



EMPIRE RESOURCES, INC.

EMPIRE RESOURCES REPORTS THIRD QUARTER 2013 RESULTS

Fort Lee, NJ, November 14, 2013 — **Empire Resources, Inc. (NASDAQ: ERS)**, a distributor of value added, semi-finished metal products, announced today that net sales for the third quarter of 2013 were \$126.4 million, an increase of 14% from the second quarter of 2013, and 8% lower than the third quarter of 2012. The sequential improvement in sales was driven by an increase in sales in Latin America and stronger sales in Europe, offset by lower sales in North America and in the Australia/New Zealand region.

Gross profit for the third quarter of 2013 was \$5.3 million, an increase of 1% from the second quarter of 2013, and 13% lower than the third quarter of 2012. Gross profit was 4.2% of sales, compared with 4.8% of sales in the second quarter of 2013 and 4.4% of sales in the third quarter of 2012. The Company continued to implement its inventory management strategy and reduced storage and processing costs in the quarter. Increased competitive conditions in Australia and Brazil reduced gross margin in those regions and resulted in the decline in the gross margin as a percentage of sales compared with the prior periods.

Operating income for the third quarter of 2013 was \$1.7 million compared with \$1.8 million in the second quarter of 2013 and \$2.7 million in the third quarter of 2012. SG&A expenses were 3% higher sequentially and 5% higher than the third quarter of 2012 due in part to the Company's investment in employee count to expand its geographic reach.

Net interest expense for the third quarter of 2013 was \$1.2 million, approximately level with the second quarter of 2013 and 16% below the third quarter of 2012. The Company's focus on controlling inventory levels for the past several quarters has enabled Empire to reduce bank debt by 5% year-to-date, with resulting savings in interest costs.

In the third quarter of 2013, the Company recognized a non-cash non-operating gain of \$1.7 million related to the change in fair market valuation of the derivative feature of its convertible subordinated note. That compares with a non-cash non-operating loss of \$0.04 million in the second quarter of 2013 and a non-cash non-operating gain of \$0.4 million in the third quarter of 2012, both due to the derivative valuation recognized in those periods.

Before including the non-cash non-operating derivative-related amounts in all periods, pre-tax income was \$0.6 million in both the third quarter of 2013 and the second quarter of 2013 and \$1.3 million in the third quarter of 2012.

Net income for the third quarter of 2013 was \$1.5 million, or \$0.06 per diluted share, including the derivative related non-cash non-operating gain. That compares with net income of \$0.4 million, or \$0.04 per diluted share, in the second quarter of 2013, and net income of \$1.1 million, or \$0.09 per diluted share, in the third quarter of 2012, including the non-cash non-operating loss and gain in those respective prior year periods.

For the first nine months of 2013, net sales were \$370.3 million; pre-tax income was \$3.4 million, before including a non-cash non-operating derivative-related loss of \$0.45 million; and net income was \$1.9 million, or \$0.22 per diluted share, including the derivative-related loss. In the first nine months of 2012, net sales were \$429.0 million; pre-tax income was \$4.6 million, before including a non-cash non-operating derivative-related

gain of \$0.36 million; and net income was \$3.1 million, or \$0.31 per diluted share, including the derivative-related gain.

Nathan Kahn, President and CEO, commented, “While industry conditions worldwide have remained challenging, we achieved substantial growth in Latin America in the third quarter, which was the main driver of the sequential increase in our sales. Our sales in Latin America were primarily steel products, which have been an area of strategic focus for Empire since we added them to our product offerings in 2010. They have reached 23% of our sales year-to-date in 2013.”

“We have seen a pick-up in our bookings since the end of September, but there is a persistent level of uncertainty in most of our markets. While it is prudent to remain cautiously optimistic at present, we are fully focused on executing our strategy and are optimistic about our long-term growth prospects.”

Empire Resources, Inc. is a distributor of a wide range of semi-finished metal products to customers in the transportation, automotive, housing, appliance and packaging industries in the U.S., Canada, Latin America, Australia, New Zealand and Europe. It maintains supply contracts with mills in various parts of the world.

