

ZŁOMREX S.A.

**Condensed Consolidated
Interim Financial Statement
as at and for the nine months ended
30 September 2010**

Consolidated statement of financial position

As at

in PLN thousand

Assets

	30 September 2010 <i>(unaudited)</i>	31 December 2009 <i>(audited)</i>
Property, plant and equipment	566 597	667 965
Intangible assets	38 355	42 175
Investment property	603	603
Investments in associates	5 367	5 050
Other investments	12 399	8 391
Other receivables	2 760	3 295
Prepaid perpetual usufruct of land	19 193	46 023
Deferred tax assets	64 423	57 198
Total non-current assets	709 697	830 700
Inventories	259 565	256 901
Other investments	1 407	5 536
Income tax receivable	186	3 103
Trade and other receivables	310 630	205 453
Cash and cash equivalents	25 689	32 496
Total current assets	597 477	503 489
Assets and disposal group of assets classified as held for sale	319 344	239 053
Total assets	1 626 518	1 573 242

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

Consolidated statement of financial position - continued
As at
in PLN thousand

	30 September 2010 <i>(unaudited)</i>	31 December 2009 <i>(audited)</i>
Equity		
Issued share capital	47 691	47 691
Reserves	203 047	224 959
Foreign currency translation reserve	21796	27 313
Retained earnings	(142 301)	(140 917)
Total equity attributable to equity holders of the parent	130 233	159 046
Minority interest	108 610	91 952
Total equity	238 843	250 998
Liabilities		
Interest-bearing loans and borrowings	520 447	534 267
Employee benefits	39 094	39 057
Other payables	845	115
Deferred government grants and other deferred income	1 608	2 409
Deferred tax liabilities	11 459	16 195
Total non-current liabilities	573 453	592 043
Bank overdraft	109 662	129 543
Interest-bearing loans and borrowings	134 042	170 056
Employee benefits	4 711	2 338
Income tax payable	706	323
Provisions for payables	1 302	834
Trade and other payables	378 474	271 030
Deferred government grants and other deferred income	9 475	1 145
Total current liabilities	638 372	575 269
Liabilities of disposal group classified as held for sale	175 850	154 932
Total liabilities	1 387 675	1 322 244
Total equity and liabilities	1 626 518	1 573 242

The consolidated statement of financial position sheet should be read in conjunction with the explanatory notes constituting part of the consolidated financial statements

Condensed consolidated interim statement of comprehensive income

For the nine months ended 30 September

in PLN thousand

	Note	2010 (unaudited)	2009 restated* (unaudited)
Continuing operations			
Revenue	5	1 425 517	1 319 762
Cost of sales		(1 287 169)	(1 271 747)
Gross profit		138 348	48 015
Other income		15 936	22 796
Distribution expenses		(93 168)	(83 206)
Administrative expenses		(59 173)	(104 475)
Other gains / (losses) – net		21 884	957
Other expenses		(16 679)	(38 953)
Operating profit/(loss) before financing costs		7 148	(154 866)
Other financial income		6 726	97 481
Other financial expenses		(52 715)	(69 666)
Net financing costs		(45 989)	27 815
Share of profits of associates		468	(176)
Loss before tax		(38 373)	(127 227)
Income tax expense		3 889	19 257
Loss for the period from continuing operations		(34 484)	(107 970)
Discontinued operations			
Profit /(loss) for the period from discontinued operations		4 390	(78 473)
Loss for the period		(30 094)	(186 443)
Other comprehensive income			
Currency translation differences		(5 414)	(6 503)
Total comprehensive income for the period		(35 508)	(192 946)
Loss for the period attributable to:			
Equity holders of the parent		(21 625)	(173 486)
Minority interest		(8 469)	(12 957)
Loss for the period		(30 094)	(186 443)
Total comprehensive income for the period attributable to:			
Equity holders of the parent		(27 142)	(180 593)
Minority interest		(8 366)	(12 353)
Total comprehensive income for the period		(35 508)	(192 946)
Basic earnings per share (PLN) attributable to the shareholders of the Parent Company			
- from continuing operations		(0,54)	(1,99)
- from discontinued operations		0,09	(1,65)
Basic comprehensive income/(loss) per share (PLN)		(0,57)	(3,79)

* please see note 5

Diluted earnings per share and diluted comprehensive income/loss per share are equal to basic ratios.

The condensed consolidated interim statement of comprehensive income should be read in conjunction with the explanatory notes constituting part of the condensed consolidated interim financial statements

ZŁOMREX S.A.

