MONACO RESOURCES GROUP – EXECUTIVE SUMMARY

2018

BUSINESS OVERVIEW

Monaco Resources Group ("MRG") is a global natural resources firm with a diversified asset base with business activities spanning across Metals and Minerals, Agribusiness, Logistics, Energy, complementary Technology and Trade Finance. Headquartered in Monaco and London, MRG operates in 37 countries. MRG's three core business divisions provide a diversified range of products and services within the natural resources sector.

1. The Group's Metals and Minerals division "**Metalcorp**": an international and diversified metals processor and trader, present in 21 countries, profitable every year since its inception in 2006. Risk averse and robust business model – **no speculation on commodity prices** – all trading and production activities conducted on a back-to-back model only. Four production sites in Europe: i) recycling of aluminium at two sites in Germany ii) copper recycling plant in Spain iii) production of steel pipes and tubes in Greece. Long-term partnerships with customers and suppliers, no one customer accounts for more than 3% of revenues. Operates in niche markets, between large trading houses and local market players.

2. The Group's Agribusiness **"Agricorp"**: comprising farming, food processing and trading of specialist food products. Growing and processing essential food products for the local markets in Africa with more than 90,000 hectares of land. Established and growing European food processing business and trader of specialist food products globally.

3. Logistics and Technology "**R-Logitech**": Managing ports and terminals and providing strategic logistics, procurement and maintenance services within the natural resources sector, mainly in Asia and Africa. Serving international blue-chip commodity groups, governments and international shipping companies.

(EUR millions)	**2015**	**2016**	**2017**
Revenue	450.4	438.2	656.0
Operating Profit	9.4	18.6	41.7
Total Assets	375.2	487.4	610.2
Cash	10.2	12.0	65.2
Equity	152.8	155.3	251.0

CREDIT CONSIDERATIONS

Strengths

- **Risk-averse business model**
  - All businesses only conduct back-to-back production and trading, no speculation on commodity prices
  - Non speculative hedging strategies
  - Focus on long term supply agreements – more than 50% of trading/marketing revenues derived from multi-year off-takes
  - More than 60% of metals production is via tolling agreements with major metal producers
  - Mitigating non-payment risk – payments are secured by advanced payment, investment grade letters of credit and credit insurance

- **Solid diversification**
  - Multiple business activities across natural resources segments, with trading and production demonstrating a strong diversity across commodity type, operation and geography
  - Diversified customer and supplier base, with top ten in each category accounting for less than 30% of revenues and 35% of costs respectively; low customer churn rate

FOR FURTHER DETAILS:

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CREDIT CONSIDERATIONS (CONT'D)

- **Availability of short-term financing**
  - Access to short-term financing (working capital and trade finance) is key – the Group has a history of strong access to funding
  - Diverse funding sources with varying maturities from multiple banking partners
  - Considerable headroom available on trade financing facilities

- **High barriers to entry**
  - Strong global supplier and customer network and physical supply chain – difficult for newcomers to replicate
  - Prohibitively large investment and licenses required to establish new production facilities

- **Strong credit metrics**
  - Solid equity ratio (41% at Full Year 2017)
  - Solid Operating Profit Margins (6.4% at Full Year 2017)
  - Healthy cash balance (EUR 65.2 million at Full Year 2017)

Risks and mitigating factors

- **Commodity consumption and trade tied to the global economic outlook, with China in particular a major driver for consumption and commodity prices and the US becoming more protectionist**
  - MRG has diverse geographical exposure with upside potential from Asia, which is currently not a major market for the group
  - MRG does not sell any of its own products to the US – only c 1% of the Group's total global margins are derived from the US
  - MRG's global network in marketing and trading allows it to pivot relatively quickly and the US tariffs could provide opportunities for the Group to secure product from countries whose products are now more competitively priced for US consumers
  - Diversified product portfolio counters potential weaknesses in particular geographies and product lines

- **Reliance on availability of short-term finance and trade finance lines**
  - Long-standing relationships with multiple banking partners
  - Trade finance facilities with observed headroom (50% utilised 2017 Full Year end)

- **Supplier risk**
  - Long-term off-take agreements in place
  - Group is further integrating production and trading activities in order to strengthen access to material inputs

- **Emerging market country risk**
  - The Group has a presence in 37 countries, some of which are in Africa. The Group has a long-standing execution capability in Western and Southern Africa and maintains a risk averse business model with the majority of income derived either in USD or EUR
  - Focuses on serving international governments (currently US and France) and international blue chip corporate clients operating in Africa
  - 78% of the Group's 2017 revenue was derived from Europe with 13% derived from its activities in Africa
  - More than 90% of the revenue in Africa was generated serving major international blue chip clients active in the region
  - The Group is a member of the Foundation of Prince Albert II of Monaco, whose purpose is to protect the environment and to encourage sustainable development. Environmental, Social and Governance principals are at the heart of the Group's operations. The Group invests in to education and health as part of a sustainable business approach, and has funded three new schools and a medical centre in West Africa

FUNDING REQUIREMENT

The proceeds of the bond are for general corporate purposes and for strategic acquisitions in MRG's core business activities as well as to expand its existing production facilities.

