

Ukraine's Philanthropist and Promoter-in-Chief

An Interview with Victor Pinchuk, Founder, Interpipe Corporation
and Founder and Chairman, Victor Pinchuk Foundation, Kiev



Victor Pinchuk

EDITORS' NOTE Victor Pinchuk started his career as a research engineer in pipe production. He created his own company, Interpipe Corporation, in 1990 on the basis of his innovative research and patents in pipe design, engineering, and production. For the past decade, Pinchuk has been an active philanthropist and promoter of Ukraine worldwide. Pinchuk serves as Founder and Chairman of the Board of the Victor Pinchuk Foundation, a founder and a member of the board of the Yalta European Strategy (YES), a member of the board of the International Crisis Group, a member of the board of the Peterson Institute for International Economics, a member of the International Advisory Council of the Brookings Institution, and a member of the corporate advisory board of the Global Business Coalition against HIV/AIDS. In 2004, Pinchuk became the first Ukrainian business leader to join the membership of the World Economic Forum. In 2007, the newspaper The Ukrainian Observer awarded him the title of Person of the Year and he ranked first as the Face of Ukraine in a survey done by the magazine Contracts.

COMPANY BRIEF Interpipe Corporation is an international investment company, and one of the largest and most successful Ukrainian business groups. Its portfolio includes industrial assets such as pipe and tube production, as well as banking, media, aviation, and high-tech companies. The largest part of its turnover is made on exports to international markets.

The Victor Pinchuk Foundation is the largest private Ukrainian philanthropic foundation. It is known for the large contemporary art center it opened in Kiev, for the making of a film with Steven Spielberg on the holocaust in Ukraine, for the creation of the Kyiv School of Economics, as well as for several initiatives in the fields of health, education, human rights, Jewish communities, and the promotion of Ukraine joining the European Union.

Interpipe Corporation is one of the largest and most dynamic business groups in Ukraine. What are the challenges you see in the future for the corporation?

One of our principal objectives is to continue upgrading our asset portfolio – further diversifying it as well as improving the quality of individual assets. Diversification is taking place along sector and geographic lines, with several



Victor Pinchuk and his wife Elena Franchuk sign a \$2.5 million cooperation agreement to fight AIDS in Ukraine with the 42nd President of the U.S., Bill Clinton.

large investments planned outside Ukraine. We are also greatly improving the way we manage our assets by rapidly adapting the best corporate governance practices. This is pure pragmatism – to compete effectively in the global capital markets, we must manage our companies in a more transparent and a more shareholder-responsible manner. Today, we are in the process of creating a western-style board of directors, issuing Eurobonds, with all the requisite disclosures, and preparing for our first IPO in London in 2008. Our IPO debut will involve our pipes and our wheel company. Subsequently, we may bring to public markets our media and our financial assets.

We are also committed to “walk the talk” when it comes to good corporate citizenship. For us, social responsibility is a reality – we are in the middle of several large-scale asset modernization programs which will address issues that are urgent for Ukraine, like energy efficiency and the environment. We are also discovering that social responsibility and good business go hand in hand. Let me give you an example. We have recently signed a contract with an Italian company Danieli to build an electric arc furnace mini-mill. This will be the first modern steel-producing facility to be built in Ukraine in the last 40 years. Our investments will exceed \$600 million. As a result, we will reduce our natural gas consumption by eight times and harmful emissions by a factor of three. And this is just the first of a number of similar projects we hope to launch in the coming years.

We are a very ambitious group. Our future success lies in our ability to fuse our entrepreneurship, our flexibility, and our adaptability with the best global business practices.

In addition to your leading role in business, you are known as a philanthro-

pist. How do you believe the two roles are related?

I look at philanthropy the same way as I do business: It is a social investment that has to be managed in a results-oriented way. Not surprisingly, the challenges facing my foundation are relatively similar to those facing Interpipe. We are improving our efficiency, transparency, and accountability to meet worldwide standards, and we have a clear strategy of growth to support the modernization of Ukraine.

Why did you establish your foundation, and what is the goal you are trying to achieve?

I have been active in philanthropic projects in Ukraine for more than 10 years, both as a private individual and as a businessman. The formal creation of the Victor Pinchuk Foundation was undertaken last year as a means to develop a more coherent, professional, and accountable approach to our work.

Modernizing the country and creating a new generation of leaders are the goals of the foundation. As you may imagine, the needs are immense in Ukraine. We have about 20 large projects underway. With each program, we try to stick to this innovative approach and concretely benefit the country. One of my core priorities is education, because I believe that this is the foundation on which we will build a modern Ukraine.

The Pinchuk Art Centre has been acclaimed internationally, and indeed has contributed to the dramatic change of the cultural environment in Ukraine. Why did you launch a contemporary art museum? What was your vision? Have you been an art collector for a long time?