Condensed consolidated interim statement of comprehensive income (LTM)

For the twelve months ended 30 September

in PLN thousand

	Note	2010 (unaudited)	2009 restated* (unaudited)
Continuing operations			
Revenue	5	1 765 938	2 026 202
Cost of sales		(1 658 160)	(1 929 308)
Gross profit		107 778	96 894
Other income		15 388	19 811
Distribution expenses		(154 675)	(138 330)
Administrative expenses		(36 464)	(141 812)
Other gains / (losses) – net		(3 492)	(4 934)
Other expenses		(16 103)	(37 255)
Operating loss before financing costs		(87 568)	(205 626)
Other financial income		9 967	123 042
Other financial expenses		(65 164)	(168 725)
Net financing costs		(55 197)	(45 683)
Share of profits of associates		(1 526)	(1 033)
Loss before tax		(144 291)	(252 342)
Income tax expense		19 217	39 102
Loss for the period from continuing operations		(125 074)	(213 240)
Discontinued operations			
Loss for the period from discontinued operations		(7 817)	(275 701)
Loss for the period		(132 891)	(488 941)
Other comprehensive income			
Currency translation differences		(2 215)	57 693
Total comprehensive income for the period		(135 106)	(431 248)
Loss for the period attributable to:			
Equity holders of the parent		(107 294)	(463 751)
Minority interest		(25 597)	(25 190)
Loss for the period		(132 891)	(488 941)
Total comprehensive income for the period attributable to:			
Equity holders of the parent		(111 080)	(411 412)
Minority interest		(24 026)	(19 836)
Total comprehensive income for the period		(135 106)	(431 248)
Basic earnings per share (PLN) attributable to the shareholders of the Parent Company		(2,25)	(9,72)
- from continuing operations		(2,09)	(3,94)
- from discontinued operations		(0,16)	(5,78)
Basic comprehensive income/(loss) per share (PLN)		(2,33)	(8,63)

* please see note 5

Diluted earnings per share and diluted comprehensive income/loss per share are equal to basic ratios.

The condensed consolidated interim statement of comprehensive income should be read in conjunction with the explanatory notes constituting part of the condensed consolidated interim financial statements

Condensed consolidated interim statement of cash flows

For the nine months ended 30 September
in PLN thousand

	2010 (unaudited)	2009 restated* (unaudited)
Continuing operations		
Loss before tax from continuing operations	(38 373)	(127 227)
Adjustments		
Depreciation	39 835	45 328
Amortization	3 783	4 018
Impairment losses and valuation allowances	10 388	8 095
Foreign exchange (gains)/losses	(24 126)	6 485
Net (gains)/losses on investment activities	(468)	(65 025)
Net (gains)/losses on disposal of property, plant and equipment	(14 271)	(6 966)
Interest, commissions and dividends, net	44 630	46 674
Change in receivables	(81 777)	(35 538)
Change in inventories	(16 746)	164 973
Change in trade and other payables	105 596	(30 355)
Change in provisions	473	92
Change in employee benefits	3 252	(2 261)
Change in deferred government grants and other deferred income	7 529	(391)
Other adjustments	2 315	1 748
Cash generated from continuing operations	42 040	9 650
Discontinuing operations		
Operating profit/(loss) from discontinuing operations	4 390	(76 487)
Adjustments		
Depreciation	4 421	5 663
Impairment losses and valuation allowances	(35 125)	23 045
Foreign exchange (gains)/losses	(637)	1 550
Net (gains)/losses on investment activities	-	21 091
Net (gains)/losses on disposal of property, plant and equipment	3 820	167
Interest, commissions and dividends, net	4 451	6 700
Change in receivables	(26 649)	73 446
Change in inventories	11 253	64 695
Change in trade and other payables	23 840	(51 792)
Change in provisions	455	33
Change in employee benefits	(106)	(355)
Change in deferred government grants and other deferred income	-	(13)
Other adjustments	(1 291)	3 235
Cash generated/(outflows) from discontinuing operations	(11 178)	70 978
Cash generated from operations	30 862	80 628
Income tax paid	(4 829)	1 626
Net cash from operating activities	26 033	82 254

Consolidated statement of cash flows – continued
For the nine months ended 30 September
Cash flows from investing activities

Proceeds from sale of property, plant and equipment and intangibles	32 929	18 313
Interest received	305	3 906
Dividends received	414	580
Repayment of loans granted	-	71
Disposal of subsidiary, net of cash disposed	-	40 636
Acquisition of property, plant and equipment	(8 611)	(24 258)
Acquisition of intangible assets	(629)	(1 843)
Prepaid perpetual usufruct of land	(725)	(300)
Acquisition of other investments	(9 256)	19 104
Other inflows from investing activities	-	7 013
Cash generated from continuing operations	14 427	63 222
Cash generated/(outflows) from discontinuing operations	18 335	(21 893)
Net cash from investing activities	32 762	41 329

