

## Mittal Q1 profit up, sees lower Q2

**A**rcelorMittal South Africa, a unit of the world's top steelmaker, reported a rise in first-quarter profit, but warned that a drop in domestic demand, lower steel prices and higher costs would hit the second quarter.

The steelmaker reported first-quarter headline earnings per share of 71c, compared with 49c in the same quarter last year and up from a loss of 65c in the previous three months.

Headline earnings are the main profit gauge in South Africa and exclude certain one-off and non trading items.

"Earnings for the second quarter 2012 are expected to be substantially lower than the previous quarter due to lower domestic demand, lower steel prices, higher costs such as electricity and transport and lower sales of commercial coke due to the usual shutdown by the ferrochrome industry during the winter months," the company said in a statement.

The company, which sells 90% of its steel in Africa, said first-quarter revenue rose 26% to R9.1 billion compared with the previous three months, with

domestic steel shipments increasing by 37% and exports up 10%.

A major issue facing the South African unit is the outcome of an ongoing dispute over iron-ore prices with Kumba Iron Ore, a unit of Anglo American.

The two firms have been at loggerheads over prices since early 2010 after a preferential deal lapsed, and an arbitration hearing will decide if the steelmaker can keep sourcing iron ore from Kumba at a discount.

The company has said it was confident the arbitration hearing would rule in its favour although it may take until next year to resolve the dispute. The company paid R1.1 billion more for iron-ore in 2011 due to the dispute.

To mitigate the impact from further cost hikes, the firm in April bought a 20% stake in an iron ore exploration project in South Africa's Northern Cape province.

The unit is also investing heavily in electricity projects, hoping to reduce its reliance on power utility Eskom and steep increases in power tariffs expected for the next few years. ■