTT with Australia, meanwhile, is still pending.

As of 1 January 2026, Ukraine has 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 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 the rules established by the relevant DTT.

To benefit from a DTT, a non-resident must comply with the beneficial ownership and primary purpose tests

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.

"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.

Ukraine has performed automatic annual exchanges of information under CRS since 2024.

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 resident to 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 to VAT registered payers.

Tax Rates

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

The basic VAT rate in Ukraine is 20%

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

VAT reports may only be submitted in electronic form

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 relevant VAT paid can usually be reclaimed by the Ukrainian importer as a VAT credit in the same tax period (month).

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: UAH8,647 for FY2026) 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: 60m^2 (in case of an apartment), or 120m^2 (in case of a house).

An additional UAH25,000 in real estate tax per year applies to properties whose size exceeds 300m^2 (in case of an apartment) or 500m^2 (in case of a house), applicable to 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: approximately UAH3.24 million for FY2026), applicable to cars which are less than five years old and held by legal entities or 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.

Transfer pricing regulations

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 (typically offshore jurisdictions)
- transactions with non-residents with specialised legal forms as listed by the Cabinet of Ministers of Ukraine (so-called "hybrid mismatch" entities, mainly types of Partnerships and Free Zones)
- 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.

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 (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

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 (i.e. a Country-by-Country, or CbC, notification) 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 belong 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 for the previous FY 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 or profitability and the price or profitability as determined 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.

Any discrepancy between the market price or profitability and the price or profitability as described in the controlled transaction that results in a corporate income tax (CIT) base adjustment may be treated as a constructive dividend and would be subject to withholding tax under the applicable double tax treaty.

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 Taxpayer's Electronic Office, otherwise known as the "Electronic Cabinet".

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

The Ukrainian tax authorities may conduct desktop audits, documentary audits , 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. a 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)
- 20 business days for all other taxpayers (i.e. taxpayers that are not considered small or large)

Scheduled field audits may also be prolonged for five business days in the case of small taxpayers, 10 business days for other taxpayers, or 15 business days for large taxpayers.

The duration of an unscheduled audit is:

- three business days for individual entrepreneurs
- 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, or 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 made by 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 (UAH4,992,000).

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.

In order to declare goods moving through Ukrainian customs border post, an importer/exporter of goods (or an authorized 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:

- EUR1,000 (by plane)
- EUR500 (other transport)
- 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.

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

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

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.

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.

AEO status generally grants the following benefits:

- simplified customs clearance and declaration procedures
- opportunity to import goods using a simplified pre-import declaration
- reduced financial guarantee for companies with AEO status (50%, 30%, or 0% of the regular financial guarantee)
- priority for customs formalities
- permission to use a special traffic lane (commercial vehicles only) to cross the border.

Ukraine became 36th member of the Convention on a Common Transit Procedure in 2022

Common Transit of Goods

The Parliament of Ukraine has ratified the Convention on a 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:

- opportunities to exchange customs information with other members in real time
- use of a unified declaration for the common transit of goods from origin state to destination state conducted through third states under the Convention on Common Transit Procedure
- the chance to obtain special benefits (e.g. authorised shipper status, simplified filling procedures, financial guarantees, etc.)

4. FX control, banks, and foreign investments

4.1. Exchange controls and currency regulation

4.2. Banking activity

4.3. Foreign investment and repatriation of profits

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 eight NBU 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 has introduced a number of 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

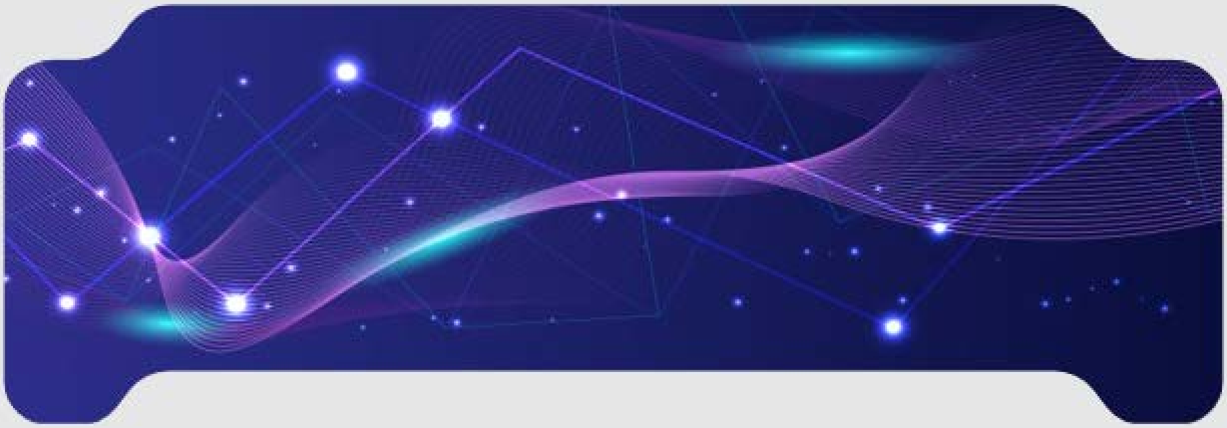
The NBU has permitted payments for any goods (including products, services, and works) since May 2024, although a settlement period under transactions involving the export/import of certain goods is still in place. As a general rule, this settlement period is 180 days, though this period could also be 90, 120, or 270 days depending on the nature of the goods and the date of supply.

Repaying credits and loans in foreign currency received by Ukrainian residents from non-residents is conditional and depends on the date that such credits and loans were provided. 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.)

Repatriation of dividends for the period starting from 1 January 2023 is generally permitted, subject to certain conditions:

- the payment is conducted 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.

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



Starting from 2025 the NBU has also introduced several cumulative limits which permit conducting certain transactions which were generally formerly prohibited or limited during the state of martial law. These include:

- an "investment", equal to the amount of foreign currency contributed by foreign investors to share capital of a Ukrainian entity, starting from 12 May 2025
- a "donation", equal to the amount transferred from own funds of a Ukrainian entity, provided to a special NBU account in support of the Ukrainian Armed Forces, available from 7 August 2025
- a "loan", equal to the amount of foreign currency received from abroad as loans and credits by a Ukrainian entity and credited to a Ukrainian bank account, available from 1 January 2026.

The following transactions are now permitted in amounts pursuant to the conditions described above, in amounts equal to the investment, donation, or loan (as applicable):

- import payments for goods received before 23 February 2021
- return of advance payments received before 23 February 2022
- repayment to a Ukrainian non-resident of principal of loans and credits received before 20 June 2023
- maintenance of foreign branches exceeding the established threshold
- dividend repatriation exceeding the EUR1 million per month limit.

Some currency control amendments have been introduced since 2019, including:

- 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 gradually expanded since 24 February 2022 and includes payment for importing goods, paying principal and interest for foreign currency credit and loans, repatriating 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, unless certain exceptions apply.

Banking activity

The banking system in Ukraine has two levels:

The National Bank of Ukraine, the central bank of Ukraine and the ultimate regulator of the banking activity in Ukraine

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 became effective 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 may not be less than approximately EUR4 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, it is mandatory to receive approval from the National Bank of Ukraine in accordance with its regulations, as well as to receive 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 other financial and financial payment services, such as leasing, factoring, guarantees, currency exchange, etc. 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.

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 mechanisms and state support programmes for investments in Ukraine, including:

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

The abovementioned mechanisms cover a wide range of sectors and industries, including energy, IT, defence, 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. There have been several relaxations since May 2024, however, which provide for repatriating dividends subject to the conditions described in the “Exchange controls and currency regulations” section. Another option for investment is debt financing, where the return of such financing is conditional upon certain martial law regulations as described in the “Exchange controls and currency regulations” section.

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

5. Financial reporting

5.1 Principal features of UNAS
5.2 Ukrainian accounting principles
5.3 Mandatory application of IFRS
5.4 Statutory reporting requirements
5.5 Audit requirements

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

A Ukrainian financial year runs from January to December

Principal features of UNAS

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.

Ukrainian National Accounting Standards are primarily based on IFRS

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 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)
- authorised rating agencies
- 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.

Compliance with IFRS is mandatory for certain types of enterprises

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

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.

Large- and medium-sized companies are required to publish financial statements and auditors' reports

Tax & Legal services 2.0

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6. War risk insurance

6.1 Ukrainian Export Credit Agency insurance products
6.2 Ukrainian commercial risk insurance market
6.3 War risk insurance programs from IFIs and foreign ECAs
6.4 New draft law "On the War Risk Insurance System"

In response to Russia's ongoing full-scale invasion of Ukraine and the extensive destruction of business assets and critical infrastructure, Ukraine has gradually developed a separate legal framework for war risk insurance (WRI). As standard commercial insurance policies typically exclude coverage for losses caused by war, hostilities, missile attacks, acts of terrorism, sabotage, occupation, or similar events, war risk insurance has become one of the key instruments for mitigating investment and operational risks in Ukraine.

The current regulatory framework governing WRI in Ukraine is based on:

- the Law of Ukraine "On Financial Mechanisms for Stimulating Export Activity"
- Resolution of the Cabinet of Ministers of Ukraine (CMU) 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"
- Resolution of CMU No. 1541 dated 28 November 2025, which introduced additional state support mechanisms for compensation of war-related losses and partial reimbursement of war risk insurance premiums effective from 1 January 2026.

Ukrainian Export Credit Agency insurance products

The Export Credit Agency (ECA) currently carries out a central role in Ukraine's WRI system and is gradually becoming the key state institution responsible for insurance and reinsurance of military and political risks. Under Ukrainian law, the ECA's mandate is to stimulate investment activity through insurance, reinsurance, and guarantees covering commercial, political, and war-related risks. The ECA has established internal policies with requirements for insurance of loans and investments.

The ECA currently offers insurance products covering foreign trade agreements, export and investment loans, direct investments, bank guarantees and counter-guarantees, as well as partnership financing programmes for exporters. ECA insurance support may apply to financing of up to UAH400 million (approximately EUR8 million). Certain ECA products provide for coverage of up to 85% of the value of the relevant foreign trade contract or financing arrangement.

The ECA's insurance products may cover risks associated with armed conflict, military aggression, hostilities, missile and drone attacks, terrorism and/or sabotage, occupation, expropriation, payment restriction, non-payment of contractual or credit obligations, currency transfer and payment restrictions, and other political and force majeure risks.

In September 2024, the ECA provided its first instance of insurance for an investment loan to cover the purchase of a gas turbine generator for a major Ukrainian company selling printing inks.[1]

A significant expansion of state support mechanisms also entered into force on 1 January 2026, pursuant to Resolution No. 1541. The new framework introduced two additional state support instruments administered by the ECA:

- direct compensation for businesses operating in designated high-risk regions
- partial reimbursement of WRI premiums.

Under the direct compensation mechanism, businesses operating in designated high-risk regions may receive compensation for documented war-related losses of up to UAH10 million (approximately EUR200,000) per group of companies. Participation in the programme requires payment of a one-time contribution equal to 0.5% of the estimated value of potential losses.

Businesses operating throughout Ukraine (except for temporarily occupied territories) may also apply for partial reimbursement of premiums paid under WRI policies concluded after 1 January 2026. The state reimburses the portion of the insurance tariff exceeding 1%, subject to a cap of UAH1 million per insurance contract per year. These mechanisms are intended to improve WRI affordability and accessibility in Ukraine.

As of 31 March 2026, the ECA has supported 184 exporters, while the total value of supported exports exceeded UAH35 billion and the total value of loans issued for trade agreements with ECA support reached approximately UAH 3.9 billion.[2]

Ukrainian commercial risk insurance market

A commercial WRI market has also started to develop in Ukraine, with certain Ukrainian insurers already offering limited WRI products for property and business asset protection. In practice, however, such products usually involve relatively low coverage limits, as well as extensive exclusions and geographical restrictions, particularly with respect to areas located close to active hostilities or frontline regions.

War risk insurance programs from IFIs and foreign ECAs

Alongside domestic insurance mechanisms, Ukraine has also become one of the first jurisdictions where international financial institutions and ECAs actively support war risk insurance for private investments. These mechanisms include:

- political risk insurance and guarantees provided by the Multilateral Investment Guarantee Agency (MIGA)
- support programmes offered by the U.S. International Development Finance Corporation (the DFC)
- guarantee and export support programmes implemented by foreign ECAs, including agencies from Germany, Poland, Denmark, and other countries
- the UNITY Facility programme for maritime and cargo insurance
- various public-private reinsurance initiatives involving international financial institutions and Lloyd’s market participants.