Cash flows from financing activities

Proceeds from transactions with non-controlling interests	23 353	-
Receipt of interest-bearing loans and borrowings	-	73 724
Payments/Proceeds relating to derivative financial instruments	-	(5 229)
Repayment of interest-bearing loans and borrowings	(12 200)	(131 800)
Payment of finance lease liabilities	(10 768)	(17 839)
Interest and commissions paid	(45 025)	(51 229)
Cash outflows from continuing operations	(44 640)	(132 373)
Cash outflows from discontinuing operations	(711)	(56 074)
Net cash from financing activities	(45 351)	(188 447)

Net increase / (decrease) in cash and cash equivalents	13 444	(64 864)
Cash and cash equivalents net of bank overdraft, at 1 January	(99 244)	(18 582)
Effect of exchange rate fluctuations on cash held	(304)	(19 635)
Cash and cash equivalents net of bank overdraft, at 30 September	(86 104)	(103 081)

* please see note 5

The condensed consolidated interim statement of cash flows should be read in conjunction with the explanatory notes constituting part of the condensed consolidated interim financial statements

Condensed consolidated interim statement of cash flows (LTM)
For the twelve months ended 30 September
in PLN thousand

	2010	2009
	<i>(unaudited)</i>	<i>restated* (unaudited)</i>
Continuing operations		
Loss before tax from continuing operations	(144 291)	(252 342)
Adjustments		
Depreciation	53 220	59 940
Amortization	5 137	5 786
Impairment losses and valuation allowances	34 447	(118 844)
Foreign exchange (gains)/losses	(47 135)	85 617
Net (gains)/losses on investment activities	41 914	90 970
Net (gains)/losses on disposal of property, plant and equipment	(13 913)	(6 228)
Interest, commissions and dividends, net	46 637	50 483
Change in receivables	2 012	158 848
Change in inventories	76 063	258 582
Change in trade and other payables	21 835	(249 006)
Change in provisions	1 665	(4 509)
Change in employee benefits	(2 379)	3 296
Change in deferred government grants and other deferred income	6 737	(181)
Other adjustments	3 939	(4 809)
Cash generated from continuing operations	85 888	77 603
Discontinuing operations		
Operating loss from discontinuing operations	(10 941)	(278 075)
Adjustments		
Depreciation	7 528	12 757
Amortization	196	164
Impairment losses and valuation allowances	(45 156)	180 134
Foreign exchange (gains)/losses	(2 297)	2 637
(Gains)/losses on investment activities	(21 106)	18 597
Net gain on disposal of property, plant and equipment	3 710	168
Interest, commissions and dividends, net	14 786	17 570
Change in receivables	(8 906)	105 241
Change in inventories	(16 577)	78 674
Change in trade and other payables	55 106	(49 519)
Change in provisions	429	(42)
Change in employee benefits	103	(2 436)
Change in deferred government grants and other deferred income	(2)	(3)
Other adjustments	(2 916)	7 515
Cash generated/(outflows) from discontinuing operations	(26 043)	93 382
Cash generated from operations	59 845	170 985
Income tax paid	(15 843)	1 778
Net cash from operating activities	44 002	172 763

Consolidated statement of cash flows (LTM) – continued
For the twelve months ended 30 September
Cash flows from investing activities

Proceeds from sale of property, plant and equipment	29 566	14 183
Proceeds from sale of intangible assets	1 749	4 544
Interest and dividends received	771	7 509
Disposals of subsidiaries, net of cash disposed	(17 463)	40 636
Repayment of loans granted	5 561	210
Acquisitions of subsidiaries, net of cash acquired	-	150 516
Acquisition of property, plant and equipment	(10 936)	(39 163)
Acquisition of intangible assets	(1 275)	(3 149)
Prepaid perpetual usufruct of land	(425)	(276)
Acquisition of other investments	(26 638)	(163 893)
Other inflows from investing activities	(2 055)	7 345

Cash generated/(outflows) from continuing operations

Cash generated/(outflows) from continuing operations	(21 145)	18 462
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Cash generated/(outflows) from discontinuing operations

Cash generated/(outflows) from discontinuing operations	32 320	(29 342)
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Net cash from investing activities

Net cash from investing activities	11 175	(10 880)
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Cash flows from financing activities

Proceeds from transactions with minority interests	40 058	-
Receipt of interest-bearing loans and borrowings	-	117 491
Payments/Proceeds relating to derivative financial instruments	6 579	(8 872)
Repayment of interest-bearing loans and borrowings	(29 389)	(247 323)
Payment of finance lease liabilities	(8 587)	(20 360)
Interest and commissions paid	(47 687)	(54 664)

