Aditya Mittal, the chief financial officer of ArcelorMittal, told a conference call that the biggest steel maker was seeing improvements in shipments in all markets compared with the previous quarter, including in Europe. PHOTO: BLOOMBERG

ArcelorMittal sees light after big losses

Thibault Le Grand
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THE TOP steel producer, ArcelorMittal, stumbled into the red last year with a net loss of $3.72 billion (R33bn) largely due to costs related to Europe, but said yesterday that its shuttering of plants was sufficient to support a rebound this year.

ArcelorMittal has had a difficult couple of months, with plant closures in Belgium and France sparking at times violent clashes and the company booking a multibillion-euro charge to revalue its assets.

But ArcelorMittal shares jumped 2.37 percent to €12.73 (R152.94) in afternoon trade in Amsterdam, up 0.29 percent after saying the restructuring effort had been completed and improvement was on the way.

Operating profit measured by earnings before interest, tax, depreciation and amortisation fell by 30 percent to $7.1bn in 2012, close to analyst forecasts.

Chief executive Lakshmi Mittal said: "2012 was a very difficult year for the steel industry, particularly in Europe where demand for steel fell a further 8.8 percent."

The net loss was caused by a $4.3bn accounting charge the company announced in December to write down the value of its assets in Europe, where demand for steel has fallen by almost a third since the global economic crisis set in. The company also took another $1.3bn in restructuring charges.

ArcelorMittal, which also has interests in iron ore mines, had posted a net profit of $2.3bn in 2011.

Sales fell by 10.4 percent to $84.2bn in 2012, with shipments of steel down 2.3 percent to 83.8 million tons. Shipments of iron ore rose by 5.4 percent to 54.4 million tons, however, with more than half shipped at market prices.

The company expected steel sales to improve this year, climbing by 2 percent to 3 percent, with iron ore sales at market prices to rise by 20 percent. This should help it increase operating profit in 2013.

"Although we expect the challenges to continue in 2013, largely due to the fragility of the European economy, we have recently seen some more positive indicators," Mittal said. These, along with the steps taken to focus on the company's most competitive assets and reduce its net debt "are expected to support an improvement in the profitability of our steel business this year".

The company's chief financial officer, Aditya Mittal, told a conference call that the company was seeing improvements in shipments in all markets compared with the previous quarter, including in Europe.

He said the company expected European steel consumption to drop by 1 percent this year after contracting by 9 percent in 2012. "So we are seeing a relative stabilisation that is occurring in Europe."

He also signalled that ArcelorMittal's difficult downsizing in Europe had run its course.

"The essential components of the asset optimisation have now been announced.

"So that does imply that fundamentally the level of restructuring we have done is appropriate," he said.

The announcement last month that it would shut down six cold-processing facilities in Belgium sparked exchanges of paving stones and tear gas between workers and police over the loss of 1 300 jobs.

In France, ArcelorMittal faced threats last year of nationalisation of one facility over the fate of two blast furnaces. After heated talks with the French government the blast furnaces are likely never to be reopened but the company promised to invest €180 million into the Florange facility and not cut any jobs.

Aditya Mittal said the closures brought down the number of the company's blast furnaces in Europe to 21, of which 16 were operating. "We are comfortable" with this level of capacity, he said.

The company also said that its net debt fell by $1.4bn over the fourth quarter, owing to improved cash flow, to stand at $21.8bn at the end of the year.

ArcelorMittal is aiming to raise $3.5bn in stock and subordinated notes to reduce its massive debt, which ratings agencies have warned threatened to break bank loan agreements. – Sapa-AFP