One of the notable recent developments has been the expansion of international reinsurance capacity in the Ukrainian WRI market. In early 2026, Kniazha Vienna Insurance Group completed the establishment of a DFC-backed war risk reinsurance facility supported by Aon. The facility provides up to USD25 million in reinsurance capacity for a broader war risk insurance portfolio of up to USD100 million, primarily targeting SMEs and private individuals located outside of frontline areas.

New draft law “On the War Risk Insurance System”

At the legislative level, Ukraine is also working on developing a comprehensive long-term WRI system. Draft Law No. 12372 “On the War Risk Insurance System”, for example, proposes the establishment of a multilayer national WRI framework involving the state, private insurers, and international partners. The proposed framework is intended to complement and further expand existing war risk insurance mechanisms currently administered by the ECA, including the introduction of broader risk-sharing arrangements, more standardised insurance products, and enhanced state coordination in the WRI sector. The draft law contemplates the introduction of risk-sharing mechanisms, potential mandatory insurance elements for certain categories of property, standardised insurance terms, and enhanced state coordination in the WRI sector. As of the date of this publication (May 2026), the draft law had not yet been adopted and remains under further consideration and revision.

Although the WRI market in Ukraine has expanded significantly since 2022, it still remains relatively limited in terms of available insurance capacity and market coverage. WRI products continue to include substantial exclusions, territorial restrictions, and relatively high premiums. Nonetheless, both the state and private market participants continue to develop new insurance and reinsurance mechanisms aimed at supporting investment activity and Ukraine’s long-term reconstruction.

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.

Economic concentration

In order to protect Ukrainian markets from monopolies and avoid the adverse effects of companies abusing a consequent dominant position, Ukrainian antimonopoly legislation requires prior approval from the Antimonopoly Committee 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 to be "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.

Ukraine has broadened the definition for what is considered "economic 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
- holding the position of a chairman, deputy chairman of the supervisory board, management board, other supervisory or executive body of a business entity by 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

The Law of Ukraine “On Protection of Economic Competition” also introduced financial thresholds whereby AMC approval is required when the following conditions are met according to either of the following two tests:

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 for 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.

The Law of Ukraine “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.

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 for more details).

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

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 the 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.

AMC or CMU approval is required prior concerted actions

State Aid

The Law of Ukraine "On State Aid to Economic Entities" (the 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. The Law aims to ensure protection and develop competition, increase transparency in the functioning of the state aid system, and maintain adherence to Ukraine's international obligations in the field of state aid.

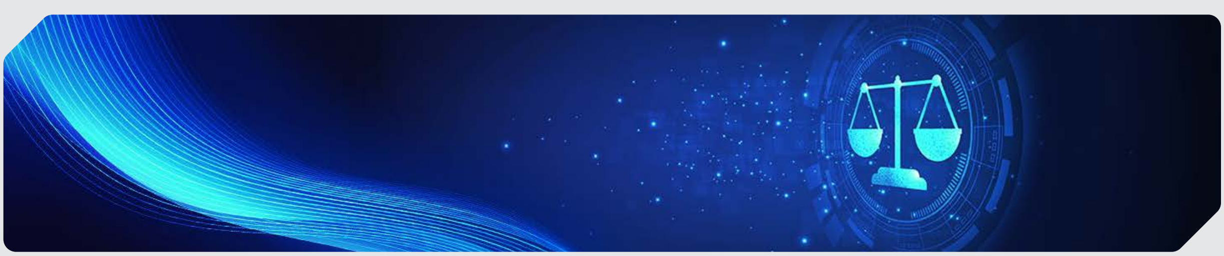
The term "state aid" for the purposes of this law refers to support by state or local bodies provided to economic entities which distorts or threatens to distort economic competition, creating preferences for the production of certain types of goods or conducting certain types of economic activity.

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 Antimonopoly Committee of Ukraine 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, taking into consideration 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.

The Antimonopoly Committee of Ukraine has formalised methodology for calculating individual competition fines in 2023

7. Intellectual property

7.1 IP system in Ukraine

7.2 Copyright and related rights

7.3 Trademarks

7.4 Inventions and utility models

7.5 Industrial designs

7.6 Geographical Indications

7.7 Transfer and licensing of IP rights

IP system in Ukraine

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").

Moreover, in order to cover a full spectrum of services aimed at enhancing innovation, protecting IP rights, and providing mediation, the Ukrainian IP Office has launched the following internal institutions in recent years:

- National IP & Innovations Hub: 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.
- Mediation Centre: a new tool within the Ukrainian IP system to help authors, inventors, and businesses in resolving disputes
- IP Rights Infringement Monitoring Centre: conducting quantitative assessment of IP rights infringements, analysis of IP rights infringements consequences for the economy, health and safety, research of public perceptions regarding IP, etc.

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 an international treaty 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.

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.

[1] Patent Law Treaty (PLT)

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, unless otherwise provided for by law.

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

Current copyright law stipulates "sui generis" rights, 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 rights 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).

The recent draft Civil Code, adopted under first reading in April 2026, provides for provisions on sui generis rights for non-original databases and non-original IP generated by artificial intelligence systems. This draft Civil Code does not determine the content, nor the term of validity, related to such sui generis rights in a non-original database or non-original IP generated by an artificial intelligence system, envisaging that such details shall be determined by a relevant special law.

"Sui generis" rights were introduced in 2023 by Ukraine's new copyright law

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.

Utility models must meet two criteria for patentability:

- novelty
- industrial applicability.

Inventions must meet three criteria for patentability:

- novelty
- an inventive step (not obvious to a skilled person aware of the state of the art, i.e. “non-obviousness”)
- 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, including restrictions on granting the right to use secret inventions or utility models, 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 the case of 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 must meet 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 terms. 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 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, as 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.

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 associated licence (exclusive, sole, or non-exclusive).

Furthermore, Ukrainian 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). Due to the specifics of the nature of geographical indications, Ukrainian law also 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.

9. ESG & Sustainable Development

9.1 Environmental (E)
9.2 Social (S)
9.3 Governance (G)
9.4 ESG Reporting
9.5 Sustainable finance, green taxonomy, and green securities
9.6 Practical implications for investors and businesses

ESG & Sustainable Development

Environmental, Social and Governance (ESG) considerations are becoming an increasingly important part of the business and regulatory landscape in Ukraine, particularly in the context of EU accession, post-war reconstruction, and integration into European and global markets. ESG is increasingly viewed not only as a corporate responsibility initiative, but also as a framework influencing regulatory compliance, access to finance, investment attractiveness, market access, and participation in reconstruction and infrastructure projects.

ESG-related requirements in Ukraine are regulated through various areas of legislation, including environmental protection, labour and social protection, corporate governance, anti-corruption, climate regulation, financial sector regulation, sustainability reporting, and capital markets legislation.

The development of ESG regulation is primarily driven by:

Ukraine's approximation of EU legislation and implementation of elements of the European Green Deal framework

reconstruction and recovery programmes supported by international financial institutions (IFIs) and donors.

In practice, ESG obligations increasingly arise from both domestic legislation and contractual requirements imposed by EU customers, lenders, investors, insurers, multinational groups, and international financing institutions (IFIs). International donors and IFIs, including the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), International Finance Corporation (IFC), and the World Bank, frequently require compliance with environmental and social safeguards, governance standards, and climate-related criteria as conditions for financing and participation in investment or reconstruction projects.

Environmental (E)

Environmental regulation in Ukraine is relatively developed and largely aligned with the EU environmental acquis under the EU-Ukraine Association Agreement. Key regulatory areas affecting businesses include:

- environmental protection and pollution control
- environmental impact assessment (EIA)
- waste management and extended producer responsibility (EPR)
- air emissions and industrial pollution control
- water use and wastewater regulation
- energy efficiency and climate-related measures
- biodiversity and land protection
- greenhouse gas monitoring, reporting and verification (MRV).

Environmental permits, EIA procedures, emissions regulation, waste management obligations, and compliance with resource-use standards are particularly relevant for companies operating in the energy, manufacturing, mining, agriculture, construction, infrastructure, chemicals, and food production sectors.

Environmental compliance is also becoming increasingly linked to ESG reporting and supply chain transparency requirements. Ukrainian companies supplying EU-based customers are already receiving requests for data relating to greenhouse gas emissions, energy consumption, waste management, and climate risks to support Corporate Sustainability Reporting Directive (CSRD) disclosures and Scope 3 emissions reporting obligations.

For Ukrainian businesses exporting iron, steel, aluminium, cement, or fertilisers, maintaining access to the EU market now requires strict carbon tracking to comply with the new Carbon Border Adjustment Mechanism (CBAM).

Social (S)

Social aspects of ESG in Ukraine are governed primarily through labour, employment, occupational health and safety, anti-discrimination, and social protection legislation.

Key compliance areas for employers include:

- occupational health and safety
- working conditions and employee protection
- labour rights and social guarantees
- equal treatment and non-discrimination
- employee training and development
- protection against harassment and workplace violence.

Given the current wartime environment, social considerations increasingly also include:

- mobilisation and military service-related policies
- veteran reintegration and support measures
- mental health and employee wellbeing
- support for internally displaced persons
- workforce resilience and business continuity.

In addition to statutory requirements, issues such as human rights due diligence, supply-chain labour standards, diversity and inclusion, grievance mechanisms, and employee engagement are becoming increasingly important in relationships with international business partners, investors, and IFIs.

Strong social governance practices may also influence access to financing, participation in donor-funded projects, reputation management, and attractiveness for international counterparties.

Governance (G)

Corporate governance is one of the most actively developing ESG-related areas in Ukraine. Governance obligations derive from corporate, accounting, banking, securities, anti-corruption, financial monitoring, and disclosure legislation.

Key governance-related areas include:

- corporate governance structures and transparency
- disclosure of ownership and beneficial owners
- internal control and risk management systems
- anti-corruption and compliance programmes
- sanctions and export control compliance
- whistleblowing mechanisms
- cybersecurity and data protection.

ESG Reporting

ESG reporting requirements increasingly affect Ukrainian businesses indirectly through:

- relationships with EU customers subject to the CSRD
- participation in international supply chains
- financing conditions imposed by IFIs and international lenders
- eligibility criteria for reconstruction and infrastructure projects
- investor due diligence and M&A processes.

As a result, even companies formally outside the scope of mandatory sustainability reporting may still be required to provide ESG-related information and disclosures in practice.

Sustainable finance, green taxonomy and green securities

The National Bank of Ukraine (NBU) plays a key role in developing sustainable finance regulation within the Ukrainian financial sector. In cooperation with the IFC, the NBU adopted the Sustainable Finance Development Policy[1] in 2025, aimed at integrating ESG principles into banking governance, risk management, ESG disclosure, environmental and social risk management (ESRM), and assessment of climate-related financial risks. In practice, Ukrainian banks increasingly assess ESG risks associated with borrowers and financed projects, particularly where financing involves IFIs or foreign lenders.

Ukraine is also developing a sustainable finance taxonomy broadly based on EU Taxonomy principles to support the classification of environmentally sustainable activities, development of green financial products, prevention of greenwashing, and alignment of reconstruction financing with sustainability principles.

Ukraine has introduced a legal framework for green bonds (the Green Bonds Framework) under the Law of Ukraine “On Capital Markets and Organised Commodity Markets” and the relevant regulations issued by the National Securities and Stock Market Commission (NSSMC). The Green Bonds Framework generally follows international approaches regarding use of proceeds, project selection, reporting, and external verification. Green bonds may finance projects related to renewable energy, energy efficiency, sustainable infrastructure, low-carbon transport, water and waste management, circular economy initiatives, and sustainable reconstruction projects.

Ukraine is also gradually developing broader sustainable finance instruments, including sustainability-linked financing, ESG-linked loans, municipal green bonds, and transition finance mechanisms.

Practical implications for investors and businesses

For companies considering or already operating in Ukraine, ESG increasingly represents both a compliance and strategic business consideration affecting:

- access to financing and insurance
- cooperation with IFIs and international lenders
- participation in public procurement and reconstruction projects
- integration into EU supply chains
- market access and competitiveness
- investment attractiveness and M&A transactions
- long-term legal, operational, and reputational risk management.

Given Ukraine’s ongoing approximation to EU legislation and increasing integration into European markets, ESG-related requirements are expected to continue developing and becoming more formalised over the coming years.

