

ArcelorMittal earnings fall sharply with lower sales and galloping input costs

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ARCELORMITTAL earnings in the six months ended June this year fell sharply in tandem with lower sales and galloping input costs, the steel manufacturer said yesterday.

Diluted headline earnings per share plunged 84% to 26c from 166c in the first half of last year.

ArcelorMittal said the reported headline earnings was a significant improvement from the R720m headline loss in the previous six months ended December 31, which is a turnaround of R826m.

The company attributed the declining profits to lower steel prices and soft domestic demand for the metal.

"It is difficult to make a call on how long the trough in the steel market will last," ArcelorMittal CEO Nonkululeko

Nyembezi-Heita said.

"Due to a further deterioration in market conditions, third quarter financial results are expected to extend the headline loss incurred in the second quarter on the back of lower steel prices and a further decline in domestic demand, partly offset by improved commercial coke sales. We expect raw material prices to remain fairly stable," she added.

Earnings before interest, taxation, depreciation and amortisation (Ebitda) declined R600m to R1bn compared with the corresponding period last year.

Lower sales and higher input costs were behind the Ebitda drop which could have been more had it not been for domestic prices rising. Steel shipments dipped 2% to 2.5 million tons with local shipments dropping 4% to 1.8 million

tons. Exports rose 6% to 0.7 million tons.

The company said revenue rose 7% to R17bn lifted by a 13% increase in average net realised rand prices. Local prices advanced 12% while export prices jumped 19% on the back of the weakening in the average rand/dollar exchange rate from R6.90 to R7.94.

Higher operating costs offset the rise in revenue. Iron ore prices rose 20%, electricity 19%, local coking 12% and imported hard coking coal 2% on a US dollar FOB basis and 15% on a rand delivered basis.

Operating profit fell 72% to R260m.

Nyembezi-Heita said ArcelorMittal and Kumba were busy negotiating the iron ore supply agreement and an announcement would be made next Wednesday.

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