



**GUIDE:
STATE SUPPORT
OF THE INVESTMENT PROJECTS
WITH SIGNIFICANT INVESTMENTS**

WHY INVEST IN UKRAINE

Main advantages of Ukraine for investors

- **1** **Rebuilding** related investment opportunities
- **2** Convenient and flexible **legislation**
- **3** **Geographical position** between Europe and Asia
- **4** Skilled and **qualified staff**
- **5** Significant **raw material base**
- **6** **Digitalisation** and fast state infrastructure
- **7** Fast obtaining of required **licenses and permits**
- **8** **Low production and construction costs**
- **9** **Investment incentives** (tax exemptions and state compensations)
- **10** **Low-cost workforce** and resources
- **11** **Investments insurance** (MIGA, EKA, DFC)
- **12** **Low tax rates** and reliefs

THE LAW OF UKRAINE No. 1116

“On State Support of Investment Projects with Significant Investments in Ukraine” (amended as of 09.08.2023)

STATE SUPPORT

up to 30% CAPEX

In the form of tax exemptions and/or receiving monetary compensations for built infrastructure and/or providing with the right to use land plot under special conditions with preemptive right to purchase.

INVESTMENT PROJECT

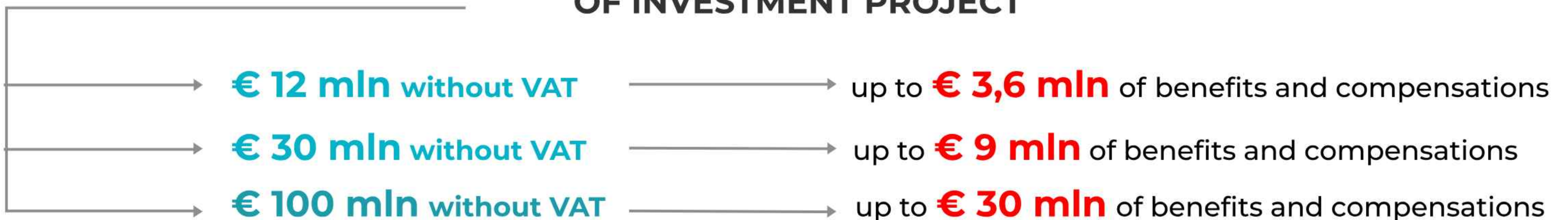
CAPEX (Significant Investments)*



€ 12 mln >
not counting VAT

An investor has a right to receive a compensation of losses caused by state and local authorities` decisions, which violate an investor`s rights during implementation of an Investment Project with Significant Investments.

CAPEX OF INVESTMENT PROJECT



* An applicant can make investments not earlier than 18 months before the date of application submission to the Authorised Body and more than 30% of total amount of Significant Investments necessary to implement an Investment Project with Significant Investments.

KEY TERMS OF THE LAW



Investor with Significant Investments (ISI) means a legal entity incorporated in Ukraine, which is specifically established to implement an Investment Project with Significant Investments, is a party to a Special Investment Agreement and whose business activity is aimed exclusively at implementation of an Investment Project with Significant Investments and performance of a Special Investment Agreement.



Applicant means a legal entity incorporated in Ukraine or in a foreign state, or several such legal entities that have submitted an application for assessment of Investment Project with Significant Investments.



Significant Investments means own or borrowed funds of an ISI and/or an Applicant, which are invested in objects of investments in the process of implementation of an Investment Project (capital assets, other than intangible assets and goodwill).



Special investment Agreement (SIA) means an agreement concluded between the Cabinet of Ministers of Ukraine, an Investor with Significant Investments, an Applicant and a local authority (in case of granting state support by such authority) defining a procedure and conditions for implementing an Investment Project with Significant Investments.



Authorized Institution (UkraineInvest) means state institution, which provide support for Applicants in preparation and implementation of an Investment Project with Significant Investments.



Authorized Body (Ministry of Economy of Ukraine) means a state body, which evaluates Investment Projects with Significant Investments before concluding a SIA.