This press release contains “forward-looking statements.” Such statements may be preceded by the words “intends,” “may,” “will,” “plans,” “expects,” “anticipates,” “projects,” “predicts,” “estimates,” “aims,” “believes,” “hopes,” “potential” or similar words. Forward-looking statements are not guarantees of future performance, are based on certain assumptions and are subject to various known and unknown risks and uncertainties, many of which are beyond the Company’s control, and cannot be predicted or quantified and consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties associated with (i) the loss or default of one or more suppliers; (ii) the loss or default of one or more significant customers; (iii) a default by counterparties to derivative financial instruments; (iv) changes in general, national or regional economic conditions; (v) an act of war or terrorism that disrupts international shipping; (vi) changes in laws, regulations and tariffs; (vii) the imposition of anti-dumping duties on products the Company imports; (viii) changes in the size and nature of the Company’s competition; (ix) changes in interest rates, foreign currencies or spot prices of aluminum; (x) the loss of one or more key executives; (xi) increased credit risk from customers; (xii) the Company’s failure to grow internally or by acquisition and (xiii) the Company’s failure to improve operating margins and efficiencies. More detailed information about the Company and the risk factors that may affect the realization of forward-looking statements is set forth in the Company’s filings with the Securities and Exchange Commission (SEC), including the Company’s Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q. Investors and security holders are urged to read these documents free of charge on the SEC’s web site at <http://www.sec.gov>. The Company assumes no obligation to publicly update or revise its forward-looking statements as a result of new information, future events or otherwise.

Condensed Consolidated Statements of Income (Unaudited)
(In thousands except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-----------------|--|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | \$ 126,390 | \$ 137,705 | \$ 370,288 | \$ 429,006 |
| Cost of goods sold | 121,082 | 131,597 | 353,083 | 410,123 |
| Gross profit | 5,308 | 6,108 | 17,205 | 18,883 |
| Selling, general and administrative expenses | 3,602 | 3,432 | 10,361 | 10,191 |
| Operating income | 1,706 | 2,676 | 6,844 | 8,692 |
| Other expenses | | | | |
| Change in value of derivative liability | 1,715 | 410 | (452) | 361 |
| Interest expense, net | (1,156) | (1,378) | (3,403) | (4,119) |
| Income before income taxes | 2,265 | 1,708 | 2,989 | 4,934 |
| Income taxes | 794 | 656 | 1,066 | 1,883 |
| Net income | \$ 1,471 | \$ 1,052 | \$ 1,923 | \$ 3,051 |
| Weighted average shares outstanding: | | | | |
| Basic | 8,586 | 8,594 | 8,585 | 9,000 |
| Diluted | 11,835 | 11,503 | 8,856 | 11,914 |
| Earnings per share: | | | | |
| Basic | \$0.17 | \$0.12 | \$0.22 | \$0.34 |
| Diluted | \$0.06 | \$0.09 | \$0.22 | \$0.31 |
| See notes to unaudited condensed consolidated financial statements | | | | |

Condensed Consolidated Balance Sheets*(In thousands except share and per share amounts)*

