



**Russia's Evraz, Norilsk Nickel ink U.S. deals**

Oregon Steel Mills to be bought by Evraz for \$2.3 billion

By Steve Goldstein, MarketWatch

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LONDON (MarketWatch) -- Evraz Group and Norilsk Nickel each said on Monday they were buying assets in the U.S., as the Russian metals groups eye developed markets for expansion. Evraz (UK:EVR) said it has agreed to buy Oregon Steel Mills (OS) for \$2.3 billion, or \$63.25 a share in cash. The offer represents a premium of 22.3% to Oregon Steel's three-month volume weighted average stock price.

Oregon Steel shares climbed 9.1% at \$64.02 in opening New York trade, suggesting some think a better offer may be forthcoming. London-listed Evraz shares slipped 0.6%.

"The acquisition of Oregon Steel represents a solid platform for Evraz as a footprint in North America, one of the most important markets globally," said Evraz Chairman Alexander Frolov in a statement. "This will secure an important place on the attractive plate market and in the expanding pipe business in North America."

Evraz expects that Oregon Steel will maintain its head office in Portland, Oregon, and does not expect any material changes to its personnel.

Roman Abramovich, the Russian billionaire and owner of the Chelsea soccer team, holds 41% of Evraz shares.

Michael Kavanagh, an analyst at Russia's MDM Bank, said Evraz paid a "reasonable" price-to-earnings premium of 13.4 on the deal.

"The acquisition also allows the company to enter the premium U.S. steel market via Oregon's key focus on pipes for the oil and gas industry and the local market for long products," he added in a note to clients. Separately, Norilsk Nickel (NILSY) agreed to buy the nickel assets of OM Group (OMG) for \$408 million cash, plus a potential post-closing adjustment.

OM Group, a Cleveland maker of metals-based specialty chemicals, said it wanted to divest non-core assets.

When the deal closes, likely in the first quarter, the companies will enter an accord under which OM will supply metals, chemicals and materials to Norilsk, OM Group said.

OM Group were off 0.4% in opening New York trade. Norilsk shares were steady in Moscow trading. The Evraz and Norilsk Nickel deals come amid speculation that OAO Severstal, a Russian steel maker, is interested in buying U.S. Steel. That speculation pushed U.S. Steel shares 9% higher on Friday.

Severstal earlier tried and failed to merge with Arcelor, the European steel giant. Arcelor eventually was acquired by Mittal Steel.

Two other companies in the so-called BRIC region -- Brazil's Companhia Siderurgica Nacional (SID) and India's Tata Steel -- each are trying to buy Corus Group (CGA) , an Anglo-Dutch steelmaker. Christopher Kummer, a director of the Institute of Mergers, Acquisitions and Alliances in Vienna, said companies in the developing world increasingly have the same tools as those in Western countries.

"They have Western-style management style in place, and they don't refrain from using M&A to meet their strategic aims," he said.

Steve Goldstein is MarketWatch's London bureau chief.