[1] https://bank.gov.ua/admin_uploads/article/Policy_rozvytok-stalogo-finansuvannja_2025_en.pdf?v=4

10. Employment

10.1 General provisions
10.2 Employer obligations with regard to additional safety measures
10.3 Employer financial obligations
10.4 Working time/rest time
10.5 Employment of foreign employees

General provisions

Employment agreements

Employment in Ukraine 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, providing new grounds for terminating employment. These are:

- 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 organisational or technical apparatus, means of production, or the employer's property, etc. as a result of military hostilities.

Employer obligations with regard to additional safety measures

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.

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

Employers are recommended to introduce measures that ensure safe working conditions

Employer financial obligations

Salary payment

Employers' obligation to pay salaries in full and in a timely manner remains valid. However, employers may be exempted from liability for failure to pay salary in a timely manner due to circumstances arising from military action or an employer's inability to function normally as a result of such circumstances.

Employers may be exempted from liability for failure to pay salary in a timely manner due to circumstances arising from military action

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.

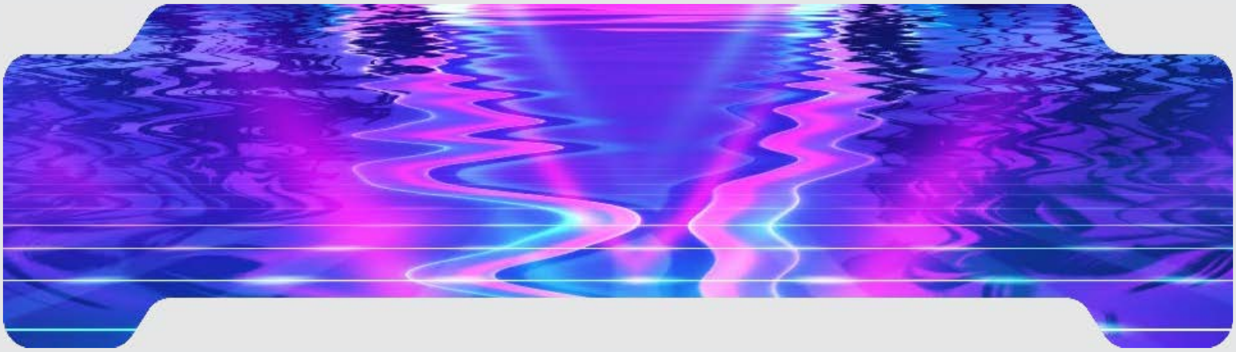
Most restrictions with regard to the duration of working time (e.g. reduced working days before a holiday, annual limits on overtime work, prohibition of work on days off) have been cancelled for the duration of martial law.

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.



Employment of foreign employees

In general, conditions for employment of foreign citizens have been 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.

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 regarding the keeping of military records. The following obligations were imposed on employers:

- employment of an individual may only take place if they are in compliance with military registration requirements
- employers must inform territorial recruitment and social support centres 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 a company's officials in the amount of up to UAH59,500 (approximately EUR1,200) during martial law.

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 the temporary exemption of an employee from military service (in most cases 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 takes place via Ukraine's electronic "Diia" portal and takes up to 3 days.

Employees may be temporarily exempted from mobilisation under specific circumstances

Other regulatory changes

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 EUR40 million), or
- individual employees have a salary more than eight times the statutory minimum monthly salary (i.e. UAH69,176, or approximately EUR1,350).

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.

Martial law has introduced new concepts to Ukrainian employment law

Suspension of employment

The Law of Ukraine “On the Organisation of Labour Relations under Martial Law” also allows for the suspension of employment relations for the duration of 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.

In 2025, the aforementioned law “On the Organisation of Labour Relations under Martial Law” limited the period of suspension of an employment contract to 90 calendar days during the period of martial law. The parties to the employment contract may extend the period of suspension by mutual agreement, however.

11. Land

11.1. Title to land
11.2. Lease

Different regulations apply to land relations in Ukraine depending on the type of land in question, with land classified according to its designated purpose. Each category has a 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 riverbeds
- 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

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 are prohibited from owning agricultural land.

Starting from 1 January 2024, Ukrainian legal entities (with no foreign individuals or legal entities among their founders or participants) 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 instalment plan for purchases of state-owned or municipal land (except for agricultural land) of up to 5 years.

Ukrainian legal entities can own up to 10,000 hectares

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.

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.

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.

Simplified leasing processes exist for investment projects

12. Real Estate

12.1 Public-private partnerships (PPPs)
12.2 Concessions
12.3 Significant investment projects (Investment Nanny Law)
12.4 Industrial Parks

Real Estate

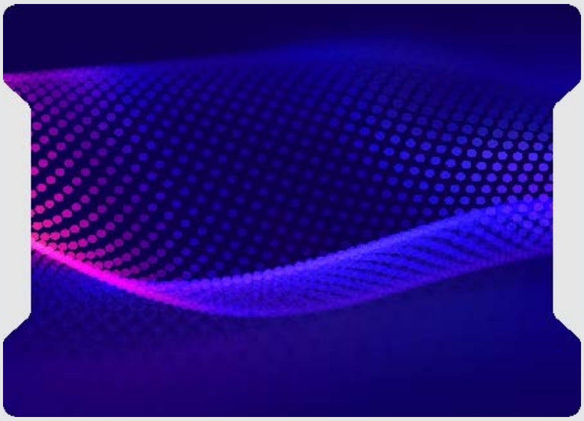
Foreign entities are generally allowed to acquire any real estate objects (i.e. buildings, installations) situated in Ukraine.

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 State Register of Proprietary Rights to 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 in Ukraine, usually require a multi-stage permitting process, including verification of land rights and urban planning restrictions, obtaining initial data, preparation and expert review of design documentation (where required), obtaining the right to perform construction works, commissioning of the completed facility, and state registration of title. Submission of this extensive list of documents often necessitates engaging external advisors to assist in the process.



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. A significant part of construction-related procedures is administered through the Unified State Electronic System in the Construction Sector. During the period of martial law, certain permitting and registration procedures related to construction projects are subject to special rules which should be considered on a project-by-project basis. Notaries whose offices are located in territories of active hostilities or temporarily occupied territories, for example, are subject to restrictions on performing notarial and state registration activities. On the other hand, certain projects (including relocating evacuated production facilities) may benefit from simplified land use designation change procedures during martial law. The following mechanisms for investing in construction of infrastructure objects in Ukraine provide a form of state support or other benefits for investors.

Public-private partnerships (PPPs)

Public-private partnerships (PPPs) in Ukraine are governed by the Law of Ukraine “On Public-Private Partnership” No. 4510-IX dated 19 June 2025 which entered into force on 31 October 2025 (the PPP Law). Under the PPP Law, a PPP project involves cooperation between public and private partners carried out on the basis of an agreement that meets the statutory features for a PPP.

A PPP project generally involves private investment, including full or partial financing by the private partner, the creation and/or construction of a PPP object, including new construction, reconstruction, restoration, overhaul or technical re-equipment, and technical maintenance of such object. Depending on the project structure, the private partner may also be granted the right to manage and/or operate the PPP object and/or provide socially important services.

The key statutory features of a PPP include:

(i) private investment in the PPP project, including full or partial financing by the private partner,

(ii) long-term cooperation between the public and private partners, except for certain housing PPP projects where the term may be shorter than five years,

(iii) transfer to the private partner of part of the risks related to financing, creation and/or construction, technical maintenance, management and/or operation of the PPP object, and other risks arising during implementation of the PPP project.

A PPP agreement is governed by Ukrainian law. However, the parties may choose the governing law for civil-law agreements entered into for the implementation of the PPP agreement, such as financing agreements, direct agreements or grant agreements, unless otherwise provided by Ukrainian law.

The financing of a PPP may come from the private partner’s own funds, borrowed funds, state or local budget funds, funds of state or municipal enterprises, institutions, organisations, or public-sector companies, grants for PPP projects, and other sources not prohibited by law.

Support for PPP implementation may be provided in the form of state support from the state or local budgets or support from other sources not prohibited by law. Such support may include, among other things, state or local guarantees, co-financing of costs related to the construction, reconstruction, restoration, overhaul, technical re-equipment and/or creation of the PPP object, and payments to the private partner under the PPP agreement, including availability payments.

The PPP Law also provides certain statutory guarantees for private partners. Specifically:

- the State guarantees legislative stability by ensuring that the legislation of Ukraine in force on the date of execution of the PPP agreement will continue to apply throughout its term, unless subsequent legislative amendments mitigate the private partner's liability, reduce the tax burden, or do not otherwise adversely affect the private partner
- private partners are entitled to compensation for losses caused by unlawful acts or omissions on the part of the state authorities, local self-government bodies, or their officials, in accordance with Ukrainian law
- if the PPP agreement is terminated at the initiative of the public partner, consequences of termination provided for in the PPP agreement apply, with such consequences equivalent to those applicable in case of termination due to a material breach by the public partner of its obligations under the PPP agreement.

Private partners are also guaranteed equal treatment in carrying out their business activities, excluding discriminatory measures.

At the request of the private partner or creditor, the public partner may waive sovereign immunity in disputes arising in connection with the performance of obligations under a PPP agreement or a direct agreement. For PPP projects involving state-owned objects or property of public-sector companies, such waiver is subject to approval by the Cabinet of Ministers of Ukraine.

Concessions

Concessions in Ukraine are a form of PPP. In this partnership, the concessionaire (the investor) undertakes to finance the creation and/or construction (new construction, reconstruction, restoration, overhaul, and technical re-equipment) and/or technical maintenance of a concession object, in whole or in part. In return, the concessor (i.e. the public partner) grants the concessionaire the right to manage (e.g. use, operate, or maintain) the concession object and/or provide socially important services in accordance with the concession agreement. Concession projects also involve transferring the majority of the operational risk to the concessionaire.

Unlike other PPP models, where the private partner's remuneration may primarily derive from payments or other support mechanisms provided by the public partner, a concessionaire generally derives its revenues from users of the concession object or the socially significant services it provides, while also assuming the majority of the operational risk. Accordingly, public support mechanisms would generally not negate or substantially cover the majority of the operational risk assumed by the concessionaire.

Advantages of concessions:

- While concession agreements are governed by the Law of Ukraine, and unless the choice of law is determined under specific circumstances by the Law of Ukraine, parties to a concession agreement are free to choose the applicable law that governs any legal relations between the parties that may arise under civil law agreements entered into in order to implement the concession agreement (i.e. financing agreements, direct agreements, grant agreements).
- The parties are free to choose a dispute resolution mechanism, including national or international commercial or investment arbitration.
- 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).
- 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.
- Potential support from the State in implementing the concession:
    1. payment of operational readiness fee
    2. purchase from the concessionaire of a certain amount of goods (works, services) produced (performed, rendered) by the concessionaire in accordance with the concession agreement
    3. supply of goods (works, services) to the concessionaire necessary to perform the concession agreement
    4. 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.

Significant investment projects (Investment Nanny Law)

In order to attract significant investments in the Ukrainian economy, the Verkhovna Rada of Ukraine adopted the 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:

- The project must be in one of the following fields:
  a. processing industry
  b. production of biogas and biomethane (including liquefied or compressed gases)
  c. extraction of minerals for further processing and/or enrichment (excluding coal, crude oil, and natural gas)
  d. waste management
  e. transport
  f. warehousing
  g. postal and courier activities
  h. logistics
  i. education
  j. scientific and scientific and technical activities
  k. healthcare
  l. art
  m. culture
  n. sports
  o. tourism
  p. resorts and recreation
  q. electronic communications.
- 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.
- Creation of at least:
  a. 10 new jobs with an average employee salary at least 50% higher than the average salary for the previous calendar year for the relevant type of activity in the region where the project is implemented; or
  b. 30 new jobs with an average employee salary at least 30% higher than the relevant regional average; or
  c. 50 new jobs with an average employee salary at least 15% higher than the relevant regional average.
- The amount of investment during project implementation must exceed the equivalent of EUR 12 million at the official exchange rate.
- 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:

- 5-year income tax exemption.
- Investors can obtain lease of a land plot from state or municipal property without an auction.
- Compensation of expenses for connection to engineering and transportation networks.
- “Special investment agreements” are governed by the law of Ukraine, unless otherwise provided for by such agreement. If an investor with significant investments is considered a foreign investment enterprise under the terms of the Law of Ukraine “On the Regime of Foreign Investment”, however, then the parties to a special investment agreement are free to choose a dispute resolution mechanism that may include arbitration abroad.
- The State provides privileges and guarantees for the stability of business conditions under which 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 may be the owners or tenants of state, communal, or private industrial land plots.

