

## Press release

London, April 2<sup>nd</sup> 2009: **Stemcor announces full year audited results 2008**

### Financial highlights

- The second best year in Stemcor's history, despite the economic crisis
- Turnover up from £4.3bn to £6.3bn (+49%)
- Operating profit up from £92m to £96m (+4%)
- Pre-tax profit down from £65m to £52m (-21%)
  - Including exceptional profit of £17m (2007: £16m)
- Steel handled down from 9.8m tonnes to 9.4m tonnes (-3%)
- Raw Materials handled up from 10.5m tonnes to 11.0m tonnes (+5%).

### Operational highlights

- Record year for our international trading business, despite the world financial crisis
- Acquired Barclay & Mathieson, a general steel stockholder with 12 depots in the UK
- Acquired the assets and business of Ferrosource, a US pig iron distributor
- Completed the acquisition of Aryan Mining and Trading Corporation, an iron and manganese mining company in Orissa, India
- Earned exceptional income of £17m from the divestment of Savage River in Tasmania
- In Dec 08/Jan 09, expanded the engineering steels business in Australia (Global Metals), France (Acier Metal), Germany (Stemcor Automotive + Processing) and Spain (Stemcor Aceros Especiales).

### Chairman's statement

**2008 will be as well remembered in the annals of history as the Great Crash of 1929. In both years credit bubbles led to a stock market collapse, with banks in financial difficulties, a rapid decline in economic activity and a collapse in commodity prices.**

Despite the economic turmoil, 2008 was nevertheless the second best year in Stemcor's history, with a pre-tax profit of £52 million. The after tax return on opening shareholders' funds fell from 43% to 24%. We could have done better. We did anticipate a decline in prices in the second half but not one as extreme as the actual fall in billet prices from \$1,200 per tonne in August to under \$300 per tonne by November. We had to deal with some customers who were in unprecedented difficulties and struggled to honour their contractual obligations because of the collapse of prices. There was a rise in the number of claims and in some cases we had to resort to litigation to enforce our rights. As a result of this sudden downturn, our distribution businesses in Europe found themselves overstocked and we had to make substantial provisions for mark-to-market losses. In these circumstances our results, while disappointing in comparison with 2007, are nevertheless acceptable.

The fact that we were able to come through such a difficult period and emerge in good shape with satisfactory profits is a tribute to the quality of our people and the successful strategies that we have implemented in past years. We are well positioned in terms of balance sheet, assets, organisation and people to weather economic storms. We are, however, far from complacent. We will continue to critically examine our business and adapt our operations to an ever changing environment. We will learn from our mistakes and improve our controls on unsold positions. Our distribution businesses will focus more on specialist products and end-user customers rather than standard products for stockholder customers. We will be paying special attention to our risk management and credit control procedures.

Even though our distribution interests in Europe were hit hard by the recession, we remain committed to this business. We have recapitalised our German companies to compensate for the losses they made and are putting into place measures required to ensure future profitability. In the medium term we believe we can develop a profitable business on the European continent in general and in Germany in particular.

Our international trading businesses, selling into Asia and Africa, had a very good year. This business, which was and remains our original core business, continues to flourish, in part because of rapid growth in developing markets. Despite tough conditions, trading so far in 2009 is proving resilient and we are increasing our market share. In these international trading operations we have made considerable use of the new steel futures market for billets on the London Metal Exchange. We have recently established an alliance with Deutsche Bank to promote steel derivatives and offer hedging solutions to the global steel industry. Contracts will be in the name of Deutsche Bank, but we will be using our worldwide connections to generate business. I hope in my statement next year to be able to report on a successful beginning for this new venture.

In the last two years we have expanded our stockholding operations, both through acquisition and by the establishment of new greenfield operations. Some of these operations are 'virtual', in the sense that warehousing and transport are contracted out. Steel stockholding, in any form, is a capital intensive business and further stockholding acquisitions or start-ups will depend on obtaining additional capital, either in the form of new equity or longer term debt. A key requirement for the successful growth of our stockholding business is the development of our own proprietary software to control our operations. We have embarked on this major task, which should be fully completed by the end of next year.

The focus of our investments in mining operations is now firmly on India. We have had close trading ties with India for 50 years and are strong believers in the future of this economy. I am pleased to say that the construction of our pellet plant in Orissa is proceeding well. The plant is being built to the highest standards and we have assembled a very high quality team to take this project through to completion. It will complement our mining assets as we now have interests in two producing iron ore mines, also in Orissa. Sales of ore from these mines already contribute to our profits and the pellet plant will in future add value by upgrading and processing the fines produced from these mines. Although we expect the international iron ore price to weaken, we are confident about the future potential of our mining assets because of the high quality of the deposits, the low extraction costs and the increasing demand for iron ore within India.

