

Metinvest Eurobond

Speculative Buy on expectations of a deal

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Summary

Expectations of a deal. We speculate that by May 2018 Metinvest will propose a deal to its creditors, and that the value of its outstanding bond will increase as a result. Metinvest’s motivation is to be able to pay dividends earlier than is possible under the current Cash Sweep mechanism. The deal will be either **Restructuring** (modifying parameters of the Cash Sweep) or **Refinancing** (issuing new debt for up to USD 2.3 bln with a buyback of the outstanding loans and notes).

Restructuring: dividend outflows beneficial to noteholders. The Restructuring deal will increase the note’s fair value by allowing for dividend outflows, reducing early note repayment and boosting return on noteholders’ capital by increasing the note’s average life.

Restructuring: fee and coupon cut offer value now, reduce risks. As part of a possible deal, Metinvest might propose cutting total interest on the bond by the Catch Up part (1.5%) in exchange for a restructuring fee, which could be value-enhancing for the holders.

Refinancing: a buyback above current market price. Rumors are circulating that Metinvest is seeking to redeem/refinance the entire USD 2.3 bln debt. To make it happen, we see the holding will have to issue USD 1-2 bln in new notes. This will require Metinvest buying back the outstanding notes at 104.9%-109.1%, or above the current market price, we estimate.

PXF lenders prefer Refinancing. Unlike the noteholders, which should cherish Metinvest’s note for its risk-reward profile, the PXF lenders might have comparable opportunities to invest elsewhere. This factor might be decisive in shaping the deal in favor of Refinancing, not Restructuring.

Recommendation: Speculative Buy. We recommend buying Metinvest’s note on expectations of the coming deal, with the fair value in the range of **104.9%–110.0%** (current price: 102.6%).

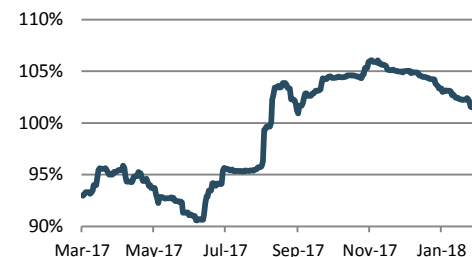
Risks to our recommendation:

- **Metinvest refinancing by May 2018 and redeeming bonds at par** (as stipulated by bond documents) results in a fair value close to 100%. In our view, it doesn’t look material, as Metinvest will have to approach the existing creditors/noteholders in its refinancing task. Therefore, success in attracting new debt will depend on Metinvest’s ability to agree on a beneficial buyback price.
- **No deal.** If the deal is not reached, then the fair value of the note is 104.6%-109.1%, depending on Metinvest’s profitability and whether it attracts new borrowings in the future and redeems at par.
- **Change of control** due to the legal troubles of SCM, Metinvest’s majority owner, results in a fair value of 101%, or substantially less if the new owners default.
- **Metinvest’s default**, e.g. because of a dividend payment when it’s not allowed, results in a fair value below 100%.

Summary: valuation of Metinvest’s note

Profitability scenario*	Deal			No deal	Risks
	Restructuring				
	Dividend outflows	Dividends, fee & coupon cut	Refinancing		
Current Prices	106.9%	108.4%	104.9%-109.1%	104.6%-104.9%	101% and below
Late Redemption	110.0%	110.0%		109.1%	

METINV’21 price history, % of par



Profitability scenarios:* Metinvest’s average monthly EBITDA, USD mln

	'18E	'19E	'20E	'21E
Current Prices	206	206	206	206
Late Redemption	147	130	140	157

The potential for a deal: Cash Sweep sub-optimal for noteholders and Metinvest

Metinvest's current Cash Sweep: destroying value for noteholders. The Cash Sweep mechanism of Metinvest's Intercreditor Agreement distributes cash to noteholders in two different forms:

- **Early return of capital** by regular redemption of the notes at par. It used to be a value-protecting mechanism for the periods when METINV bonds were distressed debt and value-creative when discount rates applied on bonds were higher than the coupon rate. But now it **destroys value for noteholders**.
- **Return on capital** in the form of interest (Levels 1 and 3 during Period 1, see slide 17), which **generates value for noteholders**, provided they discount the cash flows at a rate below what Metinvest pays in interest. The longer the bond's life (and the smaller the early return of capital), the higher value it generates.

Return on capital is preferred by the noteholders currently. The current stance of the steel industry is strong, and the discount rate for Metinvest's note is below the interest it pays. Therefore, **noteholders maximize their value** from their bonds if the note's **average life is the highest possible**.

- **The current Cash Sweep mechanism** implies fast redemption of the notes (in less than two years, vs. the designed life of four years) and is **not optimal for the noteholders**.
- The good news is that **it is also sub-optimal for Metinvest**, which, according to media reports, would prefer having a **return on capital to its shareholders** in the form of dividends.

There is a possibility for a deal optimizing return on capital for both bondholders and shareholders

We expect that by May 2018, Metinvest will propose a deal to its creditors that will increase the note's fair value. This expectation is behind **our Speculative Buy recommendation** for Metinvest's notes. We see two possibilities:

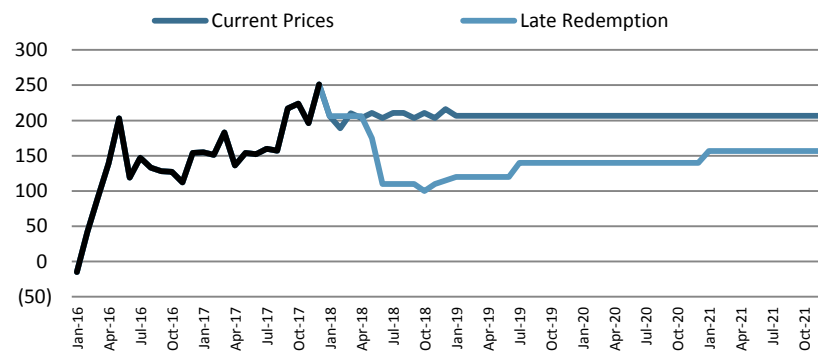
- **Restructuring deal.** As described in the next two slides, the increase in the note's fair value within the Restructuring deal will be due to a change in cash distribution: allowing for **dividend outflows** sooner than is currently possible will reduce the value-destroying early redemption of the note's principal. The restructuring might also involve cutting the coupon rate for a fee.
- **Refinancing deal.** As described in slide 6, Metinvest will have to offer a buyback for the note at a price above the current market in order to refinance the entire USD 2.3 bln in bonds and PXF loans outstanding.

Two extreme profitability scenarios

In order to evaluate the fair value of Metinvest's note, we propose **two scenarios** for the main parameter, that is, **for Metinvest's EBITDA**:

- **Current Prices** (of steel and iron ore). The scenario from our previous report on Metinvest, with 2018-21 monthly EBITDA amounting to **USD 206 mln** on average.
- **Late Redemption.** This scenario assumes Metinvest's profitability will decrease as of mid-2018, preventing the holding from generating any cash flow to repay principal earlier than Dec. 31, 2021. This scenario will materialize if Metinvest's monthly EBITDA amounts to USD 130-160 mln for 2019-21.

Metinvest's profitability: two scenarios (monthly EBITDA, USD mln)



Average life: the definition

We define the (weighted) average life of Metinvest's amortizing Eurobond using the standard definition:

$$Average\ Life = \sum_i^n \frac{P_i}{P} t_i$$

where **P** is the total principal outstanding at the calculation date (Feb. 23), and for each principal repayment date **i** the definitions are: **P_i** – principal and PIK repaid at that date less the amount of PIK issued, **t_i** – time from the calculation date, in years. The essence of the average life parameter is **the amount of time during which the full amount outstanding effectively generates return on capital for the noteholders**.

Restructuring deal: dividend outflows to minimize early return of capital

Restructuring: allowing for dividend outflows, preserving the existing Cash Sweep mechanism. The straightforward solution to the problem of early return of capital to noteholders is to relax the restrictions on Metinvest's dividend payments, so that Metinvest will minimize early redemption of bonds. Specifically, we model a restructuring in which Metinvest would be allowed to:

- Pay 70% of the Average Cash Balance in dividends over USD 255 mln (currently 40%),
- Increase the dividend limit to USD 450 mln in a calendar year (currently USD 300 mln),
- Pay dividends after only one quarter of Consolidated Net Leverage below 1.5x (currently four quarters),
- Provided that the Bond+PXF amount outstanding is below 100% of the initial amount (currently 45%).

The USD 255 mln restriction will continue to act as the circuit breaker, and will revert the flows back to the return of capital to the noteholders if and when the holding's profitability drops to dangerous levels.

Necessary to divert the cash away from the return of capital in 2018, in which no fixed PXF principal repayments are scheduled.

Changes are necessary for Metinvest to be able to start diverting cash from the return of capital to noteholders (repaying the note's principal at par) to the return on capital to shareholders (dividends) right away, starting from May 2018.

Dividend outflows increase note's value as follows from the table below:

- Under the **Current Prices** profitability scenario, allowing for dividend outflows increases the note's average life to 2.4 from 1.4 years, with the note's fair value increasing by 2.0pp to 106.9% from 104.9%.
- Under the **Late Redemption** scenario, allowing for dividend outflows increases the note's average life to 3.6 from 3.3 years, with the note's fair value increasing to 110.0% from 109.1%.

Fee and coupon cut offer some of the note's value now as follows from the table below:

- Under the **Late Redemption** profitability scenario, the proposed fee (4.4%) compensates the noteholders fully for cutting the Catch Up part of the coupon (1.5025%), keeping the fair value at 110.0%.
- Under the **Current Prices** scenario, the bond is amortized faster, the noteholders lose less due to the coupon cut, and the fair value increases to 108.4% from 106.9%.

