



November 14, 2011

Press releases Q3 2011

ZŁOMREX S.A. (Złomrex, the Company, the Group) managed to maintain momentum in its business and financial performance as compared to the previous quarter despite deteriorating conditions both macroeconomic and in the steel sector itself. In comparison to Q2 2010 the Company improved its sales and profitability very significantly. Relatively positive development of EBITDA in the last quarter was attained partially due to weakening zloty which helped Złomrex to improve its competitive position on softening market. Net profits suffered however due to exchange losses with a large portion of the Company's indebtedness being euro-denominated. This also stands behind all the increase of the Group's net debt.

The last quarter was also important because Złomrex managed to finalize its internal reorganization process. The Company views this step as a crucial element to optimize the Groups structure with respect to business management and to profit from certain tax benefits going forward. This has also largely improved recognition of Złomrex on local equity market thus broadening financing opportunities in the future.

Internal reorganization required implementation of a number of transactions including mergers between the Group's companies and share dispositions. Some of those transactions generated certain non-recurrent profits with relatively insignificant transaction costs.

From this quarter onwards Złomrex's disclosure will be provided at the same time and to the same extent both for debt and equity investors. This also applies to investor relations making the Company's communication more effective and consistent.

I. Reported Statement

1. Income Statement (continued operations)

The Group's revenues rose by 44.5% compared to Q3 2010 both as a result of improving shipments (by 25,8%) and positive price development. In comparison to Q2 2011 revenues dropped by 0,8% entirely due to weakening prices; tonnage-wise sales increased at the same time by 2,2%. Gross profit increased by 104,6% compared to Q3 2010 and 1,2% compared to Q2 2011.

EBITDA rose by 31,5% in comparison to Q2 2011; Q3 2010 EBITDA was close to zero so the actual Q3 2011 EBITDA represents almost all the increase. The profitability increase in comparison to Q3 2010 was driven by a substantial improvement in sales and prices of steel products versus prices of scrap.

It is important to note that the Q3 2011 EBITDA was influenced by the following non-recurring items:

- PLN 6,962: net profits on disposition of shares (transactions were part of internal reorganization process),
- PLN 2,773: the amount corresponds to negative EBITDA of Odlewnia Metali Szopienice (OMS) recognized previously in the reports covering Q1 2011 and Q2 2011. Currently OMS has been deconsolidated with the effect from 01.01.2011 therefore the EBITDA increase which is reflected in Q3 EBITDA should rather be accounted for in the restated H1 2011 EBITDA,
- PLN 681: release of provisions related to social benefits

The combined effect of the above items results in the EBITDA adjustment by PLN (-) 10,376. The adjusted EBITDA therefore accounts for **PLN 42.229**, still above Q2 2011 EBITDA by 5,6%.

Net financing costs stood at PLN (-) 55.3 million primarily due to negative development of exchange rates bringing a total of PLN 40,9 of net foreign exchange loss.

| EXCHANGE RATES | Sep-2011 | Jun-2010 |
|----------------|----------|----------|
| PLN | | |
| EUR/PLN | 4,41 | 3,99 |
| % change | 11% | |
| USD/PLN | 3,19 | 2,75 |
| % change | 16% | |

Income tax expense created positive contribution to the net result due to creation of deferred tax assets.

| INCOME STATEMENT | Q3 2011 | Q2 2011 | Q1 2011 | Y 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
|--|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|
| '000 PLN | | | | | | | |
| Revenue | 396 568 | 399 714 | 332 073 | 994 465 | 274 471 | 286 005 | 171 645 |
| Cost of sales | -349 134 | -352 832 | -297 225 | -927 510 | -251 283 | -253 813 | -180 218 |
| Gross profit | 47 434 | 46 882 | 34 848 | 66 955 | 23 188 | 32 192 | -8 573 |
| Other income | 13 188 | 4 336 | 2 878 | 9 583 | 4 190 | 7 954 | 2 283 |
| Distribution expenses | -9 720 | -8 618 | -7 486 | -33 029 | -9 148 | -10 646 | -3 142 |
| Administrative expenses | -10 924 | -9 433 | -9 558 | -53 661 | -4 888 | -12 606 | -10 410 |
| Other gains/(losses) – net | 4 167 | 254 | -745 | 10 301 | -18 121 | 4 874 | 9 815 |
| Other expenses | -1 982 | -4 396 | -3 753 | -18 359 | -5 903 | -4 364 | -2 970 |
| EBIT | 42 163 | 29 025 | 16 184 | -18 210 | -10 682 | 17 404 | -12 997 |
| Financial income | 546 | 4 106 | 344 | 14 442 | 2 842 | 0 | 0 |
| Financial expenses | -55 882 | -11 561 | -19 878 | -66 121 | -4 006 | -27 650 | -14 711 |
| Net financing costs | -55 336 | -7 455 | -19 534 | -51 679 | -1 164 | -27 650 | -14 711 |
| Share of profits of associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Excess in the net fair value | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit/Loss before tax | -13 173 | 21 570 | -3 350 | -69 889 | -11 846 | -10 246 | -27 708 |
| Income tax expense | 5 110 | 25 767 | -4 775 | -8 970 | -214 | 21 614 | -13 180 |
| Profit/loss from discontinued operations | 345 | 53 145 | 35 903 | -88 118 | -1 422 | -9 594 | 4 420 |
| Profit for the period | -7 718 | 100 482 | 27 778 | -166 977 | -13 482 | 1 774 | -36 468 |
| Depreciation and amortization | -10 442 | -10 982 | -11 148 | -46 348 | -11 103 | -11 212 | -13 035 |
| EBITDA | 52 605 | 40 007 | 27 332 | 28 138 | 421 | 28 616 | 38 |

