

ACTIONS TO DEVELOP ECONOMY

Last week I attended Yalta European Strategy Annual Meeting.

It was a pleasure to meet European and Ukrainian politicians united by the idea of Ukraine's development. As always, YES means the most important panel discussions, and interesting talks in-between. People talked about the European integration, the need to attract investment capital to Ukraine, combatting corruption and economic reforms: in general, about everything that will make Ukraine a real European country. Maybe this is not modest, but I will confess that we made a decision to support the forum as a special partner. Our main goal was to help solving most relevant issues of Ukraine's and its economy development.

Talking about European integration, it is worth mentioning that we, the steel makers, have been considering Europe our domestic market for a long time already. Actually, we have selected the European vector 15 years ago – long before our politicians made this choice. Therefore, it is crucial for us for this European vector to include all major sectors of Ukrainian industry.

Behind the scenes, I had an opportunity to communicate with Marie Yovanovitch, the U.S. Ambassador to Ukraine, Aleksander Kwaśniewski, former President of Poland, and with Ukrainian ministers. This was rather productive communication, in the course of which I told them about the issues faced by the industry and my expectations. In response, I felt the extent of willingness of the politicians, including the European politicians to support the European choice of Ukraine.

I will bring a specific example of one of such issues: the anti-dumping investigation against the imports of Ukrainian hot rolled steel products to EU that was initiated in July this year. It started despite the fact that we have hundreds of permanent customers in Europe, with who we have been cooperating for over a decade; despite the fact that our European customers themselves insist that this is overregulation of the market and deterioration of competitive environment. By the way, this is the first investigation of the European Commission against Ukrainian steel in history. At the same time, Ukraine is a traditional and responsible supplier of hot rolled steel products to the EU.

I think that the anti-dumping investigation is not so much about economics, while much more about politics, and therefore, this topic should be discussed at interstate level. This is why, I hope that the investigation against Ukraine will complete without application of the antidumping measures – in the spirit of the Free Trade Agreement between Ukraine and the EU, and the WTO rules. This is one of the examples, where we expect an adequate, transparent and fair response, including the one from the European politicians. We want fair conditions to sell Ukrainian products in the market, where our Group of companies generates 40% of its sales.

I would like to address to the Ukrainian authorities separately. We are not asking for any preferences for the steel making industry. We are not asking for any subsidies: we understand that there is an acute shortage of finance in the country. We just need fair rules of the game. I imply, first of all, the domestic fiscal policy and natural monopoly tariffs. If we compare the tariffs with our competition, we pay by order of magnitude more. This includes such things as subsoil use tax, cost of transportation per tonne of cargo, and gas transportation tariffs. In addition, Ukrainian port duties are among the highest in the world. Unfortunately, today there are very many areas, where Ukraine lacks competitive ability as a country. This is what the Government should be focused on; and this is what the Prime Minister Volodymyr Groysman instructed the Ministry of Economic Development and Trade to focus on.

I highlighted these bullet-points in the course of my speech at Building a New Economy panel at the YES, which was also attended by Boris Lozhkin, the Secretary of the National Investment Council of Ukraine, Dmitro Shinkiv, Deputy Chairman of the President's Office Administration, and Ian Taylor, the President of Vitol Group. In general, the format of direct communication between the business and the leadership of the country is undoubtedly useful especially, when the international colleagues also share their experience. Now, it is important that the government leadership hear us.

By the way, one of keys to resolving a situation is the understanding that there is no a silver bullet for saving Ukrainian steel industry. For example, London's tallest skyscraper Shard construction used 5 thousand tonnes of Metinvest's steel. This is just several hours of our production time. Just imagine how many skyscrapers it is required to build in Ukraine to load the production capacity of at least Metinvest, not even mentioning other steel companies. Another example to bring is the Darnitsa Bridge over the Dnipro River. Building this structure

consumed 6,000 tonnes of metal. Again, this is just about several hours of our capacity utilization.

The projects are large, useful and good, and their implementation is certainly required. But, such pin-point projects will not be able to revive Ukrainian industry. There should be a comprehensive program of development of domestic machine building, energy, agriculture, construction, infrastructure and transport. In other words, if Ukrainian economy grows and develops, so Ukrainian steel sector grows and develops. We expect this assistance from our Government. We ask for the development of Ukrainian economy.

One last thing. Even in the period of the armed conflict in Eastern Ukraine, Metinvest remained one of major taxpayers, one of the major sources of state budget revenues, its investments in modernization were the largest, environmental projects being the first priority. The challenge was not only related to the military activities, infrastructure and tariff policies. We were hit by the world steel overproduction crisis. Nevertheless, we continued to invest. Metinvest's investment comprised at least USD \$280 million annually.

Our strategic projects included the ones to tackle production efficiency improvement and environmental issues. Namely, the largest environmental project at Ilyich Iron and Steel Works of Mariupol (MMKI), where the sinter plant reconstruction is in progress along with cleaning facilities construction. Just this one project is worth \$220 million. All of these were possible even despite complete lack of access to the European capital markets.

At the same time, Metinvest Group not only exports a significant portion of its products to the EU, it also owns companies there, we enter into multi-million contracts for the supply of equipment made by European companies to modernize our production assets in Ukraine. In essence, we are a European company. Moreover, we are the largest Ukrainian company. And, in response to our cooperation with the EU, our openness, we would like to have access to the financial resources that would help us develop further.

Yuriy Ryzhenkov, CEO of Metinvest Group

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