



## **NEWS RELEASE**

Thursday, July 24, 2014

# **Algoma Finalizes Agreement for Recapitalization and Refinancing of Capital Structure**

**SAULT STE. MARIE, ONTARIO, July 24, 2014** - Essar Steel Algoma Inc. ("Algoma") announced today that it has finalized the terms of its support agreement and corresponding equity commitment with the investment fund that is the ultimate owner of Algoma, Essar Global Fund Limited ("EGFL"), and holders (the "Ad Hoc Noteholder Committee") of more than 70% in principal amount of its 9.875% senior unsecured notes (the "Notes").

This agreement provides Algoma with a near-term capital infusion from EGFL of up to US\$100 million with the first US\$25 million installment payable within five business days. This cash infusion will ensure the appropriate liquidity required to complete scheduled capital improvements and allows for the seasonal raw material build. The agreement provides for a total equity infusion from EGFL of up to US\$300 million concurrent with the refinancing of all of Algoma's senior secured debt, which will substantially deleverage Algoma's balance sheet and reduce financing costs. In lieu of full repayment of the Notes, holders of the Notes will receive a cash payment equal to 32.5% of the amounts owing on the Notes plus a restructured, non-cash pay junior lien instrument equal to 55% of the amounts owing on the Notes, subject to certain call rights. The transaction is subject to, among other things, the execution of definitive documentation, completion of the consensual processes under the Canada Business Corporations Act, and will be completed on or before November 15, 2014.

"This agreement provides for a comprehensive capital infusion, a substantial deleveraging of our balance sheet and the refinancing of all of Algoma's senior secured debt. Our summary financial projections show EBITDA in the region of US\$300 million and cumulative unlevered free cash flows of over US\$700 million between FY2015 and FY2019 based on market pricing inputs under the new iron ore pricing contract. When combined with our strong business fundamentals, best quartile cost position and US\$90 per ton run-rate EBITDA Algoma is strongly positioned with the financial flexibility for the future" said Kalyan Ghosh, Chief Executive Officer of Algoma.

Further information regarding the details of the Plan of Arrangement and the related voting process will be outlined in the Management Proxy Circular, which will be distributed to unsecured noteholders and posted to Algoma's website. The Noticing Agent, Donlin Recano has also established a webpage at [www.donlinrecano.com/essarsteelcanada](http://www.donlinrecano.com/essarsteelcanada) and [www.donlinrecano.com/essarsteelus](http://www.donlinrecano.com/essarsteelus) where further documentation related to the process can be found.



The Blackstone Group, Kirkland & Ellis LLP, and Stikeman Elliott LLP represent Algoma as financial advisor and outside legal counsel, respectively. The Ad Hoc Noteholder Committee is represented by Lazard, Paul Weiss, Rifkind, Wharton & Garrison LLP, and Goodmans LLP.

This release is not an offer to sell or an offer to buy any securities.

### Forward-Looking Statements

This news release includes forward-looking statements. All statements, other than statements of historical facts, identified by words such as “assumes”, “plans”, “expects”, “believes”, “projects”, “aims”, “estimates”, “anticipates” and “will”, are forward-looking statements. The forward-looking statements provided in this news release are based on management’s current belief, based on currently available information, as to the outcome and timing of future events.

The transactions noted herein are subject to closing conditions.

**ABOUT ESSAR STEEL ALGOMA INC.:** Essar Steel Algoma Inc. is based in Sault Ste. Marie, Ontario. As a fully integrated steel producer, Algoma derives its revenues primarily from the manufacture and sale of hot and cold rolled steel products including sheet and plate.

**ABOUT ESSAR GLOBAL FUND LIMITED:** Essar Global Fund Limited (“EGFL”) is an investment fund managed by its investment manager, Essar Capital Limited. EGFL is a global investor, controlling a number of world-class assets diversified across the core sectors of Energy, Metals & Mining, Infrastructure (comprising ports and EPC businesses), and Services (primarily comprising shipping and BPO businesses). The aggregated revenues of the Fund’s portfolio companies total US\$35 billion. The Fund’s portfolio companies employ over 73,000 people across 29 countries, and have adopted international standards of health, safety, environmental protection, and corporate governance.

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