

Ukraine Invest

YOUR INVESTMENT MATTERS

INVESTMENT OPPORTUNITY OF IT SECTOR IN UKRAINE

IT SECTOR OF UKRAINE



Macroeconomic overview



5%

Share of IT sector in
Ukraine's GDP, 2023



8% – Poland



11% – Czech Republic

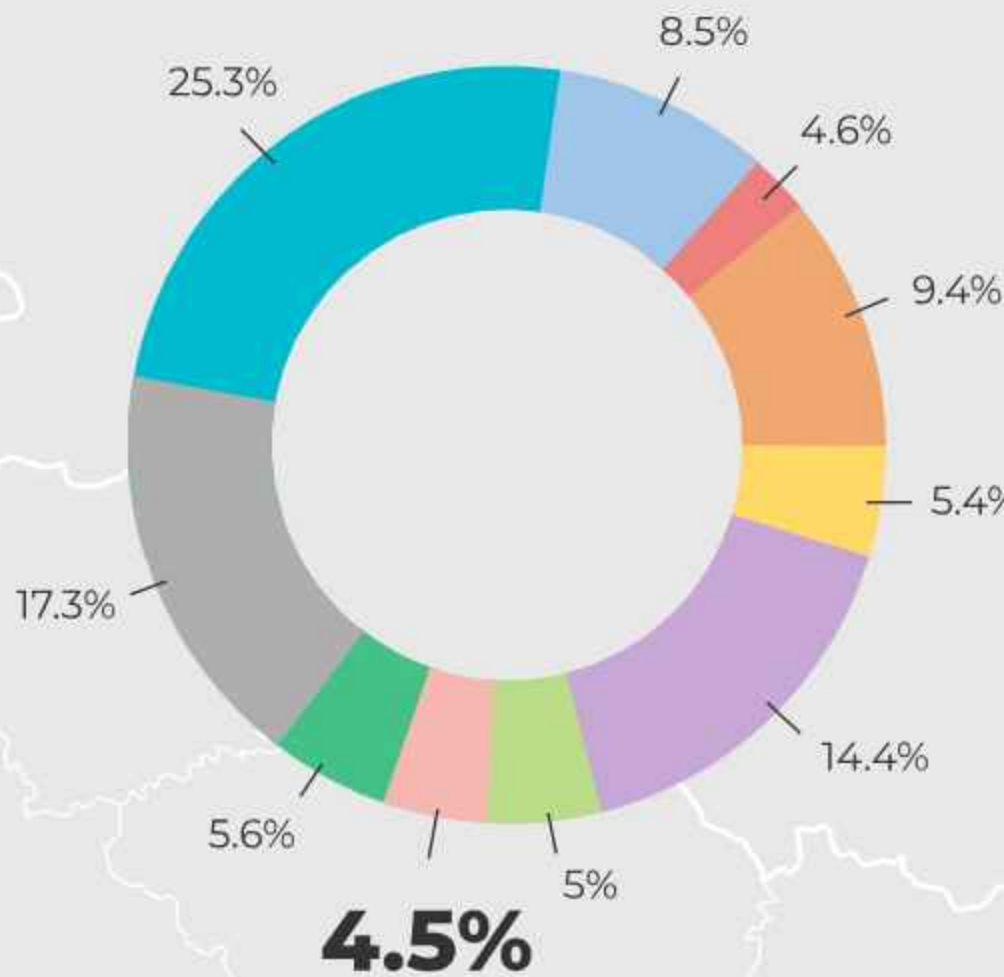
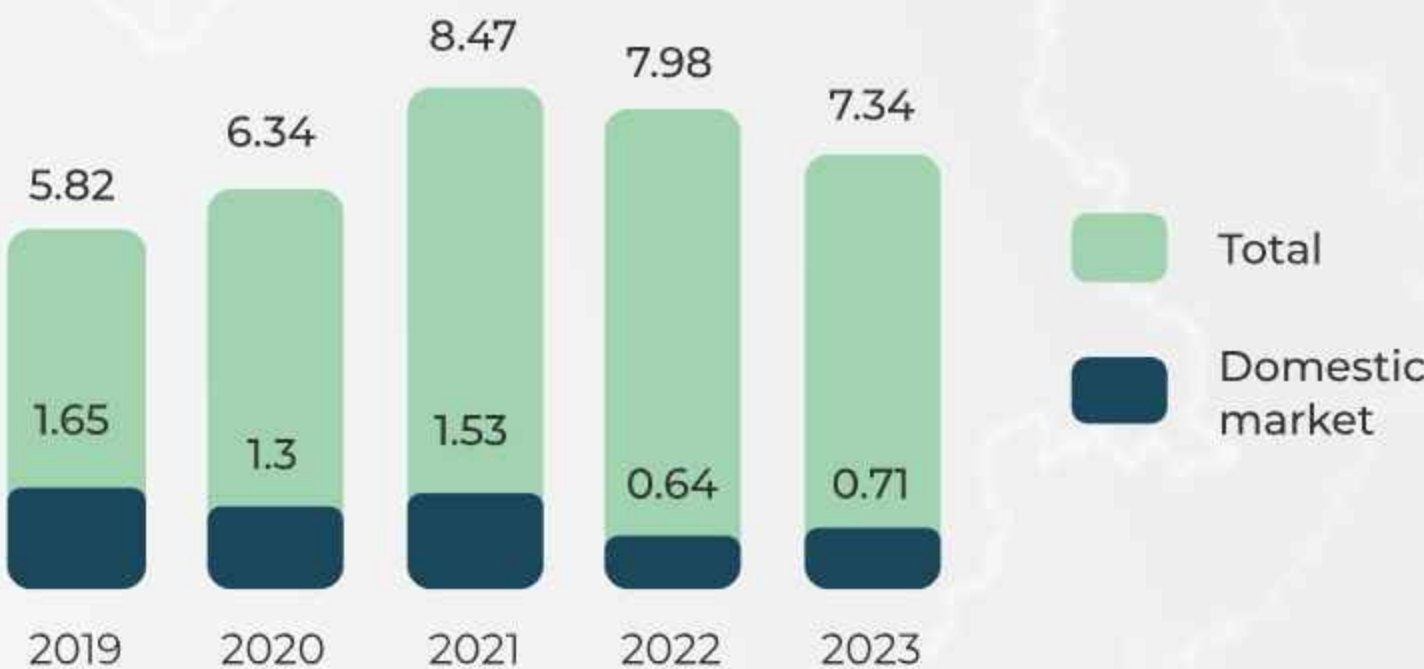


