



Cognor Concludes Negotiations on Asset Sale Transaction

ZŁOMREX S.A. (Złomrex) reports that COGNOR S.A. (Cognor, the Company, the Seller), a 64,4% subsidiary of Złomrex, entered into conditional asset sale agreement (the Agreement, the Transaction) with ArcelorMittal Distribution Poland sp. z o.o. and ArcelorMittal Distribution Solutions Poland sp. z o.o. (together: AMDS or the Purchaser). Anticipated scope of the Transaction, which relates to Cognor's distribution operations in Poland, was previously disclosed by the Company in its Q2 2010 financial report.

Pursuant to the Agreement Cognor agreed in particular to:

- (i) sell 11 warehouses,
- (ii) lease and sub lease transfer pertaining to 2 warehouses,
- (iii) sell movable assets located in the above sites,
- (iv) sell inventories located in the above sites (the Inventories),
- (v) transfer certain IT licenses.

By virtue of Polish statutory law the Purchaser shall also automatically enter into the rights and obligations under all employees' labor arrangements related to the above scope of the Transaction (the Scope).

The total consideration was agreed at the net amount of PLN 148,900,000 increased by the actual fair market value of the Inventories as of the Transaction closing. The total net book value of inventories being subject to the Transaction as of 30 September, 2010 accounted for PLN 29,162,000.

85% of the total consideration less PLN 2,000,000 shall be paid on the Transaction closing and 15% of it, increased by PLN 2,000,000 shall be retained in escrow for the purpose of securing representations and warranties of the Seller as well as certain encumbrances' release.

Closing of the Transaction is subject to fulfillment of a number of conditions including:

- (i) anti-trust clearance,
- (ii) the Seller and the Purchaser receive tax rulings confirming qualification of the Transaction as an asset type contract,
- (iii) approval of the Seller's shareholders' meeting,
- (iv) receipt of creditors' consents on encumbrances' release subject to concurrent repayment of respective obligations,
- (v) delivery of a title insurance to secure proper transfer of real properties and their due registration with the respective land registers,
- (vi) lack of any material adverse change,
- (vii) lack of proceedings pending which could prevent the Transaction from closing,
- (viii) lack of liens other than permitted by the Agreement,
- (ix) the Seller maintains full, unencumbered and valid title to all real properties and materially all assets within the Scope.

In addition the parties decided to enter upon closing into:

- (i) a non-compete arrangement wherein the Seller and Złomrex shall agree during the period of 36 months following closing not to conduct distribution activities in Poland other than sale of Złomrex Group products,
- (ii) an distribution arrangement wherein the Purchaser shall agree to purchase from the Seller steel products subject to actual market terms.

The Agreement contains a preemptive right for the Purchaser with respect to sale of any real property of Cognor which lie outside of the Scope.

In the Agreement Złomrex extended its corporate guarantee in favor of the Purchaser in order to secure Cognor's performance.

Złomrex Management Board believes that the completion of the Transaction will help to substantially reduce the Group's indebtedness, improve its risk profile and therefore bring new opening to the relations with external creditors as well as revert negative trends in Złomrex's credit ratings.