

**Report of the Independent Auditor on the Financial Statements of Zlomrex International France SA for the year ended as of and for December 31, 2009.**

We have audited the accompanying financial statements of Zlomrex International Finance SA, which comprise the balance sheet as at December 31, 2009, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

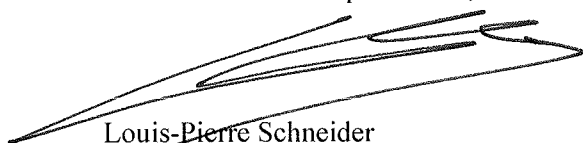
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Zlomrex International Finance SA as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Audit, Paris France



Louis-Pierre Schneider  
Partner

Neuilly-sur-Seine, April 30th, 2010

# **ZLOMREX INTERNATIONAL FINANCE S.A.**

**Financial Statements  
as at and for the twelve months ended  
31 December 2009**

**Table of contents:**

	<b>Page</b>
<b>Statement of financial position</b>	<b>3</b>
<b>Statement of comprehensive income</b>	<b>4</b>
<b>Statement of cash flows</b>	<b>6</b>
<b>Statement of changes in equity</b>	<b>7</b>
<b>Explanatory notes to the financial statements</b>	<b>8</b>

# ZLOMREX INTERNATIONAL FINANCE S.A.

## Statement of financial position

**As at 31 December 2009**

*In EUR thousand*

	<i>Note</i>	<b>31 December 2009</b>	<b>31 December 2008</b>
<b>Assets</b>			
Other investments	3	123,802	163,977
Deferred tax assets		-	-
<b>Total non-current assets</b>		<b>123,802</b>	<b>163,977</b>
Other investments	3	6,474	6,761
Trade and other receivables		-	-
Prepayments for current assets	4	-	1
Cash and cash equivalents	5	120	250
<b>Total current assets</b>		<b>6,594</b>	<b>7,012</b>
<b>Total assets</b>		<b>130,396</b>	<b>170,989</b>
<b>Equity</b>			
Issued capital	6	225	225
Retained earnings (previous periods)	7	(893)	(766)
Retained earnings (current period)	7	621	(127)
Equity attributable to owners of the Company		<b>(47)</b>	<b>(668)</b>
Minority interests		-	-
<b>Total equity</b>		<b>(47)</b>	<b>(668)</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	8	123,595	164,321
<b>Total non-current liabilities</b>		<b>123,595</b>	<b>164,321</b>
Interest-bearing loans and borrowings	8	4,498	6,021
Trade and other payables	9	2,351	1,315
Current tax liabilities		-	-
<b>Total current liabilities</b>		<b>6,849</b>	<b>7,335</b>
<b>Total liabilities</b>		<b>130,444</b>	<b>171,657</b>
<b>Total equity and liabilities</b>		<b>130,396</b>	<b>170,989</b>

This statement of financial position should be read in conjunction with the explanatory notes constituting part of the financial statements.

# ZLOMREX INTERNATIONAL FINANCE S.A.

## Statement of comprehensive income

For the twelve months ended 31 December 2009

in EUR thousand

	Note	Year ended 31/12/2009	Year ended 31/12/2008
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Other income	13	16,062	16,791
Other gains and (loss) net	12	94	(24)
Administrative expenses	11	(111)	(111)
Other expenses		-	(1)
<b>Operating profit before financing cost</b>		<b>16,045</b>	<b>16,655</b>
Interest expenses	13	(10,745)	(14,450)
Other financial expenses	13	(4,679)	(2,332)
<b>Net financing costs</b>		<b>(15,424)</b>	<b>(16,782)</b>
Share of profit of associates		-	-
<b>Profit before tax</b>		<b>621</b>	<b>(127)</b>
Income tax expense	14	-	-
Deferred tax expense		-	-
<b>Profit for the year</b>		<b>621</b>	<b>(127)</b>
<b>Other comprehensive income</b>		-	-
Exchange differences on translating foreign operations		-	-
Other		-	-
<b>Total comprehensive income for the year</b>		<b>621</b>	<b>(127)</b>
Profit attributable to :			
Owners of the Company		621	(127)
Non-controlling interests		-	-
		<b>621</b>	<b>(127)</b>
Total comprehensive income attributable to :			
Owners of the Company		621	(127)
Non-controlling interests		-	-
		<b>621</b>	<b>(127)</b>

## ZŁOMREX INTERNATIONAL FINANCE S.A.

*in EUR thousand*

*Note*      **2009 (365 days)**      **2008 (365 days)**

### **Earnings per share**

From continuing and discontinued operations

Basic (cents per share)	15	<u>2.76</u>	<u>(0.57)</u>
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Diluted (cents per share)		<u>-</u>	<u>-</u>
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From continuing operations

Basic (cents per share)	15	<u>2.76</u>	<u>(0.57)</u>
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Diluted (cents per share)		<u>-</u>	<u>-</u>
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This statement of comprehensive income should be read in conjunction with the explanatory notes  
constituting part of the financial statements.

# ZLOMREX INTERNATIONAL FINANCE S.A.

## Explanatory notes to the financial statements (in Euros thousands, unless stated otherwise)

### Statement of cash flows

For the twelve months ended 31 December 2009

in EUR thousand

	Note	2009 (365 days)	2008 (365 days)
<b>Profit (loss) before tax</b>		<b>621</b>	<b>(127)</b>
<i>Adjustments</i>			
Depreciation			
Amortization			
Impairment losses and valuation allowances			
Foreign exchange (gains)/losses			(14)
Net gain on disposal of property, plant and equipment			
Interest and dividends, net	16	(2,134)	(2,002)
Change in trade and other receivables			337
Change in inventories			
Change in trade and other payables		1,077	(231)
Change in provisions			
Change in employee benefits			
Change in deferred government grants and other deferred income			
Change in emission rights			
Excess of the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost			
Other adjustments			
<b>Cash generated from operations</b>		<b>(436)</b>	<b>(2,038)</b>
Income taxes paid			
<b>Net cash from operating activities</b>		<b>(436)</b>	<b>(2,038)</b>
<b>Cash flows from investing activities</b>			
Proceeds from share issue			
Proceeds from sale of property, plant and equipment			
Interest received	16	12,878	16,452
Change in loans granted		1,886	(433)
Acquisition of subsidiary, net of cash acquired			
Acquisition of property, plant and equipment			
Acquisition of intangible assets			
Prepayment for perpetual usufruct of land			
Acquisition of other investments		(2,150)	(694)
<b>Net cash from investing activities</b>		<b>12,614</b>	<b>15,325</b>
<b>Cash flows from financing activities</b>			
Receipt of interest-bearing loans and borrowings		(1,523)	1,137
Receipts/(payments) in relation to derivative financial instruments		(40)	
Payment of finance lease liabilities			
Interest paid	16	(10,745)	(14,450)
<b>Net cash from financing activities</b>		<b>(12,308)</b>	<b>(13,313)</b>
Net increase in cash and cash equivalents		(130)	(26)
Cash and cash equivalents net of bank overdraft, at 1 January		250	276
<b>Cash and cash equivalents net of bank overdraft, at 31 December</b>		<b>120</b>	<b>250</b>

This statement of cash flows should be read in conjunction with the explanatory notes constituting part of the financial statements.