14% – Germany



7% – Estonia

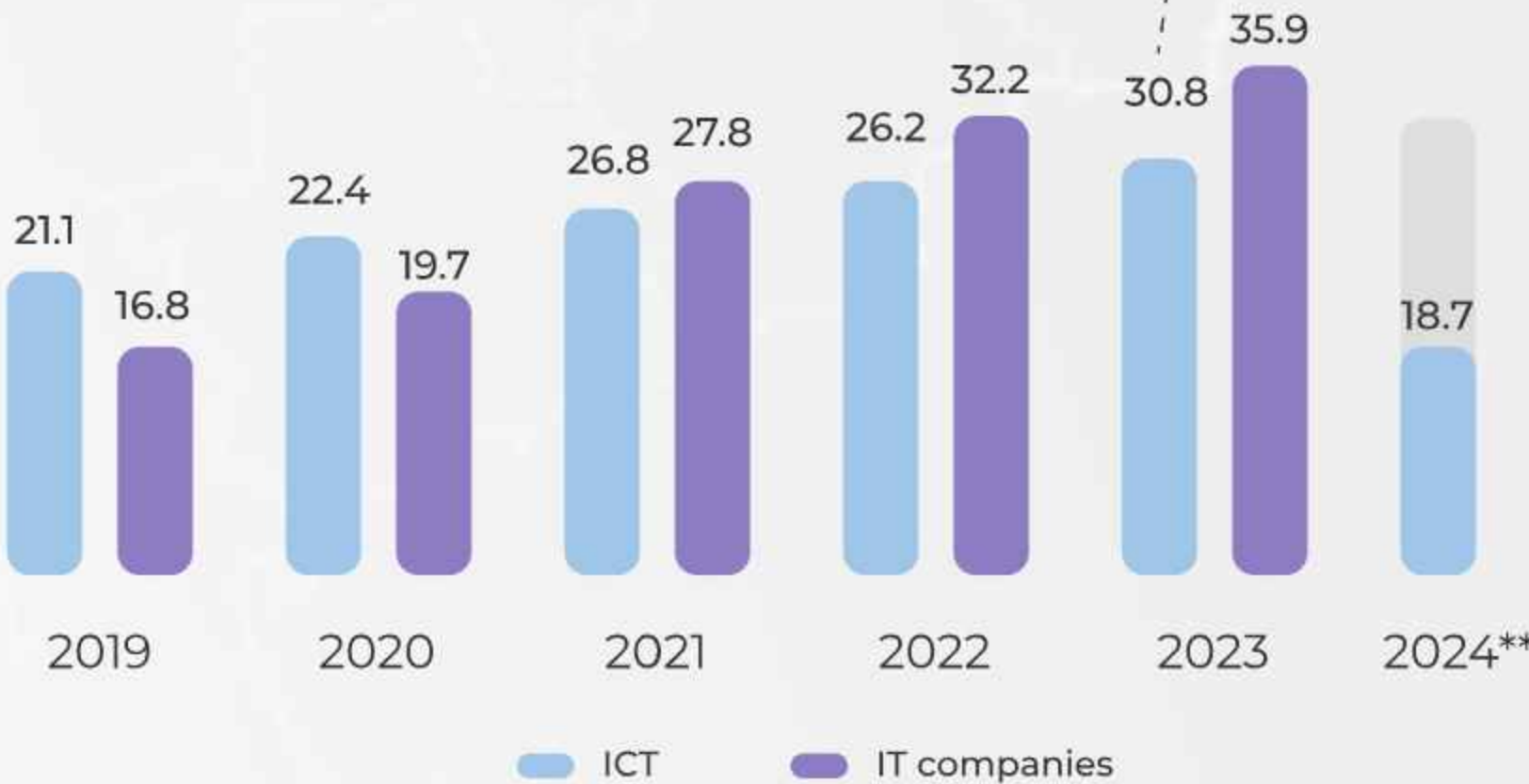
IT sector revenue structure, USD bln



Gross value added structure, 2023*



Tax revenues, UAH bln



4,06%

Share of taxes from
the ICT sector, 2023

Corporate income tax rate, 2024



IT SECTOR OF UKRAINE



FDI snapshot

↑ **69.5%**

the growth of FDI as of 2022 compared to 2013 in the information and communications sector of the Central and Eastern Europe region

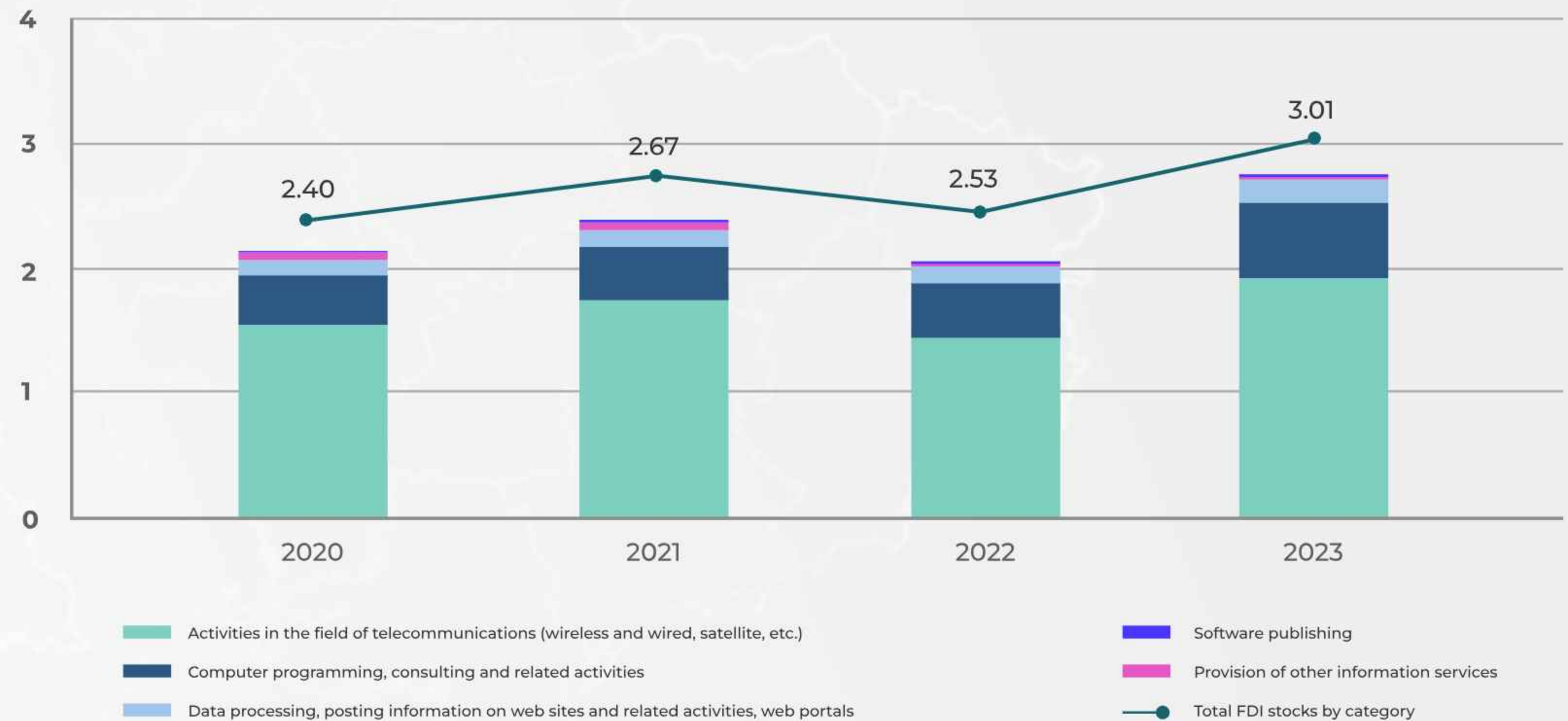
~8%

of FDI in information and telecommunications in Ukraine in relation to investment in other types of economic activity, 2023

TOP IT investor countries in Ukraine, mln. USA

	Netherlands	2 009.2
	USA	535.1
	Cyprus	195.6
	Switzerland	49.9
	Sweden	36.0
	UK	30.6

FDI stock in information and telecommunications (selected), USD bln



IT SECTOR OF UKRAINE

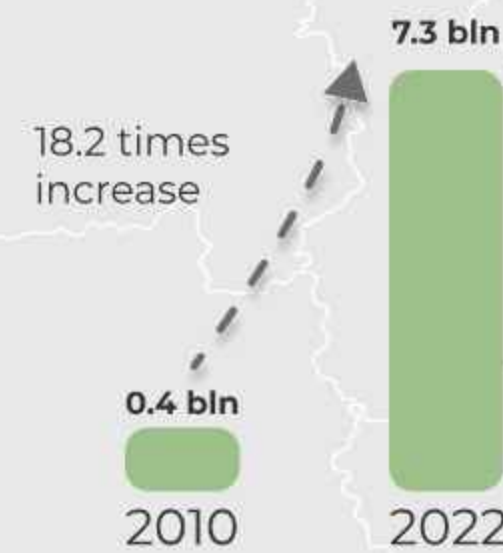


Export of services

The **IT industry** is an export-oriented sector of the economy, ranking **second** in the overall export structure of Ukraine

