



UKRAINE

YOUR INVESTMENT DESTINATION

KEY FACTS

Ukraine is **the largest country in Europe by area** and 7th largest by population, making it one of the biggest consumer markets in the region.

It's favorable geographic location establishes the country as a natural **transportation link between Europe, Eastern countries and Central Asia.**

42% of Ukrainians speak English, 17% - German, 9% - French and 8% - Polish.
130 000 of engineers graduate every year.



42
MILLION



70%
urban based



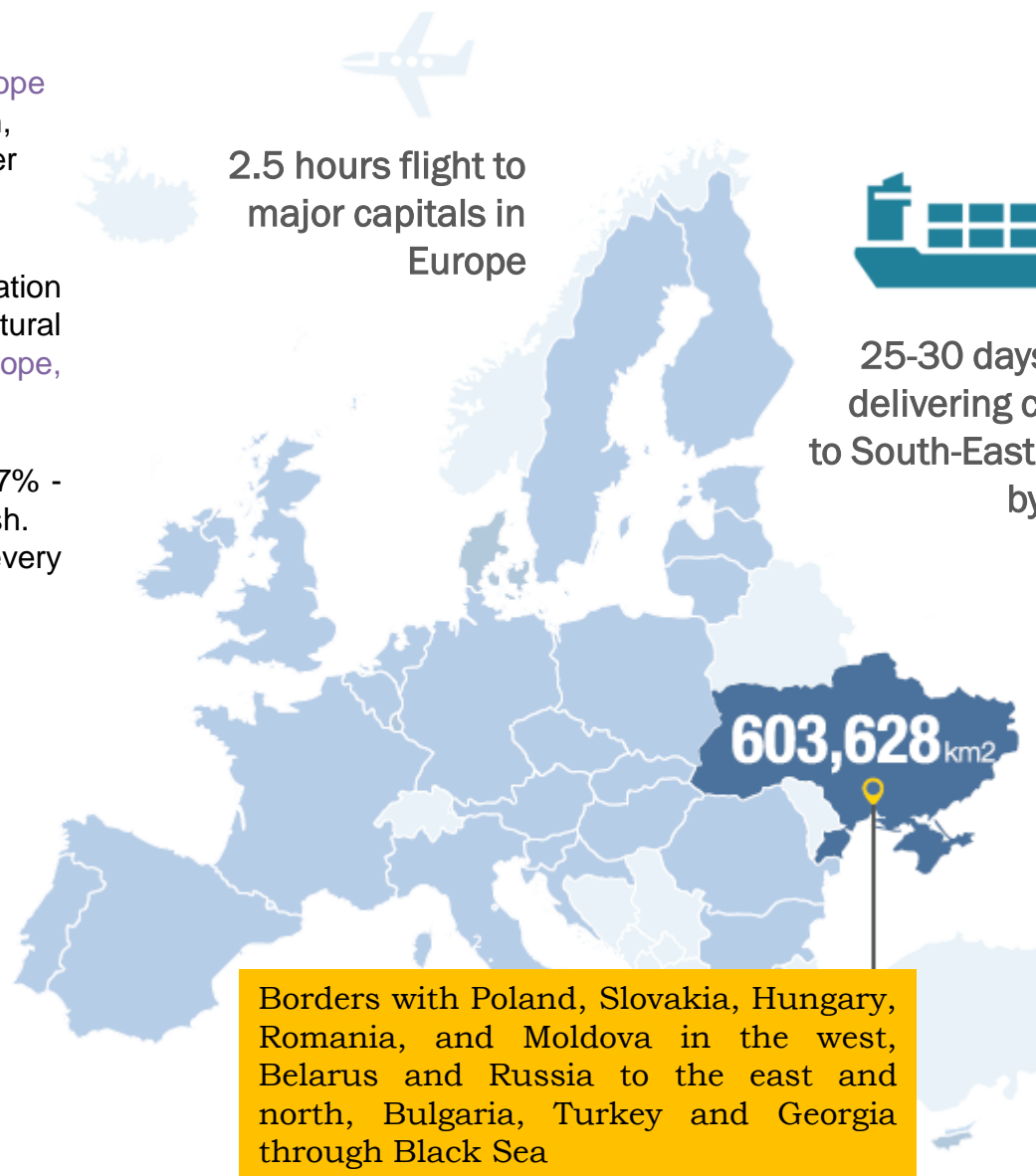
99.8%
literacy rate



2.5 hours flight to
major capitals in
Europe



25-30 days for
delivering cargo
to South-East Asia
by sea



KEY NUMBERS

\$154
BILLION

GDP

6%

**CENTRAL BANK
INTEREST RATE**

1.7%

INFLATION

IT OUTSOURCING &
SOFTWARE DEVELOPMENT
POWERHOUSE IN CEE

#1

MOST EDUCATED
NATION IN THE
WORLD

#4

MOST COST EFFICIENT
MANUFACTURING
PLATFORM IN EUROPE

\$420
average salary
per month

In 2020, the country climbed seven more places in the World Bank's Ease of Doing Business ratings, to 64 out of 190 countries, and the Bank rates **Ukraine second** among the countries of the world in the last 10 years regarding the **speed and depth in the improvement of the business climate**.

Between 2015-2019, Ukraine witnessed **foreign direct investment flows of \$14 billion**, resulting in the construction of over **100 manufacturing plants**, representing tens of thousands of new high-added value jobs. **Private consumption which increased by \$48 billion within the last 4 years** had the most impact on GDP growth.

Ukraine in Global Ratings

- 1st Good Country Index (Science and Technology)
- 6th Henley Passport Index
- 8th European Strongest Army
- 47th Global Innovation Index **+17 in 5 years**
- 50th Human Capital Index
- 64th World Bank Ease of Doing Business **+87 in 9 years**
- 85th Global Competitiveness Index by WEF

Ukraine in the Global Agri Market

- #1 Sunflower oil producer and exporter
- #2 Barley, rapeseed and millet exporter
- #3 Nuts exporter
- #4 Wheat, corn and honey exporter
- #5 Flour exporter
- #6 Corn producer
- #7 Wheat producer

