



## QUARTERLY CONDENSED FINANCIAL STATEMENT FOR Q1 OF 2012

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prepared in line with

THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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## I. Selected financial data

	(PLN thousand)		(EUR thousand)	
	Q1 to date/ 2012 for the period from 2012-01-01 to 2012-03-31	Q1 to date/ 2011 for the period from 2011-01-01 to 2011-03-31	Q1 to date/ 2012 for the period from 2012-01-01 to 2012-03-31	Q1 to date/ 2011 for the period from 2011-01-01 to 2011-03-31
Net revenues from sale of products, goods and materials	<b>128 285</b>	55 226	<b>30 727</b>	13 896
Operating profit (loss)	6 729	5 439	<b>1 612</b>	1 369
Gross profit (loss)	7 211	4 962	<b>1 727</b>	1 249
Net profit (loss)	5 822	4 010	<b>1 394</b>	1 009
Operating cash flow	-2 789	1 796	<b>-668</b>	452
Investment net cash flow	-9 350	-1 840	<b>-2 240</b>	-463
Financial activity net cash flow	-9 033	-2 150	<b>-2 164</b>	-541
Change in cash and cash equivalents	-21 172	-2 194	<b>-5 071</b>	-552
Number of shares	32 744 000	29 103 551	<b>32 744 000</b>	29 103 551
Profit (loss) per one ordinary share (PLN / EUR)	0,18	0,14	<b>0,04</b>	0,03
Diluted number of shares	32 744 000	32 744 000	<b>32 744 000</b>	32 744 000
Diluted profit (loss) per one ordinary share (PLN / EUR)	0,18	0,12	<b>0,04</b>	0,03
	<b>As on</b>	<b>As on</b>	<b>As on</b>	<b>As on</b>
	<b>31.03.2012</b>	<b>31.12.2011</b>	<b>31.03.2012</b>	<b>31.12.2011</b>
Total assets	302 394	272 426	72 663	61 679
Long-term liabilities	44 469	46 292	10 686	10 481
Short-term liabilities	111 827	85 858	26 871	19 439
Equity	146 098	140 276	35 106	31 760

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 Q1 of 2012 (Q1 of 2011) 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 Q1. This rate was EUR 1 = PLN 4.1750 (EUR 1 = PLN 3.9742). Items of the financial position report were converted on the mean exchange rate announced by the National Bank of Poland effective on the balance sheet date. This rate as on 31.03.2012 was EUR 1 = PLN 4.1616 (as on 31.12.2011 - EUR 1 = PLN 4.4168).

**II. Financial position report (PLN thousand)**

ASSETS	As on 31.03.2012	As on 31.12.2011	As on 31.03.2011
<b>A. Fixed assets (long-term)</b>	<b>138 498</b>	<b>132 200</b>	<b>102 523</b>
1. Tangible fixed assets	137 431	131 407	101 967
2. Other intangible assets	179	199	170
3. Investments available for sale	0	0	0
4. Long-term financial assets	0	0	0
5. Deferred income tax assets	652	345	267
6. Long-term receivables and prepayments	236	249	119
<b>B. Current assets (short-term)</b>	<b>163 896</b>	<b>140 226</b>	<b>132 801</b>
1. Inventory	36 301	45 909	39 690
2. Long-term receivables and prepayments	107 078	57 757	65 919
including for deliveries and services	103 316	53 725	61 491
3. Receivables on account of income tax	336	336	455
4. Long-term financial assets	0	0	0
5. Currency derivatives	0	541	0
6. Cash and cash equivalents	20 181	35 683	26 737
<b>Total assets</b>	<b>302 394</b>	<b>272 426</b>	<b>235 324</b>

