

ZŁOMREX S.A.

**Condensed Consolidated
Interim Financial Statement
as at and for the three months ended
31 March 2010**

Consolidated statement of financial position

As at

in PLN thousand

Assets

| | 31 March 2010 (unaudited) | 31 December 2009 (audited) |
|---|--|---|
| Property, plant and equipment | 645 119 | 667 965 |
| Intangible assets | 40 558 | 42 175 |
| Investment property | 603 | 603 |
| Investments in associates | 4 675 | 5 050 |
| Other investments | 8 084 | 8 391 |
| Other receivables | 3 190 | 3 295 |
| Prepaid perpetual usufruct of land | 46 007 | 46 023 |
| Deferred tax assets | 43 794 | 57 198 |
| Total non-current assets | 792 030 | 830 700 |
| Inventories | 255 046 | 256 901 |
| Other investments | 5 305 | 5 536 |
| Income tax receivable | 3 058 | 3 103 |
| Trade and other receivables | 264 312 | 205 453 |
| Cash and cash equivalents | 13 389 | 32 496 |
| Total current assets | 541 110 | 503 489 |
| Assets and disposal group of assets classified as held for sale | 223 065 | 239 053 |
| Total assets | 1 556 205 | 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

| | 31 March 2010 (unaudited) | 31 December 2009 (audited) |
|--|--|---|
| Equity | | |
| Issued share capital | 47 691 | 47 691 |
| Reserves | 224 977 | 224 959 |
| Foreign currency translation reserve | 12 078 | 27 313 |
| Retained earnings | (152 181) | (140 917) |
| Total equity attributable to equity holders of the parent | 132 565 | 159 046 |
| Minority interest | 87 576 | 91 952 |
| Total equity | 220 141 | 250 998 |
| Liabilities | | |
| Interest-bearing loans and borrowings | 501 277 | 534 267 |
| Employee benefits | 37 108 | 39 057 |
| Other payables | - | 115 |
| Deferred government grants and other deferred income | 2 174 | 2 409 |
| Deferred tax liabilities | 16 725 | 16 195 |
| Total non-current liabilities | 557 284 | 592 043 |
| Bank overdraft | 113 954 | 129 543 |
| Interest-bearing loans and borrowings | 157 468 | 170 056 |
| Employee benefits | 1 690 | 2 338 |
| Income tax payable | 300 | 323 |
| Provisions for payables | 801 | 834 |
| Trade and other payables | 349 936 | 271 030 |
| Deferred government grants and other deferred income | 1 856 | 1 145 |
| Total current liabilities | 626 005 | 575 269 |
| Liabilities of disposal group classified as held for sale | 152 775 | 154 932 |
| Total liabilities | 1 336 064 | 1 322 244 |
| Total equity and liabilities | 1 556 205 | 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 three months ended 31 March

in PLN thousand

| | Note | 2010 (unaudited) | 2009 (unaudited) |
|--|------|---------------------|---------------------|
| Continuing operations | | | |
| Revenue | 5 | 423 529 | 561 243 |
| Cost of sales | | (399 973) | (550 658) |
| Gross profit | | 23 556 | 10 585 |
| Other income | | 4 148 | 14 331 |
| Distribution expenses | | (25 991) | (37 423) |
| Administrative expenses | | (26 483) | (39 822) |
| Other gains / (losses) – net | | 13 493 | (8 390) |
| Other expenses | | (5 530) | (3 101) |
| Operating loss before financing costs | | (16 807) | (63 820) |
| Other financial income | | 22 141 | 27 525 |
| Other financial expenses | | (16 039) | (84 896) |
| Net financing costs | | 6 102 | (57 371) |
| Share of profits of associates | | (75) | (1 021) |
| Loss before tax | | (10 780) | (122 212) |
| Income tax expense | | (14 688) | (57) |
| Loss for the period from continuing operations | | (25 468) | (122 269) |
| Discontinued operations | | | |
| Profit /(loss) for the period from discontinued operations | | 9 821 | (12 433) |
| Loss for the period | | (15 647) | (134 702) |
| Other comprehensive income | | | |
| Currency translation differences | | (15 210) | 45 600 |
| Total comprehensive income for the period | | (30 857) | (89 102) |
| Profit/(loss) for the period attributable to: | | | |
| Equity holders of the parent | | (11 246) | (139 290) |
| Minority interest | | (4 401) | 4 588 |
| Loss for the period | | (15 647) | (134 702) |
| Total comprehensive income for the period attributable to: | | | |
| Equity holders of the parent | | (26 481) | (96 840) |
| Minority interest | | (4 376) | 7 738 |
| Total comprehensive income for the period | | (30 857) | (89 102) |
| Basic earnings per share (PLN) attributable to the shareholders of the Parent Company | | | |
| - from continuing operations | | (0,44) | (2,66) |
| - from discontinued operations | | 0,21 | (0,26) |
| Basic comprehensive income/(loss) per share (PLN) | | (0,55) | (2,03) |

