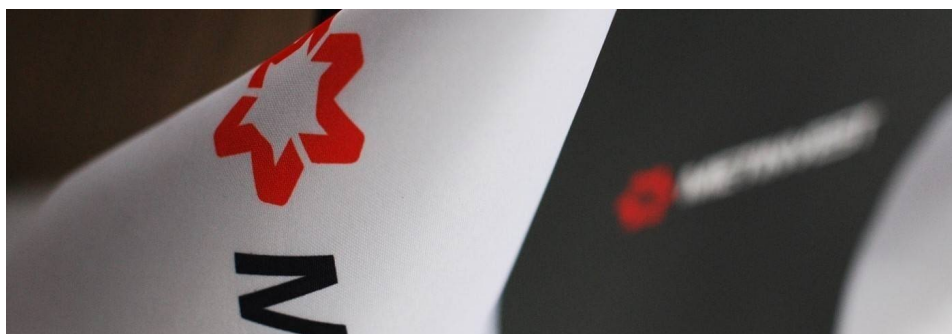


Metinvest issues dual-currency bonds and extends maturity profile

Metinvest, the vertically integrated steel and mining group of companies (jointly referred to as “Metinvest” or “the Group”), has successfully completed the transaction to extend the maturity of its outstanding Eurobonds. The Group’s debut dual-currency offering, consisting of tranches denominated in US dollars and euros, has helped to effectively extend the maturity of US\$440 million of the US\$944,515,000 Eurobonds due in 2023 by 6.5 years, while the net proceeds from the deal amounted to roughly US\$350 million. The deal received strong support from the global investor community and top European financial institutions.



The Group conducted two simultaneously interdependent transactions:

- a tender offer for the US\$944,515,000 Eurobonds due in 2023 to purchase for cash up to US\$440 million of the paper; and
- a new dual-currency Eurobond offering, including a US\$500 million 10-year tranche at 7.75% per annum and a EUR300 million long 5-year tranche at 5.625% per annum.

Notably, the dollar-denominated tranche is Metinvest’s longest to date with the lowest yield ever secured by the Group. The debut euro-denominated tranche was issued at the lowest yield ever achieved by any Ukrainian issuers in euros (including the sovereign), and helped Metinvest to diversify the currency mix of its debt portfolio. It also helped to significantly diversify the investor base and further improve investor quality.

Commenting on the deal, Alexander Lyubarev, Director of Corporate Finance and Treasury at Metinvest, said: “Despite challenging market conditions, Metinvest was able to arrange 10-year, US dollar financing, which until recently was only available to the sovereign borrower in Ukraine. We see this as a clear sign of continued investor belief in the Group’s strong business model and fundamentals. Another important breakthrough for us is the debut issue of euro-denominated paper, which has expanded Metinvest’s investor base, while the attractive nominal coupon is naturally hedged by the Group’s euro-denominated revenues.”

Yuriy Ryzhenkov, CEO of Metinvest Group, said: “We are pleased with the results achieved. First and foremost, proactive management has made the Group’s capital structure and bond maturity profile more sustainable amid reduced refinancing risks. In addition, Metinvest has secured new euro funding, which provides financing flexibility during a steel price down-cycle. We will use part of the net proceeds from this transaction to repay the Group’s short-term maturities and an additional portion to accelerate the implementation of our Technology Strategy 2030. I would like to take this opportunity to thank the global investor community for its support, as well as the team involved in this transaction for their efforts.”

Transaction details

On 17 September 2019, Metinvest announced its intention to issue new notes and launched a tender offer to purchase for cash up to US\$440 million of the 2023 bonds. The same day, credit rating agencies Fitch and S&P upgraded Metinvest’s credit ratings to ‘BB-’ and ‘B’, respectively, both with a ‘stable’ outlook, assigning the new issue an expected rating at the same level. At the time of issuance, Fitch’s rating was two notches above Ukraine’s sovereign level and S&P’s was one notch above.

Approximately US\$640 million of bondholders ultimately participated in the tender, of which Metinvest accepted US\$440 million. On 1 October 2019, Metinvest priced a dual-currency bond offering across two tranches: a

US\$500 million 10-year tranche at 7.95% yield due in October 2029; and a EUR300 million long 5-year tranche at 5.75% yield due in June 2025 (taking into account the original issue discount). The issue prices of the 2029 and 2025 bonds were 98.629% and 99.411%, respectively, of their principal amounts.

Most of the bond investors came from the US, the UK and continental Europe. The investor distribution by region for the dollar-denominated tranche was: US – 55%, Europe – 22%, UK – 21% and CIS – 2%. The euro-denominated tranche’s distribution was: UK – 39%, Europe – 29%, US – 23% and Asia – 9%.

Following the tender for the 2023 bonds, an aggregate principal amount of US\$504,515,000 of the paper remains outstanding.

Deutsche Bank, Natixis and UniCredit acted as Joint Bookrunners of the new bond offering and Joint Dealer Managers for the tender offer. On the legal side, Allen & Overy and Avellum advised Metinvest, while Linklaters and Sayenko Kharenko supported the bookrunners.

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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 and coal to making and selling semi-finished and 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. Metinvest’s business is divided for financial reporting purposes into two segments: Metallurgical and Mining. Its strategic vision is to become a leading vertically integrated steel producer in Europe, delivering sustainable growth and profitability resilient to business cycles and providing investors with returns above the industry benchmarks. For the first six months ended 30 June 2019, the Group reported revenues of US\$5.8 bn and an EBITDA margin of 15%.

METINVEST HOLDING LLC is the management company of Metinvest Group.