Cash outflows from continuing operations

Cash outflows from continuing operations	(39 026)	(213 728)
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Cash outflows from discontinuing operations

Cash outflows from discontinuing operations	(19 965)	(52 974)
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Net cash from financing activities

Net cash from financing activities	(58 991)	(266 702)
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Net decrease in cash and cash equivalents	(3 814)	(104 819)
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Cash and cash equivalents net of bank overdraft, at 1 October	(103 081)	39 760
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Effect of exchange rate fluctuations on cash held	20 791	(38 022)
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Cash and cash equivalents net of bank overdraft, at 30 September	(86 104)	(103 081)
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* please see note 5

The condensed consolidated interim statement of cash flows should be read in conjunction with the explanatory notes constituting part of the condensed consolidated interim financial statements

Condensed consolidated interim statement of changes in equity

For the nine months ended 30 September

In PLN thousand

	Attributable to equity holders of the parent				Minority interest	Total equity
	Issued capital	Reserves	Retained earnings	Total		
Equity as at 1 January 2009	47 691	254 441	91 259	393 391	145 188	538 579
Change in minority interest subsequent to acquisition date	-	-	27 417	27 417	(25 374)	2 043
Total comprehensive income for the period	-	(7 107)	(173 486)	(180 593)	(12 353)	(192 946)
Transfer of profit	-	5 586	(5 586)	-	-	-
Equity as at 30 September 2009	47 691	252 920	(60 396)	240 215	107 461	347 676
Equity as at 1 January 2010	47 691	252 272	(140 917)	159 046	91 952	250 998
Change in minority interest subsequent to acquisition date	-	-	(1 671)	(1 671)	25 024	23 353
Transfer of profit	-	(21 912)	21 912	-	-	-
Total comprehensive income for the period	-	(5 517)	(21 625)	(27 142)	(8 366)	(35 508)
Equity as at 30 September 2010	47 691	224 843	(142 301)	130 233	108 610	238 843

The condensed consolidated interim statement of changes in equity should be read in conjunction with the explanatory notes constituting part of the condensed consolidated interim financial statements

ZŁOMREX S.A.

Explanatory notes to the condensed consolidated interim financial statements (in PLN thousand, unless stated otherwise)

1. Reporting entity

Złomrex S.A. (“Złomrex”, “the Company”, “the parent Company”) with its seat in Poraj, Poland, is the Parent Company of the Group. The Company was established as a result of the transformation of a limited liability company Złomrex Sp. z o.o. into a joint-stock company Złomrex S.A. on 29 June 2004.

The condensed consolidated interim financial statements of the Company as at and for the nine months ended 30 September 2010 comprise the Company and its subsidiaries (together referred to as the “Group”). The basic information about the subsidiaries comprising the Group as at 30 September 2010 is presented in the table below:

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights	Date of obtaining control
FERROSTAL-ŁABĘDY Sp. z o.o.	Poland	Manufacture of metal products	92.4%	2004-02-19
ZW-WALCOWNIA BRUZDOWA Sp. z o.o.	Poland	Manufacture of metal products	100.0%	2005-01-13
ODLEWNIA METALI SZOPIENICE Sp. z o.o.	Poland	Manufacture of non-ferrous metal alloy products	100.0%	2004-07-31
HUTA STALI JAKOŚCIOWYCH Sp. z o.o.	Poland	Manufacture of metal products	100.0%	2006-01-27
HSW – TLENOWNIA Sp. z o.o.	Poland	Production and delivery of technical gas	100.0%	2007-10-30
NOWA JAKOŚĆ – Organizacja Odzysku S.A.	Poland	Purchasing, packaging, reselling of paper and plastic waste for further production	100.0%	2004-06-13
KAPITAŁ Sp. z o.o.	Poland	Financial services	100.0%	2006-01-04
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	Other services	100.0%	2006-05-15
ZŁOMREX INTERNATIONAL FINANCE SA	France	Financial services, Bond issuer	100.0%	2006-10-23
CKM WŁÓKNIARZ S.A.	Poland	Speedway club	85,6%	2006-10-23
CENTROSTAL Sp. z o.o. w Szczecinie	Poland	Trade in metal products	100.0%	2007-01-26
ZŁOMREX METAL Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2007-04-02
ZELJEZARA SPLIT d.d.	Croatia	Manufacture of metal products	95.9%	2007-12-29
ZŁOMREX – FINANS Sp. z o.o.	Poland	Financial services	100.0%	2003-09-16
AB STAHL AG	Germany	Trade in metal products	100.0%	2006-08-03
STEELCO Sp. z o.o.	Poland	Holding company	100.0%	2006-08-07
Cognor S.A. Group				
COGNOR S.A.	Poland	Trade in metal products	64,4%	2006-08-07
COGNOR BLACHY DACHOWE S.A.	Poland	Manufacture and trade in roofing materials	77.4%	2007-08-01
STALEXPORT-METALZBYT BIAŁYSTOK SP. Z O.O.	Poland	Trade in metal products	98.8%	2007-10-01
ZŁOMREX CENTRUM Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2006-03-29