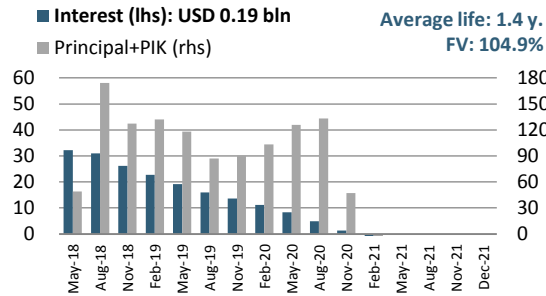
Summary: payments to noteholders and shareholders, note's average life and fair value

	Current Prices					Late Redemption				
	2018	2019	2020	2021	Total	2018	2019	2020	2021	Total
No restructuring										
Return of noteholders' capital (principal and PIK), USD mln	350	428	409	-	1,187	200	2	-	985	1,187
Return on noteholders' capital (interest), USD mln	89	71	26	-	186	90	107	107	121	425
Return on shareholders' capital (dividends), USD mln	-	82	179	-	261	-	-	-	-	-
Note's average life, years	1.4					3.3				
Note's fair value, % of nominal	104.9%					109.1%				
Restructuring: dividend outflows, no fee										
Return of noteholders' capital (principal and PIK), USD mln	135	245	299	508	1,187	88	1	-	1,098	1,187
Return on noteholders' capital (interest), USD mln	94	104	76	40	314	94	119	119	134	467
Return on shareholders' capital (dividends), USD mln	399	335	202	419	1,355	205	-	-	-	205
Note's average life, years	2.4					3.6				
Note's fair value, % of nominal	106.9%					110.0%				
Restructuring: dividend outflows, fee and coupon cut										
Return of noteholders' capital (principal and PIK), USD mln	126	249	296	516	1,187	72	6	-	1,109	1,187
Return on noteholders' capital (interest and fee), USD mln	138	91	66	35	330	138	104	104	117	463
Return on shareholders' capital (dividends), USD mln	323	352	213	412	1,300	142	-	-	-	142
Note's average life, years	2.4					3.6				
Note's fair value, % of nominal	108.4%					110.0%				

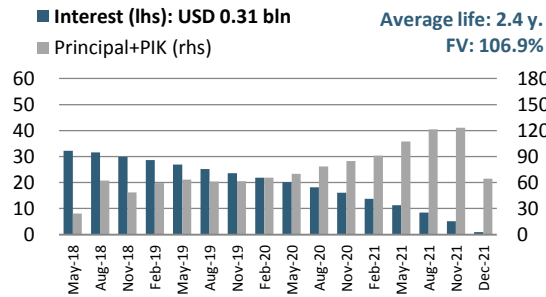
Restructuring deal: dividend outflows, fee + coupon cut

- Dividend outflows: reduce early return of capital to noteholders, increase return on capital.** Allowing for dividend outflows shifts the return of capital (principal and PIK) payments to later dates. This increases the amount of return on capital payments (interest) to noteholders, provided they discount the note's cash flows at a rate below the interest rate.
- Fee + coupon cut: eliminating Period 1 risks.** Even though allowing for dividend outflows in itself increases the note's value, we think that the noteholders will demand a fee to accept the restructuring. Metinvest might counter-argue that a coupon cut should be a part of the restructuring picture if a fee is paid. We model a restructuring in which, in addition for allowing for dividend outflows, the **Catch Up interest rate is changed from 1.5025% to zero (meaning the total coupon rate will decrease to 9.4% from 10.9%), and a 4.4% restructuring fee is paid.** Under any profitability scenario, this will eliminate the risks of Metinvest not paying the Catch Up interest during Period 1 (ending in December 2018), as is possible under the current Cash Sweep mechanism (Metinvest did not pay Catch Up interest on the last payment date, Feb. 18).
- Fee + coupon cut: offering the value now, decreasing the shorter average life risk.** Within the Late Redemption scenario, in which the note's average life is 3.6 years, the effect of the fee and coupon cut is to shift the value for the noteholders from the future periods (interest payments) to the instance of restructuring (the fee), with the net effect on the note's fair value being zero. If the note's average life turns out below 3.6 years, such as in the Current Prices scenario, then the noteholders will gain about 1.5pp in fair value (108.4% vs. 106.9%) due to the fee + coupon cut component of the Restructuring deal.

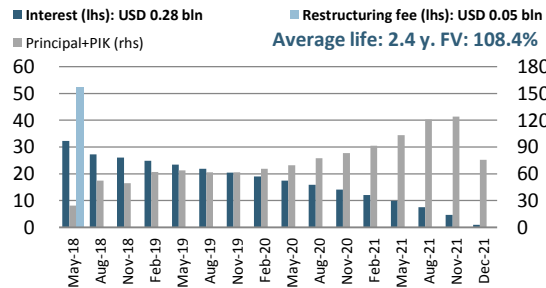
Payments to noteholders, USD mln:
Current Prices



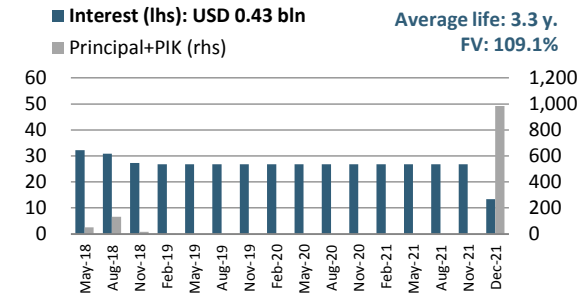
Current Prices, dividend outflows



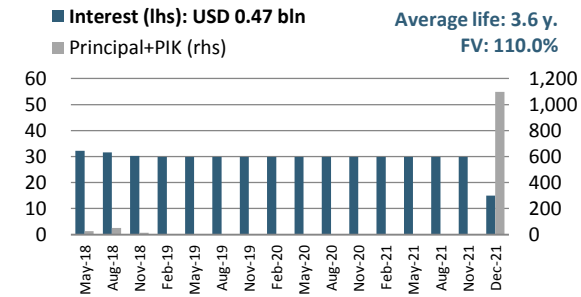
Current Prices, dividends, fee & coupon cut



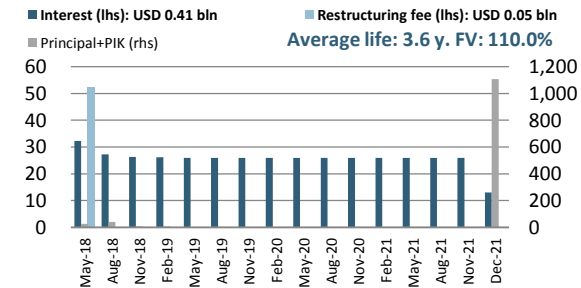
Late Redemption



Late Redemption, dividend outflows



Late Redemption, dividends, fee & coupon cut



Refinancing vs. Restructuring

Refinancing deal: redeem bond+PXF in full, ready to pay dividends. Instead of restructuring the Cash Sweep, Metinvest might choose to refinance the entire USD 2.3 bln of bonds and PXF loans with new borrowings (some mix of new bonds and new bank loans). Theoretically, this is possible because we estimate Metinvest's Consolidated Net Leverage dropped below 1.5x by the end of 2017, which opens a window for new borrowings. Once Metinvest redeems in full its currently outstanding note and PXF loans, it will be able to pay dividends, reaching its main goal.

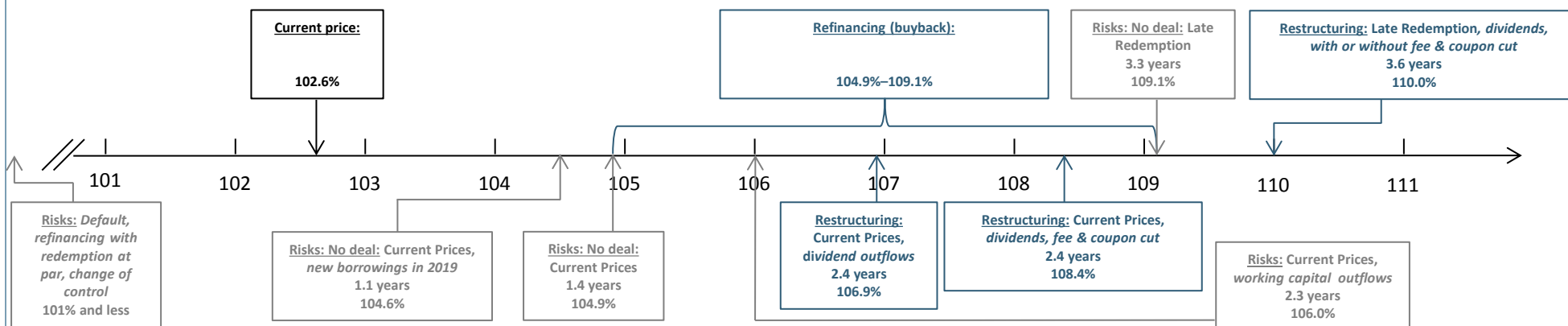
Refinancing and redeeming at par: unlikely. We believe Metinvest won't be able to simply repay its existing bonds at 100% of par (e.g. using the current cash sweep mechanism) as such an outcome will harm bondholders (bonds are currently priced at above par). We doubt Metinvest will be able to find a brand new group of potential bondholders, meaning its refinancing task will involve the existing creditors. Therefore, the holding will have to buy back the existing bonds at some premium to the market to be able to issue the new notes.

Refinancing: buyback at 104.9%–109.1%. Practically, we think that Metinvest will have higher chances to issue the new bond in the sufficient amount (in the range of USD 1-2 bln) if the holding offers to buy back current notes. The buyback price should be between the fair values derived from our Current Prices (104.9%) and Late Redemption (109.1%) scenarios.

Restructuring vs. Refinancing: noteholders open to either. The noteholders should consider a Restructuring deal because it will be hard for them to find an instrument with a similarly favorable risk-return profile. The noteholders should also be open to the Refinancing scenario, provided that the buyback price is close to the upper bound of the value range that we derived, or 109.1%.

PXF creditors to favor Refinancing? For PXF lenders, their loan to Metinvest, with its 416bp margin, is comparable to currently available instruments (example: Ferrexpo's PXF with a 450bp margin, Kernel's PXF with a 415bp margin). Therefore, the banks might desire return of capital from Metinvest, and prefer Refinancing over Restructuring.

Summary: our Speculative Buy recommendation, fair value 104.9% – 110.0% (current price: 102.6%)



Risks to our recommendation

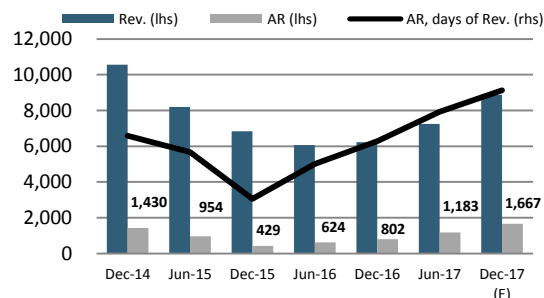
Working capital outflow risk. In our base case, we assume there will be no working capital cash flows. We acknowledge the risks of short-term outflows, but calculate that the note's fair value will gain as a result.

- Substantial working capital outflows in 2016-17.** We estimate that during 2016-17, Metinvest invested as much as USD 1.2 bln into working capital. Metinvest's Related Parties disclosures make clear that two factors were in play: (a) Metinvest substantially increased both payables and receivables with Zaporizhstal, and (b) receivables from non-related parties grew substantially to a level (in terms of days of revenue) that is similar to the situation before Metinvest's default.
- Cash outflows during last quarter.** On Feb. 15, Metinvest revealed that it will not pay the 1.5025% Catch Up interest on Feb. 18 because its average cash balance for November 2017 – January 2018 amounted to just USD 156 mln, below the USD 180 mln threshold. Keeping the average cash at below USD 180 mln during the period when the company generated close to USD 600 mln in operating cash flow (before working capital) was a hard task, in our view, so it looks like the company did it intentionally.
- Working capital as the cash outflows channel.** The only way for Metinvest to maintain such low average cash is via working capital outflows, and we see further possibilities for Metinvest to transfer as much as USD 800 mln to Zaporizhstal, and to continue keeping average cash below USD 180 mln during 2018. This would result in the holding not paying Catch Up interest during the entire remainder of Period 1 (ending in December 2018), but the negative effects of this on the noteholders will be more than offset by the related avoidance of return of capital (average life of 2.3 years for Current Prices profitability scenario, fair value 106.0%, slide 11).