Export structure, USD bln, 2023

1	Food products	22.0
2	IT services	6.72
3	Metals	3.89
4	Transportation services	3.79
5	Mineral products	2.26

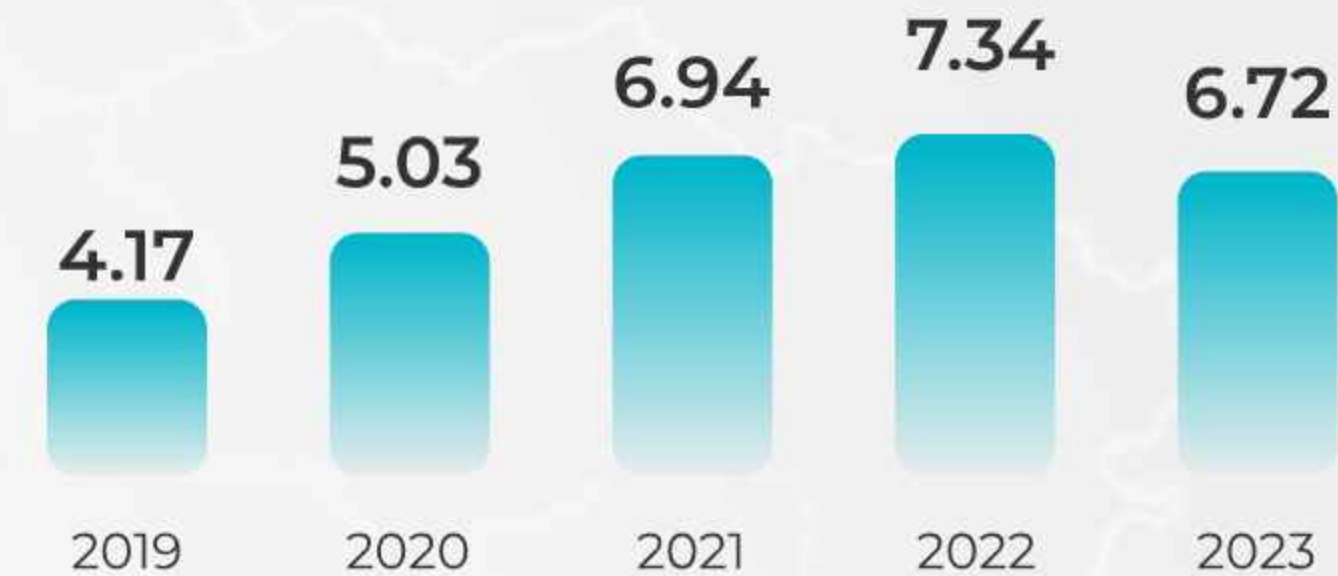


27.3%
average annual
growth rate of IT
services exports,
2010-2022

GDP of services, 2023

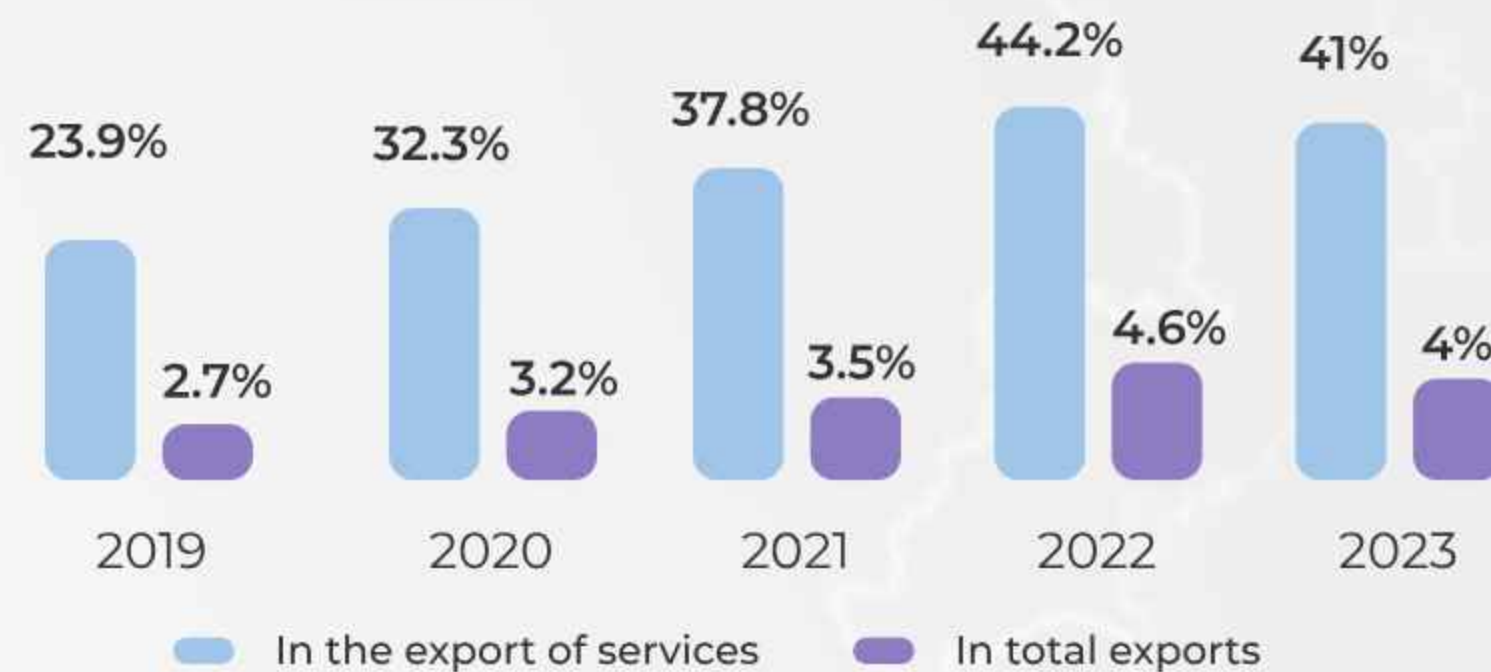
Ukraine	61.3%	Estonia	63.7%
Poland	58.7%	Germany	62.5%
Czech Republic	59.7%	Norway	49.9%

IT services exports, USD bln



USD 7.3 bln
record exports, 2022

Export share of IT services



Countries importing Ukrainian IT services, USD bln, 2023

1	USA	2 667	6	Germany	275
2	Malta	567	7	Switzerland	274
3	United Kingdom	535	8	Poland	162
4	Cyprus	362	9	Estonia	158
5	Israel	293	10	Netherlands	132

IT SECTOR OF UKRAINE



IT education



ABOUT
50 thsd

number of applicants in the category of information and technology in Ukraine, 2023

MORE THAN
30 thsd

number of IT graduates in Ukraine, 2023

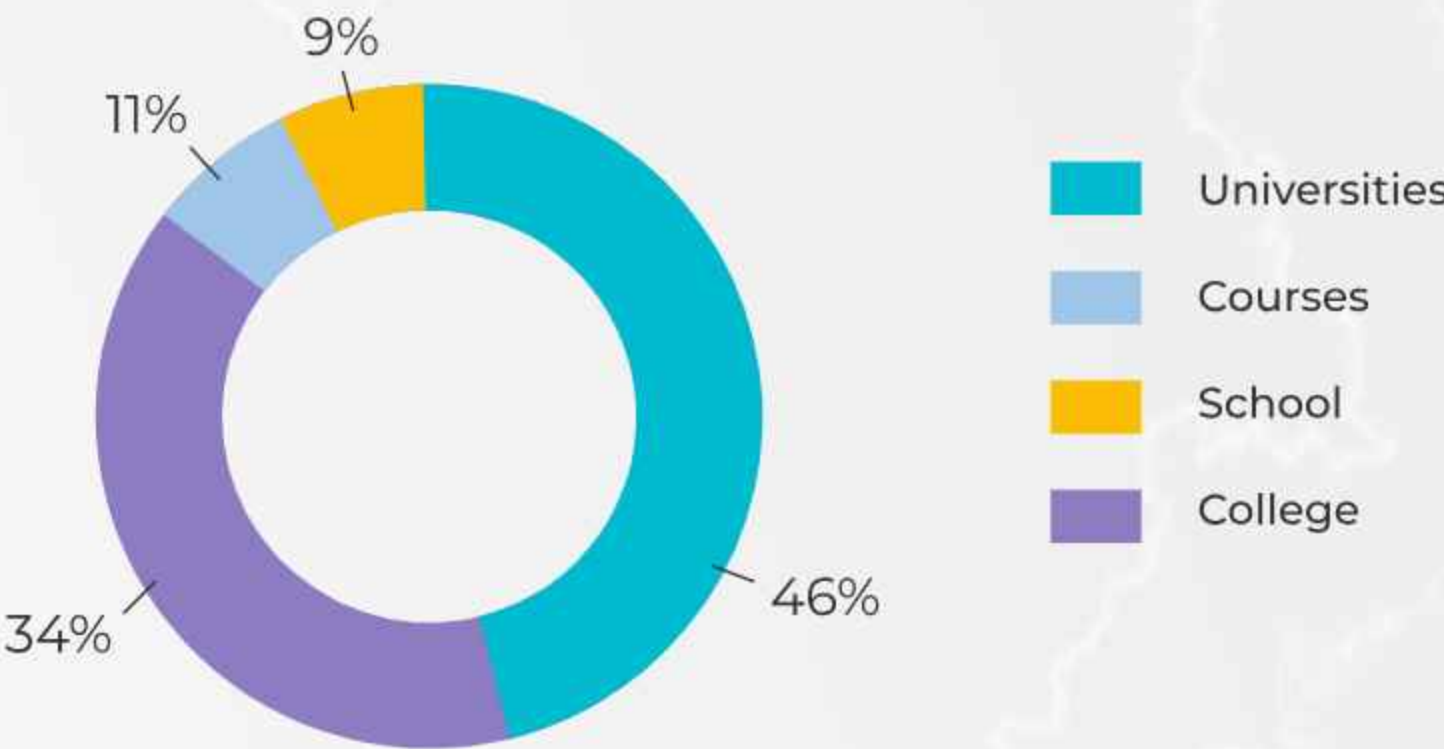
Global Skills Index 2023



15th place

ranked Ukraine in 2023 in the Global Skills Index, largely due to its skills in computer science, applied mathematics, software engineering, big data, and machine learning

IT education structure in Ukraine



3
Ukrainian universities in the QS World University Rankings, 2024

- Taras Shevchenko National University of Kyiv
- V. N. Karazin Kharkiv National University
- National Technical University of Ukraine "Igor Sikorsky Kyiv Polytechnic Institute"



