



QUARTERLY CONDENSED FINANCIAL STATEMENT FOR Q3 OF 2011

prepared in line with

THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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I. Selected financial data

	(PLN thousand)		(EUR thousand)	
	3 quarters year to date/ 2010 for the period from 2010-01-01 to 2010-09-30	3 quarters year to date/ 2011 for the period from 2011-01-01 to 2011-09-30	3 quarters year to date/ 2010 for the period from 2010-01-01 to 2010-09-30	3 quarters year to date/ 2011 for the period from 2011-01-01 to 2011-09-30
Net revenues from sale of products, goods and materials	95 108	180 431	23 761	44 646
Operating profit/loss	6 830	18 424	1 706	4 559
Gross profit/loss	4 625	18 127	1 155	4 485
Net profit (loss)	3 788	14 636	946	3 622
Operating cash flow	6 805	138	1 700	34
Investment cash flow	405	-20 448	101	-5 060
Financial activity cash flow	-3 729	7 183	-932	1 777
Change in cash and cash equivalents	3 481	-13 127	870	-3 248
Number of shares	20 744 000	31 544 000	20 744 000	31 544 000
Profit (loss) per one ordinary share (PLN / EUR)	0,18	0,46	0,05	0,11
Diluted number of shares	32 744 000	32 744 000	32 744 000	32 744 000
Diluted profit (loss) per one ordinary share (PLN / EUR)	0,12	0,45	0,03	0,11
	As on	As on	As on	As on
	31.12.2010	30.09.2011	31.12.2010	30.09.2011
Total assets	203 466	222 522	51 376	50 445
Long-term liabilities	40 793	45 296	10 300	10 268
Short-term liabilities	41 327	41 448	10 435	9 396
Share capital	121 346	135 778	30 641	30 780

Selected financial data presented in the financial statement have been converted to EUR as follows: items of comprehensive income statement, cash flow statement, profit (loss) per one ordinary share and diluted profit (loss) per one ordinary share for three quarters of 2011 (three quarters of 2010) have been converted according to the exchange rate being an arithmetic mean of two mean exchange rates announced by the National Bank of Poland and effective on the last day of each month of these three quarters. This rate was EUR 1 = PLN 4.0413 (EUR 1 = PLN 4.0027). Items of the financial position report have been converted on the basis of the mean exchange rate announced by the National Bank of Poland effective on the balance sheet date. This rate as on September 30, 2011 was EUR 1 = PLN 4.4112 (as on December 31, 2010 - EUR 1 = PLN 3.9603).

II. Financial position report (PLN thousand)

ASSETS	As on 30.09.2010	As on 31.12.2010	As on 30.06.2011	As on 30.09.2011
A. Fixed assets (long-term)	98 577	99 568	110 649	121 026
1. Tangible fixed assets	98 177	98 947	110 073	120 450
2. Other intangible assets	99	177	172	159
3. Investments available for sale	0	0	0	0
4. Long-term financial assets	0	0	0	0
5. Deferred income tax assets	224	319	198	186
6. Long-term receivables and prepayments	77	125	206	231
B. Current assets (short-term)	62 027	103 898	114 282	101 496
1. Inventory	16 314	20 062	36 081	24 004
2. Short-term receivables and prepayments	45 187	54 450	74 618	61 688
3. Receivables on account of income tax	0	455	0	0
4. Short-term financial assets	0	0	0	0
5. Currency derivatives	0	0	0	0
6. Cash and cash equivalents	526	28 931	3 583	15 804
Total assets	160 604	203 466	224 931	222 522

