

ZŁOMREX S.A.

Q2 2011 Business and Financial Performance

September 08, 2011





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ZŁOMREX S.A.

Introduction

Section 1





Introduction

Speakers



Krzysztof

Zola

CFO

Member of the

Board

Age – 39

8 yrs with

Złomrex





Introduction

Q2 2011 Highlights

- ❑ Stabilization of demand and prices after the improvement in the first quarter
- ❑ Revenues' increase by 39,8% compared to Q2 2010 value-wise and 19,1% tonnage-wise
- ❑ Further increase in production capacities utilization

	ANNUAL CAPACITY	UTYLIZATION RATE			
		Q2 2011	Q1 2011	Y 2009	Y 2010
FERR	375 000	86%	85%	64%	66%
HSJ	261 000	86%	70%	52%	37%
COMBINED	636 000	86%	79%	59%	54%

- ❑ Significant further EBITDA improvement – PLN 40m, increased by 46% compared to Q1 2011 and by 40% compared to Q2 2010
- ❑ GDP growth 4,3% in Poland
- ❑ Polish steel production: increase by 15% Q2 2011 v. Q1 2011; 0% compared to Q2 2010
- ❑ Finalization of domestic distribution division divestiture

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Business overview

Section 2





Business overview

Business environment

CRUDE STEEL PRODUCTION (1)	Q2 2011	% YoY	Q2 2010
<i>million tonns</i>			
Poland	2,3	0%	2,3
EU (27)	48,8	2%	47,9
Global	385,7	6%	363,4

UNIT PRICES (2)	Q2 2011	% YoY	Q2 2010
<i>PLN / tonn</i>			
Scrap metal	988	10%	895
Billets	2 014	12%	1 804
Bars	2 318	15%	2 020

(1) Source: World Steel Association

(2) Source: ZŁOMREX SA





Business overview

Q2 2011 performance drivers

SALES		Q2 2011	% YoY	Q2 2010
	<i>Tonns</i>			
Scrap metal		28 016	-22%	36 015
Billets		65 122	36%	47 902
Steel Products		64 138	33%	48 092

SALES		Q2 2011	% YoY	Q2 2010
	<i>000 PLN</i>			
Scrap metal		27 667	-14%	32 246
Billets		131 141	52%	86 412
Steel Products		218 207	30%	167 347



Business overview

Segments

SCRAP METAL		Q2 2011	Q1 2011	Q2 2010
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonns</i>			
FERR		34 357	34 610	25 790
ZLMET		111 832	101 697	96 911
HSJ		36 994	36 016	30 277
ZJEL		0	0	0
INTERNAL USE	<i>Tonns</i>			
FERR		94 197	96 131	79 455
HSJ		63 023	52 768	40 954
ZJEL		0	0	0
SALES TO EXTERNAL CUSTOMERS	<i>Tonns</i>			
ZLMET		27 832	26 769	35 744
OTHER		184	228	271
SALES	<i>'000 PLN</i>			
CONSOLIDATED		27 667	27 798	32 246
TOTAL PURCHASES in TONNS		183 183	172 323	152 978
TOTAL INTERNAL USE in TONNS		157 220	148 899	120 409
TOTAL SALES in TONNS		28 016	26 997	36 015
TOTAL SALES in '000 PLN		27 667	27 798	32 246



Business overview

Segments

BILLETS		Q2 2011	Q1 2011	Q2 2010
PURCHASES	<i>Tonns</i>			
EXTERNAL SOURCES		0	0	0
PRODUCTION	<i>Tonns</i>			
FERR		80 516	79 906	67 564
HSJ		55 844	45 367	35 040
ZJEL		0	0	0
INTERNAL USE	<i>Tonns</i>			
FERR		20 661	36 277	20 197
HSJ		50 588	43 131	34 505
ZJEL		0	0	0
SALES TO EXTERNAL CUSTOMERS	<i>Tonns</i>			
FERR		59 855	43 629	47 367
HSJ		5 256	2 236	535
ZJEL		0	0	0
OTHER		11	6	0
SALES	<i>'000 PLN</i>			
CONSOLIDATED		131 141	98 038	86 412
TOTAL PURCHASES in TONNS		0	0	0
TOTAL PRODUCTION in TONNS		136 360	125 273	102 604
TOTAL INTERNAL USE in TONNS		71 249	79 408	54 702
TOTAL SALES in TONNS		65 122	45 871	47 902
TOTAL SALES in '000 PLN		131 141	98 038	86 412



