
Stemcor announces audited financial results for 2008

Friday, 03 Apr, 2009

Stemcor has announced its financial results for the fiscal year 2008.

Financial highlights

1. Turnover of GBP 4.3 billion up by 49% YoY to GBP 6.3 billion
2. Operating profit of GBP 92 million up by 4% YoY to GBP 96 million
3. Pre tax profit of GBP 65 million down by 21% YoY to GBP 52 million
4. Including exceptional profit of GBP 17 million against GBP 16 million
5. Steel handled down from 9.8 million tonnes to 9.4 million tonnes
6. Raw Materials handled up from 10.5 million tonnes to 11.0 million tonnes

Financial details of FY 2008	Item	FY 07	FY 08	Change
	Turnover	4,254	6,288	47.8%
	Cost of sales	4,075	6,072	49.0%
	Gross Profit	179	216	20.7%
	Distribution costs	87	120	37.9%
	Operating profit	92	96	4.3%

In GBP million

Operational highlights

1. Record year for international trading business
2. Acquired Barclay & Mathieson, a general steel stockholder
3. Acquired the assets and business of Ferrosource
4. Completed the acquisition of Aryan Mining & Trading Corporation
5. Earned exceptional income of GBP 17 million from the divestment
6. In December to January, expanded the engineering steels business in Australia (Global Metals), France (Acier Metal), Germany (Stemcor Automotive + Processing) and Spain (Stemcor Aceros Especiales)

Mr Ralph Oppenheimer chairman of Stemcor said that "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 GBP 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 USD 1,200 per tonne in August to under USD 300 per tonne by November. We had to deal with some customers who were in unprecedented difficulties and struggled to honor 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."

He added that "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, organization 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."

Mr Oppenheimer said that "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."

For more news visit at www.steelguru.com