FORMS OF STATE SUPPORT



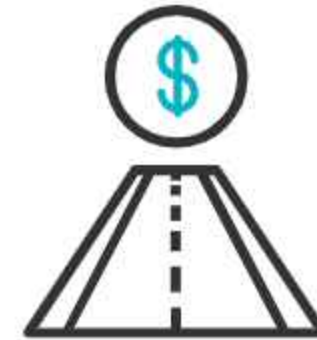
CIT exemption*
(for any 5 subsequent years within the validity period of a SIA)



Exemption from VAT**
for importing new equipment and components to it



Exemption from import duties** for new equipment and components to it



Construction/compensation for built engineering and transport infrastructure



Lease of state or communal land plots without land auctions



Compensation for costs of connection to engineering and transport infrastructure



Land tax exemption/reduced land tax rates



Exemption from compensation for losses of forestry production



up to 30% CAPEX***

* Not applicable to projects in the sphere of extraction for the purpose of further processing and/or enrichment of natural resources.

** The list and quantity of equipment are approved by the Cabinet of Ministers of Ukraine for each project.

*** No earlier than 18 months before a date of submission of an application to the Authorised Body, an applicant may contribute Significant Investments in objects of investments(CAPEX) in an amount not exceeding 30% of the total amount of Significant Investments required for the implementation of an Investment Project with Significant Investments.

