

30 September 2021

Temporary surcharge announcement - Energy and Transport

Dear Customer,

As you will no doubt be aware from the impact on your own business and reports in the news, the costs of energy and transport continue to increase significantly. We have so far absorbed these cost increases within our normal price rises, but with the continued escalation in both costs we have reluctantly taken the decision British Steel can no longer absorb these costs in our current prices.

Due to these exceptional current circumstances, British Steel will be applying a minority part of these increases as temporary surcharges to all new orders with effect from 1 October 2021 as follows:

• Energy surcharge	£25/t	€28.75/t	\$33.75/t
• Transport surcharge	£5/t	€5.75/t	\$6.75/t

Energy

Energy prices for the UK steel sector have always been significantly higher when compared to European steelmakers. This is a key topic the sector has been pressing with UK Government for many years and the current hike in costs, of both gas and electricity, further exacerbates this issue. **On average, wholesale electricity prices are up 300% and natural gas prices almost 400% since the end of 2020.** These major increases have increased exponentially during August and September and the forward prices indicate very high costs will continue through the winter period and may increase further. Regrettably, we now have no choice but to apply a temporary surcharge **to recover a part of** our actual cost increases.

Transport

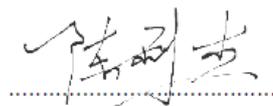
The transport and logistics sector has experienced significant availability constraints since the start of this year, which in turn has caused HGV salary inflation and haulier prices have risen as a result. British Steel has worked hard all year with our hauliers to try to expand capacity and restrain cost increases. However, we have experienced significant service failures and the availability of transport has deteriorated since the summer, despite the price increases we have paid already. To date we have absorbed these increases in full since February 2021 and we continue to work closely with our sub-contractors to optimise road transport deliveries and to find alternative transport modes where possible. Whilst increased transport costs and a lack of availability are impacting all sectors across the UK and Europe, please be assured we continue to monitor the situation very closely and make every effort to minimise disruption to our customers.

British Steel, along with other UK steel producers, continues to meet with UK Government to raise these critical issues and state the significant impact they are having on our sector. We will continue to lobby for resolution of both issues and will review the surcharges on a regular basis.

Regarding our raw material costs, although we have seen some relief in iron ore prices over the past two months, unfortunately, this has been more than offset by rising coking coal prices, which have reached an all-time high price.

If you have any further questions, please do not hesitate to contact the usual member of your account team.

Yours faithfully



Lijie Chen
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