



## *Nord Gold N.V. Separation*

*December 5, 2011. London*

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- » Strategic decision taken a year ago to focus on core vertically integrated steel and mining operations and separate growing gold mining business
- » IPO aborted in early 2011 due to unfavorable market conditions
- » Various execution alternatives subsequently considered (split-off, spin-off, public offering and asset sale)
- » Announced Exchange Offer considered optimal route to achieve separation



# Rationale for the Separation



» Allow Nord Gold N.V. (“Nordgold”) and Severstal to focus on their respective core areas of activity



» Position Nordgold as a new high-growth independent pure-play gold producer with a diverse portfolio of producing assets in West Africa, Russia and Kazakhstan



» Increase Nordgold’s competitiveness by allowing it to react faster and with more flexibility to changing market developments



» 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 qualified Severstal shareholders and GDR holders to participate in the ownership of both Nordgold and Severstal without requiring additional investments



» Provide future investors with the opportunity to invest in each company

# Transaction Details

## Private Exchange Offers (PEO) Mechanism

- » Exchanges by Lybica Holdings B.V. (“Lybica”) (100%-owned subsidiary of Severstal), of 100% of shares of Nordgold for Severstal shares and/or GDRs
- » Qualifying minority holders of Severstal shares and/or GDRs have the option to exchange any number of their Severstal shares and/or GDRs for GDRs in Nordgold . As a class, minority shareholders have priority over Alexei Mordashov for up to 17.06% of Nordgold’s share capital. It is a condition to the PEO (Private Exchange Offers) that at least 5% of Nordgold’s share capital would be held by minority shareholders
- » Alexei Mordashov has agreed that he will acquire any Nordgold shares not taken up by minorities participating in the PEO
- » 30m of Severstal shares and/or GDRs acquired by Lybica will continue to be owned by Lybica and used for general corporate purposes. There are no current plans by Lybica to reissue these shares. Remaining shares and/or GDRs (approximately 162.9m) will be transferred to Severstal treasury and cancelled in due course
- » PEO was announced and is open for acceptances on 30 November 2011
- Record date is 29 November 2011 for both shares and GDRs
- Deadline for acceptances is 13 January 2012. Estimated completion of the PEO on 27 January 2012

## Listing

- » If at least 5% of Nordgold’s share capital would be held by minority shareholders, Nordgold will apply to list the Nordgold GDRs on the London Stock Exchange

## Exchange Ratio

- » 100 Severstal Shares and/or GDRs for 186 Nordgold shares or GDRs (1 Nordgold GDR represents 1 Nordgold share)

## Key Conditions

- » Receipt of required regulatory approvals
- » At least 5% of Nordgold’s share capital should be held by minority shareholders. If this condition is not satisfied, Alexei Mordashov will acquire 100% of Nordgold through share exchange
- » Satisfaction of conditions of listing of Nordgold’s GDRs on the London Stock Exchange



# Transaction Timeline

GDR holders will always have listed securities while there may be 3 trading days when securities are restricted from trading with target listing on January 18<sup>th</sup>

- Announcement of Severstal GDR tenders and Share Forms of Acceptance received, satisfaction of the 5% Condition and the Severstal GDRs Settlement Date (or that such date will be delayed pending satisfaction of the Severstal Share Delivery Condition)

- Expiration of Severstal Shares Delivery Period; anticipated satisfaction of Severstal Share Delivery Condition

- Severstal Shares Settlement Date, the expected settlement date of the Private Exchange Offers in relation to tendered Severstal Shares delivered by the end of the Severstal Shares Delivery Period
- Announcement of completion of the Private Exchange Offers

30 Nov  
2011

13 Jan  
2012

16 Jan  
2012

18 Jan  
2012

24 Jan  
2012

25 Jan  
2012

27 Jan  
2012

- Private Exchange Offers Document made available to Eligible Severstal Securityholders and Private Exchange Offers open for acceptances

- The Expiration Time or deadline for acceptances of the Private Exchange Offers for Severstal Shares and GDRs

- Severstal GDRs Settlement Date, the settlement date of the Private Exchange Offers in relation to tendered Severstal GDRs
- Admission of new Nordgold GDRs to the Standard Listing segment of the Official List and to trading on the London Stock Exchange

- Announcement of Severstal Share deliveries received

# Illustrative example of PEO

Qualified shareholders of Severstal will have three options:

- **Option 1:** Do not participate in the PEO and retain stake in Severstal – they will remain shareholders in steel business only but their stake in the steel business will increase
- **Option 2:** Exchange pro-rata to their shareholding in Severstal – they will retain status-quo shareholdings in both steel and gold businesses
- **Option 3:** Exchange more shares and/or GDRs of Severstal – they will reduce their shareholding in steel business but will increase shareholding in gold business

## Severstal shares cancellation illustration

	Severstal	Nordgold
Shares pre-PEO	1,007,701,355	358,794,180
Exchange ratio	100	186
Severstal shares bought back, including:	(192,900,097)	
Shares kept in treasury	(30,000,000)	
Shares cancelled	(162,900,097)	
Shares post-PEO (including 30 million treasury shares)	844,801,258	358,794,180
Maximum minorities stake	17.06%	17.06%
Maximum shares for minorities participation	32,908,757	61,210,287

(1) Reflecting economic impact of shares kept in treasury and shares to be cancelled

(2) Assuming some other minorities do not participate and increased stake in Nordgold is available

(3) Minorities take up in Nordgold cannot be more than 17.06%

## Example for Severstal shareholder with 1% stake

	Severstal	Nordgold
Shareholder initial shares	10,077,014	
Shareholder initial economic interest	1.00%	

### Option 1: Shareholder does not participate in PEO

Resulting number of shares	10,077,014	0
Resulting economic interest <sup>(1)</sup>	1.24%	0.00%

### Option 2: Shareholder participates pro-rata

Resulting number of shares	8,148,013	3,587,942
Resulting economic interest <sup>(1)</sup>	1.00%	1.00%

### Option 3: Shareholder exchanges all shares in Severstal

Resulting number of shares	0	18,743,245
Resulting economic interest <sup>(2),(3)</sup>	0.00%	5.22%

# Key Takeaways

- » Optimal structure among various separation alternatives
- » Minorities have the right to choose whether to increase their exposure to steel or gold businesses or retain status-quo
- » Value neutral transaction – one asset (Nordgold) is exchanged for another asset (Severstal shares bought back)
- » Minorities have priority over Alexei Mordashov to receive Nordgold GDRs not taken up by non-participating minorities up to 17% of Nordgold