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 31 March

in PLN thousand

| | Note | 2010 (unaudited) | 2009 (unaudited) |
|--|------|---------------------|---------------------|
| Continuing operations | | | |
| Revenue | 5 | 1 832 099 | 3 528 615 |
| Cost of sales | | (1 782 505) | (3 156 333) |
| Gross profit | | 49 594 | 372 282 |
| Other income | | 14 003 | 27 035 |
| Distribution expenses | | (149 960) | (173 256) |
| Administrative expenses | | (99 059) | (161 832) |
| Other gains / (losses) – net | | 418 | (10 558) |
| Other expenses | | (46 429) | (23 802) |
| Operating profit/(loss) before financing costs | | (231 433) | 29 869 |
| Other financial income | | 95 338 | 65 731 |
| Other financial expenses | | (16 034) | (235 302) |
| Net financing costs | | 79 304 | (169 571) |
| Share of profits of associates | | (1 224) | (1 068) |
| Loss before tax | | (153 353) | (140 770) |
| Income tax expense | | 21 092 | (830) |
| Loss for the period from continuing operations | | (132 261) | (141 600) |
| Discontinued operations | | | |
| Loss for the period from discontinued operations | | (37 924) | (206 188) |
| Loss for the period | | (170 185) | (347 788) |
| Other comprehensive income | | | |
| Currency translation differences | | (64 114) | 100 999 |
| Total comprehensive income for the period | | (234 299) | (246 789) |
| Attributable to: | | | |
| Equity holders of the parent | | (131 111) | (340 889) |
| Minority interest | | (39 074) | (6 899) |
| Loss for the period | | (170 185) | (347 788) |
| Total comprehensive income for the period attributable to: | | | |
| Equity holders of the parent | | (194 172) | (247 047) |
| Minority interest | | (40 127) | 258 |
| Total comprehensive income for the period | | (234 299) | (246 789) |
| Basic earnings per share (PLN) attributable to the shareholders of the Parent Company | | (2,75) | (7,15) |
| - from continuing operations | | (1,95) | (2,83) |
| - from discontinued operations | | (0,80) | (4,32) |
| Basic comprehensive income/(loss) per share (PLN) | | (4,07) | (5,18) |

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 three months ended 31 March
in PLN thousand

