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Restructuring expected at ArcelorMittal

THE appointment of an ArcelorMittal heavyweight as chief financial officer of its SA operation is expected to lead to large-scale restructuring at the struggling steelmaker.

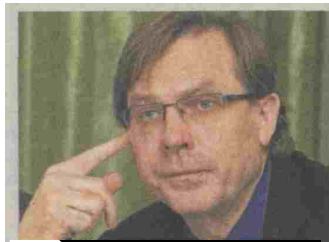
ArcelorMittal said this week that on January 2 Matthias Wellhausen would replace Rudolph Torlage, who would focus on strategic projects.

Wellhausen, an internal Mr Fix-It who served as finance chief when the group turned Germany's Eko Stahl around, is currently finance chief for the Asia, Africa and Commonwealth of Independent States region.

"Wellhausen will have to focus on reducing costs," said Mohamed Kharva, analyst at Nedgroup Securities.

ArcelorMittal South Africa (Amsa) stock fell 43% in the past six months to 2004 levels. It posted a R148-million loss in the September quarter, and warned the fourth-quarter loss would be "substantially more" with seasonal slowdown in domestic demand and production losses due to extended blast furnace repairs at Newcastle.

Despite poor performance of



■ MR FIX-IT: Rudolph Torlage

the past three financial years, Amsa's headcount rose. An analyst said it may have to cut

staff, but spokesman Themba Hlengani said the group was "not anticipating any retrenchments at this stage".

Wellhausen's experience in developing teams, integrating units and achieving targeted results would be highly beneficial in the next three years, Amsa said.

The group's fortunes are largely tied to local construction. It said last month it had shut some electric arc furnaces, cutting electricity usage, and planned further shutdowns.

An insider said: "People are not buying steel. We need to cut costs to the point where we can ensure the company will survive."

It is not only the local operations that are suffering. ArcelorMittal is selling assets around the world, shutting plants and cutting its dividend to reduce net debt of \$23.2-billion. Moody's and Standard & Poor's lowered its debt rating to junk.

Amsa said Torlage would continue driving key projects and arbitration on the Sishen

iron-ore supply contract. The original contract, which Kumba claims lapsed when Amsa failed to renew its mining right at Sishen, gave Amsa the right to 6.25 million tons of ore a year at cost plus 3%.

The parties are expected to wait for a Supreme Court of Appeal ruling on mining rights before concluding a new supply deal.

"Besides the Sishen dispute, Rudolph will also be taking a lead on the Phoenix issue, which is still a subject of dispute," said Hlengani. "There are also other internally focused projects targeting cost savings he will be driving."