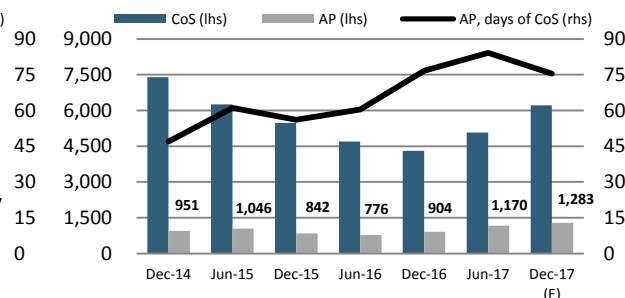
Other risks. We see several other risks to our recommendation, but think that their probability is low. These risks (and the related fair values) are:

- No deal (fair value of the note between 104.6% and 109.1% if this risk materializes),
- Change of control due to legal troubles of SCM, Metinvest's majority owner (101%, or less if new owners default),
- Metinvest borrowing USD 2.3 bln without offering a buyback and redeeming at par (close to 100%),
- Default due to Metinvest deciding to pay the dividends when not allowed to (much less than 100%).

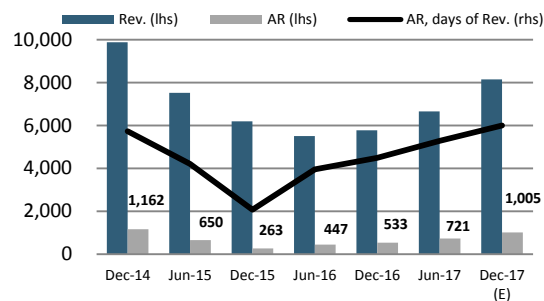
Metinvest's Accounts Receivable: All counterparties*



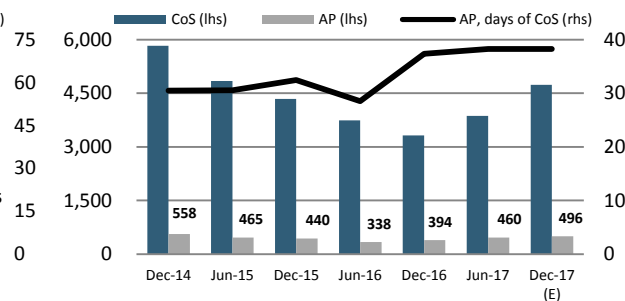
Metinvest's Accounts Payable: All counterparties**



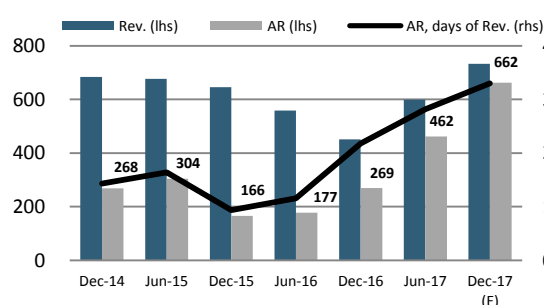
Non-related parties*



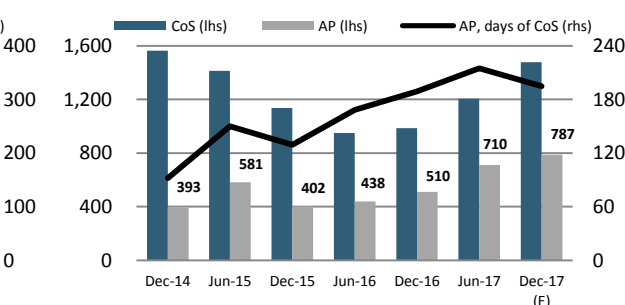
Non-related parties**



Joint ventures*



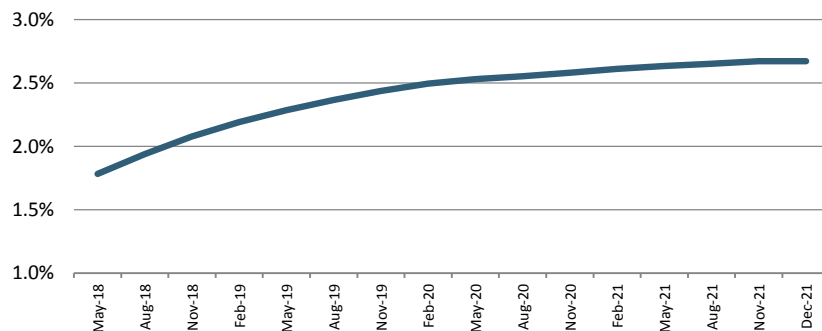
Joint ventures**



Valuation assumptions

- **Metinvest’s spread to Ukraine’s sovereign yield curve.** Analyzing the 2010-13 spreads of two Metinvest bonds that were outstanding at the time, we conclude that a sovereign spread of **2.0 percentage points** would be fair.
- **The model for Metinvest’s fair yields.** Currently, Ukraine’s bond yields are: 4.7% for Sept. 1, 2019 maturity, 5.7% for Sept. 1, 2021. We use as the basis for our model the Aug. 18, 2021 payment date and use in scenarios with the full redemption on that date the fair yield of 5.7%+2.0%=7.7%. For scenarios with full redemption on other payment dates, we use a slope of $(5.7\%-4.7\%)/8=0.125\text{pp}$ per quarter. For example, if the bond is redeemed on Dec. 31, 2021, we discount the payments at the rate of 7.89%. A scenario with full redemption on Aug. 18, 2019 would be discounted at 6.95%. For a new five-year note with bullet redemption on May 18, 2023, the fair yield is 8.6%.
- **1M LIBOR.** We use the futures for 3M Eurodollars together with a 0.13pp 3M-1M spread and come to the values shown in the chart below.
- **Operating cash conversion before interest: 75%.** In our calculations, OCF (operating cash flows before interest payments) amounts to **75%** of EBITDA. This 75% cash conversion factor is in line with the value we obtain from company data during 2016-17 provided that (a) EBITDA is taken before exceptional items (impairments of receivables and inventories), and (b) the OCF is taken before the movements in working capital. We do not undertake to forecast future changes in operating cash due to changes in working capital in our base case calculations, instead regarding them as a risk (see slides 7 and 11).
- **Southern Iron Ore dividends.** We expect Metinvest to receive USD 234 mln in dividends from Southern Iron Ore in March 2018.

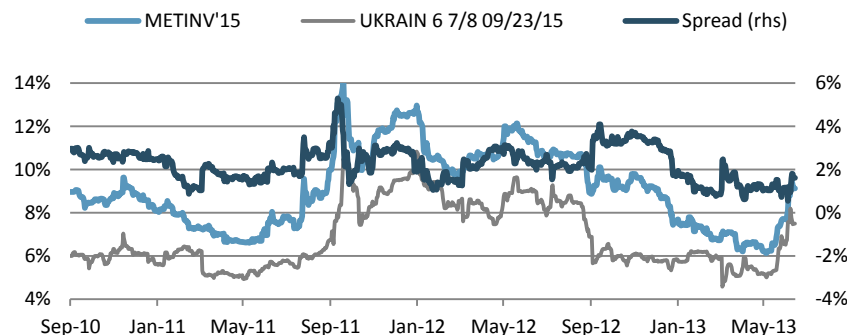
One-month USD LIBOR used in calculations



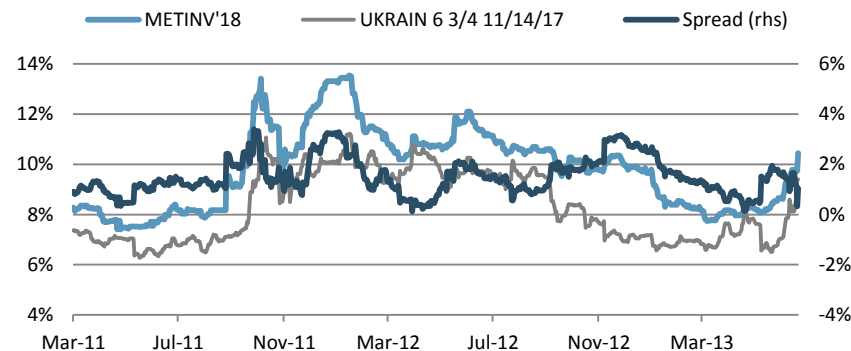
Spreads, in pp, of Metinvest bonds’ yields to Ukraine’s sovereign bonds, averages during 2010-13

	2010		2011				2012				2013		Average
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	
METINV'15	2.9	2.7	1.9	1.7	2.6	2.7	1.8	2.6	2.4	3.3	1.5	1.2	2.3
METINV'18	n/a	n/a	1.1	1.0	1.6	2.0	1.6	1.3	1.3	2.5	1.4	1.1	1.5

Spread of METINV'15 to Ukraine’s sovereign, 2010-13



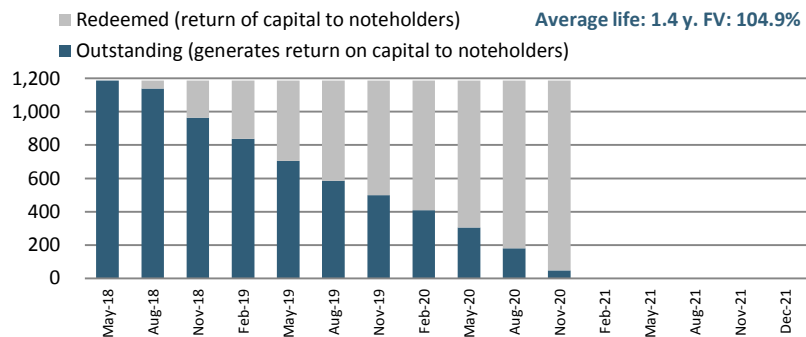
Spread of METINV'18 to Ukraine’s sovereign, 2011-13



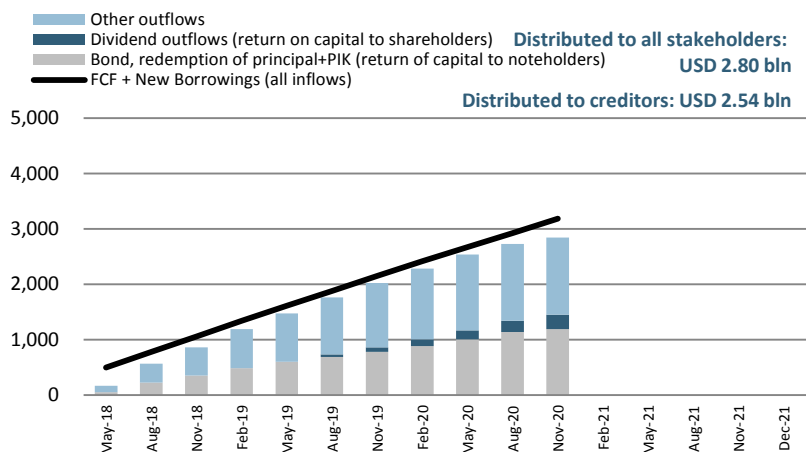
Valuation: Current Prices

Current Prices: 104.9%, 1.4 years. We use as the base case for the holding's profitability the Current Prices scenario from our previous report, in which monthly EBITDA amounts to about USD 206 mln during 2018-21. Without any refinancing, the debt is repaid by **November 2020**, by which time Metinvest will have distributed USD 2.54 bln to creditors. This scenario results in a discount rate of 7.33% and a fair value of **104.9%**. The average life of the bond amounts to **1.4 years** in this scenario.

