

Memo from CEO



Date: 28 November 2023
To All ArcelorMittal South Africa employees

ARCELORMITTAL SOUTH AFRICA LIMITED TO WIND DOWN ITS BROADER LONG STEEL PRODUCTS OPERATIONS

Dear Colleagues

We informed the market and our stakeholders today of the difficult decision made by the Board and Management of ArcelorMittal South Africa to wind down its long steel products operations. This will affect most plants at the Newcastle Works, the Vereeniging Works, and ArcelorMittal Rail and Structures (AMRAS). It excludes the coke batteries at Newcastle Works which will remain operative, producing metallurgical coke for use at the Vanderbijlpark Works, and for sale of commercial coke to the ferro-alloy industry.

The Company has adopted a variety of interventions over the last few years to secure its long-term sustainability, including aggressive cost-cutting activities, increased raw material cost savings, asset footprint modifications, and numerous other productivity initiatives.

Despite these best efforts, the initiatives made were unable to counteract the cumulative effect of the following:

- A slowing economy and a difficult trading environment: As a result of South Africa's low GDP growth, the country's apparent steel consumption (ASC) has decreased by 20% in the last seven years, 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 market overcapacity and overall weaker business confidence.
- National limits outside the Company's control: high transport and logistics costs, as well as energy prices, compounded by well-publicized logistics failures and their cost impact, as well as the country's ongoing electricity supply issues.
- Scrap advantage over iron-ore: The implementation of a preferential pricing system for scrap, a 20% export duty, and, more recently, a ban on scrap exports has given steel production via electric arc furnaces an "artificial" competitive advantage over steel manufacturers beneficiating iron-ore to produce steel.

These structural market issues are beyond ArcelorMittal South Africa's control and do not realistically appear capable of being solved in the foreseeable future.

The Company will therefore initiate a consultation process in accordance with Section 189(3) of the Labour Relations Act 66 of 1995 at the appropriate time. A large-scale restructuring is being considered, with roughly 3 500 employees (direct and indirect through subcontractors) being affected.

The conclusion and number of affected posts will be finalised within a detailed wind down implementation plan that is being developed and will be subject to formal consultation.

Throughout the wind down process, ArcelorMittal South Africa will engage with its customers and suppliers through an orderly and well considered process in order to minimise the disruptions to their business, as far as reasonably possible given the circumstances.

The Board and Management of ArcelorMittal South Africa have reached this point after exhausting all possible options to avoid such a drastic step. The importance of the various affected operations to the respective regional economies in which they operate, and in particular, Newcastle, is well understood and hence the reason for not having taken the decision lightly.

ArcelorMittal South Africa's Board and Management have a responsibility to ensure that the business remains sustainable in the long-term, in the interests of the Company and its stakeholders, and that the loss-making activities do not jeopardise the Company's overall sustainability.

We will keep our employees informed of further developments in this regard.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Kobus Verster', written over a horizontal line.

Kobus Verster
Chief Executive Officer
ArcelorMittal South Africa