



Press release

Memorandum of Understanding (“MoU”) regarding the combination of CEGEDEL, SOTEG and Saar Ferngas

23 July 2008

The Minister of Economy and Foreign Trade of the Grand Duchy of Luxembourg is pleased to announce that the State of Luxembourg, SNCI, ArcelorMittal, RWE Energy, E.ON Ruhrgas, Electrabel and SOTEG have signed a Memorandum of Understanding (“MoU”) regarding the combination of CEGEDEL, SOTEG and Saar Ferngas.

The shares of CEGEDEL are listed on the Luxembourg Stock Exchange and Euronext Brussels. SOTEG and SFG are unlisted privately held companies.

Transaction Rationale

The liberalisation of European energy markets has led to increasing and further continuing sector consolidation. This has changed the competitive situation for European energy suppliers significantly. Today, only integrated, international operating utilities with a certain scale have the critical mass to survive the sector consolidation and remain independent.

CEGEDEL, SFG and SOTEG are particularly exposed to these adverse market conditions as the three companies are rather small in size and only serve markets comparatively small in size and volume.

The formation of a strong, integrated utility headquartered in Luxembourg addresses key strategic aims of Luxembourg and the Greater Region:

- Guaranteeing the security and quality of energy supply in Luxembourg and neighbouring countries
- Preserving employment in the energy sector
- Fostering of economic development in Luxembourg and the greater region through the offering of competitive energy prices to industrial and private customers

In order to safeguard above mentioned interests, the State of Luxembourg in its role as major shareholder of CEGEDEL and SOTEG, had initiated discussions in 2007 with the shareholders of those companies and Saarbrücken-based German regional utility Saar Ferngas with a view to combining the three companies.

Creation of a strong regional energy player

The contemplated combination will lead to the creation of a sizeable regional energy player, headquartered in Luxembourg. The combined entity will have annual revenues of more than EUR 2 billion. In 2007, the group companies traded or sold 57 TWh gas and 18 TWh electricity and supplied more than 164,000 industrial and household customers. The combined entity will operate an electricity network of 7,300 km and gas networks of 2,100 km, and employ close to 700 employees.

It will seek to address the gas and electricity needs of the greater region and strengthen Luxembourg’s security of supply through access to an enlarged portfolio of supply sources and the access to strategically important gas

storage facilities. Moreover, the combined entity will have the scale to invest into upstream gas and electricity projects, as well as to increase its activities in renewables.

The State of Luxembourg will be the main shareholder of the new group, considering its own shareholding combined with the shareholding of the SNCI. The economical stakes (net of remaining cross-shareholdings) following the combination will be as follows:

State of Luxembourg:	28.3%
SNCI:	10.8%
ArcelorMittal Luxembourg:	25.3%
E.ON Ruhrgas:	10.8%
RWE Energy via Luxempart Energie	19.8%
Electrabel	5.1%

Conditions to the completion of the combination

The MoU signed today will allow the contracting parties to finalise the arrangements that will result in the creation of the new group. The creation of the new combined group presupposes the contribution by the parties to the MoU of their respective shareholdings to SOTEG.

As a result of these different contributions and subject to the completion of the conditions outlined below, SOTEG will hold 82.82% of the share capital and of the voting rights in CEGEDEL, as well as 96.88% of the share capital and of the voting rights in SFG.

The final agreement and the contributions referred to above are currently notably subject to the following conditions:

- (i) clearance without conditions or obligations of the transaction by relevant cartel authorities;
- (ii) approval of the final agreements and the contributions by the appropriate corporate bodies of the parties to the agreements and authorisation by the government of the Grand Duchy of Luxembourg; and
- (iii) agreement between RWE Energy AG and Luxempart SA in view (a) of the transfer of all the CEGEDEL shares held by Luxempart Energie SA to RWE Energy AG or (b) of the acquisition by RWE Energy AG of all the shares issues by Luxempart Energie SA not yet held by RWE Energy AG.

It is uncertain at this stage whether the above conditions will eventually be met.

The combination will be completed through an extraordinary general meeting of the shareholders of SOTEG to be convened once all conditions have been fulfilled.

Subsequent Mandatory Takeover Bid for CEGEDEL free float

Following the potential fulfillment of the conditions precedent described above, SOTEG will launch a mandatory takeover bid (the "Offer") in the Grand Duchy of Luxembourg on the entirety of the CEGEDEL shares not held by SOTEG at that stage in compliance with the obligations which apply to it in light of the Luxembourg Law of 19 May 2006 governing takeover bids (the "Law").

Under the envisaged terms of such potential Offer, the bidder will make an all cash offer to the shareholders of CEGEDEL at a price of EUR 178.44 per CEGEDEL share, to be adjusted Euro by Euro by the gross amount of any dividend distribution to be effectuated after the date of this announcement.

This Offer price corresponds to a 53.8% premium versus the unaffected share price¹.

Furthermore, SOTEG will extend the Offer to Belgium and will ask the Belgian Banking, Finance and Insurance Commission for the recognition of the prospectus relating to the Offer following the approval of such offer document by the *Commission de Surveillance du Secteur Financier*.

If at the closing of the Offer, the conditions provided by law are complied with, SOTEG will accept to acquire the CEGEDEL shares in accordance with the terms provided for by the Law and will, to the extent possible, use its squeeze-out right. It is furthermore SOTEG's intention to cause CEGEDEL to apply for the delisting of its shares.

