Steel giant reports operating profit of R395 million

VANDERBIJLPARK. - ArcelorMittal South Africa Limited last week announced the financial results for the first quarter of 2014. The company continued to make excellent progress in its Safety journey towards Zero Harm, recording an improved lost time injury rate of 0.52, compared to the full year rate of 0.56 in 2013.

More importantly, this is the 10th consecutive quarter that the business has recorded zero fatalities in its operations.

Headline earnings for the quarter ended 31 March 2014 were R323 million, compared to a headline loss in the corresponding period last year of R270 million. EBITDA improved to R754 million compared to R169 million for the first quarter of 2013.

The improvement reflected a 5% increase in steel sales to 1 134 k’ tons and a 21% increase in liquid steel production to 1 241 k’ tons, compared to the same period last year, when production was adversely affected by a fire incident at the Vanderbijlpark facility. The good performance was also supported by a moderate increase in average net realised prices, a weakening rand and the improved competitiveness of the new iron ore contract.

The group generated an operating profit of R395 million, a R603 million turnaround from the corresponding period in 2013.

Trading conditions during the quarter were mixed, reports ArcelorMittal.

Globally, demand for steel has improved but the industry experienced oversupply in the US, while China showed overcapacity and moderate demand. The sub-Saharan region is showing continued growth and strong demand driven by investments in large infrastructure projects such as mining, roads, rail, housing development and the energy sector. Recent investment in the oil and gas sectors in this region also bodes well for the future. However, sentiment in South Africa remains subdued with continued weak steel demand evident in Quarter One, affected by low levels of construction activity and increased competition from imports.

When compared to Quarter One in 2013: ArcelorMittal South Africa’s total revenue increased 18% to R9.2 billion following an 11% increase in average net realised prices.

Domestic prices were 14% higher and exports rose 9%. Steel shipments were up 5%, benefiting from a 70% increase in export shipments. Local steel shipments decreased 11% compared to the same quarter in 2013.