LIABILITIES	As on 30.09.2010	As on 31.12.2010	As on 30.06.2011	As on 30.09.2011
A. Equity	55 317	121 346	131 261	135 778
1. Share capital	41 488	41 488	65 488	65 488
2. Surplus from the sale of shares above their face value	0	38 379	38 175	38 175
3. Spare and reserve capital	10 041	34 041	17 479	17 479
4. Retained and current profit/loss	3 788	7 438	10 119	14 636
B. Long-term liabilities	50 249	40 793	42 428	45 296
1. Provisions	114	171	171	171
2. Provision on account of deferred income tax	231	213	141	133
3. Long-term bank loans and credits	25 852	16 688	19 260	21 735
4. Other long-term financial liabilities	4 642	4 464	3 904	3 667
5. Long-term liabilities and accruals	19 410	19 257	18 952	19 590
C. Short-term liabilities	55 038	41 327	51 242	41 448
1. Provisions	0	238	141	149
2. Short-term bank loans and credits	7 384	16	0	48
3. Short-term part of long-term bank loans and credits	4 656	4 656	7 140	8 601
4. Other short-term financial liabilities	856	962	912	926
5. Short-term liabilities and accruals	41 831	35 455	42 736	31 349
6. Liabilities on account of income tax	311	0	313	375
Total liabilities	160 604	203 466	224 931	222 522

III. Comprehensive income statement - calculation basis (PLN thousand)

CALCULATION BASIS	For the period from 01.01 to 30.09.2010	For the period from 01.07 to 30.09.2010	For the period from 01.01 to 30.09.2011	For the period from 01.07 to 30.09.2011
A. Revenues from sale of products, goods and materials	95 108	39 723	180 431	58 288
B. Costs of products, goods and materials sold	82 193	34 041	153 263	50 240
C. Gross sales profit/loss (A-B)	12 915	5 682	27 168	8 048
D. Costs of sales	1 296	544	2 309	840
E. Overheads	6 346	2 371	7 263	2 325
F. Other revenues	1 665	320	1 016	192
G. Other costs	108	6	188	15
H. Operating profit/loss (C-D-E+F-G)	6 830	3 081	18 424	5 060
I. Financial income	152	35	1 071	581
J. Financial expenses	2 357	975	1 368	42
K. Gross profit/loss (H+I-J)	4 625	2 141	18 127	5 599
L. Income tax	837	409	3 491	1 082
M. Net profit/loss on business activity (K-L)	3 788	1 732	14 636	4 517
N. Total other income	0	0	0	0
- Gains/losses on revaluation of tangible fixed assets	0	0	0	0
- Gains/losses on valuation of investments available for sale carried to equity	0	0	0	0
-Gains/losses on the security of cash flows (effective part)	0	0	0	0
-Exchange rate differences in valuation of entities operating abroad	0	0	0	0
- Income tax related to the items shown under total other income	0	0	0	0
O. Total income (M+N)	3 788	1 732	14 636	4 517

	For the period from 01.01 to 30.09.2010	For the period from 01.07 to 30.09.2010	For the period from 01.01 to 30.09.2011	For the period from 01.07 to 30.09.2011
Profit per share: (PLN thousand)				
- basic profit based on financial result of a going concern	0,18		0,46	
- basic profit based of the financial result for the business year	0,18		0,46	
- diluted profit based on financial result of a going concern	0,12		0,45	
- diluted profit based of the financial result for the business year	0,12		0,45	