TOP-50

Ukraine is among the TOP 50 most innovative countries

Bloomberg Innovation Index

SOVEREIGN RATINGS

FitchRatings

B; Positive

S&P Global

B; Stable

MOODY'S
ANALYTICS

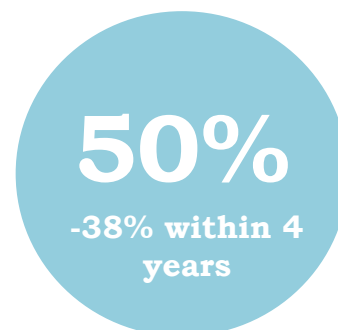
B3; Stable

ECONOMY

International reserves

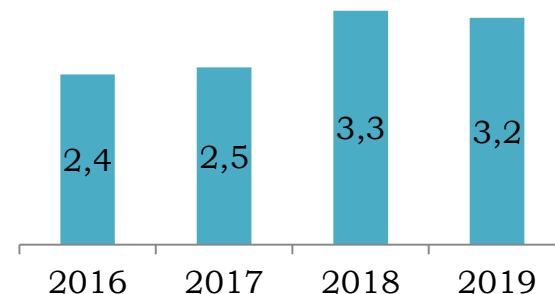


Government debt-to-GDP

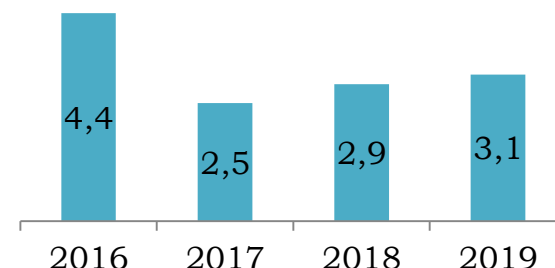


Hryvnia has become the world's top performer
versus USD in 2019

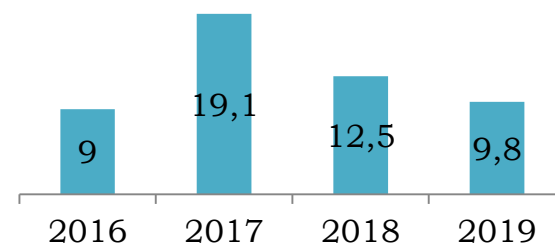
In recent years, thanks to the support of foreign partners, Ukraine has achieved significant progress in macroeconomic stabilization: the **banking system was cleaned up**, inflation fell, the current account and state **budget deficits reduced**, the government debt to GDP ratio decreased, while **foreign exchange reserves** grew significantly and **exceeded \$25 billion**.



GDP growth, %, YoY



FDI inflow, bln. USD



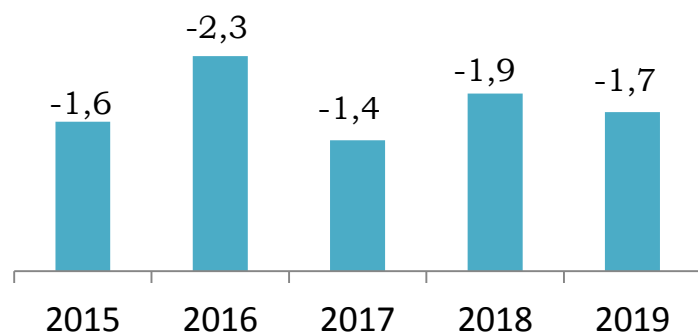
Real wage growth, %, YoY

STATE BUDGET & BoP

State budget deficit kept below 2.5% within the last 5 years. Budget revenue steadily rose and reached \$38.7 billion (excl. local authorities' revenue which amounted to \$11.2 billion) in 2019 (+46.5% within 5 years).

Tax revenue amounted to 80.1% of the state budget. Expenditures on social security amounted to 23.4% (+4% YoY), education - 17.4% (+13.7% YoY), economic activity – 11.2% (+9.6% YoY), healthcare – 9.4% (+10.8% YoY).

Government borrowed \$2.5 billion on the international market for financing deficit.



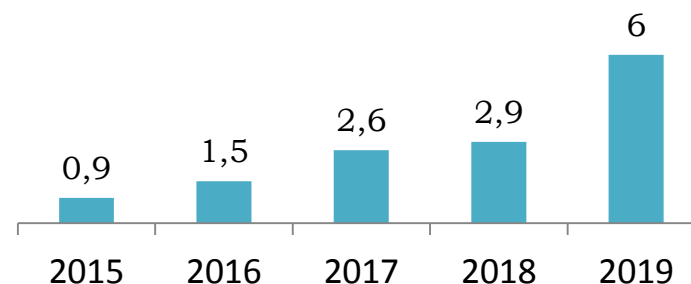
State budget deficit to GDP, %

Balance of payments profit amounting to \$6 billion in 2019 (+650% within 5 years).

Ukraine ran a moderate C/A deficit of 0.9% of GDP in 2019, vs. 6.8% in 2008 and 9% in 2013. Trade balance deficit amounted to 2.5% of GDP in 2019.

Balance of payments has been supported by remittances from labor migrants which grew significantly (+41% within 5 years) up to \$12 billion in 2019.

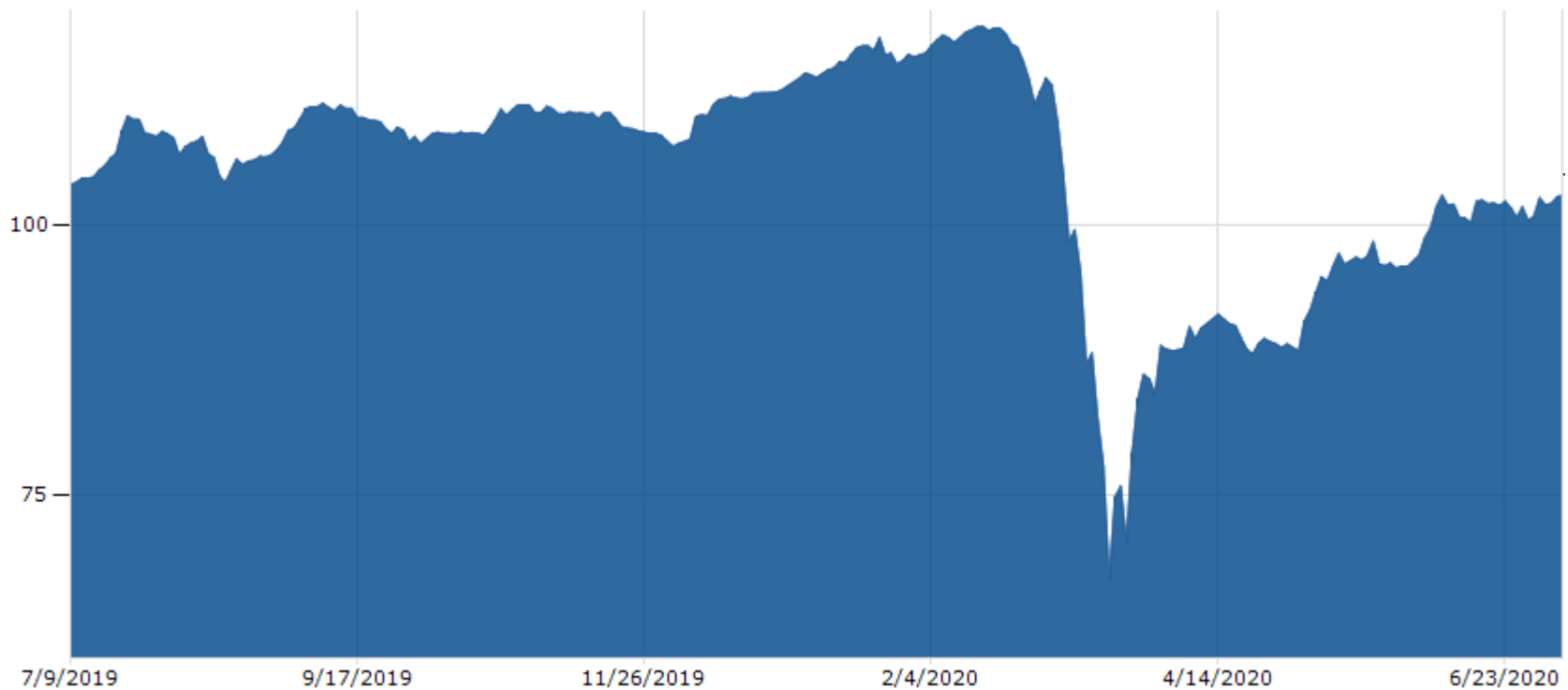
Also, in 2019, foreign investors bought government local papers in amount of \$4.4 billion mostly in local currency.