# ZLOMREX INTERNATIONAL FINANCE S.A.

## Explanatory notes to the financial statements (in Euros thousands, unless stated otherwise)

### Statement of changes in equity

For the twelve months ended 31 December 2009

*In EUR thousand :*

	Share capital	Other capital	Retained earnings	Attributable to owners of the parent	Minority interests	Total Equity
<b>Balance at 1 January 2008</b>	<b>225</b>	-	<b>(765)</b>	<b>(765)</b>	-	<b>(540)</b>
Profit or loss for the year	-	-	(127)	(127)	-	(127)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	<b>(127)</b>	<b>(127)</b>	-	<b>(127)</b>
Transfer of profit	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-
Increase in share capital	-	-	-	-	-	-
Costs of issue of shares	-	-	-	-	-	-
Purchase / disposal of own shares	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Balance at 31 December 2008</b>	<b>225</b>	-	<b>(892)</b>	<b>(892)</b>	-	<b>(667)</b>
Profit or loss for the year	-	-	621	621	-	621
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	<b>621</b>	<b>621</b>	-	<b>621</b>
Transfer of profit	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-
Increase in share capital	-	-	-	-	-	-
Costs of issue of shares	-	-	-	-	-	-
Purchase / disposal of own shares	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Balance at 31 December 2009</b>	<b>225</b>	-	<b>(271)</b>	<b>(271)</b>	-	<b>(47)</b>

This statement of changes in equity should be read in conjunction with the explanatory notes constituting part of the financial statements.

# ZLOMREX INTERNATIONAL FINANCE S.A.

## Explanatory notes to the financial statements

(in Euros thousands, unless stated otherwise)

### 1. Introduction

#### a. Background

Zlomrex International Finance S.A. ("the Company") is a company domiciled in France 52, rue de la Victoire – Pole TMF – 75009 Paris.

The Company is fully integrated into the consolidated financial statements of Zlomrex S.A., a company registered in Poland, which together with Zlomrex International Finance S.A. and other its subsidiaries forms a capital group ("the Group"). The Group is one of major producers of semi-finished and finished steel products in Poland. Zlomrex Group's activities include also sourcing and processing of steel and non-ferrous scrap and distribution of steel products.

The financial statements are prepared as at and for the 12-month period ended 31 December 2009.

The Company was established on 23 October 2006.

The Company has no employees.

The parent company of Zlomrex International Finance S.A. is Zlomrex S.A. based in Poland. Its core activity is related to trade in semi-finished and finished steel products. All shares in Zlomrex S.A. are held by a private person.

The main purpose of creating Zlomrex International Finance S.A was to refinance the Group's certain indebtedness and to finance acquisition of Cognor Stahlhandel GmbH (formerly Voestalpine Stahlhandel GMBH - "the Target" or "COGAT"). Cognor Stahlhandel GmbH is a parent company for a number of subsidiaries forming together Cognor Stahlhandel GmbH Group. COGAT Group activities comprise primarily distribution of steel products in Central and Eastern Europe.

#### b. Major events during the Year

The following redemptions of bonds occurred in 2009:

- On January 20, 2009 38 bonds issued by Zlomrex International Finance with the nominal value of EUR 1.900.000 were cancelled. The bonds were repurchased by Zlomrex International Finance from Neptun Stahlhandel GmbH and according to the agreement between parties it was decided to settle the amount of EUR 1.900.000 being the purchase price. Zlomrex International Finance agreed to pay Neptun for the bonds in full against the loan provided by Zlomrex International Finance to Neptun Stahlhandel GmbH under the Acquisition On-Loan Agreement of March 29, 2007.
- On January 20, 2009 129 bonds issued by Zlomrex International Finance with the nominal value of EUR 6.450.000 were cancelled. The bonds were repurchased by Zlomrex International Finance from Cognor Stahlhandel GmbH (former name "voestalpine Stahlhandel GmbH") and according to the agreement between parties it was decided to settle the amount of EUR 6.450.000 being the purchase price. Zlomrex International Finance agreed to pay Neptun for the bonds in full against the loan provided by Zlomrex International Finance to Neptun Stahlhandel GmbH under the Acquisition On-Loan Agreement of March 29, 2007.
- On February 24, 2009 41 bonds issued by Zlomrex International Finance with the nominal value of EUR 2.050.000 were cancelled. The bonds were repurchased by Zlomrex International Finance from Cognor Stahlhandel GmbH and according to the agreement between parties (made on March 2, 2009) it was decided to settle the amount of EUR 2.050.000 being the purchase price. Zlomrex International Finance agreed to pay Cognor Stahlhandel GmbH for the bonds in full against the loan provided by Zlomrex International Finance to Cognor Stahlhandel GmbH under the Acquisition On-Loan Agreement of March 29, 2007.

## ZLOMREX INTERNATIONAL FINANCE S.A.

### Explanatory notes to the financial statements

(in Euros thousands, unless stated otherwise)

- On March 12, 2009 100 bonds issued by Zlomrex International Finance with the nominal value of EUR 5.000.000 were cancelled. The bonds were repurchased by Zlomrex International Finance from Cognor Stahlhandel Czech Republic s.r.o. and according to the agreement between parties it was decided to settle the amount of EUR 5.000.000 being the purchase price. Zlomrex International Finance agreed to pay Cognor Stahlhandel Czech Republic s.r.o for the bonds in full against the loan provided by Zlomrex International Finance to Cognor Stahlhandel Czech Republic s.r.o under the Acquisition On-Loan Agreement of March 29, 2007.
- On March 12, 2009 100 bonds issued by Zlomrex International Finance with the nominal value of EUR 5.000.000 were cancelled. The bonds were repurchased by Zlomrex International Finance from Cognor Stahlhandel GmbH and according to the agreement between parties it was decided to settle the amount of EUR 5.000.000 being the purchase price. Zlomrex International Finance agreed to pay Cognor Stahlhandel GmbH for the bonds in full against the loan provided by Zlomrex International Finance to Cognor Stahlhandel GmbH under the Acquisition On-Loan Agreement of March 29, 2007.
- On May 28, 2009 50 bonds issued by Zlomrex International Finance with the nominal value of EUR 2.500.000 were cancelled. The bonds were repurchased by Zlomrex International Finance from Cognor Stahlhandel Polska Sp. Z.o.o and according to the agreement between parties it was decided to settle the amount of EUR 2.500.000 being the purchase price. Zlomrex International Finance agreed to pay Cognor Stahlhandel Polska Sp. Z.o.o for the bonds in full against the loan provided by Zlomrex International Finance to Cognor Stahlhandel Polska Sp. Z.o.o under the Acquisition On-Loan Agreement of March 29, 2007.
- On June 26, 2009 402 bonds issued by Zlomrex International Finance with the nominal value of EUR 20.100.000 were cancelled. The bonds were repurchased by Zlomrex International Finance from the following entities :
  - o Cognor Stahlhandel GmbH and according to the agreement between parties it was decided to settle the amount of EUR 3.600.000 being the purchase price. Zlomrex International Finance agreed to pay Cognor Stahlhandel GmbH for the bonds in full against the loan provided by Zlomrex International Finance to Cognor Stahlhandel GmbH under the Acquisition On-Loan Agreement of March 29, 2007,
  - o Neptun Stahlhandel GmbH and according to the agreement between parties it was decided to settle the amount of EUR 3.650.000 being the purchase price. Zlomrex International Finance agreed to pay Neptun Stahlhandel GmbH for the bonds in full against the loan provided by Zlomrex International Finance to Neptun Stahlhandel GmbH under the Acquisition On-Loan Agreement of March 29, 2007,
  - o Zimmermann Stahlhandel GmbH and according to the agreement between parties it was decided to settle the amount of EUR 550.000 being the purchase price. Zlomrex International Finance agreed to pay Zimmermann Stahlhandel GmbH for the bonds in full against the loan provided by Zlomrex International Finance to Zimmermann Stahlhandel GmbH under the Acquisition On-Loan Agreement of March 29, 2007,
  - o Voestalpine Vetting doo and according to the agreement between parties it was decided to settle the amount of EUR 5.350.000 being the purchase price. Zlomrex International Finance agreed to pay Voestalpine Vetting doo for the bonds in full against the loan provided by Zlomrex International Finance to Voestalpine Vetting doo under the Acquisition On-Loan Agreement of March 29, 2007,
  - o Cognor Stahlhandel Spol s.r.o and according to the agreement between parties it was decided to settle the amount of EUR 5.900.000 being the purchase price. Zlomrex International Finance agreed to pay Cognor Stahlhandel Spol s.r.o for the bonds in full against the loan provided by Zlomrex International Finance to Cognor Stahlhandel Spol s.r.o under the Acquisition On-Loan Agreement of March 29, 2007
  - o Vetting Voestalpine Stahlhandel d.o.o and according to the agreement between parties it was decided to settle the amount of EUR 1.050.000 being the purchase price. Zlomrex International Finance agreed to pay Vetting Voestalpine Stahlhandel d.o.o for the bonds in full against the loan provided by Zlomrex International Finance to Vetting Voestalpine Stahlhandel d.o.o under the Acquisition On-Loan Agreement of March 29, 2007,