IV. Cash flow income statement - indirect method (PLN thousand)

	For the period from 01.01 to 30.09.2010	For the period from 01.07 to 30.09.2010	For the period from 01.01 to 30.09.2011	For the period from 01.07 to 30.09.2011
Cash flow from operating activity				
Profit/loss before taxation	4 564	2 201	18 073	5 592
Item adjustments:	2 241	-47	-17 935	12 387
Depreciation of fixed assets	2 704	950	2 608	891
Amortization of intangible assets	37	13	53	18
Foreign exchange gains/losses	0	0	0	0
Interest costs and income	1 926	631	1 048	273
Profit/loss on investment activity	-469	-37	-29	0
Change in provisions	-278	-25	-169	0
Change in inventory	6 582	4 350	-3 942	12 077
Change in receivables and prepayments	-14 950	-4 745	-7 411	12 917
Change in liabilities and accruals	11 900	3 736	-6 695	-11 985
Paid/refunded income tax	-543	-252	-2 607	-1 013
Other adjustments	-4 668	-4 668	-791	-791
Net cash flow from operating activity	6 805	2 154	138	17 979
Cash flow from investment activity				
Earnings from the sale of fixed assets and intangible assets	37	37	247	0
Earnings from the sale of financial assets	0	0	0	0
Earnings from interest	0	0	0	0
Other investment earnings - obtained subsidies	4 668	4 668	791	791
Expenditure on the purchase of tangible fixed assets and intangible assets	3 993	1 458	21 649	10 230
Net expenditure on the purchase of subsidiaries and associated entities	0	0	0	0
Other	-307	-99	163	129
Net cash flow from investment activity	405	3 148	-20 448	-9 310
Cash flow from financial activity				
Earnings from loans and credits	8 000	8 000	12 358	4 996
Net earnings from the issue of shares, bonds, bills of exchange and vouchers	0	0	0	0
Repayment of credits and loans	9 492	7 164	3 366	1 038
Repayments of liabilities under financial lease contracts	618	213	834	224
Dividends paid to Company shareholders	0	0	0	0
Interest paid	1 619	532	771	182
Other	0	0	-204	0
Net cash flow from financial activity	-3 729	91	7 183	3 552
Increase/decrease in cash and cash equivalents	3 481	5 393	-13 127	12 221
Cash, cash equivalents and credit lines in the current account at the beginning of the period	-10 298	-12 210	28 931	3 583
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and credit lines in the current account	0	0	0	0
Cash, cash equivalents and credit lines in the current account at the end of the period	-6 817	-6 817	15 804	15 804

V. Statement of changes in equity (PLN thousand)

	Share capital	Surplus from the sale of shares above their face value	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
As on 01.01.2010	41 488	0	0	4 970	0	5 071	51 529
Changes in equity in 2010	0	38 379	0	29 071	0	2 367	69 817
Appropriation of net profit	0	0	0	5 071	0	-5 071	0
Issue of share capital	0	38 379	0	24 000	0	0	62 379
Profit/loss for business year	0	0	0	0	0	7 438	7 438
Cost of shares issue	0	0	0	0	0	0	0
Registration of share capital	0	0	0	0	0	0	0
Total revenues and costs shown in 2010	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
As on 31.12.2010	41 488	38 379	0	34 041	0	7 438	121 346

	Share capital	Surplus from the sale of shares above their face value	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
As on 01.01.2010	41 488	0	0	4 970	0	5 071	51 529
Changes in equity over 9 months of 2010	0	0	0	5 071	0	-1 283	3 788
Appropriation of net profit	0	0	0	5 071	0	-5 071	0
Issue of share capital	0	0	0	0	0	0	0
Profit/loss for business year	0	0	0	0	0	3 788	3 788
Cost of shares issue	0	0	0	0	0	0	0
Registration of share capital	0	0	0	0	0	0	0
Total revenues and costs shown in 9 months of 2010	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
As on 30.09.2010	41 488	0	0	10 041	0	3 788	55 317

	Share capital	Surplus from the sale of shares above their face value	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
As on 01.01.2011	41 488	38 379	0	34 041	0	7 438	121 346
Changes in equity over 9 months of 2011	24 000	-204	0	-16 562	0	7 198	14 432
Appropriation of net profit	0	0	0	7 438	0	-7 438	0
Issue of share capital	0	0	0	0	0	0	0
Profit/loss for business year	0	0	0	0	0	14 636	14 636
Cost of shares issue	0	204	0	0	0	0	204
Registration of share capital	24 000	0	0	-24 000	0	0	0
Total revenues and costs shown in 9 months of 2011	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
As on 30.09.2011	65 488	38 175	0	17 479	0	14 636	135 778

	Share capital	Surplus from the sale of shares above their face value	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
As on 01.07.2011	65 488	38 175	0	17 479	0	10 119	131 261
Changes in equity in Q3 2011	0	0	0	0	0	4 517	4 517
Appropriation of net profit	0	0	0	0	0	0	0
Issue of share capital	0	0	0	0	0	0	0
Profit/loss for business year	0	0	0	0	0	4 517	4 517
Cost of shares issue	0	0	0	0	0	0	0
Registration of share capital	0	0	0	0	0	0	0
Total revenues and costs shown in Q3 2011	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
As on 30.09.2011	65 488	38 175	0	17 479	0	14 636	135 778

VI. Notes to the quarterly condensed financial statement for Q3 of 2011

1. Information about accounting principles adopted for the preparation of the report including changes in these accounting principles.