LIABILITIES	As on 31.03.2012	As on 31.12.2011	As on 31.03.2011
<b>A. Equity</b>	<b>146 098</b>	<b>140 276</b>	<b>125 152</b>
1. Share capital	65 488	65 488	65 488
2. Surplus from the sale of shares above their face value	38 175	38 175	38 175
3. Spare and reserve capital	17 479	17 479	10 041
4. Retained and current profit/loss	24 956	19 134	11 448
<b>B. Long-term liabilities</b>	<b>44 469</b>	<b>46 292</b>	<b>39 084</b>
1. Provisions	224	224	171
2. Provision on account of deferred income tax	123	128	146
3. Long-term bank loans and credits	16 693	19 214	15 524
4. Other long-term financial liabilities	3 179	3 425	4 138
5. Long-term liabilities and accruals	24 250	23 301	19 105
<b>C. Short-term liabilities</b>	<b>111 827</b>	<b>85 858</b>	<b>71 088</b>
1. Provisions	13	181	136
2. Short-term bank loans and credits	9 062	9 389	0
3. Short-term part of long-term bank loans and credits	10 084	10 212	4 656
4. Other short-term financial liabilities	959	942	911
5. Short-term liabilities and accruals	91 527	65 134	64 796
including for deliveries and services	84 240	60 540	61 647
6. Liabilities on account of income tax	182	0	589
<b>Total liabilities</b>	<b>302 394</b>	<b>272 426</b>	<b>235 324</b>

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

CALCULATION TABLE	From 01.01 to 31.03.2012	From 01.01 to 31.03.2011
<b>A. Revenues from sale of products, goods and materials</b>	<b>128 285</b>	<b>55 226</b>
<b>B. Costs of products, goods and materials sold</b>	<b>116 756</b>	<b>46 981</b>
<b>C. Gross sales profit/loss (A-B)</b>	<b>11 529</b>	<b>8 245</b>
D. Costs of sales	1 694	624
E. Overheads	3 090	2 471
F. Other revenues	436	443
G. Other costs	452	154
<b>H. Operating profit/loss (C-D-E+F-G)</b>	<b>6 729</b>	<b>5 439</b>
I. Financial income	854	298
J. Financial expenses	372	775
<b>K. Gross profit/loss (H+I-J)</b>	<b>7 211</b>	<b>4 962</b>
L. Income tax	1 389	952
<b>M. Net profit/loss on business activity (K-L)</b>	<b>5 822</b>	<b>4 010</b>
<b>N. Total other income</b>	<b>5 822</b>	<b>4 010</b>
- Gains/losses on revaluation of tangible fixed assets	0	0
- Gains/losses on valuation of investments available for sale carried to equity	0	0
-Gains/losses on the security of cash flows (effective part)	0	0
-Exchange rate differences in valuation of entities operating abroad	0	0
- Income tax related to the items shown under total other income	0	0
<b>O. Total income (M+N)</b>	<b>5 822</b>	<b>4 010</b>

  

	From 01.01 to 31.03.2012	From 01.01 to 31.03.2011
<b>Profit per share: (PLN thousand)</b>		
- basic profit based on financial result of a going concern	0,18	0,14
- basic profit based of the financial result for the business year	0,18	0,14
- diluted profit based on financial result of a going concern	0,18	0,12
- diluted profit based of the financial result for the business year	0,18	0,12