Bond: bop amounts outstanding and redeemed (USD mln), the average life (years), and the fair value (% of nominal)



Cash: inflows and outflows, cumulative, USD mln



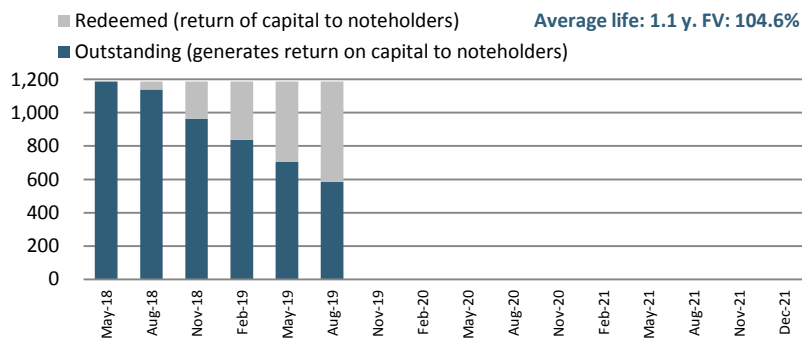
Model for Metinvest's Eurobond valuation, USD mln

	May-18	Aug-18	Nov-18	Feb-19	May-19	Aug-19	Nov-19	Feb-20	May-20	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Dec-21
EBITDA	602	624	624	626	619	619	619	619	619	619	619	-	-	-	-	-
OCF before interest and WC	452	468	468	469	464	464	464	464	464	464	464	-	-	-	-	-
CapEx	(188)	(188)	(188)	(190)	(194)	(194)	(194)	(199)	(209)	(209)	(209)	-	-	-	-	-
Dividends from Southern Iron Ore	234	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	498	280	281	279	271	271	271	266	255	255	255	-	-	-	-	-
New borrowings: refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New borrowings: bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash, BoP	122	565	679	559	548	489	471	458	459	454	454	-	-	-	-	-
Cash, EoP	565	679	559	548	489	471	458	459	454	454	521	-	-	-	-	-
Average Cash Balance	321	555	458	437	386	365	350	352	352	352	412	-	-	-	-	-
Dividend allocation	-	-	-	-	-	(44)	(38)	(39)	(39)	(39)	(63)	-	-	-	-	-
Cash sweep amount	141	375	278	257	206	141	132	133	133	133	169	-	-	-	-	-
Eurobond																
BoP, Principal	1,187	1,138	964	837	705	586	499	409	306	180	47	-	-	-	-	-
BoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments																
Cash Pay, Period 1	(8)	(8)	(7)	(3)	-	-	-	-	-	-	-	-	-	-	-	-
Cash Pay, Period 2	-	-	-	(11)	(19)	(16)	(14)	(11)	(8)	(5)	(1)	-	-	-	-	-
Period 1, PIYC	(20)	(19)	(16)	(7)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Catch-Up	(4)	(4)	(4)	(2)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem Principal	(49)	(174)	(127)	(132)	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem Principal	-	-	-	-	(118)	(87)	(90)	(103)	(126)	(133)	(47)	-	-	-	-	-
Issue new PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PIK, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PIK, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP, Principal	1,138	964	837	705	586	499	409	306	180	47						
EoP, PIK																
Other payments																
PXF creditors	(73)	(183)	(136)	(173)	(149)	(136)	(121)	(106)	(80)	(11)	-	-	-	-	-	-
Other debt	(12)	(13)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	-	-	-	-	-
Dividends	-	-	-	-	-	(44)	(38)	(39)	(39)	(39)	(63)	-	-	-	-	-
Total payment, of which	(166)	(401)	(291)	(330)	(288)	(284)	(264)	(261)	(254)	(189)	(113)	-	-	-	-	-
Bondholders, Principal + PIK	(49)	(174)	(127)	(132)	(118)	(87)	(90)	(103)	(126)	(133)	(47)	-	-	-	-	-
Bondholders, restructuring fee																
Bondholders, Interest	(32)	(31)	(26)	(23)	(19)	(16)	(14)	(11)	(8)	(5)	(1)	-	-	-	-	-
Flows to bondholders, total less accrued coupon (USD 4.0 mln as of 01-Mar-18)	77	205	154	155	137	103	104	114	134	138	48	-	-	-	-	-
Discount factor (discount rate: 7.33% p.a.)	0.99	0.97	0.95	0.93	0.92	0.90	0.89	0.87	0.85	0.84	0.83	-	-	-	-	-
Discounted flows to bondholders	76	198	146	145	126	93	92	99	115	116	40	-	-	-	-	-
NPV	1,246															
Fair value, % of outstanding, of which	104.9%	6.4%	16.7%	12.3%	12.2%	10.6%	7.8%	7.7%	8.4%	9.7%	9.8%	3.4%	-	-	-	-
Principal+PIK	90.6%	4.1%	14.2%	10.2%	10.4%	9.1%	6.6%	6.7%	7.6%	9.1%	9.4%	3.3%	-	-	-	-
Interest less accrued coupon	14.3%	2.3%	2.5%	2.1%	1.8%	1.5%	1.2%	1.0%	0.8%	0.6%	0.3%	0.1%	-	-	-	-
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

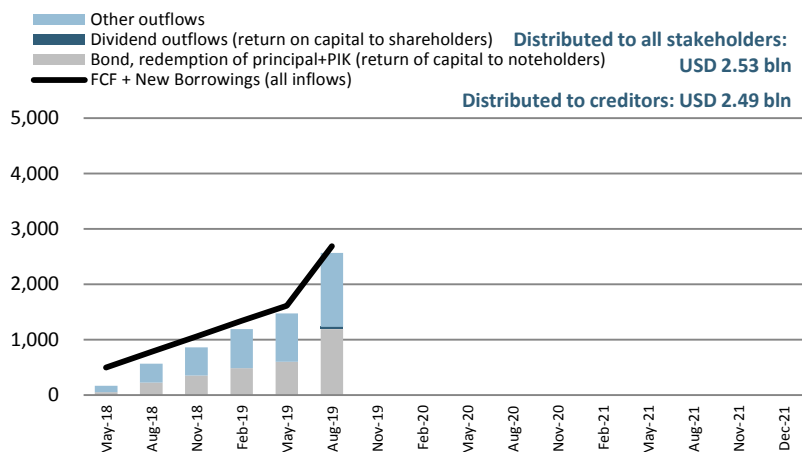
Valuation: Current Prices, new borrowings in 2019

Current Prices, new borrowings in 2019: 104.6%, 1.1 years. If Metinvest refinances its bond and PXF debt outstanding once it drops below USD 1 bln, as was considered in our previous report, then the debt is repaid in **August 2019** (essentially an analog of Refinancing deal, but with redemption at par), and Metinvest needs to distribute as little as USD 2.49 bln to creditors, of which it will borrow USD 0.81 bln in August 2019. The shift of the final payment date reduces the discount rate to 6.70% compared to Current Prices valuation (slide 9), but the decrease in average life to as little as **1.1 years** from 1.4 years decreases the fair value to **104.6%** from 104.9%.

Bond: bop amounts outstanding and redeemed (USD mln), the average life (years), and the fair value (% of nominal)



Cash: inflows and outflows, cumulative, USD mln



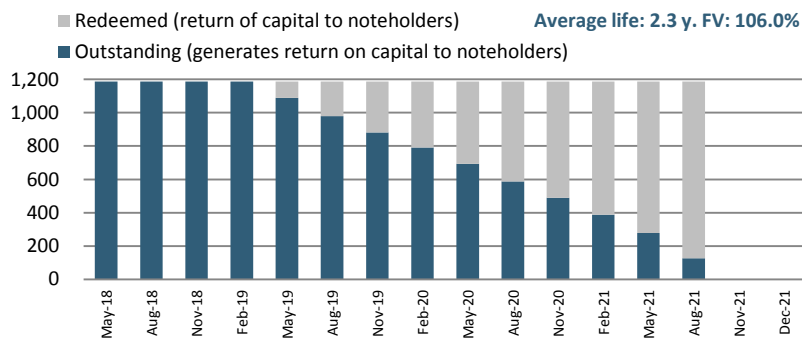
Model for Metinvest's Eurobond valuation, USD mln

	May-18	Aug-18	Nov-18	Feb-19	May-19	Aug-19	Nov-19	Feb-20	May-20	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Dec-21
EBITDA	602	624	624	626	619	619	-	-	-	-	-	-	-	-	-	-
OCF before interest and WC	452	468	468	469	464	464	-	-	-	-	-	-	-	-	-	-
CapEx	(188)	(188)	(188)	(190)	(194)	(194)	-	-	-	-	-	-	-	-	-	-
Dividends from Southern Iron Ore	234	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	498	280	281	279	271	271	-	-	-	-	-	-	-	-	-	-
New borrowings: refinancing	-	-	-	-	-	806	-	-	-	-	-	-	-	-	-	-
New borrowings: bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash, BoP	122	565	679	559	548	489	-	-	-	-	-	-	-	-	-	-
Cash, EoP	565	679	559	548	489	471	-	-	-	-	-	-	-	-	-	-
Average Cash Balance	321	555	458	437	386	365	-	-	-	-	-	-	-	-	-	-
Dividend allocation	-	-	-	-	-	(44)	-	-	-	-	-	-	-	-	-	-
Cash sweep amount	141	375	278	257	206	141	-	-	-	-	-	-	-	-	-	-
Eurobond																
BoP, Principal	1,187	1,138	964	837	705	586	-	-	-	-	-	-	-	-	-	-
BoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Pay, Period 1	(8)	(8)	(7)	(3)	-	-	-	-	-	-	-	-	-	-	-	-
Cash Pay, Period 2	-	-	-	(11)	(19)	(16)	-	-	-	-	-	-	-	-	-	-
Period 1, PIYC	(20)	(19)	(16)	(7)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Catch-Up	(4)	(4)	(4)	(2)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem Principal	(49)	(174)	(127)	(132)	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem Principal	-	-	-	-	(118)	(87)	-	-	-	-	-	-	-	-	-	-
Issue new PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, refinancing	-	-	-	-	-	(499)	-	-	-	-	-	-	-	-	-	-
PIK, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PIK, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP, Principal	1,138	964	837	705	586	-	-	-	-	-	-	-	-	-	-	-
EoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PXF creditors	(73)	(183)	(136)	(173)	(149)	(443)	-	-	-	-	-	-	-	-	-	-
Other debt	(12)	(13)	(2)	(2)	(2)	(2)	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(44)	-	-	-	-	-	-	-	-	-	-
Total payment, of which	(166)	(401)	(291)	(330)	(288)	(1,091)	-	-	-	-	-	-	-	-	-	-
Bondholders, Principal + PIK	(49)	(174)	(127)	(132)	(118)	(586)	-	-	-	-	-	-	-	-	-	-
Bondholders, restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bondholders, Interest	(32)	(31)	(26)	(23)	(19)	(16)	-	-	-	-	-	-	-	-	-	-
Flows to bondholders, total less accrued coupon (USD 4.0 mln as of 01-Mar-18)	77	205	154	155	137	602	-	-	-	-	-	-	-	-	-	-
Discount factor (discount rate: 6.70% p.a.)	0.99	0.97	0.95	0.94	0.92	0.91	-	-	-	-	-	-	-	-	-	-
Discounted flows to bondholders	76	199	147	145	127	548	-	-	-	-	-	-	-	-	-	-
NPV	1,242	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value, % of outstanding, of which	104.6%	6.4%	16.8%	12.4%	12.3%	10.7%	46.1%	-	-	-	-	-	-	-	-	-
Principal+PIK	93.1%	4.1%	14.2%	10.2%	10.5%	9.2%	44.9%	-	-	-	-	-	-	-	-	-
Interest less accrued coupon	11.5%	2.3%	2.5%	2.1%	1.8%	1.5%	1.2%	-	-	-	-	-	-	-	-	-
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

