

# Russia's VTB Agrees Preliminary Debt-Restructuring Deal With Mechel

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VTB Bank head Andrei Kostin

ST. PETERSBURG — Russian lender VTB has reached a preliminary agreement with mining company Mechel on restructuring its debt and is ready to postpone some of the company's debt repayments until 2018–19, chief executive Andrei Kostin said Friday.

Mechel, controlled by businessman Igor Zyuzin, has been discussing a debt restructuring with its main lenders, including VTB, Sberbank and Gazprombank.

The indebted miner, which employs 72,000 people, borrowed heavily before Russia's economic downturn, deepened by Western sanctions over the Ukraine crisis and a collapse in global oil prices, the country's main export commodity.

"In principle, we have agreed on initial plans with Mechel," Kostin told reporters at a banking conference in Russia's second city of St. Petersburg. "They are that [Mechel] will restructure

the amortization of its main debt in 2015-16 and we will postpone [payment obligations] until 2018-19."

Mechel will be required to meet a number of conditions, including payment of about 4 billion rubles (\$71.4 million) in debt arrears and providing additional collateral and guarantees, Kostin said.

"If Mechel meets these conditions, we plan to sign an agreement on debt restructuring by the end of June or early July," Kostin said. "If not, then we will return to the legal action that we have postponed but not canceled."

Mechel's shares traded up almost 9 percent on the Moscow exchange following Kostin's comments. The miner had an estimated net debt of \$6.8 billion at the end of last year.

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