Secondary trading of this ORB Listed Bond will be assured by Cantor Fitzgerald Europe. The covenants for the program are to include minimum equity to debt coverage and a negative pledge. The indicative terms of this bond are in line with the Group's metals and minerals division's existing bonds listed on the Oslo and Frankfurt stock exchanges.

PREVIOUS ACQUISITIONS

Metals and Minerals

The Group acquired a team of ferrous traders in Germany and Austria in the fourth quarter of 2016 – the benefit of this can be seen in 2017, **with ferrous trading revenue increasing to EUR 190m in 2017 (2016: EUR 50m).** With the team, MRG were able to secure major contracts in the specialist steel automotive sector. In addition to sourcing specialist steel product for their clients, they track and monitor the product via their IT systems to ensure quality control. The Group is well integrated in to the supply chain of these clients making this long term 'sticky' business.

Early in 2017, the Group acquired a 50% stake in Stockach Aluminium, a producer of secondary slabs with a capacity of 50,000 mtpa. This strengthened its market position in the European aluminium industry. The Group is in the process of acquiring the remaining 50% stake and will increase its capacity to 90,000 mtpa. Aluminium secondary production revenues increased from EUR 54m in 2016 to EUR 115m in 2017. Clients include Norsk Hydro, Novelis, Aleris, Arconic.

The Group has a long track record of acquiring assets in special situations – in the metals space all of its production assets have been acquired at what they believe to be favourable prices – acquiring existing production sites at lower cost than their replacement value. This coupled with its global distribution network together with its focus on costs means it has carved out strong niches for its product. **The acquisitions contributed to the increase in gross margins for the metals and minerals division by 45% in 2017.**

Logistics and Technology

The Group made some specialist logistics acquisitions in 2017, taking a controlling stake in Nectar (ports and specialist handling and logistics), a UK headquartered company with a 40 year track record. Recognised blue chip clients (Louis Dreyfus, Guinness, Coca Cola, SAB Miller, Yara, World Food Programme). This acquisition provided them with a strong platform on which to expand further and in mid 2017, the Group acquired 19 subsidiaries of the French logistics group, Necotrans. The business has now been fully integrated and provides the Groups with a profitable business platform (2017 revenue of EUR 40.6m, EBITDA EUR 13m). Note: the French acquisition was only consolidated in the last quarter of 2017. These acquisitions were funded with group equity. Clients include Air Liquide, US and French governments, Holchim, CMA CGM, Total, Rhenus Logistics, Maersk Line.

Agribusiness

The Group increased its land under management to c. 90,000 hectares and operates farming businesses in Ghana, Republic of Congo, Republic of Guinea and Madagascar. MRG increased its footprint in food processing and trading, acquiring majority stakes in Karma Produce in Spain and Terranga CH SARL in Switzerland. Revenues more than doubled to EUR 19.2m in 2017.

SECONDARY BOND COMPARABLES INCLUDE

Issuer	Coupon	Type	Nominal	Maturity	Rating	Yield (1st June 2018)
Bunge Ltd Finance Corp	3.75%	Senior unsecured bond	USD 600m	Sep-27	Baa2 / BBB	4.40%
Glencore Funding LLC	4.13%	Senior unsecured bond	USD 1.5bn	May-23	Baa2 / BBB+	4.10%
Louis Dreyfus	5.25%	Senior unsecured bond	USD 300m	Jun-23	NR	5.70%
OLAM international	4.50%	Senior unsecured bond	USD 450m	Apr-21	NR	4.93%
Trafigura	5.25%	Senior unsecured bond	USD 400m	Mar-23	NR	5.42%

- **Metals and minerals division outstanding listed bonds**

Issuer	Coupon	Type	Nominal	Maturity	Rating	Yield (1st June 2018)
Metalcorp Group	7.00%	Senior unsecured	EUR 70m	Jun-22	NR	6.80%
Metalcorp Group	7.00%	Senior unsecured	EUR 80m	Oct-22	NR	5.82%