

ZŁOMREX S.A.

Q1 2011 Business and Financial Performance

June 07, 2011





Content

1. Introduction
2. Business overview
3. Financials
4. Q2 2011 outlook
5. Q&A

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Introduction

Section 1





Introduction

Speakers



Krzysztof

Zola

CFO

Member of the

Board

Age – 38

8 yrs with

Złomrex





Introduction

Q1 2011 Highlights

- Substantial Improvement in demand and increase of prices
 - Revenues' increase by 93,5% compared to Q1 2010 value-wise and 52,2% tonnage-wise
 - Fair crude production capacities utilization
- | CAPACITIES & PRODUCTION Q1 2011 | CAPACITY | PRODUCTION | UTILISATION |
|---------------------------------|----------|------------|-------------|
| <i>Tonnes</i> | | | |
| FERR | 93 750 | 79 906 | 85,2% |
| HSJ | 65 250 | 45 367 | 69,5% |
- Q1 EBITDA at the level of the annual 2010
 - GDP growth over 4% in Poland
 - Steel production increase by 11% in Poland: Q1 2011 v. Q1 2010
 - Finalization of International distribution division divestiture

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Business overview

Section 2





Business overview

Business environment

CRUDE STEEL PRODUCTION ¹	Q1 2011	% YoY	Q1 2010	Q1 2009
<i>million tonnes</i>				
Poland	2,0	11%	1,8	1,4
EU (27)	45,6	8%	42,1	26,5
Global	371,5	8%	342,4	263,3

UNIT PRICES ²	Q1 2011	% YoY	Q1 2010	Q1 2009
<i>PLN / Tonne</i>				
Scrap metal	1 038	34%	776	600
Billets	2 137	54%	1 387	1 427
Bars	2 323	41%	1 649	1 799

(1) Source: World Steel Association

(2) Source: ZŁOMREX SA





Business overview

Q1 2011 performance drivers

SALES	Q1 2011	% YoY	Q1 2010
<i>Tonnes</i>			
Scrap metal	26 997	171%	15 773
Billets	45 871	140%	32 678
Products (continued operations)	57 348	155%	37 076





Business overview

Segments

SCRAP METAL		Q1 2011	Q1 2010
PURCHASES FROM EXTERNAL SUPPLIERS		<i>Tonnes</i>	
FERR		34 610	12 854
ZLMET		101 697	64 500
HSJ		36 016	19 205
ZJEL		0	0
INTERNAL USE		<i>Tonnes</i>	
FERR		96 131	59 440
HSJ		52 768	27 550
ZJEL		0	0
SALES TO EXTERNAL CUSTOMERS		<i>Tonnes</i>	
ZLMET		26 769	15 523
OTHER		228	250
SALES			
CONSOLIDATED	'000 PLN	27 798	12 248
TOTAL PURCHASES in TONNES		172 323	96 559
TOTAL INTERNAL USE in TONNES		148 899	86 990
TOTAL SALES in TONNES		26 997	15 773
TOTAL SALES in '000 PLN		27 798	12 248



Business overview

Segments

	BILLETS	Q1 2011	Q1 2010
PURCHASES	<i>Tonnes</i>		
EXTERNAL SOURCES		0	0
PRODUCTION	<i>Tonnes</i>		
FERR		79 906	49 247
HSJ		45 367	22 764
ZJEL		0	0
INTERNAL USE	<i>Tonnes</i>		
FERR		36 277	16 569
HSJ		43 131	22 764
ZJEL		0	0
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>		
FERR		43 629	32 678
HSJ		2 236	0
ZJEL		0	0
OTHER		6	0
SALES	<i>'000 PLN</i>		
CONSOLIDATED		98 038	45 332
TOTAL PURCHASES in TONNES		0	0
TOTAL PRODUCTION in TONNES		125 273	72 011
TOTAL INTERNAL USE in TONNES		79 408	39 333
TOTAL SALES in TONNES		45 871	32 678
TOTAL SALES in '000 PLN		98 038	45 332





Business overview

Segments

PRODUCTION	FINISHED PRODUCTS	Tonnes	
		Q1 2011	Q1 2010
ZWWB		23 181	13 644
FERR		0	0
HSJ		40 618	21 038
ZJEL		0	0
SALES OF PRODUCTION TO DISTRIBUTION		Tonnes	
ZLOM		0	0
HSJ		345	0
FERR		1 841	4 509
ZJEL		0	0
SALES TO EXTERNAL CUSTOMERS		Tonnes	
ZLOM		0	0
FERR		18 538	14 815
HSJ		38 810	22 261
ZJEL		0	0



Business overview

Segments

COG			
- retail	21 779	19 985	
- bulk product	1 799	6 338	
STX			
- retail	N/C	5	
- bulk product	N/C	0	
COGAT			
- retail	19 676	60 717	
- bulk product	5 360	18 253	
OTHER			
- retail	2 326	899	
SALES	'000 PLN		
CONSOLIDATED	312 970	323 391	
TOTAL PRODUCTION in TONNES	63 799	34 682	
TOTAL RETAIL SALES in TONNES	43 781	81 606	
TOTAL BULK PRODUCT SALES in TONNES	64 507	61 667	
TOTAL SALES in '000 PLN	312 970	323 391	