KEY REQUIREMENTS TO INVESTMENTS PROJECTS

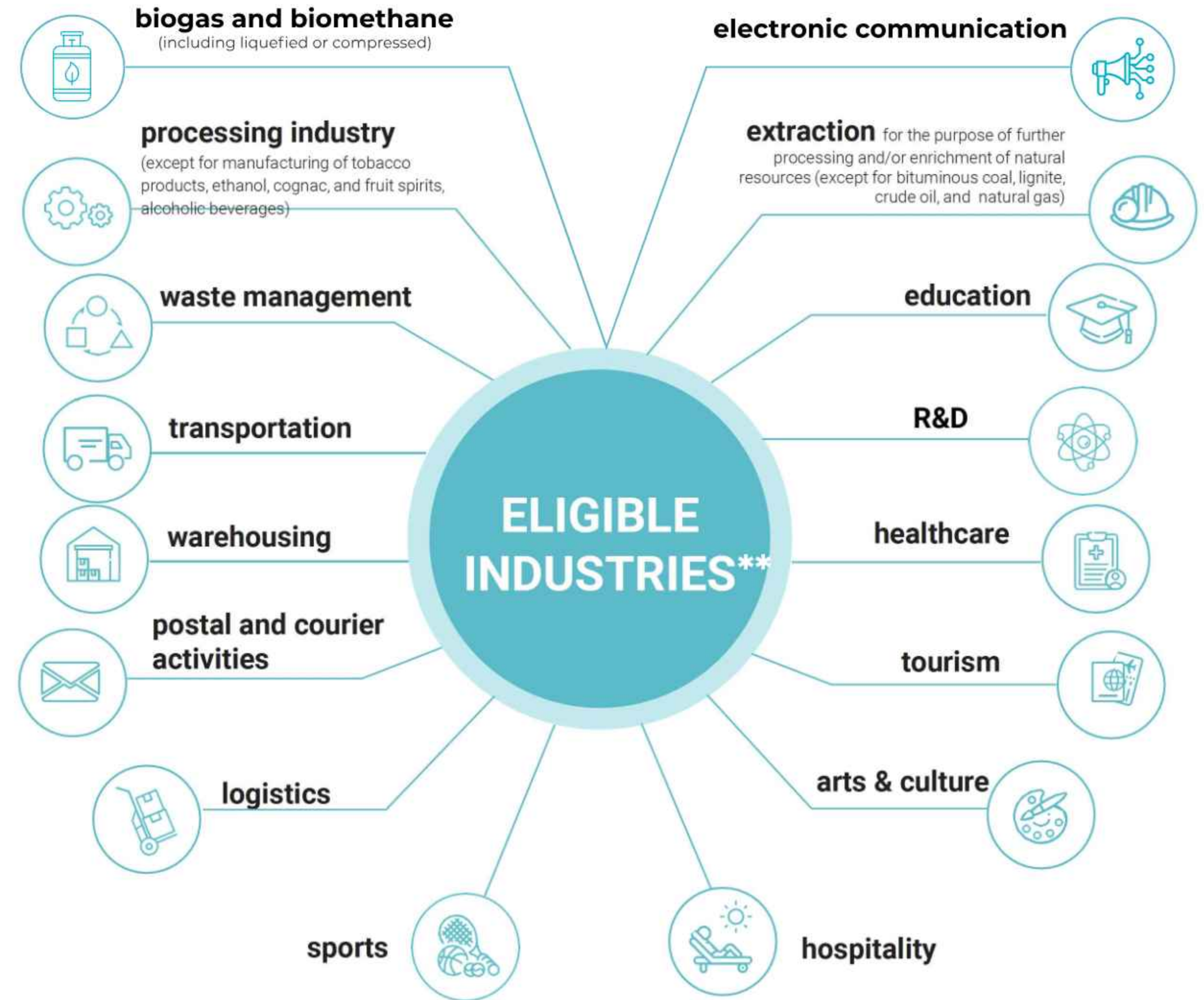


€ 12+ mln
investments*

10+
of new jobs

up to 5 years
of project
implementation

**construction,
modernization,**
technical and/or
technological
re-equipment



* Objects of investments (capital assets, except intangible assets and goodwill).

** Compliance with the eligible industries requirement is determined by the type of economic activity according to section of economic activities of the State Classifier 009:2010 to which a given code belongs.

REQUIREMENTS FOR APPLICANT



Applicant(s)

legal entity incorporated in Ukraine or in a foreign state or several such legal entities, that have submitted an application and must meet the requirements of Article 7 of the Law of Ukraine No.1116 and financial capacity requirements established by the Cabinet of Ministers of Ukraine.



APPLICANTS SHALL NOT BE*



- state-owned enterprises, institutions, organisations and other companies in which a state owns more than 50% of shares (stakes);
- municipal enterprises, in which local community owns more than 50% of shares (stakes);
- non-profit enterprises, institutions and organisations;
- legal entities whose ultimate beneficial owners are not disclosed in the corporate register;
- legal entities, incorporated in the states classified as offshore zones, or if more than 50% of the shares (stakes) of such legal entity is owned by legal entities registered in such zones;
- legal entities linked to the aggressor state;
- legal entities incorporated in the states included to the FATF blacklist, or if more than 10% of the shares (stakes) of such legal entity is owned directly or indirectly by legal entities included to the FATF blacklist;
- legal entities subject to sanctions;
- legal entities that have entered into bankruptcy proceedings or that have been declared bankrupt;
- legal entities in the process of liquidation/reorganisation;
- legal entities with tax arrears.

* In accordance with part 4 of Article 7 of the Law of Ukraine No.1116.

REQUIREMENTS FOR OWNERSHIP STRUCTURE



APPLICANT(S) BEFORE ENTERING INTO THE SIA*



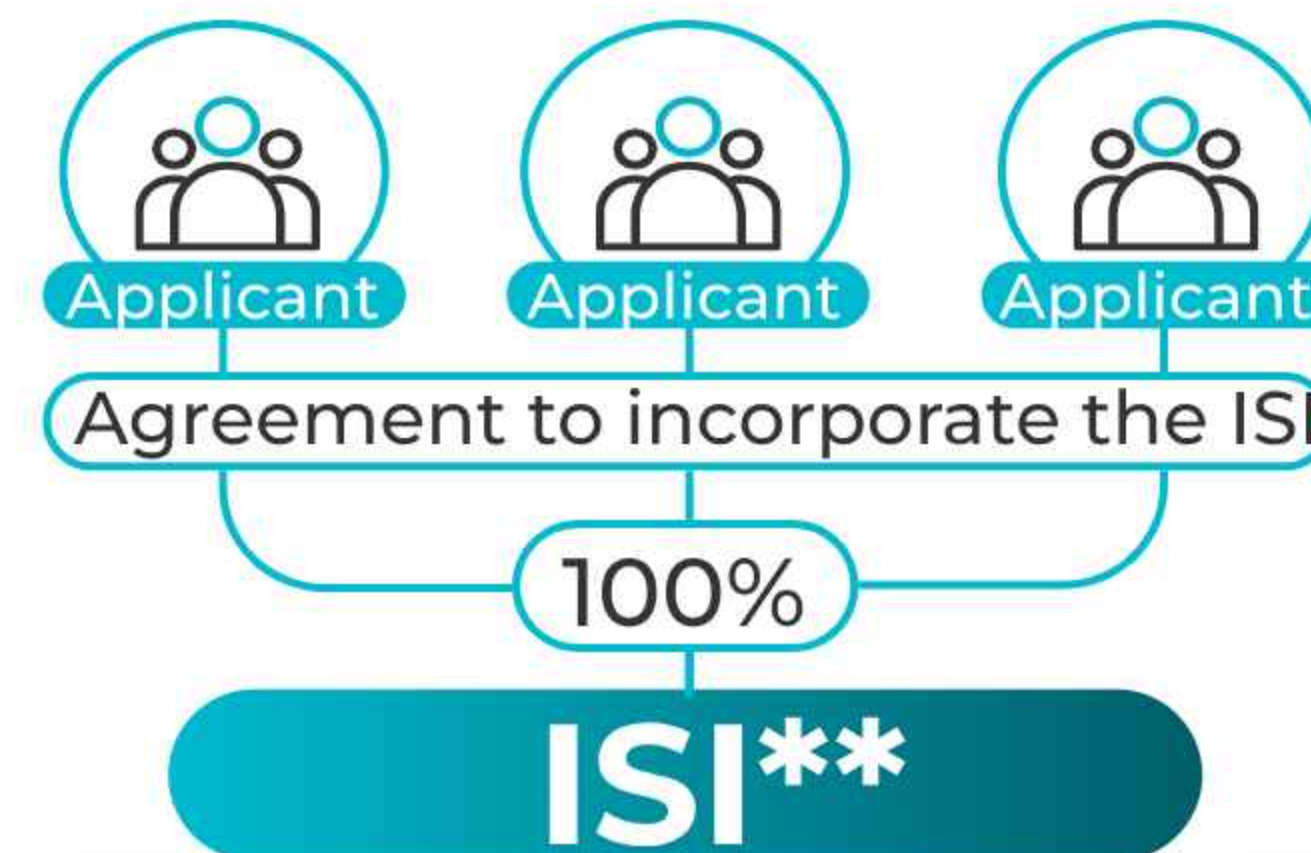
already owns **100%** of the shares (stakes) of an ISI