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

| Q1 2011 | 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 |
| Profit for the period | 3 831 | 522 | 10 195 | 2 961 |

| Q2 2011 | FERR | ZW-WB | HSW-HSJ | ZLMET |
|------------------------------|--------------|------------|---------------|--------------|
| Revenues | 169 108 | 6 305 | 164 719 | 142 116 |
| - incl. Internal | 825 | 5 979 | 208 | 91 667 |
| EBIT | 6 837 | 380 | 24 587 | 9 101 |
| EBITDA | 10 642 | 740 | 29 931 | 10 422 |
| Profit for the period | 3 979 | 288 | 18 954 | 5 379 |

| Q3 2011 | FERR | ZW-WB | HSW-HSJ | ZLMET |
|------------------------------|---------------|------------|---------------|--------------|
| Revenues | 185 444 | 6 775 | 133 264 | 154 448 |
| - incl. Internal | 305 | 6 572 | 254 | 94 211 |
| EBIT | 2 251 | 957 | 22 083 | 4 944 |
| EBITDA | 6 053 | 1 322 | 27 454 | 6 230 |
| Profit for the period | -1 424 | 846 | 17 095 | 4 019 |

2. Balance Sheet

Total assets and current assets decreased in comparison to Q3 2010 mostly due the sale of the domestic and international distribution assets.

| ASSETS | Q3 2011 | Q2 2011 | Q1 2011 | Y 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <i>'000 PLN</i> | | | | | | | |
| A. TOTAL NON-CURRENT ASSETS | 469 837 | 470 441 | 448 662 | 463 276 | 494 865 | 725 708 | 792 030 |
| I. Intangible assets | 17 880 | 18 329 | 19 711 | 20 487 | 27 587 | 39 930 | 40 558 |
| II. Property, plant and equipment | 349 170 | 362 933 | 369 187 | 377 959 | 386 690 | 582 605 | 645 119 |
| III. Other receivables | 247 | 244 | 256 | 241 | 1 894 | 2 339 | 11 274 |
| IV. Investment property and other investments | 4 598 | 4 610 | 4 051 | 4 164 | 4 036 | 14 731 | 5 278 |
| V. Prepaid perpetual usufruct of land | 20 897 | 18 561 | 19 321 | 19 419 | 19 030 | 19 284 | 46 007 |
| VI. Deferred tax assets | 77 045 | 65 764 | 36 136 | 41 006 | 55 628 | 66 819 | 43 794 |
| B. TOTAL CURRENT ASSETS | 552 355 | 535 228 | 676 788 | 984 974 | 1 118 571 | 941 178 | 764 175 |
| I. Inventories | 203 499 | 195 466 | 218 225 | 182 640 | 171 244 | 260 868 | 255 046 |
| II. Receivables | 291 636 | 286 797 | 346 959 | 144 730 | 197 875 | 321 547 | 272 675 |
| 1. Trade and other receivables | 254 172 | 251 936 | 267 876 | 144 720 | 197 871 | 315 629 | 267 370 |
| 2. Other investments | 37 363 | 34 861 | 79 083 | 10 | 4 | 5 918 | 5 305 |
| 3. Income tax receivable | 101 | 0 | 0 | 0 | 0 | 0 | 0 |
| III. Cash and cash equivalents | 40 505 | 36 250 | 9 215 | 9 337 | 9 886 | 14 872 | 13 389 |
| IV. Assets classified as held for sale | 16 715 | 16 715 | 102 389 | 103 733 | 103 249 | 121 597 | 223 065 |
| V. Assets of disposal groups and discontinued operations | 0 | 0 | 0 | 544 534 | 636 317 | 222 294 | 0 |
| TOTAL ASSETS | 1 022 192 | 1 005 669 | 1 125 450 | 1 448 250 | 1 613 436 | 1 666 886 | 1 556 205 |

Net debt increased by PLN 38.2 million in comparison to 30.06.2011 due negative development of EUR/PLN exchange rate bringing a total of PLN 40,9 of net foreign exchange related to indebtedness.