## ZLOMREX INTERNATIONAL FINANCE S.A.

### Explanatory notes to the financial statements (in Euros thousands, unless stated otherwise)

#### c. Statement of compliance and basis of preparation

The financial statements are presented in Euros, being the functional currency, rounded to the nearest thousand, unless otherwise stated. The financial statements have been prepared on the historical cost basis with the exception of financial instruments classified as available for sale, financial instruments measured at fair value through profit or loss.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

These financial statements were approved by the Board of Directors on April 30, 2010.

IFRS EU contain all International Accounting Standards, International Financial Reporting Standards as well as related Interpretations except for the below listed Standards and Interpretations which are awaiting approval of the European Union as well as those Standards and Interpretations which have been approved by the European Union but are not yet effective.

The company did not early adopt any new Standards and Interpretations which have been published and approved by the European Union and which will come into effect after the balance sheet date. Moreover, at the balance sheet date the Company had not completed the process of assessing the impact of the new standards and interpretations, which will come into effect after the balance sheet date, on the consolidated financial statements of the Company for the period in which they will be applied for the first time.

Standards and Interpretations	Effective date
Revised IAS 1 <i>Presentation of Financial Statements</i> The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).	1 January 2009
Amendments to IAS 32: <i>Financial Instruments - Presentation</i> and IAS 1: <i>Presentation of Financial Statements</i> – Puttable Financial Instruments and Obligations Arising on Liquidation The amendments provide an exemption to the principle otherwise applied in IAS 32 for the classification of some puttable financial instruments as equity. The amendments require certain financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions. The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.	For annual periods beginning on or after 1 January 2009  For annual periods beginning on or after 1 January 2009

Other standards and interpretations that do not directly impact the Company are not included in the table above.

According to French law, Zlomrex International Finance S.A is obliged to prepare annual financial statements for the statutory purposes in accordance with Plan Comptable Général (French GAAP). These financial statements are presented in a separate document.

Zlomrex International Finance S.A. is strongly connected with its parent Company Zlomrex S.A. The purpose of the Company is to finance activity of the Zlomrex Capital Group with many companies located mostly in Poland but also in Austria, Czech Republic, Romania, Croatia and other countries. Therefore going concern of the Company depends on the going concern of the Zlomrex Capital Group treated as a whole.

## ZLOMREX INTERNATIONAL FINANCE S.A.

### Explanatory notes to the financial statements

(in Euros thousands, unless stated otherwise)

The main activities of the Group comprise of: scrap collection, scrap processing into steel billets and steel products as well as distribution of steel products produced internally and purchased from third parties.

Steelmaking belongs to one of the most severely hit businesses during the last Global economy crisis. The extent of the demand drop, prices and margins decrease was unpredictable and unprecedented. The crisis was particularly hitting the companies with relatively high leverage and that is because the crisis began with the credit crunch and the collapse in financial industry worldwide. Thus, not only steel companies were reporting very weak results but also got exposed to short-term liquidity risk with some of the banks being reluctant to extend maturities of credit facilities. The banks' unwillingness to support leveraged companies was not necessarily a reflection of their risk aversion but oftentimes an evidence of internal problems with respect to refinancing and coverage ratios maintenance.

Zlomrex Capital Group was entering the crisis with relatively high indebtedness which results mostly from the notes issued by Zlomrex International Finance S.A. Fortunately, Polish banks (the majority of the activity of the Group is performed in Poland) held no assets in highly risky mortgage backed bonds and derivatives. Zlomrex Capital Group therefore could rely on the ongoing bank support in most cases. However with deteriorating results in 2009 the Group was offered less and less favorable credit terms both with respect of pricing and maturity.

The Group management was aware of the need to considerably reduce the group's indebtedness amid ongoing negative results. Zlomrex Capital Group then decided to take the opportunity to repurchase part of the notes of Zlomrex International Finance S.A. at the time of the worst financial markets collapse. EUR 43 million of the notes were repurchased much below the par and cancelled, bringing considerable indebtedness reduction at the group level and at Zlomrex International Finance S.A. level. Working capital optimization and disposal of certain non-core or non-operational assets were carried out by Zlomrex Capital Group to support short-term liquidity and partially repay the bank indebtedness.

The Management of Zlomrex Capital Group believe the collapse in World economy and so in steel business is coming to an end and are still very much focused on improving liquidity position of the Group and bringing short term indebtedness further down. Therefore, the Management of Zlomrex Capital Group have been continuing their efforts to dispose some of non-core fixed assets. The Management also decided to consider any available ways to improve the Group's balance sheet in order to address comprehensively and structurally short-term refinancing risk.

The Group has already received offers pertaining to some of its significant assets and properties. The Management of Zlomrex Capital Group will assess all of those offers and will decide on the most optimal solution from the perspective of the Group's future operations. In any case, the chosen transaction will result in appropriate reduction of the Group's short term indebtedness.

The management of Zlomrex Capital Group maintains close contact with major bank lenders which are currently financing the Group. They are aware of the ways available to Zlomrex Capital Group with respect to management of short term refinancing risk and continue the so far support by consecutive extension of the credit facilities.

