



## Novolipetsk Steel to Acquire Beta Steel for US\$400 million

Moscow, Russia. Novolipetsk Steel (LSE: NLMK), the leading Russian steel producer, has today signed a definitive agreement to acquire Beta Steel, a U.S. hot-rolled steel producer, from a group of private shareholders for an all cash consideration of USD400 million, on a debt free, cash free basis. The transaction is subject to customary regulatory approvals and is expected to close in the fourth quarter of 2008.

Beta Steel operates an Electric Arc Furnace (EAF) melt shop of 800,000 short tpa (725 000 metric tpa) capacity and a hot strip rolling mill of 1,200,000 short tpa (1 100 000 metric tpa) capacity. In FY2007, the company's sales volume reached 602,000 short tons (547,000 metric tonnes), revenues were USD324 million, with EBITDA of USD21 million.

The rationale for the transaction is to secure additional upstream integration with the assets of John Maneely Company (JMC), one of the largest US based pipe and tube producers which NLMK agreed to acquire in August 2008. Beta Steel is an independent steel producer specializing in the production of hot rolled flat steel. Over 35% of Beta Steel's total output is currently sold to pipe and tube producers. Strategically located in Portage (IN), in immediate proximity to JMC's Atlas division assets, Beta Steel is one of the suppliers of pipe HRC to JMC's Atlas division. The company is a perfect match to support JMC's future growth with an increased supply to JMC's Atlas division while remaining an active player in the US HRC market. NLMK plans to increase Beta Steel's HRC output through debottlenecking existing operations as well as supplying its own slabs for re-rolling.

The acquisition of Beta Steel is fully consistent with NLMK's stated strategy of product diversification and increasing sales of finished products in its core markets. The transaction allows NLMK to shape a new, vertically integrated pipe and tube player in the North American market. The combined entity will enjoy sustainable HRC supplies from NLMK's Beta Steel and Farrell supported by competitive slab supply from NLMK's Russian operations. Overall, this combination creates a solid basis for further growth of production, revenues and earnings of NLMK's US assets.

Commenting on the acquisition, Alexey Lapshin, President and CEO of NLMK, said:

"We believe that the acquisition of Beta Steel is a timely and matching fit, which will develop our North American presence, increase the sustainability of operations of JMC's pipe and tube division and provide a solid basis for the future growth of our US operations. We will work closely with the management of Beta Steel to facilitate smooth integration, to extract maximum operational synergies, and to ensure further production growth. This acquisition is fully in line with our commitment to develop a strong footprint in the US high value added finished steel market."

The transaction will be financed from NLMK's existing cash funds and available credit lines.

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**Novolipetsk Steel (NLMK)**

Headquartered in Lipetsk, Russia, NLMK is a leading steel producer with annual revenues of approximately US\$7.7 billion in 2007 and 70,000 employees in production facilities across Russia, Europe and the United States. NLMK's shares are traded in Russia, and on the London Stock Exchange. NLMK produces a variety of steel products such as slabs and billets, hot rolled, cold rolled, galvanized and electrical sheet, rebar, plate and other high value-added products. In 2007, NLMK sold its products in more than 80 countries.

**Beta Steel**

Located in Portage, Indiana, Beta Steel is a HRC producer specializing in the production and sale of hot rolled coils primarily to pipe and tube manufacturers and steel service centers. The company operates an EAF melt shop of 725,000 metric tpa capacity and a hot strip rolling mill of 1,100,000 metric tpa capacity, and employs 350 people. The company, established in 1992, has modern and well invested production facilities allowing it supply a wide range of high quality HRC products.