



## Severstal Proposes Substantially Improved Merger Terms To Arcelor

- Mordashov to reduce his equity stake to 25% from 32%
- €2 billion improvement to Arcelor shareholders
- Removal of Strategic Committee
- No intention to increase stake above 33% without a full tender offer
- Information memorandum posted on Severstal website

*New York, N.Y. – June 20, 2006* – Severstal, the largest Russian steel company, announced today that it has proposed to the Board of Directors of Arcelor, the world's number one steel company, to substantially improve the terms of their merger agreement announced on May 26, 2006. The proposal is in response to investor feedback provided by Arcelor's shareholders over the course of the last several weeks.

Severstal proposes the following changes to the merger agreement:

- Mr. Mordashov will now receive 210 million new Arcelor shares (previously 295 million), representing approximately 25% of the enlarged company (previously 32%).
- The Strategic Committee will be eliminated. In return, Mr Mordashov will be free to vote his shares in line with normal shareholder practice and the standstill and lockup provisions will be eliminated
- The cash contribution from Mr. Mordashov of €1.25 billion will no longer be included
- In all other respects, the merger agreement will remain unchanged

The revised terms are significantly more attractive for Arcelor shareholders and reflect a valuation of the assets to be contributed by Mr. Mordashov that is extremely compelling. Based on yesterday's closing price for Arcelor shares of €34.70, the revised terms represent an acquisition multiple of 3.6x 2005 EBITDA for the contributed businesses, and a value enhancement of €2 billion for Arcelor shareholders.

In addition, Mr. Mordashov confirms his intention not to increase, either actively or passively, his shareholding in Arcelor above 33.3% without making a mandatory tender offer to all shareholders in accordance with Luxembourg law.

Mr. Alexey A. Mordashov, Severstal's Chairman and controlling shareholder, said: "We have met with a large number of Arcelor shareholders over the past three weeks and discussed the transaction at great length with them. These shareholders have generally been very supportive of our value proposition and proposed merger. I have taken careful note of all the investor feedback and believe that this enhanced proposal meets their requirements. The improved terms create outstanding value to shareholders and reflect my continuing belief in the industrial logic of combining these two superb companies into the global steel champion".

### Information Memorandum

Severstal has today posted on its website ([www.severstal.com](http://www.severstal.com)), an information memorandum describing in detail all of the contributed businesses in the merger transaction. Arcelor shareholders are urged to review this memorandum carefully.

### About Severstal

SeverStal is the largest Russian steel producer, with 2005 steel production of 17.1 million tonnes. It is the second largest flat steel producer in Russia with annual steel production of 10.9 million tonnes. In addition, SeverStal owns Severstal North America, the fourth largest integrated steelmaker in the U.S. with 2005 production of 2.7 million tonnes, and Lucchini, Italy's second largest steel group with 2005 production of 3.5 million tonnes. The SeverStal Group is one of the world's lowest cost and most profitable steel producers, with 2005 EBITDA per tonne of approximately €150 per tonne. SeverStal-Resource owns 70 years of iron ore reserves and 84 years of coal reserves. SeverStal-Resource produces coking coal, thermal coal, iron ore pellets and iron ore concentrate.

#### **More information**

For the latest on the deal - news, views and information, please visit *Severstal Speaks*, our in-time updated communication website, at [www.severstal-speaks.com](http://www.severstal-speaks.com).

#### **Contact for Europe**

Marie Rouet + 33 6 03 81 51 37

Alpana Kar + 33 6 98 18 31 47

Edelman + 33 1 56 69 75 74

[Severstal@edelman.com](mailto:Severstal@edelman.com)

#### **Contact for London**

Jonathan Smith +44 7801 144052

[Jonathan.smith@edelman.com](mailto:Jonathan.smith@edelman.com)

#### **Contact for Russia & CIS**

Olga Antonova +7 (495) 540 7765 ext. 6447

[antonova@Severstalgroup.com](mailto:antonova@Severstalgroup.com)