Explanatory notes to the condensed consolidated interim financial statements
(in PLN thousand, unless stated otherwise)

COGNOR Stahlhandel GmbH Group				
COGNOR STAHLHANDEL GMBH	Austria	Trade in metal products	100.0%	2007-03-28
NEPTUN STAHLHANDEL GMBH	Austria	Trade in metal products	100.0%	2007-03-28
STAHLHANDEL BETEILIGUNGS HOLDING GMBH	Austria	Trade in metal products	100.0%	2007-03-28
COGNOR VETING D.O.O. (HR)	Croatia	Trade in metal products	100.0%	2007-03-28
COGNOR STAHLHANDEL POLSKA Sp. z o.o.	Poland	Trade in metal products	100.0%	2007-03-28
COGNOR STAHLHANDEL SPOL.SR.O	Czech Rep.	Trade in metal products	100.0%	2007-03-28
COGNOR AMBIENT STAHLHANDEL SRL	Romania	Trade in metal products	51.0%	2007-03-28
VEREINIGTE BIEGESELSCHAFT GMBH	Austria	Trade in metal products	67.0%	2007-03-28
ZIMMERMANN STAHLHANDEL GMBH	Austria	Trade in metal products	99.8%	2007-03-28
COGNOR GMBH MUNCHEN	Germany	Trade in metal products	100.0%	2007-03-28
COGNOR VETING STAHLHANDEL D.O.O.	Bosnia	Trade in metal products	100.0%	2007-03-28
COGNOR STAHLHANDEL D.O.O.	Slovenia	Trade in metal products	100.0%	2007-03-28
COGNOR STAHLHANDEL BUDAPESZT KFT.	Hungary	Trade in metal products	100.0%	2007-03-28
COGNOR STAHLHANDEL SLOWAKEI S.R.O.	Slovakia	Trade in metal products	100.0%	2007-03-28
VASTAD EDELSTAHL HANDEL GMBH	Austria	Trade in metal products	50.0% (associate)	2007-03-28
BWS BEWEHRUNGSSTAHL GMBH	Austria	Trade in metal products	36.0% (associate)	2007-03-28

2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union . They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 November 2010.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual consolidated financial statements as at 31 December 2009, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

4. Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, equity and liabilities, income and expenses. 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. Actual results may differ from these estimates.

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the consolidated financial statements as at and for the year ended 31 December 2009.

5. Changes in presentation of comparative data

The Group Management has made a decision to qualify material part of assets as assets held for sale. In addition to the non-core or non-operational assets which have been put on sale previously a significant group of other assets which relate to the Group's distribution operations in Poland has been included. Du to this decision the business performed in related assets were presented as discontinued operations in statement of comprehensive income. The comparative data was changed analogical as follows:

For the period ended 30 September 2009

	01.01.2009- 30.09.2009 published	Restatements	01.01.2009- 30.09.2009 restated
Continuing operations			
Revenue	1 573 557	(253 795)	1 319 762
Cost of sales	(1 515 286)	243 539	(1 271 747)
Gross profit	58 271	(10 256)	48 015
Other income	28 065	(5 269)	22 796
Distribution expenses	(96 121)	12 915	(83 206)
Administrative expenses	(123 971)	19 496	(104 475)
Other gains / (losses) – net	2 622	(1 665)	957
Other expenses	(42 720)	3 767	(38 953)
Operating loss before financing costs	(173 854)	18 988	(154 866)
Other financial income	97 481	-	97 481
Other financial expenses	(73 802)	4 136	(69 666)
Net financing costs	23 679	4 136	27 815
Share of profits of associates	(176)	-	(176)
Loss before tax	(150 351)	23 124	(127 227)
Income tax expense	17 271	1 986	19 257
Loss for the period from continuing operations	(133 080)	25 110	(107 970)
Discontinued operations			
Profit /(loss) for the period from discontinued operations	(53 363)	(25 110)	(78 473)
Loss for the period	(186 443)	-	(186 443)

For the twelve months ended 30 September 2009

	01.10.2008 - 30.09.2009 published	Restatements	01.10.2008 - 30.09.2009 restated
Continuing operations			
Revenue	2 141 172	(114 970)	2 026 202
Cost of sales	(2 055 132)	125 824	(1 929 308)
Gross profit	86 040	10 854	96 894
Other income	25 832	(6 021)	19 811