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

	From 01.01 to 31.03.2012	From 01.01 to 31.03.2011
<b>Cash flow from operating activity</b>		
<b>Profit/loss before taxation</b>	<b>7 524</b>	<b>4 977</b>
<b>Item adjustments:</b>	<b>-10 313</b>	<b>-3 181</b>
Depreciation of fixed assets	1 017	864
Amortization of intangible assets	16	18
Foreign exchange gains/losses	656	0
Interest costs and income	134	484
Profit/loss on investment activity	-34	-15
Change in provisions	-173	-169
Change in inventory	9 609	-19 628
Change in receivables and prepayments	-49 716	-11 411
Change in liabilities and accruals	31 026	27 054
Paid/refunded income tax	-1 519	-378
Other adjustments	-1 329	0
<b>Net cash flow from operating activity</b>	<b>-2 789</b>	<b>1 796</b>
<b>Cash flow from investment activity</b>		
Earnings from the sale of fixed assets and intangible assets	180	16
Earnings from the sale of financial assets	0	0
Earnings from interest	0	0
Other investment earnings - obtained subsidies	1 329	0
Expenditure on the purchase of tangible fixed assets and intangible assets	10 775	1 761
Net expenditure on the purchase of subsidiaries and associated entities	0	0
Other	-84	-95
<b>Net cash flow from investment activity</b>	<b>-9 350</b>	<b>-1 840</b>
<b>Cash flow from financial activity</b>		
Earnings from loans and credits	0	0
Net earnings from the issue of shares, bonds, bills of exchange and vouchers	0	0
Repayment of credits and loans	8 753	1 180
Repayments of liabilities under financial lease contracts	230	377
Dividends paid to Company shareholders	0	0
Interest paid	50	389
Other	0	-204
<b>Net cash flow from financial activity</b>	<b>-9 033</b>	<b>-2 150</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>-21 172</b>	<b>-2 194</b>
<b>Cash, cash equivalents and credit lines in the current account at the beginning of the period</b>	<b>32 441</b>	<b>28 931</b>
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and credit lines in the current account	-20	0
<b>Cash, cash equivalents and credit lines in the current account at the end of the period</b>	<b>11 269</b>	<b>26 737</b>

## V. Statement of changes in equity (PLN thousand)

	Share capital	Share premium	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
<b>As on 01.01.2012</b>	<b>65 488</b>	<b>38 175</b>	<b>0</b>	<b>17 479</b>	<b>0</b>	<b>19 134</b>	<b>140 276</b>
Changes in equity in Q1 of 2012	0	0	0	0	0	5 822	5 822
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	5 822	5 822
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 Q1 2012	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
<b>Balance as on 31.03.2012</b>	<b>65 488</b>	<b>38 175</b>	<b>0</b>	<b>17 479</b>	<b>0</b>	<b>24 956</b>	<b>146 098</b>

	Share capital	Share premium	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
<b>As on 01.01.2011</b>	<b>41 488</b>	<b>38 379</b>	<b>0</b>	<b>34 041</b>	<b>0</b>	<b>7 438</b>	<b>121 346</b>
<b>Changes in equity in 2011</b>	<b>24 000</b>	<b>-204</b>	<b>0</b>	<b>-16 562</b>	<b>0</b>	<b>11 696</b>	<b>18 930</b>
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	19 134	19 134
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 2011	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
<b>As on 31.12.2011</b>	<b>65 488</b>	<b>38 175</b>	<b>0</b>	<b>17 479</b>	<b>0</b>	<b>19 134</b>	<b>140 276</b>

	Share capital	Share premium	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
<b>As on 01.01.2011</b>	<b>41 488</b>	<b>38 379</b>	<b>0</b>	<b>34 041</b>	<b>0</b>	<b>7 438</b>	<b>121 346</b>
<b>Changes in equity in Q1 of 2011</b>	<b>24 000</b>	<b>-204</b>	<b>0</b>	<b>-24 000</b>	<b>0</b>	<b>4 010</b>	<b>3 806</b>
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	4 010	4 010
Cost of shares issue	0	-204	0	0	0	0	-204
Registration of share capital	24 000	0	0	-24 000	0	0	0
<b>Total revenues and costs shown in Q1 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Dividends	0	0	0	0	0	0	0
<b>Balance as on 31.03.2011</b>	<b>65 488</b>	<b>38 175</b>	<b>0</b>	<b>10 041</b>	<b>0</b>	<b>11 448</b>	<b>125 152</b>



## VI. Notes to the quarterly condensed financial statement for Q1 of 2012

### 1. Information about accounting principles adopted for preparation of the report including changes in 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 policy was described in the periodic report for 2011.