The report was prepared in a manner that ensures comparability of financial data. In the reporting period the Company did not change its accounting policy. Accounting principles were described in the periodic report for H1 of 2011.

2. Information about significant changes in estimates.

Table of changes in estimate provisions (PLN thousand):

	As on 30.09.2011	As on 01.01.2011	Delta
Provision on account of deferred income tax	133	213	-80
Provision for retirement and similar benefits	320	409	-89
Other provisions	0	0	0

Table of changes in estimate deferred income tax (PLN thousand):

	As on 30.09.2011	As on 01.01.2011	Delta
Deferred income tax assets	186	319	-133

Table of changes in estimate write-downs (PLN thousand):

	As on 30.09.2011	As on 01.01.2011	Delta
Revaluation write-downs of principal receivables	66	737	-671
Inventory revaluation write-downs	20	48	-28

3. Brief description of what went well or what went wrong in Q3 of 2011 including the list of the most important events.

In the market, and specifically in the domestic market one can see considerable demand for Company's products, which is confirmed by Q3 results. Company revenues amounted to PLN 58,288 thousand that is 146% of the amount in Q3 of 2010. Net profit amounted to PLN 4,517 thousand against PLN 1,732 thousand generated in Q3 of 2010 (increase by 160%). Such a significant increase in net profit was achieved thanks to a larger volume of coating sold (internal and external coating) and capital injection from the public offering.

The following table shows the coating service sales.

	Q3 2011	Q3 2010	Delta (%)
External coating (m2)	140 833	85 667	164,4%
Internal coating (m2)	56 690	41 177	137,7%
Total	197 523	126 844	155,7%

What was important for the Company in Q3 of 2011 was the selection of the bid submitted by Izostal S.A. (as the Consortium's leader) by O.G.P. Gaz-System S.A. as the most favorable one for the supply of coated steel pipes DN700 for the construction of the pipelines Rembelszczyzna – Gustorzyn and Gustorzyn – Odolanów. On September 21 the Company signed partial contracts for the deliveries with the investor. The contracts provide for the delivery by Izostal S.A. of 89 km of pipes of the total value of PLN

88,457.7 thousand. The deliveries of pipes will be effected from November 7, 2011 to May 10, 2012.

The bid was selected on the basis of the framework contract signed on January 26, 2011 (current report of the Company no. 9/2011).

As for its investments, the Company is constructing the Research and Development Center for steel technologies and products. The Company has spent PLN 20,298 thousand for the implementation. Currently some finishing works in the Center's building are being performed. At the turn of November and December, the first machines from Selmers B.V. will be delivered. Moreover, the Company is extending the storage area for steel pipes in the Anti-Corrosion Coating Center on a successive basis. In 2011 a storage area of 9,400 m² has been commissioned, and this area had to be provided as a consequence of an increase in steel pipes sales and a longer warehousing period, which is due to the structure of orders placed by the main customers of the Company.

For the construction of the Research and Development Center for Steel Technologies and Products the Company obtained the subsidy from the Operating Program - Innovative Economy (activity 4.5). In Q3 the Company was paid the subsidy of PLN 791 thousand. Two further applications for payment have been submitted with the Ministry of Economy, they are for the total value of PLN 2,765 thousand. Further applications for payment will be submitted by the Company in line with the subsidy agreement. The total subsidy is PLN 7,262.5 thousand.

As for research and technology development, the company together with industry experts, among others experts from Polskie Górnictwo i Gazownictwo S.A., works on the technology for the coating of drilling pipes (pipes used for gas extraction), which thanks to the technology of Izostal S.A. will make it possible to save money while drilling.