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

- 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).
- 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.)
- 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).
- tax incentives, including (but not limited to):
  a. exemption from corporate income tax for a period of up to 10 years (for certain types of activities)
  b. exemption from import duties on relevant new equipment and components
  c. tax relief related to real estate tax and land payments (these may be established by local self-government authorities and may therefore differ depending on the location of the industrial park in question).

13. Energy

13.1 Ukrainian electricity market

13.2 Import and export

13.3 Natural Gas market

13. 4 Oil and gas production

Ukrainian electricity market

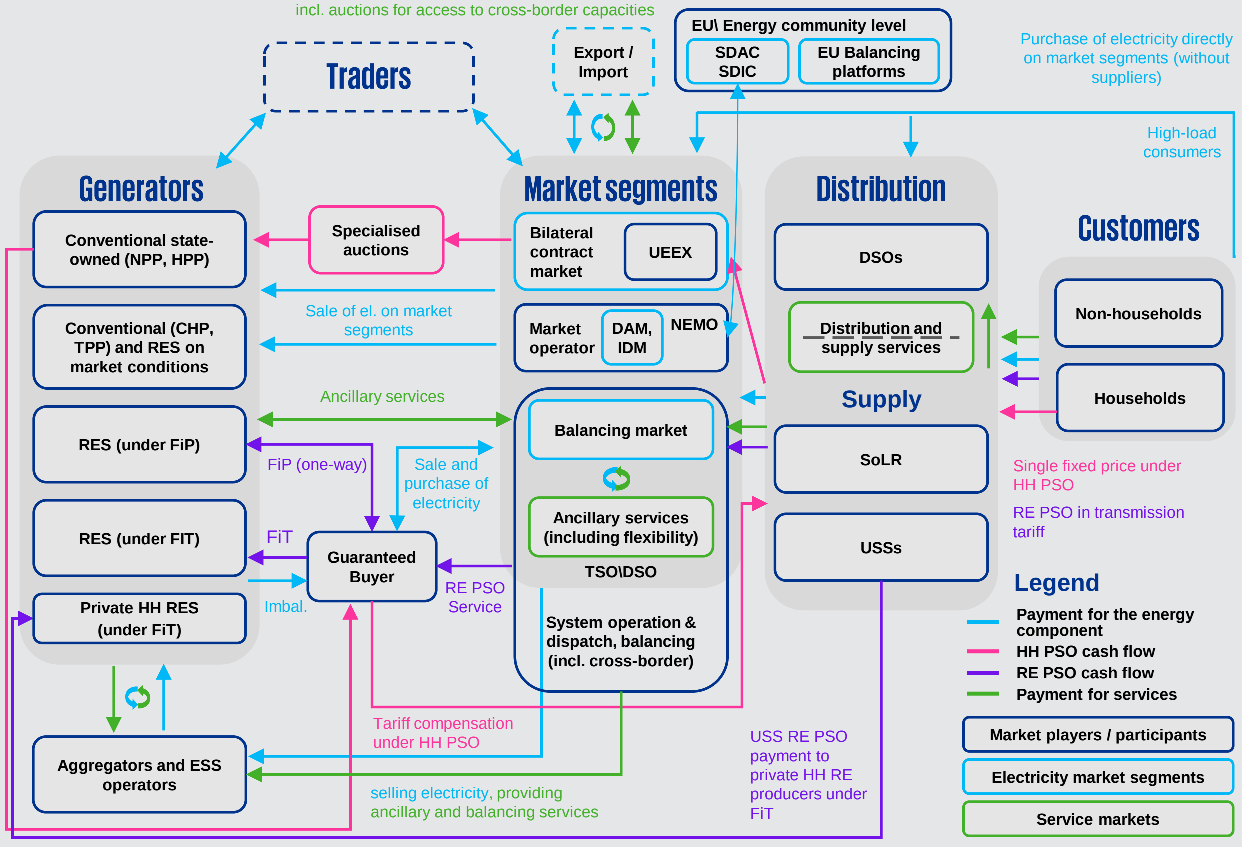
Electricity market model overview

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.

The high-level scheme below illustrates the current electricity market design in Ukraine (including market segments and key players):



Key changes to Ukrainian renewable energy legislation

On 10 February 2026, Law of Ukraine No. 4777-IX “On Amendments to Certain Laws of Ukraine Regarding the Improvement of Competitive Conditions for the Generation of Electricity from Alternative Energy Sources” (the Green Auctions Law) updated the rules regarding the functioning of energy markets. These changes primarily concern support for RES producers that may obtained through “green” auctions, as well as the development of energy storage facility and grid connection regulations. Targeted amendments were also introduced for regulations pertaining to biofuels and special regimes during the period of martial law.

1. Key changes regarding “green” auctions and the support system

The Green Auctions Law extends the period that the support quota allocation auction mechanism is applied until 31 December 2034.

The support quota structure has also been amended, with annual quotas distributed among RES technologies in the following manner:

RES technology	Annual support quota share
Solar energy (without energy storage facilities)	not less than 5%
Solar energy (with energy storage facilities)	**not less than 10%**
Wind energy	not less than 5%
Other types of RES (excluding solar, wind, and blast furnace/coke oven gas, and only applicable to micro, mini, and small hydropower plants in the case of hydropower generation)	not less than 5%

Dedicated annual support quota share for hybrid plants (e.g. solar power plants (SPPs) with battery energy storage systems (BESS)) has been introduced for the first time, with their annual support share established at a higher level than allocated for other RES technologies.

For such hybrid plants, the Green Auctions Law establishes enhanced technical requirements for storage systems:

- storage power: must be at least 80% of installed generation capacity
- capacity: at least 2 kWh per 1 kW of SPP capacity.

The maximum bid price for such hybrid projects is set at EUR0.12 per kWh.

The Green Auctions Law also transforms the RES support model, replacing the two-sided “contract for difference” with a one-sided market premium mechanism (i.e. a “pure” premium). The key change in this instance is the abolition of producers’ obligations to pay the Guaranteed Buyer when the market price exceeds the auction price. However, the Guaranteed Buyer’s obligation to pay the market premium when the market price falls below the auction price remains in place.

The Law also introduces time-of-day limitations for calculating premiums for solar generation:

- from 04:00–23:00 between 1 April–31 October
- from 06:00–21:00 between 1 November–31 March.

These time limitations **do not apply** to electricity supplied from storage facilities operating as part of an SPP.

The anti-concentration restriction has also been clarified: one participant (together with related parties) may not receive more than **50%** of the annual and additional annual support quota.

There are also a separate set of amendments related to financial guarantees. Instead of a bank guarantee, a participant may now submit an alternative financial security instrument in the amount of EUR5 per kW of declared capacity in order to participate in an auction. To secure obligations under the contract with the Guaranteed Buyer, an additional guarantee of EUR10 per kW is required. If the construction period is extended by another 12 months, an additional guarantee of EUR10 per kW must also be provided.

Furthermore, the Green Auctions Law details the procedure for submitting, returning, and enforcing such guarantees/securities (including depositing funds in an escrow account).

2. Grid connection

The Green Auctions Law also introduced the concept of **"**flexible connection", providing for the option to potentially connect to the grid either temporarily or permanently (with limitations in terms of permitted capacity).

This means that customers may offer the system operator a flexible connection as an alternative to costly or lengthy grid reconstruction.

The Law also permits combining different types of electrical installations (e.g. generation, storage, consumption) at a single connection point, provided that the relevant technical requirements have been met.

The potential for RES producers to power their own and related facilities through internal networks has also been clarified. Should producers meet the relevant criteria, such networks are not considered "direct lines" and therefore do not require separate Regulator approval.

3. Guarantees of Origin (GOs)

The Green Auctions Law also changes the system for confirming the environmental value of energy, focusing on international recognition of Ukrainian guarantees of origin (GO) for RES electricity and preparing for accession to the Association of Issuing Bodies (AIB).

- GOs issued outside Ukraine may be recognised in Ukraine based on reciprocity with the relevant Issuing Body.
- The National Commission for State Regulation of Energy and Public Utilities (NEURC) is authorised to adapt the "Ukrainian domain protocol" to meet AIB standards, enabling Ukraine's full membership.

4. Connecting third-party generation to consumer networks

The Green Auctions Law also introduced significant amendments to the Law of Ukraine "On Alternative Energy Sources" and the Law of Ukraine "On the Electricity Market", expanding the legal framework for behind-the-meter generation models involving third-party producers. Ukrainian law now expressly allows generating facilities owned by a producer (including third parties) to be connected directly to the electrical networks of a prosumer, including in combination with energy storage installations. Under this regime, all electricity generated by such facilities must be purchased by the prosumer (or the relevant balance holder) and does not enter the retail electricity supply market.

Crucially, the amendments introduced by the Green Auction Law explicitly provide that such arrangements do not qualify as "electricity supply" within the meaning of the Electricity Market Law. As a result, a producer whose generating facilities (and energy storage units) are connected to the prosumer's network would not obtain the status of an electricity supplier and is therefore not subject to electricity supply licensing requirements, while the prosumer remains the sole off-taker for the generated electricity.

Green auction quotas and schedule approval for 2026

Resolution No. 508-p dated 27 May 2026 updated quotas and schedules for auctions allocating support quotas ("green" auctions) for 2026.

Key parameters of "green" auctions

RE technology	Power facility location	Maximum price offer (euro cents per 1 kWh)	Auction period	Quota, MW
solar energy	Whole territory of Ukraine*	8	September 2026	50
solar energy (with energy storage facilities)		8		100
wind energy		8		700
other RES types (biomass; biogas; hydropower generated only by micro, mini and small HPPs)		12	October 2026	150

*Excludes territories of active hostilities (including territories of active hostilities where state electronic information resources are functioning), as well as territories of Ukraine temporarily occupied by the Russian Federation, that have been included in the list of territories as approved by the Ministry for Development of Communities and Territories of Ukraine and for which the date of cessation of hostilities or temporary occupation has not yet been determined.

Priority is given to power facilities located in the Northern, Southern, Dnipro, and Central regions.

Note that the green auction winner must enter into a service agreement under the market premium mechanism (the Agreement).

The Agreement stipulates the green auction winner's obligation to commission and connect the power facility to the transmission or distribution system is within 1.5 years from the date of Agreement execution for SPPs. For other RES facilities (e.g. WPPs, HPPs, biogas and biomass power plants), the term has been extended to 3.5 years (if the Agreement is concluded during the period of martial law in Ukraine).

Green auctions will be held based on the electronic trading system Prozorro.Sale. The Guaranteed Buyer is responsible for organising green auctions.

The Ukrainian Government has also revised the indicative annual RES support quotas for 2027–2030.

The total indicative quotas have been increased to:

- 359 MW in 2027 (from 350 MW)
- 386,2 MW in 2028 (from 375 MW)
- 404,4 MW in 2029 (from 400 MW)

Key changes to capacity auctions legal framework

Resolution No. 436 dated 1 April 2026 amended the procedure for conducting tenders to construct generation capacity and implementing demand response measures. The updated procedure provides for:

the introduction of a new market premium model as an incentive mechanism for this type of tenders

the organisation of tenders based on regional lots, defining specific territories and the required additional capacity

amendments related to qualification and financial criteria for the participants.

Overall, the recent amendments are likely to further reinforce this model. The introduction of a market premium and the regionalisation of tenders may improve project bankability and targeting. Based on recent practice and typical flexibility requirements set in the tender documentation, such tenders are expected to continue favouring highly flexible generation.

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.

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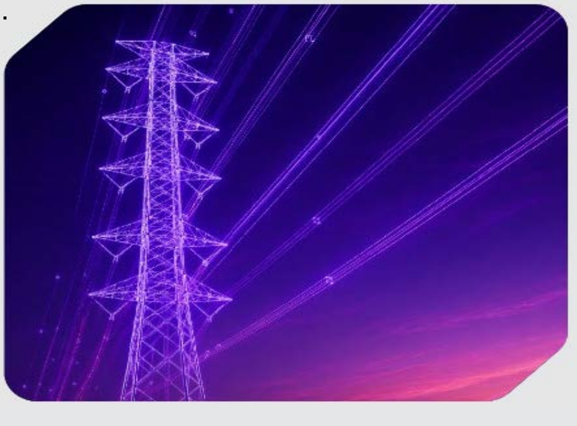


In accordance with the REMIT Law, the NEURC is empowered to:

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 trading operations based on insider information
4. conduct investigations into abuses on the wholesale energy market
5. 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.