The best technical higher education institutions of Ukraine, 2024

- National University "Lviv Polytechnic"
- National Technical University of Ukraine "Igor Sikorsky Kyiv Polytechnic Institute"
- National Technical University "Dnipro Polytechnic"
- National Technical University "Kharkiv Polytechnic Institute"

- National Aviation University
- Vinnytsia National Technical University
- Kharkiv National University of Radio Electronics
- National Forestry University of Ukraine
- National Aerospace University named after M.E. Zhukovsky "Kharkiv Aviation Institute"
- National University "Odesa Polytechnic"

IT SECTOR OF UKRAINE



Professionals and specialists

IT specialists, thsd



Ukraine is known for its highly educated, skilled, productive and cost-effective labor force

2,9

Europe



5

Ukraine

Productivity ratio

(ratio of productivity to labor remuneration)

~350 thsd
IT sector employees

70%
Ukraine based
employees

50+%
Ukrainian origin
companies
specialists

8 100 legal entities
providing IT services

Average monthly salary

USD 920
Information and
telecommunications



USD 570
Professional, scientific
and technical activities

IT SECTOR OF UKRAINE



IT companies

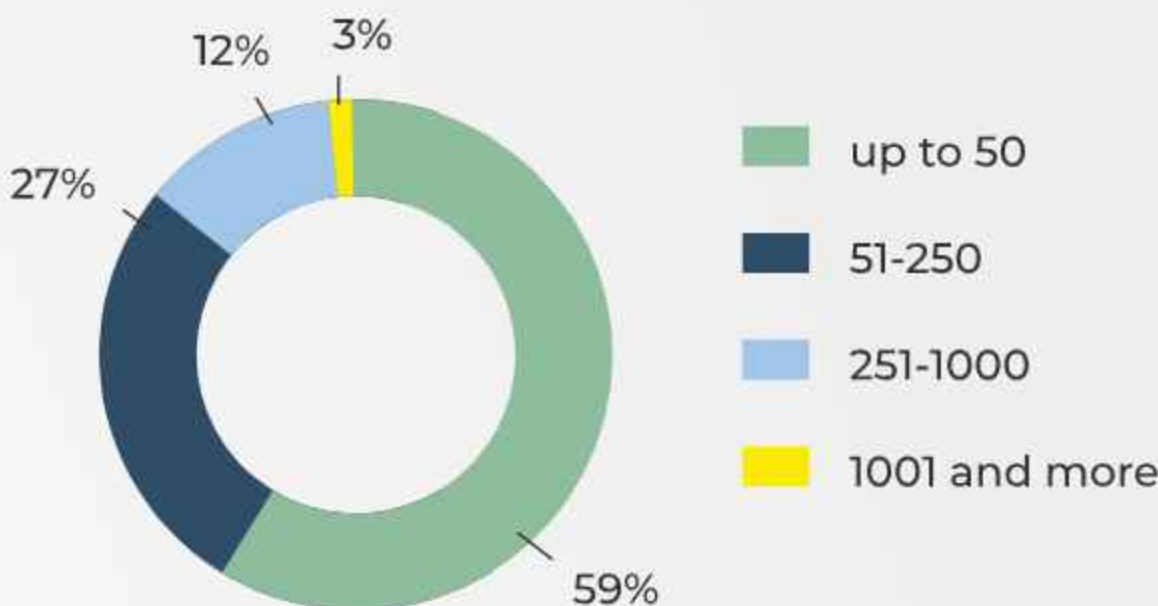


about

2300

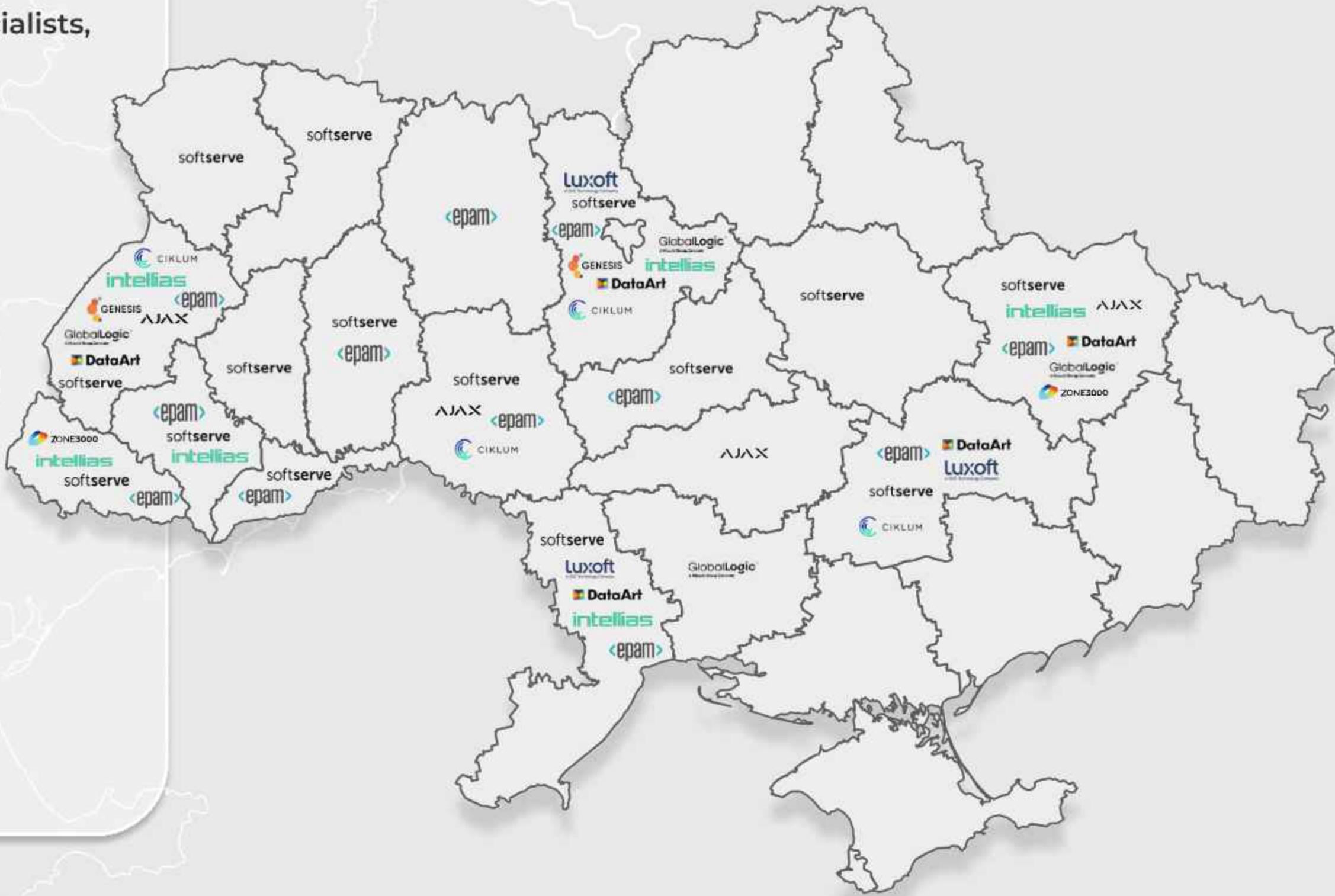
IT companies
in Ukraine

Company's structure by employees



TOP-10 largest IT companies in Ukraine*

Location	Name	Employees, thsd	Technical specialists, thsd
1	EPAM Ukraine	9.6	8.6
2	SoftServe	7.3	5.5
3	GlobalLogic Ukraine	6.0	5.6
4	Ajax Systems	3.4	1.1
5	Luxoft	3.4	3.0
6	Genesis	2.7	1.3
7	Intellias	2.3	1.8
8	DataArt	2.3	2.0
9	ZONE3000	2.2	1.9
10	Ciklum	2.2	1.9



Sources: DOU, Ukrainian Tech Ecosystem Overview, INCREDIBLE TECH Investors guide to Ukrainian IT