Balance of payments, bln. USD

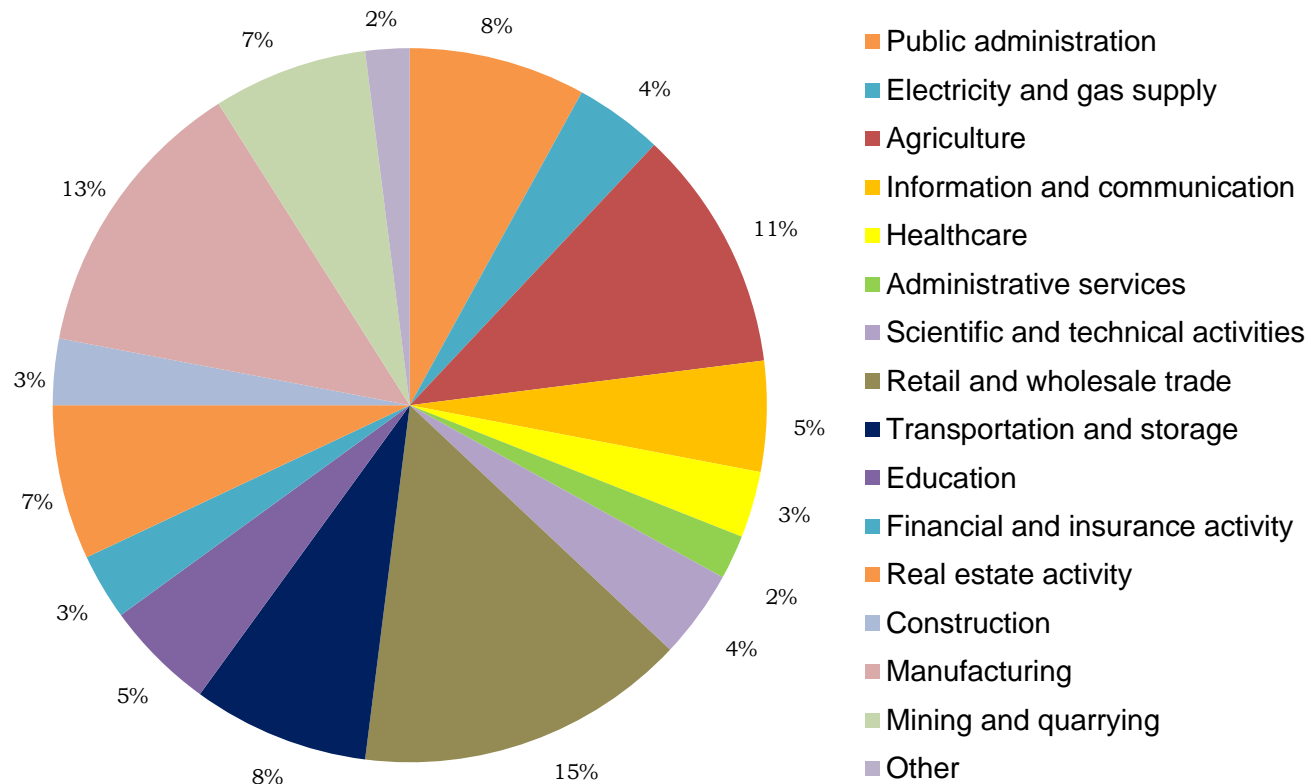
EUROBONDS

Ukrainian EUR 1 billion sovereign bond issuance in June 2019 was recognized as “The best Europe SSA Bonds Deal 2020” by the Banker. Coupon rate - 6.75% payable annually, maturity date - June 6, 2026. According to Ukraine 5 years CDS, implied probability of default - 8.96%.



GDP by sector

Ukraine GDP rose by 3.2% in 2019 and GDP per capita amounted to \$3 659. Last year the biggest growth was in construction (+23%), services (+15%), IT (+7.5%), real estate activity (+7.5%), accommodation and food services (+7.1%).