Business overview

Segments

FINISHED PRODUCTS		Q2 2011	Q1 2011	Q2 2010
PRODUCTION				
	<i>Tonns</i>			
FERR / ZW-WB		20 703	23 181	15 440
HSJ		44 437	40 618	31 487
SALES TO EXTERNAL CUSTOMERS				
	<i>Tonns</i>			
FERR		20 300	20 379	17 828
HSJ		43 838	39 155	30 264
SALES				
	<i>'000 PLN</i>			
CONSOLIDATED		218 207	312 970	167 347
TOTAL PRODUCTION in TONNS		65 140	63 799	46 927
TOTAL BULK PRODUCT SALES in TONNS		64 138	59 534	48 092
TOTAL SALES in '000 PLN		218 207	312 970	167 347

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Financials

Section 3





Financials

P&L

INCOME STATEMENT	Q2 2011	Q1 2011	Q2 2010
'000 PLN			
Revenue	399 714	332 073	286 005
Cost of sales	-352 832	-297 225	-253 813
Gross profit	46 882	34 848	32 192
Other income	4 336	2 878	7 954
Distribution expenses	-8 618	-7 486	-10 646
Administrative expenses	-9 433	-9 558	-12 606
Other gains/(losses) - net	254	-745	4 874
Other expenses	-4 396	-3 753	-4 364
EBIT	29 025	16 184	17 404
Financial income	4 106	344	0
Financial expenses	-11 561	-19 878	-27 650
Net financing costs	-7 455	-19 534	-27 650
Profit/Loss before tax	21 570	-3 350	-10 246
Income tax expense	25 767	-4 775	21 614
Profit/loss for the period from discontinued operations	53 145	35 903	-9 594
Profit for the period	100 482	27 778	1 774
Depreciation and amortization	-10982	-11 148	-11 212
EBITDA	40 007	27 332	28 616





Financials

Assets

ASSETS	Q2 2011	Q1 2011	Q2 2010
'000 PLN			
A. TOTAL NON-CURRENT ASSETS	470 441	448 662	725 708
I. Intangible assets	18 329	19 711	39 930
II. Property, plant and equipment	362 933	369 187	582 605
III. Other receivables	244	256	2 339
IV. Investment property and other investments	4 610	4 051	14 731
V. Prepaid perpetual usufruct of land	18 561	19 321	19 284
VI. Deferred tax assets	65 764	36 136	66 819
B. TOTAL CURRENT ASSETS	535 228	676 788	941 178
I. Inventories	195 466	218 225	260 868
II. Receivables	286 797	346 959	321 547
1. Trade and other receivables	251 936	267 876	315 629
2. Other investments	34 861	79 083	5 918
III. Cash and cash equivalents	36 250	9 215	14 872
IV. Assets classified as held for sale	16 715	102 389	121 597
V. Assets of disposal groups and discontinued operations	0	0	222 294
TOTAL ASSETS	1 005 669	1 125 450	1 666 886



Financials

Equity and Liabilities

EQUITY AND LIABILITIES	Q2 2011	Q1 2011	Q2 2010
'000 PLN			
A. EQUITY	211 420	110 901	247 280
I. Issued share capital	47 691	47 691	47 691
II. Reserves and retained earnings	61 281	-16 116	86 944
III. Minority interest	102 448	79 326	112 645
B. LIABILITIES	794 400	1 014 549	1 419 606
I. Non-current liabilities	493 582	528 508	599 867
1. Employee benefits obligation	10 963	11 983	39 475
2. Interest-bearing loans and borrowings	478 040	510 240	541 656
3. Other	4 579	6 285	18 736
II. Current liabilities	300 818	486 041	644 601
1. Interest-bearing loans and borrowings	43 631	100 396	159 357
2. Bank overdraft	28 665	82 108	105 103
3. Trade payables	222 082	296 303	364 845
4. Defferd government grants and other deffered income	2 853	2 954	7 756
5. Other financial liabilities	0	0	0
6. Employee benefits obligation	1 261	3 877	6 051
7. Income tax payable	1 951	0	327
8. Provisions for payables	375	403	1 162
III. Liabilities of disposal group classified as held for sale	0	0	175 138
TOTAL EQUITY AND LIABILITIES	1 005 820	1 125 450	1 666 886



Financials

Cash Flow

CASH FLOW	Q2 2011	Q1 2011	Y 2010
'000 PLN			
A. FROM OPERATING ACTIVITIES	-23 886	-53 791	50 688
B. FROM INVESTING ACTIVITIES	-2 118	-704	8 232
C. FROM FINANCING ACTIVITIES	-97 232	-21 092	-52 096
NET INCREASE IN CASH	-123 236	-75 587	6 824

- Q2 2011 working capital outflow at pln (-) 27



Financials

Metrics

MAIN METRICS	Q2 2011	Q1 2011	Y 2010	Q2 2010	Q1 2010
Liquidity ratio	1,72	1,18	1,19	1,15	0,98
Quick ratio	1,13	0,94	0,97	0,83	0,65
Inventories turnover (days)	50	66	72	93	127
Receivables turnover (days)	65	94	53	101	143
EBITDA margin	10,0%	8,2%	2,8%	10,0%	0,0%
Net profit margin	25,1%	8,4%	-16,8%	0,6%	-21,2%
Equity	211 420	110 901	98 360	247 280	220 141
Net debt	514 086	683 529	688 043	791 244	759 310