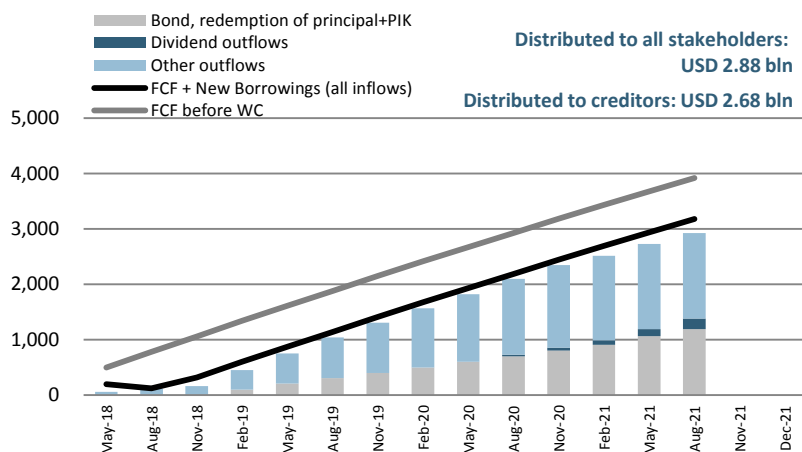
Valuation: Current Prices, working capital outflows

Current Prices, working capital outflows: 106.0%, 2.3 years. If Metinvest allows for a working capital outflow of USD 740 mln in total in 2018, keeping the average cash balance below USD 180 mln (thus paying no Catch Up interest, but voluntarily paying PIYC interest) by using the channel of accounts payable to Zaporizhstal, then the debt is repaid in **August 2021** and Metinvest distributes USD 2.68 bln to creditors. The average life increases substantially to **2.3 years** from 1.4 years (slide 9), and the fair value increases to **106.0%** from 104.9%. This means that the strategy of Metinvest minimizing the average cash balance creates value for the noteholders because early return of capital is avoided.

Bond: bop amounts outstanding and redeemed (USD mln), the average life (years), and the fair value (% of nominal)



Cash: inflows and outflows, cumulative, USD mln



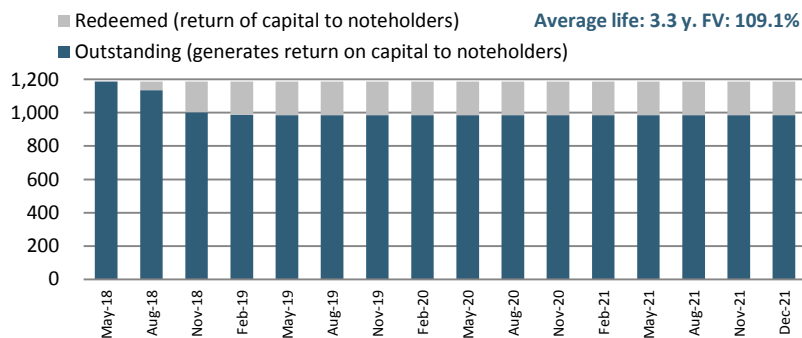
Model for Metinvest's Eurobond valuation, USD mln

	May-18	Aug-18	Nov-18	Feb-19	May-19	Aug-19	Nov-19	Feb-20	May-20	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Dec-21
EBITDA	602	624	624	626	619	619	619	619	619	619	619	619	619	619	619	-
OCF before interest and WC	452	468	468	469	464	464	464	464	464	464	464	464	464	464	464	-
CapEx	(188)	(188)	(188)	(190)	(194)	(194)	(194)	(199)	(209)	(209)	(209)	(213)	(222)	(222)	-	-
Dividends from Southern Iron Ore	234	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital flows	(300)	(360)	(80)	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	198	(80)	201	279	271	271	271	266	255	255	255	251	242	242	-	-
New borrowings: refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New borrowings: bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash, BoP	122	265	130	273	507	485	455	436	439	435	436	413	412	487	-	-
Cash, EoP	265	130	273	507	485	455	436	439	435	436	413	412	487	518	-	-
Average Cash Balance	171	175	179	371	379	349	329	332	333	334	313	311	383	417	-	-
Dividend allocation	-	-	-	-	-	-	-	-	-	(31)	(23)	(23)	(51)	(65)	-	-
Cash sweep amount	-	-	-	191	199	169	149	152	153	122	110	109	152	172	-	-
Eurobond																
BoP, Principal	1,187	1,187	1,187	1,187	1,089	979	881	791	693	587	490	387	278	126	-	-
BoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments																
Cash Pay, Period 1	(8)	(8)	(8)	(4)	-	-	-	-	-	-	-	-	-	-	-	-
Cash Pay, Period 2	-	-	-	(16)	(30)	(27)	(24)	(21)	(19)	(16)	(13)	(11)	(8)	(3)	-	-
Period 1, PIYC	(20)	(20)	(20)	(10)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Catch-Up	-	-	-	(2)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem Principal	-	-	-	(98)	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem Principal	-	-	-	-	(110)	(98)	(91)	(98)	(106)	(96)	(103)	(109)	(152)	(126)	-	-
Issue new PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PIK, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PIK, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP, Principal	1,187	1,187	1,187	1,089	979	881	791	693	587	490	387	278	126	-	-	-
EoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other payments																
PXF creditors	(16)	(17)	(17)	(160)	(160)	(164)	(146)	(138)	(127)	(133)	(110)	(23)	-	-	-	-
Other debt	(12)	(13)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	-	-
Dividends	-	-	-	-	-	-	-	-	-	(31)	(23)	(23)	(51)	(65)	-	-
Total payment, of which	(55)	(57)	(46)	(292)	(301)	(290)	(263)	(259)	(254)	(279)	(252)	(167)	(212)	(197)	-	-
Bondholders, Principal + PIK	-	-	-	(98)	(110)	(98)	(91)	(98)	(106)	(96)	(103)	(109)	(152)	(126)	-	-
Bondholders, restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bondholders, Interest	(28)	(28)	(28)	(32)	(30)	(27)	(24)	(21)	(19)	(16)	(13)	(11)	(8)	(3)	-	-
Flows to bondholders, total less accrued coupon (USD 3.4 mln as of 01-Mar-18)	24	28	28	130	139	124	115	119	125	112	117	119	159	130	-	-
Discount factor (discount rate: 7.70% p.a.)	0.98	0.97	0.95	0.93	0.91	0.90	0.88	0.86	0.85	0.83	0.82	0.80	0.79	0.77	-	-
Discounted flows to bondholders	24	27	26	121	127	112	101	103	106	94	95	96	125	100	-	-
NPV	1,258															
Fair value, % of outstanding, of which	106.0%	2.0%	2.3%	2.2%	10.2%	10.7%	9.4%	8.5%	8.7%	8.9%	7.9%	8.0%	8.1%	10.6%	8.5%	-
Principal+PIK	84.5%	-	-	7.7%	8.4%	7.4%	6.7%	7.1%	7.6%	6.8%	7.1%	7.4%	10.1%	8.2%	-	-
Interest less accrued coupon	21.5%	2.0%	2.3%	2.2%	2.5%	2.3%	2.0%	1.8%	1.6%	1.3%	1.1%	0.9%	0.7%	0.5%	0.2%	-
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

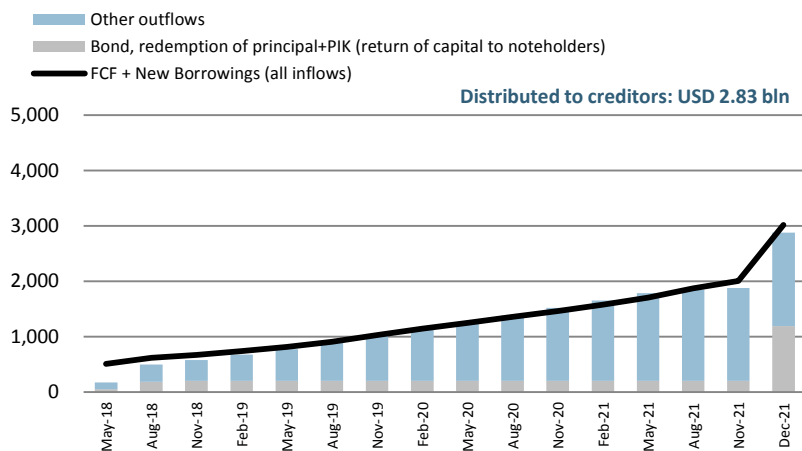
Valuation: Late Redemption

Late Redemption: 109.1%, 3.3 years. We constructed the Late Redemption scenario in such a way that, after the apparently unavoidable principal redemptions in 2018 due to the current profitability being high, the return of capital is delayed until the end of 2021, which requires the monthly EBITDA to amount to, on average, USD 130 mln in 2019, USD 140 mln in 2020, and USD 157 mln in 2021. The discount rate for this scenario amounts to 7.89% and the **fair value is 109.1%**. The average life of the bond amounts to as much as **3.3 years** in this scenario. Metinvest distributes USD 2.83 bln to creditors, of which it borrows USD 0.93 bln in 2021 for refinancing.