4. Description of extraordinary factors and events having significant impact on the actual financial results.

Company revenues amounted to PLN 58,288 thousand, that is 146% of the amount achieved in Q3 of 2010. In Q3 of 2011 the Company generated a net profit of PLN 4,517 thousand, that is by 160% higher than in Q3 of 2010. In Q3 of 2011 the Company's result on financial activity was (+) PLN 539 thousand. In the corresponding period of 2010, the Company showed a loss of (-) PLN 940 thousand. Such a significant difference resulted from the receipt of the funds following the public issue of shares, thanks to which the Company utilizes working capital loans to a smaller extent, and invests surplus cash in safe financial instruments.

The value of tangible fixed assets at the end of Q3 of 2011 increased against end of H1 of 2011 by PLN 10,377 thousand, mainly as a result of the expenditure on the construction of the Research and Development Center for steel products, which in the period covered by the report amounted to PLN 9,119 thousand. Moreover, the Company spent PLN 1,154 thousand on the extension of the pipes storage yard.

The value of inventory in Q3 decreased by PLN 12,077 thousand, which was related to from the completion of the open production orders. This condition is temporary and in the coming periods the Company foresees a significant increase in stocks levels, especially steel pipes stocks and direct production materials.

Days sales outstanding improved. After 3 quarters of 2011 it was 89 days against 106.7 in H1 of 2010. The Company settled its liabilities related to deliveries and services with an average payment terms of 40 days for 3 quarters of 2011.

Company's equity in Q3 increased by the value of the net profit generation (PLN 4,517 thousand).

5. Explanations on the seasonality or cyclical character of business in the presented period.

In the previous years, the Company, similarly to the majority of entities operating as the suppliers in the construction investment goods, was impacted by the seasonality of sales, which means that the majority of revenues are generated in Q2, Q3 and Q4. Seasonality depended on the weather conditions and contract works schedules arising from technological conditions, as the majority of Izostal's customers implement their investments from April till December.

Due to this seasonality in the business run by Izostal S.A., proper evaluation of the Company's financial standing is only possible while analyzing the financials for the full business year.

In 2011 (as we informed in the report for Q1), with the project plans approved by Company customers beforehand and with relatively mild winter, the situation is different, therefore when we analyze the data for 2011 no seasonality of the previous years can be noticed.

6. Information about the issue, buyback and repayment of commercial papers other than shares and capital commercial papers.

Following the public offering in Q4 of 2010, where 12,000,000 ordinary bearer shares, K series, face value of PLN 2.00 per share were subscribed for and duly paid, the Company's equity increased to PLN 65,488 thousand. This increase in capital was registered by the District Court in Opole, 8th Business Division of the National Court Register on January 28, 2011 (the Issuer informed about this fact in the current report no. 11/2011).

The Management Board of the Warsaw Stock Exchange, on the basis of its resolution no. 24/2011 resolved to introduce into the basic market 12 million rights to ordinary bearer shares, K series, of the face value of PLN 2 (two zlotys) per share.

Resolution No. 196/2011 of February 14, 2011 the Management Board of the Warsaw Stock Exchange indicated February 15, 2011 as the last quotation of 12 million rights to ordinary bearer shares, series K, and resolution no. 197/2011 of the Management Board of the Warsaw Stock Exchange, as of February 16, 2011 introduced all the shares series

A,B,C,D,E,F,G,H,I,J,K of Izostal S.A. for trading in the basic market, of the face value of PLN 2 per share.

7. Information about paid or declared dividend.

In the reporting period, the Company did not pay or declare any dividend.

8. List of events that followed the day on which the condensed quarterly financial statement was prepared and were not included in the statement, which might influence the future financial results in a significant way.

Izostal S.A. did not record any events that followed the day on which the quarterly financial statement was prepared, which might influence the future financial results of the Company.

