Mechel Reports Selling Elga Coal Complex and Completing Restructuring Process with State-Controlled Lender Banks

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MOSCOW, April 22, 2020 - Mechel PAO (MICEX:MTLR, NYSE:MTL), one of the leading Russian mining and metals companies, reports closing the deal on the sale of companies comprising Elga Coal Complex, and signing agreements with Gazprombank and VTB Bank prolonging the debt maturity of the credit lines by 10 years.

In accordance with this agreement, Mechel has sold its 51-percent of the shares of Elgaugol OOO, Elga-Doroga OOO and Mechel Trans Vostok OOO to A-Property OOO. The consideration amounted to 89 billion rubles, including the control premium. The buyer also fully settled Mechel's liabilities to the state development corporation VEB.RF, totaling 107 million US dollars.

At the same time, Mechel signed debt restructuring agreements with Gazprombank and VTB Bank, with proceeds from the sale of the 51-percent share in Elga Coal Complex used to repay the debt to the two banks in proportion to their share in Mechel Group's debt leverage. As such, 57.4% of the transaction amount will be used for early debt repayment to VTB Bank and 42.6% for repayment to Gazprombank. As a result of this and the waiver of the option to buy Gazprombank's 49-percent share in Elga, the company's overall debt leverage will go down by approximately 145 billion rubles.

The loans' debt maturity is extended by seven years to March 2027 with the option of an additional three-year extension. Other essential terms, including interest rates and loan collateral, remain unchanged.The overall restructured debt to Gazprombank and VTB Bank will total 237 billion rubles after Mechel repay part of its debt with proceeds received from selling Elga.

"With the current economic situation and our debt leverage in mind, we made a difficult but well-considered and informed decision to sell Elga Coal Complex. The funds we receive with this deal will be used to repay part of our loan obligations to VTB Bank and Gazprombank. Reduced debt leverage will help us implement our investment program aimed at increasing coal mining and processing at our Kuzbass and Yakutia facilities, as well as increasing output of high-margin products in our steel division. This will enable us to retain financial and social stability in Mechel Group's operations and ensure Mechel Group's further development," Mechel PAO's Chief Executive Officer Oleg Korzhov noted.

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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, ferro alloys, heat and electric power. All of its enterprises work in a single production chain, from raw materials to high value-added products.

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Elgaugol OOO is the developer of the Elga coal deposit in southeast Yakutia. It is 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 consists of major flat-lying seams up to 15 meters thick with minor overlying seams. Mining at the deposit began in 2011. Traffic along Mechel-built 321-kilometer railroad linking the deposit with the Baikal-Amur Mainline was launched in the same year. The Elga deposit is available for open-pit mining, which is much cheaper, more efficient and safer than underground mining. Elga coals are rare for the Russian coal market due to their high quality characteristics.

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