

INVESTMENT OPPORTUNITIES IN UKRAINE

A Comprehensive Analysis

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1. Market Potential and Economic Growth

What is Ukraine's current economic growth rate, and how does it compare with other European nations?

Despite the ongoing war, Ukraine's economic recovery has exceeded expectations. In 2023, GDP grew by 4.9%, signaling resilience and an improving investment climate. While this is a recovery from the 30% contraction in 2022, it surpasses the 2-3% average GDP growth of Eastern European countries.

Ukraine's economic stabilization is supported by international aid, wartime production, expanding trade partnerships, and business adaptation to new conditions. The government expects steady GDP growth in 2024-2025, driven by reconstruction efforts, foreign investments, and increased exports to the EU.

Ukraine provides many opportunities for investors – thanks to its nature and human resources and the vicinity to the EU. The Ukrainian government wants to drive forward the privatization and stakes on PPP.

Due to its favorable geographical location, Ukraine has close economic ties with the countries of the region. Thus, through the Danube River Ukraine is closely related to Romania Bulgaria and other countries of the Danube basin and through the ports of the Black Sea Ukraine maintains trade relations with many countries in Europe, Asia, Africa, Australia, North and South America. The territory of Ukraine is crossed by numerous Trans-European oil pipelines, gas pipelines, high-voltage power lines, electrified railways connecting Ukraine with its neighbors.

With its vicinity to the European Union (EU), the Association Agreement (with all perspectives of the full-scale membership), the large domestic market, natural resources, highly-qualified employees and post-war reconstruction Ukraine can become an interesting business location for investors.

What sectors are showing the most growth potential, especially in the context of rebuilding and recovery?

Several industries demonstrate significant investment potential in Ukraine:

1. **Defense & Military Technology:** Due to ongoing security challenges, Ukraine has attracted investments from Baykar, Rheinmetall, and Quantum-Systems, with plans to build multiple defense production facilities.
2. **Renewable Energy & Infrastructure:** With over \$177 billion in investment potential, Ukraine is expanding wind, solar, hydrogen, and decentralized power grids, reducing reliance on Russian energy.
3. **Agriculture & Aggrotech:** Ukraine remains a global leader in grain exports, and with a \$34 billion investment opportunity, agro-processing and logistics infrastructure are prime areas for growth.
4. **IT & Digital Economy:** Ukraine is home to Europe's 5th largest IT workforce, with export-driven growth in software development, fintech, and cybersecurity.
5. **Manufacturing & Industrial Parks:** With tax benefits for industrial zones and \$123 billion in logistics & infrastructure investments, Ukraine is becoming an attractive hub for nearshoring and EU supply chains.

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6. **Construction & Real Estate:** The expected post-war reconstruction boom offers investment potential in housing, commercial real estate, and urban infrastructure.

Ukraine is among the leading countries in terms of the amount of minerals. In Ukraine, the minerals with the reatest economic value are primarily coal, iron and manganese ores, rock salt, potassium salt, mineral water, gas and oil. Ukraine occupies the leading position in the world in relation to the reserves of some minerals, such as iron, manganese, titanium and zinc ores.

Ukraine pays much attention to the development of space exploration and aircraft. Each year Ukraine enters into approximately 400 contracts to provide launch services on Ukrainian launch vehicles. Besides, Ukraine produces satellites and assembly joints for all the spaceships docking at the International Space Station. Ukraine is a major producer of weapons, such as tanks, military transport aircraft, anti-aircraft missile systems and optical equipment.

Ukraine cooperates with the international financial institutions, including the IMF, World Bank, International Bank for Reconstruction and Development, International Development Association, International Finance Corporation, Multilateral Investment Guarantee Agency, International Centre for Settlement of Investment Disputes, etc.

How is Ukraine's strategic location in Europe advantageous for businesses looking to expand across European and global markets?

Ukraine's geographical position makes it a logistics hub between Europe, Asia, and the Middle East. Key advantages include:

- Duty-free access to EU markets under the EU-Ukraine Association Agreement.
- Direct trade routes via the Black Sea, Danube River, and EU-linked rail corridors.
- Growing economic ties with Poland, Romania, and Baltic nations, creating new trade corridors.

Ukraine has close economic and political ties with the neighboring countries. Ukraine and the EU have signed an agreement on free trade regime, which has significantly improved trade relations between Ukraine and the EU member states and increased the volume of trade. Ukraine also signed a free trade agreement with Canada in 2016, and it is negotiating terms of trade with other countries. Ukraine maintains a close relationship with NATO in the areas of security, technical cooperation, scientific research, defense systems and rapid response in case of emergency.

