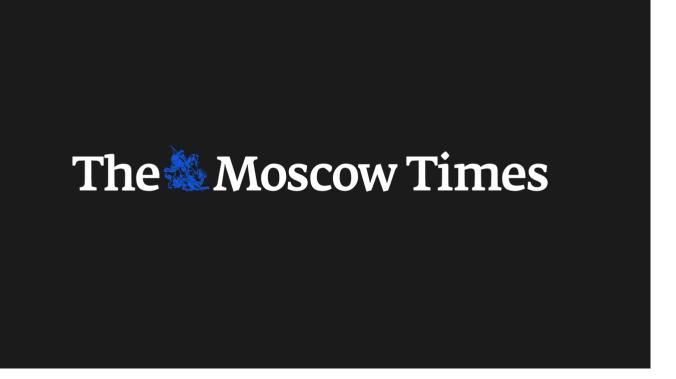


## Severstal's Gold Miner Split-Off Is Successful

By Irina Filatova

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Steel giant Severstal said Monday that enough minority shareholders agreed to swap the steelmaker's shares for the securities of its gold-mining unit Nord Gold, paving the way for the unit's London listing later this week.

Investors tendered a total of 20.3 million Severstal securities, which represent about 10.6 percent of Nord Gold stock, above the 5 percent threshold required for the gold miner's listing, Severstal said in a statement.

The split-off will result in Nord Gold becoming the country's fourth-largest gold producer and will allow both companies to focus entirely on their core businesses.

The swap of Nord Gold's Global Depositary Receipts — owned by the steelmaker's subsidiary Lybica — for Severstal's GDRs is slated for Wednesday, to be followed by the gold miner's listing on the London Stock Exchange on Thursday, while the exchange for Severstal's

ordinary shares is scheduled for late January, the statement said.

Severstal's majority owner Alexei Mordashov will acquire Nord Gold's remaining stock that wasn't taken up in the swap to bring his stake in the gold miner to 89.4 percent.

"We view the results of the exchange positively — it's in line with our expectations," said Severstal's chief financial officer Alexei Kulichenko. The number of minority shareholders participating in the exchange proves that "it was a fair option," he said in a telephone interview with The Moscow Times.

"The free float of more than 10 percent is a good starting point. We thank the investors that initially invested in the steel production business and chose to become Nord Gold shareholders. It's an indication of trust that I'm sure we'll justify," said Nikolai Zelensky, chief executive of Nord Gold.

In February, Nord Gold targeted a \$1 billion initial public offering in London but had to delay the listing, citing unfavorable market conditions. The company planned to list at least 25 percent of its shares.

Nord Gold's split-off brings the company's valuation to about \$2.7 billion compared with \$3 billion to \$4 billion ahead of last year's IPO, said Andrei Tretelnikov, an analyst at Rye, Man & Gor Securities.

"That means the company has a potential for growth. But it has yet to prove its operational efficiency and the ability to fulfill the ambitious plans it has set," he said by telephone.

As an independent company, Nord Gold plans to continue increasing output. The company targets production of 800,000 to 850,000 ounces of gold this year, Zelensky said.

The gold miner, which focuses primarily on emerging markets, is also considering acquisition options in Russia and other markets including Africa, he said.

After separating its gold unit, Severstal will focus on its core business, said Chris Clark, chairman of the company's board of directors.

Nord Gold's split-off "marks the end of Severstal's successful involvement in gold," he said in the statement.

But Severstal expects this year to be more difficult for the domestic steel industry compared with 2011 amid weak demand from Europe, which is struggling to fight its debt crisis, Kulichenko said.

"The uncertainty on the global markets might put pressure on prices, but the emerging markets will be the major driver that will allow us to retain our financial performance at an acceptable level," he said.

The average prices for hot-rolled steel are expected to slide 10 percent to 15 percent this year from \$730 per ton in 2011, Tretelnikov said.

Kulichenko said the steelmaker expects this year's output to reach 10 million to 11 million tons

in Russia and about 4 million tons in the United States.

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