

Separation of Nordgold

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Press-release: OAO Severstal Announces Proposed Separation of Nord Gold N.V. Through Exchange of Shares and GDRs

OAO Severstal (*Severstal*) announces that its subsidiary, Nord Gold N.V. (*Nordgold*), an established pure-play gold producer focused on emerging markets, may be separated from its Severstal Group integrated steel operations.

The separation will be made by means of exchanges by its wholly owned indirect subsidiary, Lybica Holdings B.V. (*Lybica*), of 100% of the shares of Nordgold owned by Lybica for Severstal shares and Severstal GDRs held by Severstal's existing shareholders and GDR holders. The separation is expected to be completed by late January 2012.

Chris Clark, Chairman of Severstal's Board of Directors, said: "The transaction reflects a desire among our shareholders for Severstal to focus on its core strengths while also providing an opportunity for them to retain an interest in an established pure-play gold producer. The proposed separation will allow both Severstal and Nordgold to benefit from more focused operations and to continue to enjoy their market leading positions in the future, while providing shareholders more flexibility with their investment strategies."

Reasons for and benefits of the separation

Members of Severstal's board of directors expressed views that the separation of Nordgold from Severstal, if implemented as proposed, will:-

- allow Nordgold and Severstal to focus on their respective core areas of activity and to adopt tailored business models, managerial approaches and reporting structures to reflect different positions in markets and geographies where they operate;
- enhance Nordgold's industry profile substantially by positioning it as a new independent pure-play gold producer with a diverse portfolio of producing assets in West Africa, Russia and Kazakhstan and an attractive growth profile;
- increase Nordgold's competitiveness by allowing it to react faster and with more flexibility to changing market developments than it can do now as the part of a large group with operations in other business sectors;
- provide Nordgold with a direct access to financing and growth

opportunities that may not be currently available to it as Severstal's subsidiary;

- create a platform for potential further expansion of Nordgold's business through acquisitions in emerging markets, including in geographies outside of Severstal's traditional areas of operations;
- allow existing Severstal security holders (within limitations of relevant laws) to participate in the ownership of both Nordgold and Severstal giving regard to shareholder preferences and without requiring additional cash investments from existing investors; and
- provide future investors with the opportunity to invest in each company with a more homogeneous business and risk profile in accordance with investors' own risk preferences and investment strategies.

The Exchanges

To provide minority shareholders of Severstal with the opportunity to retain their investments in Nordgold, Lybica will give to qualifying minority holders of Severstal shares and Severstal GDRs the option to exchange any number of their Severstal shares and/or GDRs for GDRs in Nordgold (the **Minority Exchange**). The Minority Exchange will allow participating minorities to receive Nordgold GDRs representing a proportion of Nordgold's total shares of up to the proportion of Severstal held by minorities, in the aggregate, as of the record date. The proportion of Nordgold's total shares, represented by GDRs, available for the Minority Exchange will not exceed the proportion of Severstal's total shares held by minorities as of the record date.

It is a condition to the Minority Exchange that acceptances be sufficient such that at least 5% of Nordgold's share capital would be held by minority shareholders. If this condition is satisfied, Nordgold will apply to list the Nordgold GDRs on the London Stock Exchange. If this condition is not satisfied, Lybica will not proceed with the Minority Exchange.

Concurrently, Lybica and Rayglow Limited (**Rayglow**), an entity controlled by Mr. Alexei Mordashov, Severstal's controlling shareholder, have entered into arrangements to exchange Severstal shares and Severstal GDRs owned by Rayglow for shares in Nordgold (the **Rayglow Exchange**). Under the terms of the Rayglow Exchange, Rayglow has agreed that it will acquire any Nordgold shares not taken up by minorities participating in the Minority Exchange.

As a result of the Minority Exchange and Rayglow Exchange (together the **Exchanges**), Lybica will receive Severstal shares and/or GDRs equal to approximately 192.9 million or 19.14% of Severstal's total issued shares outstanding. It is intended that 30 million Severstal shares and/or GDRs acquired by Lybica pursuant to the Exchanges will continue to be owned by Lybica and will be used for general corporate purposes. There are no current plans by Lybica to reissue these shares. It is further intended that the remaining shares and/or GDRs (approximately 162.9 million) acquired by Lybica pursuant to the Exchanges will be transferred to Severstal treasury and cancelled in due course. Lybica does not intend to vote any of the Severstal shares acquired in the Exchanges at Severstal Shareholder meetings.

The exchange ratio for the Exchanges is 100 Severstal Shares or GDRs for

186 Nordgold shares and/or GDRs, after giving effect to a planned 2:1 reverse stock split of Nordgold shares (1 Nordgold GDR represents 1 Nordgold share). The board of directors of Severstal has received fairness opinions from each of Citi and Deutsche Bank as to the fairness, from a financial point of view, of the exchange ratio to Severstal as of 29 November 2011.

The board of directors of Severstal, having considered the terms of the Exchanges and the fairness opinions of Citi and Deutsche Bank, believes that the Exchanges are fair to Severstal from a financial point of view.

To meet legal requirements in various jurisdictions, participation in the Minority Exchange will be limited to Severstal shareholders who qualify as "qualified investors" or "qualified institutional buyers" in accordance with the laws of the states of the European Economic Area (except Italy), the Russian Federation, the United States of America and certain other jurisdictions. Ability to participate in the Minority Exchange is expected to expire on or about 13 January 2012.

More information regarding the Minority Exchange will be made available to qualifying shareholders in Russia through CJSC Invest-Telecom, exchange@invest-telecom.ru, 3rd floor, 21, entrance 3, Trubnaya Street, Moscow 127051, Russia, and to GDRs holders through Deutsche Bank, tss-gds.row@db.com, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

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A restricted investor and analyst call will be held at 1:00 p.m. London time (5:00 p.m. Moscow time). The conference call number will be available on the above Shareholder Hotline number. Access to the call (and the conference call number) will be limited to qualified investors in the EU and Russia and to qualified institutional buyers in the US.

Nothing in this document constitutes an advertisement or offer or an invitation to make offers or to purchase, any securities in any jurisdiction.

The securities to which this announcement relates (other than Severstal shares) have not been and will not be registered in the Russian Federation or admitted to public placement and/or public circulation in the Russian Federation and may not be offered or sold in the Russian Federation except as provided by Russian law.

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Citigroup Global Markets Limited and Deutsche Bank AG, acting through its London branch, both of which are authorised and regulated in the United Kingdom by the Financial Services Authority, are acting exclusively for Lybica and Severstal and no-one else in connection with the transactions described in this announcement. They will not regard any other person as their respective clients in relation to the transactions described in this announcement and will not be responsible to anyone other than Lybica and Severstal for providing the protections afforded to their respective clients, nor for providing advice in relation to the transactions described in this announcement, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other

variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect either Severstal, Lybica or Nordgold's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the group's business, results of operations, financial position, liquidity, prospects, growth and strategies. Forward-looking statements speak only as of the date they are made.

Адрес оригинала:

<http://www.severstal.com/eng/ir/disclosure/rns/document5298.phtml>

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