Explanatory notes to the condensed consolidated interim financial statements
 (in PLN thousand, unless stated otherwise)

Distribution expenses	(148 850)	10 520	(138 330)
Administrative expenses	(157 519)	15 707	(141 812)
Other gains / (losses) – net	(2 836)	(2 098)	(4 934)
Other expenses	(38 514)	1 259	(37 255)
Operating loss before financing costs	(235 847)	30 221	(205 626)
Other financial income	123 042	-	123 042
Other financial expenses	(169 461)	736	(168 725)
Net financing costs	(46 419)	736	(45 683)
Share of profits of associates	(1 033)	-	(1 033)
Loss before tax	(283 299)	30 957	(252 342)
Income tax expense	41 476	(2 374)	39 102
Loss for the period from continuing operations	(241 823)	28 583	(213 240)
Discontinued operations			
Profit /(loss) for the period from discontinued operations	(247 118)	(28 583)	(275 701)
Loss for the period	(488 941)	-	(488 941)

6. Segment reporting

Management has determined the operating segments based on the reports reviewed by Management Board of the Parent that are used to make strategic decisions.

The Management Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of sale in Poland, Austria, Czech Republic and other countries.

The reportable operating segments derive their revenue primarily from the following divisions:

1. scrap division – this segment includes activities of buying, processing, refining and selling of scrap metal and non-ferrous scrap;
2. production division – this segment includes activities of processing scrap metal into steel billets, steel billets into finished products, and selling of them; and also the processing of non-ferrous scrap into finished products and selling of them;
3. distribution division – this segment includes activities of selling commodities (steel products, steel scrap, steel billets, non-ferrous scrap and products and others);
4. other – this segment includes other activities such as holding activities, financial activities, recycling materials, including plastic foils, paper and other products.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

ZŁOMREX S.A.

Explanatory notes to the condensed consolidated interim financial statements

(in PLN thousand, unless stated otherwise)

5. Segment reporting (continued)

For the nine months ended 30 September

	Scrap division		Production division		Distribution division		Other		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenues	132 236	120 620	591 225	534 794	696 983	660 898	4 918	3 444	155	6	1 425 517	1 319 762
Segment result	8 121	4 117	23 803	8 445	98 143	20 622	(952)	(555)	9 233	15 386	138 348	48 015
Unallocated income/expense											(131 200)	(202 881)
Operating profit/(loss) before financing costs											7 148	(154 866)

Explanatory notes to the condensed consolidated interim financial statements
(in PLN thousand, unless stated otherwise)

7. Assets of disposal group classified as held for sale and discontinued operations

Disposal groups

The assets and liabilities related to company Zeljezara Split (Croatia) have been presented as held for sale following the decision of Board Members of Parent Company to sell this subsidiary. In the end of 2008, first meetings with potential investors took place.

In 2009 an agreement was concluded between Croatian Privatisation Fund and Zlomrex SA relating to the sale of shares and loans granted to Zeljezara Split. The sale of shares in Zeljezara Split was not finalized in course of 2009 as additional conditions were imposed on Zlomrex SA to complete the sale. The Management has taken all necessary steps to address the change of conditions and the transaction is expected to be finalized within 2010.

Assets held for sale

In the report Zlomrex has decided to qualify material part of its assets as assets held for sale. In addition to the non-core or non-operational assets which have been put on sale previously a significant group of other assets (the Assets) which relate to the Group's distribution operations in Poland has been included. The decision to reclassify the Assets as part of disposal group of assets has been taken because in the Company's Management opinion divestiture of those Assets (the Transaction) is likely however its finalization is subject to:

- (i) the successful closing of pending negotiations with respect to the Transaction documentation,
- (ii) the consent of competent corporate bodies including Zlomrex's Supervisory Board and the shareholders' meeting of Cognor S.A.

8. Acquisitions, mergers and disposals of subsidiaries

Acquisitions realised in 2010

No acquisitions took place until 30 September 2010.

Mergers realised in 2010

During the nine months ended 30 September 2010 there were two mergers within the Group:

- on March 4, 2010 Stalexport S.A. has merged with Stalexport Serwis Centrum Bełchatów S.A.
- on September 1, 2010 Cognor S.A. has merged with Stalexport S.A.

Disposals realised in 2010

No disposals took place until 30 September 2010.

9. Property, plant and equipment

Acquisitions and disposals

During the nine months ended 30 September 2010, the Group acquired property, plant and equipment at a cost of PLN 7 557 thousand (nine months ended 30 September 2009: PLN 29 340 thousand). Assets with a net book value of PLN 9 275 thousand were disposed during the nine months of 2010 (nine months ended 30 September 2009: PLN 32 655 thousand). On the sale of fixed assets the Group achieved a net loss on disposal of PLN 10 312 thousand (nine months ended 30 September 2009: a net gain on disposal of PLN 2 398 thousand).

