Commission de Surveillance du Secteur Financier

PRESS RELEASE

In order to ensure the proper operation of the markets, the *Commission de Surveillance du Secteur Financier* (CSSF) has decided, as an exceptional measure, to communicate to the public certain elements of interpretation of Luxembourg law in order to clarify, complete or correct information available in respect of the proposed transaction between Arcelor and Severstal. On 26 May 2006, Arcelor and Severstal announced that they had agreed to merge. This information was to be considered as price sensitive and had to be disclosed as soon as possible (under the condition that more detailed information would follow). In the announcement it was explained that Mr. Alexey A. Mordashov, Severstal's controlling shareholder, will contribute all of his economic interests in Severstal to Arcelor and will also contribute a cash payment of EUR1.25 billion to Arcelor in exchange for shares to be issued at a price of EUR44 per share. It was further announced that Mr. Mordashov will receive 295 million newly issued shares, representing approximately 32% of the enlarged Arcelor.

The CSSF, as competent authority, had to analyse those facts in respect of the law of 19 may 2006 concerning takeover bids (LTB). The fact that the board of directors could issue such an amount of shares is legal under Luxembourg corporate law und does not trigger the threshold of 33.33% set out in article 5(1) of the LTB. However, Mr. Mordashov's proposed holding of approximately 32% of the share capital of Arcelor could possibly increase above the relevant level as a result of the buy back (OPRA) announced in April by the board of directors of Arcelor and still to be decided upon by the shareholders of Arcelor. In this respect, the Luxembourg legislator had generally chosen, by enacting the relevant wording of article 5(1) of the LTB, that the mandatory bid rule will only be triggered if the relevant threshold is passed by way of acquisition of shares. If a stake / portion of voting rights, initially situated under the threshold, exceeds the latter due to reasons other than the acquisition of shares, the mandatory bid rule contained in article 5(1) of the LTB is not triggered.

Given the effect of the possible buy-back (and cancellation) by Arcelor of its own shares, the CSSF has however imposed certain conditions on Arcelor:

- Arcelor and Severstal had to certify in writing to the CSSF that the issue of new shares and the OPRA have both been initiated independently and not for the sole purpose to circumvent the law.
- The public and the shareholders of Arcelor shall be fully informed of all essential and material elements of the transaction (including the evaluation of both companies, the determination method of the price and the corporate governance) and its consequences for the company.
- The general meeting of shareholders deciding in accordance with Luxembourg corporate law whether the buy-back will effectively take place – and thereby implicitly also deciding whether the stake of shareholders not participating in the buy-back (including Mr. Mordashov) will automatically rise – must be fully informed of that effect and all material information on the buy-back (including the determination method of the price) has to be disclosed before shareholders may reach an informed decision.

- Mr. Mordashov will neither be allowed to participate in the general meeting of shareholders deciding on the buy-back nor to participate in the OPRA by tendering any of his shares.
- The cash payment of EUR1.25 billion made by Mr. Mordashov may under no circumstances by used by Arcelor in relation to the OPRA and will be transferred to a blocked account.
- Arcelor had to confirm to the CSSF that the existing distributable reserves of the company allow the financing of the OPRA.
- In the event Mr. Mordashov's shareholding in Arcelor were to exceed the relevant threshold as a result of the proposed share buy back, any subsequent acquisition of shares by Mr. Mordashov will trigger the mandatory bid rule.

Finally, the CSSF will ensure that the general principle that shareholders must receive all relevant information in order to take an informed decision and to freely choose between the options that they are offered is respected by all parties involved.

Luxembourg, 2 June 2006