### 2. Information about significant changes in estimates.

Table of changes in estimate provisions (PLN thousand):

	As on 31.03.2012	As on 31.12.2011	Delta
Provision on account of deferred income tax	123	128	-5
Provision for retirement and similar benefits	237	405	- 168
Other provisions	0	0	0

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

	As on 31.03.2012	As on 31.12.2011	Delta
Deferred income tax assets	652	345	307

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

	As on 31.03.2012	As on 31.12.2011	Delta
Revaluation write-offs of principal receivables	63	64	-1
Inventory revaluation write-offs	2.154	551	1.603

### 3. Brief description of what went well or what went wrong in Q1 of 2012 including the list of the most important events.

In Q1 of 2012 the Company generated sales revenues of PLN 128 285 thousand. Significant demand is still present in the market of building materials for the construction of gas infrastructure due to investments and revamping of the existing networks. Even though competition is increasing, the Company's share in this market is significant. The Company is effective in competing with other suppliers of coated pipes in tenders organized mainly by O.G.P. Gaz-System S.A. and PGNiG S.A. Thanks to the achieved results, in Q1 of 2012 the Company generated a net profit of PLN 5 822 thousand

On 09.01.2012 the Company concluded the contract with PGNiG S.A. for the sale of pipes and accessories for 4 out of 12 parts of the public procurement order "Purchase of pipes and fittings for extraction drillings for 2011 and 2012". Total value of this contract is PLN 50 232 thousand net. The contract provides for the realization of deliveries within 6 months from the date of signing the contract. Conclusion of the contract confirms the successful implementation of the Company's orientation of entering the market of pipes and accessories for gas extraction drillings.

On 02.02.2012 the Company concluded an appendix to the multi-currency overdraft agreement for the amount of PLN 10 000 thousand with BRE Bank S.A. Based on this

appendix the period of utilizing the overdraft was extended from until 18.04.2012 to until 31.01.2013. The other overdraft conditions did not change.

In February 2012 the Company completed the construction of the Research and Development Center for Steel technologies and Products. The investment comprised the construction of the R&D Center building, where testing stands for steel pipes were installed. Additionally, stands for radiology, visual, laboratory and other non-destructive tests were bought. The purpose of the project was to have the Company's own Research and Development Center that would conduct the works that previously had been contracted out, in part or in full, to external companies. The project will make it possible for the Company to start the formal and centralized R&D activity. Additionally, the R&D Center will function as R&D potential for Stalprofil Group being the leading steel distributor in Poland.

The new R&R Center for Steel Products and Technologies will conduct the following activity:

- ongoing control of technological processes,
- carrying out a wide range of tests and analyzes on raw materials used for production in order to optimize product parameters,
- developing new designs and technological solutions (e.g. developing product prototypes),
- optimizing the R&D processes and diversifying production,
- disseminating the results of internal scientific tests and development works and conducting research projects for the support of technology transfer and exchange between the Company and scientific institutes and centers of excellence.

The Company investment was subsidized by the Ministry of Economy in the amount of PLN 7 263 thousand from the Operating Program Innovative Economy 4. Priority Axis: Investments in innovative projects, activity 4.5.: Support for investments of significant importance for economy, sub-activity 4.5.2.: Support for investments in modern services sector. The Company received funds in the amount of PLN 5 990 thousand. The balance funds will be paid after the acceptance of the application for final payment, which was submitted with the Ministry of Economy in February 2012.

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

In Q1 of 2012, the Company generated sales revenues of PLN 128 285 thousand, that is by 132.3% higher than in Q1 of 2011. Increase in revenues was observed mainly in the sale of coated pipes and in goods trading.

Costs of sales in Q1 of 2012 amounted to PLN 1 694 thousand and their increase by 171.5% against Q1 of 2011 was related to a growth in the scale of Company operations.

Higher other operating costs in Q1 of 2012 were caused by creation of revaluation write-offs for stocks of materials and goods.

The Company's financial activity result was PLN (+) 482 thousand against PLN (-) 477 thousand in Q1 of 2011. This was mainly caused by a positive result on foreign exchange differences.

Company's net profit in Q1 of 2012 amounted to PLN 5 822 thousand, against PLN 4 010 thousand in the corresponding period of 2011.

