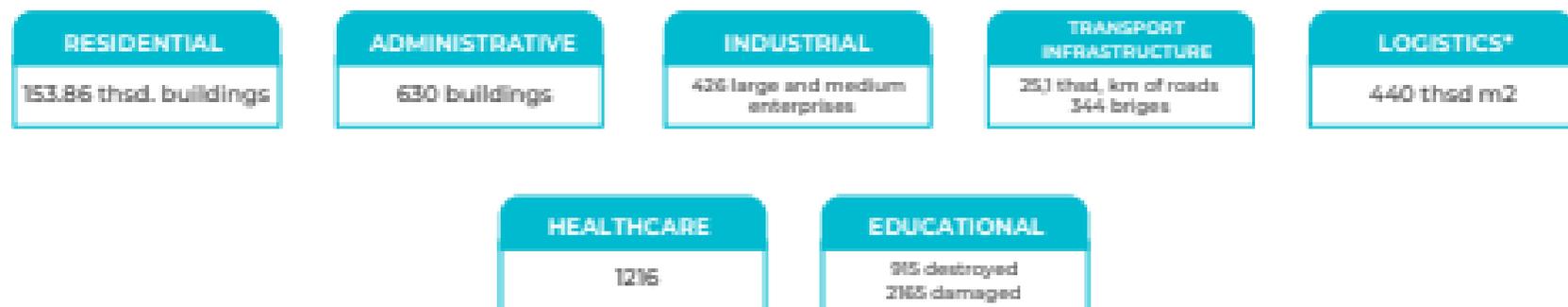


# FIT FOR UKRAINE: CONSTRUCTION MATERIALS

As of February 2023, the total amount of direct damage to Ukraine's residential and non-residential buildings and infrastructure reached USD 143 bln.

The largest share in the total volume of direct losses belongs to residential buildings (37.3% or \$53.6 bln) and infrastructure (25.2% or \$36.2 bln). Losses of business assets amount to at least \$11.3 bln



**Damage to the housing stock is the largest component of overall direct damage caused to property and infrastructure.**

**The total area of damaged or destroyed housing objects is 83.1 mln m<sup>2</sup>, which is 8.2% of the total housing stock.**

- Partial (<10% damage to an object) 18.6 mln m<sup>2</sup> (15.4 thsd. residential buildings)
- Average (10% - 40% damage to an object) 35.3 mln m<sup>2</sup> (65.7 thsd residential buildings)
- Completely destroyed - 29,6 mln m<sup>2</sup> (72.7 thsd residential buildings)

Through the Diia service, 299,642 applications were registered for the destroyed and damaged property (total area - 21 mln m<sup>2</sup>).

**Completely destroyed and significantly damaged buildings amount to 65 mln m<sup>2</sup>. With approximate calculations, to rebuild this amount of housing the following products may be needed:**

- 3.9 mln m<sup>2</sup> of glass
- 5.7 mln m<sup>3</sup> or 11.9 mln t of concrete
- 39.3 mln m<sup>3</sup> or 14 bln units of bricks
- 45 mln m<sup>2</sup> of roofing tiles

*Assumption\**

For 1 m<sup>2</sup> of brick-house construction needed:

- 0.08 m<sup>3</sup> of concrete
- 0.06 m<sup>2</sup> of glass
- 0.61 m<sup>3</sup> of bricks
- 0.7 m<sup>2</sup> of roofing tiles

1 m<sup>3</sup> of bricks - 360 units

\*based on The Confederation of Builders of Ukraine data

**The opportunities for glass production in Ukraine are significant due to silica sand and quartz reserves.**

**Raw materials for glass production produced in Ukraine, per year:**

|   |           |
|---|-----------|
| Silica sands (quartz sands or industrial sands) | 2 mln t   |
| Quartz and quartzites for industrial use        | 0,8 mln t |

Float glass, which is made by casting in a bath of melted iron, was produced in Ukraine only by the Lysychansk Glass Factory, which ceased its activities in 2015.

Therefore, domestic manufacturers of double-glazed windows rely on imported glass. Before the war, the demand was 32,5 mln m<sup>2</sup> of float glass per year for all types of construction.

Therefore, to meet the demand and reconstruction of housing buildings Ukrainian market requires up to 37 mln m<sup>2</sup> of float glass.

A modern manufacturing plant with annual capacity of 18 mln m<sup>2</sup> of float glass may require investment circa USD 200 mln.



### Raw materials for ceramics production produced in Ukraine, per year

|                       |           |
|-----------------------|-----------|
| Kaolin (not calcined) | 2.3 mln t |
| Other clays           | 3 mln t   |
| Silica sands          | 2.7 mln t |

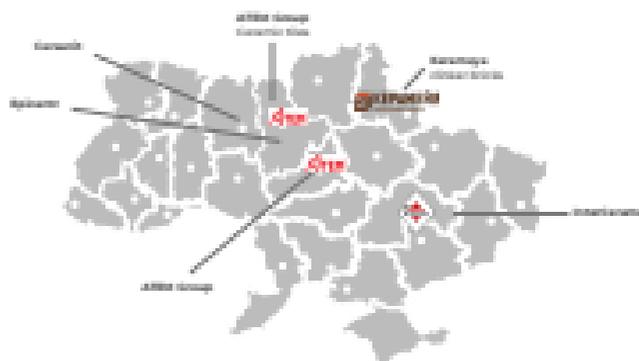
Ukraine is the 7th largest producer of the kaolin in the world (3.96% of global production).

