

Weak demand knocks ArcelorMittal SA

Group posts wider loss, affected by economy, global price pressures

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ARCELORMITTAL SA yesterday reported a headline loss of R518m for the year ended December, citing depressed economic conditions and weak steel demand, which were made worse by deadly labour unrest.

SA's largest steel maker said this compared with a loss of R52m in the previous year. It also said the poor result highlighted SA's dependence on Europe as an export market for downstream metal products.

"ArcelorMittal SA's results reflect the difficult environment that the company is currently facing," Kagiso Asset Management equity analyst Ross Heyns said yesterday.

Mr Heyns said the international steel price was under pressure because of excess global capacity, and the South African unit of the world's biggest steel maker also faced "additional domestic and company-specific issues".

"The company has experienced significant cost pressure over the past few years, electricity continues to increase and the Sishen (iron-ore) cost plus supply agreement is in dispute," he said. Domestic demand was important, because ArcelorMittal SA received a "significantly higher price" for its domestic steel sales than for exports, Mr Heyns said.

Domestic sales fell 5% as a

ARCELORMITTAL SA STILL REELING

ARCELORMITTAL SA
Share price, daily close (cents)

Close: 3645

▼ 0.63%

- Headline loss of R518m
- Depressed economic conditions and weak steel demand
- Worsened by deadly labour unrest
- Highlights SA's dependence on Europe as an export market

NONKULULEKO NYEMBEZI-HEITA

Picture: MARTIN RHODES Graphic: SHAUN UTHUM Source: I-NET BRIDGE

ARCELORMITTAL SA	2012	2011
Full year	2012	2011
Revenue (Rbn)	32.3	31.4
Pretax (Rm)	(692)	126
Net Profit (Rbn)	(508)	8
Diluted HEPS (c)	(129)	(13)
Dividend (c)	—	—

result of weak demand and de-stocking in the second half of the year, even as net realised prices in rand terms rose by 7%.

Earnings before interest, tax, depreciation and amortisation fell 35% to R1.12bn from R1.72bn in 2011.

This was due to a "modest drop" in domestic steel sales and a

27% plunge in commercial coke sales. The drop in coke sales was because of the shutdown of furnaces by ferrochrome producers participating in Eskom's electricity buyback programme. These producers accounted for about 90% of such sales.

"As anticipated, 2012 was a very tough year," ArcelorMittal SA CEO Nonkululeko Nyembezi-Heita, said yesterday.

"At the same time, we are pleased with the strides we have made in achieving operational stability and containing costs," she said.

Demand from the domestic

building and construction sector, the largest consumer of steel, continued to be sluggish. The firm said that on a compounded basis, steel demand in the country had only grown at an annual average rate of 1.1% over 20 years.

Rand prices of key raw materials such as coking coal, pellets and scrap were down, while electricity costs rose 16%.

On a brighter note, the company said it realised a net cash inflow of R445m for the year, bringing its closing cash position to R884m, up from R439m in the previous year.

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