In Q1 of 2012 the value of tangible fixed assets increased by PLN 6 024 thousand, which was related to the final spending on the construction of the Research and Development center for Steel Technologies and Products. In this period the amount of PLN 5 411 thousand was spent on this purpose.

Level of stocks kept by the Company is adequate to progress in the delivery of contracts and optimized for the terms of realizing the orderbook. In Q1 of 2012 inventory decreased by PLN 9 609 thousand.

Balance sheet increase in receivables for deliveries and services (by PLN 49 591 thousand against 31.12.2011) is related to an increase in sales in Q1 of 2012. It is worth mentioning that in this period the receivables rotation cycle got significantly shorter to 72 days against 100 days in the corresponding period of the previous year. Shortening of the receivables rotation cycle was connected with the realization of significant part of sales to strategic customers such as O.G.P. Gaz-System S.A. and PGNiG S.A. Receivables rotation cycle for entire 2011 was 75 days, but monthly average revenues from the sale of products, goods and materials in 2011 was PLN 21 644 thousand, wherein in Q1 of 2012 the amount was PLN 42 762 thousand.

Increase in the top line resulted in an increase in payables for deliveries and services, which as on 31.03.2012 amounted to PLN 84 240 thousand (increased by PLN 23 700 thousand). Payables rotation cycle (deliveries and services) in Q1 of 2012 was 59 days against 100 days in the corresponding period of the previous year and 84 days in 2011.

#### **5. Explanations on 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 market, 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 when analyzing the financials for the full business year.

In 2011, with the project plans approved by Company customers beforehand and relatively soft winters, the situation is different, therefore while analyzing the data from 2011 no seasonality of the previous years can be noticed.

#### **6. Information about the issue, buyback and repayment of no-shareholding and capital commercial papers.**

In the reporting period Izostal S.A. did not issue, buy back or repay any no-shareholding and capital commercial papers.

#### **7. Information about paid or declared dividend.**

In the reporting period, the Company did not pay any dividend. As stipulated in the resolution of 28.03.2012, the Management Board submitted the motion to the Annual General Shareholders' Meeting with a proposal that PLN 0.17 per share be paid as a dividend from the net profit generated in 2011 in the total amount of PLN 5 566 480.00. It is proposed that dividend be paid for all the shares issued by the company in the number of 32,744,000 shares. All the Company shares are ordinary shares. The Management Board of Izostal S.A. suggests to the Annual General Shareholders' Meeting that the date of the dividend right fall on 10.08.2012 and the date of the dividend payment fall on 03.09.2012. This proposal got a positive opinion of the Supervisory Board of Izostal S.A. on 03.04.2012.

**8. List of events that followed the day on which the condensed quarterly financial statement was prepared and not included in the statement, which might influence future financial results of Stalprofil S.A. Group.**

Izostal S.A. did not record any events that followed the day on which the quarterly financial statement was prepared, which might influence 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 31.12.2011 to 31.03.2012 is as follows:

1. Change in guarantees (PLN thousand):

Beneficiary	Guarantee type	Validity date	As on 31.03.2012	As on 31.12.2011	Delta
OGP Gaz-System S.A.	defects and faults removal	01.04.2016	159	159	0
OGP Gaz-System S.A.	defects and faults removal	28.03.2016	129	129	0
OGP Gaz-System S.A.	performance bond	03.02.2012	0	4 157	-4 157
OGP Gaz-System S.A.	defects and faults removal	from 04.02.2012 to 03.02.2015	1 247	1 247	0
OGP Gaz-System S.A.	performance bond	10.05.2012	4 688	4 688	0
OGP Gaz-System S.A.	defects and faults removal	from 11.05.2012 to 10.05.2015	1 407	1 407	0
Polskie Górnictwo Naftowe i Gazownictwo S.A.	bid bond guarantee	13.01.2012	0	920	-920

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

Type	As on 31.03.2012	As on 31.12.2011	Delta
Pledge on fixed assets	18.083	18.280	-197
Pledge on inventories	26.500	26.500	0
Mortgages	60.936	60.936	0

Moreover, the investment loan taken at 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 000 thousand, with said bank as the beneficiary. As on 31.03.2012 the pledge had not been established yet.

