

Erste Group and BCR sign EUR 50 million loan with Mechel Group in Romania

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Erste Group Bank AG (Erste Group) and its Romanian subsidiary Banca Comerciala Romana (BCR) are granting a EUR 50 million loan to four Romanian steel production facilities, part of the Mechel holding. In 2010, iron & steel was one of the top 10 fastest growing industries in Romania, expanding by 35.1%. Over the next decade, iron & steel production in Romania is expected to continue growing by 4.1% a year on average.

“Both Erste Group and BCR are supporting Mechel's development in Romania since 2007. Mechel has invested and continues to invest in Romania – this is proven by its continued capital expenditure in its local production facilities. The newly increased facility, in the current market conditions, demonstrates Erste Group's support to Mechel; we look forward to continuing our partnership with Mechel's operations in CEE”, stated Gernot Heschl, Head of Group Large Corporates at Erste Group.

Mechel Group had already accessed a EUR 30 million multi-borrower facility from Erste Group and BCR in 2010, as well as a local overdraft line of EUR 5 million from BCR, which are now extended to a EUR 50 million multi-currency multi-borrower revolving facility. The loan will be used by the four enterprises to finance their working capital needs, has a 1-year tenor and is granted with material guarantees (stocks and receivables) as well as a guarantee letter from the parent company Mechel OAO.

“The expansion of our relationship with Erste Group is based on the positive experience between Erste Group and Mechel's Romanian production facilities, as well as on the solid corporate relationship we have. We already have a solid base for further cooperation. The new increased facility, in the current market conditions, testifies to our longstanding relationship and is a sign of trust that Erste Group shows to Mechel Group” stated Yury Gushchin, general manager for Mechel East European Metallurgical Division

Mechel is one of the leading Russian companies; its business includes four segments: mining, steel, ferroalloy and power. Mechel unites producers of coal, iron ore concentrate, nickel, steel, ferrochrome, ferrosilicon, rolled products, hardware, heat and electric power. The holding has been present in Romania since 2002 through 6 metallurgical units: Mechel Targoviste, Mechel Reparatii, Mechel Campia Turzii, Ductil Steel Buzau, Ductil Steel Otelu Rosu and Laminorul Braila. Mechel's products are sold in Romania and abroad. Key destinations for export are Czech Republic, Hungary, Germany, Italy, Poland, Turkey as well as neighbour countries such as Serbia and Bulgaria.

Overall industrial production in Romania (manufacturing, extraction and utilities) is forecast to rise by 7.5% in 2011 and expand by 6.3% in 2012, significantly above the world industrial production of 4.9% in 2011 and rise of 5.0% in 2012. Over the next 10 years industrial production in Romania is expected to grow on average by 5.7% a year, compared with a growth rate of 4.3% a year worldwide. Romania's GDP is expected to rise by 1.4% in 2011 and expand by 1.9% in 2012.