Explanatory notes to the condensed consolidated interim financial statements
(in PLN thousand, unless stated otherwise)

Capital commitments

As at 31 December 2007, the Group has contractual commitment relating to the acquisition of Zeljezara Split concluded with The Croatian Privatization Fund relating to the obligation of the Company to ensure that Zeljezara Split makes capital investments of HRK 114 million within the period of 2008-2011 as well as to maintain its present employment level. In 2009 the Group has realised capital investments of HRK 57 million. In April 2010 Złomrex SA increased the capital in Zeljezara Split in the amount of HRK 104 853 thousand (EUR 14 448 thousand), including increased of share capital in the amount of HRK 1 thousand and agio in the amount of HRK 104 852 thousand. On 23 April 2010 this increase was covered in exchange for remission of loans granted to Zeljezara Split by Złomrex SA.

10. Interest-bearing loans and borrowings

In order to finance the acquisition of Cognor Stahlhandel GmbH and to refinance some existing indebtedness, the Group has issued, through Złomrex International Finance SA high-yield bonds with a nominal value of EUR 170 000 thousand under the Purchase Agreement dated 23 January 2007. These bonds are due in 2014 and are listed on the Luxembourg Stock Exchange (Euro MTF). The bonds are secured by first-priority pledges of shares owned by the parent Company in:

- Złomrex International Finance SA,
- Ferrostal Łabędy Sp. z o.o.,
- ZW-Walcownia Bruzdowa Sp. z o.o.,
- Odlewnia Metali Szopienice Sp. z o.o.,
- HSW-HSJ S.A.,
- Business Support Services Sp. z o.o.,
- Cognor Stahlhandel GmbH,
- Złomrex Metal Sp. z o.o.

From November 2008 till 30 September 2010 the Group has performed the buy out of own bonds in the nominal value of EUR 43 000 thousand. Outstanding value of the bonds as at 30 September 2010 according to amortized cost method is EUR 126 009 thousand.

According to the aforementioned Purchase Agreement, the issuer is obliged to meet certain financial covenants until the repayment date. These include among others: maximum indebtedness ratio, limitations on dividend payments, liens, sales of assets and certain reporting requirements.

11. Other payables

As at 30 September 2010, other short-term payables comprise particularly investment payables regarding the acquisition of Cognor Stahlhandel GmbH in the amount of PLN 26 276 thousand, short-term portion of investment payables regarding the acquisition of HSW-Huta Stali Jakościowych Sp. z o.o. in the amount of PLN 13 234 thousand.

12. Contingencies, guarantees and other commitments

The Group has the following contingent liabilities, guarantees and other commitments:

Contingencies

There were no significant claims or contingent liabilities as at 30 September 2010

Other commitments

As at 30 September 2010, the Group had the following other commitments:

- In accordance with share purchase agreement of voestalpine Stahlhandel GmbH the Company has a put/call option for the purchase of remaining 25.1% of shares with the exercise date between 1 January 2009 and 31 December 2010.

Explanatory notes to the condensed consolidated interim financial statements
(in PLN thousand, unless stated otherwise)

13. Related parties

The Group has a related party relationship with the companies controlled by the parent Company's Management Board members and with the members of the Management and Supervisory Boards of the Group entities.

in PLN thousand

Long-term receivables:

- related parties (not consolidated)

Short-term receivables:

- related parties (not consolidated)

- associates (consolidated under the equity method)

- companies controlled by the parent Company's Management Board members

Short-term liabilities

- related parties (not consolidated)

- associates (consolidated under the equity method)

- companies controlled by the parent Company's Management Board members

Loans granted

- related parties (not consolidated)

	30.09.2010	30.09.2009
	837	-
	7 945	12 725
	136	244
	85	32
	457	235
	208	329
	142	72
	578	608

in PLN thousand

Revenues from sale of products

- related parties (not consolidated)

- associates (consolidated under the equity method)

Revenues from sale of services

- related parties (not consolidated)

- associates (consolidated under the equity method)

- companies controlled by the parent Company's Management Board members

Revenues from sale of raw materials and commodities

- related parties (not consolidated)

- associates (consolidated under the equity method)

Purchase of commodities and raw materials

- related parties (not consolidated)

- associates (consolidated under the equity method)

Purchase of services

- related parties (not consolidated)

- companies controlled by the parent Company's Management Board members

Financial income

- related parties (not consolidated)

- associates (consolidated under the equity method)