OR



is a **special vehicle company** for the project implementation and will become an ISI***

OR



will **take measures** to incorporate an ISI



The Law No. 1116 provides for the possibility to apply for investment projects:

- that **have not yet been started**; or
- started **no earlier than 18 months** before the date of submission an application and the applicant has made **no more than 30%** of the total amount of Significant Investments.



* Special Investment Agreement.

** Investor with Significant Investments.

*** Provided that an ISI meets all the requirements to an applicant and if project was started no earlier than 18 months before the date of application and no more than 30% of the Significant Investments were made.

REQUIREMENTS FOR FINANCIAL CAPACITY



An applicant* shall meet at least one of the following criteria of financial capacity to implement an investment project**

Capital adequacy criteria
(at least 30% of the planned CAPEX)

OR

Net operating cash flow adequacy criteria***
(at least 30% of the planned CAPEX)

OR

Criteria for availability of funding sources
(confirmation of the availability of funding sources to cover CAPEX)

 In case of failure to confirm above-listed criteria or availability of funding sources to cover Significant Investments in full, it is necessary to confirm a compliance with the following requirements for financial stability, profitability and liquidity:

Financial independence ratio
 $\geq 0,2$

AND

Financial stability ratio
 $\geq 0,3$

AND

EBITDA margin
 $\geq 0,07$

AND

Current liquidity ratio
 $\geq 0,7$

* An applicant may use financial statements and audit reports of related companies. If several legal entities will submit an application together, the financial capacity requirements apply to all such legal entities jointly.

** In accordance with the Requirements for an Applicant for Financial Capacity to Implement an Investment Project with Significant Investments, approved by the Resolution of the Cabinet of Ministers of Ukraine as of 23.06.2021 No.648.