9. Information about changes in contingent liabilities or assets since the closing of the previous business year.

Change in the off-balance sheet liabilities from 01.01.2011 to 31.12.2011 is as follows:

1. Change in guarantees (PLN thousand):

Beneficiary	Guarantee type	Validity date	As on 30.09.2011	As on 01.01.2011	Delta
OGP Gaz-System S.A.	bid bond guarantee	28.02.2011	0	10.000	-10.000
OGP Gaz-System S.A.	performance guarantee	01.04.2011	0	530	-530
	defects and faults removal	from 02.04.2011 to 01.04.2016	159	159	0
OGP Gaz-System S.A.	performance guarantee	28.03.2011	0	431	-431
	defects and faults removal	from 29.03.2011 to 28.03.2016	129	129	0
ZRUG Sp. z o.o.	performance guarantee	31.05.2011	0	1 097	- 1 097
FX ENERGY POLAND Sp. z o.o.	contract performance guarantee	10.11.2011	826	0	826
OGP Gaz-System S.A.	performance guarantee	03.02.2012	4 157	0	4 157
	defects and faults removal	from 04.02.2012 to 03.02.2015	1 247	0	1 247
OGP Gaz-System S.A.	performance guarantee	10.05.2012	4 688	0	4 688
	defects and faults removal	from 11.05.2012 to 10.05.2015	1 407	0	1 407

2. Change in encumbrances on fixed and working assets of the Company (PLN thousand):

Type	As on 30.09.2011	As on 01.01.2011	Delta
Pledge on fixed assets	18.477	19.069	-592
Pledge on inventories	26.500	16.500	10 000
Mortgages	60.936	59.400	1 536

Moreover, the investment loan taken from BNP Paribas Bank Polska S.A. requires that the Company establish registered pledge on machinery and plant financed with the loan, of

the value of PLN 9,000 thousand, with said bank as the beneficiary. As on 30.09.2011 the machinery and plant had not been purchased yet.

10. Description of the Issuer's group organization, with information about the entities subject to consolidation.

Izostal S.A. is not a parent entity in any capital group and does not prepare consolidated financial statements.

The Company is part of Stalprofil S.A. Group, where the other entities are also:

- Stalprofil S.A. seated in Dąbrowa Górnicza - parent entity
- Kolb sp. z o.o. seated in Kolonowskie
- ZRUG Zabrze sp. z o.o. seated in Zabrze

11. Results of changes in the structure of a business entity, including merger, acquisition or sale of the issuer's capital group entities, long-term investments, spin-off, restructuring or business discontinuation.

No significant changes were recorded in the basic principles of Company management in the period covered by the report. The Company runs a production activity in the Coating Department in Zawadzkie and Anti-Corrosion Center in Kolonowskie. The Company's Management Board is based in Zawadzkie.

12. Management Board's opinion on a possibility to fulfill the previously published forecasts.

In the Prospectus approved by the Financial Supervision Authority on December 8, 2011 the Company presented the forecasts for 2011.

The Management Board sustains its forecasts published in the Prospectus and considers them feasible.

The following table shows the comparison of the Company results' forecast for 2011 and results for three quarters.

	Forecast 2011	Actual 3 quarters of 2011	% of actual
Sales revenues (PLN thousand)	193 028	180 431	93,5
Operating costs (PLN thousand)*	166 675	162 835	97,7
Gross sales profit (PLN thousand)	38 215	27 168	71,1
Depreciation and amortization (PLN thousand)	3 540	2 661	75,2
EBITDA (PLN thousand)	30 467	21 085	69,2
Operating profit (PLN thousand)	26 927	18 424	68,4
Net profit (PLN thousand)	19 003	14 636	77,0

* - includes costs of products, goods and materials sold, costs of sale and overheads

13. Information about shareholders holding directly or indirectly (via subsidiaries) at least 5% of votes at the general meeting on the day of publishing this quarterly report.

