

# news release

17 February 2017

## **ARCELORMITTAL SOUTH AFRICA AND GOVERNMENT SIGN PRICING PRINCIPLES AGREEMENT**

***Johannesburg, 17 February 2017:*** ArcelorMittal South Africa is pleased to announce that it has reached agreement with the Department of Trade and Industry (DTI) on the Pricing Principles.

The five-year agreement is intended to achieve a fair price for steel, which allows ArcelorMittal South Africa to earn a reasonable margin from domestic sales while being competitive and efficient. The downstream industry will benefit from a more certain and transparent pricing mechanism which incentivises improved efficiencies in steel production and beneficiation.

“We are extremely pleased that we have reached an agreement with government on fair pricing principles,” said ArcelorMittal South Africa CEO, Wim de Klerk. “This is an important step forward in ensuring the long-term sustainability and profitability of the local steel sector.”

The Fair Pricing Principles as agreed between the parties include the following:

- Import parity pricing (IPP), which has been used as the basis for pricing in the past, will now be removed
- The pricing principles – which can be renewed after the initial five-year period – will exclude long products (unless specifically stated)
- The local price for flat steel products will be based on a weighted basket determined by the weighted average of countries we compete with in the production of fabricated metal products, machinery and equipment, vehicles and other transport equipment

The local price for flat steel products will be based on an import weighted basket which includes the European Union (EU), Asia and the North America Free Trade Association (NAFTA).

ArcelorMittal South Africa's compliance with the pricing mechanism for flat steel products will be monitored on a quarterly basis and will be the responsibility of the steel task team, made up of government as well as primary and downstream industry representatives, under the auspices of the International Trade Administration Commission (ITAC).

“As previously reported, the company has made a commitment to invest R4.6 billion over five years and improve competitiveness in relevant product lines for key sectors of the economy at the specified steel qualities,” explained Wim de Klerk, ArcelorMittal South Africa's Chief Executive Officer. This is subject to it being affordable and feasible in light of the financial circumstances and recognising that economic, market or other conditions may require the company to depart from these programmes and specific investments.

“As a company, we are focused on turning around the business so that we are once again on a firm financial footing,” added De Klerk. “We have a strategy in place to ensure that we properly manage the costs that we can control. We have reviewed our operations to ensure that we maximise assets and optimise efficiencies. We also have a number of business improvement projects underway at the various operations to reduce costs, with energy as a key focus area. These projects are starting to bear fruit.”

ArcelorMittal South Africa has made significant strides in advancing its transformation strategy and is committed to further developing black industrialists aligned to the B-BBEE Codes of Good Practice.

This agreement is as a result of ongoing engagement with government and other industry stakeholders to implement a number of positive measures that will ensure the future of the South African steel industry. These include protection measures for the local industry from cheap imports coming into the country.

Government continues to support various interventions that are deemed necessary to ensure the sustainability of the South African steel industry.

Government will lift the provisions deeming all steel as local and implement the designation of minimum local steel products for state procurement and Government infrastructure spend, taking into account cost competitiveness and affordability. The designation of minimum local steel content thresholds on additional products will be considered and reviewed on a regular basis in cases where Government is purchasing the final steel product.

“Maintaining our licence to operate requires ArcelorMittal South Africa to be a transformed and responsible business, a leader in the steel industry that acknowledges its role in ensuring the long-term sustainability of the local steel sector and associated industries,” concludes De Klerk. “We will continue to work with government, regulators and the downstream industry to ensure a sustainable solution for all concerned.”

The terms of the agreement may be reviewed within the five-year period if the agreed principles are not achieving their original intent. ArcelorMittal South Africa may request a review of the agreement should the economic, financial, market or legal circumstances change to the extent that the company’s viability will be compromised through ongoing compliance with the provisions of the agreement. Government can also request to renegotiate the terms if the pricing principles are having a significant negative impact on the downstream steel industry and related jobs.

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