STEMCOR
Every step in steel

Press release

London, August 1st 2011: **Stemcor turns in solid growth in H1 2011**

Financial highlights

- Turnover increased from £2,435m in H1 2010 to £3,178m (+31%).
- Tonnage invoiced increased from 7.9m tonnes in H1 2010 to 9.1m tonnes (+15%).
- Operating profit of £68m up from £61m in H1 2010 (+11%).
- Pre-tax profit of £52m relatively flat compared with £51m in H1 2010, despite strong underlying trading.
- Stocks and debtors increased in line with sales.

Operational highlights

- Solid performance from all activities and almost all business units.
- Aryan Mining in India benefited from strong domestic demand for iron ore, particularly in Q2.
- Robust performance from downstream Distribution and Stockholding activities.
- Acquisition of three stockholding businesses in Belgium, Portugal and the UK.
- Growth still driven largely by developing economies.
- Revolving Credit Facility oversubscribed and increased to USD1 billion.
- Solid second half forecast, despite current uncertainty in the world economy.

Chairman's Statement

I am pleased to be able to report a satisfactory pre-tax profit for the half year. The recovery from the deep recession of 2008/2009 continued during the first half of 2011, but growth in the industrialised countries of the West was disappointing and there were some signs of the recovery faltering.

Stemcor's results were not as good as might appear from the headline pre-tax profit figure of £51.6 million. The profit attributable to Stemcor shareholders of £28.3 million was below last year's level of £32.6 million and below the 2008 figure of £34.7 million. The underlying profitability in 2011 nevertheless compares favourably with 2010 when taking into account two factors. 2010 distribution profits were flattered by sales of stock at prices above the net realisable value assumed in our end 2009 provisioning, while last year's profits also included further income from the disposal of the Savage River mine. In these circumstances we can be content with our 2011 first half performance.

Aryan Mining, our 50.01% owned iron ore mining subsidiary in Odisha, India, continues to perform strongly. Its sales in the second quarter were excellent and the continuing exploration work on the size of the resource is showing encouraging results. However, the commissioning of our new pellet plant, also in Odisha, has been further delayed due to new requirements for permissions. As a result, the start date for the commissioning of the plant has now had to be put back to the first half of 2012. We remain confident that we will obtain all necessary approvals, given the environmental benefits that this project brings through recovering waste products and through transporting beneficiated ore by pipeline rather than by truck.

Our raw materials trading business performed strongly, though our international trading business in steel, while profitable, was below budget. Our steel distribution interests had an excellent first half. Our stockholding and service centre businesses all performed well with the exception of Stemcor

Special Steels, but we are confident that this business, serving the oil industry, will begin to trade profitably in the second half of the year. During the half year we acquired two service centres in Portugal and the UK, the latter being a joint venture with a major Chinese producer. Subsequently, on 13 July this year, we completed the purchase of a Belgian plate stockholding business.

At the time of writing there is some uncertainty about the strength of steel prices in the second half. However, our liquidity is strong and we enjoy the support of our bankers as witnessed by the renewal of our Revolving Credit Facility for an increased amount of USD1 billion. Our unsold and risk positions are under firm control and we continue our policy of prudent balance sheet management and moderate dividend payments. We will shortly be paying an interim dividend of 25p per share, the same as last year. I am confident that we should have a solid second half and satisfactory full year figures.

Ralph Oppenheimer
29 July 2011

Financial statements

Consolidated profit and loss account for the six months to 30 June 2011

	Six months to 30/06/11 Unaudited £''000	Six months to 30/06/10 Unaudited £''000	Year to 31/12/2010 Audited £''000
Turnover	**3,178,242**	**2,435,205**	**5,141,233**
Cost of sales	(3,040,636)	(2,316,455)	(4,899,260)
Gross profit	**137,606**	**118,750**	**241,973**
Distribution costs and administrative expenses	(70,055)	(58,144)	(138,107)
Operating profit	**67,551**	**60,606**	**103,866**
Net interest payable	(15,988)	(10,034)	(19,974)
Profit on ordinary activities before tax	**51,563**	**50,572**	**83,892**
Taxation	(14,955)	(12,412)	(32,360)
Profit on ordinary activities after tax	**36,608**	**38,160**	**51,532**
Minority interests	(8,334)	(5,546)	(12,283)
Profit attributable to shareholders	**28,274**	**32,614**	**39,249**
Dividends	(2,634)	-	(1,881)
Retained profit	**25,640**	**32,614**	**37,368**

Consolidated Balance Sheet as at 30 June 2011

	As at 30/6/11 Unaudited £'000	As at 30/6/10 Unaudited £'000	As at 31/12/10 Audited £'000
Fixed assets	273,917	218,029	245,058
Current assets			
Stocks	551,910	371,680	419,316
Debtors	1,449,830	1,240,447	1,396,278
Less: non-returnable proceeds	(18,248)	(18,707)	(18,760)
Investments	6,271	6,880	9,568
Cash at bank and in hand	257,232	275,596	218,587
	2,246,995	1,875,896	2,024,989
Creditors: amounts falling due within one year			
Bank loans and overdrafts	(1,295,083)	(912,477)	(1,216,430)
Creditors and accruals (net)	(686,918)	(656,173)	(518,783)
	(1,982,001)	(1,568,650)	(1,735,213)
Net current assets	264,994	307,246	289,775
Total assets less current liabilities	538,911	525,275	534,833
Creditors: amounts falling due after more than one year			
Bank loans	(235,995)	(257,086)	(252,388)
Creditors	(12,674)	(12,912)	(14,575)
	(248,669)	(269,999)	(266,963)
Net assets	290,242	255,276	267,870
Shareholders' funds	258,672	233,651	241,860
Minority interests	31,570	21,625	26,010
Total equity	290,242	255,276	267,870

Editor’s notes

Stemcor is the world’s largest independent steel trader by tonnes traded.

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 employs approximately 1,800 people in its network of 125 offices in 45 countries across the globe. For the financial year ending 31 December 2010, Stemcor handled 19 million tonnes of steel and associated raw materials, with turnover of £5.1 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 Group’s core competencies comprise finance, raw materials, steel trading, distribution and stockholding. Stemcor’s breadth of expertise, from minehead to factory floor, enables it to offer integrated supply chain solutions that deliver competitive advantage both to producers and purchasers of steel.

Stemcor does not control 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.

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