To the best of the Company's knowledge on the date of announcing the report for Q3 of 2011, the shareholders holding at least 5% of total votes at the General Meeting, either directly or indirectly via subsidiaries, were as follows:

Shareholder	Number of shares	Shareholding (%)	Number of votes at the general meeting	Percentage of total votes at the general meeting (%)
Stalprofil S.A.	19 739 000	60,28 %	19 739 000	60,28 %
Aviva OFE Aviva BZ WBK	1 669 877	5,10 %	1 669 877	5,10 %
BPH TFI S.A.	1 644 021	5,02 %	1 644 021	5,02 %
Other	9 691 102	29,60 %	9 691 102	29,60 %
TOTAL	32 744 000	100 %	32 744 000	100 %

In the period since the announcement of the previous quarterly report of Izostal S.A. there have been no significant changes to the ownership structure.

14. Shareholding of the issuer's shares or rights to shares by the Issuer's Management Board or Supervisory Board members as on the date of announcing the quarterly report.

To the best of the Company's knowledge, the shareholding at Izostal S.A. by Management Board and Supervisory Board members on the date of announcing the report for Q3 of 2011 was as follows:

Management Board	Total number of shares held
Marek Mazurek	5 314
Jacek Podwiński	738
Supervisory Board	Total number of shares held
Zdzisław Mendelak	3 489

In the period since the announcement of the previous quarterly report, no changes in the number of shares or rights to shares held by management board and supervisory board members have occurred.

15. Proceedings at courts, arbitration bodies or public administration authorities where the aggregate value was at least 10% of the issuer's equity

In the period covered by the report Izostal S.A. did not initiate or was involved in any proceedings at courts, arbitration bodies or public administration authorities where the aggregate value was at least 10% of the issuer's equity.

16. Information about the conclusion by the issuer or its subsidiary of a single or multiple transaction(s) with affiliated entities, if any single transaction or aggregate transactions are significant and were concluded on the conditions other than arm's length conditions.

Transactions concluded by the Company with affiliated entities were effected on arm's length conditions.

Transactions between Stalprofil S.A., ZRUG Zabrze Sp. z o.o., Kolb Sp. z o.o. covered mainly the supplies of steel products and Company products. Izostal S.A. did also some purchasing from affiliated entities in connection with the investments in the scope of the services provided by these entities. Transactions were of a typical and routine character.

17. Information about loan sureties, loans or guarantees offered by the issuer or its subsidiary to a single entity or this entity's subsidiary equal to at least 10% of the issuer's equity.

Izostal S.A. did not grant any loan sureties or loans.

The amount of guarantees provided by the Company to a single entity or this entity's subsidiary as on 30.09.2011 did not exceed 10% of equity.

18. Other information which in the issuer's opinion is important for the evaluation of its personnel, property and financial situation, its financial results and changes thereto, and information important for the evaluation of the issuer's capability to fulfill its obligations.

The public offering of 12 million K series shares in 2010 let the Company get the financial funds of PLN 62,175 thousand net (after deduction of issue costs). These funds, according to the data in the Prospectus approved by the Financial Supervision Authority on December 8, 2011 are to be used for the financing of working capital and for the construction of the Research and Development Center for steel technologies and products. Until these resources have been utilized, they are invested in safe financial instruments.

As on 30.09.2011 the company can utilize the following credit limits for its ongoing activity, in the following amounts:

- multi-purpose credit limit at PKO BP S.A. for PLN 22,000 thousand. As part of this credit limit was utilized for contract performance guarantees, the balance to be utilized is PLN 12,329 thousand.

- overdraft at BRE Bank S.A. for PLN 10,000 thousand. On 07.07.2011 the Company increased the available overdraft from PLN 4,000 thousand. The overdraft is hedged mainly by registered inventory pledge.

- multi-purpose credit facility at BNP Paribas Bank Polska S.A. of the value of PLN 5,000 thousand.

The Company insures its tangible assets against the risks they are exposed to. Izostal S.A. does also have a third party liability insurance for its business. The risks related to customer's insolvency the Company insures its receivables with KUKE.