| | 2010 <i>(unaudited)</i> | 2009 <i>(unaudited)</i> |
|---|-----------------------------------|-----------------------------------|
| Continuing operations | | |
| Loss before tax from continuing operations | (10 780) | (122 212) |
| Adjustments | | |
| Depreciation | 15 827 | 17 207 |
| Amortization | 1 378 | 1 387 |
| Impairment losses and valuation allowances | 508 | (950) |
| Foreign exchange (gains)/losses | (14 582) | (5 145) |
| Net (gains)/losses on investment activities | (75) | - |
| Net (gains)/losses on disposal of property, plant and equipment | (9 463) | (332) |
| Interest, commissions and dividends, net | 15 177 | 19 852 |
| Change in receivables | (64 967) | (63 606) |
| Change in inventories | (3 925) | (8 959) |
| Change in trade and other payables | 84 595 | 70 052 |
| Change in provisions | (23) | (148) |
| Change in employee benefits | (1 098) | 4 071 |
| Change in deferred government grants and other deferred income | 476 | 479 |
| Other adjustments | 16 | (4 864) |
| Cash generated/(outflows) from continuing operations | 13 064 | (93 168) |
| Discontinuing operations | | |
| Operating profit/(loss) from discontinuing operations | 9 821 | (13 854) |
| Adjustments | | |
| Depreciation | - | 3 031 |
| Impairment losses and valuation allowances | (10 073) | (1 149) |
| Foreign exchange (gains)/losses | (6 516) | - |
| Interest, commissions and dividends, net | 626 | 3 711 |
| Change in receivables | (34) | 30 515 |
| Change in inventories | - | 4 388 |
| Change in trade and other payables | 4 646 | 4 784 |
| Change in provisions | - | 152 |
| Change in employee benefits | - | 1 |
| Change in deferred government grants and other deferred income | - | 14 |
| Cash generated/(outflows) from discontinuing operations | (1 530) | 31 593 |
| Cash generated/(outflows) from operations | 11 534 | (61 575) |
| Income tax paid | (843) | 486 |
| Net cash from operating activities | 10 691 | (61 089) |

Consolidated statement of cash flows – continued
For the three months ended 31 March

Cash flows from investing activities

| | | |
|---|---------|----------|
| Proceeds from sale of property, plant and equipment and intangibles | 17 368 | 3 891 |
| Interest received | 109 | 1 577 |
| Dividends received | 381 | 292 |
| Repayment of loans granted | 32 | 8 470 |
| Acquisition of subsidiary, net of cash acquired | - | (43 677) |
| Acquisition of property, plant and equipment | (1 788) | (9 957) |
| Acquisition of intangible assets | (376) | (710) |
| Prepaid perpetual usufruct of land | - | (48) |
| Acquisition of other investments | (122) | (150) |
| Other inflows from investing activities | 150 | 1 078 |
| Interest-bearing loans granted | - | (9 266) |

Cash generated/(outflows) from continuing operations

| | | |
|---|----|---------|
| Cash generated/(outflows) from discontinuing operations | 18 | (7 478) |
|---|----|---------|

Net cash from investing activities

| | | |
|--|---------------|-----------------|
| | 15 772 | (55 978) |
|--|---------------|-----------------|

Cash flows from financing activities

| | | |
|--|----------|----------|
| Receipt of interest-bearing loans and borrowings | - | 111 339 |
| Payments/Proceeds relating to derivative financial instruments | - | 1 172 |
| Repayment of interest-bearing loans and borrowings | (13 946) | (5 495) |
| Payment of finance lease liabilities | (2 940) | (10 956) |
| Dividends paid | - | (10) |
| Interest and commissions paid | (15 292) | (25 233) |

Cash generated/(outflows) from continuing operations

| | | |
|---|-------|----------|
| Cash generated/(outflows) from discontinuing operations | 2 328 | (13 151) |
|---|-------|----------|

Net cash from financing activities

| | | |
|--|-----------------|---------------|
| | (29 850) | 57 666 |
|--|-----------------|---------------|

| | | |
|---|------------------|-----------------|
| Net increase / (decrease) in cash and cash equivalents | (3 387) | (59 401) |
| Cash and cash equivalents net of bank overdraft, at 1 January | (99 244) | (18 582) |
| Effect of exchange rate fluctuations on cash held | (8) | 2 968 |
| Cash and cash equivalents net of bank overdraft, at 31 March | (102 639) | (75 015) |

