

September 2, 2020

Rating object

Metalcorp Group S.A.

Rating incl. outlook / watch

BB- / negative

Date of inception / disclosure to rated entity / maximum validity:**Rating object**

Metalcorp Group S.A.

Date of inception

01.09.2020

Disclosure to rated entity

01.09.2020

Maximum validity

27.02.2021

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating AG has withdrawn the addition Watch NEW for the SME Issuer Rating of Metalcorp Group S.A. and assigned a negative outlook. The SME Issuer Rating now stands at BB- / negative. The impact of COVID-19 has remained limited due to the risk averse business model of the Group. However, due to lower market prices, reduced turnover, especially from the automotive sector and the aluminium production, which was below budget, the revenues and operating results in the first half of 2020 were considerably lower than in the same period in the prior year. The operating margin remained stable. The EAT however, decreased significantly due to higher interest expenses and a negative impact from foreign exchange effects. We expect that the Group will not meet its forecast for 2020, something we still expected during our last full-rating update in February 2020. The investments in the mining operations, including the corresponding infrastructure investments, were higher in the first half of 2020 than we recently expected. Additionally, we continue to see a difficult market environment, with many uncertainties, which might hamper the Group's recovery in the second half of the business year and further contributes to the negative outlook.

Primary key rating drivers:

- + Partly risk-averse business model based on back-to-back transactions
- + Partial significant recovery of the market environment since the end of June
- Expected business development below initial forecast for the 2020 business year with an expected negative impact on the key financial figures
- A difficult market environment with remaining uncertainties regarding the spread of COVID-19
- Unchanged increased risks from mining operations in Guinea

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Metalcorp Group S.A., we have not identified any ESG factor with significant influence.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: BB

In our Best-Case-Scenario for one year, we assume a rating of BB. This would be possible with positive non-recurring effects in connection with a corresponding cash inflow from the mining business in Guinea, which would surpass the Company's expectations for the business year 2020. This scenario would be conceivable, provided that the results of the key financial analysis will improve overall. However, due to the economic risks, the negative adjustments in the forecasts and the unpredictability that result from the stakes in SBG and TCC-Coke Ltd. and the current economic downturn resulting from the COVID-19 pandemic, we consider it less likely that the rating will be raised within a year.

Worst-case scenario: B

In our Worst-Case-Scenario for one year, we assume a rating of B. A downgrade of the rating could happen when the rise of indebtedness is disproportionate to the growth of the business, if significant shortcomings in the turnover and earnings expectation arise, if the Company's liquidity deteriorates, or if further delays regarding the mine in Guinea or the coking plant in the United Kingdom with a higher than expected capitalization occur. A deterioration in the financial key figures could also lead to a downgrade and unexpected M&A activities could put further downward pressure on the rating. This scenario remains unchanged from the point that a follow-up rating for MCG was conducted, but has in our opinion become more likely due to the COVID-19 crisis.

Analysts / Person approving (PAC):

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Rating history:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating Metalcorp Group S.A.	Initial rating	08.05.2013	www.creditreform-rating.de	16.04.2014	BB

Status of solicitation and information basis:

The present rating is a **solicited** rating. The rating object participated in the creation of the rating as follows:

Solicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	Yes
With access to internal documents	Yes
With access to management	Yes

Rating methodology:

Rating methodology	Version number	Date	Website
Corporate Ratings	2.3	29.05.2019	https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf
Rating Criteria and Definitions	1.3	January 2018	https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf

Regulatory requirements:

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

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Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

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In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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