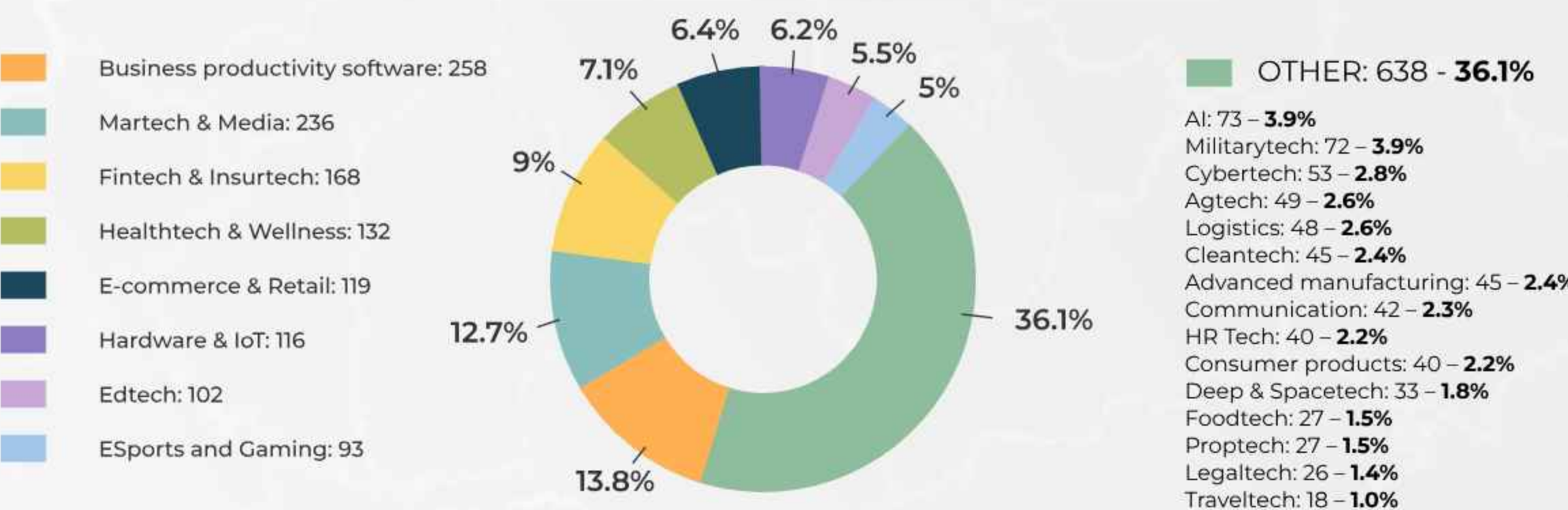
* Some of the investors continue to operate in the aggressor country - in Russia. The current list of companies sponsoring terrorism can be found on the NACP website. We call on all conscientious businesses to stop operating in Russia and sponsoring terrorists with their taxes

IT SECTOR OF UKRAINE

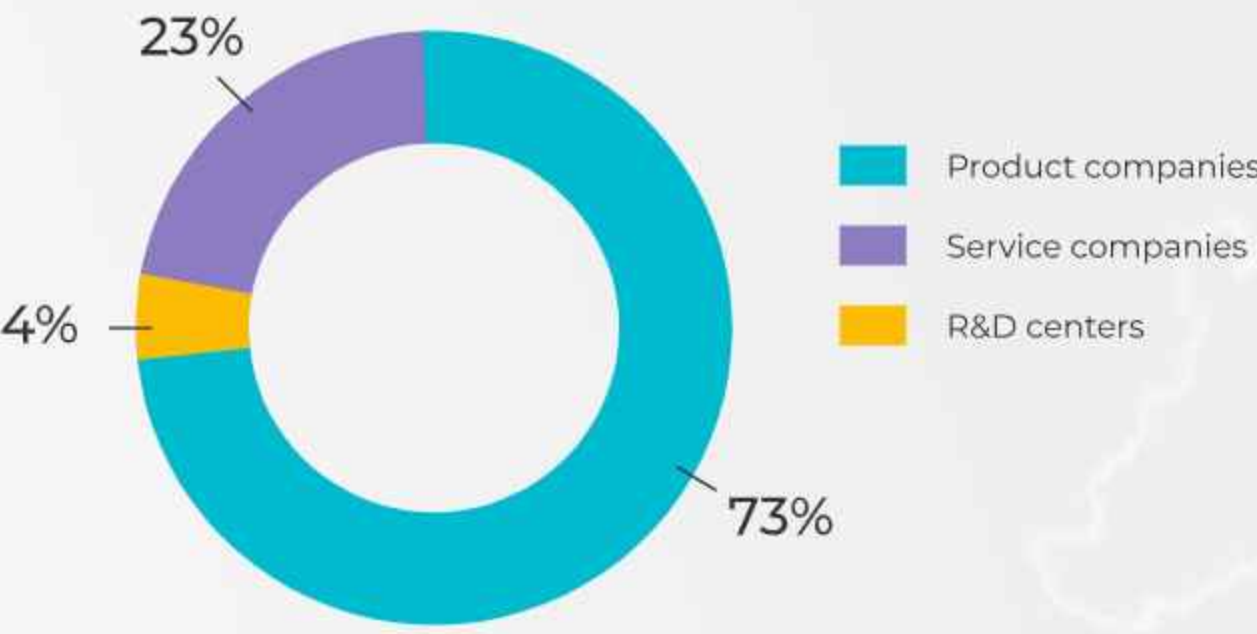


IT company's structure

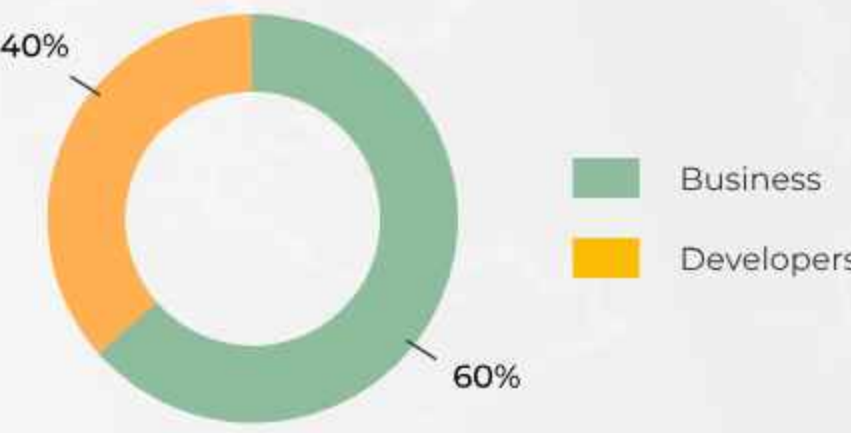
IT company's activities areas in Ukraine



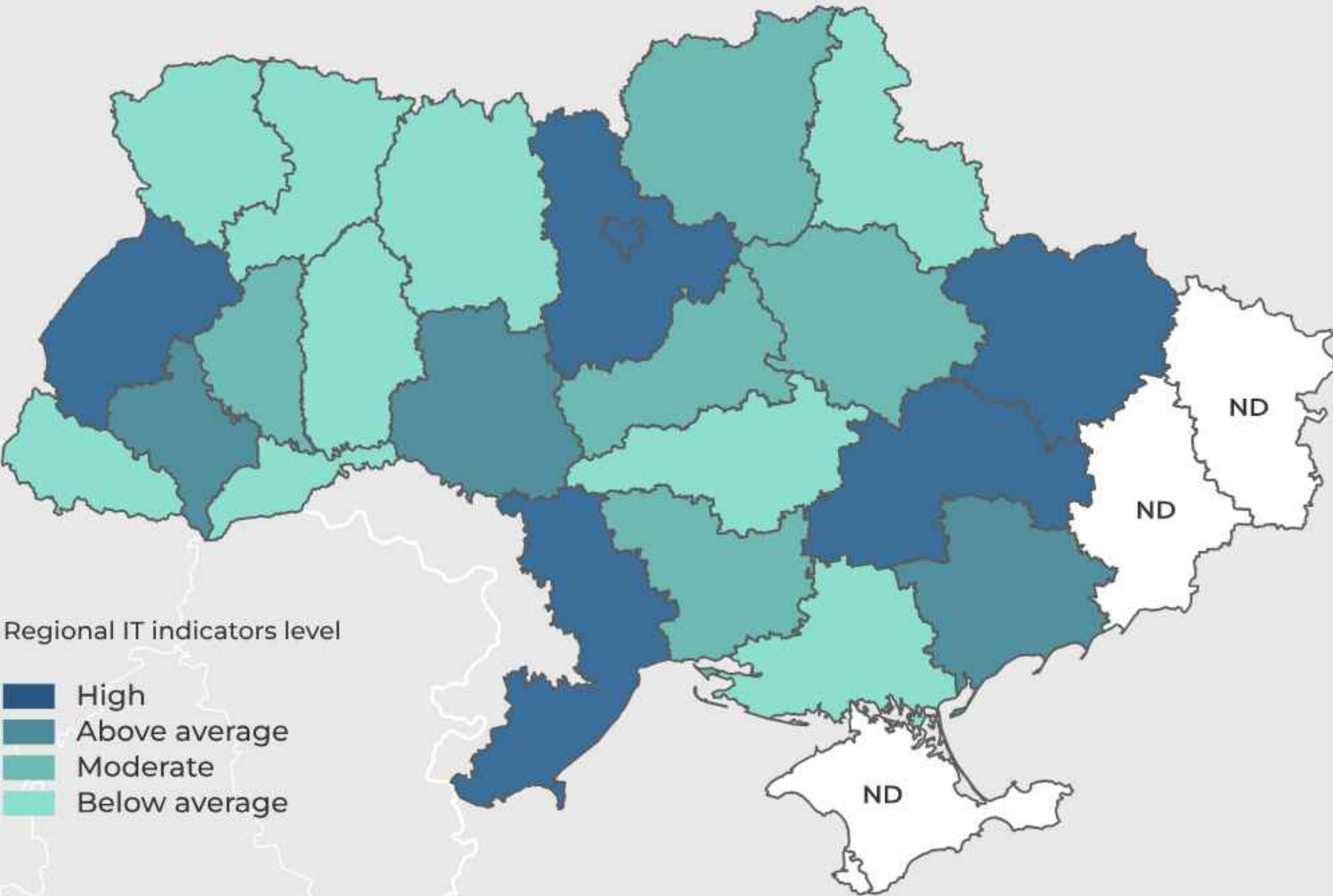
IT sector company's types



Communities types



Ukraine's IT ecosystem development*



72% Ukrainian IT companies develop products

In 2023, a significant majority (**74%**) of **companies** reported that their **revenue** either **remained stable or increased** compared to 2022