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 31 March
in PLN thousand

| | 2010 <i>(unaudited)</i> | 2009 <i>(unaudited)</i> |
|---|-----------------------------------|-----------------------------------|
| Continuing operations | | |
| Loss before tax from continuing operations | (153 353) | (140 770) |
| Adjustments | | |
| Depreciation | 66 086 | 63 657 |
| Amortization | 5 576 | 6 577 |
| Impairment losses and valuation allowances | 46 626 | 29 889 |
| Foreign exchange (gains)/losses | (26 071) | 77 661 |
| Net (gains)/losses on investment activities | (82 895) | (40 254) |
| Net (gains)/losses on disposal of property, plant and equipment | (15 682) | (725) |
| Interest, commissions and dividends, net | 61 041 | 68 852 |
| Change in receivables | 138 080 | 218 447 |
| Change in inventories | 299 681 | 128 076 |
| Change in trade and other payables | (120 099) | (210 369) |
| Change in provisions | 1 417 | (4 118) |
| Change in employee benefits | (13 208) | 6 155 |
| Change in deferred government grants and other deferred income | (1 201) | 1 771 |
| Change in emission rights | - | 2 |
| Other adjustments | 9 861 | (5 426) |
| Cash generated from continuing operations | 215 859 | 199 425 |
| Discontinuing operations | | |
| Operating loss from discontinuing operations | (36 503) | (207 609) |
| Adjustments | | |
| Depreciation | (3 031) | 12 786 |
| Amortization | 1 149 | 7 |
| Impairment losses and valuation allowances | 1 315 | 155 315 |
| Foreign exchange (gains)/losses | (6 631) | - |
| (Gains)/losses on investment activities | (15) | - |
| Interest, commissions and dividends, net | 2 096 | 16 231 |
| Change in receivables | 19 072 | 33 061 |
| Change in inventories | 4 012 | (22 156) |
| Change in trade and other payables | 15 165 | 59 229 |
| Change in provisions | (144) | (2 107) |
| Change in employee benefits | 694 | 1 418 |
| Change in deferred government grants and other deferred income | (14) | 101 |
| Other adjustments | - | 37 291 |
| Cash generated/(outflows) from discontinuing operations | (2 835) | 85 567 |
| Cash generated from operations | 213 024 | 281 992 |
| Income tax paid | (10 498) | (28 727) |
| Net cash from operating activities | 202 526 | 253 265 |

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 | 26 941 | 6 686 |
| Proceeds from sale of intangible assets | 5 171 | 42 |
| Interest received | (249) | 9 908 |
| Dividends received | 4 528 | 1 317 |
| Disposals of subsidiaries, net of cash disposed | 23 173 | - |
| Repayment of loans granted | (2 707) | 8 749 |
| Acquisitions of subsidiaries, net of cash acquired | 43 677 | 86 571 |
| Acquisition of property, plant and equipment | (28 663) | (56 034) |
| Acquisition of intangible assets | (2 219) | (5 664) |
| Prepaid perpetual usufruct of land | 48 | (48) |
| Interest-bearing loans granted | 9 266 | (9 266) |
| Acquisition of other investments | 1 783 | (189 846) |
| Other inflows from investing activities | 3 247 | 1 078 |

Cash generated/(outflows) from continuing operations

| | | |
|--|---------------|------------------|
| | 83 996 | (146 507) |
|--|---------------|------------------|

Cash outflows from discontinuing operations

| | | |
|--|-------|----------|
| | (370) | (15 888) |
|--|-------|----------|

Net cash from investing activities

| | | |
|--|---------------|------------------|
| | 83 626 | (162 395) |
|--|---------------|------------------|

Cash flows from financing activities

| | | |
|--|-----------|-----------|
| Proceeds from transactions with minority interests | 16 705 | - |
| Receipt of interest-bearing loans and borrowings | (111 339) | 164 357 |
| Payments/Proceeds relating to derivative financial instruments | 178 | 107 587 |
| Repayment of interest-bearing loans and borrowings | (140 210) | (9 656) |
| Payment of finance lease liabilities | (9 709) | (278 581) |
| Dividends | 10 | (19 154) |
| Interest and commissions paid | (61 166) | (1 460) |
| Other financial expenditures | - | (88 591) |

Cash outflows from continuing operations

| | | |
|--|------------------|------------------|
| | (305 531) | (125 498) |
|--|------------------|------------------|

Cash generated/(outflows) from discontinuing operations

| | | |
|--|---------|-------|
| | (6 729) | 1 770 |
|--|---------|-------|

Net cash from financing activities

| | | |
|--|------------------|------------------|
| | (312 260) | (123 728) |
|--|------------------|------------------|

| | | |
|---|----------|----------|
| Net increase/(decrease) in cash and cash equivalents | (26 108) | (32 858) |
| Cash and cash equivalents net of bank overdraft, at 1 April | (75 015) | (27 186) |
| Effect of exchange rate fluctuations on cash held | (1 516) | (14 971) |