Due to growing imports in the structure of the Company's purchasing, the Company concluded the treasury limit agreements for transactions in the currency market with delayed term. The Company has a treasury limit with BRE Bank S.A. of the value of PLN 1,000,000 (transaction's security value) and BNP Paribas Bank Polska S.A. of the value of PLN 4,700 thousand (transaction's security value). The concluded contracts make it possible for the Company to conclude transactions of the value of around EUR 10.5 million (depending on the current exchange rate) with 30-day maturity term.

19. Factors that according to the issuer will influence their results in the time horizon of at least one coming quarter.

As in the previous periods, the most important factor having influence on the results is the situation in the gas networks market, which is shaped by:

- projects for the extension of gas transmission, storage and mining infrastructure arising from the strategy adopted by the government of Poland to get independent of the gas supplies from the east,
- necessity to increase gas share in the production of energy arising from CO2 emissions limitations imposed on Poland,
- projects assuming the revamping of the existing transmission networks.

In further perspective, one must bear in mind that the currently constructed gas transmission network will require a system of lower pressure distribution networks, which also generate demand for Company's products.

In 2011 the expected market growth came, for which the Company is prepared in respect of technology and capital. The Company estimates that the coming years will be very good for the industry. The need to spend money on the development of the national gas network has become commonly understood. To catch up with Europe, Poland is ahead of large investments. Gas is still not available in significant areas of Poland. Main players in the market, that is PGNIG S.A. and O.G.P. Gaz-System S.A. announce significant expenditure on investments and assure that they have access to cash for implementation of these investment.

O.G.P. Gaz – System S.A. is planning to construct over 1000 km of transmission pipelines only by end of 2014. The most important networks will be constructed (or are already constructed) in the north-west and center of Poland. These will be among others Szczecin-Lwówek, Świnoujście - Szczecin, Szczecin – Gdańsk, Włocławek – Gdynia, Rembelszczyzna – Gustorzyn, Gustorzyn – Odolanów pipelines. According to the plans of O.G.P. Gaz – System S.A. the extension of the pipelines in Poland may be an important element of the North-South gas corridor connecting LNG terminal in Świnoujście with the planned Adria LNG terminal in Croatia through the internal transmission infrastructure of Central European countries.

Demand for gas and consequent necessity to extend gas distribution infrastructure are also determined by the plans to construct power plants and combined heat and power plants which are quite a clean source of energy that can respond to the foreseen electricity deficit in 2015 - 2016.

Gas market development will also be influenced significantly by the exploration of shale gas resources. If economic viability of shale gas exploitation is confirmed, one can expect further significant investments in the industry, especially in lower diameter pipelines. Currently works are in progress to estimate the potential and try exploitation of the resources. Current forecasts as to the size of shale gas resources seem promising. The analyses conducted by the Polish National Institute of Geology and with American support should conclude with a report specifying the amount of shale gas resources.

Summing up, Poland is ahead of a huge challenge of extending its gas system which determines demand for the products offered by Izostal S.A.

However, one should bear in mind the financial problems of some EU countries which affect the economic situation of all the EU countries. Poland has managed to get through the global crisis so far, yet it is difficult to predict what will happen next. Macroeconomic situation leads to the significant depreciation of PLN which is not favorable for the Company that imports steel pipes and settles its payments in EUR. Valuation of PLN will be influenced by some reforms to be conducted in Poland and necessary for its financial system, which the new government is about to implement. In the period of PLN exchange rate fluctuations, the Company hedges its currency risk with derivatives.

In addition to the above-mentioned factors which are important for the Company results, other important elements for the company will be the scopes of the partial contracts coming under the umbrella of the framework contract signed on January 26, 2011 by the Company (Consortium leader) with O.G.P. Gaz-System S.A. for the supply of internally and externally coated steel pipes DN700. OGP Gaz – System S.A. has concluded a similar contract with 3 other entities/consortia which will be competing in prices.

The current construction of the Research and Development Center for steel technologies and products will influence the Company's activity through optimization of the R&D processes and production diversification. Company potential will be extended by a possibility to carry out analyses and tests of input materials for production, develop new structural and technological solutions and introduce new products and services not yet offered by the Company (DFBE coating among others).

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