36% of Ukrainian tech companies plan to open new offices

Project duration in IT companies



IT SECTOR OF UKRAINE



Digitalization

The **global innovation vision of Ukraine** aims to become the most “digital” country in the world by 2030, to ensure annual **GDP growth** rates in the medium term at a level not lower than **+50%** of the global level and to ensure the share of **innovative products** in GDP not lower than **15-20%**

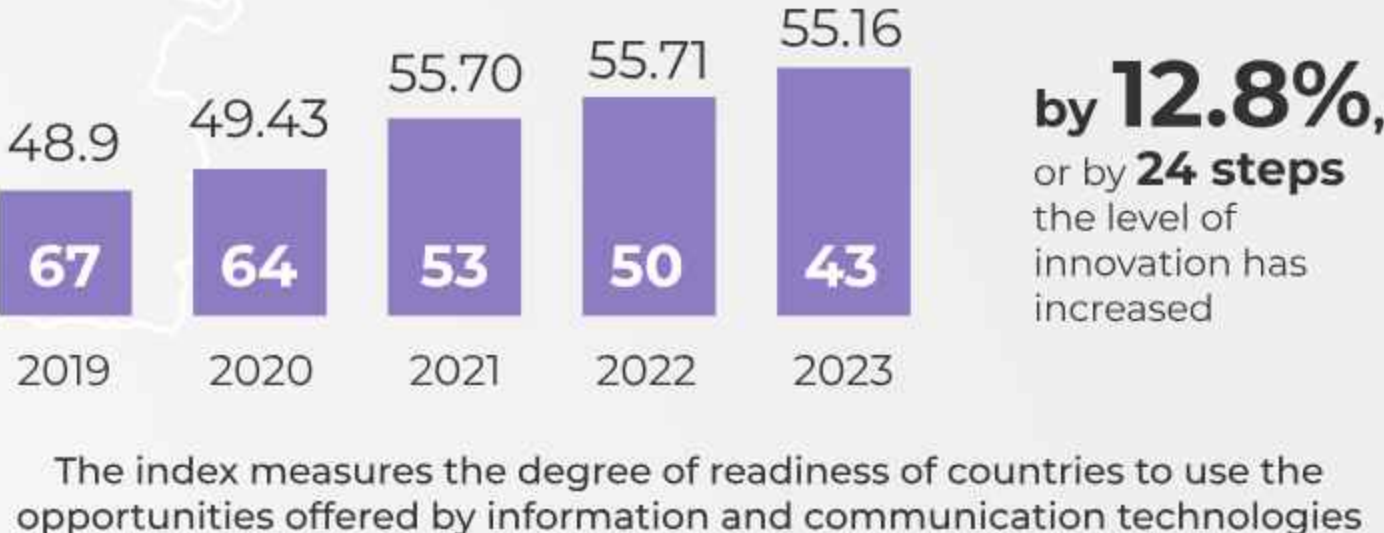
E-Government Development Index, Ukraine



State of digitalization in Europe, 2024

	Internet coverage, %	Internet users, %	Social media users, %	Mobile Internet speed, Mbps	Fixed Internet speed, Mbps
Ukraine	79,2	65	79	24.83	73.68
Romania	91,6	91	60	51.50	205.74
Poland	88,1	88	69	42.12	139.28
Moldova	63,5	63	47	28.51	106.00
Hungary	91,8	92	73	42.67	155.12
Czech Republic	92,8	93	80	61.91	63.35

The Network Readiness Index, Ukraine



80%

Number of people who are daily online increased by **8%** over the year



39%

growth of the Internet coverage rate in Ukraine from 2019 to 2024

Internet coverage, Ukraine



IT SECTOR OF UKRAINE



Digitalization: government e-services

Goals of the Ministry of Digital Transformation of Ukraine

100%

of public services are available to citizens and businesses

95%

of the population, social facilities and main roads have high-speed Internet coverage

6 mln

Ukrainians involved in digital skills development program

10%

share of IT in the country's GDP

The Government aims to **digitize 100%** of public services in the Diia app

1

Ukraine is the **first** country to equate electronic documents with paper documents

4

Fourth country in Europe to launch digital driver's license



more than

500

of electronic services operates in Ukraine

Digitalization implemented in Ukraine



Electronic payments for utilities and other services



Public transportation and logistics



Taxation and banking sector



Document management and administrative services



Electronic educational platforms and libraries, distance learning



The Helsi app is an online service that helps you get all the necessary medical services

Diia's 2024



more than

20 mln users

14 digital documents

more than

30 e-services

IT SECTOR OF UKRAINE



Innovations and research activities

Global Innovation Index, 2023

3
place
among 37 lower-
middle-income
countries

55
place
in the overall
rating

The highest rates in Ukraine

37
place
Creative achievements

45
place
Knowledge and
technological
achievements

47
place
Human capital and
research

Ukraine **exceeds the expected indicators of innovation development** according to the country's income level

Level of
investment in
innovation



Number of
innovative
products



1 250
EURO mln

the amount of investment **in R&D in Europe** in 2022, which is the highest since 2015

FDI stocks in professional, scientific and technical activities in Ukraine, UDS mln, 2023

Activities in the fields of architecture and engineering, provision of technical consulting services	78.9
Technical testing and research	8.7
Research and experimental development in the field of natural and technical sciences	35.5
Other professional, scientific and technical activities	30.7

In Ukraine, there are

41
science parks

more than
10
innovation parks

European Innovation Scoreboard, 2024

Best performance in Ukraine

- Knowledge-intensive services exports
- Environment-related technologies
- Employment in knowledge-intensive activities
- Venture capital expenditures
- Non-R&D Innovation expenditures

Tax revenues in Ukraine in **professional, scientific and technical activities**



3.7%

Share of tax
revenues among
all categories



5.5 USD bln
out of a total
budget of **USD**
150.3 bln

Scientific research and development	1.04 USD bln – 18.8%
Research and development	2.4 USD mln – 0.04%
Activities in the areas of architecture and engineering, technical testing and research	497.1 mln – 9.0%

IT SECTOR OF UKRAINE



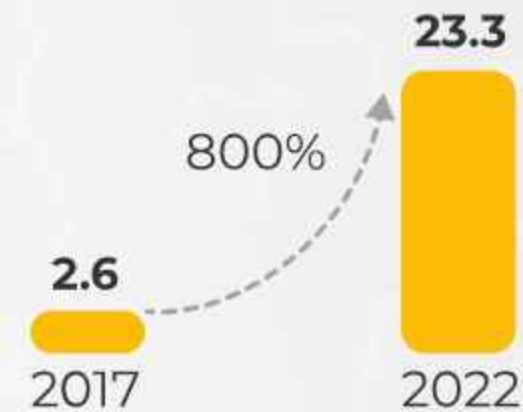
Startups



2 600

startups in Ukraine
as of the beginning
of 2024

The startup industry, bln euros



Innovation Development Fund

Ukraine has the **Ukrainian Startup Fund** – a state institution that promotes the financing and development of innovative projects and technology startups



7 000+

applications submitted
for USF programs



8.7 USD mln

of funds were
received by startups

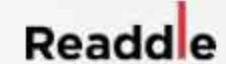
Successful Ukrainian startups



Grammarly



GitLab



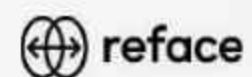
Readdle



MacPaw



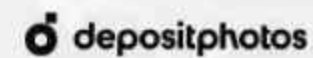
PetCube



Reface



People.AI



Depositphotos



AJAX



Preply



Competera



Restream



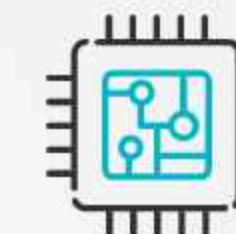
Firefly Aerospace



3DLOOK

State grant program “eRobota” for startups, small and medium-sized businesses

In July 2022, Ukraine launched the eRobota grant program, which aimed to create tens of thousands of new businesses and jobs through grants to start their own business