Ukraine maintains diplomatic relations with over 170 countries. Ukraine is a member of the UN, the Council of Europe, the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, the World Trade Organization. In addition, Ukraine is a non-permanent member of the UN Security Council.

2. Government Incentives and Support

What specific government incentives exist for foreign investors in Ukraine?

Since 2021, mechanisms to promote large investments have been intensively implemented in Ukraine. The specialized law on state support for investment projects with investments of considerable size (hereinafter referred to as "Law") and the procedures, methods and instructions developed for its implementation have

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been already in force in Ukraine. However, the Russian Federation's aggression against Ukraine and the large-scale war of aggression have created new realities. Taking these circumstances into account, the Law was changed and supplemented, and these changes and supplements came into force on September 17, 2023.

The Ukraine Investment Framework (UIF) and Advantage Ukraine program provide a range of incentives:

Investors can count on government support in Ukraine for investment projects amounting to up to 30% of the planned investment amount for an investment project.

The changes to the Law expanded the forms of state funding. Government funding is now available for projects involving significant investments as follows:

- Granting preferential rights in the use of state or municipally owned land for the implementation of investment projects. The investor can be granted the preferential right to acquire these properties for ownership after the special investment contract has expired. In addition, the changes also provide for the possibility of changing the purpose of particularly valuable land and forest areas in order to continue to use them in the implementation of investment projects. This is an important innovation because it offers more opportunities to find suitable locations for the capacities of investment projects (e.g. through valuable land located on roads and communication routes);
- Exemption from corporate income tax for five (5) years, as well as from VAT and import duties on new equipment. The tax preferences for large investors remain unchanged;
- Provision of construction, reconstruction, restoration and general repair work on transport infrastructure facilities (roads, communication lines as well as heat, gas, water and electricity supply, technical communications, etc.) necessary for the implementation of investment projects, namely state and local budget funds and other sources permitted by law. According to the changes, it has become possible to include in the calculation of the amount of state support the total value of all utility and transport infrastructure facilities built for the implementation of investment projects;
- Exemption from compensation for losses in forestry production as a result of a change in the purpose of particularly valuable land and forest areas for the implementation of investment projects. According to the changes, the costs that did not reach the relevant budget from such compensation will be included in the calculation of the amount of state funding;
- Compensation for the costs of connection and connection to supply and transport networks, which are necessary for the implementation of investment projects.

What tax benefits, grants, or subsidies are available?

- 10-year corporate tax exemptions for investors in industrial parks
- State subsidies for renewable energy, industrial production, and R&D projects
- Grants for infrastructure and workforce development in priority regions
- Government co-financing of infrastructure projects (roads, utilities, transport)
- Investment insurance programs (MIGA, DFC, EIF) covering security risks
- Fast-track business registration for foreign investors via digital platforms

How does Ukraine's legal and regulatory framework support foreign direct investment (FDI)?

The legal and regulatory framework in Ukraine has been progressively reformed to enhance foreign direct investment (FDI) protection and improve the ease of doing business. Key elements supporting FDI include:

1. Investment Protection Agreements:
 - Ukraine has Bilateral Investment Treaties (BITs) with over 70 countries, providing foreign investors with legal safeguards, non-discriminatory treatment, and mechanisms for dispute resolution.
 - Ukraine is a member of the International Centre for Settlement of Investment Disputes (ICSID), ensuring neutral arbitration for foreign investors.
2. State Support for Strategic Investors:
 - The Law on State Support for Investment Projects with Significant Investments (so-called “investment nannies” law) provides tax incentives, infrastructure support, and simplified administrative procedures for major investors.
3. Tax and Customs Incentives:
 - Investors in industrial parks, energy, IT, manufacturing, and infrastructure enjoy corporate tax holidays, VAT exemptions on imported equipment, and customs duty waivers.
4. Simplified Business Registration & Digitalization:
 - Foreign businesses can register a company in Ukraine in 24 hours via an online platform.
 - Ukraine ranks high in digitalization, with e-government services reducing bureaucracy and corruption.
5. Reforms in Banking and Financial Systems:
 - Liberalization of currency regulations allows foreign companies to repatriate profits and dividends.
 - Ukraine's financial system is under IMF monitoring, ensuring macroeconomic stability.
6. Anti-Corruption & Judicial Reforms:
 - Establishment of anti-corruption agencies (NABU, SAPO, HACC) to improve transparency and reduce risks for investors.
 - Adoption of judicial reforms to enhance property rights protection and contract enforcement.
7. EU Integration & Compliance with International Standards:
 - Ukraine's EU candidate status accelerates regulatory harmonization with European investment standards.
 - Trade agreements with the EU, UK, Canada, and others open access to large markets with minimal tariffs and trade barriers.