*** Net investment cash flow adequacy criteria is applicable for joint investment institutions.

APPLICATION CONTENT



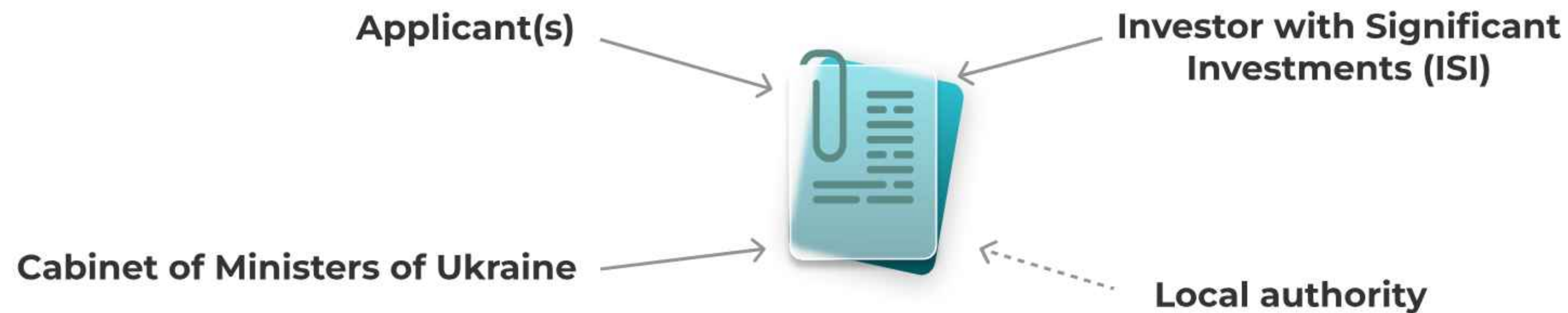
- **Application** according to the form set in the Annex 1 to the Assessment Procedure*
- **Feasibility study and financial model** of an Investment Project with Significant Investments
- **Power of attorney** or other document confirms powers of applicant's representatives
- **Certificate on the Applicant's ownership structure** and list of related companies with extracts from corporate registers
- **Confirmation documents** on applicant's compliance with the **financial capacity requirements**
- **Confirmation letter and annexes** to it confirming applicant's compliance with the requirements set in **part 4 of Article 7** of the Law of Ukraine No. 1116
- **Draft of the Special Investment Agreement (SIA)** suggested by an applicant
- **Certificate with information about an applicant** and its representatives
- **Copies of financial statements and audit reports of an applicant** (and, if necessary, also of related companies)
- **Copies of documents confirming the amount of Significant Investments made in objects of investments** (in case of already made investments)
- **A copy of a founding or corporate agreement, etc.** regarding legal entity of an ISI (in case an application is submitted by several legal entities)

If it is necessary to obtain additional information and/or documents required for the assessment procedure, the Ministry of Economy of Ukraine may request applicants in this regard.

SPECIAL INVESTMENT AGREEMENT (SIA)

Indicative template* of the SIA is approved by the Ministry of Economy of Ukraine

Special investment Agreement (SIA) means an agreement concluded between the Cabinet of Ministers of Ukraine, an Investor with Significant Investments, an Applicant and a local authority (in case of granting state support by such authority) defining a procedure and conditions for implementing an Investment Project with Significant Investments.

