

Weak Demand and High Risk: Why Investors Are Not Ready to Invest in Ukraine and What Awaits Europe's Steel Industry — Metinvest CEO Yuriy Ryzhenkov Speaks to Bloomberg TV

Yuriy Ryzhenkov, CEO of Metinvest Group, in a live interview with Francine Lacqua, host of Bloomberg Television's "The Pulse", discussed the impact of the war on investment in Ukraine, the need for peace guarantees and the Group's investment opportunities in neighbouring countries.



— **Hostilities in Ukraine need to decrease significantly for you to implement Green Deal projects. Could you elaborate on this? What is happening at the moment, and what changes are you expecting in the coming months?**

— Unfortunately, the situation in Ukraine remains quite challenging, and we have not seen any slowdown in the war. In fact, the hostilities have intensified over the past six months. The investment climate is still not favourable for investments in Ukraine. However, as a player on the international arena, especially in the European markets, Metinvest has decided to launch a project to construct a green steel plant in Italy. This plant will serve as a pilot project for us and our partner Danieli to rebuild Ukraine's steel industry after the definitive end to the war.

— **When you say definitive end to the war, does it mean that a peace agreement is mandatory for significant investments in Ukraine? Or perhaps freezing the conflict will be enough?**

— Freezing the war is not enough. We have already had this experience with the Minsk agreements, and we all saw how it ended. Now, we need reliable security guarantees for Ukraine. Only this will help to attract large investments to the country, including green steel investments. Until then, unfortunately, it is unlikely that significant investments will come to the country.

— **How much could you invest in Ukraine? And how much have you already invested in Italy?**

— The project in Italy is valued at EUR2.5 billion, which will be financed through equity investments, primarily with the support of loans from European financial institutions, including state and public funds. When it comes to Ukraine, we will need a similar magnitude of investment to turn around Ukraine's steel industry. That is why I emphasise that without a definitive end to the war and reliable security guarantees, the implementation of these plans in the near future seems unlikely. It is difficult to imagine that investors would agree to make significant investments in the modernisation of Ukraine's steel industry under current circumstances.

— **So, there should be a peace agreement with security guarantees from the US?**

— At least, there should be security guarantees. I am not sure what kind of peace agreements should be concluded, but the security guarantees should come from our allies and partners, the US and Europe. And they must be strong enough to convince investors that this is a real end to the war and that Russia will not attack again

in a few months or years.

— **How are investors reacting at this stage?**

— At the moment, investors are simply not investing. It's quite simple: investments supported by European or other governments around the world, as well as public investments, are continuing. However, private financial investments are on hold. Investors are waiting for the situation to be clarified.

— **You said that you are considering mergers and acquisitions in neighbouring countries. Could you elaborate on this? What kind of projects are you looking for?**

— We are open to any projects that can provide synergies with our resource base in Ukraine. We are considering acquiring and modernising facilities that are not currently classified as decarbonised steel but have the potential to become so. There are several facilities in neighbouring countries that meet this criterion, but I will not name them as this may affect the negotiations. We are also looking at distressed steel assets that have decarbonisation potential that we believe we can revitalise and bring back to life. All of these assets are mostly located in Southern and Eastern Europe, regions where we already operate, and that is why they are of interest to us.

— **Are you confident of sufficient demand given the state of the global economy? And are you convinced that you could find projects that will justify your investment?**

— Demand for steel remains weak, especially in Europe. Steel companies across Europe are struggling. But steel remains the most universal material in the world, and the industry is highly cyclical. We are currently in a down cycle, but we know that there will inevitably be a recovery in the future. That is why we are ready to invest now to take advantage of future growth.

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