| EQUITY AND LIABILITIES | Q3 2011 | Q2 2011 | Q1 2011 | Y 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <i>'000 PLN</i> | | | | | | |
| A. EQUITY | 185 421 | 211 420 | 110 901 | 98 360 | 231 435 | 247 280 | 220 141 |
| I. Issued share capital | 132 444 | 47 691 | 47 691 | 47 691 | 132 444 | 47 691 | 47 691 |
| II. Reserves and retained earnings | 43 895 | 61 281 | -16 116 | -28 905 | 87 373 | 86 944 | 84 874 |
| III. Minority interest | 9 082 | 102 448 | 79 326 | 79 574 | 11 618 | 112 645 | 87 576 |
| B. LIABILITIES | 836 771 | 794 400 | 1 014 549 | 1 349 890 | 1 382 001 | 1 419 606 | 1 336 064 |
| I. Non-current liabilities | 543 180 | 493 582 | 528 508 | 525 281 | 525 560 | 599 867 | 557 284 |
| 1. Employee benefits obligation | 10 093 | 10 963 | 11 983 | 12 121 | 12 940 | 39 475 | 37 108 |
| 2. Interest-bearing loans and borrowings | 526 810 | 478 040 | 510 240 | 503 222 | 508 235 | 541 656 | 501 277 |
| 3. Other | 6 277 | 4 579 | 6 285 | 9 938 | 4 385 | 18 736 | 18 899 |
| II. Current liabilities | 293 591 | 300 818 | 486 041 | 453 508 | 468 441 | 644 601 | 626 005 |
| 1. Interest-bearing loans and borrowings | 39 617 | 43 631 | 100 396 | 107 376 | 91 095 | 159 357 | 157 468 |
| 2. Bank overdraft | 26 423 | 28 665 | 82 108 | 86 782 | 84 821 | 105 103 | 113 954 |
| 3. Trade payables | 220 801 | 222 082 | 296 303 | 253 205 | 276 684 | 364 845 | 349 936 |
| 4. Deferred government grants and other deferred income | 2 825 | 2 853 | 2 954 | 1 007 | 9 475 | 7 756 | 1 856 |
| 5. Other financial liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. Employee benefits obligation | 1 951 | 1 261 | 3 877 | 4 735 | 4 690 | 6 051 | 1 690 |
| 7. Income tax payable | 1 599 | 1 951 | 0 | 0 | 520 | 327 | 300 |
| 8. Provisions for payables | 375 | 375 | 403 | 403 | 1 156 | 1 162 | 801 |
| III. Liabilities of disposal group classified as held for sale | 0 | 0 | 0 | 371 101 | 388 000 | 175 138 | 152 775 |
| TOTAL EQUITY AND LIABILITIES | 1 022 192 | 1 005 820 | 1 125 450 | 1 448 250 | 1 613 436 | 1 666 886 | 1 556 205 |

3. Cash flow (continued operations)

The Group had positive cash flows from operating activities, positive cash from investing activities and negative financing cash flow.

| CASH FLOW | Q3 2011 | Q2 2011 | Q1 2011 |
|-------------------------------------|-----------------|-----------------|----------------|
| | <i>'000 PLN</i> | | |
| A. FROM OPERATING ACTIVITIES | 8 064 | -23 886 | -53 791 |
| B. FROM INVESTING ACTIVITIES | 16 643 | -2 118 | -704 |
| C. FROM FINANCING ACTIVITIES | -8 683 | -97 232 | -21 092 |
| NET INCREASE IN CASH | 16 024 | -123 236 | -75 587 |

II. Main Metrics

Main metrics saw further improvement in Q3 2011 mainly as a result of sale of the distribution assets as well as due to the improved results from operations.

| MAIN METRICS | Q3 2011 | Q2 2011 | Q1 2011 | Y 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|
| Liquidity ratio | 1,82 | 1,72 | 1,18 | 1,94 | 2,17 | 1,27 | 0,86 |
| Quick ratio | 1,13 | 1,07 | 0,73 | 1,54 | 1,80 | 0,87 | 0,46 |
| Inventories turnover (days) | 52 | 50 | 66 | 72 | 61 | 93 | 127 |
| Receivables turnover (days) | 66 | 65 | 94 | 53 | 65 | 101 | 143 |
| EBITDA margin | 13,3% | 10,0% | 8,2% | 2,8% | 0,2% | 10,0% | 0,0% |
| Net profit margin | -1,9% | 25,1% | 8,4% | -16,8% | -4,9% | 0,6% | -21,2% |
| Equity | 185 421 | 211 420 | 110 901 | 98 360 | 231 435 | 247 280 | 220 141 |
| Net debt | 552 345 | 514 086 | 683 529 | 688 043 | 674 265 | 791 244 | 759 310 |
| LTM EBITDA | 119 007 | 66 823 | 55 432 | 28 138 | n/a | n/a | n/a |
| Net debt / LTM EBITDA | 4,6 | 7,7 | 12,3 | 24,5 | n/a | n/a | n/a |