**GRANT FOR IT
STARTUPS**
3.5 UAH mln
(USD 100 thsd)

IT SECTOR OF UKRAINE



Ukraine's priority areas of innovation

Defence Tech

development of advanced defense technologies



- creating a space for international development of defense innovations
- optimization of development processes for rapid response to front-line needs

MedTech

innovations in medical technologies



- bioengineering, cellular technologies
- digital development of medical services and research
- prosthetics

AgriTech

introduction of agricultural technologies



- development of deep processing of raw materials, implementation of HACCP in agri-processing
- land demining, harvesting, land recreation with the help of technology

XR

immersive digital technologies
(augmented/virtual/mixed reality)



- implementing the use of digital immersive products in various industries

AUV

development of unmanned technologies



- agroproduction (processing and demining of fields)
- logistics (cargo and ships)
- defense (for military use)

Biotech

development of biotechnical research



- genetic research, synthetic biology
- development of medicines (vaccines, antibiotics)
- creation and development of bioclusters

Green tech

Implementation of "green" innovations



- transition to green technologies
- increase in renewable energy capacity
- production of "green" metallurgy and chemistry

IT SECTOR OF UKRAINE



Ukraine's priority areas of innovation

Cross-cutting areas

AI

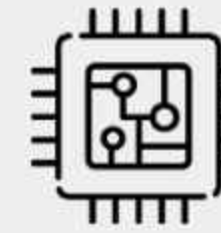
integration of artificial intelligence



- artificial intelligence in the governmental sphere
- educational and scientific direction of AI

Semiconductors

creation of a modern chip ecosystem



- opening of the first chip factory in Ukraine for domestic and export production
- development and approval of the CHIPS Act UA program

Secure cyber space

development of cybersecurity



- integration of the private sector and citizens in strengthening national security
- strengthening the protection of critical infrastructure operators

Fluid Economy

new formats of development in the economy



- digital economy (digitalization and technologization)
- gig economy (new format of labor relations)
- circular economy (standards of a zero-waste world)

Edtech

Innovations in educational technologies



- EdTech platform for creating educational content
- creation of a tool for content creation
- creation of a national system to support academic integrity

INVESTMENT INCENTIVES

Diya.City regime



Diia.City is a unique tax and legal space for IT companies in Ukraine. More than 800 IT companies and over 62 000 specialists are residents



Incentives for IT industry **DIIA CITY** regime



SPECIAL TAXATION REGIME FOR DIIA CITY RESIDENTS

- 9% of exit capital tax or 18% of CIT
- 5% of PIT, 22% of the minimum wage for social security fee and 1,5% of military contribution fee
- 0% of withholding income tax of an individual received as dividends, if not distributed for 2 or more years etc.



FLEXIBLE FORMS OF EMPLOYMENT

- Gig-contracts (allows you to show real turnover and pay moderate taxes, provide social guarantees, and reserve gig-specialists that are liable for military services, etc.)
- Labor agreements and commercial contracts are still available



BETTER IP RIGHTS PROTECTION FOR IT COMPANIES

- IP rights for an object created by the gig-specialist under the gig-contract shall belong to the Diia City resident, unless otherwise provided by the gig-contract (at the moment when IP rights appear for the author, if not specified otherwise in the contract)



ACCESS TO LEGAL ELEMENTS OF COMMON LAW SYSTEM

- The right to increase charter capital of an LLC via convertible loans mechanism
- The right of an LLC and any third party to be a party to a shareholders' agreement
- Mechanisms of the employee stock ownership plan (ESOP)
- Warranties and indemnities regulations, liquidated damages provisions, etc.

According to the study "Diia.City Analysis: **98%** of resident companies positively assess the impact of Diia.City on business development. The implementation of the Diia.City project was made possible by the systematic support of the USAID Competitive Economy of Ukraine Program.

REQUIREMENTS FOR ENTERING

- **9+ employees and/or gig-specialists**
- **Average monthly salary of employees and is not less than the equivalent of EUR 1.200**
- **90% of IT company's total net income consists of the "qualified income" (income obtained as a result of IT activities)**
- **Eligible industries:**
 - software development and testing, including games
 - publishing and distribution of software, including SaaS
 - teaching computer literacy, programming, testing, software technical support
 - digital marketing and advertising via software developed by Diia City residents
 - R&D in IT and Telecom
 - cybersport
 - providing services related to the virtual assets flow etc.

While martial law is in force, companies will not be deprived of the status of residents of Diia City, even if they do not meet the above criteria

INVESTMENT INCENTIVES

Significant investments

REQUIREMENTS FOR INVESTMENT PROJECT



12+ EUR mln
of investment



10+
of new jobs



up to 5 years***
of project
implementation



**construction,
modernization**
technical and/or
technological
reequipment of objects

FORMS OF SUPPORT



CIT exemption*
(for 5 years by choice)



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**
(highways, communication
lines, utilities, etc.).



Lease of **state or
communal land plots**
without land auctions



Compensation for **costs
of connection to
engineering and
transport networks**



**Land tax exemption/
reduced land tax rates**



Exemption from
compensation for
**losses of forestry
production**

AMOUNT OF SUPPORT

up to **30%**
CAPEX



**For more detailed information,
we recommend paying
attention to the following
regulatory acts**



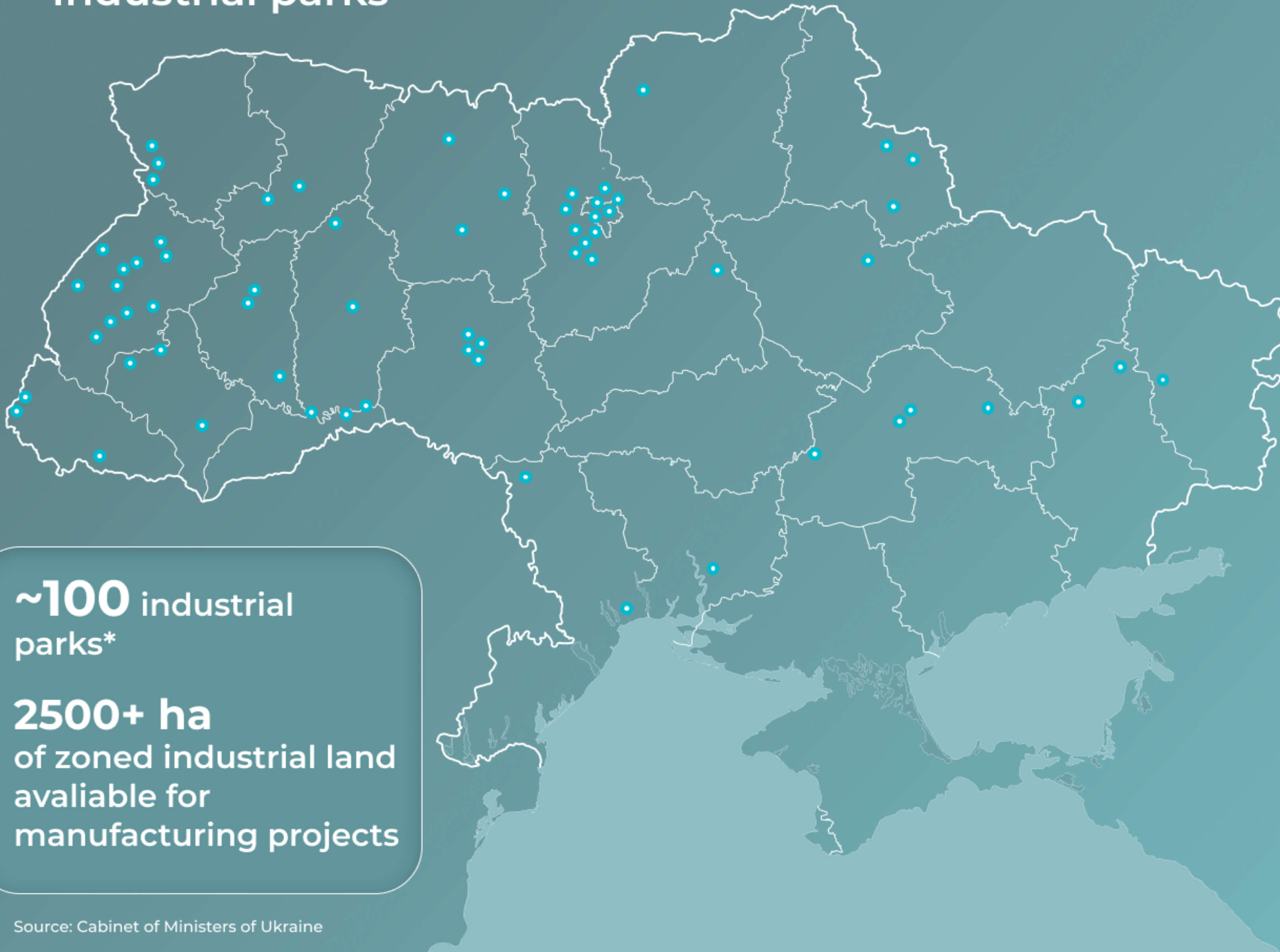
* Not applicable to projects in the field of extraction for the purpose of further processing and/or enrichment of natural resources.