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Q3 2011 Outlook

Section 4



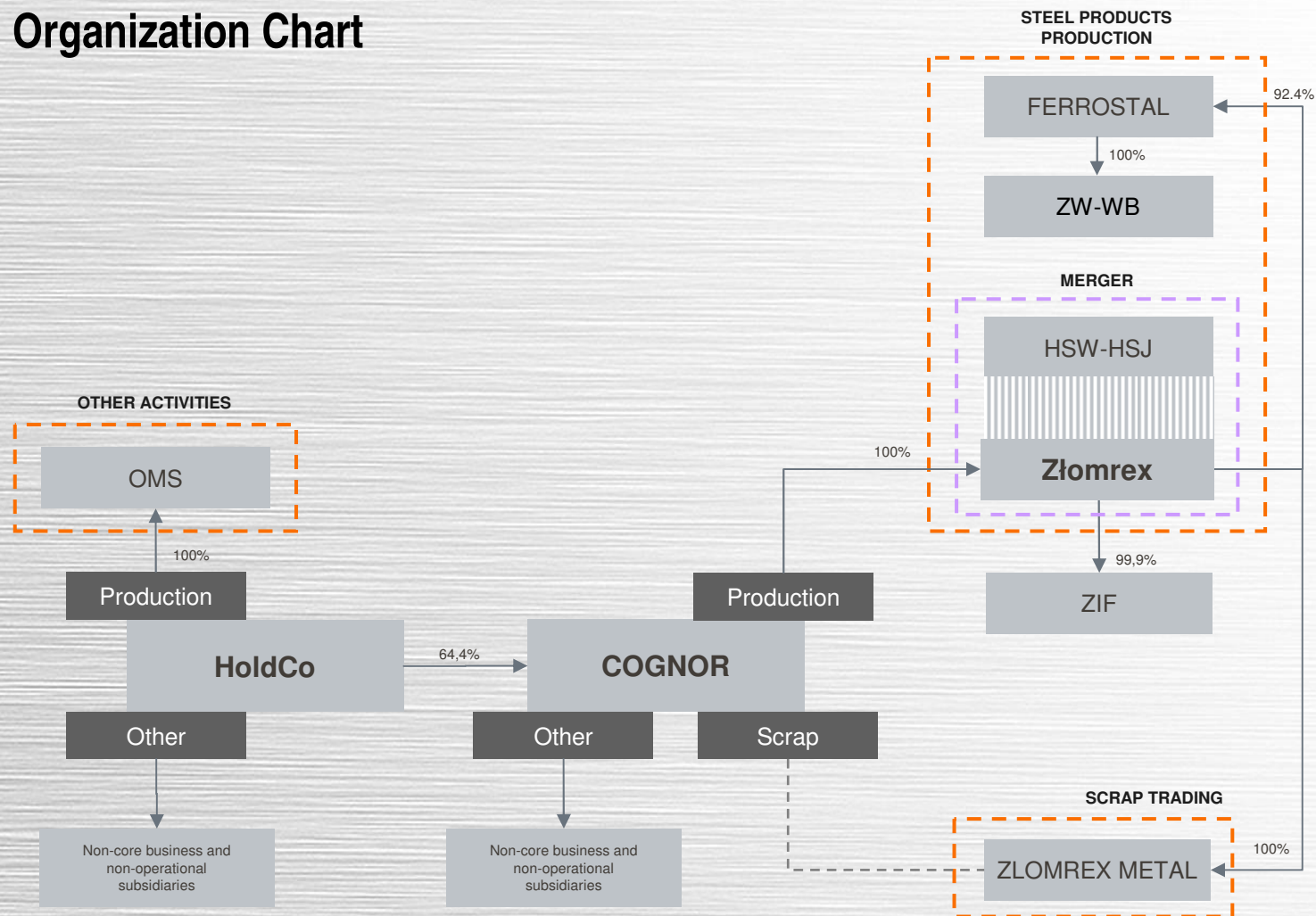


Q3 2011 outlook

- ❑ Slowdown in GDP growth below 4%
- ❑ Slight decrease of demand and stabilization of prices
- ❑ Further improvement in profitability
- ❑ Utilization rate at Q2 2011 level
- ❑ Finalization of internal reorganization



Organization Chart



FERROSTAL – 375 kt steel melting shop - standard and middle-alloy steels

ZW-WB – 198 kt rolling mill - flat bars, plain bars, squares

HSW-HSJ – 261kt steel melting shop - high-alloy steels + 178kt rolling mill – high diameter bars + 101kt rolling mill – thick sheets

ZŁOMREX METAL – scrap collection network in 18 main locations across whole Poland

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Q&A

Section 5

