

## **MEDIA STATEMENT**

22 August 2016

### ***ArcelorMittal South Africa reached a settlement with the Competition Commission***

ArcelorMittal South Africa Limited is pleased to announce that it has reached a settlement with the Competition Commission of South Africa regarding cases that the Commission has investigated against the company, some of which were subsequently referred to the Competition Tribunal.

Following today's announcement by the Commission, ArcelorMittal South Africa has notified shareholders that a settlement has been reached subject to approval of the Tribunal. This will bring an end to these legal matters, which have been pending against company for some time. In terms of the settlement, ArcelorMittal South Africa will pay an administrative penalty of R1.5 billion, payable over five years in instalments of no less than R300 million per annum, effective from 2017.

An application will be filed with the Tribunal for confirmation of the Settlement Agreement as an order of the Tribunal.

Chief Executive Officer, Wim de Klerk said that the settlement is part of a holistic approach adopted by ArcelorMittal South Africa to address its current challenges and enhance relationships with its stakeholders.

"We would like to move forward, having addressed these legacy issues. The management team can focus on returning the company to sustainability and profitability. We will focus on our most important assets, being our people. We will strive to achieve operational excellence, improve stakeholder partnerships (with government, customers and communities), being a supplier of choice and maintaining our licence to operate," De Klerk said.

The company has implemented a number of important initiatives to ensure that this conduct will never again occur within ArcelorMittal South Africa.

**The salient terms of the Settlement Agreement are summarised below:**

**Administrative Penalty**

The company will pay an administrative penalty of R1.5 billion, payable over five years in instalments of no less than R300 million per annum, commencing in 2017.

No interest will be levied on the administrative penalty for the first 18 months from the date on which the Settlement Agreement is made an order of the Tribunal, and thereafter interest will be levied on the remaining outstanding balance at the prevailing interest rate prescribed by the Minister of Finance, currently 10.5%.

**Admissions**

Of the six matters pending before the Competition Commission, the company has admitted guilt in respect of two matters - being the Long Steel matter, relating to allegations of price fixing, allocating customers and sharing commercially sensitive information; and the scrap metal matter relating to allegations of price fixing by the company as a consumer of scrap.

**Pricing remedy for flat products**

The company has made no admission regarding the excessive pricing complaint and the Competition Commission has made no finding in this regard. Notwithstanding, in light of the previous concerns regarding pricing and ArcelorMittal South Africa's commitment to work with Government and all stakeholders to contribute to growth of the South African economy, the company has agreed to a pricing remedy for local flat steel products.

In terms thereof, ArcelorMittal South Africa shall for a period of five years not be permitted to earn an EBIT (earnings before interest and tax) margin percentage greater than 10% relating to flat steel products sold in South Africa over a 12 month-period (measured over the company's financial year).

However, ArcelorMittal South Africa will be permitted to exceed the 10% cap up to a maximum of 15% in certain defined circumstances.

## **Investment**

ArcelorMittal South Africa will continue with the capital investment already committed of at least R4.6 billion over the five-year period, subject to it being affordable and feasible in the light of the current financial circumstances.

## **Monitoring**

There are provisions for monitoring by the Competition Commission which will allow for ongoing engagement and the sharing of information, as well as the opportunity to engage if there are significant changes in the economic, financial and market circumstances.

ArcelorMittal South Africa has been proactive and has already implemented various interventions to ensure that there is more vigilance to guard against such conduct occurring in the future. We will ensure continuous communication in this regard and will further enhance various training and compliance programmes.

There is a firm commitment by the leadership of ArcelorMittal South Africa to ensure that the company continues to be a good corporate citizen that makes a valuable contribution to the socio-economic development of the country and the communities in which it operates, and that it will conduct its business in an open, transparent and responsible manner.

**For further information please contact:**

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