



ArcelorMittal

ArcelorMittal South Africa Limited
(Incorporated in the Republic of South Africa)
(Registration Number 1989/002164/06)
Share Code: ACL
ISIN: ZAE000134961
("ArcelorMittal South Africa" or the "Company")

WIND DOWN OF THE BROADER LONG STEEL PRODUCTS OPERATIONS AT ARCELORMITTAL SOUTH AFRICA LIMITED.

Shareholders have previously been advised of the efforts made to ensure the long-term viability of the Newcastle Works and the broader Long Steel Products Business ("Longs Business". At the beginning of 2023, an optimisation programme commenced. Prior to this, over the past few years, the Company implemented aggressive cost savings initiatives, improved raw material cost savings, asset footprint adjustments and various other productivity initiatives.

Unfortunately, despite best efforts, the initiatives implemented were not able to counter the combined effect of the following:

- A slow economy and difficult trading environment: On the back of low GDP growth in South Africa, in the past seven years, the country's apparent steel consumption (ASC) has reduced by 20%, reaching levels of around 4,0 million tonnes, reflecting low market demand in key steel consuming sectors, limited infrastructure spend and project delays, resulting in overcapacity in the market and overall weaker business confidence.
- National constraints beyond the control of the Company: High transport and logistics costs as well as energy prices, exacerbated by the well-publicised logistics failures and their resultant cost impact, and the prevailing electricity challenges which the country faces.
- Scrap advantage over iron ore: The introduction of a preferential pricing system for scrap, a 20% export duty, and more recently, a ban on scrap exports has allowed steel production through the electric arc furnaces route an 'artificial' competitive advantage when compared with steel manufacturers benefiting iron ore to produce steel.

In the circumstances, the ArcelorMittal South Africa Board and Management have had no option but to embark on a process that contemplates the wind down of the Company's Longs Business, which for now may be placed in care and maintenance. This is subject to a due diligence and a consultative, and iterative process involving key customers, suppliers, organised labour, and other stakeholders. The due diligence and final implementation plan will determine the extent, timing, and phasing of the winding down of operations. Affected plants will be most plants at Newcastle Works, the Vereeniging Works, and rolling facilities which use Newcastle material as feedstock. The coke batteries will remain operative.

Shareholders are accordingly advised that the Company will, to the extent required, be commencing with a consultation process in terms of Section 189(3) of the Labour Relations Act 66 of 1995. The number of jobs impacted will depend on the alternatives identified and agreed to and is subject to a formal consultation process. However, at this time it is estimated that approximately 3 500 people (own and contract employees) may be affected. The Company will continue to engage directly with Government throughout this process.

The Company's business going forward will be focussed on re-establishing ArcelorMittal South Africa as the champion of innovative, export driven, steel-based industrialisation in South Africa, for Sub-Saharan Africa and other key geographies, by building on the existing competitive supply chain and ensuring the continued growth and competitiveness of core downstream industries such as automotive, renewable energy, mining, and key construction and infrastructure projects.

Kobus Verster, the CEO of ArcelorMittal South Africa said that *“the ArcelorMittal South Africa Board and Management have reached this point after having exhausted all possible options. As difficult as these circumstances are, we have a duty to ensure that the business remains sustainable in the long term, in the interests of the Company and its stakeholders. The remaining business, after the wind down, will be on a more sustainable financial footing and be able to invest the appropriate capital in product development and available growth prospects”*.

Vanderbijlpark
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Sponsor to ArcelorMittal South Africa Limited
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