| | September 30, 2013 <i>(Unaudited)</i> | December 31, 2012 |
|--|---|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 2,246 | \$ 3,136 |
| Trade accounts receivable (less allowance for doubtful accounts of \$525 and \$521) | 63,579 | 53,551 |
| Inventories | 123,973 | 145,547 |
| Deferred tax assets | 3,634 | 3,306 |
| Advance to supplier, net of imputed interest of \$206 and \$292 | 3,118 | 3,061 |
| Other current assets | 4,626 | 3,965 |
| Total current assets | <u>201,176</u> | <u>212,566</u> |
| Advance to supplier, net of imputed interest of \$89 and \$234, net of current maturities | 4,087 | 6,413 |
| Preferential supply agreement | 721 | 962 |
| Long-term financing costs, net of amortization | 495 | 862 |
| Property and equipment, net | 3,902 | 3,987 |
| Total assets | <u>\$ 210,381</u> | <u>\$ 224,790</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Notes payable - banks | \$ 117,612 | \$ 124,095 |
| Current maturities of mortgage payable | 179 | 171 |
| Trade accounts payable | 27,983 | 36,048 |
| Income taxes payable | 2,219 | 3,036 |
| Accrued expenses and derivative liabilities | 3,538 | 4,783 |
| Dividends payable | 215 | - |
| Total current liabilities | <u>151,746</u> | <u>168,133</u> |
| Mortgage payable, net of current maturities | 1,154 | 1,290 |
| Subordinated convertible debt net of unamortized discount of \$1,509 and \$1,933 respectively | 10,491 | 10,067 |
| Derivative liability for embedded conversion option | 2,448 | 1,996 |
| Deferred taxes payable | 50 | 195 |
| Total Liabilities | <u>165,889</u> | <u>181,681</u> |
| Commitments (Note 19) | | |
| Stockholders' equity: | | |
| Common stock \$0.01 par value, 20,000,000 shares authorized and 11,749,651 shares issued at September 30, 2013 and December 31, 2012 | 117 | 117 |
| Additional paid-in capital | 11,937 | 11,937 |
| Retained earnings | 37,920 | 36,641 |
| Accumulated other comprehensive loss | (9) | (136) |
| Treasury stock, 3,165,791 and 3,158,597 shares at September 30, 2013 and December 31, 2012, respectively | (5,473) | (5,450) |
| Total stockholders' equity | <u>44,492</u> | <u>43,109</u> |
| Total liabilities and stockholders' equity | <u>\$ 210,381</u> | <u>\$ 224,790</u> |
| See notes to unaudited condensed consolidated financial statements | | |

Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(In thousands)

| | Nine Months Ended | |
|---|--------------------------|-----------------|
| | September 30, | |
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net income | \$ 1,923 | \$ 3,051 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 518 | 506 |
| Change in value of derivative liability | 452 | (361) |
| Amortization of convertible note discount | 424 | 424 |
| Imputed interest on vendor advance | (231) | (347) |
| Provision for doubtful accounts | - | (6) |
| Amortization of supply agreement | 240 | - |
| Deferred income taxes | (503) | 105 |
| Foreign exchange loss/(gain), and other | (23) | 15 |
| Loss on sale of marketable securities | 32 | - |
| Changes in: | | |
| Restricted cash | - | (1,410) |
| Trade accounts receivable | (9,932) | (8,854) |
| Inventories | 21,708 | 54,451 |
| Other current assets | (666) | 7,452 |
| Trade accounts payable | (8,061) | (26,366) |
| Income taxes payable | (818) | (1,657) |
| Accrued expenses and derivative liabilities | (1,221) | 3,634 |
| Net cash provided by operating activities | <u>3,842</u> | <u>30,637</u> |
| Cash flows provided by/(used in) investing activities: | | |
| Repayment/(advance) related to supply agreement | 2,500 | (5,000) |
| Net proceeds from sale of marketable securities | 6 | - |
| Purchases of property and equipment | (6) | (38) |
| Net cash provided by/(used in) investing activities | <u>2,500</u> | <u>(5,038)</u> |
| Cash flows used in financing activities: | | |
| Repayments of notes payable – banks | (6,594) | (24,462) |
| Repayments - mortgage payable | (127) | (119) |
| Dividends paid | (429) | (676) |
| Deferred financing costs | (60) | (62) |
| Treasury stock purchased | (23) | (1,932) |
| Net cash used in financing activities | <u>(7,233)</u> | <u>(27,251)</u> |
| Net decrease in cash | <u>(891)</u> | <u>(1,652)</u> |
| Effect of exchange rate | 1 | (1) |
| Cash at beginning of period | 3,136 | 4,274 |
| Cash at end of the period | <u>\$ 2,246</u> | <u>\$ 2,621</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 2,913 | \$ 4,052 |
| Income taxes | \$ 1,955 | \$ 2,664 |
| Non cash financing activities: | | |
| Dividend declared but not yet paid | \$ 215 | \$ 215 |

See notes to unaudited condensed consolidated financial statements

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