Kaolin from some deposits has a high whiteness, a low content of iron oxide, calcium and sulfur oxides are practically absent. Such properties make this kaolin of very high quality.

Ukraine has significant raw material base for ceramics production. Clays, andalusite, kyanite and sillimanite exports from Ukraine amount to 11% of the world's exports (5,9 mln tons per year). Ukraine has a 3.5% share in the world's exports of kaolin (1 mln tons per year)

Ukraine produces annually 50 mln m<sup>2</sup> of ceramic tiles and flags. Reconstruction needs may double the demand for ceramics. Roofing tiles alone might be needed in amount of 45 mln m<sup>2</sup>. Average plant may produce 15 mln m<sup>2</sup> of ceramic tiles per year. On average investment in a ceramics factory is over USD 50 mln.

### Main ceramics producers



## Raw materials for bricks production produced in Ukraine, per year

|             |         |
|-------------|---------|
| Fireclay    | 8 mln t |
| Other clays | 2 mln t |

## Bricks exports from Ukraine

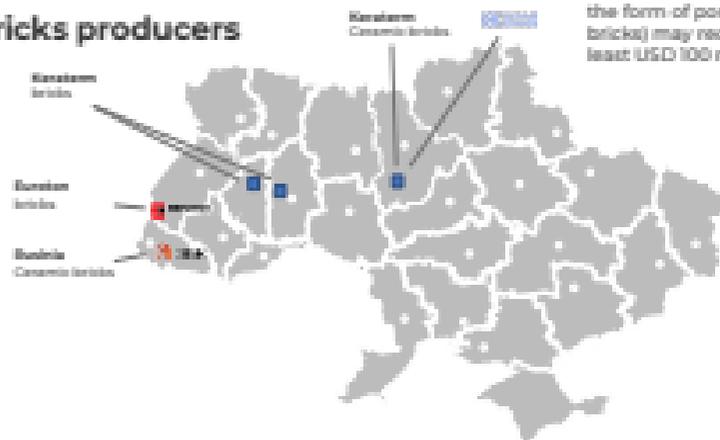
|  |              |
|--|--------------|
| Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods | 39 thsd tons |
| Ceramic building bricks  | 77 thsd tons |

Bricks production is an essential part of the building materials industry in Ukraine, with a long tradition of brickmaking. Ukraine has abundant natural resources such as clay, which is the primary raw material for bricks production.

Brick production in Ukraine in recent years has been oriented towards to the domestic market and almost completely meets its demand. Ukrainian factories on average produce around 1,5 bln bricks per year.

The reconstruction may increase demand in bricks up to 14 bln pieces. In modern construction generally used clinker bricks and aerated cement blocks. This will be used in equivalent of the above stated figure.

## Main bricks producers



A modern brick manufacturing plant with annual capacity of 120 mln bricks (in the form of porous blocks and clinker bricks) may require investment around at least USD 100 mln of investment.

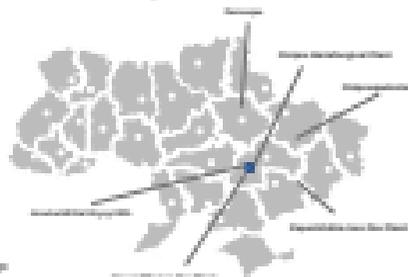
## Opportunities for new investment projects development: Iron

Ukraine is a 6th largest iron producer (7.24% of global output).  
Semi-finished goods of iron produced in Ukraine, per year

|   |               |
|---|---------------|
| Flat semi-finished products   | 10 mln t      |
| Other ingots, primary forms and long semi-finished products         | 6 mln t       |
| Ingots for seamless tubes   | 1 mln t       |
| Forged bars of steel and hot-rolled bars                            | 0.3 mln t     |
| Prefabricated buildings, of iron or steel                           | 70 thousand t |
| Iron or steel doors, thresholds for doors, windows and their frames | 0.43 mln pcs  |

The main iron-ore reserves of Ukraine are concentrated in the Kryvyi Rih iron-ore basin in the Dnipropetrovsk region. Also, a significant part of iron-ore reserves is located in the Kremenchuk, Belozirsk and Mariupol iron-ore districts.

Main iron and steel producers



Ukraine is one of the largest exporters of pig iron and spiegeleisen (22% of the world's exports), semi-finished products of iron (9% of the world's exports) and bars and rods of iron (3.5% of the world's exports).

