



## ZŁOMREX Q1 2011 REPORT

Today ZŁOMREX S.A. (Złomrex, the Company, the Group) announced its performance in the first quarter of 2011. The Company has significantly improved its performance in Q1 2011 both in comparison to Q1 2010 as well as to the previous quarter. Enhanced market conditions contributed mostly to the progress. Some influence came also from recovering short-term liquidity due to finalization of divestiture of the Austrian Cognor Stahlhandel GmbH.

The Company is pleased with the rebound in profitability though the numbers still lag behind the Group's potential and the Management's expectations.

### I. Reported Statement

#### 1. Income Statement (continued operations)

The Group's revenues rose by 93.5% and gross profit increased by pln 43.4 million compared to negative pln (-) 8.6 million Q1 2010. EBIT and EBITDA were positive at pln 16.2 million and 27.3 million respectively. Net financing costs reached pln (-) 19.5 million partially due to negative development of EUR/PLN exchange rate bringing total of pln (-) 5.7 thousand of net foreign exchange losses related to the Group's indebtedness.

EXCHANGE RATES	March-2011	Dec-2010
EUR/PLN <i>pln</i>	4,01	3,96
% change	1%	
USD/PLN	2,82	2,96
% change	-5%	

Main Group's entities made the following contribution to the consolidated results:

	FERR	ZW-WB	HSW-HSJ	ZLMET
Revenues	142 309	6 799	132 610	134 847
- incl. Internal	4 929	6 641	1 238	89 896
EBIT	5 964	642	12 998	3 451
EBITDA	9 764	1 003	18 347	4 908
<b>Profit for the period</b>	<b>3 831</b>	<b>522</b>	<b>10 195</b>	<b>2 961</b>

<b>INCOME STATEMENT</b>		<b>Q1 2011</b>	<b>Y 2010</b>	<b>Q1 2010</b>
	<i>'000 PLN</i>			
Revenue		332 073	994 465	171 645
Cost of sales		-297 225	-927 510	-180 218
<b>Gross profit</b>		<b>34 848</b>	<b>66 955</b>	<b>-8 573</b>
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
<b>EBIT</b>		<b>16 184</b>	<b>-18 210</b>	<b>-12 997</b>
Financial income		344	14 442	20 821
Financial expenses		-19 878	-66 121	-14 711
<b>Net financing costs</b>		<b>-19 534</b>	<b>-51 679</b>	<b>6 110</b>
Share of profits of associates		0	0	0
Excess in the net fair value of acquired assets over cost		0	0	0
<b>Profit/Loss before tax</b>		<b>-3 350</b>	<b>-69 889</b>	<b>-6 887</b>
Income tax expense		-4 775	-8 970	-13 180
Profit/loss for the period from discontinued operations		35 903	-88 118	4 420
<b>Profit for the period</b>		<b>27 778</b>	<b>-166 977</b>	<b>-15 647</b>
Depreciation and amortization		-11 148	-46 348	-13 035
<b>EBITDA</b>		<b>27 332</b>	<b>28 138</b>	<b>38</b>

## 2. Balance Sheet

Total assets and current assets decreased in comparison to 31.12.2010 due to divestiture of assets related to discontinued operations however inventories and receivables went up as a result of higher business activity.

<b>ASSETS</b>		<b>Q1 2011</b>	<b>Y 2010</b>	<b>Q1 2010</b>
	<i>'000 PLN</i>			
<b>A. TOTAL NON-CURRENT ASSETS</b>		<b>448 662</b>	<b>463 276</b>	<b>792 030</b>
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>B. TOTAL CURRENT ASSETS</b>		<b>676 788</b>	<b>984 974</b>	<b>764 175</b>
<b>I. Inventories</b>		<b>218 225</b>	<b>182 640</b>	<b>255 046</b>
<b>II. Receivables</b>		<b>346 959</b>	<b>144 730</b>	<b>272 675</b>
1. Trade and other receivables		267 876	144 720	267 370
2. Other investments		79 083	10	5 305
<b>III. Cash and cash equivalents</b>		<b>9 215</b>	<b>9 337</b>	<b>13 389</b>
<b>IV. Assets classified as held for sale</b>		<b>102 389</b>	<b>103 733</b>	<b>223 065</b>
<b>V. Assets of disposal groups and discontinued operations</b>		<b>0</b>	<b>544 534</b>	<b>0</b>
<b>TOTAL ASSETS</b>		<b>1 125 450</b>	<b>1 448 250</b>	<b>1 556 205</b>

Net debt decreased slightly by PLN 4.5 million in comparison to 31.12.2010 due to repayment of loans and borrowings which was partially offset by negative development of EUR/PLN exchange rate bringing total of pln (-) 5.7 thousand of increase in the Group's indebtedness. In comparison to Q1 2010 net debt declined by pln 75.8 million.

EQUITY AND LIABILITIES	Q1 2011	Y 2010	Q1 2010
	<i>'000 PLN</i>		
<b>A. EQUITY</b>	<b>110 901</b>	<b>98 360</b>	<b>220 141</b>
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>B. LIABILITIES</b>	<b>1 014 549</b>	<b>1 349 890</b>	<b>1 336 064</b>
<b>I. Non-current liabilities</b>	<b>528 508</b>	<b>525 281</b>	<b>557 284</b>
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
<b>II. Current liabilities</b>	<b>486 041</b>	<b>453 508</b>	<b>626 005</b>
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. Defferd 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
<b>III. Liabilities of disposal group classified as held for sale</b>	<b>0</b>	<b>371 101</b>	<b>152 775</b>
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<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 125 450</b>	<b>1 448 250</b>	<b>1 556 205</b>

### 3. Cash flow (continued operations)

The Group had negative cash flows from operating activities mainly due to working capital outflow at pln (-) 82.0 million. Cash from investing activities was slightly negative and financing cash flow negative as well primarily due to interest expense paid.

CASH FLOW		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
<b>NET INCREASE IN CASH</b>		<b>-75 587</b>	<b>6 824</b>	<b>6 340</b>

## II. Main Metrics

Main metrics significantly improved in Q1 2011 mainly as a result of sales of discontinued operations and reclassification of assets and liabilities as held for sale.

MAIN METRICS	Q1 2011	Y 2010	Q1 2010
Liquidity ratio	1,39	1,19	0,98
Quick ratio	0,94	0,97	0,65
Inventories turnover (days)	66	72	127
Receivables turnover (days)	94	53	143
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

## III. Liquidity

The Group has been able to improve its short-term liquidity thanks to divestiture of its international distribution activities concluded in February 2011. The following sale of Polish distribution assets which occurred later in May has provided Złomrex with further liquidity injection and sorted out the short-term refinancing risk which stayed one of the main concerns of the Group's Managements for many quarters.