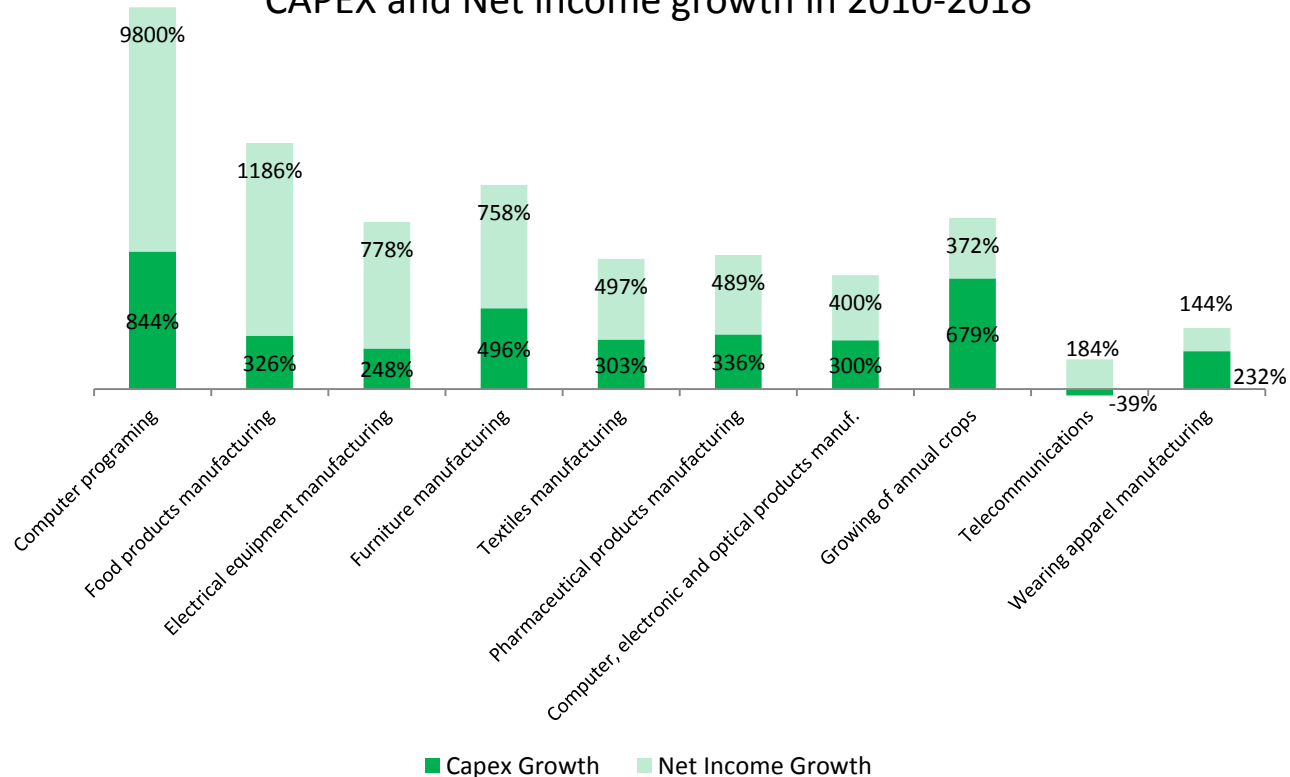


OUTPERFORMERS

The most promising sectors for economic growth and investment attraction were determined on the basis of performance in 2010-2018. The chart presents economic activities that provided the **highest return on investments** in the given period.

The analysis was run considering the following financial data within 2010-18: total sales dynamics, CAPEX and net profit. **Growth of net profit exceeds growth of capital expenditures in 8 out of 10 identified industries.** The agility of enterprises' economic recovery after the crisis 2014 and the number of years with a positive net profit (more than 4) were also taken into consideration.

CAPEX and Net income growth in 2010-2018

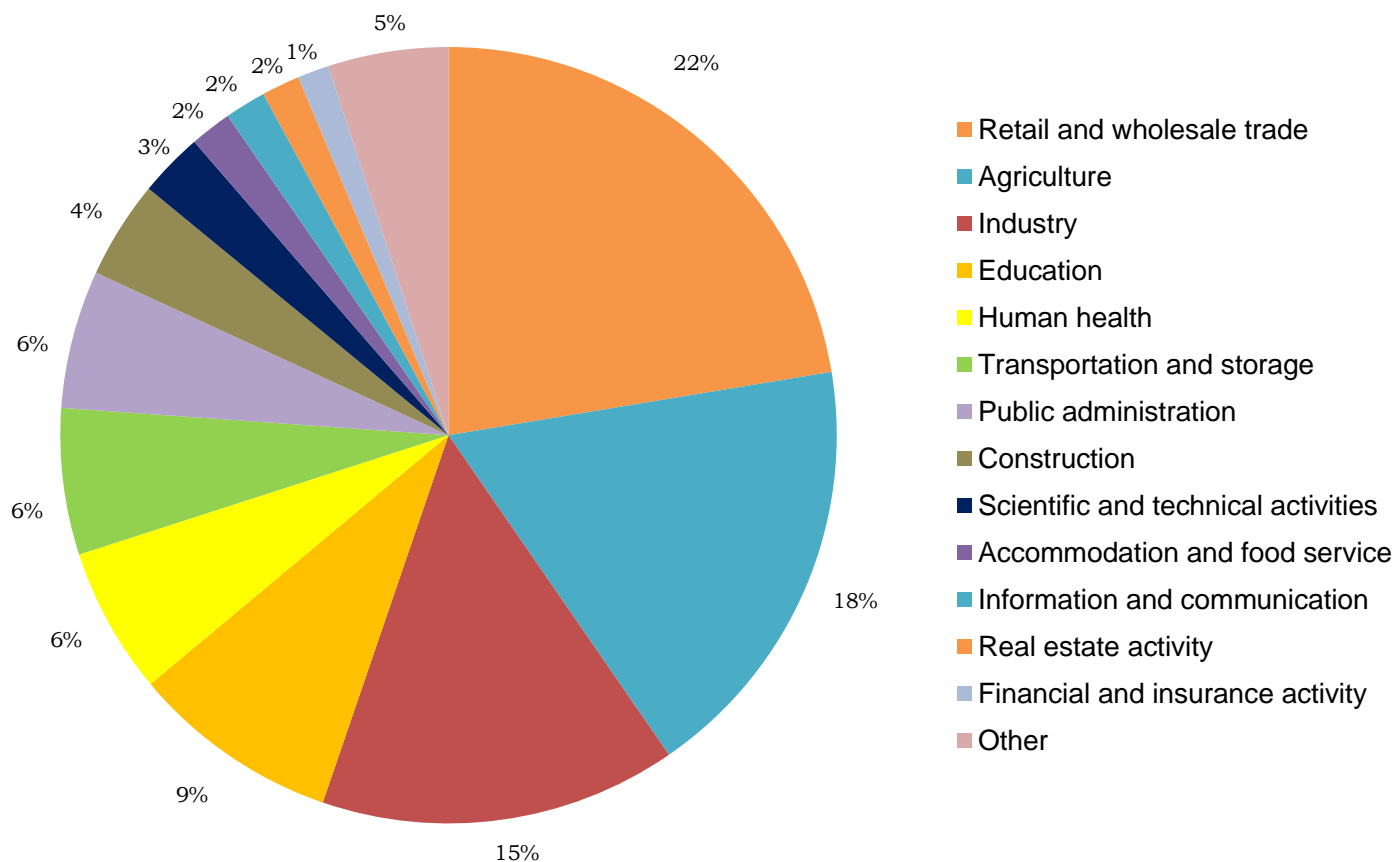


EMPLOYMENT STRUCTURE

More than 16.3 million people work in different industries in Ukraine. Unemployment rate in Ukraine – 8.6% at the beginning of 2020.

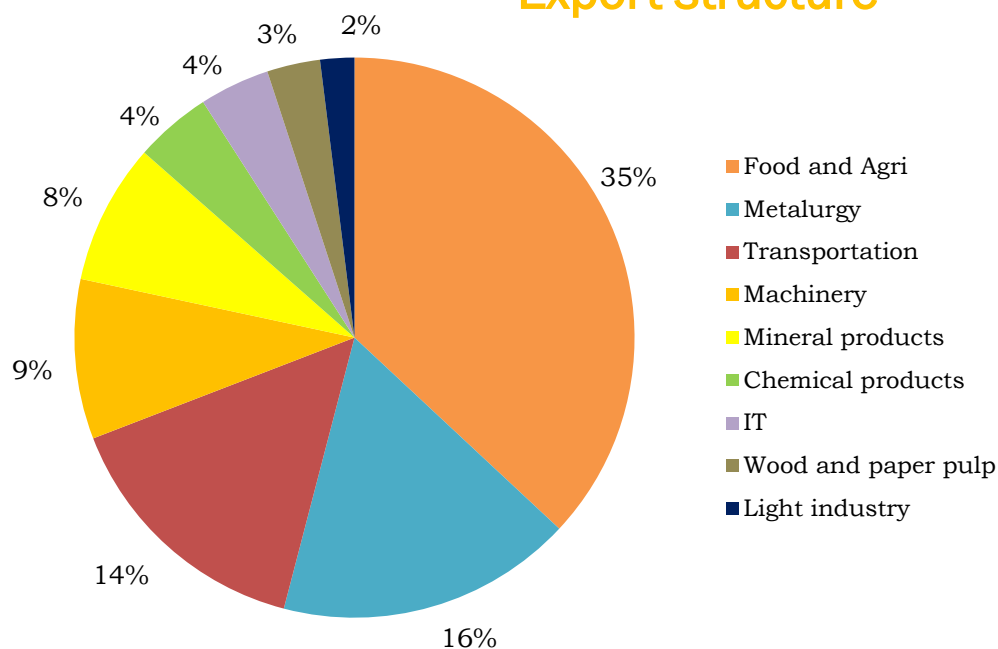
Most IT specialists in Ukraine have a special tax regime when they work as own-account workers and pay 5% income tax.

