FINANCING IN FOCUS

EXTENDING DEBT MATURITY

In 2019, Metinvest successfully completed a bond issue that smoothed and extended its debt maturity, reducing refinancing risks and strengthening its overall stability.

PROACTIVE MANAGEMENT
Since its founding in 2006, the Group has built credibility in international financial markets and maintains strong relationships with bond investors, banks and other lenders. Metinvest has relied on market instruments to work with creditors during the most challenging times to find equitable solutions. Such an approach allowed the Group to proactively optimise its debt profile in 2019.

During the year, the Group successfully completed the debut dual-currency offering, consisting of tranches denominated in US dollars and euros, which helped to effectively extend the maturity of US$440 million of eurobonds due in 2023 by 6.5 years. At the same time, the net proceeds from the deal amounted to roughly US$350 million.

The Group conducted two simultaneous and interdependent transactions. It made a tender offer to holders of eurobonds due 2023, of which US$944,515,000 was outstanding, to make the cash purchase of up to US$440 million of the paper. At the same time, the Group carried out a new, dual-currency eurobond offering, including a US$500 million tranche with a coupon of 7.75% per annum due in October 2029 and a EUR300 million tranche with a coupon of 5.625% per annum due in June 2025.

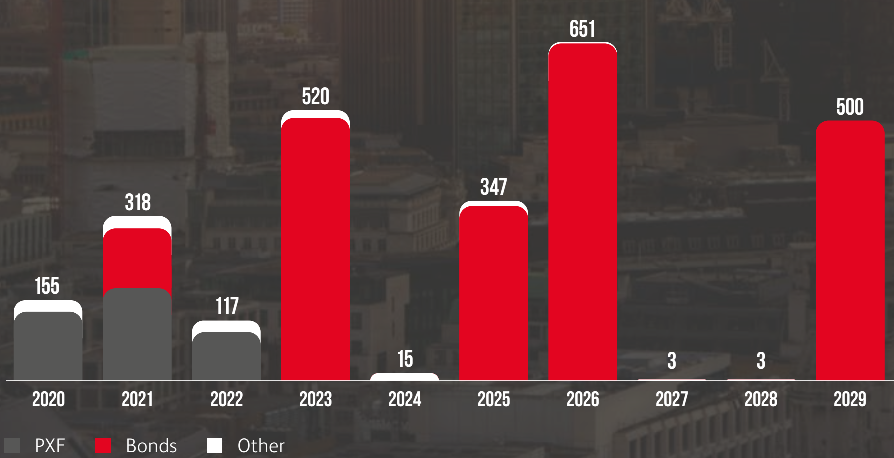
Despite challenging market conditions, Metinvest was able to arrange 10-year, US dollar financing, previously only available to the Ukrainian sovereign borrower, with the lowest US dollar-denominated yield in the history of the Group.

At the same time, the euro-denominated tranche helped Metinvest diversify the currency mix of its debt portfolio and expand the size and quality of the investor base. At the time of issuance, it was the lowest yield achieved by any Ukrainian issuer. In addition, the new euro-denominated funding has provided an important source of financing flexibility during the steel price downcycle. As a result, the Group has been able to pay, ahead of schedule, US$75 million of its PXF facility, leaving a remainder of US$406 million due under the facility as of the end of 2019.

As a consequence of these two major transactions, as well as other deals during the year, at the end of 2019, the Group's debt portfolio structure changed year-on-year. In terms of instruments, the share of bonds reached 69% while the one of PXF dropped to 14%, compared with 62% and 20%, respectively, a year earlier. In terms of currency, US dollar and euro-denominated debt accounted for 92% and 7% of total debt, respectively, and are naturally hedged by the Group's revenues in hard currencies, compared with the corresponding figures of 94% and 4% in 2018.

CREDIT RATINGS
2019 saw improvements in Metinvest's ratings. In September, Fitch and S&P both upgraded Metinvest's credit ratings to 'BB-' and 'B', respectively, with a 'stable' outlook. After the upgrade, Fitch's rating was two notches above Ukraine's sovereign level and S&P's was in line with it. In November, Moody's changed its outlook on Metinvest's corporate family rating to 'positive', affirming its 'B3' rating, which is capped by Ukraine's long-term foreign currency bond ceiling.

Corporate debt maturity as of 31 December 2019 (US$M)[1]



1 Excluding trade finance and lease liability under IFRS 16.

Credit ratings as of 31 December 2019

Fitch
BB- STABLE

S&P
B STABLE

Moody's
B3 POSITIVE