Cash and cash equivalents net of bank overdraft, at 31 March

| | | |
|--|------------------|-----------------|
| | (102 639) | (75 015) |
|--|------------------|-----------------|

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 three months ended 31 March

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 | - | - | - | - | 250 | 250 |
| Total comprehensive income for the period | - | 42 450 | (139 290) | (96 840) | 7 738 | (89 102) |
| Transfer of profit | - | 18 772 | (18 772) | - | - | - |
| Equity as at 31 March 2009 | 47 691 | 315 663 | (66 803) | 296 551 | 153 176 | 449 727 |
| Equity as at 1 January 2010 | 47 691 | 252 272 | (140 917) | 159 046 | 91 952 | 250 998 |
| Transfer of profit | - | 18 | (18) | - | - | - |
| Total comprehensive income for the period | - | (15 235) | (11 246) | (26 481) | (4 376) | (30 857) |
| Equity as at 31 March 2010 | 47 691 | 237 055 | (152 181) | 132 565 | 87 576 | 220 141 |

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 three months ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as the “Group”). The basic information about the subsidiaries comprising the Group as at 31 March 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 |
| ZŁOMREX CENTRUM Sp. z o.o. | Poland | Purchasing and processing of iron scrap | 100.0% | 2006-03-29 |
| 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 | 65.7%* | 2006-08-07 |
| COGNOR BLACHY DACHOWE S.A. | Poland | Manufacture and trade in roofing materials | 77.4% | 2007-08-01 |
| STALEXPORT S.A. | Poland | Trade in metal products | 100.0% | 2007-10-01 |
| STALEXPORT-METALZBYT BIAŁYSTOK SP. Z O.O. | Poland | Trade in metal products | 98.8% | 2007-10-01 |

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 |

* Złomrex SA owns 15 035 thousand warrants issued by Cognor SA. Cognor SA Capital Group is consolidated based on existing and potential voting rights embedded in warrants.

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 28 May 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. 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 three months ended 31 March

| | Scrap division | | Production division | | Distribution division | | Other | | Eliminations | | Consolidated | |
|---------------------------------------|----------------|--------|---------------------|----------|-----------------------|---------|-------|--------|--------------|-----------|--------------|----------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues | 99 840 | 88 468 | 150 873 | 212 632 | 235 505 | 389 468 | 1 577 | 10 260 | (64 267) | (139 585) | 423 529 | 561 243 |
| Segment result | 7 058 | 4 396 | (10 355) | (15 935) | 28 174 | 12 322 | 182 | 7 731 | 1 294 | 2 071 | 26 352 | 10 585 |
| Unallocated income/expense | | | | | | | | | | | (43 159) | (74 405) |
| Operating loss before financing costs | | | | | | | | | | | (16 807) | (63 820) |

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

Based on the decision of the Group's Management land and building of Cognor S.A. located in Opole are presented as assets held for sale. Efforts to sell these assets have commenced and a sale is expected within one year from the balance sheet date.

The Management of the Group decided to present the property owned by Stalexport S.A. located in Chorzów, in Krzyż and in Panewniki as assets held for sale. These assets comprise mainly land and buildings. It is expected that the sale of these assets will take place within one year from the balance sheet date.

In January 2010 the property in Katowice owned by Zlomrex was sold. In March 2010 the property in Kwidzyń owned by Cognor SA was sold.

8. Acquisitions, mergers and disposals of subsidiaries

Acquisitions realised in 2010

No acquisitions took place until 31 March 2010.

Mergers realised in 2010

During the three months ended 31 March 2010 there was one merger within the Group:

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

Disposals realised in 2010

No disposals took place until 31 March 2010.

9. Property, plant and equipment

Acquisitions and disposals

During the three months ended 31 March 2010, the Group acquired property, plant and equipment at a cost of PLN 1 239 thousand (three months ended 31 March 2009: PLN 15 060 thousand). Assets with a net book value of PLN 92 thousand were disposed during the first quarter of 2010 (three months ended 31 March 2009: PLN 3 559 thousand). On the sale of fixed assets the Group achieved a net gain on disposal of PLN 9 463 thousand (three months ended 31 March 2009: a net gain on disposal of PLN 21 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.

