

MEDIA RELEASE

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ARCELORMITTAL SOUTH AFRICA STRONGLY REFUTES ILL-INFORMED NEASA STATEMENTS, AND REMAINS COMMITTED TO WORKING WITH ALL STAKEHOLDERS TO PARTICIPATE IN SOUTH AFRICA'S ECONOMIC RECOVERY

Johannesburg, 05 October 2020: The National Employers Association of South Africa's (NEASA's) continued and ill-informed public attacks on ArcelorMittal South Africa are concerning, with the most recent series of articles and statements being largely emotive, speculative, and unfounded in fact.

The NEASA release dated 16 September 2020 and entitled "AMSA CLOSING ITS ORDER BOOK FOR 2020; YET INSISTS ON IMPORT DUTIES. IMPORT DUTIES HAVE TO BE SCRAPPED NOW" contains several unsubstantiated allegations which ArcelorMittal South Africa refutes in the strongest possible terms.

ArcelorMittal South Africa ceased operations at all its blast furnaces as required by the Covid-19-related lockdown regulations and completely stopped production for the first time in the history of the integrated steel industry in the country. This resulted in an abrupt disruption in the entire internal supply chain, the effects of which the company is still addressing while continuing to ensure the health and safety of all its employees. As restrictions were eased, the company resumed operations and is working tirelessly to bring down the volume of backlogged orders due to almost three months of the lockdown-related disrupted production.

The significant impact of Covid-19 is expected to reduce South African steel demand by 27% to 30% in 2020, compared to 2019 levels, over and above the roughly 14% reduction between 2012 and 2019. This means that there is a large part of domestic production capacity which is underutilised at present.

Having reassessed its strategic asset footprint for 2020 in July this year, ArcelorMittal South Africa initially decided to temporarily idle its second blast furnace at Vanderbijlpark, as well as its Vereeniging Electric Arc Furnace, until demand for steel had recovered. However, certain short-term factors, such as lockdown-affected construction projects which are now being completed, increased sales at retail outlets and destocking (running at lower stock levels) in the steel value chain prior to the nationwide lockdown, have resulted in an increase in steel demand at a rate quicker than originally anticipated and the company has announced its plans to restart its second blast furnace at its Vanderbijlpark operations. This is expected to take three months to recommission and will be in production in January 2021.

Certain NEASA statements, such as "AMSA officially closed its order book" and "the local market was put on allocation", are reckless and an inaccurate description of ArcelorMittal South Africa's operational processes and the company's relationships with its valued customers, and cannot go unchallenged.

ArcelorMittal South Africa is currently supplying most of the market's requirements and continues to accept orders. However, the company is providing a realistic delivery timeframe to customers. The company aims to significantly reduce the temporary supply backlogs during December 2020, with certain customers indicating their intention to remain open for longer during the traditional holiday period.

The current shortage of steel is not only a South African issue, it is a global one. There are increased lead times for the supply from steel mills around the world. For example, the lead time for imported hot rolled coil (HRC) to arrive in South Africa is about 10 to 12 weeks, which means that any imports which are confirmed now will only land in the country in late December or early January. According to ArcelorMittal South Africa's current production recovery and delivery plans, the company anticipates it will be able to significantly reduce the current temporary backlog by the end of December 2020, allowing market segments and customers to begin restocking inventories. Given this timing, NEASA's statement that customers would be able to import steel as an alternative source of supply is misleading. The shortage of supply cannot be alleviated by a duty waiver. Any waiver of import tariffs or safeguard duties will not result in an increased supply of steel between now and December.

ArcelorMittal South Africa fully understands that with the recent demand recovery after lockdown, this is a difficult situation for its customers and is reprioritising orders where possible on request. There is ongoing engagement to keep customers informed with the company's post Covid-19 production recovery and delivery plans. General statements such as "the order is simply rejected" are incorrect.

The issue of a temporary backlog is being deliberately exaggerated to argue that limited product availability justifies a rebate or that customs duties and safeguards are not required, which could have a negative impact on the local steel industry supply chain and manufacturing eco-system.

The persistent allegations by NEASA that duties are tailored for steel producers completely disregard the fundamental objectives of the steel industry protection measures implemented by the South African government. These measures are in place to protect the entire South African steel manufacturing sector and not just one player. They are vital for the survival of the country's steel industry and for ensuring the steel sector remains the backbone of South Africa's industrial manufacturing capacity and capability. This is especially important given the government's recent statement of an intended national boost to infrastructure development.

South Africa is not alone: the most substantial steel-producing countries around the world have taken significant steps to protect their steel sectors against imports as per internationally agreed WTO rules. South Africa is one of the most under-protected primary steel producing markets in the world. In October last year, there were 219 instances of primary steelmaking protection measures reported internationally, of which South Africa accounted for only two (safeguards and duties), against, for example, 59 for the US, 11 for Canada, 17 for the EU, and 15 for India. For South Africa not to protect its steel production, steel-related manufacturing and industrial capability as it emerges from the significant economic impact of the pandemic-imposed lockdown, will be disastrous for the industry and the economy.

In addition to import tariffs and safeguard duties for primary steel production, government has also helped protect the downstream industry from cheaper imported finished products from countries where steel industries are incentivised and subsidised. Tariffs have been implemented on key locally manufactured products, such as fasteners, chains, wheelbarrows, steel tubing, roof sheets, cables, and others, proving that these measures are intended to protect the entire industry.

Protecting the primary steel industry without protecting the downstream industry is a shortcoming in trade policy because the import of finished steel products erodes the manufacturing/fabrication base of a

country. Therefore, ArcelorMittal South Africa has been lobbying for protection for the downstream industry and has assisted key sections of the downstream industry to compete against finished steel imports. The assumption, however, that without duties on primary steel products, the downstream manufacturing sector would be on a level playing field with the rest of the world is incorrect.

An application by the South African Iron and Steel Institute (SAISI), supported by ArcelorMittal South Africa, for an extension of the safeguard duties has been submitted to the International Trade Administration Commission (ITAC), which has initiated the required investigation and engagement with industry stakeholders. In the meantime, the safeguard duties on HRC products, that were due to expire on 10 August 2020, have been maintained for a further year to August 2021.

The fundamental basis for this SAISI-led application is that imported steel products continue to impact the viability of the South African steel industry. Evidence submitted to ITAC clearly proves that the withdrawal or lapsing of the safeguard duties will lead to the further demise of an industry that is already under severe pressure following the weak South African economy, ever-increasing regulated costs and, most recently, the impact of the Covid-19 pandemic.

It is vital that we avoid the country becoming a steel importer, leaving the upstream and downstream industries at the mercy of the global steel market. South Africa's distance from the nearest steelmaking nations increases the risk to supply and poses challenges for importing due to long lead times and high transport costs. Steelmaking remains a key strategic industry for South Africa. Each tonne of steel produced domestically adds to the national economy, creates jobs and provides value through beneficiation of natural resources. It is estimated that it would take more than a decade to re-establish an integrated steel industry in South Africa were it to disappear. This is clearly something that can only be detrimental to the South Africa economy in every sense.

As a country, now more than ever, we need to take decisive steps to protect the national economy and ensure that South Africa can be put on a sustainable path of recovery, growth, and development.

As part of the South African steel sector, ArcelorMittal South Africa remains committed to working and collaborating with all stakeholders to ensure the entire steel manufacturing supply chain continues to play an active role in building a thriving South African economy.

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