According to the 2025 REMIT Implementation Report of the Energy Community Regulatory Board (ECRB), Ukraine is among the most advanced jurisdictions in the Energy Community in terms of REMIT implementation. The NEURC has established a strong and comprehensive regulatory framework, including rules on registration, insider information, investigations, penalties, and data reporting, supported by active market surveillance mechanisms.

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

Expected Ukraine Risk Mitigation Mechanism for RES producers

Ukraine is moving towards the launch of competitive auctions to allocate donor-funded support to renewable energy producers under the Ukraine Renewable Energy Risk Mitigation Mechanism (URMM, the Mechanism) which is being developed by the EBRD.

The Mechanism will be designed as a market-based revenue stabilisation instrument and will be financed through grant funding and guarantees provided by the European Union and other bilateral donors, channelled via the EBRD. Support will be administered by a dedicated, ring-fenced special purpose vehicle acting as a Mechanism Counterparty, which will select eligible renewable energy projects through auctions and enter into stabilisation contracts with successful bidders.

In broad terms, the Mechanism is intended to mitigate electricity price volatility by providing payments to supported projects when market prices fall below a predefined stabilisation level, while allowing for limited upside sharing when prices are higher. By using auctions to competitively determine the level of support, the scheme aims to attract private investment into new renewable generation capacity, with plans to support at least 1,000 MW of renewable energy capacity.

The first tenders under this scheme are expected to be launched by end of 2026.

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.

In December 2025, the Slovakian, Hungarian, Ukrainian, and Romanian TSOs launched explicit monthly long-term capacity auctions for transnational electricity imports/exports with Ukraine, supported by ENTSO-E and JAO. This development marks a key step in integrating Ukraine's electricity market with those of the EU.

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

Monthly long-term capacity auctions with Slovakia, Hungary, and Romania have been launched

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.

The provisions introduced by Law No. 9381 concerning the temporary non-application of the requirement to ensure a minimum mandatory monthly volume of electricity sales on the day-ahead market to electricity importers were subsequently extended by Law No. 4777-IX (for a more detailed overview of the amendments introduced by this law, see above). As a result, the relevant exemption remained in force until **1 April 2026**.

Ukraine has adopted a legislative framework for EU market coupling

Implementation of EU Integration Package to enable market coupling

On 7 April 2026, the Law of Ukraine No. 4834-IX “On Amendments to Certain Laws of Ukraine Regarding the Implementation of European Law on the Integration of Energy Markets, Security of Supply and Competitiveness” (the EU Integration Package Law) entered into force as part of Ukraine’s obligations under the Energy Community Treaty and the EU-Ukraine Association Agreement and established a comprehensive legislative framework for electricity market integration with the European Union.

Following its adoption, the EU Integration Package Law now formally provides the legal basis for implementing the EU Integration Package in Ukraine, including the relevant EU Regulations and Directives on electricity market design, capacity allocation, congestion management, and balancing.

The transposition and implementation of the EU Integration Package has become a statutory prerequisite for coupling Ukrainian and EU electricity markets. The adopted EU Integration Package Law explicitly introduces the concept of “market coupling” through the establishment of the single day-ahead and intraday market coupling mechanisms (DAM and IDM) and legally anchors the role of the nominated electricity market operator (NEMO) as designated by the national regulator.

The EU Integration Package Law provides for the following:

- implementing single day-ahead market coupling (SDAC) using price coupling algorithms and implicit allocation of cross-zonal capacity
- implementing single intraday market coupling (SIDC), including continuous intraday trading and intraday auctions
- appointing one or several NEMOs within a single bidding zone, including the passporting of foreign NEMOs from the EU or the Energy Community
- mandatory cooperation between NEMOs and the transmission system operator in accordance with European market coupling rules.

The EU Integration Package Law also integrates balancing markets into the EU framework by enabling cross-border exchange of balancing capacity and balancing energy via European balancing platforms and by introducing harmonised balancing products in line with EU network codes. Balancing responsibility, imbalance settlement and pricing, and participation of storage, demand response and aggregators are fully aligned with EU rules.

Market coupling involves optimising the allocation and use of cross-border transmission capacity, coordinating price formation on spot markets, enabling cross-border exchange of balancing services, and forming appropriate price signals for investments in cross-border infrastructure. The adopted Law codifies these objectives as binding principles of the Ukrainian electricity market, together with non-discriminatory access, transparency, and regional cooperation with EU and Energy Community Member States.

The full transposition of the EU Integration Package under the adopted EU Integration Package Law requires extensive amendments to secondary legislation, including network codes, Market Rules, capacity allocation methodologies, balancing rules, and tariff methodologies. The EU Integration Package Law sets binding deadlines for the adoption of such secondary legislation and mandates close cooperation between the Regulator, the TSO, NEMOs, ACER, and Energy Community institutions.

Further alignment with EU Renewable Energy Framework

On 3 December 2025, Draft Law No. 14271 aimed at implementing Directive (EU) 2018/2001 (RED II) and aligning Ukrainian legislation with the EU framework for renewable energy (the RED II Draft Law) was adopted at first reading.

The RED II Draft Law introduces systemic changes across the renewable energy value chain, including fuels, power generation, planning and permitting. Key proposed amendments include the following:

1. Biofuels, biomethane and sustainability criteria

The RED II Draft Law harmonises Ukrainian fuel legislation with RED II by introducing EU-aligned concepts such as renewable fuels of non-biological origin, recycled carbon fuels, proofs of sustainability, and voluntary certification schemes recognised by the European Commission. Mandatory sustainability and greenhouse-gas-reduction criteria would apply to biofuels, bioliquids, and biomass fuels for transport use and for counting towards national and EU RES targets.

The RED II Draft Law also establishes a new monitoring and reporting framework for biofuel content in motor fuels and provides a transitional export regime for biomethane (pending full integration of Ukraine's biomethane registry with the EU database).

2. Renewable energy targets and support schemes

The RED II Draft Law embeds national RES targets into the Law of Ukraine "On Alternative Energy Sources" and links them directly to Ukraine's National Energy and Climate Plan. The RED II Draft Law reforms support mechanisms by introducing principles of technological neutrality, competitiveness, and non-discrimination, requiring systematic assessment of grid integration costs and mandatory five-year reviews of support scheme efficiency. .

3. Self-generation and energy storage

The RED II Draft Law also strengthens the legal framework for self-consumption and hybrid RES projects, such as solar power projects combined with BESS. Support for household projects would be tied to minimum self-consumption levels, and the RED II Draft Law enables state financial support programmes for self-generation and storage.

4. Renewable energy communities

The Draft Law introduces a formal legal status for renewable energy communities, granting citizens, SMEs, and local authorities the right to generate, consume, store, and sell renewable electricity, participate in RES auctions, and focus on local social and economic benefits.

5. Spatial planning and “renewables acceleration areas”

The RED II Draft Law mandates state-level mapping of RES potential and enables Ukrainian Government to designate renewable energy acceleration zones, within which permitting timelines are shortened, environmental impact assessment requirements are simplified where allowed, and priority is given to degraded or industrial land.

6. Permitting reform and one-stop shop

The RED II Draft Law introduces the EU-style “one-stop shop” for RES projects, with a designated contact authority coordinating all permits, approvals and grid connection procedures. Full digitalisation of processes is envisaged, alongside a silent consent principle. Statutory maximum permitting timelines are set, ranging from 12 months in acceleration zones (24 months for offshore wind) to significantly shorter deadlines for small-scale rooftop and self-consumption projects.

Natural gas market

General overview

Ukraine's natural gas market has gone through major reforms since 2015 in line with the Law of Ukraine “On the Natural Gas Market” and Ukraine’s commitments under the EU Third Energy Package. These reforms introduced competition, market-based pricing, unbundling, and equal third-party access to gas infrastructure. The gas market includes gas producers, suppliers, storage operators, TSOs, and DSOs. TSOs and DSOs are treated as natural monopolies and are regulated by the state. Despite these reforms, state-owned companies (especially the Naftogaz Group and its subsidiaries) still play a dominant role in many parts of the gas sector.

Unbundling and Governance

One key reform involved the unbundling of Naftogaz Group in line with the EU’s Third Energy Package. Before the reform, 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 gas transmission system.

Following the implementation of the unbundling reform and the separation of transmission activities from the Naftogaz Group, the Gas Transmission System Operator of Ukraine (GTSOU) became an independent transmission system operator and received certification from the NEURC in 2019. Under Ukrainian law, the GTSOU cannot be controlled by companies engaged in gas production, distribution, or supply. Similar unbundling rules also apply to DSOs (except for certain DSOs with fewer than 100,000 connected consumers that may be exempted by the Regulator from complying with such requirements).

Subsequent corporate governance and energy sector reforms strengthened the powers of the GTSOU supervisory board, particularly with regard to strategic, financial, and investment planning. However, issues related to the ownership and governance structure of state-controlled gas companies, including DSOs within the Naftogaz Group, are still being reviewed in the context of Ukraine's obligations under EU energy legislation and the Energy Community framework.

Production

Most of Ukraine's natural gas production is concentrated in Eastern Ukraine. Prior to intensified attacks on the country's energy infrastructure in 2025, domestic production covered more than 90% of Ukraine's gas demand. However, Russian attacks on gas infrastructure in 2025 damaged part of the production capacity and increased the need for imports and depletions from underground gas storage facilities. As a result, Ukraine was forced to significantly increase natural gas imports from EU countries in order to maintain energy security and prepare for the 2025/26 heating season.

Pricing and Public Service Obligations (PSOs)

The natural gas market reform process also introduced market-based pricing for natural gas. Prior to this, gas prices were tightly controlled by the Government of Ukraine. However, since October 2015 industrial and other non-household consumers have been able to purchase natural gas at competitive market prices. Household consumers also have the right to freely choose their natural gas supplier, including on the basis of pricing conditions and commercial offers proposed by suppliers.

However, following Russia's full-scale invasion of Ukraine in 2022, certain liberalisation measures were necessarily partially limited through wartime regulations and expanded PSO mechanisms.

Ukraine introduced a temporary moratorium on increasing certain tariffs and prices in the natural gas sectors, for example. These specifically related to prohibiting increases in tariffs for natural gas distribution services applicable to household consumers. The price of natural gas supplied to household consumers, as well as certain protected categories of consumers, may not exceed the price level applicable as of 24 February 2022.

Such moratorium remains effective throughout the period of martial law and for six months following the month in which martial law is terminated or lifted.

Under the current PSO framework, Naftogaz is required to supply natural gas to regional suppliers for resale to households, as well as to gas DSOs and thermal energy producers for heat generation purposes.

The Government of Ukraine introduced the relevant PSO mechanism pursuant to Resolution of the Cabinet of Ministers of Ukraine No. 222 dated 6 March 2022. The mechanism has subsequently been extended and amended several times, most recently in March 2026. The PSO is intended to ensure that DSOs are provided with the necessary natural gas resources to cover normative production and technological losses (PTL), as well as 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 currently amounts to UAH 7,420 (including VAT) per 1,000 m^3 of gas. The approved price for gas losses from the GDS related to military actions amounts to UAH 0.01 (including VAT) per 1,000 m^3 of gas, equivalent to approximately EUR0.0002 per 1,000 m^3.

Regulatory Framework and Consumer Protection

In implementing the aforementioned REMIT Law, together with regulations adopted by the national energy regulator in 2023, Ukrainian legislation also allows both household and non-household consumers to switch gas suppliers without requiring the consent of the previous supplier. A supplier of last resort mechanism is also in place to ensure uninterrupted gas supply, with Naftogaz currently performing this function.

Renewable Gas and Biomethane

Ukraine has also established a regulatory framework for renewable gases, including biomethane. Biomethane producers are entitled to access gas transmission and distribution systems, underground gas storage facilities and export infrastructure. Ukraine has introduced a register of biomethane guarantees of origin (GOs) to certify the renewable origin of biomethane, and the Ukrainian register is currently being synchronised with the EU systems in order to facilitate international recognition of Ukrainian guarantees of origin and cross-border biomethane trade.

Ukraine's National Energy and Climate Action Plan 2025–2030 envisages annual biomethane production of 100 million m^3. In April 2026, the Cabinet of Ministers of Ukraine approved the Biomethane Production Development Program until 2035, which introduced more ambitious long-term biomethane targets, including annual production of up to 1 billion m^3 by 2030 and 2.1 billion m^3 by 2035. Ukraine has already commenced commercial biomethane exports to EU countries.