Bond: bop amounts outstanding and redeemed (USD mln), the average life (years), and the fair value (% of nominal)



Cash: inflows and outflows, cumulative, USD mln



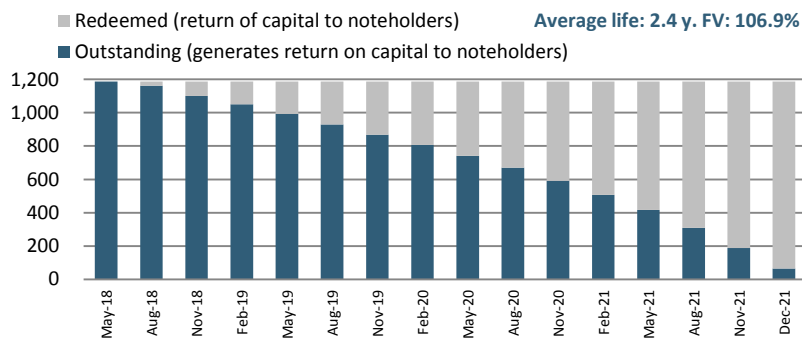
Model for Metinvest's Eurobond valuation, USD mln

	May-18	Aug-18	Nov-18	Feb-19	May-19	Aug-19	Nov-19	Feb-20	May-20	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Dec-21
EBITDA	618	395	320	345	360	380	420	420	420	420	420	437	470	470	470	313
OCF before interest and WC	464	296	240	259	270	285	315	315	315	315	315	328	353	353	353	235
CapEx	(188)	(188)	(188)	(190)	(194)	(194)	(194)	(199)	(209)	(209)	(209)	(213)	(222)	(222)	(222)	(148)
Dividends from Southern Iron Ore	234	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	509	109	52	69	76	91	121	116	106	106	106	114	131	131	131	87
New borrowings: refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New borrowings: bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36	928
Cash, BoP	122	576	513	244	231	205	200	202	201	192	184	149	125	120	118	219
Cash, EoP	576	513	244	231	205	200	202	201	192	184	149	125	120	118	219	278
Average Cash Balance	327	476	250	204	177	164	153	154	150	143	110	82	68	66	157	237
Dividend allocation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash sweep amount	147	296	70	24	-	-	-	-	-	-	-	-	-	-	-	57
Eurobond																
BoP, Principal	1,187	1,135	1,003	987	985	985	985	985	985	985	985	985	985	985	985	985
BoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments																
Cash Pay, Period 1	(8)	(8)	(7)	(3)	-	-	-	-	-	-	-	-	-	-	-	-
Cash Pay, Period 2	-	-	-	(13)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(13)
Period 1, PIYC	(20)	(19)	(17)	(8)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Catch-Up	(4)	(4)	(4)	(2)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem Principal	(52)	(132)	(16)	(2)	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(57)
Issue new PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PIK, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(928)
PIK, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP, Principal	1,135	1,003	987	985	985	985	985	985	985	985	985	985	985	985	985	985
EoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other payments																
PXF creditors	(76)	(145)	(38)	(71)	(67)	(91)	(89)	(87)	(85)	(113)	(110)	(107)	(104)	(36)	-	-
Other debt	(12)	(13)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(1)
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total payment, of which	(172)	(321)	(83)	(102)	(96)	(119)	(117)	(115)	(113)	(141)	(138)	(135)	(133)	(65)	(29)	(999)
Bondholders, Principal + PIK	(52)	(132)	(16)	(2)	-	-	-	-	-	-	-	-	-	-	-	(985)
Bondholders, restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bondholders, Interest	(32)	(31)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(13)
Flows to bondholders, total less accrued coupon (USD 4.0 mln as of 01-Mar-18)	80	163	43	29	27	27	27	27	27	27	27	27	27	27	27	998
Discount factor (discount rate: 7.89% p.a.)	0.98	0.97	0.95	0.93	0.91	0.89	0.88	0.86	0.85	0.83	0.81	0.80	0.78	0.77	0.75	0.75
Discounted flows to bondholders	79	157	41	27	24	24	24	23	23	22	22	21	21	21	20	746
NPV	1,295															
Fair value, % of outstanding, of which	109.1%	6.6%	13.3%	3.4%	2.3%	2.1%	2.0%	2.0%	1.9%	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%
Principal+PIK	78.5%	4.3%	10.7%	1.3%	0.2%	-	-	-	-	-	-	-	-	-	-	62.0%
Interest less accrued coupon	30.6%	2.3%	2.5%	2.2%	2.1%	2.1%	2.0%	1.9%	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%	0.8%
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

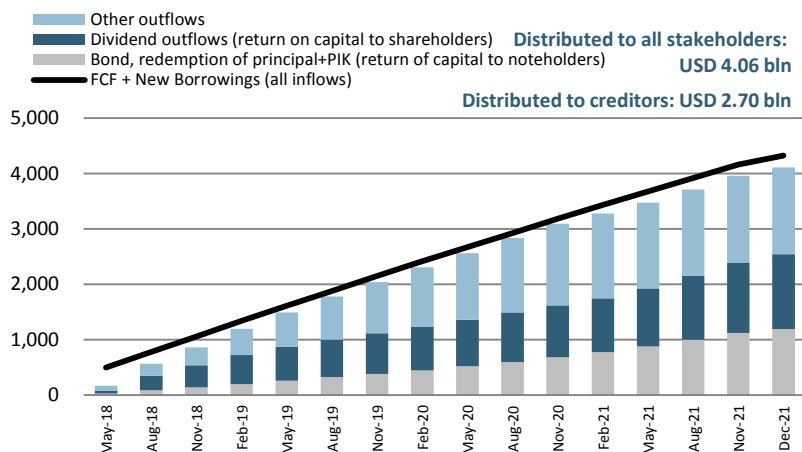
Valuation: Current Prices, dividend outflows

Current Prices, dividend outflows: 106.9%, 2.4 years. If Metinvest restructures its covenants allowing for dividend outflows (see slide 4), then, within our Current Prices scenario (no refinancing), the note's final redemption will be delayed until December 2021, increasing the amount distributed to creditors to USD 2.70 bln from USD 2.54 bln (slide 9) and substantially increasing the note's average life to 2.4 years from 1.4 years. This becomes possible because Metinvest will be able to direct **USD 1.35 bln** away from the value-destroying redemption of creditors at par to dividends during 2018-21. As a result, **the fair value increases by 2.0pp to 106.9%** from 104.9% (slide 9).

Bond: bop amounts outstanding and redeemed (USD mln), the average life (years), and the fair value (% of nominal)



Cash: inflows and outflows, cumulative, USD mln



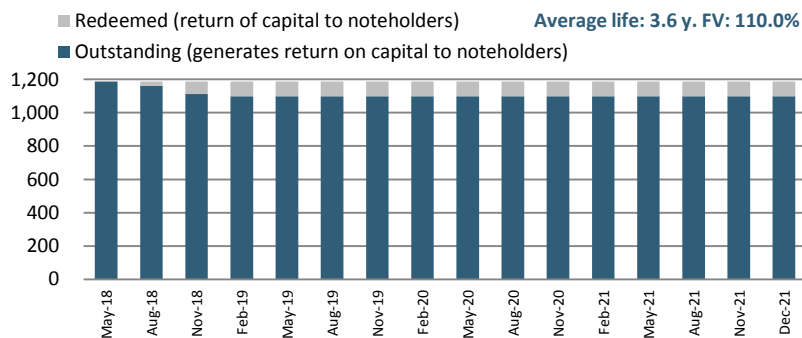
Model for Metinvest's Eurobond valuation, USD mln

	May-18	Aug-18	Nov-18	Feb-19	May-19	Aug-19	Nov-19	Feb-20	May-20	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Dec-21	
EBITDA	602	624	624	626	619	619	619	619	619	619	619	619	619	619	619	619	413
OCF before interest and WC	452	468	468	469	464	464	464	464	464	464	464	464	464	464	464	464	310
CapEx	(188)	(188)	(188)	(190)	(194)	(194)	(194)	(199)	(209)	(209)	(209)	(213)	(222)	(222)	(222)	(148)	
Dividends from Southern Iron Ore	234	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Working Capital flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
FCF	498	280	281	279	271	271	271	266	255	255	255	251	242	242	242	162	
New borrowings: refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
New borrowings: bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash, BoP	122	565	679	559	546	482	456	440	440	435	435	410	409	466	512	514	
Cash, EoP	565	679	559	546	482	456	440	440	435	435	410	409	466	512	514	432	
Average Cash Balance	321	555	458	435	380	350	333	334	333	332	310	308	363	410	416	375	
Dividend allocation	(47)	(210)	(142)	(126)	(87)	(67)	(55)	(55)	(55)	(54)	(39)	(37)	(75)	(109)	(113)	(84)	
Cash sweep amount	95	165	136	129	112	104	98	99	98	98	92	91	107	122	123	111	
Eurobond																	
BoP, Principal	1,187	1,163	1,100	1,052	992	929	868	806	741	671	592	508	417	309	188	64	
BoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Payments																	
Cash Pay, Period 1	(8)	(8)	(8)	(4)	-	-	-	-	-	-	-	-	-	-	-	-	
Cash Pay, Period 2	-	-	-	(14)	(27)	(25)	(24)	(22)	(20)	(18)	(16)	(14)	(11)	(8)	(5)	(1)	
Period 1, PIYC	(20)	(19)	(18)	(9)	-	-	-	-	-	-	-	-	-	-	-	-	
Period 1, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period 1, Catch-Up	(4)	(4)	(4)	(2)	-	-	-	-	-	-	-	-	-	-	-	-	
Period 1, Redeem Principal	(24)	(62)	(49)	(59)	-	-	-	-	-	-	-	-	-	-	-	-	
Period 2, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period 2, Redeem Principal	-	-	-	-	(63)	(61)	(61)	(66)	(70)	(78)	(85)	(91)	(107)	(122)	(123)	(64)	
Issue new PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Principal, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
PIK, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Principal, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
PIK, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
EoP, Principal	1,163	1,100	1,052	992	929	868	806	741	671	592	508	417	309	188	64	-	
EoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other payments																	
PXF creditors	(51)	(84)	(70)	(119)	(117)	(132)	(123)	(117)	(109)	(128)	(111)	(42)	-	-	-	-	
Other debt	(12)	(13)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	
Dividends	(47)	(210)	(142)	(126)	(87)	(67)	(55)	(55)	(55)	(54)	(39)	(37)	(75)	(109)	(113)	(84)	
Total payment, of which	(166)	(401)	(292)	(335)	(296)	(287)	(265)	(261)	(255)	(280)	(252)	(185)	(196)	(240)	(243)	(150)	
Bondholders, Principal + PIK	(24)	(62)	(49)	(59)	(63)	(61)	(61)	(66)	(70)	(78)	(85)	(91)	(107)	(122)	(123)	(64)	
Bondholders, restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bondholders, Interest	(32)	(32)	(30)	(29)	(27)	(25)	(24)	(22)	(20)	(18)	(16)	(14)	(11)	(8)	(5)	(1)	
Flows to bondholders, total less accrued coupon (USD 4.0 mln as of 01-Mar-18)	53	94	79	88	90	87	85	87	90	97	101	105	119	130	129	65	
Discount factor (discount rate: 7.89% p.a.)	0.98	0.97	0.95	0.93	0.91	0.89	0.88	0.86	0.85	0.83	0.81	0.80	0.78	0.77	0.75	0.75	
Discounted flows to bondholders	52	91	75	82	82	78	75	75	76	80	82	84	93	100	97	49	
NPV	1,269																
Fair value, % of outstanding, of which	106.9%	4.4%	7.6%	6.3%	6.9%	6.9%	6.5%	6.3%	6.3%	6.4%	6.7%	6.9%	7.0%	7.8%	8.4%	8.2%	4.1%
Principal+PIK	83.6%	2.0%	5.1%	3.9%	4.6%	4.9%	4.6%	4.5%	4.8%	5.0%	5.5%	5.8%	6.1%	7.1%	7.9%	7.8%	4.1%
Interest less accrued coupon	23.3%	2.3%	2.6%	2.4%	2.2%	2.1%	1.9%	1.7%	1.6%	1.4%	1.3%	1.1%	0.9%	0.7%	0.5%	0.3%	0.1%
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

