

# Elga Coal Complex Linked to Russia's United Energy Grid

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NERYUNGRI, Sept. 17, 2019 - Mechel PAO (NYSE: MTL, MOEX: MTLR), one of the leading Russian mining and metals companies, reports the launch of the Federal Grid Company of Unified Energy System (FGC UES)'s 220-kW Elgaugol electrical substation and 220-kW Prizeiskaya-Elgaugol electric power line. Federal Grid Company supplies the line with electricity from Russia's united energy system. The transfer to centralized electricity supply will enable Elgaugol OOO to dramatically slash energy costs and use more efficient equipment.

Construction of the electric grid objects for Elga Coal Complex's off-site power supply has thus completed its first stage. FGC UES constructed the 220-kW Elgaugol Substation and 1,080 supports, expanded its 220-kW substation Prizeiskaya. The power line originates at Prizeiskaya Substation located in Amur Region's Verkhnezeisk village, and stretches over 270 kilometers to reach Elgaugol Substation.

In the future, FGC UES will construct the 220-kW Prizeiskaya-Elgaugol second power line and expand Elgaugol Substation's capacity. FGC UES's investment will total 17.5 billion rubles.

As part of the project's first stage, Mechel in its turn provided the energy infrastructure at Elga Coal Complex's site, including 35-kW Alpha and Beta Substations, 159 supports and 26 kilometers of distribution circuits. Mechel Group's investment totaled 470 million rubles.

The project was launched in 2010, with the second stage due to be completed in 2023.

The power line's launch will ensure reliable electricity supply to Elga's production and amenity facilities and enable the complex to stop using diesel generators.

"Setting up an energy supply grid for Elga Coal Complex is part of the complex plan for modernization and expansion of energy infrastructure, developed by the Russian government for implementing the President's so-called May decree. This is one of Federal Grid Company's largest projects in the Far East, and the region as a whole will be our investment priority in the next five years," FGC UES's Chairman of the Board Andrey Murov said.

"The launch of electrical supply to Elga Coal Complex is by all means a historical moment that Mechel's team has long striven for. The power line will take us to a new production level, increased output and higher quality of life for our personnel living at Elga's rotation village," Mechel Mining Management OOO's Chief Executive Officer Igor Khafizov noted.

"Completion of this construction and linking Elga Coal Complex to a power line opens vast horizons for the deposit's further development. We have already begun acquiring more efficient mining equipment and will transfer our washing plant to electricity. As a result, the entire project will benefit economically, as transfer to an electrical supply means reducing our energy costs more than five times. This completes yet another stage of our strategy of creating a competitive, world-class production complex," Mechel PAO's Chief Executive Officer Oleg Korzhov commented.

The Elga deposit of high-quality coking coal is Russia's largest and is located in Southern Yakutia, in a remote area 415 kilometers away from Neryungri. The facility's staff totals over 1,600 people. In 2018, Elgaugol produced 4.9 million tonnes of coal.

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Mechel is an international mining and steel company. Its products are marketed in Europe, Asia, North and South America, Africa. Mechel unites producers of coal, iron ore concentrate, steel, rolled products, ferroalloys, heat and electric power. All of its enterprises work in a single production chain, from raw materials to high value-added products.

Elgaugol is developing one of the world's largest deposits of high-quality coking coal, with reserves estimated at 2.2 billion tonnes according to JORC. The deposit is located in South-East Yakutia. Mining at the deposit began in 2011. Traffic on Mechel-built 321-kilometer railroad linking the deposit with Baikal-Amur Mainline was launched in the same year.

Federal Grid Company of Unified Energy System (FGC UES) is one of the largest global electricity transmission companies based on the length of transmission lines. Those include some 145,900 kilometers of high-voltage power lines and 958 substations with the total power capacity of over 351,900 MVA. The company provides reliable electricity supply to customers in 79 Russian regions, servicing an area of some 15.1 million kilometers. It is part of Rosseti PSJC, Russia's largest energy holding which owns 80.13% of FGC's shares.

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