



NEWS RELEASE

For Immediate Release

Essar Steel Algoma Moves for Purchase Offer Approval

SAULT STE. MARIE – (June 17, 2016) – Essar Steel Algoma Inc. (“Essar Steel Algoma” or the “Company”) announced today that it has entered into an asset purchase agreement (“APA”) for the sale of substantially all of the Company’s assets to a consortium of bidders formed by KPS Capital Partners, LP (“KPS”) and the Company’s prepetition term lenders. The Company is serving a motion today with the Ontario Superior Court of Justice seeking approval of the APA.

KPS is a leading private equity firm in the manufacturing sector, with a track record for transforming businesses into vibrant independent companies.

The consortium bid includes cash consideration, a credit bid equivalent to the term loan, and the assumption of certain liabilities.

In addition to the court approval process, closing the transaction is subject to a number of conditions relating to employee and benefit matters including pension plans and collective agreements, capital projects, and environmental matters. The transaction is also subject to customary regulatory approvals.

“We are pleased that we have reached this point in the CCAA process and look forward to exiting. The new company formed by the consortium will securely position New Algoma with a capital structure to sustain all phases of the steel cycle,” said Kalyan Ghosh, President and CEO of Essar Steel Algoma. “We are also well within the timeline set out in our restructuring plan.”

Upon court approval of the sale, the parties will work to satisfy the conditions as set out in the Asset Purchase Agreement. The transaction is slated to close on or before August 31, 2016. In the interim it remains business as usual at Essar Steel Algoma.



Essar Steel Algoma

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

Essar Steel Algoma Inc. filed for creditor protection under the Companies Creditors Arrangement Act on November 9, 2015. The Sale and Investment Solicitation Process was launched on February 11, 2016. Relevant documents can be found on the Monitor's website at www.ey.com/ca/essaralgoma and on the Prime Clerk website at <http://cases.primeclerk.com/EssarSteel>.

About KPS

KPS is the manager of the KPS Special Situations Funds, a family of investment funds with approximately \$5.4 billion of assets under management. KPS seeks to realize significant capital appreciation by making controlling equity investments in companies across a diverse range of manufacturing industries experiencing a period of transition or challenged by the need to effect immediate and significant change. The KPS investment strategy is based primarily upon partnering with world-class management teams to effect material and sustainable improvements in the operations of its businesses. Thereafter, KPS focuses on growing its businesses, both organically and through strategic acquisitions. KPS portfolio companies have aggregate annual revenues of approximately \$5.1 billion, operate 93 manufacturing facilities in 23 countries, and employ approximately 41,000 associates, directly and through joint ventures worldwide. The KPS investment strategy and portfolio companies are described in detail at www.kpsfund.com.

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