

Evraz to Buy Oregon Steel for \$2.3 Billion

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Portland, Ore. -- Russia's biggest steelmaker, Evraz Group SA, said Monday it is buying Oregon Steel Mills for \$2.3 billion in cash, making it one of the largest investments ever by a Russian company in the U.S. economy.

The transaction comes as tensions are escalating between western oil companies and Russia over government moves to limit their access to oil and natural gas fields there. But it also follows by a day President Bush signing an agreement with Russian President Vladimir Putin at the APEC summit in Vietnam clearing the way for Russia to enter the World Trade Organization.

Steel industry analysts said foreign companies have made considerable inroads into ownership of U.S. steel companies over the past few years, including the acquisition of Michigan-based Severstal North America, formerly the Rouge Steel Co., now owned by Russia's SeverStal Group.

But analysts said the Evraz-Oregon Steel deal could be the highest bid ever by a Russian company for a U.S.-based steel company. "They want to get into the U.S. market," said analyst Michael Locker, author of the *Steel Industry Update* newsletter, of Evraz. "The best way is to buy assets, and there are not many left that are good to buy."

Oregon Steel officials say they don't expect any backlash over who owns the company, which employs about 1,000 at a Colorado steel plant, 400 in Alberta and 600 in Portland. "I don't think from a company perspective there will be any changes," Ray Adams, Oregon Steel's chief financial officer, said in an interview. "The buyer of the company indicated management will stay in place. Management thinks the place is being run pretty good." The combined company will produce more than 16.8 million metric tons of crude steel a year and will have more than 17.4 million tons of steel shipments in 2006.

Mark Parr, a Cleveland-based analyst with McDonald Investments Inc., said Oregon Steel's market position should not be "materially challenged" as a result of the potential combination with Evraz, calling the proposed merger, "just another in a long string of consolidation activity that we have seen." Both companies are already strong competitors in the steel industry, he said, adding that, "on the surface, it looks like a very good deal for both parties."

Evraz will pay \$63.25 per share in cash for Oregon Steel, 7 percent above its closing price on Friday and a 22.3 percent premium to Oregon Steel's three-month average stock price. Shares of Oregon Steel rose \$4.81, or more than 8 percent, to close at \$63.50 -- above the offered price -- on the New York Stock Exchange.

Oregon Steel's board of directors has unanimously recommended the company's shareholders accept the offer. The deal also needs to be approved by antitrust and other regulators. Evraz announced in April that it would purchase a 73 percent stake in Danbury, Conn.-based Strategic Minerals Corp. for \$110 million. The deal was approved by European Union regulators in August.

In June, a 41 percent stake in Evraz was acquired by billionaire tycoon Roman Abramovich. Oregon Steel Mills produces more than 1.8 million tons of specialty and commodity steel products annually, according to the company's Web site. Headquartered in Portland, it also has operations in Pueblo, Colo; and Alberta, Canada.

The company makes products that are used for pipes that transport oil and natural gas, train rails and rail cars, among other things. Last month the company reported its net income for the first nine months of 2006 was a record \$127.9 million. Adams said the acquisition has been in the works for "a couple months."

Oregon Steel was founded by William G. Gilmore in 1926 as the Gilmore Steel Corporation. It changed its name to Oregon Steel Mills Inc. in 1987.
