

Metinvest Group and Lemtrans agree on long-term cooperation

Metinvest Group and Lemtrans signed a three-year cooperation agreement. Before 2020, Lemtrans undertakes to cover about 50% of Metinvest Group's demand for open wagon.

Subject to the agreement provisions, Lemtrans, apart from supplying open wagons to Metinvest, will also provide control and technical management of all open wagons of the metals & mining holding. This includes transportation and forwarding services, information support and maintenance and repair of the Group's rolling stock. The signed agreement takes into account the previous three-year cooperation between the companies and provides for new mutually beneficial opportunities.

Timely delivery of goods to the clients is one of the key priorities for Metinvest. Given the shortage of rolling stock in Ukraine caused, among other things, by long turnover of wagons and delays resulting from time to time from operational problems faced by the Ukrainian Railways (Ukrzaliznytsia), Metinvest Group is forced to take strategic actions to improve its self-sufficiency in open wagons. In particular, the Group extends its own fleet of open wagons and has reached an agreement with Lemtrans. This will help Metinvest to cover about 20% of shipments with own open wagons in the near future, and 50% will be covered by Lemtrans. The remaining 30% will be covered using the open wagons available in the market and the priority will be given to Ukrzaliznytsia wagons, if such plans Metinvest Group are supported by the state railway company.

Aleksey Solovey, the general director of Metinvest-Shipping, LLC:

– Given the scale and the time period of the agreement, this event is remarkable for the Ukrainian rail transport market. Planned for a long period of time, the mutual obligations of the parties will allow us to improve the reliability of supply amid unstable deliveries via Ukrzaliznytsia's railway network, and will help our business partner focus on performance and service quality improvement. Such format holds prospects for cooperation between shippers with a stable freight flow and rolling stock operators who see themselves present in Ukraine rail wagon market.

Vladimir Mezentsev, the CEO of Lemtrans, LLC:

– The long-term cooperation agreement we signed is in line with the direction Lemtrans as a company has chosen for its development that is focused on expanding partnership relations with the largest industrial companies in Ukraine. The three-year agreement will allow to plan the company's operations and investments in the most optimal way, and create value for the parties through synergies between Metinvest Group's freight flows and shipments of our other clients.

For editors

METINVEST GROUP is a vertically integrated group of steel and mining companies that manages every link of the value chain, from mining and processing iron ore to making finished steel products. It comprises steel and mining production facilities located in Ukraine, Europe and the US, as well as a sales network covering all key global markets. The Group generated US\$3.913 billion of revenues and a 21% EBITDA margin for the first six months of 2017. The major shareholders of METINVEST B.V. (the holding company of Metinvest Group) are SCM (71.24%) and Smart Holding (23.76%), which partner in its management.

Metinvest-Shipping, LLC is the leading national freight carrier in Ukraine servicing cargos in the largest Ukrainian ports. Skif-shipping also organizes railway transportation throughout the whole railway network of Ukraine and abroad. In 2006 Metinvest-Shipping became a part of Metinvest Group.

Lemtrans LLC is the largest operator of rolling stock in Ukraine. The company's major business activities include: organizing shipments using own rolling stock, provision of transportation and forwarding services, information support of freight shipment, and maintenance and repair of the rolling stock. SCM Group owns 100% of Lemtrans' authorized capital.