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 31 March 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 31 March 2010 according to amortized cost method is EUR 125 589 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 31 March 2010, other short-term payables comprise particularly investment payables regarding the acquisition of Cognor Stahlhandel GmbH in the amount of PLN 24 286 thousand, short-term portion of investment payables regarding the acquisition of HSW-Huta Stali Jakościowych Sp. z o.o. in the amount of PLN 16 764 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 31 March 2010

Other commitments

As at 31 March 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

| | 31.03.2010 | 31.03.2009 |
|---|-------------------|-------------------|
| <i>Long-term receivables:</i> | | |
| - related parties (not consolidated) | 1 622 | - |
| <i>Short-term receivables:</i> | | |
| - related parties (not consolidated) | 7 469 | 14 597 |
| - associates (consolidated under the equity method) | 166 | 656 |
| - companies controlled by the parent Company's Management Board members | 194 | 201 |
| <i>Long-term liabilities</i> | | |
| - associates (consolidated under the equity method) | 45 304 | - |
| <i>Short-term liabilities</i> | | |
| - related parties (not consolidated) | 416 | 603 |
| - associates (consolidated under the equity method) | 162 | 85 |
| - companies controlled by the parent Company's Management Board members | 73 | 39 |
| <i>Loans granted</i> | | |
| - related parties (not consolidated) | 556 | 20 321 |

in PLN thousand

| | 1.1.2010 - 31.03.2010 | 1.1.2009 – 31.03.2009 |
|---|----------------------------------|----------------------------------|
| <i>Revenues from sale of products</i> | | |
| - related parties (not consolidated) | - | 1 |
| - associates (consolidated under the equity method) | - | 955 |
| <i>Revenues from sale of services</i> | | |
| - related parties (not consolidated) | 72 | 101 |
| - associates (consolidated under the equity method) | 428 | 368 |
| - companies controlled by the parent Company's Management Board members | 12 | 11 |
| <i>Revenues from sale of raw materials and commodities</i> | | |
| - related parties (not consolidated) | 1 632 | 3 735 |
| - associates (consolidated under the equity method) | 28 | 40 |
| <i>Purchase of commodities and raw materials</i> | | |
| - related parties (not consolidated) | 844 | 975 |
| - associates (consolidated under the equity method) | 32 | 74 |
| <i>Purchase of services</i> | | |
| - related parties (not consolidated) | 147 | 46 |
| - companies controlled by the parent Company's Management Board members | 284 | 209 |
| <i>Financial income</i> | | |
| - related parties (not consolidated) | - | 170 |
| <i>Other income</i> | | |
| - related parties (not consolidated) | 63 | 2 |
| - associates (consolidated under the equity method) | 3 173 | - |
| <i>Other expenses</i> | | |
| - related parties (not consolidated) | - | 5 |
| <i>Other gains/losses net</i> | | |
| - associates (consolidated under the equity method) | 3 899 | - |

ZŁOMREX S.A.

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

Transactions with the members of the Management and Supervisory Boards

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

| | Three months ended | |
|---|---------------------------|----------------------|
| | 31 March 2010 | 31 March 2009 |
| Management Board of the parent Company | 90 | 1 655 |
| Supervisory Board of the parent Company | 92 | 65 |
| Management Boards of subsidiaries | 1 236 | 3 281 |
| Supervisory Boards of subsidiaries | 94 | 31 |
| | 1 512 | 5 032 |

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 31 March 2010 Cognor SA submitted in Register Court the merger plan with Stalexport SA. Cognor SA owns 100.0% of shares in Stalexport SA. As a result of this merger the assets owned by Stalexport SA will be transferred to Cognor SA.

On 15 April 2010 Złomrex SA sold 6 000 thousand of shares of Cognor SA. Before this transaction Złomrex SA possesses 65.7% of shares in Cognor SA, and after this transaction the percentage of owned shares decrease to 53.9%.

In April 2010 Złomrex SA increased the capital in Zeljzera 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.