In the statutory consolidated financial statement for the year ended December 31, 2008 issued as of October 29, 2009, Zlomrex Capital Group Executive Board expressed its uncertainty and outlined assumptions regarding Group's going concern. The Group assumed that in the light of deepening crisis certain extraordinary actions will have to be carried out to make sure the Group is able to meet its current obligations and support ongoing operations. The plan included among others: costs restructuring and sale of certain non current assets for the purpose of indebtedness reduction and working capital financing. The Group managed to attain significant results of those actions which enabled continuation of its business as a going concern.

The above mentioned factors may have impact on classification of non-current assets and long -term liabilities additionally Zlomrex International Finance S.A. may incur significant impairment losses relating to its financial assets.

Zlomrex International Finance S.A. has received the support letter from its parent Company Zlomrex S.A. which states that if it will be necessary financial support will be provided either through cash pool financing or through increase in equity.

While at the current balance sheet date the uncertainty can not be definitely removed, the management of Zlomrex International Finance S.A. and management of Zlomrex Capital Group believe that going concern risk is insignificant in the light of improving market conditions and advanced asset sales actions aimed at substantial further liquidity improvement. Therefore, these individual financial statements have been prepared on going concern basis. There are no considerable indications that the Zlomrex Capital Group and Zlomrex International Finance S.A will not be able to continue as the going concern.

**Explanatory notes to the financial statements**

(in Euros thousands, unless stated otherwise)

**2. Accounting principles and policies**

**a. Estimates**

The preparation of financial statements in conformity with IFRS EU requires that the Management Board of the Company makes judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, equity and liabilities, income and expenses with respect to the Group. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and the results of which form a basis for professional judgment on carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Main estimates relates to financial instruments.

**b. Non current loans & Receivables**

Financial instruments held for trading are classified as financial instruments at fair value through the profit or loss. Any resultant gains and losses are recognized in the income statement.

Where the Company has the positive intent and ability to hold debt instruments to maturity, they are stated at amortized cost less impairment losses (see below).

**c. Trade and other receivables**

Trade and other receivables are non-derivative financial assets and financial assets not quoted in an active market with fixed or determinable payments. They are initially recognized at fair value and are subsequently measured at amortized cost less impairment losses (see below).

Revaluation of trade and other receivables should be made according to the likelihood of repayment and appropriate allowances on receivables should be recognized. These allowances should be recognized in other costs or financial costs depending on the category of impaired receivable.

Allowances on receivables are being recognized by the Company according to the criteria listed below:

- Allowances on interest receivables are being made at the time of recognition in 100% of the value of interests, unless a customer made regular payments of interests during the period of cooperation. In this case appropriate allowances should be recognized at the value corresponding to the average impairment of interest receivables of this customer.
- Other receivables are being impaired in 100%, if:
  - they expire over 180 days,
  - they are / were executed through legal action and according to best knowledge of the Company repayment is very doubtful,
  - they are being executed through conciliatory agreements, claim or bankruptcy proceedings,
  - According to reliable information, there is a real risk that receivables will not be paid at all.
- Other receivables are impaired partly, if:
  - According to reliable premises receivables should be impaired in 100% but they are secured by insurance. In this case allowance should be made in value, which is equal to own share in loss,
  - they are / were executed through legal action and to the best knowledge of the Company partly repayment is possible,
  - According to reliable information, there is a real risk that receivables will not be paid at total sum.

Receivables in foreign currencies are recognized in the day of transaction according to the average rate of exchange of Central Bank as at the recognition day, unless other rate of exchange is imposed by customs documents or any other binding evidence.

## ZLOMREX INTERNATIONAL FINANCE S.A.

### Explanatory notes to the financial statements

(in Euros thousands, unless stated otherwise)

As at the reporting day, receivables in foreign currencies are valued according to the average rate of exchange established by the Central Bank as at the day.

#### d. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### e. Impairment

The carrying amount of the Group's assets, other than deferred tax assets, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses recognized in respect of a cash-generating unit (or a group of units) are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of units) and then, to reduce the carrying amount of the other assets in the unit (or a group of units) on a pro rata basis. Impairment losses are recognized in the income statement.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in the income statement even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in the income statement.

##### (i) Calculation of recoverable amount

The recoverable amount of the Group's investments in held to maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset which does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### (ii) Reversal of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortized cost is reversed through profit or loss if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss shall be reversed, with the amount of the reversal recognized in the income statement.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

## **ZLOMREX INTERNATIONAL FINANCE S.A.**

### **Explanatory notes to the financial statements**

(in Euros thousands, unless stated otherwise)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **f. Non-current assets held for sale**

Non-current assets (or disposal groups comprising assets and liabilities) those are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

#### **g. Dividends**

Dividends are recognized as a liability in the period in which they are declared.

#### **h. Interest bearing loans and borrowings**

Interest-bearing loans and borrowings are recognized initially at fair value less attributable transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

#### **i. Provisions**

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability. Examples here are provisions recognized for services and repairs relating to guarantees and warranties.

The company recognizes provisions only if it is not certain that liability will occur as well as if amount and day of occurrence are unknown. As a result, amount of provision is recognized on basis of assumption. If company is sure that liability will occur in the future and if approximate amounts of liability as well as approximate day of occurrence are known then the Company recognizes such liability as accrued costs, which are presented in balance sheet as part of trade and other payables.

#### **j. Trade and other payables**

Trade and other payables are stated at cost. Current liabilities are not discounted.

#### **k. Deferred government grants and other deferred income**

Government grants are recognized in the balance sheet at fair value initially as deferred income when there is reasonable certainty that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognized as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognized in the income statement as other income on a systematic basis over the useful life of the asset.



# ZLOMREX INTERNATIONAL FINANCE S.A.

## Explanatory notes to the financial statements

(in Euros thousands, unless stated otherwise)

### I. Costs

#### (i) Finance income and expenses

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in the income statement.

Interest income is recognized in the income statement as it accrues, using the effective interest method. Dividend income is recognized in the income statement on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method, less any impairment losses.

### m. Financial instruments

#### (i) Financial instruments

The company does not use any derivative financial instrument.

Non-derivative financial instruments comprise of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

#### *Held-to-maturity financial assets*

Held-to-maturity financial assets include assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are valued at amortized cost calculated using the effective interest rate method.

Assets in this category are recognized as non-current assets, if the realization date exceeds 12 months from the balance sheet date.

#### *Financial assets measured at fair value through profit or loss*

Financial assets acquired for the purpose of generating a profit from short-term price fluctuations are classified as financial assets measured at fair value through profit or loss.

They are valued at fair value, without transaction costs, and considering the market value as at balance sheet date. Changes in fair value are recognized in the income statement.

Assets in this category are classified as current assets, if the management of the Company has the positive intention to realize them within 12 months of the balance sheet date.

#### *Available-for-sale financial assets*

All other financial assets that are not loans or receivables are classified as available-for-sale financial assets.

Available-for-sale financial assets are valued at fair value without transaction costs, considering the market value as at balance sheet date. If the financial assets are not listed on a stock exchange and if there are no alternative ways to verify their fair value, available-for-sale financial assets are valued at costs less any impairment loss.