My parents passed on to me a love of art. When I started earning sufficient money, I be-

gan my private collection of Ukrainian and Russian paintings from the end of the 19th and beginning of the 20th centuries. I also created, and continue to support, the first private chamber orchestra in Ukraine.

I wanted to do something to support contemporary artistic creation in Ukraine, and so I began collecting contemporary works in 2003. I organized the first large scale exhibitions in Ukraine in 2004 and 2005, and it was clear that they fulfilled a tremendous demand for this type of artistic expression and dialogue. I opened a dedicated art center in September 2006, to showcase Ukrainian and worldwide pieces in a truly international art museum.

This summer, we are the official organizer of the Ukraine Pavilion at the Venice Biennale. It is the second time we are exhibiting parts of our collection at that event.

Besides my personal passion for contemporary art, what moves me the most about this project is the enthusiasm with

which the visitors have greeted the center. More than 100,000 people have attended our first three exhibitions, and most of them are young people. It is wonderful to see their curiosity, and the way they spend time absorbing the different pieces, opening their hearts and minds.

You were the coproducer, along with Steven Spielberg, of a documentary film on the holocaust in Ukraine. What was your motivation behind that initiative?

The holocaust is one of the three great tragedies of the 20th century in Ukraine, along with the forced famine of the '30s and Chernobyl. I believe that it is important that the young people of our country know this story, so that we can build a more tolerant and more modern Ukraine. After seeing *Schindler's List*, I knew that Steven Spielberg was the man to tell this story. What I didn't know was that his foundation had recorded thousands of testimonies of holocaust survivors in Ukraine. So when I came to him with the idea of a film, he was indeed enthusiastic about it, and immediately agreed to participate. My work with him was an extraordinary experience.

The film has been very well received, and we are now beginning an educational program that will involve nearly 3,000 history teachers throughout the country.

Your wife, Elena, has been very active in the fight against HIV/AIDS, and both of you recently signed a cooperation agreement with President Clinton to improve testing and access to medicine in Ukraine. What is the current status of the epidemic in Ukraine, and what is at stake?

The HIV/AIDS situation in Ukraine is quite severe. Already 1.4 percent of the population is infected, and most of them ignore it. Initially, they were mostly drug users, but it is now

spreading to the general population through sexual transmission. This is worrisome.

The main priority of my wife's foundation is to educate the general population as to how to protect oneself against the disease, in order to stop the spread. For the last four years, she has been organizing the first large scale prevention campaigns on TV. Two years ago, we decided to expand our commitment within our business activities as well: We educate and help our workers to fight against HIV/AIDS. Interpipe was the first Eastern European company to join the Global Business Coalition on HIV/AIDS, Tuberculosis, and Malaria.

However, we understand that we need now to reach a new scale in the fight against the disease. This is the reason why, in addition to our own programs, we have decided to cooperate and give grants to the best international foundations in order to develop new large scale programs in Ukraine. We have a \$2.5 million grant agreement with the Clinton HIV/AIDS Initiative, and another \$2.5 million grant agreement with the Elton John AIDS Foundation. We believe that their experience and professionalism will make a difference.

You have long been a proponent of closer ties between Ukraine and the EU, and in 2004 you created the Yalta European Strategy, an international network supporting Ukraine joining the EU. What is your outlook for Ukraine in this regard?

I believe it will be a long process, and not an easy one. But ultimately it will be a successful one – both for Ukraine and Europe. Ukraine will

gain entrance to a powerful governmental, economic, and cultural union, and the EU will gain a confident, prosperous neighbor that will be a bridge to Russia.

But most important, the process of joining the EU will stimulate Ukraine to institute the reforms necessary to modernize the country and its economy. This is why it is vital for Ukraine.

What are your views on the present state of Ukraine's investment climate and what advice do you have for investors curious about Ukraine?

There is no doubt that some investors might find the current political climate in Ukraine to be of concern, and that is only natural. But the smart investors will look beyond the short term and into the long term, especially with regards to the investment climate.

Look at the facts: GDP growth in the past has been strong; the average for the past five years was 8 percent, and it is positioned to be strong into the future. Foreign investors are rushing in. It is clear that when politicians and government officials do not micromanage the economy, it will thrive.



Victor Pinchuk and Steven Spielberg at the premiere of the film Spell Your Name about the holocaust in Ukraine.

I also believe that there is an understanding on the part of political and governmental leaders that we must, as a country, address key structural issues: the rule of law, judicial reform, and investment in infrastructure being among them.

So, in short, my advice for investors curious about Ukraine would be: Invest. Opportunities are huge. They have to be seized at the right moment. ●



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