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ArcelorMittal to Increase Steel Prices as Raw-Material Costs Keep Rising

By ROBERT GUY MATTHEWS and ALEX MACDONALD
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Hit by higher costs and strong demand world-wide, steel giant **ArcelorMittal** said it would raise steel prices 10% to 15% in the U.S. and Europe.

Chief Executive Officer Lakshmi Mittal said prices could go even higher if mining companies impose, as expected, steep increases for iron ore, a key ingredient in the making of steel. "We plan to pass these costs to customers. It all depends on the negotiations for raw-material prices," Mr. Mittal said. "After those are concluded it will become more clear."

Mining companies and steelmakers are expected sometime in March to reach a benchmark price for iron ore. Both sides expect the increases to be steep, with prices somewhere in the range of 50% to 70% higher than last year's.

Depending on the grade and country, steel is selling for around \$500-\$600 a metric ton. Iron ore costs about \$80-\$90 a metric ton. The price of coal, another key ingredient in the making of steel, is also expected to rise this year as demand outstrips supply.

ArcelorMittal, the world's No. 1 steelmaker by output, said that its net profit in fourth quarter was \$2.44 billion on revenue of \$28 billion. Comparing results to a year earlier is difficult because at the time Arcelor SA hadn't yet merged with Mittal Steel Co. For the full 2007, the company posted net income of \$10.37 billion.



ArcelorMittal said it would continue its pace of acquisitions this year. In 2007, the company announced 35 acquisitions across the globe. Mr. Mittal said the company wasn't looking to digest a large steelmaker, instead favoring emerging markets and comparatively smaller producers.

The company last year acquired control of **China Oriental Group Ltd.**, an important step into the lucrative and growing Chinese steel market. Chinese demand is expected to continue growing this year and prices

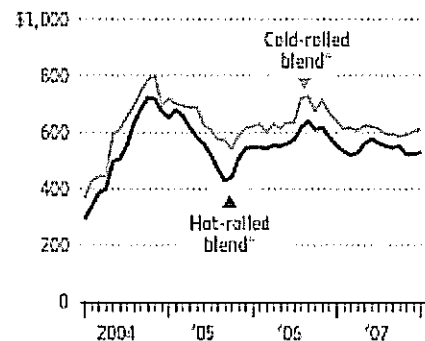
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Price Pressure

Monthly U.S. steel prices, per ton



• Blend price comprises both spot and contract prices

Note: Volume-weighted average transaction/base price for coils shipped in the indicated month

Source: Dow Jones Indexes

should rise as the Chinese government slows down steel-capacity growth in order to shut down inefficient and polluting steel plants. China also has imposed an export tax which has made Chinese producers less willing to ship their products abroad.

Hermann Reith, an analyst with BHF Bank in Germany, said ArcelorMittal's sales and shipments were above expectations.

Separately, German industrial conglomerate **ThyssenKrupp** AG, a big stainless-steel producer, said fiscal first-quarter net profit fell 35%, hurt by lower stainless steel prices, though it echoed ArcelorMittal's comments about the strong outlook for steel. ThyssenKrupp, which makes steel, automotive parts, elevators and also offers technology services, said net fell to €414 million (\$603.1 million) in the quarter ended Dec. 31 from €641 million a year earlier.

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