From 2020 only 1 day is needed for registration of an own account online. Average time for registration Limited Liability Company is 5-6 days.



INTERNATIONAL TRADE

Export structure



160 million tons of cargo handled in seaports in 2019 (+15.5% YoY)

\$63.7
BILLION

Export in 2019
to 232 countries
(+10.5% YoY)

17
FTAS

with 46
countries

\$24
BILLION

Export to EU
(+27% within
3 years)

INTERNATIONAL SUPPORT

EBRD

Since the beginning of its activity in Ukraine, the bank has financed 465 projects worth more than 10.5 billion euro. The share of the private sector in the portfolio is 48%. The largest investment were on the energy sector (36%), infrastructure (26%), industry, trade and agribusiness (26%) and the financial sector (11%). In 2019, it invested 1.1 billion euro in 51 projects in the public and private sectors of Ukraine.

EIB

The EIB has worked with Ukraine since 2007 and financed 42 projects worth more than 6.4 billion euro. Public infrastructure is the most important area of EIB lending in Ukraine (34%). As well, the EIB supports the development of small and medium-sized enterprises (SMEs) through credit lines designed to address the scarcity of long-term funding via local financial partners. Bank has committed more than 1.9 billion euro to support SMEs and midcaps.

IFC

International Finance Corporation has financed 90 projects worth more than 3.2 billion euro since 1993. Also IFC provided more than 1 billion euro through international trade finance program. As well, Corporation decided to took part in privatization of state-owned “Ukrzazbank”.

EU

Ukraine is a priority partner for the European Union (EU). On 30 November 2018 the European Commission, on behalf of the EU, has approved the release of the first 500 million euro of the new Macro-Financial Assistance (MFA) programme to Ukraine. With this release, the total Macro-Financial Assistance extended to Ukraine by the EU since 2014 has reached 3.3 billion euro, the largest amount of such assistance directed at any non-EU country.

The Executive Board of the International Monetary Fund (IMF) approved an 18-month Stand-by Arrangement for Ukraine, with access equivalent to SDR 3.6 billion (about \$5 billion or 179 percent of quota) on June 9, 2020



Ms. Kristalina Georgieva, Managing Director and Chair, issued the following statement: "The new Stand-By Arrangement will provide an anchor for the authorities' efforts to address the impact of the crisis, while ensuring macroeconomic stability and safeguarding achievements to date. Together with support from the World Bank and the European Union, it will help address large financing needs."

Policies under the new arrangement will focus on four priorities:

- mitigating the economic impact of the crisis, including by supporting households and businesses;
- ensuring continued Central bank independence and a flexible exchange rate;
- safeguarding financial stability while recovering the costs from bank resolutions;
- moving forward with key governance and anti-corruption measures to preserve and deepen recent gains.

**UKRAINE IS OPEN TO BUSINESS
AND IS CONSTANTLY IMPROVING
ITS INVESTMENT CLIMATE**

STRONG REFORMS AGENDA

Following the Revolution of Dignity, the Ukrainians affirmed their desire to live in a free, democratic, western-oriented and economically stable country by amending Ukraine's Constitution regarding the strategic course of the state for obtaining full membership in the EU and NATO. Driven by the passion and determination of a new generation of young reform-minded leaders, since 2014 the country has undergone a transformation from deep crisis to macroeconomic stabilization.

The North Atlantic Council recognized Ukraine as an Enhanced Opportunities Partner. This status is part of NATO's Partnership Interoperability Initiative, which aims to maintain and deepen cooperative between Allies and partners that have made significant contributions to NATO-led operations and missions.



STRONG REFORMS AGENDA

UkraineInvest

investment promotion agency supporting both present and new investors in the country

Corporate governance

introduced to the state-owned and private companies to ensure transparency and efficiency

DCFTA agreement

Ukraine connected with the European market with 500 million consumers and becomes a major production hub for the EU

Clearstream

ICSD connected in 2019 the Ukrainian market to its network and make Ukrainian government securities eligible in its system

New financial instruments in Ukraine

comprehensive overhaul of Ukrainian capital markets in line with international standards (including MiFID II, MIFIR, EMIR); existing securities traders are to be transformed into European type investment firms

SPLIT

Central Bank will be responsible for regulating insurance, leasing and financial companies, pawnshops while National Securities and Stock Market Commission - for private pension funds and construction financing funds (from July 1, 2020)

STRONG REFORMS AGENDA

The Law on Concession

transparent selection procedures, concession agreements and related project finance to be structured based on best practises

The Law on Financial Monitoring

improvement of financial monitoring procedures in line with best international practices, including FATF recommendations and the EU Fourth Money Laundering Directive

Business Ombudsmen Council

promoting a public service culture characterized by fairness, openness and accountability (draft Law №3607 was registered in Verkhovna Rada on June 5, 2020)

The Law on Protection of Property Rights

vigorous anti-raiding response, related-party transactions on below-the-market terms may be nullified by court based on a shareholder's claim

The Concept of the Payment Service Law

ambitious aims, including removal of certain regulatory barriers to entry to the payments market and implementation of certain EU laws applicable to payment services, such as PSD2 and Second E-Money Directive

LAND MARKET REFORM

Ukraine is an agricultural superpower and leading producer of cereals as well as other crops.

The opening of the land market is scheduled for July 1, 2021, which will inevitably be a catalyst for significant investment and increase industry productivity.

The main provision of the Law on Circulation of Agriculture Land:

- till Jan. 1, 2024, only individuals who are Ukrainian citizens will be eligible to buy land;
- admission of foreigners to the purchase of land on the territory of Ukraine will be possible only after the relevant decision is taken through a national referendum;
- agricultural lands of state and communal property will not be sold;
- the sale of land in one hand is limited to 100 ha in the first two years;
- as of Jan. 1, 2024, Ukrainian legal entities will be allowed to buy land at a concentration of no more than 10 thousand ha;
- banks may own land plots within the limits of collateral; such plots should be disposed through the auction within two years;
- the sale price of agricultural land plots cannot be lower than their normative monetary valuation; such a standard will be in effect till January 1, 2030.