Ukraine has also introduced technical and regulatory standards aligned with EU practice for determining gas quality parameters and conversion between volumetric and energy units. In particular, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Regarding the Introduction of Natural Gas Market Metering and Settlements in Energy Units", which introduced accounting and settlements in energy units within the natural gas market. Ukraine also applies EN ISO 6976:2020 standards for calculating calorific value and converting between cubic metres and energy units, facilitating biomethane accounting, certification and cross-border trade in line with EU renewable energy requirements.

Hydrogen

The Ministry of Energy of Ukraine and sector-specific policy documents identify hydrogen energy as one of the key areas for long-term decarbonisation and integration into EU energy market. The development of the hydrogen sector in Ukraine is supported by the Ukraine's significant renewable energy potential, particularly in wind and solar generation, which may be used for the production of renewable hydrogen through electrolysis, as well as existing gas transmission infrastructure and geographical proximity to EU markets.

Ukraine is currently in the process of developing a strategic and regulatory framework for the hydrogen sector, with ongoing work on a draft Hydrogen Strategy and dedicated legislation aimed at regulating the production, transportation, storage, certification, and export of renewable and low-carbon hydrogen, as well as integrating the Ukrainian market into European certification and renewable gas trading mechanisms.

In 2025, Ukraine presented its first framework draft law in the hydrogen sector aimed at establishing the basic legal and institutional framework for the development of the hydrogen market. Among other things, this draft law provides for introducing a system of guarantees of origin (GOs) and hydrogen certification, creating a hydrogen register, basic regulation for hydrogen transportation and storage, and allocation of powers among state authorities in the field of hydrogen policy. Frome a technical perspective, Ukraine can rely on its existing gas transmission system, though further development of hydrogen infrastructure will require technical assessment of pipelines, modernisation of certain elements of the gas transmission system, implementation of dedicated safety standards, and further harmonisation of technical regulation and certification mechanisms with evolving EU hydrogen and renewable gas frameworks.

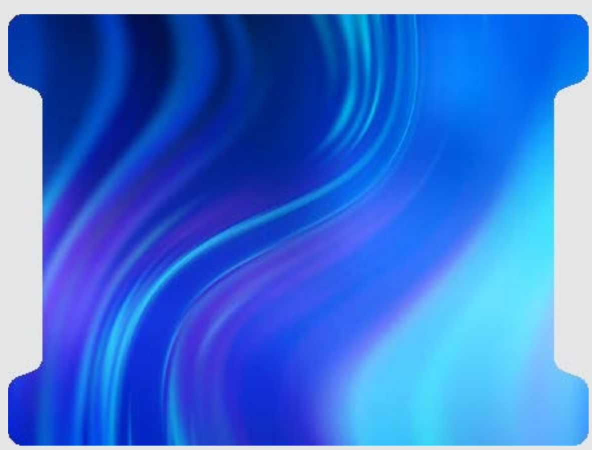
Export and import

Cross-border trade in natural gas remains subject to wartime restrictions and licensing requirements. The Government of Ukraine has approved lists of goods subject to export and import licensing and quotas for 2026, with the export quota for natural gas of Ukrainian origin set at zero, effectively prohibiting exports of such gas during the relevant period.

Third-party access to gas infrastructure, including transmission, storage and distribution systems, is generally provided on a regulated and non-discriminatory basis. Transmission tariffs are regulated by the national energy regulator and are determined in accordance with methodologies aligned with EU network code principles. New tariffs for natural gas transmission services for the 2025–2029 regulatory period were approved in December 2024.

Ukraine continues to integrate its gas infrastructure with European gas markets through interconnection arrangements with neighbouring EU member states and participation in European capacity booking platforms. Capacity allocation at the interconnection point with Poland is conducted through the Gas System Auctions Platform, while other interconnection points utilise the Regional Booking Platform in line with ENTSOG auction procedures and schedules. Virtual interconnection points currently operate at the borders with Poland and Hungary.

Ukraine also operates one of the largest underground gas storage systems in Europe, with a total storage capacity exceeding 31 billion m^3. Ukrainian underground gas storage (UGS) facilities remain strategically important for domestic energy security, regional balancing, and cross-border gas trade with European markets.



Approximately one-third of this gas storage capacity is available to foreign traders under the “customs warehouse” regime. Under this regime, international and domestic traders may store natural gas in Ukrainian underground gas storage facilities for more than 1,000 days without paying taxes and customs duties.

According to Naftogaz, approximately 2.5 billion m^3 of natural gas belonging to foreign traders was stored in Ukrainian UGS facilities in 2023, despite wartime risks. More than 160 foreign companies from 32 countries have already used Ukrainian UGS facilities under the customs warehouse regime.

As of the end of the 2025/26 heating season, natural gas reserves in Ukrainian underground gas storage facilities amounted to approximately 9.5 billion m^3. Ukraine continues to replenish storage volumes in preparation for future heating seasons and maintains sufficient strategic reserves to support domestic demand and regional market operations.

On 5 May 2026, the NEURC approved a draft resolution on revising tariffs for underground gas storage services for the period from 1 June 2026–31 March 2029. The proposed changes would increase tariffs for gas storage, injection and withdrawal services, although Ukrainian tariffs are expected to remain competitive compared to many European jurisdictions.

Oil and gas production

Investment mechanisms

Investors may engage in natural gas and crude oil extraction activities in Ukraine through the following mechanisms:

- participation in auctions for obtaining special permits for geological study, exploration, and extraction of natural resources (via the Special Permits) for up to 20 years
- execution of production sharing agreements (PSAs) with the Government of Ukraine for periods of up to 50 years: under the PSA mechanism, Special Permits are granted without the need to participate in auctions
- participation in joint venture and joint activity arrangements with entities holding the Special Permits
- acquisition of shares in the share capitals of: (i) companies possessing Special Permits, and (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 by comparison to other investment mechanisms given the following:

- preferential oil and gas royalty rates
- guarantees against changes in legislation (stabilisation clause)
- option to choose English law and international arbitration
- state assistance in obtaining land rights and permits required for PSAs
- potential for additional tax benefits and currency regulation relief
- Exemptions from Ukraine's gas export moratorium
- 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 m^3 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).

Ukrainian law supports flexible project structuring

While Ukraine lacks comprehensive legal regulation for service contracts with risk (e.g. Production Enhancement Contracts), there is some limited practice of investors concluding such agreements. For example, in 2020 Ukrgasvydobuvannya concluded Ukraine's first full-scale PEC with Expert Petroleum in relation to mature gas fields in Western Ukraine

Transfer of rights under Special Permits

Ukrainian legislation allows investors to transfer subsoil use rights granted under Special Permits through:

- execution of 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. These are the only courts that form part of the judicial system of Ukraine, with the establishment of extraordinary and special courts not permitted according to the Constitution of Ukraine.

Administrative and commercial courts are endowed with powers to resolve disputes with public administrative agencies (i.e. with state and municipal authorities), with the remits of commercial courts applicable to their exclusive jurisdiction. 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).

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.

Ukrainian legislation 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.

Precedents are not recognised as a source of law

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 Parliament of Ukraine (including the Convention on Choice of Court Agreements).

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.

Recognition and Enforcement of Foreign Judicial Decisions and International Arbitral Awards

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:

- cases where arbitration of a dispute is not permitted (e.g. corporate disputes, bankruptcy proceedings)
- conflict with public order in Ukraine (i.e. enforcement of the judgment would threaten the interests of Ukraine).

The Law of Ukraine is generally consistent with UNCITRAL law on International Commercial Arbitration

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.[1]

As a result of military aggression against Ukraine on the part of the Russian Federation, enforcement of International Commercial Arbitration Court decisions via the Russian Chamber of Commerce and Industry is considered a violation of the rules of public order in Ukraine.

Importantly, awards rendered by International Centre for Settlement of Investment Disputes tribunals are not subject to special enforcement proceedings in Ukraine and are recognized automatically (by virtue of Ukraine’s international undertakings).

[1] Supreme Court Digest On Arbitration 2023

15. Winding up / Liquidation

15.1 Voluntary liquidation
15.2 Bankruptcy
15.3 Forced liquidation
15. 4 Impact of martial law

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. These are the only courts that form part of the judicial system of Ukraine, with the establishment of extraordinary and special courts not permitted according to the Constitution of Ukraine.

Administrative and commercial courts are endowed with powers to resolve disputes with public administrative agencies (i.e. with state and municipal authorities), with the remits of commercial courts applicable to their exclusive jurisdiction. 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).

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.

Businesses in Ukraine can be wound up 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.

Voluntary liquidation

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 an individual liquidator, as established by the company's owner(s).

The liquidation committee (or the 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 usually takes 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.

Voluntary liquidation usually takes from 6 months to 2 years to complete

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 court.

Bankruptcy proceedings may be initiated by submitting a written claim to the commercial court by either the debtor or the 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 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.

Based on the claim of the arbitration administrator, the commercial court can recognise certain agreements made on the part of a debtor for the last three years prior to the insolvency proceedings commencing as invalid (e.g. a debtor fulfilled its property obligations prematurely). Persons who have committed or approved the commission of property-related actions in regard to such agreements bear subsidiary liability for the debtor's obligations within the amount of losses caused to the debtor by such actions.

The debtor's management may be jointly and severally liable for failure to satisfy creditors' claims if such management fails to comply with the requirement to initiate proceedings in the case that satisfaction of such claims on the part of one or more creditors leads 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.

On 1 January 2025, preventive restructuring procedures were introduced into Ukraine's Bankruptcy Code via the Law of Ukraine No. 3985-IX "On amendments to the Code of Ukraine on Bankruptcy Procedures and certain other legislative acts of Ukraine regarding the implementation of Directive 2019/1023 of the European Parliament and of the Council of the European Union and the introduction of preventive restructuring procedures". Law No. 3985-IX aims to align Ukrainian legislation with EU Directive 2019/1023 on restructuring and insolvency.

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, although some legislation has been amended to prohibit commencing bankruptcy proceedings in certain cases, e.g. where the legal entity is a critical infrastructure operator. However, circumstances arising from the current military hostilities and the provisions of tangential legislative acts may have negative influence on liquidation procedures (i.e. loss of documents, military action, currency control regulations, etc.)

16. Defence sector

16.1 Admission of products and services to the market
16.2 Import and export control
16.3 Relevant procurement resolutions
16. 4 Defence procurement
16.5 Incentive regimes and public-private partnerships

Ukraine’s defence and security sector operates under a legal framework that has necessarily undergone significant adaptation since the introduction of martial law following Russia’s full-scale invasion of Ukraine. This framework governs the admission of armaments and military equipment (AME) to the market, export control for military and dual-use goods, and specialised defence procurement procedures. Ukraine continues to simultaneously introduce incentive regimes and financial support mechanisms to attract investment and facilitate cooperation between the state and the private sector in developing Ukraine’s defence-industrial complex.

Admission of products and services to the market

While Ukrainian legislation does not require companies to obtain a licence for military weapons and military equipment manufacture, codification according to NATO standards is still mandatory for products to enter the market.

Under Ukrainian law, there are two main ways to introduce samples of military equipment for use by the Armed Forces of Ukraine:

acceptance for service and supply

admission for operation

“Acceptance for service and supply” is a formalised procedure under which a new sample undergoes a full cycle of R&D and state testing. Based on the test results, the Ministry of Defence of Ukraine (MoD) issues an order adopting the model for service and assigns a nomenclature number. This procedure is typical during peacetime and may be lengthy due to strict compliance with legislative and testing requirements.

“Admission for operation” is a shortened procedure for special circumstances (wartime or states of emergency). Such procedure permits state reliance on the manufacturer’s test results, enabling equipment to be put into service quickly without completing the full state testing cycle. Admission is not final acceptance into service, however, and grants only temporary legal status for use of the product by the Armed Forces of Ukraine.

Codification of military equipment is the final stage in developing and testing a new model before approval for use (or acceptance into service). Codification identifies a product as a military equipment model suitable for procurement by the MoD and for subsequent management within the relevant military nomenclature. After codification, state customers may officially purchase the corresponding AME model.

Import and export control

Import and export of military goods and dual-use goods require prior permits from the State Service for Export Control of Ukraine (SSECU).

Permits may only be issued to entities registered with the SSECU as entities engaged in international transfers of goods. There are three types of permits:

- One-time permits: for the purposes of conducting relevant negotiations or a specific international transfer of goods to a specific end user, valid up to 1 year.
- General permits: for the purposes of conducting relevant negotiations or multiple transfers of goods to a specific end user, valid up to 3 years.
- Open permits: for the purposes of conducting relevant negotiations or multiple transfers of goods to various end users, valid up to 3 years.