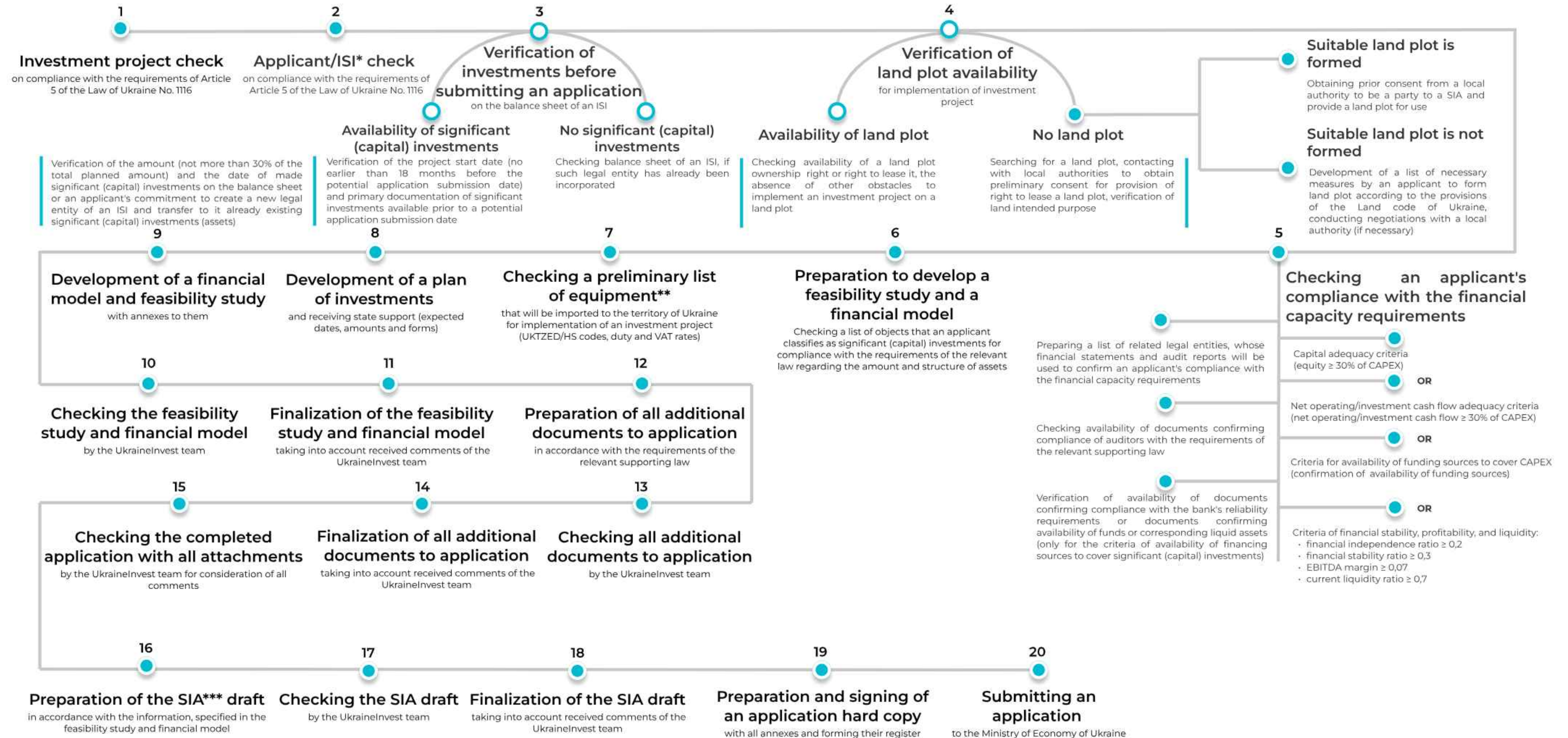


-  **up to 15 years** validity period
-  option **to choose the applicable law**
-  option **to choose dispute resolution mechanism**
-  possibility **to amend by consent** of parties**

* Please request UkraineInvest to provide bilingual indicative template of the SIA (UA/ENG) if needed.

