

ZŁOMREX S.A.

Q1 2008 Business and Financial Performance

June 9, 2008





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ZŁOMREX S.A.

Introduction

Section 1





Introduction

Speakers



**Krzysztof
Walarowski**
Member of the
Board
Age – 51
4 yrs with
Złomrex



**Krzysztof
Zola**
CFO
Age – 35
6 yrs with
Złomrex





Introduction

Q1 2008 Highlights

- ❑ Payment of STALEXPORT S.A. (STX) purchase price set at PLN 138,7 million; February – April 2008.
- ❑ Discharging of all Zeljezara Split's (ZJEL) long term bank lines at the amount of approximately EUR 20 million and releasing guarantees granted by the Croatian State; February 15, 2008.
- ❑ EBRD long-term financing for the purpose of acquisition of ZJEL; February 19, 2008
- ❑ Usual market conditions; fair financial results, in line with the budget.



Introduction

Q1 2008 Highlights

- ❑ Fair market environment
- ❑ GDP growth over 6% in Poland
- ❑ Steel consumption decline by 5% in Poland after extremely strong Q1 2007 when it went up by 28% YoY.
- ❑ Increasing steel prices into Q2 2008
- ❑ Record breaking first quarter Company' s sales



Introduction

Q1 2008 Highlights

	INCOME STATEMENT	Q1 2008	Q1 2007	Q1 2006
		<i>'000 PLN</i>		
Revenue		1 060 578	588 711	356 974
Cost of sales		-937 202	-500 249	-323 865
Gross profit		123 376	88 462	33 109
Other income		4 743	2 907	317
Distribution expenses		-38 986	-9 882	-5 531
Administrative expenses		-41 442	-23 098	-14 213
Other expenses		-5 046	-3 539	-1 573
EBIT		42 645	54 850	12 109
EBIT margin		4,0%	9,3%	3,4%
Financial income		8 451	2 599	1 177
Financial expenses		-30 252	-22 992	-5 259
Net financing costs		-21 801	-20 393	-4 082
Excess in the net fair value of acquired assets over cost		786	0	0
Profit before tax		21 630	34 457	8 027
Income tax expense		-8 332	-8 095	-2 566
Profit for the period		13 298	26 362	5 461
Depreciation and amortization		-18 380	-10 531	-7 594
EBITDA		61 025	65 381	19 703
EBITDA margin		5,8%	11,1%	5,5%



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Business overview

Section 2



Business overview

Business environment

CRUDE STEEL PRODUCTION ⁽¹⁾	Q1 2008	% YoY	Q1 2007	Q1 2006
<i>million tonnes</i>				
Poland	2,7	0%	2,7	2,3
EU (25)	51,8	-2%	53,1	49,1
Global	340,1	7%	318,9	288,4

STEEL USE ⁽²⁾	Q1 2008	% YoY	Q1 2007	Q1 2006
<i>million tonnes</i>				
Poland	2,869	-5%	3,012	2,352
long products	1,210	-8%	1,321	0,836
flat products	1,365	-3%	1,409	1,281
other	0,294	4%	0,282	0,233

UNIT PRICES ⁽³⁾	Q1 2008	% YoY	Q1 2007	Q1 2006
<i>PLN / Tonne</i>				
Scrap metal	834	12%	747	694
Billets	1 591	6%	1 501	1 333
Bars	1 947	-4%	2 024	1 654

- (1) Source: IISI
 (2) Source: HIPH
 (3) Source: ZŁOMREX S.A.



Business overview

Q1 2008 performance drivers

SALES	2008					2007 REPORTED	
	REPORTED	HISTORICAL ZLOMREX	NEW ACQUISITIONS' CONTRIBUTION				
			VASTH	STX	ZJEL		TOTAL
<i>Tonnes</i>							
SCRAP	43 564	42 960	0	604	0	604	48 019
BILLETS	57 310	48 657	0	8 646 ⁽¹⁾	7	8 646	51 911
FINISHED PRODUCTS	322 939	136 114	116 129	51 716 ⁽²⁾	18 980	186 825	160 152



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Business overview

Segments

	SCRAP METAL	Q1 2008	Q1 2007
PURCHASES FROM EXTERNAL SUPPLIERS (Tonnes)			
ZLOM		0	182 194
ZLMET		164 284	N/C
HSJ		50 590	49 303
ZJEL		20 470	N/C
SALES TO EXTERNAL CUSTOMERS (Tonnes)			
ZLOM		2	47 946
ZLMET		42 958	N/C
OTHER		604	73
SALES ('000 PLN)			
CONSOLIDATED		35 356	36 024
TOTAL PURCHASES in TONNES		235 344	231 497
TOTAL SALES in TONNES		43 564	48 019
TOTAL SALES in '000 PLN		35 356	36 024