# ZLOMREX INTERNATIONAL FINANCE S.A.

## Explanatory notes to the financial statements

(in Euros thousands, unless stated otherwise)

Gains or losses, except for impairment losses, calculated as the difference between the fair value and the cost, net of deferred tax, if there is a market price established by the regulated market or for which the fair value may be established in a reliable way, are recognized directly in equity. A decline in the value of the available-for-sale financial assets resulting from impairment loss is recognized in profit or loss as a financial cost.

### *Loans and receivables*

Loans and receivables are valued at amortized cost.

#### **n. Income tax**

Corporate income tax, as presented in the income statement, comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, based on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes. The following temporary differences are not included in the calculation of deferred tax: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future. The amount of deferred tax recognized in the balance sheet is based on the expectation as to the realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income tax that arise on distribution of dividends is recognized at the same time when the liability to pay the dividend is recognized.

#### **o. Excess of the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost (negative goodwill)**

The excess of the interest in the net fair value of identifiable assets, liabilities and contingent liabilities over cost arising on an acquisition is recognized directly in profit or loss. After the recognition of negative goodwill, acquiring entity is obliged to verify recognized negative goodwill by going through procedures concerning determination of fair value of net assets as at acquisition day in order to ensure reliability of the recognized amount of negative goodwill.

### **3. Loans & Receivables**

	2009	2008
<b>Held-to-maturity investments carried at amortised cost</b>		
Debt securities held until the maturity date	120,993	118,842
	<u>120,993</u>	<u>118,842</u>
<b>Loans carried at amortised cost</b>		
Loan to related parties	9,283	51,896
Loan to other entities	-	-
	<u>9,283</u>	<u>51,896</u>
	<u>130,276</u>	<u>170,738</u>
Current	6,474	6,761
Non-current	123,802	163,977
	<u>130,276</u>	<u>170,738</u>

## ZLOMREX INTERNATIONAL FINANCE S.A.

### Explanatory notes to the financial statements

(in Euros thousands, unless stated otherwise)

Two series of the Bonds were issued by Złomrex S.A in 2007:

- The Bond Series A for a total issuing price of € 80,000,000.00, purchased by the Company at a total purchase price of € 82,000,000.00.
- The Bond Series B for a total issuing price of € 33,045,873.00, purchased by the Company at a total purchase price of € 35,900,624.13.

The interest and the principal of these two series of the Bonds are due accordingly on the same terms and conditions as the Company's € 127,000,000.00 Notes where coupon is paid semi-annually and the principal is due in one installment in February 2014.

The proceeds from the Bonds were used by Złomrex S.A to finance the acquisition of Cognor Stahlhandel GmbH and to repay major part of its bank indebtedness.

In order to repay certain indebtedness, the Company entered into the Acquisition On-Loans at the total amount of € 52,099,375.87. The terms and conditions under the Acquisition On-Loans with respect to interest and principal payments are similar to the Bonds and also mirror the Notes' terms.

The amount of EUR 6,474,256.38 corresponds as follows:

- Interest to be received as at 31 December 2009 for an amount of € 518,820.35 from Cognor Stahlhandel Czech Republic S.r.o.,
- Interest to be received as at 31 December 2009 for an amount of € 5,955,436.03 for Złomrex S.A Bonds 1 and Bonds 2,

#### (i) The Bond Series A

On January 29, 2007, the Company purchased bonds issued by Złomrex S.A for an amount of € 80,000,000

The Bond Series A characteristics are the following:

	Details
Maturity date	1 February 2014
Interest rate	8.5%+0.7%
Date of payment interest	1 August 2007
	1 February 2007
Amount	80,000,000.00
Issuance premium	2,000,000.00

The bond **Series A** was recorded net of the premium.

#### (ii) The Bond Series B

On 23 March 2007, the Company purchased another series of bonds issued by Złomrex S.A for an amount of € 33,045,873.00

The Bond Series B characteristics are the following:

	Details
Maturity date	1 February 2014
Interest rate	8.5%+0.7%
Date of payment interest	1 August 2007
	1 February 2007
Amount	33 045 873.00
Issuance premium	2,854,751.13

## ZLOMREX INTERNATIONAL FINANCE S.A.

### Explanatory notes to the financial statements (in Euros thousands, unless stated otherwise)

The interest rate for the first interest period (23 March 2007 to 31 July 2007) was 13,27%. From 1 August 2007 the interest is 9,2%.

The bond Series B was recorded net of the premium.

#### (iii) The Acquisition On-Loans

On 23 March 2007, Zlomrex International Finance S.A entered into seven loan agreement for a total amount of € 52,099,375.87.

During 2009, almost all the Acquisition On-loans have been reimbursed against the bonds issued by Zlomrex International Finance. Only one Acquisition On-loan is remaining of EUR 9.282.595, 79.

These loans are maturing on 1 February 2014 and have an interest rate of 8.5% + 0.7%, which is paid semi-annually on August 1 and February 1.

Entity	Amount
Cognor Stahlhandel GmbH (formerly Voestalpine Stahlhandel GmbH)	-
Cognor Stahlhandel Spol. S.r.o (formerly Voestalpine Stahlhandel Spol. S.r.o)	9,283
Cognor Vetting d.o.o. (formerly Voestalpine Vetting d.o.o)	-
Cognor Stahlhandel Polska Sp.z o.o. (formerly Voestalpine Stahlhandel Polska Sp.z.o.o)	-
Vetting Voestalpine Stahlhandel d.o.o	-
Neptun Stahlhandel GmbH	-
Zimmermann Stahlhandel GmbH	-
	<hr/>
	<b>9,283</b>

An additional issuance fees equal to the interest, which would have accrued between January 29, 2007 and March 31, 2007 if the Acquisition On-Loans had been entered into at the same time as the issuance of the Notes, was paid by the borrowers. Those fees were partly deferred and are recognized as revenue over the loan period.

Description	Amount
Acquisition on-loan Voestalpine Stahlhander GmbH	-
Acquisition on-loan Voestalpine Stahlhandel Spol. S.r.o	519
Acquisition on-loan Voestalpine Vetting d.o.o.	-
Acquisition on-loan Voestalpine Stahlhandel Polska Sp. Z.o.o.	-
Acquisition on-loan Vetting Voestalpine Stahlhandel d.o.o.	-
Acquisition on-loan Neptun Stahlhandel GmbH.	-
Acquisition on-loan Zimmermann Stahlhandel GmbH	-
	<hr/>
<b>Interest to be received as at 31 December 2009</b>	<b>519</b>

## ZLOMREX INTERNATIONAL FINANCE S.A.

### Explanatory notes to the financial statements (in Euros thousands, unless stated otherwise)

Pursuant to the bonds redemption occurred in 2009, Zlomrex Internatioanl finance agreed to pay for the bonds in full against the loans provided by Zlomrex International Finance under the Acquisition On-Loan Agreement of March 29, 2007 to the following companies:

#### a. Fully consolidated companies by Zlomrex S.A

##### ▪ Cognor Stahlhandel GmbH

		Details
Acquisition On-Loan at the opening balance	01/01/2009	17,081
Bond redemption	20/01/2009	(6,450)
Bond redemption	23/02/2009	(2,050)
Bond redemption	12/03/2009	(5,000)
Bond redemption	30/06/2009	(3,600)
Compensation agreement	30/06/2009	19
Total	31/12/2009	-