** List and volume of equipment is approved by the CMU for each project.

*** The applicant, not earlier than 18 months before the date of submission of the application to the authorized body, may make investments in investment facilities in the amount not exceeding 30% of the total amount of significant investments required for the implementation of an investment project with significant investments

INVESTMENT INCENTIVES

Industrial parks



~100 industrial parks*

2500+ ha of zoned industrial land available for manufacturing projects

Source: Cabinet of Ministers of Ukraine



10-year **corporate income tax exemption**



compensation for **connecting to engineering grids**



VAT exemption for importing new equipment



exemption from **import duties** for new equipment



full or partial compensation of interest rates on loans for arranging an industrial park, carrying out economic activity



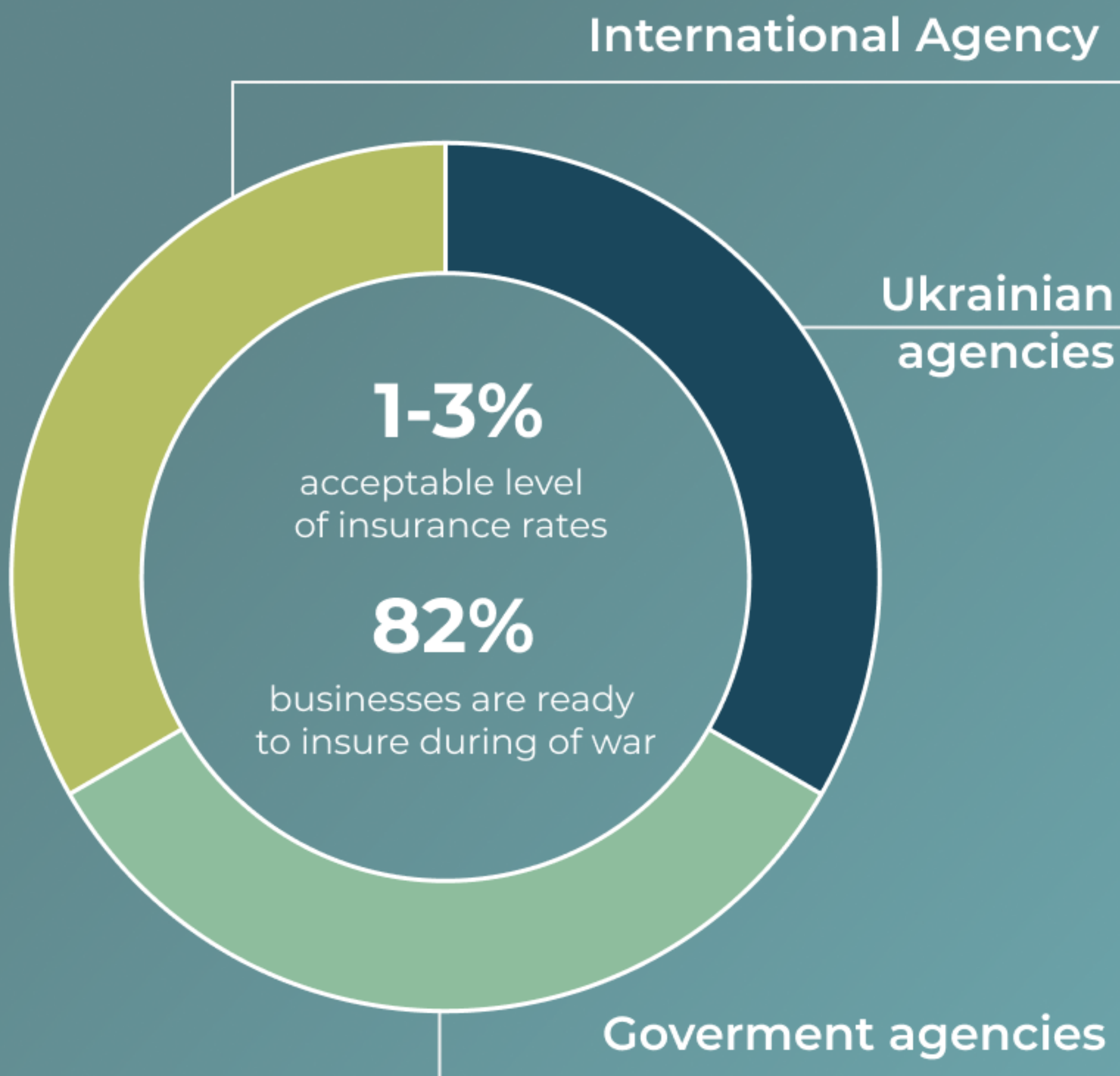
Guide: State support for Industrial Parks

PROJECTS AFTER 24.02.22



* - the company continues to cooperate with russia and pay taxes to the terrorist country

INVESTMENT INSURANCE



A formalized agreement on the implementation of the investment insurance mechanism for foreign investments: **2022**
 Annual rate: **2-3%**
 Insurance period: **10 years**
 Coverage of the amount of losses: **up to 90%**
Sure Trust Fund: USD 110 mln, goal - USD 330 mln



Law No. 9015 "On Amendments to the Law of Ukraine "On financial mechanisms for stimulating export activity" regarding insurance of investments in Ukraine against military risks": **2023**
 Annual rate: **0.49% - 8.05%**
 Insurance amount: **UAH 200 mln**
 Insured for 5 months in 2024: **UAH 2.93 bln**



Property insurance against war risks: **2024**
 Implemented cases: **Grain elevators**



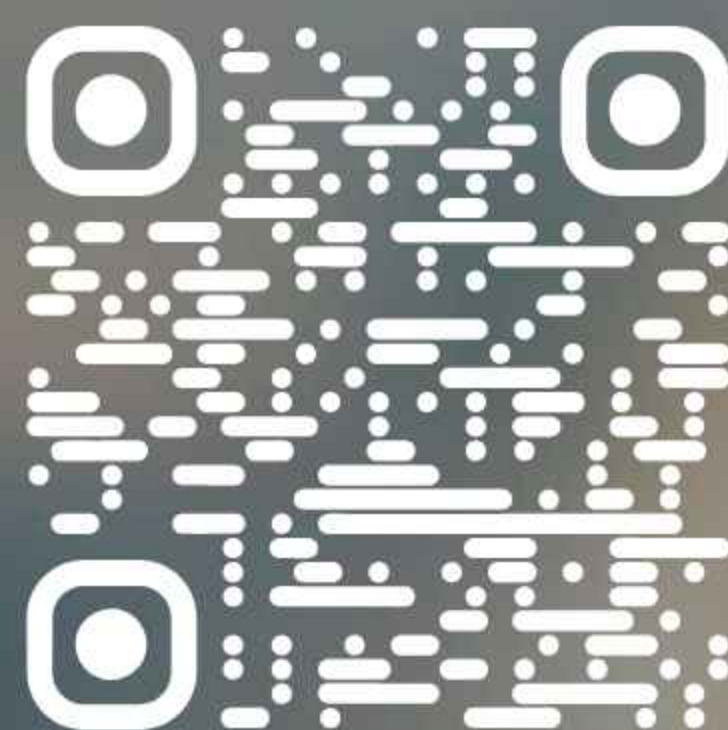
Ship insurance in the Black Sea: **2023**
 Containers with grain, iron ore, and steel, electrical equipment, fodder
 Annual rate: **0.75%**
 Coverage amount: **USD 50 mln**



Memorandum on coverage of American, international and Ukrainian investments in Ukraine: **2023**
 Coverage of the amount of losses: **up to 85%**
 Insurance for SMEs: **USD 50 mln**
 Insurance of the agricultural sector, manufacture: **USD 300 mln**



22 export-import agencies: Germany, WB, USA, Japan, Canada, Italy, Poland, Norway, Slovakia, France, Bulgaria, Estonia, Latvia, Lithuania, Czech Republic, Austria, UAE, Portugal, Spain, Sweden, Finland, Denmark
 Volume of the collected fund: **EUR 1 bln**



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