Business overview

Segments

	BILLETS	Q1 2008	Q1 2007
PRODUCTION (Tonnes)			
FERR		88 653	94 651
HSJ		60 694	61 771
ZJEL		18 323	N/C
SALES TO EXTERNAL CUSTOMERS (Tonnes)			
ZLOM		41 014	49 309
FERR		0	0
HSJ		7 643	2 602
STX		8 646 ⁽¹⁾	N/C
ZJEL		7	N/C
SALES ('000 PLN)			
CONSOLIDATED		98 906	81 697
TOTAL PRODUCTION in TONNES		167 670	156 422
TOTAL SALES in TONNES		57 310	51 911
TOTAL SALES in '000 PLN		98 906	81 697

⁽¹⁾ Includes 8,642 tonnes of billets purchased from ZLX





Business overview

Segments

FINISHED PRODUCTS	Q1 2008	Q1 2007
PRODUCTION (Tonnes)		
ZWWB	29 984	36 136
FERR	10 812	18 246
HSJ	51 222	54 986
ZJEL	19 706	N/C
SALES TO EXTERNAL CUSTOMERS (Tonnes)		
RETAIL	138 512	34 173
BULK	184 427	116 979
SALES ('000 PLN)		
CONSOLIDATED	838 428	383 123
TOTAL PRODUCTION in TONNES	111 724	109 368
TOTAL RETAIL SALES in TONNES	138 512	43 173
TOTAL BULK PRODUCT SALES in TONNES	184 427	116 979
TOTAL SALES in '000 PLN	838 428	383 123



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Financials

Section 3



Financials

P&L

INCOME STATEMENT Q1 2008	REPORTED	ZLX HIST	VASTH	STX	ZJEL	ELIMIN
<i>'000 PLN</i>						
Revenue	1 060 578	572 644	344 295	141 872	35 588	-33 821
Cost of sales	-937 202	-501 781	-301 017	-131 845	-36 009	33 450
Gross profit	123 376	70 863	43 278	10 027	-421	-371
Other income	4 743	1 513	1 544	352	1 334	0
Distribution expenses	-38 986	-10 512	-24 674	-3 754	-46	0
Administrative expenses	-41 442	-21 177	-10 669	-5 887	-3 070	-639
Other expenses	-5 046	-2 835	-1 228	-261	-722	0
EBIT	42 645	37 852	8 251	477	-2 925	-1 010
EBIT margin	4,0%	6,6%	2,4%	0,3%	-8,2%	
Financial income	8 451	10 715	6 088	1 525	420	-10 297
Financial expenses	-30 252	-25 833	-7 286	-1 501	-4 522	8 890
Net financing costs	-21 801	-15 118	-1 198	24	-4 102	-1 407
Excess in the net fair value of acquired assets over cost	786	0	786	0	0	0
Profit before tax	21 630	22 734	7 839	501	-7 027	-2 417
Income tax expense	-8 332	-6 857	-1 509	-200	0	234
Profit for the period	13 298	15 877	6 330	301	-7 027	-2 183
Depreciation and amortization	-18 380	-11 884	-3 183	-1 340	-1 334	-639
EBITDA	61 025	49 736	11 434	1 817	-1 591	-371
EBITDA margin	5,8%	8,7%	3,3%	1,3%	-4,5%	





Financials

P&L Adjusted

INCOME STATEMENT ZLX HISTORICAL	Q1 2008 ADJ	Q1 2007	Q1 2006 ADJ
	<i>'000 PLN</i>		
Revenue	572 644	588 711	460 975
Cost of sales	-501 781	-500 249	-416 307
Gross profit	70 863	88 462	44 668
Other income	1 513	2 907	1 294
Distribution expenses	-10 512	-9 882	-10 699
Administrative expenses	-21 177	-23 098	-18 706
Other expenses	-2 835	-3 539	-2 500
EBIT	37 852	54 850	14 057
EBIT margin	6,6%	9,3%	3,0%
Financial income	10 715	2 599	1 717
Financial expenses	-25 833	-22 992	-6 355
Net financing costs	-15 118	-20 393	-4 638
Excess in the net fair value of acquired assets over cost	0	0	0
Profit before tax	22 734	34 457	9 419
Income tax expense	-6 857	-8 095	-3 784
Profit for the period	15 877	26 362	5 635
Depreciation and amortization	-11 884	-10 531	-8 763
EBITDA	49 736	65 381	22 820
EBITDA margin	8,7%	11,1%	5,0%



Financials

Assets

ASSETS	Q1 2008	Y 2007	Q1 2007
	<i>'000 PLN</i>		
A. TOTAL NON-CURRENT ASSETS	1 206 519	1 208 532	774 569
I. Intangible assets	44 596	45 973	50 733
II. Property, plant and equipment and usufruct of land	1 113 788	1 114 816	686 996
III. Other receivables	2 992	2 979	1 697
IV. Investment property and other investments	22 813	22 292	21 705
V. Deferred tax assets	22 330	22 472	13 438
B. TOTAL CURRENT ASSETS	1 429 609	1 474 070	1 253 999
I. Inventories	687 781	692 210	565 994
II. Trade and other receivables	647 760	512 448	600 060
III. Cash and cash equivalents	88 072	263 416	87 366
IV. Assets classified as held for sale	5 996	5 996	579
TOTAL ASSETS	2 636 128	2 682 602	2 028 568