##### ▪ Cognor Stahlhandel Czech Republic S.r.o

		Details
Acquisition On-Loan at the opening balance	01/01/2009	20,183
Bond redemption	12/03/2009	(5,000)
Bond redemption	30/06/2009	(5,900)
Total	31/12/2009	9,283

##### ▪ Cognor Vetting doo

		Details
Acquisition On-Loan at the opening balance	01/01/2009	5,346
Bond redemption	30/06/2009	(5,350)
Compensation agreement	30/06/2009	4
Total	31/12/2009	-

##### ▪ Cognor Stahlhandel Polska Sp.z o.o

		Details
Acquisition On-Loan at the opening balance	01/01/2009	2,464
Bond redemption	30/06/2009	(2,500)
Compensation agreement	30/06/2009	36
	9	
Total	31/12/2009	-

##### ▪ Neptun Stahlhandel GmbH

		Details
Acquisition On-Loan at the opening balance	01/01/2009	5,520
Bond redemption	20/01/2009	(1,900)
Bond redemption	30/06/2009	(3,650)
Compensation agreement	30/06/2009	30
Total	31/12/2009	-

# ZLOMREX INTERNATIONAL FINANCE S.A.

## Explanatory notes to the financial statements (in Euros thousands, unless stated otherwise)

### b. Non-consolidated companies by Zlomrex S.A

#### ▪ Vetting Voestalpine Stahlhandel d.o.o

		Details
Acquisition On-Loan at the opening balance	01/01/2009	1,003
Bond redemption	30/06/2009	(1,050)
Compensation agreement	30/06/2009	45
Reimbursement via Bank account	31/08/2009	2
Total	31/12/2009	-

#### ▪ Zimmermann Stahlhandel GmbH

		Details
Acquisition On-Loan at the opening balance	01/01/2009	503
Bond redemption	30/06/2009	(550)
Compensation agreement	30/06/2009	24
Reimbursement via Bank account	31/08/2009	23
Total	31/12/2009	-

As at 1 February 2010 all borrowers under the Acquisition On-Loans satisfied their interest in cash with the exception of Zlomrex S.A. which paid only part of the due interest.

### 4. Prepayment for current assets

	2009	2008
Debtor intercompany accounts	-	1
	-	1

### 5. Cash and cash equivalents

	2009	2008
Cash in bank	120	250
Cash in hand	-	-
Short-term bank deposits	-	-
Cash and cash equivalents	120	250
Cash and cash equivalents in the statement of cash flows	120	250

## ZLOMREX INTERNATIONAL FINANCE S.A.

### Explanatory notes to the financial statements (in Euros thousands, unless stated otherwise)

#### 6. Issued capital

At 31 December 2009, the share capital of the Company is principally constituted of 225 000 ordinary shares with a nominal value of EUR 1 each. 224 994 shares are owned by Złomrex S.A and 6 shares by individuals including Złomrex S.A. senior managers.

There has been no change in capital ownership during the period.

	31/12/2009	31/12/2008
Share capital	225	225
Share premium	-	-
	<b>225</b>	<b>225</b>
Issued capital comprises :		
225,000 fully paid ordinary shares	225	225
	<b>225</b>	<b>225</b>

#### 7. Retained earnings and dividends

At 1 January 2008	(14)
Profit of the year	(752)
Dividends paid related to 2007	-
Depreciation transfer on land and building tax	-
Tax credit relating to share option scheme	-
Actuarial loss on post employment benefit obligation net of tax	-
<b>At 31 December 2008</b>	<b>(766)</b>
At 1 January 2009	(766)
Profit of the year	(127)
Dividends paid related to 2008	-
Depreciation transfer on land and building tax	-
Tax credit relating to share option scheme	-
Purchase of treasury shares	-
Actuarial loss on post employment benefit obligation net of tax	-
<b>At 31 December 2009</b>	<b>(893)</b>

# ZLOMREX INTERNATIONAL FINANCE S.A.

## Explanatory notes to the financial statements (in Euros thousands, unless stated otherwise)

### 8. Borrowings

This note provides information about the contractual terms of the Zlomrex International Finance's interest-bearing loans and borrowings.

	2009	2008
<b>Secured – at amortised cost</b>		
Bank overdraft	-	-
Bank loans	128,093	170,342
Loans from other entities	-	-
Transferred receivables	-	-
Finance lease liabilities	-	-
Other	-	-
	<b>128,093</b>	<b>170,342</b>
 Current	 4,498	 6,021
Non-current	123,595	164,321
	<b>128,093</b>	<b>170,342</b>

Pursuant to the bonds redemption occurred in 2009, Zlomrex International finance agreed to pay for the bonds in full against the loans provided by Zlomrex International Finance under the Acquisition On-Loan Agreement of March 29, 2007 to the following companies:

The amortized cost and fair value of the non-current borrowings are as follows:

	Amortized cost		Fair value	
	2009	2008	2009	2008
Bank borrowings	123,595	164,321	46,617	47,582
Redeemable preference shares	-	-	-	-
Debentures and other loans	-	-	-	-
Convertible bond	-	-	-	-
	<b>123,595</b>	<b>164,321</b>	<b>46,617</b>	<b>47,582</b>

*In thousand euros:*

Companies	Date	Number of notes	Nominal value	Total
Cognor Stahlhandel GmbH	20/01/2009	129	50	6,450
Neptun Stahlhandel GmbH	20/01/2009	38	50	1,900
Cognor Stahlhandel GmbH	24/02/2009	41	50	2,050
Cognor Stahlhandel Czech Republic S.r.o	12/03/2009	100	50	5,000
Cognor Stahlhandel GmbH	28/05/2009	100	50	5,000
Cognor Stahlhandel Polska Sp. Z.o.o	30/06/2009	50	50	2,500
Cognor Stahlhandel GmbH	30/06/2009	72	50	3,600
Neptun Stahlhandel GmbH	30/06/2009	73	50	3,650
Zimmermann Stahlhandel GmbH	30/06/2009	11	50	550
Cognor Vetting doo	30/06/2009	107	50	5,350
Vetting Voestalpine Stahlhandel d.o.o	30/06/2009	21	50	1,050
Cognor Stahlhandel Czech Republic S.r.o	30/06/2009	118	50	5,900
		<b>860</b>	<b>50</b>	<b>43,000</b>



# ZLOMREX INTERNATIONAL FINANCE S.A.

## Explanatory notes to the financial statements (in Euros thousands, unless stated otherwise)

The bonds variation schedule for 2009 is represented below:

*In thousand euros:*

	Number of notes	Nominal value	Total Bond valuation
Opening balance January 1 <sup>st</sup> , 2009	3,400	50	170,000
Bond redemption in 2009	(860)	50	(43,000)
Closing balance December 31 <sup>st</sup> , 2009	2,540	50	127,000

Current portion of secured bank loans includes the 2,540 Notes each at the nominal of € 50,000 nominal totaling € 127 000.00 thousand issued at 29 January 2007 to finance the acquisition of Voestalpine Stahlhandel GmbH.

The Company will pay the Notes' coupon of € 5,397,500 semi-annually from 1 February 2010 to 1 February 2014. The principal amount will be reimbursed *in fine*. The Notes are listed on the Luxembourg Stock Exchange. The Notes have been sold to qualified investors only.