“INVESTMENT NANNY”



Investments >30 million euro



Creation min 150 jobs with salary + 15% than the average in the relevant industry and region



Implementation period: up to 5 years



Investors' guarantees through a direct agreement with the Government up to 15 years



Government support amounted to 30% of projects' capital expenditures



Tax relief: income tax exemption for 5 years, abolished custom duties for importing new equipment*



Disputes resolution may be settled through international arbitration



Providing land necessary for the implementation of the investment project



Construction/reconstruction of related infrastructure facilities at the government's expense



“Investment nanny” will help investor within all stages of project implementation

* case study about positive effect from the draft of Law will be described on the next slide

CASE STUDY

As the bill “**On State Support of Investment Projects with Significant Investments**” enters into force, the income tax for 5 years (within time of direct agreement with the Government) will amount 0%. This measure together with the government support of up 30% of the investment will ultimately result in production costs decrease, and secure higher ROI.

To demonstrate the impact of these supportive measures and lower labor costs, the case of a French auto parts producer will be analyzed. In 2016, the company invested 32 million EUR in “greenfield” project in one of the CEE country. However, the analysis of financial results of the project indicated that running an equivalent project in Ukraine would allow the French company to:

- Increase EBIT by 10%
- Increase net profit by 49%
- Increase IRR by 58 basis points

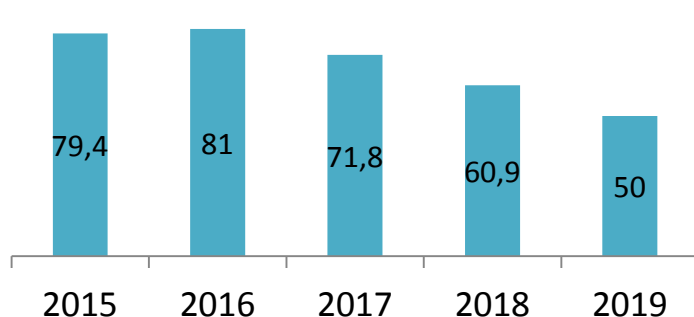
		2017	2018	2019	2020	2021	2022	Sum	IRR, %
Employees		370	500	630	760	900	1000		
Revenue, mln €		100	132	168	204	240	268	1112	
EBIT, mln €	CEE country	5.92	8	10.08	12.16	14.4	16	66.56	
Net profit, mln €		3.67	4.96	6.25	7.54	8.93	9.92	41.27	
PV, mln €		3.50	4.52	5.43	6.25	7.06	7.49	34.25	1.76
EBIT, mln €	Ukraine	6.51	8.8	11.09	13.38	15.84	17.6	73.22	
Net profit, mln €		5.47	7.39	9.31	11.24	13.31	14.78	61.50	
PV, mln €		4.72	5.49	5.97	6.21	6.33	6.07	34.78	2.34

FINANCIAL SECTOR

Ukraine is among countries with significant progress in public finance transparency according to U.S. Department of State 2020 Fiscal Transparency Report. It is noted that Ukraine made significant progress by completing its adoption of international accounting standards.

Ukraine improved by 13 positions and ranked 26 out of 117 countries in the international budget transparency rating Open Budget Index. Ukraine has a transparency score of 63 (out of 100), while global average is 45.

On March 2019 Central Bank of Ukraine (NBU) received the prestigious international Central Banking Transparency Award for making strong progress in improving its transparency and advancing communication with stakeholders.

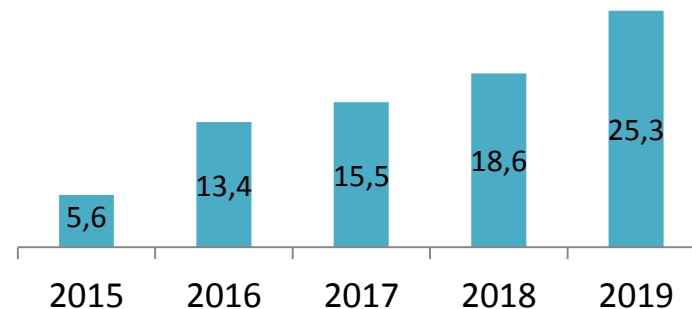


Government debt to GDP, %

The NBU set the requirements to organization of the risk management system in banks on June 2018. These requirements are based on the Basel Committee Core Principles for Effective Banking Supervision and incorporate the best international practice. As well, the NBU launched annual stress testing the Ukrainian banking system. LCR (liquidity coverage ratio) was launched at the end of 2018 while NSFR (net stable funding ratio) will be introduced in 2020.

Ukrainian banks had another record year in terms of profitability, as their expected aggregate profit is set to exceed \$2.3 billion.

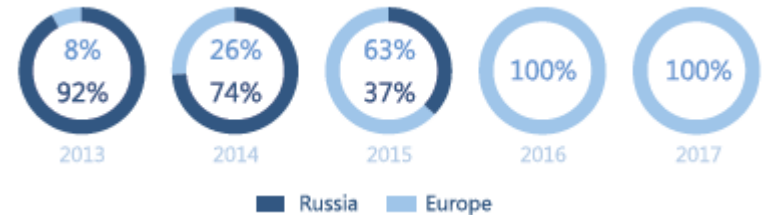
Deposits in hryvnia rose by 18.5% to \$24.8 billion in 2019. Banking sector assets rose up to \$58 billion (+9.8% YoY). Regulatory capital rose by 19.2% up to 5.8 billion USD.



International reserves, USD bln.