Financials

Equity and Liabilities



EQUITY AND LIABILITIES	Q1 2008	Y 2007	Q1 2007
	<i>'000 PLN</i>		
A. EQUITY	717 651	689 568	458 369
I. Issued share capital	47 691	47 691	47 691
II. Reserves and retained earnings	522 901	493 854	347 985
III. Minority interest	147 059	148 023	62 693
B. LIABILITIES	1 937 180	1 993 034	1 570 199
I. Non-current liabilities	812 667	840 911	890 725
1. Interest-bearing loans and borrowings	652 510	655 878	785 938
2. Employee benefits	46 471	46 298	39 818
3. Other payables	44 074	69 544	33 713
4. Deferred grants and other deferred income	2 877	2 783	1 625
5. Deferred tax liabilities	66 735	66 408	29 631
II. Current liabilities	1 124 513	1 152 123	679 474
1. Interest-bearing loans and borrowings	441 356	543 031	177 978
2. Other financial liabilities	7 936	7 858	8 363
3. Employee benefits	3 139	3 656	2 546
4. Income tax payable	18 498	17 858	19 088
5. Provisions for payables	3 018	3 955	1 508
6. Trade and other payables	650 070	575 379	469 638
7. Deferred grants and other deferred income	496	386	353
TOTAL EQUITY AND LIABILITIES	2 654 831	2 682 602	2 028 568



Financials

Cash Flow

CASH FLOW	Q1 2008	Q1 2007	Q1 2006
<i>'000 PLN</i>			
A. FROM OPERATING ACTIVITIES	96 830	-43 299	3 052
B. FROM INVESTING ACTIVITIES	-146 383	-128 970	-180 274
C. FROM FINANCING ACTIVITIES	-95 033	198 122	156 406





Financials

Metrics

	MAIN METRICKS	Q1 2008	Y 2007	Q1 2007
Liquidity ratio		1,27	1,28	1,85
Quick ratio		0,66	0,68	1,01
Inventories turnover (days)		66	86	102
Receivables turnover (days)		55	56	614
EBITDA margin		4,0%	9,3%	3,4%
Nett profit margin		1,3%	4,5%	1,5%
Equity		717 651	689 568	458 369
Net debt		1 013 730	943 351	884 913
LTM EBIT		144 273	156 478	180 998
LTM EBITDA		212 403	216 759	218 557
Net debt / LTM EBITDA		4,8	4,4	4,0
LTM pro forma EBITDA		197 971	200 491	277 238
Net debt / LTM pro forma EBITDA		5,1	4,7	3,2
	OTHER METRICKS	Y 2007	Y 2006	Y 2005
Moody's adjusted net debt		1 154 943	1 217 609	1 021 983
Moody's adjusted net debt / LTM EBITDA		5,4	5,6	4,7
Moody's adjusted net debt / LTM pro forma EBITDA		5,8	6,1	3,7





Financials

Q1 2008 v. Budget

	Q1 2008	REPORTED	BUDGETED
	<i>'000 PLN</i>		
Revenues		1 060 578	1 008 164
EBITDA		61 025	60 000
net profit		13 298	5 072
Working capital		710 871	716 459
Net interest expenses (cash-flow wise)		-35 029	-35 647
CAPEX		-28 357	-10 000
net debt		1 013 730	1 024 047
Moody's adjusted net debt		1 154 943	1 165 604



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Q2 2008 Outlook

Section 4





Q2 2008 outlook

- ❑ Polish GDP stable at 6%
- ❑ Slight increase in Polish steel consumption in comparison to Q2 2007
- ❑ Good sales and profitability

BUDGET SUMMARY	Q1 2008	Q2 2008	Q3 2008	Q4 2008	TOTAL
<i>'000 PLN</i>					
Revenues	1 008 164	1 224 683	1 327 983	1 062 352	4 623 182
EBITDA	60 000	95 000	90 000	55 000	300 000
profit before tax	6 340	60 391	37 760	30 078	134 570
Income tax payment	-1 268	-12 078	-7 552	-6 016	-26 914
net profit	5 072	48 313	30 208	24 063	107 656
Working capital	716 459	803 700	867 826	644 893	
Working capital change	38 920	-87 241	-64 127	222 933	110 486
Net interest expenses	-35 647	-16 003	-33 447	-5 840	-90 938
CAPEX	-10 000	-10 000	-20 000	-30 000	-70 000
Moody's adjusted net debt	1 165 604	1 195 927	1 231 053	994 975	

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Q&A

Section 4

