STEMCOR
Every step in steel

Press release

London, August 13th 2009: **Stemcor remains positive after posting a loss for H1 2009**

Financial highlights

- Turnover down from £2,807m to £1,862 (-34%)
- Operating profit down from £75m to -£17m (-123%)
- Pre-tax profit down from £48m to -£35m (-173%)
- Tonnage invoiced down from 8.3m tonnes to 5.5m tonnes (-34%)

Operational highlights

- Resilient performance from international trading operations outside Europe
- International trading in both steel and raw materials remained profitable
- Distribution and stockholding activities lost money due to a 49% decline in volumes and heavy provisions
- Expanded stockholding network for engineering steels in Australia, France, Germany and Spain through acquisitions and start-ups
- In India, iron ore mine increased operating volumes and pellet plant on track for Q2 2010
- Positive outlook for H2, with signs of recovery in steel consuming markets
- $480m revolving credit facility renewed and liquidity strengthening.

Chairman's Statement

The first half of 2009 saw a continued deterioration in markets following on from the credit crisis and the depressed fourth quarter of 2008. Our invoiced tonnage for steel fell 32% to 3.2 million tonnes. Our distribution and stockholding activities lost money due to a 49% fall in volumes and further provisions against stocks and debtors. Our international steel trading operations outside Europe and North America saw only a 20% decline in volume, reflecting the more robust performance of developing economies, and remain profitable. We have, however, made substantial provision in the half year accounts to cover the possibility of failure to supply against contracts by one counterparty.

Our mining and raw materials activities reported a 24% reduction in the volume of material traded to 2.3 million tonnes but were again profitable. We are pleased with the progress of our investments in Orissa, India. BRPL, our pellet plant, is on schedule and on budget for commissioning in the second quarter of 2010. AMTC, our iron ore mine, substantially increased its operating volumes. An exploration programme has been undertaken at the mine using a combination of geophysical analysis as well as traditional diamond core drilling. The analysis work is well advanced and the results to date have been extremely encouraging. We are confident of being able to define an inferred resource in excess of 100 million tonnes in accordance with internationally recognised JORC standards. This would represent an asset of substantially greater value than currently reflected in our balance sheet.

It is very disappointing to have to report a £35 million loss for the first half of the year. The profits made in our raw materials and international trading activities were not sufficient to cover both the losses in the European steel activities and the loss from the provision against possible non supply. We have restructured and reduced costs where appropriate. At the same time we continue to strengthen our financial position by reducing stocks and building liquidity, a process which will continue during the rest of the year.

I do expect a significantly improved performance in the second half. Steel prices are going through a sharp upturn at present. Our distribution and stockholding interests reduced their losses in the second quarter and our provisioning may now prove to have been too conservative, which would give a further boost to profits as stock is sold. Despite the very poor results in the first half of the year, the full year should turn out much more positively.

Ralph Oppenheimer
12th August 2009

Consolidated profit and loss account for the six months to 30 June 2009

	Six months to 30/06/09 Unaudited £'000	Six months to 30/06/08 Unaudited £'000	Year to 31/12/08 Audited £'000
Turnover	**1,862,479**	**2,806,652**	**6,288,667**
Cost of sales	(1,828,972)	(2,669,696)	(6,072,183)
Gross Profit	**33,507**	**136,956**	**216,484**
Distribution costs and administrative expenses	(50,579)	(62,183)	(120,586)
Operating (Loss) / Profit	**(17,072)**	**74,773**	**95,898**
Net interest payable	(18,089)	(26,738)	(60,763)
(Loss) / Profit on ordinary activities before tax	**(35,161)**	**48,035**	**51,916**
Taxation	(7,710)	(13,500)	(17,453)
(Loss) / Profit on ordinary activities after tax	**(42,871)**	**34,535**	**34,463**
Minority Interests	(1,471)	132	1,636
(Loss) / Profit attributable to shareholders	**(44,342)**	**34,667**	**36,099**

Consolidated Balance Sheet as at 30 June 2009

	Six months to 30/06/09 Unaudited £'000	Six months to 30/06/08 Unaudited £'000	Year to 31/12/08 Audited £'000
Fixed assets	143,093	63,506	118,286
Current assets			
Stocks	337,769	605,140	730,320
Debtors	980,235	1,447,004	1,414,309
Less: non-returnable proceeds	(73,028)	(202,174)	(193,993)
	907,207	1,244,830	1,220,316
Investments	10,521	8,017	11,461
Cash at bank and in hand	161,049	119,645	265,943
	1,416,546	1,977,632	2,228,040
Creditors: amounts falling due within one year			
Bank loans and overdrafts	(719,150)	(1,017,836)	(1,337,594)
Creditors and accruals (net)	(494,775)	(727,308)	(578,496)
	(1,213,925)	(1,745,144)	(1,916,090)
Net current assets	202,621	232,488	311,950
Total assets less current liabilities	345,714	295,994	430,236
Creditors: amounts falling due after more than one year			
Bank loans	(171,242)	(107,618)	(183,625)
Creditors	(1,685)	(846)	(1,211)
	(172,927)	(108,464)	(184,836)
Net assets	172,787	187,530	245,400
Shareholders' funds	161,438	187,001	234,319
Minority interests	11,349	529	11,081
Total equity	172,787	187,530	245,400

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.

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