According to the terms of the Notes the Group is obliged to meet several covenants during the life of the Notes. In case of breach of the covenants the holders of The Notes may demand acceleration of the Notes. Details of the terms and conditions under which the Notes were issues are available in the offering memorandum.

The Notes are callable according to the following conditions:

- At 104.25% of the principal from 1 February 2011
- At 102.125% of the principal from 1 February 2012
- At 100.00% of the principal from 1 February 2013

## 9. Trade and other payables

### Short term

	2009	2008
Trade payables	50	49
Trade intercompany payables	2,290	1,169
Accrued expenses	8	56
Other non-trade payables	3	40
Other intercompany non-trade payables	-	-
	<b>2,351</b>	<b>1,315</b>

## 10. Financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted price are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regularly agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted marker price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

# ZLOMREX INTERNATIONAL FINANCE S.A.

## Explanatory notes to the financial statements

(in Euros thousands, unless stated otherwise)

The fair value of financial instruments that are not traded in an active market is using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

If one or more of the significant input is not based on a observable market date, the instruments is included in level 3.

### (i) Assets

*In thousand euros:*

2009	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Assets available for sale	Assets held to maturity	Total
Others investments (without shares)	8,765	10	-	-	115,027	123,802
Others investments (without prepayments)	-	-	-	-	-	-
<b>Long-term</b>	<b>8,765</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>115,027</b>	<b>123,802</b>
Trade and others receivables	-	-	-	-	-	-
Other investments	519	-	-	-	5,955	6,474
Cash and cash equivalent	120	-	-	-	-	120
<b>Short-term</b>	<b>639</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,955</b>	<b>6,594</b>
	<b>9,403</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>120,982</b>	<b>130,396</b>

The investments held to maturity disclosed in the table above are included in level 2.

### (ii) Liabilities

*In thousand euros:*

2009	Liabilities at fair value through the profit and loss	Derivates used for hedging	Other financial liabilities at amortised cost	Total
Borrowings	-	-	123,595	123,595
Lease liabilities	-	-	-	-
Others liabilities	-	-	-	-
<b>Long-term</b>	<b>-</b>	<b>-</b>	<b>123,595</b>	<b>123,595</b>
Borrowings	-	-	4,498	4,498
Lease liabilities	-	-	-	-
Others financial liabilities	-	-	-	-
Trade and other payables	-	-	2,351	2,351
<b>Short-term</b>	<b>-</b>	<b>-</b>	<b>6,849</b>	<b>6,849</b>
	<b>-</b>	<b>-</b>	<b>130,444</b>	<b>130,444</b>

Liabilities disclosed as borrowings in the table above are included in level 1.

# ZLOMREX INTERNATIONAL FINANCE S.A.

## Explanatory notes to the financial statements (in Euros thousands, unless stated otherwise)

### 11. Administrative expenses

	2009	2008
Domiciliation fees	(2)	(3)
Audit fees	(44)	(18)
Accounting fees	(37)	(47)
Legal Fees	(16)	(21)
Other	(12)	(23)
	<b>(111)</b>	<b>(112)</b>

### 12. Other gains and (loss) net

	2009	2008
Net foreign exchange gain/loss relating to operating activities	94	1
Other	-	-
	<b>(94)</b>	<b>1</b>

### 13. Net financing costs

	2009	2008
Interest income – Bonds A	7 544	7 544
Interest income – Bonds B	3 303	3 303
Interest income - Voestalpine Stahlhander GmbH	37	1 611
Interest income - Voestalpine Stahlhandel Spol. S.r.o	1 077	1 903
Interest income - Voestalpine Vetting d.o.o	104	504
Interest income - Voestalpine Stahlhandel Polska Sp. Z.o.o.	48	232
Interest income - Vetting Voestalpine Stahlhandel d.o.o.	20	95
Interest income - Neptun Stahlhandel GmbH	20	512
Interest income - Zimmermann Stahlhandel GmbH	10	47
Interest income on bank account	-	12
Initial Fees - Voestalpine Stahlhander GmbH	528	104
Initial Fees - Voestalpine Stahlhandel Spol. S.r.o	361	122
Initial Fees - Voestalpine Vetting d.o.o	163	6
Initial Fees - Voestalpine Stahlhandel Polska Sp. Z.o.o.	74	15
Initial Fees - Vetting Voestalpine Stahlhandel d.o.o.	30	32
Initial Fees - Neptun Stahlhandel GmbH	163	32
Initial Fees - Zimmermann Stahlhandel GmbH	15	3
Fees for Bond redemption – Cognor Stahlhandel GmbH	735	-
Fees for Bond redemption – Cognor Stahlhandel Czech Republic S.r.o	469	-
Fees for Bond redemption - Cognor Vetting doo	230	-
Fees for Bond redemption – Cognor Stahlhandel Polska Sp. Z.o.o	108	-
Fees for Bond redemption – Vetting Voestalpine Stahlhandel d.o.o	45	-
Fees for Bond redemption - Neptun Stahlhandel GmbH	239	-
Fees for Bond redemption – Zimmermann Stahlhandel GmbH	24	-
Other	716	13
Other income	<b>16 063</b>	<b>16 791</b>

## ZLOMREX INTERNATIONAL FINANCE S.A.

### Explanatory notes to the financial statements

(in Euros thousands, unless stated otherwise)

Other financial income for an amount of € 716 thousands corresponds to the amortization of the purchase premium of the Bonds Series A and B.

Pursuant to the bond redemption, Zlomrex International Finance has issued some invoices in order to cover the fees related to the bond redemption of 4.3% of the bond value for a global amount of EUR 1.849.000

	2009	2008
Interest expense	(10 745)	(14 450)
Security debts	(862)	(1 210)
Interest on security debts	(39)	-
Agency fees on bonds redemption	(1 505)	-
Other financial Expenses	(2 273)	(1 122)
<b>Net financing costs</b>	<b>(15 424)</b>	<b>(16 782)</b>

The amount of € 10,745 thousands corresponds to the Notes' coupon.

The agency fees on bond redemption are equal to 3.5% of the amount of the bond redemption.

According to the terms of the Notes, certain security package was offered to the noteholders including first priority pledges over shares of certain major subsidiaries of Zlomrex S.A. as well as corporate guarantees provided by those subsidiaries and Zlomrex S.A. The security received by the Company is subject to remuneration which represented € 862 thousand for the period ended 31 December 2009.

#### 14. Income Tax Expense

##### Recognised in the income statement

	2009	2008
<b>Current tax expense</b>		
Current year	-	-
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	-	-
<b>Total income tax expense in the income statement</b>	<b>-</b>	<b>-</b>

French standard income tax rate is 33.33%.

The amount of the loss carry forward at 31 December 2009 is EUR 271.000

#### 15. Earnings per share

##### Basic earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders.

As at 31 December 2009, there were no factors that would result in dilution of earnings per share. Earnings per share increase from (0,57) at December 31, 2008 to 2,76 at 31 December 2009.