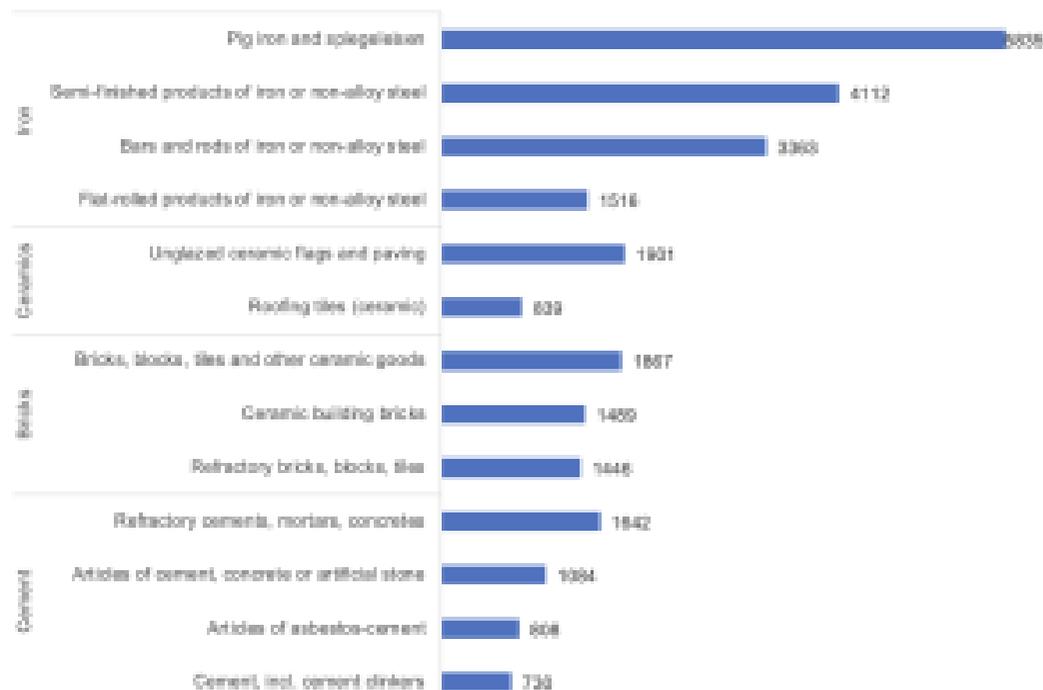
Due to the blocked ports, Ukrainian exports were reoriented to the European markets. In 2022 Ukraine exported 63% of domestic production worth 27.9 bln USD (+4.1% compared to 2021) to:

- Poland – USD 6.6 bln;
- Romania – USD 3.8 bln;
- Hungary – USD 2.27 bln;
- Germany – USD 2.23 bln;
- Other countries – USD 13 bln.

Due to destroyed manufacturing capacities and occupation of Mariupol, Ukraine in 2022 produced almost 6.3 mln tons of steel - a third production leveled 2021.

Nevertheless, metalworking industry in Ukraine has a significant development potential due to access to raw materials, skilled workforce and growing demand.

## Average distance to buyers (km)



Ukraine has 19 FTAs with 47 countries, including DCFTA with the EU

Ukraine is a member of Pan-Euro-Mediterranean Convention

Ukraine exports large amount of commonly used building materials for more than USD 10 bln (as of 2021).

## Incentives for significant investments



5-year corporate income tax (CIT) exemption



Value-added tax (VAT) exemption for import of new equipment and components to it



Exemption from import duty of new equipment and components to it



Construction of related infrastructure (highways, communication lines, utilities etc.)

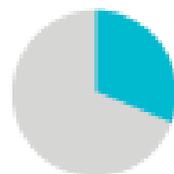


Lease of state or communal land plots without auction



Land tax exemption / lower land tax rate

## AMOUNT OF STATE SUPPORT



up to 30% CAPEX

## PROJECT REQUIREMENTS

30+ mln EUR investments

80+ jobs to be created

### Eligible Industries:

- processing industry
- extraction for the purpose of further processing and/or enrichment of natural resources (except hard coal, lignite, crude petroleum, natural gas)
- waste management
- transportation
- warehousing
- postal and courier activities
- logistics
- education
- R&D
- healthcare
- arts and culture
- sports
- tourism
- hospitality



Guide: Incentives for Significant Investments

### Incentives for industrial parks



full or partial compensation of interest rates on loans for arranging an industrial park, carrying out economic activity



10-year CIT exemption



exemption from import duties for new equipment



non-refundable financing for arranging an industrial park or for construction of related infrastructure facilities



land tax exemption/ lower land tax rate



exemption from real estate tax for industrial buildings



compensation for consulting or engineering guide



VAT exemption for importing new equipment



exemption from payment of forestry production losses



Guide: State support for industrial parks

Currently, there are **61** industrial parks registered in Ukraine.  
An industrial park may be organized on industrial land plots with a total area of no less than **10** hectares and no more than **1000** hectares.

# Ukraine Invest

YOUR INVESTMENT MATTERS



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