



Mergers: Commission approves Liberty House Group purchase of ArcelorMittal's divestment businesses

Brussels, 17 April 2019

The European Commission has approved, under the EU Merger Regulation, Liberty House Group as a suitable purchaser of several ArcelorMittal steel plants, sold under commitments made by ArcelorMittal in order to buy Ilva. The Commission has also approved the transaction itself under EU merger rules.

In May 2018, the Commission approved the acquisition of [Ilva by ArcelorMittal](#), subject to conditions. In particular, ArcelorMittal was required to sell a large package of steel plant assets to a suitable purchaser. The divestiture was proposed by ArcelorMittal to address the Commission's concerns regarding effective competition in European hot rolled, cold rolled and galvanised flat carbon steel markets.

The package of assets that ArcelorMittal chose and committed to divest consists of a number of production sites throughout Europe. These include:

- An integrated steelworks in Galati, Romania;
- An integrated steelworks in Ostrava, Czechia;
- Finishing plants in Italy, Belgium, Luxembourg and North Macedonia.

The divested production sites cover the whole value chain, from liquid steel manufacturing to the production of finished flat carbon steel products, including hot rolled, cold rolled and galvanised steel. Thus, the divestment includes not only finishing lines but capacity for the production of liquid steel at two integrated steelworks that are also able to expand their production.

ArcelorMittal notified to the Commission its choice of Liberty House to purchase the assets.

The Commission has taken two decisions today concerning the sale of these assets by ArcelorMittal to Liberty House Group:

- It has found that Liberty House Group is a **suitable purchaser** of the ArcelorMittal assets, allaying the Commission's concerns in the European markets for hot rolled, cold rolled and galvanised flat carbon steel.
- It has **approved under the Merger Regulation** Liberty House Group's acquisition of the assets sold by ArcelorMittal. The Commission concluded that there were no competition concerns, as there only are limited overlaps between the activities of Liberty House Group and the steel plants acquired.

Approval of Liberty House Group as a suitable purchaser

The Commission's purchaser review exercise has been extensive, listening to the views of multiple stakeholders and scrutinising the proposal very closely.

The Commission initially had serious prima facie concerns about the proposal. In particular, in ArcelorMittal's initial submissions the acquisition was highly dependent on borrowed money, including from ArcelorMittal, and part of the purchase price was contingent on the assets' performance. Furthermore, certain assets that had to be divested under the Commitments had been carved out.

Based on the Commission's investigation and feedback, ArcelorMittal made **significant improvements** during the review process that allowed the Commission to conclude that the sale would comply with the commitments ArcelorMittal gave to the Commission as a condition for approval to acquire Ilva. In particular:

- The financing of the transaction has been significantly amended: (i) Liberty House Group will provide a higher amount of equity for the purchase, with the level of debt decreasing overall and as a proportion of the acquisition's price; (ii) ArcelorMittal will no longer provide Liberty House with finance for the steel plant purchases through vendor loan notes. As a result, the ability of the divested assets to sustain a downturn in the steel the industry is improved and the operation of the divested steel plants will not be dependent on ArcelorMittal's financing.

- The terms under which the divestment businesses will source their steel substrate for a transitional period have been improved to become more favourable to the downstream steel processing plants. This is also meant to improve the long term viability of the divested steel plants.
- Other assets, including all of the CO2 emission rights associated with the plants, are now included in the transaction.

The companies

Liberty House Group, registered in Singapore with headquarters in London, is a private group active in commodities, metals recycling, and the manufacture of steel, aluminium, and engineering products.

ArcelorMittal, headquartered in Luxembourg, mainly manufactures and sells flat carbon steel. It operates a wide production site network throughout Europe and is part of the global ArcelorMittal group. The Mittal family of India is the largest shareholder in the company, controlling just under 40% of the company.

Merger control rules and procedure

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [Merger Regulation](#)) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

If the Commission identifies competition concerns, it is for the merging companies to choose which assets they want to offer as a remedy in order to address the concerns.

Following the conditional clearance of the acquisition of Ilva by ArcelorMittal, it was the responsibility of ArcelorMittal to find and propose to the Commission a suitable purchaser within the time period indicated in the commitments.

To ensure that the divestiture will solve the competition concerns, the Commission will assess the suitability of a proposed purchaser according to the purchaser criteria set out in the text of the commitments. The Commission only accepts the proposed buyer, when it is convinced the buyer has the ability and incentive to continue to operate the divested assets in the future in a way that they will constitute a competitive force on a lasting basis in the market.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

More information will be available on the Commission's [competition website](#), in the public [case register](#) under the case numbers [M.8444](#) and [M.9172](#).

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