

# ArcelorMittal SA earnings plunge, awaits Cape mining rights

## Dineo Faku and Bloomberg

**EARNINGS** at ArcelorMittal South Africa plummeted 84.5 percent in the first half of the year due to weak domestic demand for steel and higher input costs. And tough trading conditions are expected to persist in the months ahead.

The company reported yesterday that headline earnings fell to R106 million in the six months to June from R668m in the same period last year.

The company described the headline earnings figure as a significant improvement as it showed an R826m turnaround from the R720m headline loss in the six months to December.

Compared with the first half of last year, revenue increased 7 percent to R17.8 billion, driven by increased local prices and exports. ArcelorMittal SA said revenue from its coking and chemicals operations declined 31 percent to R900m due to a 38 percent drop in commercial



Nonkululeko Nyembezi-Heita, ArcelorMittal SA's chief executive, expects third-quarter headline losses as market conditions weaken. The interim loss was smaller than the loss in last year's second half.

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**coking sales of 232 000 tons.**

**The company did not declare a dividend.**

**In the second quarter the group reported a loss of R177m compared with a profit of**



**R473m a year earlier.**

Nonkululeko Nyembezi-Heita, the chief executive at ArcelorMittal SA, said the third-quarter financial results were expected to extend the headline loss as a consequence of weakening market conditions.

The company said building and construction, the main driver of consumption, showed

no signs of improvement while the manufacturing sector showed only moderate growth despite the weaker rand improving business sentiment.

ArcelorMittal SA reported a R52m headline loss for the year that ended in December last year compared with the previous year's headline earnings of R1.4bn, which it blamed primarily on unscheduled production outages.

Steel demand is down from last year, and global steel consumption is restrained with sluggish demand from Europe and a slowdown in the economic growth of China contributing to an overall decline.

ArcelorMittal SA is involved in a dispute with Sishen Iron Ore, a subsidiary of Kumba Iron Ore, over an iron ore supply agreement that has been referred to arbitration. The existing price agreement with Sishen expires on Tuesday. Nyembezi-Heita said the company was negotiating with

Sishen to renew the deal.

The company could also face a R3bn fine for price-fixing after the Competition Commission ruled that it and smaller competitor Evraz Highveld Steel and Vanadium should be penalised up to 10 percent of annual turnover for collusion.

Meanwhile, ArcelorMittal SA was waiting for mining rights in the Northern Cape and planned to start iron ore output there in 2015, Nyembezi-Heita said.

In April, the steel producer acquired nearly 20 percent of an iron ore exploration project in the Northern Cape. Exploration activities commenced in February and were expected to extend into early next year.

The company was also in talks with Rio Tinto and Vale about obtaining coking coal supplies from the producers' operations in Mozambique.

The share price of ArcelorMittal SA shed 2.6 percent on the JSE yesterday to close the session's trade at R45.60.