3. Skilled Workforce and Talent Pool

What are Ukraine's strengths in terms of workforce availability, skill level, and wage competitiveness?

The number of gainfully employed population in Ukraine is about 12 million people. The employment rate among the working-age population totals 69.9%. The highest employment rate among the regions is in Kyiv and amounts to 76.3%. This is primarily due to the administrative functions performed by this region.

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As of end of 2024, the unemployment rate in Ukraine was 5.9%, but depending on the region it may vary significantly.

Despite the fact that income of Ukrainian population constantly grows, its size compared to the European standards is quite low. The official average monthly salary throughout 2024 amounted to approximately USD -650,00. The size of the average monthly salary is almost twice that amount in Kyiv. A part of the economy is in the shade. Therefore, the official statistics do not always accurately reflect the real level of income.

Briefly:

- 130,000 engineers & technical specialists graduate annually.
- IT sector with over 300,000 specialists, supporting outsourcing and R&D centers.
- Labor costs 30-50% lower than in Western Europe, offering high skills at competitive rates.

Which industries have particularly skilled labor forces?

- **IT & Software Development:** Ukraine is a global leader in AI, cybersecurity, and fintech.
- **Agriculture & Agri-tech:** Advanced expertise in farming automation and food processing.
- **Heavy Industry & Manufacturing:** Expertise in aviation, shipbuilding, and defense production.

4. Infrastructure and Logistics

What infrastructure developments are underway or planned?

- \$486 billion post-war reconstruction plan focusing on bridges, roads, railways, and energy infrastructure.
- Black Sea port modernization to enhance trade.
- Expansion of cross-border rail connections with the EU.

In 2024, Ukraine exported a record-breaking 13 million metric tons of products, surpassing the figures from February 2022. The increase in exports was particularly influenced by the opening of an alternative maritime corridor in the Black Sea last summer, enabling Ukraine to export, among other goods, grains and metals.

Despite the loss of over 400,000 square meters of high-quality storage space, Kyiv region remains the country's key logistics center, as companies from conflict-affected regions relocate their distribution centers closer to the capital.

From the western regions of Ukraine, Lviv and Volyn emerge as the most promising. They possess optimal road and rail connections and share a border with the EU. Currently, approximately 60% of Ukrainian exports pass through these regions to the EU.

The growing demand for logistics hubs, multimodal terminals, oil depots, and grain silos presents numerous investment opportunities while demanding swift decisions from investors looking to enter this market. The primary investment instruments currently are the acquisition of properties strategically located to potentially serve the logistics routes from Ukraine to the EU.

With the revival of grain exports via the Black Sea, prospects for investment in the renovation of grain storage facilities in Ukrainian seaports and the supporting infrastructure are increasing. Thus far, more than 200 port infrastructure facilities in Ukraine have been fully or partially destroyed by Russian attacks.

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How reliable is Ukraine's energy supply, and what are the costs?

Ukraine's energy sector has faced extraordinary challenges over the past two years, yet it has emerged more resilient than ever. The war has tested the limits of its energy infrastructure, with Russia targeting power plants and grid systems in an attempt to cripple the country's economy. However, Ukraine has rapidly adapted, diversifying its energy sources, reinforcing critical infrastructure, and even expanding its power production capacity. What was once a vulnerable system has now evolved into one of the most dynamic and forward-looking energy markets in Europe.

A major factor in Ukraine's ability to withstand energy disruptions has been its deepening integration with the European power grid. The accelerated connection to ENTSO-E, the European electricity network, was a game changer. It has allowed Ukraine to import power from Poland, Slovakia, and Romania, ensuring that blackouts do not last as long as they once did. When Russia launched a brutal wave of attacks on energy infrastructure during the winter, these cross-border energy flows kept factories running and homes heated. At the same time, Ukraine has completely moved away from Russian gas supplies, relying instead on reverse imports from EU partners. This shift marks not only an economic necessity but also a significant geopolitical victory, breaking decades of energy dependency.