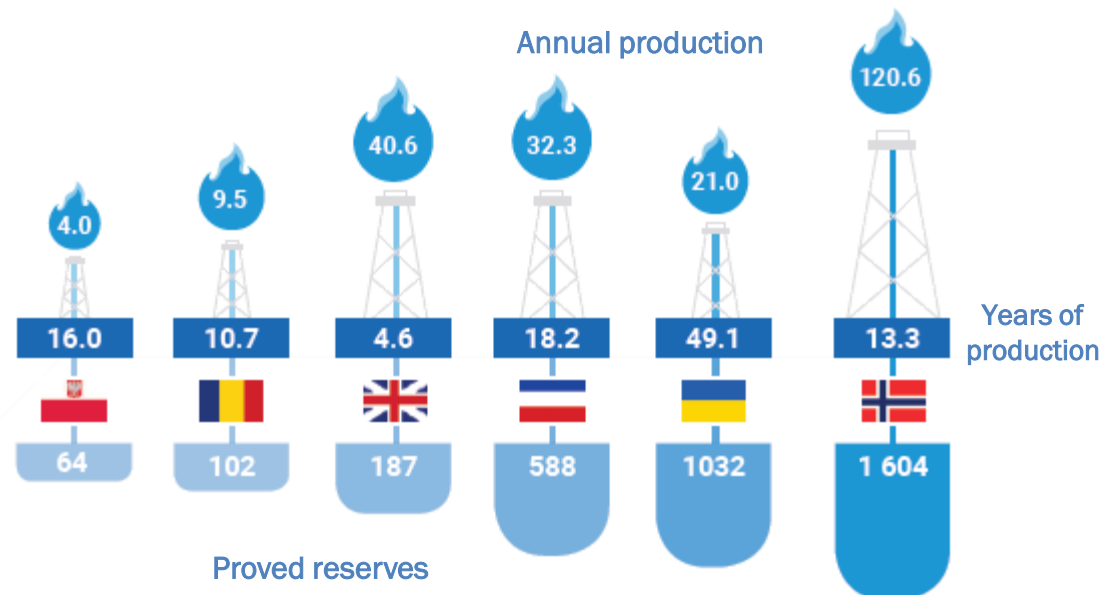
ENERGY SECTOR

Ukraine's energy sector has been transformed since 2014 and liberalized according with the European Union's Third Energy Package. Most gas imports now flow through European contracts – a significant departure from exclusive reliance in Russian gas supply through 2013, as Ukraine pursues its goal of **energy independence by 2025**.



In the end of 2019 “The Law about Unbundling of Naftogaz” passed Verkhovna Rada what allow to separate gas transportation system in line with the EU's Third Energy Package.

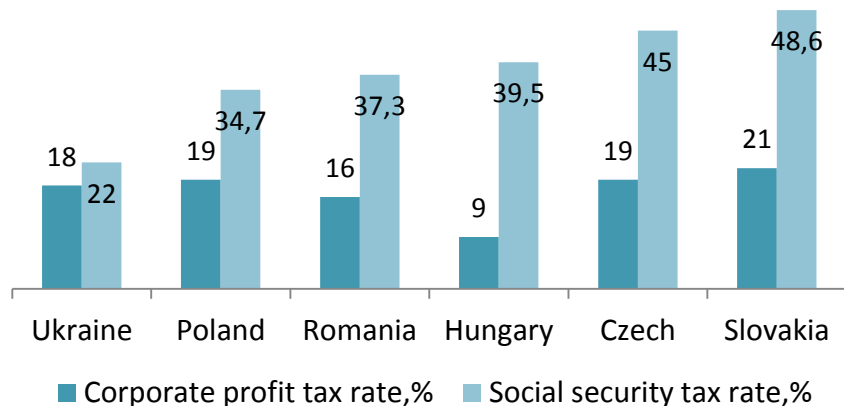
Ukraine ranked 5th in Europe for gas production, supported by free access to transmission grid and 33 bcm storage capacity. Given Ukraine's current natural gas production, the proved reserves base is underutilized. The government's recent deregulation efforts in the gas sector and the launch of open auctions of special permits for oil and gas extraction will attract more private companies with advanced technologies and boost gas production in Ukraine.



TAX SYSTEM

Ukraine ranked 65th among 190 countries in Ease Doing Business Rate 2019 for paying taxes, improving 116 rates since 2014.

- Since 2014 Ukraine halved the number of taxes from 22 to 11
- Social payroll tax was decreased from 41 to 22%
- Automatic VAT reimbursement mechanism was launched in April 2017 eliminating previous inefficient and non-transparent VAT refund regime
- On-line services to tax-payers were introduced, including an electronic taxpayers service
- Ukraine joined BEPS
- Since 2014 Ukraine signed double taxation treaties including Cyprus, Great Britain, Luxembourg, Malaysia and Turkey
- The law on “single-window” approach for customs clearance procedures was adopted in September 2018



DEREGULATION

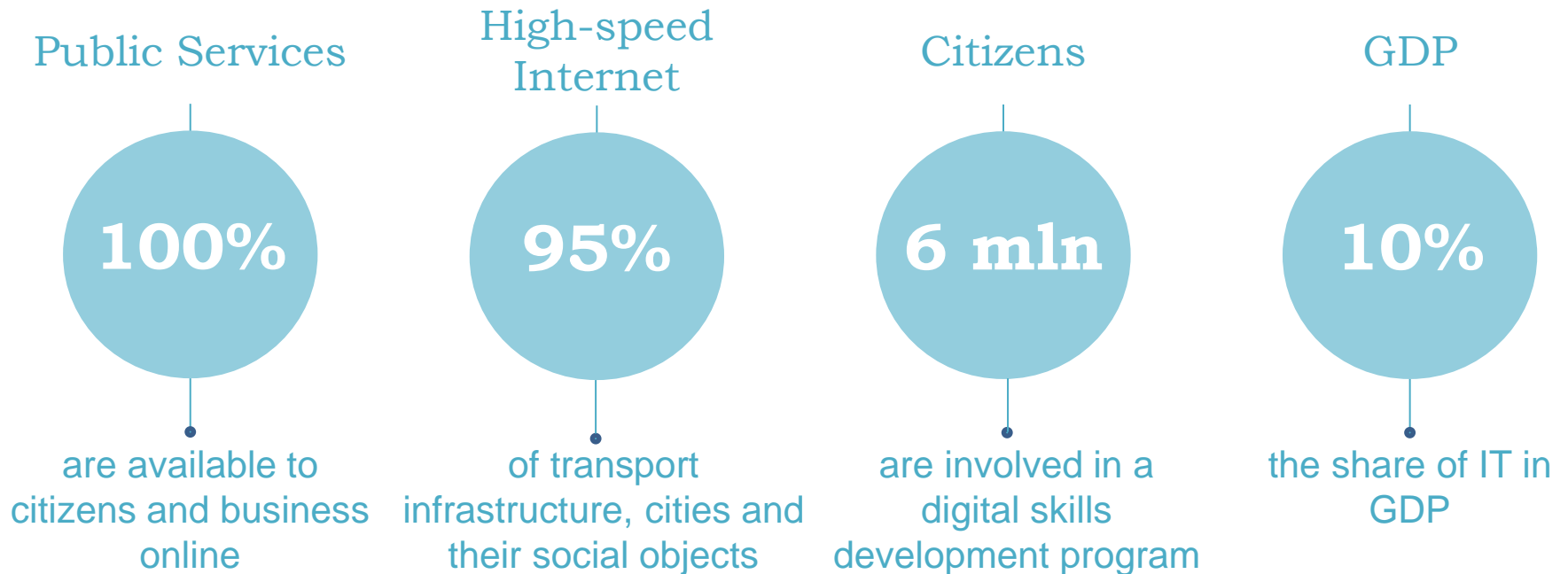
An ambitious deregulation program was launched in 2014 aimed at achieving regulatory compliance with European Union standards and global best practices. The reforms impacted the business environment in key sectors, including agriculture, telecommunication, infrastructure, construction, tax, as well as reforms to state customs procedures, sanitary and veterinary controls.