Other income

- related parties (not consolidated)

Other expenses

- related parties (not consolidated)

- associates (consolidated under the equity method)

Other gains/losses net

- related parties (not consolidated)

	1.1.2010 - 30.09.2010	1.1.2009 - 30.09.2009
	-	1
	-	2 994
	410	254
	1 160	1 007
	11	25
	6 059	11 086
	12	154
	4 047	2 078
	256	99
	581	127
	709	800
	-	1 122
	-	452
	321	7
	-	10
	(24)	-
	(462)	-

Explanatory notes to the condensed consolidated interim financial statements
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Transactions with the members of the Management and Supervisory Boards

The remuneration of the Management and Supervisory Boards members was as follows:

	Nine months ended	
	30 September 2010	30 September 2009
Management Board of the parent Company	270	3 176
Supervisory Board of the parent Company	18	116
Management Boards of subsidiaries	3 653	8 550
Supervisory Boards of subsidiaries	276	195
	4 217	12 037

Additionally, one of the parent Company's Management Board members is entitled to an annual bonus amounting to 1% of the Group's consolidated net profit generated on the regular business of the Group.

14. Subsequent events

On October 28, 2010, Mr Krzysztof Walarowski notified Złomrex S.A. of his resignation from the Management Board. Mr. Walarowski has worked with the Company for 6 years and has been responsible for its commercial and trade activities. Apart from his position in the Company's Board Krzysztof Walarowski remains a President of the Management Board and a CEO of Cognor S.A., a 64,4% subsidiary of Złomrex, conducting its business in distribution of steel products in Poland and other countries in Central Europe.

On November 19, 2010 Złomrex S.A. sold all its shares in Business Support Services Sp. z o.o. to Złomrex Centrum Sp. z o.o. The nominal value of sold shares was PLN 100 thousand (100 shares with nominal value of PLN 1.000 each). The purchase price was PLN 1 due to negative equity of Business Support Services Sp. z o.o.

On November 19, 2010, Business Support Services Sp. z o.o. increased its share capital by PLN 143 million, from PLN 100 thousands to PLN 143.100 thousands. In the effect the number of shares were increased by 143 thousands with nominal value of PLN 1.000 each. All new shares were obtained by the only one shareholder - Złomrex Centrum Sp. z o.o. by the contribution of organized part of tangible and intangible assets.

On November 26, 2010, Złomrex S.A. reported that Cognor S.A., a 64,4% subsidiary of Złomrex, entered into conditional asset sale agreement (the Agreement, the Transaction) with ArcelorMittal Distribution Poland sp. z o.o. and ArcelorMittal Distribution Solutions Poland sp. z o.o. (together: AMDS or the Purchaser). Anticipated scope of the Transaction, which relates to Cognor's distribution operations in Poland, was previously disclosed by the Company in its Q2 2010 financial report. Pursuant to the Agreement Cognor agreed in particular to:

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

By virtue of Polish statutory law the Purchaser shall also automatically enter into the rights and obligations under all employees' labor arrangements related to the above scope of the Transaction (the Scope). The total consideration was agreed at the net amount of PLN 148,900,000 increased by the actual fair market value of the Inventories as of the Transaction closing. The total net book value of inventories being subject to the Transaction as of 30 September, 2010 accounted for PLN 29,162,000. 85% of the total consideration less PLN 2,000,000 shall be paid on the Transaction closing and 15% of it, increased by PLN 2,000,000 shall be retained in escrow for the purpose of securing representations and warranties of the Seller as well as certain encumbrances' release.

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

- anti-trust clearance,
- Cognor S.A. and the Purchaser receive tax rulings confirming qualification of the Transaction as an asset type contract,
- approval of Cognor's shareholders' meeting,
- receipt of creditors' consents on encumbrances' release subject to concurrent repayment of respective obligations,

Explanatory notes to the condensed consolidated interim financial statements

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- delivery of a title insurance to secure proper transfer of real properties and their due registration with the respective land registers,
- lack of any material adverse change,
- lack of proceedings pending which could prevent the Transaction from closing,
- lack of liens other than permitted by the Agreement,
- Cognor S.A. maintains full, unencumbered and valid title to all real properties and materially all assets within the Scope.

In addition the parties decided to enter upon closing into:

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

The Agreement contains a preemptive right for the Purchaser with respect to sale of any real property of Cognor which lie outside of the Scope. In the Agreement Złomrex extended its corporate guarantee in favor of the Purchaser in order to secure Cognor's performance. Złomrex Management Board believes that the completion of the Transaction will help to substantially reduce the Group's indebtedness, improve its risk profile and therefore bring new opening to the relations with external creditors as well as revert negative trends in Złomrex's credit ratings.