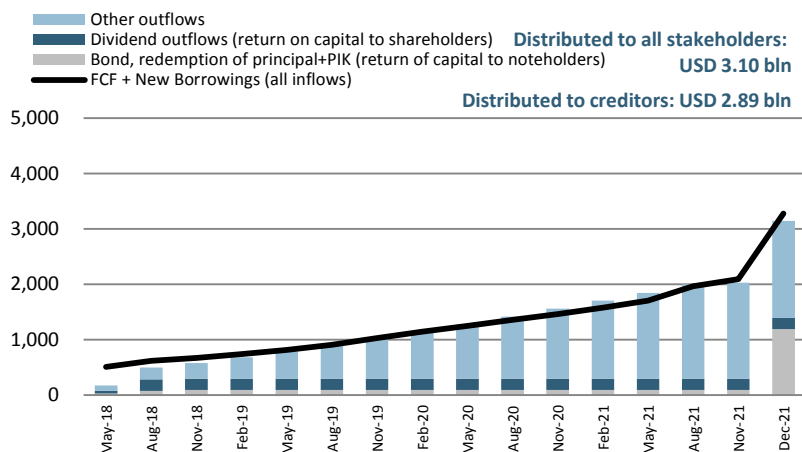
Valuation: Late Redemption, dividend outflows

Late Redemption, dividend outflows: 110.0%, 3.6 years. Within our Late Redemption profitability scenario, the effect of allowing for dividend outflows is expectedly less-pronounced than within the Current Prices scenario (see the previous slide). Namely, the amount Metinvest distributes to its creditors increases to USD 2.89 bln from USD 2.83 bln (slide 12), the note's average life increases to 3.6 years from 3.3 years, and **the note's fair value increases by 0.9pp to 110.0%** from 109.1%.

Bond: bop amounts outstanding and redeemed (USD mln), the average life (years), and the fair value (% of nominal)



Cash: inflows and outflows, cumulative, USD mln



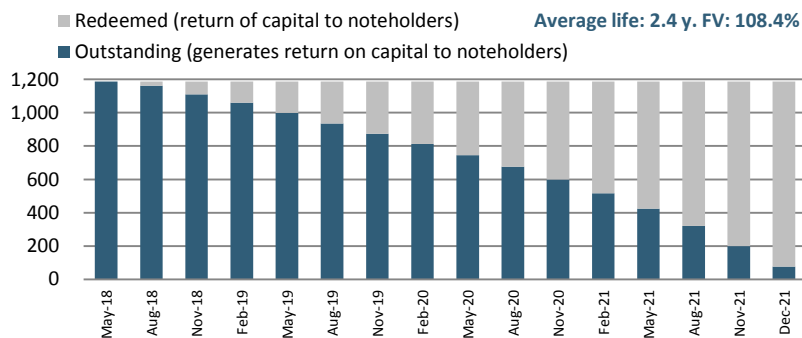
Model for Metinvest's Eurobond valuation, USD mln

	May-18	Aug-18	Nov-18	Feb-19	May-19	Aug-19	Nov-19	Feb-20	May-20	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Dec-21
EBITDA	618	395	320	345	360	380	420	420	420	420	420	437	470	470	470	313
OCF before interest and WC	464	296	240	259	270	285	315	315	315	315	315	328	353	353	353	235
CapEx	(188)	(188)	(188)	(190)	(194)	(194)	(194)	(199)	(209)	(209)	(209)	(213)	(222)	(222)	(222)	(148)
Dividends from Southern Iron Ore	234	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	509	109	52	69	76	91	121	116	106	106	106	114	131	131	131	87
New borrowings: refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New borrowings: bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	125	1,098
Cash, BoP	122	576	513	244	229	201	191	187	180	165	152	112	82	71	64	161
Cash, EoP	576	513	244	229	201	191	187	180	165	152	112	82	71	64	161	217
Average Cash Balance	327	476	250	203	173	155	139	134	124	111	73	39	20	12	99	176
Dividend allocation	(51)	(155)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash sweep amount	97	141	70	23	-	-	-	-	-	-	-	-	-	-	-	-
Eurobond																
BoP, Principal	1,187	1,162	1,112	1,099	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098
BoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments																
Cash Pay, Period 1	(8)	(8)	(8)	(4)	-	-	-	-	-	-	-	-	-	-	-	-
Cash Pay, Period 2	-	-	-	(15)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(15)
Period 1, PIYC	(20)	(19)	(18)	(9)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Catch-Up	(4)	(4)	(4)	(2)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem Principal	(25)	(50)	(13)	(1)	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue new PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PIK, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,098)
PIK, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP, Principal	1,162	1,112	1,099	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	-
EoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other payments																
PXF creditors	(52)	(73)	(39)	(72)	(70)	(94)	(91)	(89)	(87)	(115)	(112)	(109)	(106)	(126)	-	-
Other debt	(12)	(13)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(1)
Dividends	(51)	(155)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total payment, of which	(172)	(321)	(84)	(104)	(102)	(125)	(123)	(121)	(119)	(147)	(144)	(141)	(138)	(158)	(32)	(1,114)
Bondholders, Principal + PIK	(25)	(50)	(13)	(1)	-	-	-	-	-	-	-	-	-	-	-	(1,098)
Bondholders, restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bondholders, Interest	(32)	(32)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(15)
Flows to bondholders, total less accrued coupon (USD 4.0 mln as of 01-Mar-18)	54	81	43	30	30	30	30	30	30	30	30	30	30	30	30	1,113
Discount factor (discount rate: 7.89% p.a.)	0.98	0.97	0.95	0.93	0.91	0.89	0.88	0.86	0.85	0.83	0.81	0.80	0.78	0.77	0.75	0.75
Discounted flows to bondholders	53	79	41	28	27	27	26	26	25	25	24	24	23	23	23	832
NPV	1,305															
Fair value, % of outstanding, of which	110.0%	4.4%	6.6%	3.5%	2.4%	2.3%	2.2%	2.2%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	1.9%	70.1%
Principal+PIK	76.4%	2.1%	4.0%	1.1%	0.0%	-	-	-	-	-	-	-	-	-	-	69.1%
Interest less accrued coupon	33.6%	2.3%	2.6%	2.4%	2.3%	2.3%	2.2%	2.2%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	1.9%	0.9%
Restructuring fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

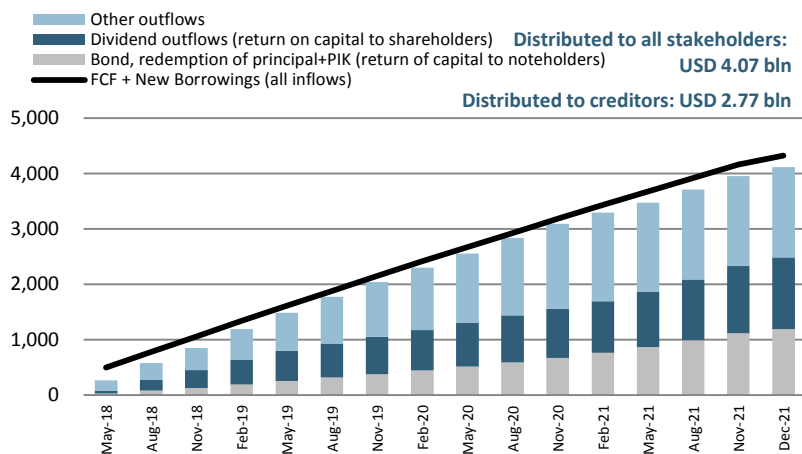
Valuation: Current Prices, dividends, fee & coupon cut

Current Prices, dividends, fee & coupon cut: 108.4%. Even though allowing for the dividend outflows in and of itself increases the fair value of the note, the noteholders might demand a fee. In such a case, Metinvest might want to shift future coupon payments to 2018, during which it might expect with more certainty to have ample cash flows. We have constructed a scenario with dividend outflows, **a fee of 4.4% and a reduction of the 1.5025% Catch-Up interest rate value to zero.** We calculate that in the Current Prices profitability scenario, the introduction of the fee and coupon cut improves the fair value by **1.5pp**, from 106.9% (only dividend outflows) to **108.4%**. The average life remains unchanged at 2.4 years.

Bond: bop amounts outstanding and redeemed (USD mln), the average life (years), and the fair value (% of nominal)



Cash: inflows and outflows, cumulative, USD mln



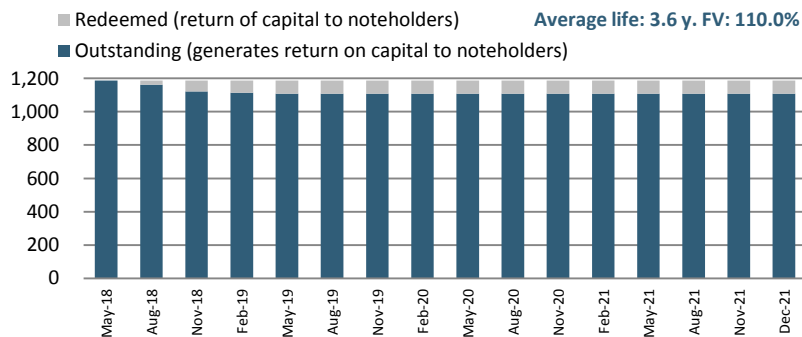
Model for Metinvest's Eurobond valuation, USD mln