¹ Unaffected share price shall be the closing share price of CEGEDEL on January 15th, 2008.

About Cegedel

The "Compagnie Grand-Ducale d'Electricité du Luxembourg" (commonly called Cegedel since March 17th 1997) was established on March 27th 1928. It is a concessionary company, ruled by a Convention signed with the Luxembourg government and approved by a Law of 1928. Since then, the Luxembourg company has ensured the transport, distribution and supply of electric energy in the Grand Duchy of Luxembourg.

In its concern to follow the trend, Cegedel commits itself to extend its activity field more and more towards new and renewable energies (water power, solar power, wind power, biomass...) and also towards cogeneration power stations (technology allowing to produce electricity, steam and cold). Cegedel also supports national projects of renewable energy production. As far as diversification is concerned, new subsidiaries were set up: Cegedel Participations SA for a diversification in Luxembourg, and Cegedel International SA for an international diversification.

Cegedel covers in total 69.3% of the electricity needs of the country, a percentage equivalent to an electric energy consumption of 6.777 GWh. It succeeds in this supply either directly through its own distribution, or through the intermediary of 8 local distributors-sellers, being public or private.

About Saar Ferngas

Saar Ferngas AG is the largest gas distribution company in Saarland and Rhineland-Palatinate. The Group (approximately 150 employees) supplies natural gas to municipal power utilities, industrial plants and power stations. As a subsidiary of Saar Ferngas AG, Saar Ferngas Transport GmbH operates a natural gas pipeline network totalling 1,684 km. The supply area of Saar Ferngas primarily encompasses large areas of Rhineland-Palatinate and Saarland. With 23 shareholdings in other entities, Saar Ferngas is also active nationally and internationally.

About SOTEG

Soteg is Luxembourg's leading gas supplier. Being founded in 1974, the company today sells gas and electricity to industrial and commercial customers in Luxembourg and France. Moreover, Soteg operates a gas and transmission with a length of 410km in Luxembourg. The company generated revenues of EUR 529 Million in 2007. Major shareholders of Soteg are the State of Luxembourg and the SNCI (together 31%), Arcelor Mittal (20%) and E.ON Ruhrgas (20%).

About ArcelorMittal

ArcelorMittal is the world's largest integrated metals and mining company, with over 310,000 employees in more than 60 countries.

ArcelorMittal is the leader in all major global markets, including automotive, construction, household appliances and packaging, with leading R&D and technology, as well as sizeable captive supplies of raw materials and outstanding distribution networks. An industrial presence in over 20 countries across 4 continents exposes the company to all the key steel markets, from emerging to mature.

ArcelorMittal key financials for 2007 show revenues of USD 105.2 billion, with a crude steel production of 116 million tonnes, representing around 10 per cent of world steel output.

ArcelorMittal is listed on the stock exchanges of New York (MT), Amsterdam (MT), Paris (MTP), Brussels (MTBL), Luxembourg (MT) and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia (MTS).

For more information about ArcelorMittal visit: www.arcelormittal.com

About Electrabel

Electrabel is based in Belgium. The generating capacity of its European facilities reaches at the moment more than 31 000 MW.

Electrabel has become the largest power company in the Benelux. It is also one of the few companies trading on all of Europe's energy markets. Electrabel additionally has great know-how in network techniques.

Electrabel is part of SUEZ, an international industrial and services group that is active in energy and the environment.

About E.ON Ruhrgas

E.ON Ruhrgas is Germany's leading gas company. In the E.ON Group operating worldwide, it is in charge of pan-European gas business, thus providing E.ON's European markets with gas. The company has roughly 2,600 employees and is one of the three gas majors in Europe.

E.ON Ruhrgas' customers comprise regional and local utilities, industrial companies and power stations. Its pipeline system has an overall length of more than 11,000 km. E.ON Ruhrgas has 12 underground storage facilities with a working gas volume of over 5 billion m³ and operates 26 compressor stations.

E.ON Ruhrgas has signed long-term, flexible supply contracts with German and foreign gas producers. The gas comes from sources in Germany and six other countries. In order to diversify its gas supplies further, LNG is to be included in the supply portfolio in future and delivered to E.ON Ruhrgas' European markets.

RWE Energy

RWE Energy is the RWE Group's sales and grid company for Continental Europe. In a total of 12 regions, including six abroad, RWE Energy offers electricity, gas, water and related services from a one-stop shop. Customers include residential households, commercial operations, business and industrial customers as well as municipal and regional utilities.

Supraregional electricity and gas grid operations as well as the storage of gas are handled by independent companies. Together with its subsidiaries and affiliates, RWE Energy supplies 15.5 million customers with electricity and 7.6 million customers with gas.

In 2007, sales totalled 168.3 billion kilowatt-hours of electricity and 258.0 billion kilowatt-hours of gas. With its 28,323 employees, RWE Energy generated total revenues of €28.2 billion in 2007, which makes it one of the leading utility companies in Europe.

About SNCI

SNCI is a public-law banking institution granting equipment loans, innovation loans, medium and long term loans and start-up loans to Luxembourg based companies. In addition, SNCI is also entitled to take equity positions.