We have enlarged our board to fifteen directors with two new appointments. Ron Harvey has been responsible for the growth of our engineering steels business while Matthew Stock has driven our developments in India. Given the size of the board we have established smaller committees to improve the speed and efficiency of our decision making. We are still in the transition from a small family business into a medium sized global enterprise. Our aim is to emulate the highest standards of business ethics, corporate governance and transparency expected of larger organisations and, although there is much work to be done, we are determined to achieve that objective.

Stemcor expects to continue the successful growth it has experienced in recent years. Our performance will, of course, be affected by the general well-being of the world economy. We all hope that the world in general will benefit from the lessons learned from 1929 and the ensuing depression of the 1930s. I am cautiously optimistic that there is a reasonable chance that we will see a resumption of growth in the US economy before the end of this year, with stronger growth throughout the world in 2010. Different commentators come out with different views and the truth of the matter is that none of us can be certain about future economic developments. We have survived a difficult year in 2008 with creditable results. In common with the rest of the steel industry we expect 2009 to be a very tough year but we remain confident about our future.

My thanks again to our customers, our suppliers and our bankers for their continued support, and to our dedicated staff for all their hard work.

**Ralph Oppenheimer**

Executive Chairman

1 April 2009

**All the financial information set out below is extracted from the audited financial statements of Stemcor Holdings Limited:**

**Consolidated profit and loss account**  
**For the year ended 31 December 2008**

	Year to 31/12/2008 £'m	Year to 31/12/2007 £'m
<b>Turnover</b>	<b>6,288</b>	4,254
Cost of sales	<b>(6,072)</b>	(4,075)
<b>Gross Profit</b>	<b>216</b>	179
Distribution costs and administrative expenses	<b>(120)</b>	(87)
<b>Operating profit</b>	<b>96</b>	92
Exceptional Items	<b>17</b>	16
Net interest payable	<b>(61)</b>	(43)
<b>Profit on ordinary activities before tax</b>	<b>52</b>	65
Taxation	<b>(17)</b>	(20)
<b>Profit on ordinary activities after tax</b>	<b>35</b>	45
Minority Interests	<b>1</b>	(1)
<b>Profit attributable to shareholders</b>	<b>36</b>	44

**Consolidated balance sheet**  
**31 December 2008**

	31/12/2008 £'m	31/12/2007 £'m
<b>Fixed assets</b>	<b>118</b>	40
<b>Current assets</b>		
Stocks	<b>730</b>	417
Debtors	<b>1,221</b>	831
Investment	<b>11</b>	-
Cash at bank and in hand	<b>266</b>	169
	<b>2,228</b>	1,417
<b>Creditors: amounts falling due within one year</b>		
Bank loans and overdrafts	<b>(1,338)</b>	(848)
Creditors and accruals	<b>(578)</b>	(408)
	<b>(1,916)</b>	(1,256)
<b>Net current assets</b>	<b>312</b>	161
<b>Total assets less current liabilities</b>	<b>430</b>	201
<b>Creditors: amounts falling due after more than one year</b>	<b>(185)</b>	(51)
<b>Net assets</b>	<b>245</b>	150
Shareholders' funds	<b>234</b>	150
Minority interests	<b>11</b>	-
<b>Total equity</b>	<b>245</b>	150

## **Editor's notes**

Stemcor is the world's largest independent steel trader.

Stemcor plays a pivotal role in the steel industry, acting as a trading intermediary between producers and purchasers and providing a range of value-adding services. Steel goods traded include a wide range of long, flat, tube and semi-finished products. Raw materials for the production of steel include iron ore, pig iron, coal, coke, ferroalloys and scrap.

Stemcor now employs approximately 1,400 people in its network of 80 offices in 40 countries across the globe. For the financial year ending 31 December 2008, Stemcor handled 20.4 million tonnes of steel and associated raw materials, with turnover of £6.3 billion (US\$11.7 billion).

Stemcor's services span every step in the steel supply chain, from the provision of steel-making raw materials to producers through to the delivery of processed steel to end-users. The company's core competencies – finance, raw materials, steel trading, distribution and stockholding - are interlinked and apply to all its business units across the world. Stemcor's breadth of expertise - from minehead to factory floor – enables it to offer integrated solutions that improve its partners' business performance.

Stemcor does not own any steel mill, nor is any mill a shareholder in the Company. This independence ensures that it is objective in matching exact customer needs in terms of quality, specifications, financial terms and delivery.

Stemcor was formed in London in 1951 and is a privately owned company. The majority of shares are held by the Oppenheimer family, represented on the Board by Ralph Oppenheimer (Executive Chairman) and Philip Edmonds (Deputy Chairman), with the balance of shares held by employees. The company prides itself on the quality of its people, its risk management and its track record.

## **Contact**

Patrick Pearson  
Communications Director  
Stemcor Holdings Limited  
Level 27, CityPoint  
1 Ropemaker Street  
London EC2Y 9ST

Direct tel: +44 (0)207 7753594  
Email: [patrick.pearson@stemcor.com](mailto:patrick.pearson@stemcor.com)