## ZLOMREX INTERNATIONAL FINANCE S.A.

### Explanatory notes to the financial statements

(in Euros thousands, unless stated otherwise)

#### 16. Interest and dividends, net

	2009	2008
Interest income on companies fully consolidated by Zlomrex S.A	12 849	16 310
Interest income on companies not fully consolidated by Zlomrex S.A	30	142
Interest income on other companies	-	-
	<u>12 879</u>	<u>16 452</u>
Interest expense	(10 745)	(14 450)
Interest and dividends, net	<u>(2 134)</u>	<u>(2 002)</u>

The interest expenses from related parties (fully consolidated and not fully consolidated by Zlomrex S.A) allowed a margin of 0.7%

#### 17. Related-party transactions

The group is controlled by Zlomrex S.A, which owns 99.99 % of the company shares. The remaining 0.01% of the shares are management held.

The following transactions were carried out with related parties :

##### (i) Sales and purchase of services

There were no sales and purchase of services by Zlomrex International Finance S.A. to related parties. Zlomrex International Finance S.A. has gained financial revenues and expenses on related parties disclosed in the note 13 and 16.

##### (ii) Year-end balances arising from sales/purchases of services

	2009	2008
Receivables from related parties	-	-
Payable to related parties	<u>2,290</u>	<u>1,169</u>

##### (iii) Loans to related parties

Loans to related parties and their movements during the year was disclosed in the note 3 (iii).

#### 18. Financial risk management

Exposure to liquidity, credit, interest rate and currency risks arises in the normal course of the Group's business.

##### Foreign currency risk

The company does not have any major exposure to foreign currency risk. The majority of the transactions are in euros.

## **ZLOMREX INTERNATIONAL FINANCE S.A.**

### **Explanatory notes to the financial statements**

(in Euros thousands, unless stated otherwise)

#### **Interest rate risk**

There is no interest rate risk exposure.

As the long-term borrowings are issued at fixed rate, there is no interest rate risk exposure.

#### **Credit risk**

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from intercompany entities and financial investments.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Group places its cash and cash equivalents in financial institutions with high credit ratings. The credit risk related to receivables is limited to intercompany entities.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Group confirmed that it is its intention, as long as the Company remains within the Group to continue to support the Company, if need be, so as to enable it to meet its liabilities as they fall due and to carry on its normal business without any significant curtailment to operations.

#### **Fair values**

The following are details of the fair values of the financial instruments for which it is practicable to estimate such value:

- Cash and cash equivalents, short-term bank deposits and short-term bank loans. The carrying amounts approximate fair value because of the short term nature of these instruments.
- Trade and other receivables, bills of exchange, trade and other payables and accrued liabilities. The carrying amounts approximate fair value because of the short-term nature of these instruments.
- Interest bearing loans and borrowings. The carrying amounts approximate fair value due to the variable nature of the related interest rates.

#### **Capital risk management**

The Company's policy is in line with Group capital management's policy: to maintain strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the capital management policy during the year.

### **19. Contingencies, guarantees and other commitments**

Zlomrex International Finance S.A has the following contingent liabilities, guarantees and other commitments:

#### **Contingencies**

- There were no significant claims or contingent liabilities.

## **ZLOMREX INTERNATIONAL FINANCE S.A.**

### **Explanatory notes to the financial statements**

(in Euros thousands, unless stated otherwise)

#### **Other commitments**

- **Indenture**

The indenture was contracted on January 29, 2007 between the following parties :

- Złomrex International Finance S.A. as the Issuer,
- Złomrex S.A and certain of its subsidiaries as Guarantors,
- The Bank of New York as a Trustee, Registrar, Transfer and Principal Paying Agent, Security Agent and Escrow agent,
- The Bank of New York (Luxembourg) S.A as Luxembourg Paying Agent and Transfer Agent

It comprises all terms and conditions of the Notes including collateral and guarantees with the bond-holders.

The guarantor's subsidiaries pledge their primary obligor for Złomrex S.A, Złomrex International Finance S.A and the group others subsidiaries'.

- **Intercreditor Agreement**

The Intercreditor Agreement was made on January 29, 2007 between the following parties:

- Złomrex International Finance S.A as the Issuers,
- Złomrex S.A as the holder of shares of the Issuer and certain of its subsidiaries as Guarantors,
- The Bank of New York as Collateral Agent, Security Agent and Trustee,

The Intercreditor Agreement regulates responsibilities of the Company, Złomrex S.A. and the Guarantors arising under security package offered to the holders of the Notes as well as responsibilities of The Bank of New York as Collateral, Security Agent and the Trustee.

- **Change over bank account**

The change over bank account has been signed on 29 January 2007 with the Bank of New York.

Złomrex International Finance S.A transferred its rights under the bank account as collateral.

The bank balance corresponds to the parts of sums paid within the obligations.

- **Suretyship fees**

Security package provided to the Company by Złomrex S.A. and certain of its subsidiaries for the benefit of the holders of the Notes is subject to remuneration paid by the Company and regulated in bilateral agreements.

- **Agreement on Collateral Transfer of Bonds**

The agreement was entered into on January 29, 2007 by and between:

- The bank of New-York (London Branch) as the Transferee,
- Złomrex International Finance S.A as the Transferor

The Transferor represents and warrants to the Transferee:

- The title of The Polish Bonds,
- The Assignability of Rights and Transferability of Polish Bonds,
- The transferor has provided the Transferee with full information and documentations concerning the Polish Bonds and necessary for the transfer,
- The Polish Bonds are free of any pledges, encumbrances or other third party rights,
- The Transferor is fully authorized to execute and perform this agreement,
- The Transferor is not in default of tax payments,
- The Transferor is not in bankruptcy proceedings.

## **ZLOMREX INTERNATIONAL FINANCE S.A.**

### **Explanatory notes to the financial statements**

(in Euros thousands, unless stated otherwise)

The agreement will expire at the end of the Security Period.

- **Agreement for the registered and Financial Pledge on claims under bank account agreement**

This agreement was entered into on 29 January 2007 by and between:

- The Bank of New York as the Pledgee,
- Zlomrex S.A as the Pledgor.

In order to secure the payment of the € 170,000 thousands bonds, the Pledgor establishes in favour of the Pledgee a registered pledge on the Claims.

The registered Pledge secures the repayment of the Secured Claim up to the amount of € 225,000 thousands.

- **Compensation agreement on suretyship fees**

The agreement was entered into on 27 November 2008 by and between:

- HSW
- Zlomrex S.A
- Zlomrex International Finance S.A

In order to pay the suretyship fees of Zlomrex International Finance, Zlomrex S.A used the amount of prepayment to sold a part suretyship due to HSW by Zlomrex S.A

The agreement was entered into on 30 January 2009 by and between:

- HSW
- Zlomrex S.A
- Zlomrex International Finance S.A

In order to pay the suretyship fees of Zlomrex International Finance, Zlomrex S.A used the amount of the coupon to be paid to sold a part suretyship due to HSW by Zlomrex S.A

The agreement was entered into on 9 February 2009 by and between:

- Ferrostal Labedy Sp.z.o.o
- Zlomrex S.A
- Zlomrex International Finance S.A

In order to pay the suretyship fees of Zlomrex International Finance, Zlomrex S.A used the amount of the coupon to be paid to sold a part suretyship due to Ferrostal Labedy Sp.z.o.o by Zlomrex S.A

## **20. Subsequent events**

There are no subsequent events to be disclosed in this financial statement.