** The provisions on the requirements for the investment project are not subject to change.

ROAD MAP OF THE APPLICATION PREPARATION PROCESS FOR A POTENTIAL INVESTOR ASSISTED BY UKRAINEINVEST

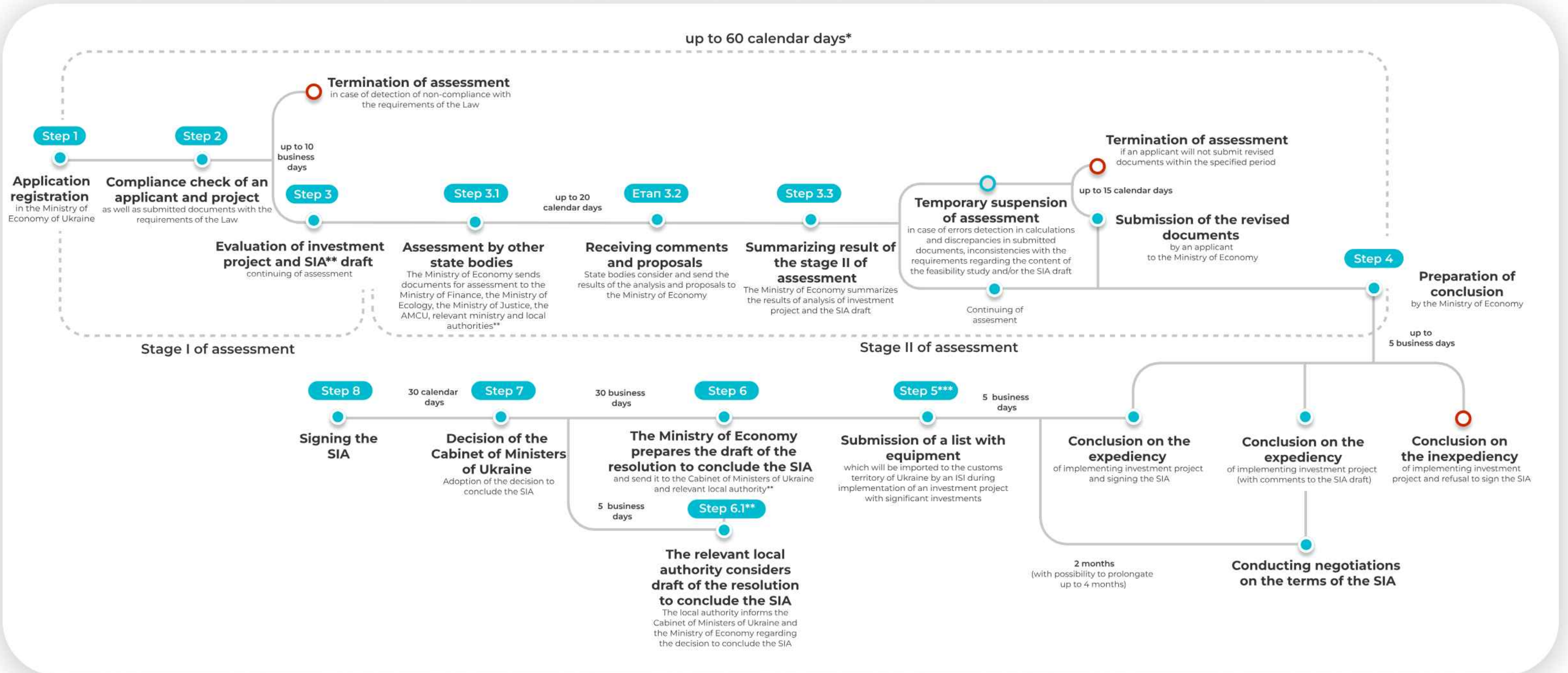


* Investor with Significant Investments.

** If an Investment Project with Significant Investments involves state support in the form of exemption from VAT and customs duties on imported equipment.

*** Special Investment Agreement.

ROAD MAP OF THE INVESTMENT PROJECT ASSESSMENT PROCEDURE AND CONCLUSION OF THE SPECIAL INVESTMENT AGREEMENT



* Up to 45 calendar days for investment projects, the financing of which will be provided at the expense of funds raised from the International Finance Corporation, the European Bank for Reconstruction and Development, the European Investment Bank or other international financial organizations.

** Special Investment Agreement.

*** If an Investment Project with Significant Investments involves state support in the form of exemption from VAT and customs duties on imported equipment.

**** If a local authority is the party to the SIA.

UKRAINEINVEST SERVICES



Informational and advisory assistance regarding the implementation of Investment Projects with Significant Investments



Preliminary check of investment projects comply with the requirements of the relevant law



Providing support to prepare an application and implement an investment project, as well as assistance in the execution of the SIA by the state and local authorities

UKRAINEINVEST is an authorized institution to support preparation and implementation of investment projects.

FREE OF CHARGE ASSISTANCE



12 Muzeinyi Lane,
Kyiv, Ukraine, 01008



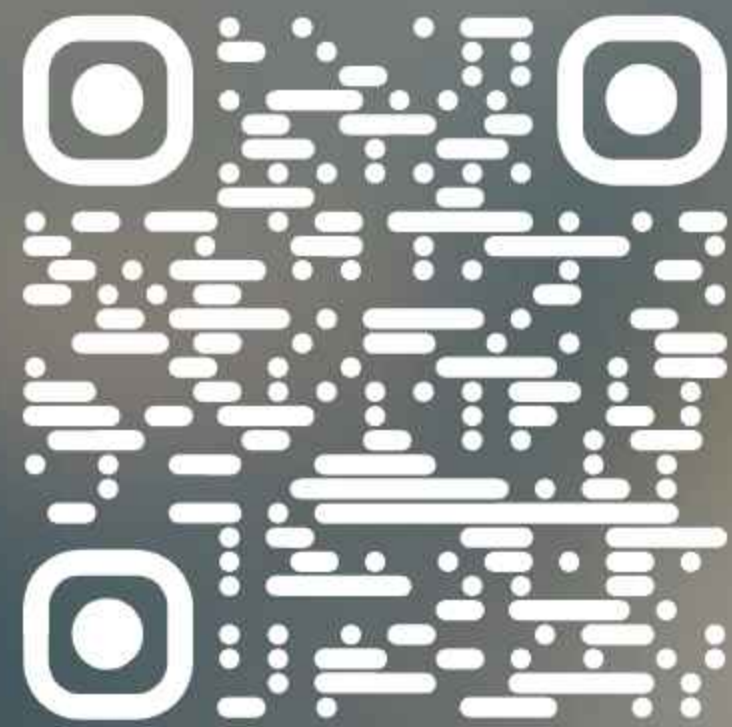
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