Since 2014 considerable progress was achieved in deregulation, including:

- the number of permits for business was reduced from 143 to 84
- the number of economic activities subject to licensing reduced from 56 to 32
- new online platforms launched by key government bodies to speed up public services and reduce corruption risks
- over 12.8k of state GOST standards cancelled by Ministry of Economic Development and Trade
- simplified procedure of foreigners' employment was introduced, allowing 3 years free of charge permission for certain industries and professions
- harmonized constructions and engineering standards with EU norms
- reduced the number of inspections

DIGITAL TRANSFORMATION

Last September the Ministry of Digital Transformation of Ukraine was launched.
Their main goals till 2024:



Since August 2020 e-residency personal cabinet will be available

Members of the National Investment Council



RECENT SUCCESS STORIES

Since 2014, leading multinationals companies entered Ukrainian market

Manufacturing



Largest steel producer in Ukraine attracted EUR350 million financing from EBRD and European commercial banks in 2017. The loan will be used for modernization of current operations, expanding production, improving ecological standards. ArcelorMittal announced further USD286 million investments in production modernization in Ukraine. Overall the company invested USD560 million in 2017-18

\$560
MILLION

LEONI

German cable supplier of major automotive companies launched the construction of their second production plant in Colomyia, Ivano-Frankivsk region, investing around USD20 million. The number of work places are going to rise to 5000 till 2020

\$20
MILLION



Already operating 2 plants in Ukraine, the company plans to open a 3rd production facility. The total number of workers will be increased up to 6000 persons

\$8
MILLION



In May 2018 world leading producer of ski and scuba diving equipment HEAD announced an USD80 million investment in building new plant in Ukraine. The total number of workers will be more than 1000 persons. Opening in 2021

\$80
MILLION



In 2016 Unilever opened its first production in Ukraine investing USD10 million in a tea factory. In 2018 the company will increase localization of production in Ukraine. At the recent meeting with the company "Roshen" representatives confirmed intentions to further invest in their production facilities in Ukraine

\$10
MILLION



The second plant, with 39 million euro investments, for the production of automotive electronics of Kostal Ukraine LLC will be constructed in Boryspil district of Kyiv region. There are intentions to create 900 jobs at the plant. Opening in 2021. Currently, Kostal Ukraine has a production site of automotive components in Pereiaslav (Kyiv region), established in 2006, where about 1,000 employees are currently working

\$43
MILLION



The STADA Group, a global manufacturer of high-quality generic drugs and consumer healthcare products, become a major pharma player in Ukraine by acquiring Biopharma's pharmaceutical prescription and consumer health business. This also includes production facilities in the city of Bila Tserkva, in the Kyiv region

\$30
MILLION

Retail



Auchan announced the construction of a new mall near Odessa in 2018. The total investments in project are about USD 50 million

\$50
MILLION



In September 2018 IKEA officially confirmed opening of its first store in Kyiv. Located in the shopping mall in the city center, it will be one of the first IKEA retail spots in the city store format in the world. Due to delaying of opening mall, IKEA store wasn't opened yet. But in May 2020 on-line store was launched



Well-known Swedish multinational clothing-retailer Hennes&Mauritz opened its first store (2.9 ths sq. m) in Ukraine in August 2018. On 2020 3 store had been opened already



The world's largest sports goods retailer Decathlon officially opened its first store in Kyiv on March 2019. In November 2019 was opened second store (3000 sq. m). The company has identified Odesa and Lviv for further regional expansion

Agriculture



In 2016 Bunge made 180 million investments in new industrial and transshipping complex in the Black Sea port city of Mykolaiv. In 2017, the company invested USD 30 million by adding storage and transshipment facilities in port Mykolaiv. In 2018 Bunge invested USD 14 million in high-tech corn processing facility

\$225
MILLION



In September 2018, Bayer AG launched one of the largest seed plant in Europe with the total investments reaching USD200 million. The plant employs over 300 people annually and locates in the village of Pochuyky in Zhytomyr region

\$200
MILLION



SALIC UK Ltd acquired one of the largest farming companies in Ukraine, Mriya Farming Plc, which merges 150 thousand hectare land mark

IT and Telecom



Turkcell invested more than USD150 million in telecom infrastructure development and is ready to contribute to the development of the digital economy in Ukraine

\$150
MILLION



In November 2019 Azerbaijan's Bakcell bought second-largest telecom provider Vodafone Ukraine for USD743 million

\$743
MILLION



A digital writing tool Grammarly earned an official unicorn status by attracting USD90 million in October 2019

\$90
MILLION



American Snapchat bought a Ukrainian start-up Lookery for USD150 million. Start-up was offering a variety of photo and video filters which were integrated into Snapchat

\$150
MILLION



Japan-based company opened 2 R&D centers in Ukrainian cities - Odesa and Kyiv

Nuclear Energy



In 2019 the company finalized the construction of Centralized Storage of Spent Nuclear Fuel valued more than USD250 million.

In February 2018 Holtec also signed a MoU on launch of the production of small modular reactors for nuclear power plants produced in Ukraine

\$250
MILLION

Renewables



Norwegian company NBT signed a contract on investing USD400 million in the construction of 64 wind power installations with a total capacity of 250 MW in Ukraine

\$400
MILLION



The company announced an OPIC backed USD400 million investment to build a 500 MW wind farm in Zaporizhya region. This project should become one of the largest alternative energy plants in Ukraine which will be powered by General Electric 4.8 MW wind turbines

\$400
MILLION



In September 2018 Spanish AccionaEnergia has started construction of work on a 57 MWt PV complex in Dymarka, northern Ukraine, in which it will invest around USD65 million

\$65
MILLION

Infrastructure



GE and Ukrainian state railway monopoly UZ signed USD1 billion framework deal covering leasing of 30 GE locomotives, modernization of 75 UZ's locomotives and assembling of 195 new GE locomotives in Ukraine.

General Electric also plans to expand cooperation not only in the transport industry, but also in renewable energy and healthcare

\$1
BILLION



The company invested USD150 million in grain terminal in Odesa which started operations in 2018 and was officially opened in autumn 2019

\$150
MILLION



Risoil company has won a competition for a concession in the port of Kherson and signed agreement with Government on June 2020. The concession payment of Risoil-Kherson to the State will amount to 7% of revenue annually, in addition to a fixed amount of about 12 million UAH. Investments in port will be around UAH300 million.

\$12
MILLION



In January 2018 DP World Maritime bought Ukrainian towing company LB Shipping and entered the Ukrainian market. The company is operating in two Ukrainian major ports. In 2020 the company bought 51% in Ukrainian container terminal “TIS-Containers”



QTerminals won Concession for port of Olvia. Under the concession, which represents an exceptional opportunity on developing and operating world ports, QTerminals will invest some USD120 million in the port during the concession.

\$125
MILLION



Major low-cost operator Ryanair started to fly between Ukraine and cities in Europe from October 2018. One of the main reasons why Operator entered the market is elimination of visas for Ukrainian citizens visiting the Schengen area for the period up to 90 days.



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