For general or open permits covering temporary import/export, the applicant must have an internal export control system certified by SSECU.

To import/export military goods or goods containing state secrets, an entity must typically obtain special authorisation from the Cabinet of Ministers of Ukraine (CMU). If a business entity developing or manufacturing military goods is a resident of Ukraine's Defence City regime, however, they may export military goods without obtaining CMU authorisation.

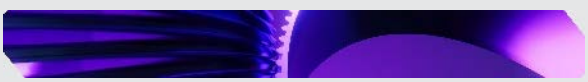
The export of military products from Ukraine has been significantly restricted in recent years due to priority being given to Ukraine's defence and security needs. On 1 July 2026, however, the CMU approved Resolution No. 875, providing for a special procedure for international transfers of military-purpose and dual-use goods and technologies during the period of martial law in Ukraine. The key novelty of this resolution is a simplified export route for states that have concluded cooperation arrangements with Ukraine on the production, supply, joint development, or use of unmanned systems and other defence technologies, commonly referred to as "Drone Deal" arrangements. Such simplified procedure covers:

- military goods included in the official list of military-purpose items subject to state export control, provided they have been adopted for service or codified by the MoD as supply items (under the list approved by CMU Resolution No. 1807 dated 20 November 2003)
- dual-use goods from the Unified List of Dual-Use Goods that may be used to develop or manufacture military-purpose goods (under the list approved by CMU Resolution No. 86 dated 28 January 2004)
- other goods not included in the abovementioned lists but treated as controlled items under Ukrainian export control legislation, as set out in Article 10 of the Law of Ukraine No. 549-IV "On State Control over International Transfers of Military and Dual-Use Goods" dated 20 February 2003
- military-purpose and dual-use technologies.

For the special procedure under Resolution No. 875 to apply, the relevant goods must be officially adopted for service or codified by the MoD as supply items. If this requirement is not met, then export will normally follow the standard, longer export-control route. In practice, companies should clearly identify the specific goods concerned when making prior registration with the SSECU, as insufficient product identification is one of the most common reasons for comments during review.

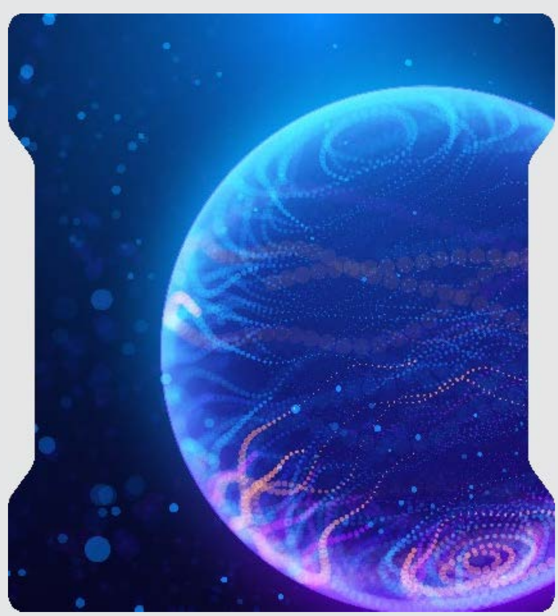
It must be noted that Ukraine's Interdepartmental Commission on Military-Technical Cooperation and Export Control (the Interdepartmental Commission) also plays a role in the operation of the special procedure, including: approving the list of states to which exports may be carried out, approving the list of critical goods, and considering applications for permits as described in Resolution No. 875.

Furthermore, it is also worth bearing in mind that Resolution No. 875 makes no such stipulation under which the special procedure may be applied for military-purpose technologies, as well as technologies included in the list of "dual-use goods" under Resolution No. 86. As such, it should be understood that there is no requirement for official adoption for service by the MoD in such circumstances related to technologies rather than physical goods.



Other conditions for applying the special procedure include the following:

- An export permit from the SSECU, always required for military-purpose and dual-use goods regardless of contract value. Keep in mind that Resolution No. 875 determines a threshold of UAH15 million before application of the special procedure: i.e. contracts at or above this threshold may follow the special procedure, while contracts that do not meet this threshold must follow the general procedure. This threshold is also applicable to military-purpose technologies, as well as those included in the list of "dual-use goods" under Resolution No. 86. However, components and spare parts are not subject to the threshold and may be exported under the special procedure regardless of value.
- Where the importing state has a "Drone Deal" arrangement with Ukraine, the export may be approved without separate consideration by the Interdepartmental Commission. However, this mechanism would only become operational after the Interdepartmental Commission approves the list of eligible states.
- Additional Interdepartmental Commission review is still required for goods or technologies that are included in the list of critical goods, as determined by the State Security Service of Ukraine (SSU). Restrictions may arise from Ukraine's international obligations, or if the SSU, the Foreign Intelligence Service of Ukraine, or the MoD intelligence body raise reservations during inter-agency clearance. While this does not automatically prevent export, such attention may require additional procedural steps and delays.
- Foreign counterparties and other participants in the transfer chain must not be subject to Ukrainian or international sanctions according to the Law of Ukraine No 361-IX "On Prevention and Counteraction to Legalisation (Laundering) of Proceeds from Crime, Financing Terrorism and Financing the Proliferation of Weapons of Mass Destruction". This includes counterparties or other participants involved in the financing of terrorism or activities related to the proliferation of weapons of mass destruction, or those counterparties and participants directly or indirectly controlled by a state recognised by Ukraine as an aggressor or occupier.
- Exports of technologies, as well as goods manufactured using such technologies, must be supported by state guarantees from the importing country. This includes guarantees on permitted use, limits on production volumes, restrictions on re-export or transfer to third parties without Ukraine's prior written consent, as well as an obligation to provide Ukraine with information on any modifications or improvements.



The SSECU must examine applications within 30 calendar days from submission of a complete document package. Coordination with the MoD may take up to 20 days within this period, while simultaneous inter-agency clearance with the SSU, the Foreign Intelligence Service of Ukraine, and the MoD intelligence body may also take up to 15 days. If these authorities do not respond within the statutory deadlines, then the transfer is deemed agreed by default. In practice, each application is reviewed as a separate case, so the scope of comments may vary depending on the product, technology, end user, and transaction structure.

The special procedure under Resolution No. 875 also introduces a paid permit model. The fee is generally 20% of the value of finished military-purpose or dual-use goods and technologies, and 30% for components. A payment document must be submitted together with the application. Without such document, the SSECU will not accept the application for review. For goods manufactured using technologies transferred from Ukraine, the value is determined by reference to the price at which Ukrainian defence state customers procure comparable goods. If there were no such procurements during the previous six months, the value is determined on the basis of an expert opinion or valuation report. Certain valuation points for finished goods or components not produced using transferred Ukrainian technology may require further clarification from the SSECU.

From an end-use control perspective, exporters should verify both the direct purchaser, as well as intermediaries and other participants in the transfer chain. The SSECU may request end-use checks and if an unauthorised onward transfer is found to be made by a foreign counterparty then liability rests with the foreign counterparty in the relevant jurisdiction, even if the Ukrainian exporter did not and could have known about such transfer. If the Ukrainian exporter becomes aware of a breach upon conducting the proper end-use checks, including after delivery, then said exporter must promptly notify the SSECU, the SSU, and other competent authorities.

Relevant procurement resolutions

Investors and interested parties should also be aware of the specific resolutions and laws of Ukraine related to defence procurement, as such regulations are necessarily highly technical and have increased in complexity in recent years due to Russia's initial invasion of Ukraine in 2014 and the subsequent full-scale invasion in 2022. While steps are being taken to simplify certain procedures, defence procurement remains a highly dynamic legal environment.

As such, Ukrainian defence procurement is governed by a special statutory and regulatory framework. The core sources include:

- the Law of Ukraine No. 808-IX "On Defence Procurement"
- the Law of Ukraine No. 922-VIII"On Public Procurement" (to the extent that its mechanisms and concepts are incorporated into or referred to by the defence-procurement regime)
- CMU Resolution No. 1275 "Certain Issues of Defence Procurement During the Period of Martial Law" dated 11 November 2022
- CMU Resolution No. 363 "Questions of Defence Procurement" dated 3 March 2021
- specific CMU resolutions establishing special regimes for particular categories of defence procurement.

Defence procurement

Defence procurement is a special regime that applies to the procurement of goods, works, and services for defence needs, while certain tools and concepts related to general public procurement may also be used where provided under the relevant defence-procurement legislation.

The regime applies to state customers in the field of defence, as well as to entities or units duly authorised by such to conduct procurement and conclude state contracts. State customers in the field of defence include (among others):

- the MoD
- the Ministry of Internal Affairs
- Ministry of Economy and Environment of Ukraine
- the Ministry of Justice
- the State Emergency Service
- the SSU
- the Foreign Intelligence Service of Ukraine
- the State Space Agency
- the Administration of the State Border Guard Service
- the Administration of the State Service for Special Communications and Information Protection
- the State Guard Department
- the National Anti-Corruption Bureau (NABU)
- the National Guard
- the National Police
- the State Special Transport Service
- the State Bureau of Investigations
- the State Judicial Administration.

General statutory framework

The Law of Ukraine No. 808-IX “On Defence Procurement” establishes the general statutory framework for defence procurement, including special treatment of procurement involving classified information and other security-sensitive defence requirements. The legislation contemplates both competitive and special or restricted procurement mechanisms, depending on the nature of the procurement and the sensitivity of the relevant information.

Martial-law framework under CMU Resolution No. 1275

The principal practical rules for defence procurement during periods of martial law are set out in CMU Resolution No. 1275. This resolution establishes special procedures and exceptions intended to permit state customers in the field of defence to procure goods more quickly, while retaining requirements concerning competition, transparency, and reporting where these are compatible with national-security considerations. For non-sensitive procurement falling within the electronic procurement regime, Resolution No. 1275 makes use of mechanisms such as competitive electronic procurement and electronic catalogues, as well as interacting with certain procedures established under the general public-procurement regime.

For the current martial-law framework, the basic thresholds under Resolution No. 1275 are UAH200,000 for goods and services and UAH1.5 million for works. While these thresholds determine the application of important parts of the procurement regime, they should not be read as a simple rule and that procurement below such thresholds will always result in a direct contract (or vice versa that procurement above such thresholds must always be conducted electronically). Resolution No. 1275 contains a number of exceptions and special rules, depending on the nature and circumstances of the procurement. Furthermore, certain classified defence procurement items or those defence procurement items subject to state secrecy regulations are subject to separate rules and should be assessed with a higher level of caution.

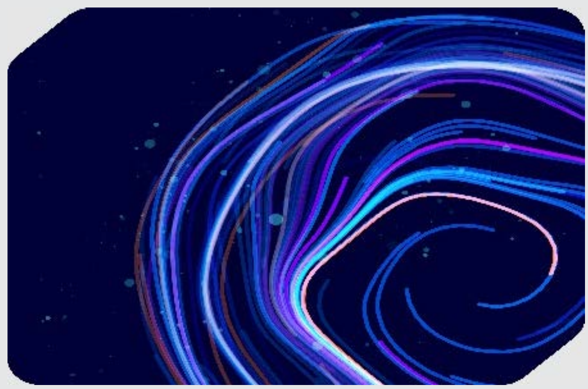
Clause 9 of Resolution No. 1275 also permits procurement without the ordinary competitive electronic process in specifically defined circumstances.

Concluding a state contract without an ordinary competitive electronic procedure also does not necessarily mean that such procurement is exempt from reporting or transparency requirements. Resolution No. 1275 contains requirements concerning reporting and publication in the electronic procurement system, while recognising that certain information may not be publicly disclosed where publication would create security risks or where the information is classified or otherwise protected. Ukraine's wartime defence-procurement framework therefore balances expedited procurement, subsequent reporting and transparency, and protection of classified and security-sensitive information.

A number of other exemptions and relaxations apply to defence procurement during martial law. For example, the state does not regulate prices for non-competitive procurements (subject to the exemptions specified in Resolution No. 1275), certain standard requirements regarding long-term state defence procurement planning are suspended, and state defence customers do not need to enter into compensation (offset) agreements during the period of martial law.

Changes effective from 1 September 2026

The rules governing defence procurement under CMU Resolution No. 1275 have been materially amended by CMU Resolution No. 957, effective from 1 September 2026. Amendments under this new resolution introduce a more detailed and self-contained framework under which state defence customers may procure certain goods, works, and services without conducting an electronic procurement procedure.