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Financials

Section 3





Financials

P&L

INCOME STATEMENT	'000 PLN	Q1 2011	¥ 2010	Q1 2010
Revenue		332 073	994 465	171 645
Cost of sales		-297 225	-927 510	-180 218
Gross profit	34 848	66 955	-8 573	
Other income		2 878	9 583	2 283
Distribution expenses		-7 486	-33 029	-3 142
Administrative expenses		-9 558	-53 661	-10 410
Other gains/(losses) - net		-745	10 301	9 815
Other expenses		-3 753	-18 359	-2 970
EBIT	16 184	-18 210	-12 997	
Financial income		344	14 442	20 821
Financial expenses		-19 878	-66 121	-14 711
Net financing costs	-19 534	-51 679	6 110	
Share of profits of associates		0	0	0
Excess in the net fair value of acquired assets over cost		0	0	0
Profit/Loss before tax	-3 350	-69 889	-6 887	
Income tax expense		-4 775	-8 970	-13 180
Profit/loss for the period from discontinued operations		35 903	-88 118	4 420
Profit for the period	27 778	-166 977	-15 647	
Depreciation and amortization		-11 148	-46 348	-13 035
EBITDA	27 332	28 138	38	





Financials

Assets

	ASSETS '000 PLN	Q1 2011	Y 2010	Q1 2010
A. TOTAL NON-CURRENT ASSETS	448 662	463 276	792 030	
I. Intangible assets	19 711	20 487	40 558	
II. Property, plant and equipment	369 187	377 959	645 119	
III. Other receivables	256	241	11 274	
IV. Investment property and other investments	4 051	4 164	5 278	
V. Prepaid perpetual usufruct of land	19 321	19 419	46 007	
VI. Deferred tax assets	36 136	41 006	43 794	
B. TOTAL CURRENT ASSETS	676 788	984 974	764 175	
I. Inventories	218 225	182 640	255 046	
II. Receivables	346 959	144 730	272 675	
1. Trade and other receivables	267 876	144 720	267 370	
2. Other investments	79 083	10	5 305	
III. Cash and cash equivalents	9 215	9 337	13 389	
IV. Assets classified as held for sale	102 389	103 733	223 065	
V. Assets of disposal groups and discontinued operations	0	544 534	0	
TOTAL ASSETS	1 125 450	1 448 250	1 556 205	



Financials

Equity and Liabilities

	EQUITY AND LIABILITIES	Q1 2011	Y 2010	Q1 2010
		<i>'000 PLN</i>		
A. EQUITY		110 901	98 360	220 141
I. Issued share capital		47 691	47 691	47 691
II. Reserves and retained earnings		-16 116	-28 905	84 874
III. Minority interest		79 326	79 574	87 576
B. LIABILITIES	1 014 549	1 349 890	1 336 064	
I. Non-current liabilities	528 508	525 281	557 284	
1. Employee benefits obligation	11 983	12 121	37 108	
2. Interest-bearing loans and borrowings	510 240	503 222	501 277	
3. Other	6 285	9 938	18 899	
II. Current liabilities	486 041	453 508	626 005	
1. Interest-bearing loans and borrowings	100 396	107 376	157 468	
2. Bank overdraft	82 108	86 782	113 954	
3. Trade payables	296 303	253 205	349 936	
4. Deferred government grants	2 954	1 007	1 856	
5. Other financial liabilities	0	0	0	
6. Employee benefits obligation	3 877	4 735	1 690	
7. Income tax payable	0	0	300	
8. Provisions for payables	403	403	801	
III. Liabilities of disposal group classified as held for sale	0	371 101	152 775	
TOTAL EQUITY AND LIABILITIES	1 125 450	1 448 250	1 556 205	



Financials

Cash Flow

CASH FLOW (continued operations)	Q1 2011	Y 2010	Q1 2010
'000 PLN			
A. FROM OPERATING ACTIVITIES	-53 791	50 688	18 665
B. FROM INVESTING ACTIVITIES	-704	8 232	8 669
C. FROM FINANCING ACTIVITIES	-21 092	-52 096	-20 994
NET INCREASE IN CASH	-75 587	6 824	6 340

- ☐ working capital outflow at pln (-) 82.0 million, including pln (-) 30.2 million within domestic distribution business.
- ☐ Q1 2011 consolidated inventories included pln 39,461 thousand of inventories held within our domestic distribution. The same applies for trade receivables: pln 41,661 thousand and trade liabilities - and pln 42,856 thousand.



Financials

Metrics

MAIN METRICS	Q1 2011	Y 2010	C1 2010
Liquidity ratio	1,39	1,19	0,98
Quick ratio	0,94	0,97	0,65
Inventories turnover (days)	66	72	127
Inventories turnover adjusted (days)	54	57	107
Receivables turnover (days)	94	53	143
Receivables turnover adjusted (days)	61	43	125
EBITDA margin	8,2%	2,8%	0,0%
Net profit margin	8,4%	-16,8%	-9,1%
Equity	110 901	98 360	220 141
Net debt	683 529	688 043	759 310

- Adjusted metrics exclude inventories and receivables attributable to the domestic Distribution Division

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Q2 2011 Outlook

Section 4





Q2 2011 outlook

- Polish GDP over 4%
- Further increase in demand and stabilization of prices
- Further improvement in profitability
- Fair utilization of production levels
- Divestiture of the domestic distribution business
- The Dutch auction and consent solicitation

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Q&A

Section 5

