

## "The most desirable scenario is victory." Metinvest Group CEO Yuriy Ryzhenkov on challenges in 2023 – ports, the budget and the renewal of Mariupol

The past year was extremely difficult for Ukrainian steelmakers. What economic and business scenarios is the country's largest metallurgical company preparing for?



*NV Business asked senior managers and business owners about their expectations for the next year. Yuriy Ryzhenkov, the CEO of Rinat Akhmetov's Metinvest Group, talks about how to improve business performance even before victory arrives, what to discuss with international partners and why it is important not to allow the aggressor to attack again.*

### **- What is your optimistic scenario for the situation in the country and business development in your business plan for the next year?**

- The most desirable scenario is the victory of Ukraine in the war. Like all Ukrainians, Metinvest Group and its shareholders are doing everything to make this scenario come true as soon as possible. We believe in Ukraine, we believe in the Armed Forces of Ukraine, and we support all the defence forces of our state with equipment and supplies to the greatest extent possible.

Many military experts predict that the war is likely to end next year. After de-occupation, we will be able to return to Mariupol and start rebuilding our enterprises, return peace to the city, and give jobs and decent wages to people. We will build a new industry there, one that is more modern and environmentally friendly. As for financing this reconstruction, we will need some assistance from the government from the reparations that we will get from Russia.

The other most optimistic development for 2023 is the full restoration of logistics and operations of the Black Sea ports even before victory is achieved in the war. This will allow us and all Ukrainian businesses to increase production capacity and increase exports of raw materials and steel products. This will lead to a significant increase in Ukrainian exports, foreign currency earnings and tax proceeds going to the budget.

We should remember that, before the war, it was the mining and metals sector that ensured a strong national currency and a positive balance of trade. That is why it is vital for the country to resolve the export issue for the mining and metal sector.

### **- What is your pessimistic scenario for the situation in the country and business development in your business plan for the next year?**

- The pessimistic scenario is that the war will continue. It can take different forms, from escalation to a gradual freezing of the conflict, but both options are very damaging for both business and Ukraine as a whole. The

continued shelling of cities, damage to energy infrastructure, continued blocking of logistics through seaports – all these factors will not allow us to fully restore production at Metinvest Group's enterprises. To be able to talk about progress and investment in restoring enterprises, Ukraine must win decisively and become stronger to prevent another attack by the aggressor.

**- How long is your budget and plan for 2023? A full year, a quarter or a month with a review at the end of the period?**

- Before the war, one of our strategic areas of focus was the decarbonisation of production. The Group reached the final stage of developing a strategy that included several major projects over a 30-year period.

After the outbreak of the war, we had to wind down most of these strategic projects. Now the planning horizon has been significantly shortened, many major projects have been put on hold until the end of the war.

As far as the budget is concerned, of course, we have completely changed our approach to planning it this year. This is primarily due to a high degree of uncertainty. We make a lot of assumptions in our budget and it also takes into account several different scenarios.

**- Do you expect to grow relative to 2022 by the end of the next year? Or is the main objective to stay at the current level? Do you foresee a further decline?**

- The main objective is to survive and keep our employees alive. Production growth depends on many factors: the duration of hostilities, the rehabilitation of broken logistics and the world situation. We have to find growth opportunities, and if the situation in the economy does not change, to keep production and sales at the current level.

**- How long, according to your forecasts, will it take after the war to stabilise and improve the situation in the economy?**

- The timeframe for the recovery of the Ukrainian economy will be influenced by the efforts of the state and business to improve the situation. Ukraine needs its own Marshall Plan, which was developed to rebuild Europe after World War II.

First, we are very concerned that negotiations with Western partners about the rebuilding are conducted mainly on the level of state-owned enterprises. At the same time, the restoration of the private sector, the provision of loans to businesses for the reconstruction of assets and the launch of production have not been the focus.

Ukraine should already be directing efforts to preserve the production potential of the mining and metals sector. The industry requires state support to do this. First and foremost, it needs to solve logistical problems: unblocking seaports, increasing the capacity of railway border crossings and reducing tariffs for railway transportation. In addition, the cost of production is significantly affected by expensive electricity and gas and high iron ore extraction rents.

We also hope that Ukraine, given the immense damage caused by the Russian occupiers, will receive special conditions for the application of the Carbon Border Adjustment Measure (*an environmental policy tool that equalises the price of carbon emissions between European products and imported goods for certain sectors, simply put – an environmental tax on imports to the EU countries.* - *NV Business*), otherwise it will become another barrier between Ukraine and the EU.

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