Under the previous wording under Clause 9 of Resolution No. 1275, one of the principal grounds for direct procurement was a reference to the circumstances set out in Clause 13 of CMU Resolution No. 1178 "On Approval of the Features of Public Procurement of Goods, Works, and Services of Customers Provided for by the Law Of Ukraine 'On Public Procurement', for the Martial Law Legal Regime Period in Ukraine and Within 90 Days from the Date of its Termination or Cancellation". In practice, this meant that the possibility of concluding a direct contract for relevant defence-related goods and services was largely linked to the general exceptions applicable to public procurement during martial law, including urgent procurement, absence of competition for technical reasons, intellectual property considerations, and the failure of a previous competitive procurement.

This approach changes from 1 September 2026: the relevant provision under Clause 9 of Resolution No. 1275 should be removed and replaced by a specific list of direct-contracting grounds applicable to state defence customers. The new framework expressly incorporates several grounds that were previously available through cross-reference to Resolution No. 1178, while adapting such grounds to specifically address defence procurement and state contracts.

Unmanned systems and electronic warfare equipment

A separate special regime for procurement of certain unmanned systems and electronic warfare equipment was introduced by CMU Resolution No. 256 “On the Implementation of a Pilot Project for Defence Procurement of Unmanned Systems, Electronic Warfare Equipment, and Active Means of Countering Technical Intelligence of Domestic Production” dated 24 March 2023. This resolution served as the basis for an experimental defence-procurement project and has subsequently been amended and expanded. This regime operates alongside the general martial-law defence-procurement framework as outlined above and is intended to address specialised categories of defence procurement requiring faster and more flexible arrangements.

Price regulations

While Ukrainian legislation does not provide for overarching state regulation of prices or profit margins for manufacturers in the field of weapons and military equipment, Ukrainian law does limit profit margins on certain defence contracts. Specifically, such limitations apply for the procurement of unmanned systems, electronic warfare equipment, and active countermeasures against technical reconnaissance. Under such measures, the contractor’s profit included in the contract price may not exceed 25% of the production cost of goods, works, and services. The 25% cap is a general control on mark-ups in defence contracts during periods of martial law in order to prevent excessive profiteering..

Incentive regimes and public-private partnerships

Ukraine has introduced a range of programmes and special regimes to provide investors with tax incentives, affordable financing, and simplified procedures, including for defence and dual-use projects.

Public-private partnerships (PPPs)

PPPs are used for cooperation between the state, local authorities, and private partners for projects in socially important areas, allowing private resources, technology, and management expertise to support state functions.

On 19 June 2025, the Verkhovna Rada adopted amendments to the Law of Ukraine “On Public-Private Partnerships”, extending the provisions of the law to joint projects between the state and private security and defence businesses, thereby formalising PPP mechanisms in the defence sector.

Industrial parks

The Law of Ukraine "On Industrial Parks" and related regulations provide instruments to stimulate industrial parks, including:

- 10-year exemption from corporate income tax
- exemption from VAT and customs duties on imported equipment
- benefits regarding connection to utilities and infrastructure.

Defence-related manufacturing may be located in such parks and benefit from these incentives.

Large investment projects

The Law of Ukraine "On State Support for Investment Projects with Significant Investments in Ukraine" provides state support for qualifying projects, including:

state support of up to 30% of total investments

15-year guarantees of legislative stability

provision of infrastructure.

Defence and dual-use projects may benefit if they meet the statutory criteria for a large investment project.

Diia.City and Defence City

Diia.City is a special legal and tax regime for IT companies, offering preferential taxation and simplified business rules.

On 21 August 2025, the Verkhovna Rada adopted Laws of Ukraine No. 4577-IX and No. 4578-IX. These respective amendments to the Tax and Customs Codes of Ukraine provided for the creation of Ukraine's "Defence City" initiative, a special regime for enterprises in the defence-industrial complex patterned on prior experience implementing the aforementioned Diia.City regime. The Defence City regime is intended to conclude on 1 January 2036 (or earlier if Ukraine accedes to the EU prior to that date). As of May 2026, Defence City had 31 residents with a combined income of UAH89.7 billion (approximately USD2 billion) from the sale of armaments.

It should also be noted that businesses may choose to apply for only one of the two tax regimes: Diia.City or Defence City. A combination of the two regimes is not permitted and will not be approved.

Defence City is available to Ukrainian legal entities that develop or manufacture defence goods or participate in state defence contracts, subject to strict eligibility criteria. Specifically, a company participating in Defence City must:

- be a corporate income taxpayer in Ukraine
- have no tax or social contribution debts exceeding ten minimum wages
- not be a non-profit entity
- ensure that at least 75% of the company's annual income is "qualified defence income" from the sale of defence goods and related works and services (50% for certain aviation/UAV manufacturers)
- not be registered or located in temporarily occupied territories of Ukraine
- have properly disclosed the company's ultimate beneficial owner(s)
- have no links to aggressor states or sanctioned individuals as per the laws of Ukraine, as well as not subject to bankruptcy or liquidation
- have no breached obligations under state defence procurement contracts.

Status as a Defence City resident is granted upon the decision of the MoD and entry into the official register. Status as a resident may also be rescinded in the following cases:

- automatically (i.e. upon expiration of the regime, currently envisioned as the soonest of either 1 January 2036 or Ukraine becoming a member of the EU)
- voluntarily, upon application by the resident
- by decision of the MoD for cases of non-compliance, submission of false information, misuse of exempted profits, late reporting, and other violations (for applicable associated penalties, see below).

Key benefits for Defence City residents include:

- exemption from corporate income tax on profits reinvested into approved development activities
- exemption from land tax, real estate tax, and environmental tax for qualifying assets
- simplified customs procedures and authorisations for imports, temporary imports, and processing
- the ability to export military goods developed or manufactured by the company without obtaining separate CMU authorisation under the export control law (while still remaining subject to general export control permits).

Companies that are resident to Defence City must submit annual compliance reports to the MoD. The MoD is responsible for monitoring compliance based on these reports and may request additional information from relevant state authorities. Violating Defence City requirements or failing compliance may be penalised in the following manner:

- tax benefits applicable under the Defence City regime are revoked, retroactive from the beginning of the reporting period in which the violation occurred
- as changes to the tax regime for the offending defence company are applied retroactively, the company must now file amended tax returns for the period of Defence City regime applicability and pay all relevant taxes and penalties within 20–30 days (dependent upon the applicable taxes)
- standard statute of limitation periods for tax audits no longer apply, i.e. the Ukrainian Tax Authorities may investigate financial activities across the entire period of the company was a Defence City resident.

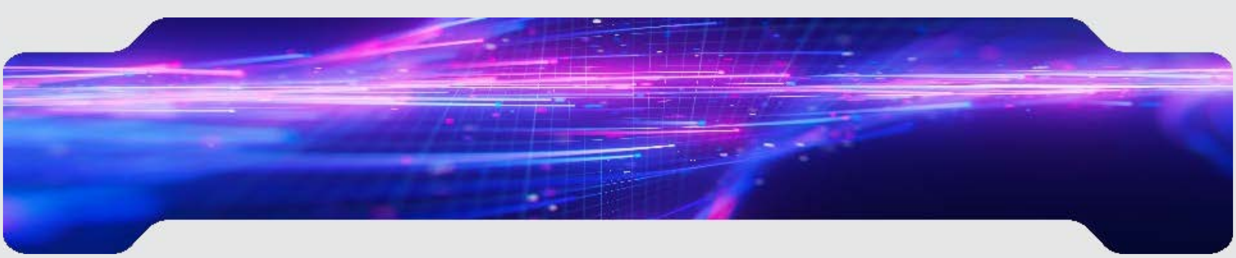
Financial state support for defence-industrial enterprises

CMU Resolution No. 1288 “On Certain Issues of Providing Financial State Support to Enterprises that are Critical to the Functioning of the Economy in a Special Period in the Defence-Industrial Complex” dated 5 November 2024 sets the conditions and mechanisms for state financial support by reducing loan costs for enterprises. Specifically, such rules apply to enterprises with foreign investments participating in state programmes for developing the defence-industrial complex of Ukraine.

Available support includes:

- loans of up to UAH100 million for working capital for up to 3 years, or
- loans of up to UAH500 million for investment projects for up to 5 years.
- In both cases, such loans are provided at an interest rate of 5%.

Furthermore, under CMU Resolution No. 739 “On Some Issues of Providing Grants to Processing Industry Enterprises” dated 24 June 2022, the state may also provide grants of up to UAH8 million to relevant processing enterprises, including those supplying components and services relevant to defence production.



Appendices

1. Withholding tax rates
2. About KPMG in Ukraine

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	5 (25) / 15	5 / 10	5
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
North 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)

About KPMG in Ukraine

KPMG firms operate in 138 countries and territories, engaging more than 276,000 partners and employees in member companies around the world.

Our purpose 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 clients in Ukraine and beyond. Working in Ukraine since 1992, our goal at KPMG in Ukraine has always been to use the firm's global intellectual potential, combined with the practical experience of our Ukrainian specialists, to help leading companies 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 towards sustainability, please visit our website.

KPMG in Ukraine rankings and awards

- Ukraine Transfer Pricing Advisory Firm of the Year, *ITR Awards 2025*
- International rankings in *The Legal 500 EMEA 2025*: including Tax (Tier 1); Employment (Tier 1); Banking, finance and capital markets (Tier 2); Commercial, corporate and M&A (Tier 2); Dispute resolution (Tier 3); Energy (Tier 3); Real estate and construction (Tier 3); International trade (Tier 3)
- Recognised as one of the leading law firms in Ukraine in four practices according to *IFLR1000*: M&A (Tier 4), Banking and Finance (Tier 5), Restructuring and Insolvency (Notable), Project Development (Notable)
- KPMG Law Ukraine was included in the *Benchmark Litigation Europe 2025* rankings, receiving Tier 4 in the Dispute Resolution/Litigation category
- KPMG Law Ukraine was recognised by Legal Benchmark Group at the *Social Impact EMEA Awards*, receiving awards for Wellbeing Programme of the Year and Environmental Firm of the Year
- KPMG Law Ukraine's Tax practice tops the rankings among international law firms in Ukraine, according to the "50 Leading Law Firms of Ukraine 2026" rankings by *Yuridichna Praktika*.
- KPMG Law Ukraine was recognised as a leading firm in Tax Consulting and Tax Dispute Resolution according to "Ukrainian Law Firms: A Handbook for Foreign Clients 2025". Highly regarded practices include: Corporate and M&A, Energy and Natural Resources, Labour and Employment, Real Estate, Construction, Land Law, and Transfer Pricing.
- Ten KPMG Law Ukraine practices were ranked in the annual "Market Leaders. Ranking of Law Firms of Ukraine - 2025" survey from *Yurydychna Gazeta*: Corporate/M&A, Employment, Energy & Natural Resources/Environmental, Tax/Consulting, Banking and finance law, Compliance, Public-private partnerships and infrastructure projects, Bankruptcy/Restructuring, NGO practice, and IT law.

Our services

Audit & Assurance

- Financial statement audits and reviews
- Non-financial information assurance services, including ESG and sustainability reporting
- Accounting advisory services
- Agreed Upon Procedures (specialised audit engagements at client request)
- IFRS trainings
- Audit readiness analysis

Advisory

Consulting

- Management Consulting
- Sustainability and Environmental, Social, and Governance guidance
- Risk consulting
- Financial Risk Management
- Financial Services Advisory
- Comprehensive assessment of IT risks and processes
- Cyber security
- IT consulting

Deal advisory

- Transaction services
- Valuation
- M&A Lead Advisory
- Raising funding
- Financial restructuring, business recovery, and bad debt management
- Restructuring
- IPO readiness & preparation for listing

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

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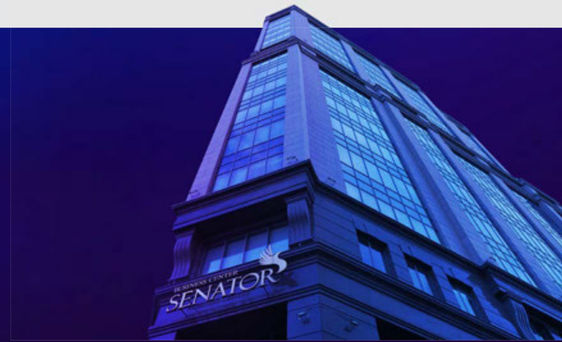

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