

How long will it take Metinvest to recover from the effects of the war?

Interview with Yuriy Ryzhenkov, the Group's CEO, for The Economist



Yuriy Ryzhenkov, the CEO of Metinvest Group took part in the Money Talks podcast of the British edition The Economist on the topic "How to rebuild Ukraine?". Money Talks is an audio podcast, a newsletter on the biggest ideas on financial markets and global economic news. A concise but comprehensive weekly guide to the forces changing the global economy.

In the new issue of Money Talks, Yuriy Ryzhenkov talks about Metinvest Group's adaptation to war conditions and the time it will take to resume production after the war.

Mister Yuriy, what is the current state of those plants that you operated in Mariupol?

Two Mariupol plants have been badly damaged. We don't know how badly the damage is, but they [the plants, - edit.] are not operational right now. And definitely after the de-occupation it will take some time to get them operational again.

And one thing, after hearing that Newsreel is thinking about how soldiers and civilians were sheltering in a plant in bomb shelters [at Azovstal, - edit.]. Why did you have bomb shelters there in the first place?

For Azovstal and Metinvest, the war started in 2014 with the first hybrid war at the time. Since 2014, we kept our protection facilities in good order, especially after talk of a possible full-scale Russian invasion started last year.

We stockpiled our shelters with food, water and other necessities, suspecting that most of our employees on shift would need them in case of bombardment. Of course, we could not know that people would need to use them for weeks or months. As the events unfolded from the invasion and the siege, however, the bomb shelters started being used not only by employees in Azovstal, but also by other city inhabitants, as well as the military, who were protecting the city and the plant.

You mentioned the effects of the war going on for eight years since the initial incursions in 2014. How did you have to change your business to operate in those conditions? Given the effect of the war this year, how much of the companies' pre-war capacity is operational at the moment?

At the moment, we are operating at 30% to a half of the pre-war levels. And even that capacity is difficult to achieve because of the logistics, as the Black Sea ports are not available for shipments of iron ore, steel and coal for Ukraine. We have to ship via land routes, and the capacity is unfortunately either inadequate for substantial shipments or too expensive for some of the goods we are shipping.

In the UK, the US and Europe, we hear a lot about the war economy of Ukraine, mostly in terms of Western arms and munitions being sent to the country. We hear substantially less about the sort of the domestic war economy. How does Metinvest contribute to that?

As the invasion started, all of the enterprises started to produce military-purpose materials like barbed wire, fences, concrete blocks and anti-tank hedgehogs. And also, as the war progressed, we turned our enterprises more to military needs and started to produce armoured steel for bulletproof vests. At present, more than 150 thousand of bulletproof vests of Metinvest steel are protected the Ukrainian army and the Territorial Defense Forces.

We started to produce mobile armoured bunkers for our soldiers on the front line. Besides, we are making stoves that can be used in the winter to heat food and warm up in the field. So, all of those things we have been doing in substantial volumes in the last eight months. At the same time, we are buying and supplying a lot to the Ukrainian army. For example, we have supplied more than 1,000 drones and tens of thousands of helmets, medicines and other equipment needed on the front line.

We've reported a lot of the recent news about the gains made by the Ukrainian military in the war. Say that the war ended tomorrow, how long would the recovery [of your enterprises, - edit.] take?

Most of the mills under our control have not been damaged, so returning to full production would be a matter of months: within half a year to a year, we can get back to pre-war production. Regarding the mills that are in occupied territory, like Azovstal and Ilyich Steel, we will have to see what kind of damage they sustained during the bombing. I suspect that the damage was substantial there and that it will take us some time until we can return to the pre-war operations.

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