Nuclear power has long been Ukraine's energy backbone, and now it is being strengthened further. The expansion of the Khmelnytskyi Nuclear Power Plant, with two new reactors under construction, is expected to significantly increase the country's energy security. These projects, developed in partnership with Westinghouse, are part of a broader strategy to replace Russian nuclear fuel with Western alternatives. By pioneering the deployment of AP1000 reactors, Ukraine is modernizing its nuclear sector while ensuring that it remains independent of any future geopolitical threats. Even during wartime, the country is investing in energy infrastructure that will serve as the foundation for its post-war recovery.

Yet, with each advancement, the country also faces new threats. Russia's relentless missile and drone strikes have turned Ukraine's power plants into front-line battlefields. In response, the government has taken unprecedented steps to defend its critical energy infrastructure. Air defense systems, including Patriot and

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NASAMS, have been deployed around major power stations, while anti-drone technology now protects grid infrastructure. Physical fortifications have also been introduced at key sites, ensuring that even if an attack occurs, the damage can be minimized. At the same time, efforts are underway to decentralize the grid, making it less vulnerable to targeted strikes. Every new power facility, whether nuclear, hydro, or renewable, is now designed with wartime resilience in mind.

Despite the devastation, Ukraine has not abandoned its ambitions in renewable energy. In fact, the war has accelerated a shift toward decentralized power generation, with businesses, municipalities, and households rapidly installing solar panels and battery storage systems. Wind farms are being developed in safer regions, and hydrogen production is being explored as a future export opportunity. Ukraine's vast agricultural sector is also integrating biogas production into its energy mix, offering a sustainable solution that reduces dependence on traditional fossil fuels. With the right investments, the country could soon become a leading producer of green hydrogen for the European market.

For businesses operating in Ukraine, energy costs remain competitive compared to the rest of Europe. Industrial electricity prices are generally lower than those in Germany or France, making Ukraine an attractive location for energy-intensive industries. Despite wartime disruptions, the government has worked to keep energy prices stable, offering off-peak discounts and subsidies for businesses that invest in renewable solutions. Natural gas prices fluctuate with European markets, but thanks to new storage and import agreements, supply remains steady.

The future of Ukraine's energy security is being shaped not just by necessity but by opportunity. The country is not merely reacting to crises—it is actively positioning itself as a leader in clean and reliable energy production. The war has forced Ukraine to rethink its energy strategy, but in doing so, it has created a model that could define the future of European energy resilience. With nuclear expansion, renewable energy development, stronger grid defense, and deepening ties with the EU, Ukraine is proving that even in the face of destruction, a smarter, more independent energy system can rise.

For investors, Ukraine's energy sector presents a rare moment in history—an opportunity to be part of rebuilding a nation's power infrastructure from the ground up. The story of Ukraine's energy resilience is not just about survival; it's about transformation, innovation, and the unwavering determination to ensure that the lights stay on, no matter the circumstances.

5. Market Entry and Legal Requirements

What are the necessary steps for a foreign entity to establish a business in Ukraine? What protections are in place for foreign investments?

Ukraine has positioned itself as an increasingly attractive destination for foreign investors, despite the challenges posed by geopolitical uncertainties. Over the past decade, significant reforms have been implemented to streamline business operations, reduce bureaucracy, and create a more transparent legal framework. The country's strategic location at the crossroads of Europe and Asia, combined with a well-educated workforce and growing market opportunities, makes it an appealing investment destination. However, for foreign entities considering entry into Ukraine, understanding the legal landscape and business registration process is essential.

A Progressive Business Environment: Ukraine's Commitment to Reforms

The Ukrainian government has made considerable efforts to simplify market entry and attract foreign direct investment (FDI). Since 2014, numerous legislative improvements have been introduced, particularly in corporate governance, taxation, and investor protection. The growing presence of international companies in Ukraine—especially in sectors like IT, agriculture, energy, and manufacturing—signals increasing confidence in the country's business environment.

Kyiv, in particular, has emerged as a startup hub, attracting investment in IT and technology-driven enterprises. The booming IT sector, supported by a talent pool of over 125,000 specialists, has transformed Ukraine into one of Europe's most promising tech destinations. With flexible tax regimes and simplified regulatory procedures, Ukraine is rapidly becoming an appealing choice for both multinational corporations and small-to-medium enterprises (SMEs).

Choosing the Right Business Structure

One of the most critical decisions for foreign investors is selecting the appropriate legal structure for their business operations in Ukraine. Several corporate forms exist, each offering different levels of liability protection, taxation, and operational flexibility.