	May-18	Aug-18	Nov-18	Feb-19	May-19	Aug-19	Nov-19	Feb-20	May-20	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Dec-21	
EBITDA	602	624	624	626	619	619	619	619	619	619	619	619	619	619	619	413	
OCF before interest and WC	452	468	468	469	464	464	464	464	464	464	464	464	464	464	464	310	
CapEx	(188)	(188)	(188)	(190)	(194)	(194)	(194)	(199)	(209)	(209)	(209)	(213)	(222)	(222)	(222)	(148)	
Dividends from Southern Iron Ore	234	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Working Capital flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
FCF	498	280	281	279	271	271	271	266	255	255	255	251	242	242	242	162	
New borrowings: refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
New borrowings: bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash, BoP	122	565	579	549	555	487	462	446	445	439	438	413	411	451	512	516	
Cash, EoP	565	579	549	555	487	462	446	445	439	438	413	411	451	512	516	433	
Average Cash Balance	321	465	439	442	385	356	339	339	337	336	313	310	350	408	419	376	
Dividend allocation	(47)	(147)	(129)	(131)	(91)	(71)	(59)	(59)	(58)	(57)	(41)	(39)	(66)	(107)	(114)	(85)	
Cash sweep amount	95	138	130	131	114	105	100	100	100	99	92	92	103	121	124	111	
Eurobond																	
BoP, Principal	1,187	1,163	1,110	1,061	999	935	873	812	746	676	599	516	424	321	200	76	
BoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Payments																	
Cash Pay, Period 1	(8)	(8)	(8)	(4)	-	-	-	-	-	-	-	-	-	-	-	-	
Cash Pay, Period 2	-	-	-	(12)	(23)	(22)	(20)	(19)	(17)	(16)	(14)	(12)	(10)	(8)	(5)	(1)	
Period 1, PIYC	(20)	(19)	(18)	(9)	-	-	-	-	-	-	-	-	-	-	-	-	
Period 1, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period 1, Catch-Up	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period 1, Redeem Principal	(24)	(52)	(50)	(62)	-	-	-	-	-	-	-	-	-	-	-	-	
Period 2, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period 2, Redeem Principal	-	-	-	-	(64)	(62)	(62)	(66)	(70)	(78)	(83)	(92)	(103)	(121)	(124)	(76)	
Issue new PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restructuring fee	(52)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Principal, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
PIK, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Principal, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
PIK, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
EoP, Principal	1,163	1,110	1,061	999	935	873	812	746	676	599	516	424	321	200	76		
EoP, PIK																	
Other payments																	
PXF creditors	(99)	(71)	(67)	(119)	(115)	(131)	(123)	(117)	(110)	(129)	(113)	(58)	-	-	-	-	
Other debt	(12)	(13)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	
Dividends	(47)	(147)	(129)	(131)	(91)	(71)	(59)	(59)	(58)	(57)	(41)	(39)	(66)	(107)	(114)	(85)	
Total payment, of which	(266)	(311)	(273)	(339)	(295)	(287)	(262)	(256)	(262)	(281)	(253)	(202)	(181)	(238)	(245)	(162)	
Bondholders, Principal + PIK	(24)	(52)	(50)	(62)	(64)	(62)	(62)	(66)	(70)	(78)	(83)	(92)	(103)	(121)	(124)	(76)	
Bondholders, restructuring fee	(52)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bondholders, Interest	(32)	(27)	(26)	(25)	(23)	(22)	(20)	(19)	(17)	(16)	(14)	(12)	(10)	(8)	(5)	(1)	
Flows to bondholders, total less accrued coupon (USD 4.0 mln as of 01-Mar-18)	105	80	76	87	87	84	82	85	87	93	97	104	113	129	129	76	
Discount factor (discount rate: 7.89% p.a.)	0.98	0.97	0.95	0.93	0.91	0.89	0.88	0.86	0.85	0.83	0.81	0.80	0.78	0.77	0.75	0.75	
Discounted flows to bondholders	103	77	72	81	80	75	72	73	74	77	79	83	89	99	97	57	
NPV	1,286																
Fair value, % of outstanding, of which	108.4%	8.7%	6.5%	6.0%	6.8%	6.7%	6.3%	6.1%	6.1%	6.2%	6.5%	6.7%	7.0%	7.5%	8.3%	8.2%	4.8%
Principal+PIK	83.5%	2.0%	4.3%	4.0%	4.8%	4.9%	4.7%	4.6%	4.8%	5.0%	5.4%	5.7%	6.2%	6.8%	7.8%	7.9%	4.8%
Interest less accrued coupon	20.5%	2.3%	2.2%	2.1%	1.9%	1.8%	1.7%	1.5%	1.4%	1.2%	1.1%	1.0%	0.8%	0.7%	0.5%	0.3%	0.1%
Restructuring fee	4.3%	4.3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

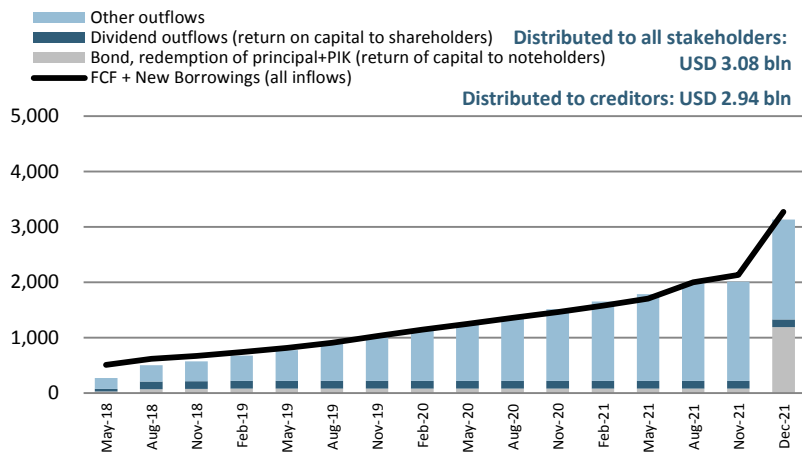
Valuation: Late Redemption, dividends, fee & coupon cut

Late Redemption, dividends, fee & coupon cut: 110.0%. The reason for the choice of balance between the fee and the coupon cut is seen from the calculation in the Late Redemption scenario with dividend outflows, the fee and coupon cut: **the fair value remains the same – as with only dividend outflows – at 110.0%.** Therefore, the noteholders might argue that a 4.4% fee is necessary to offset the (discounted) loss of part of the 1.5025% coupon during the 3.6 years of the note's average life. And, if the Current Prices scenario materializes and the note's average life turns out to be only around 2.4 years, the noteholders gain 1.5pp (see the previous slide) as a pure restructuring fee.

Bond: bop amounts outstanding and redeemed (USD mln), the average life (years), and the fair value (% of nominal)



Cash: inflows and outflows, cumulative, USD mln



Model for Metinvest's Eurobond valuation, USD mln

	May-18	Aug-18	Nov-18	Feb-19	May-19	Aug-19	Nov-19	Feb-20	May-20	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Dec-21
EBITDA	618	395	320	345	360	380	420	420	420	420	420	437	470	470	470	313
OCF before interest and WC	464	296	240	259	270	285	315	315	315	315	315	328	353	353	353	235
CapEx	(188)	(188)	(188)	(190)	(194)	(194)	(194)	(199)	(209)	(209)	(209)	(213)	(222)	(222)	(222)	(148)
Dividends from Southern Iron Ore	234	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	509	109	52	69	76	91	121	116	106	106	106	114	131	131	131	87
New borrowings: refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New borrowings: bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	164	1,051
Cash, BoP	122	576	413	234	238	206	203	205	205	196	188	153	128	121	118	219
Cash, EoP	576	413	234	238	206	203	205	205	196	188	153	128	121	118	219	278
Average Cash Balance	327	386	231	210	179	167	157	158	154	147	114	84	70	66	156	237
Dividend allocation	(51)	(92)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash sweep amount	97	114	51	30	-	-	-	-	-	-	-	-	-	-	-	57
Eurobond																
BoP, Principal	1,187	1,162	1,122	1,115	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109
BoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments																
Cash Pay, Period 1	(8)	(8)	(8)	(4)	-	-	-	-	-	-	-	-	-	-	-	-
Cash Pay, Period 2	-	-	-	(13)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(13)
Period 1, PIYC	(20)	(19)	(18)	(9)	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Catch-Up	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 1, Redeem Principal	(25)	(40)	(7)	(6)	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period 2, Redeem Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(57)
Issue new PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring fee	(52)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PIK, refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,051)
PIK, bullet repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EoP, Principal	1,162	1,122	1,115	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	-
EoP, PIK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other payments																
PXF creditors	(100)	(60)	(30)	(74)	(67)	(91)	(89)	(87)	(86)	(114)	(111)	(109)	(107)	(165)	-	-
Other debt	(12)	(13)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(1)
Dividends	(51)	(92)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total payment, of which	(272)	(231)	(65)	(108)	(95)	(119)	(117)	(115)	(113)	(142)	(139)	(137)	(134)	(193)	(28)	(1,122)
Bondholders, Principal + PIK	(25)	(40)	(7)	(6)	-	-	-	-	-	-	-	-	-	-	-	(1,109)
Bondholders, restructuring fee	(52)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bondholders, Interest	(32)	(27)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(13)
Flows to bondholders, total less accrued coupon (USD 4.0 mln as of 01-Mar-18)	106	67	33	32	26	26	26	26	26	26	26	26	26	26	26	1,122
Discount factor (discount rate: 7.89% p.a.)	0.98	0.97	0.95	0.93	0.91	0.89	0.88	0.86	0.85	0.83	0.81	0.80	0.78	0.77	0.75	0.75
Discounted flows to bondholders	104	65	32	30	24	23	23	22	22	22	21	21	20	20	20	838
NPV	1,306															
Fair value, % of outstanding, of which	110.0%	8.8%	5.4%	2.7%	2.5%	2.0%	2.0%	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.6%
Principal+PIK	76.2%	2.1%	3.2%	0.6%	0.5%	-	-	-	-	-	-	-	-	-	-	69.8%
Interest less accrued coupon	29.5%	2.3%	2.2%	2.1%	2.0%	2.0%	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.6%	0.8%
Restructuring fee	4.3%	4.3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Debt servicing and repayment structure

If any cash is available for distribution in Steps 1 – 4 below, the payments in each step are made in full or partly (on a pro rata basis for the Eurobond and PXF):

Period 1 (May '18 – Dec. '18, quarterly, unless otherwise specified)

	Eurobonds	PXF loans
Step 0. Paid in any case	2.7930% Cash Coupon	Cash interest of 30% x 5.16%** paid monthly
Step 1 (Level 1). Accrued and/or paid (if cash* is over USD 180 mln)	6.5795% in PIYC Coupon (paid or capitalized as PIK Notes)	70% x 5.16%** in PXF PIYC Interest Amount (paid or capitalized)
Step 2 (Level 2). (if cash* less payment under Step 1 is over USD 180 mln)	Repayment of outstanding PIK Notes (if any)	Repayment of capitalized PXF PIYC Interest Amount (if any)
Step 3 (Level 3). (if cash* less payment under Steps 1-2 is over USD 180 mln)	1.5025% in Catch-up Coupon	PXF Catch-Up Repayment. Amount is equal to PXF Loan outstanding x $\frac{1}{4}$ x (10.875% less 5.16%**)
Step 4 (Level 4). (if cash* less payment under Steps 1-3 is over USD 180 mln)	Partial repayment of Eurobond outstanding	Partial repayment of PXF loan outstanding

Period 2 (Jan. '19 – Nov. '21, quarterly, unless otherwise specified)

	Eurobonds	PXF loans
Step 0. Paid in any case	10.875% Cash Coupon	Cash interest of 5.16%** paid monthly Repayment of: USD 45.3 mln in Feb. & May 2019 USD 70.3 mln in Aug, and Nov. 2019, Feb. & May 2020 USD 100.3 mln in Aug, and Nov. 2020, Feb. & May 2021 Repayment equal to: PXF outstanding x $\frac{1}{4}$ x (10.875% less 5.16%**)
Step 1. Paid if cash* (net of PXF repayment amount) is over USD 180 mln	Partial repayment of Eurobond outstanding	Partial repayment of PXF loan outstanding

On top of that, Metinvest can repay any part of its capitalized PIK notes (PXF interest) and then part of its principal each month.

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