1. Limited Liability Company

- The most common and flexible business structure, accounting for over 90% of companies in Ukraine.
- Liability is limited to the company's assets, and shareholders are protected from personal financial risk.
- The minimum share capital requirement is not legally prescribed, allowing for flexible financial planning.
- Registration is straightforward and can be completed electronically within a day, with full operational readiness achieved in approximately one week.
- A foreign investor can hold 100% ownership of an LLC, making it a preferred choice for international businesses.

2. Joint Stock Company

- More complex than an LLC, JSCs are suitable for larger-scale businesses requiring capital from multiple investors.
- Requires a minimum statutory capital of approximately €150,000.
- Subject to stricter regulatory requirements, including reporting to Ukraine's Securities and Stock Market Commission.
- More suitable for businesses planning future public offerings or large-scale investments.

3. Representative Office

- Allows a foreign company to establish a presence in Ukraine without forming a separate legal entity.
- Typically used for market research, partner networking, and business representation rather than direct commercial operations.
- Registration is conducted through the Ministry of Economy and can take up to 60 working days, with a state fee of approximately \$2,500.
- Representative offices do not have independent financial or legal responsibilities, as they function directly under the foreign parent company.

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4. Individual Entrepreneur

- The simplest and fastest way to conduct business in Ukraine, particularly for freelancers, consultants, and small-scale enterprises.
- Allows for tax advantages under the simplified taxation regime, with reduced fixed income tax rates.
- However, entrepreneurs bear full personal liability, as there is no legal distinction between personal and business assets.

Key Steps to Establishing a Business in Ukraine

Once the business structure is chosen, the legal registration process involves several essential steps:

1. Company Registration

- Businesses must register with the Unified State Register of Legal Entities, Individual Entrepreneurs, and Public Organizations.
- This can be done electronically or through a notary. The registration fee is minimal or, in some cases, waived.

2. Tax Registration and VAT Compliance

- Companies must register with the State Tax Service and obtain a Taxpayer Identification Number.
- Depending on revenue levels and business activity, companies may need to register for Value-Added Tax (VAT).

3. Opening a Bank Account and Currency Regulations

- A local bank account must be opened for financial transactions, with foreign investors required to comply with National Bank of Ukraine (NBU) currency control regulations.
- Ukraine has introduced financial liberalization policies, easing restrictions on capital repatriation and foreign exchange operations.

4. Obtaining Permits and Licenses

- Industry-specific permits may be required depending on the business sector (e.g., construction, energy, pharmaceuticals).
- Certain industries, such as telecommunications or finance, require additional regulatory approval.

5. Employment and Immigration Considerations

- Foreign investors planning to relocate personnel to Ukraine must secure work permits and temporary residence permits.
- Ukrainian labor laws are generally investor-friendly, allowing for flexible employment arrangements.

Legal Protections and Investment Security

Ukraine has implemented various legal measures to safeguard foreign investments and align its business regulations with European standards. The country is a signatory to multiple bilateral investment treaties, ensuring protection against unlawful expropriation and providing dispute resolution mechanisms.

Additionally, Ukraine offers several incentives for foreign investors, including:

- **Special Economic Zones** with preferential tax regimes and customs benefits.
- **Investment Insurance** programs in collaboration with international financial institutions like the World Bank's Multilateral Investment Guarantee Agency (MIGA).

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- **State Support Programs**, including tax exemptions and grants for strategic industries like energy, infrastructure, and manufacturing.

While challenges such as judicial inefficiencies and corruption risks still exist, Ukraine continues to strengthen its legal framework to enhance investor confidence. The government's commitment to EU integration is driving further legal harmonization, ensuring a more predictable and transparent investment climate.

Entering the Ukrainian market presents significant opportunities, but success depends on careful planning and an understanding of the legal and regulatory environment. With ongoing reforms, a highly skilled workforce, and strategic positioning within Europe, Ukraine offers substantial potential for business expansion.

For investors willing to navigate the complexities of market entry, Ukraine presents a high-risk but potentially high-reward landscape, particularly in sectors poised for rapid growth in the post-war recovery period. With a structured approach, informed decision-making, and strategic partnerships, businesses can establish a strong presence in Ukraine and capitalize on its evolving economic landscape.

International Society of Primerus Law Firms

452 Ada Drive SE, Suite 300
Ada, Michigan 49301

Toll-Free Phone: +1 800.968.2211
Fax: +1 616.458.7099



Email: bjudkins@primerus.com
www.primerus.com