#### 10. Description of the issuer's Group organization, with information about the entities subject to consolidation.

Izostal S.A. does not form a 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 - dominant 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.

In the reporting period the Company's structure changed as a result of discontinuation of production activity in the premises of production bays leased from Walcownia Rur Andrzej Sp. z o.o. The entire production activity is carried out in the plant in Kolonowskie. The Company's headquarters are located in Zawadzkie. Construction of the Research and Development Center for Steel Technologies and Products in Kolonowskie was completed.

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

The Company did not publish any results forecasts for 2012.

#### 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 transferring the report for Q1 of 2012, the shareholders holding at least 5% of total votes at the General Meeting, either directly or indirectly via subsidiaries, were as shown in the table below. The information in the table is based on the information obtained from the shareholders in line with 69 paragraph 1 of the Act of September 4, 2008 on amendments to the public offering act and conditions for marketing financial instruments in the organized trading system and public companies, and amendments to other laws.

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 BZ WBK S.A.	1 669 877	5,10 %	1 669 877	5,10 %
BPH TFI S.A.	1 644 021	5,02 %	1 644 021	5,02 %
OTHERS	9 691 102	29,60 %	9 691 102	29,60 %
<b>TOTAL</b>	<b>32 744 000</b>	<b>100 %</b>	<b>32 744 000</b>	<b>100 %</b>

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. Statement of shareholding of the issuer's shares or rights to shares by managing and supervisory persons of the issuer 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 Q1 of 2012 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 of Izostal S.A. 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 31.12.2012 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 Company's financial standing is very good. Izostal S.A. is in possession of working capital necessary to conduct business activity on the current scale and enabling it to further develop this activity. In addition to the available internal funds, the business sustainability is ensured by bank loans. As on 31.03.2012 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 these credit limit was utilized for contract performance guarantees, the balance to be utilized as on 31.03.2012 was PLN 13 691 thousand. The credit limit can be utilized in PLN and EUR.

- multi-currency overdraft at BRE Bank S.A. for PLN 10 000 thousand. The overdraft can be utilized in PLN and EUR. The balance amount for utilization as on 31.03.2012 amounted to PLN 1 551 thousand.

- multi-purpose credit limit at BNP PARIBAS BANK POLSKA S.A. for PLN 5,000 thousand. The balance amount for utilization as on 31.03.2012 amounted to PLN 4 960 thousand,

- working capital loan of EUR 5,000 thousand for the financing of contracts concluded with OGP Gaz System S.A. As on 31.03.2012 the loan was not utilized.

Moreover, as on 31.03.2012 the Company had some investment loans for the construction of the Anti-Corrosion Coating Center and R&D Center for Steel Technologies and Products for the total amount of PLN 26 777 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.

As the value of imports in the purchasing structure increased, the Company has some treasury limits given by BRE Bank S.A., BNP Paribas Bank Polska S.A. and PKO BP S.A. for time bargains.

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

Unchangeably, the most important factor having influence on the actual results is the market situation in the gas networks market, shaped by the gas distribution, storage and extraction infrastructure extension projects stemming from the strategy adopted by Poland to diversify gas procurement sources, the necessity to increase the share of gas in the production of energy as a result of CO<sub>2</sub> emission limits imposed on Poland and revamping Project for the existing distribution networks.

Since 2011 expenditure on the extension of gas infrastructure in Poland has been growing.

According to the Management Board the boom in this market will continue, which is confirmed by the information coming from major sector investors such as O.G.P. Gaz-System S.A. and PGNiG S.A. The plans of O.G.P. Gaz-System S.A. assume that in 2012 investment expenditure will be PLN 2.7 billion, the main item of which will be the construction of gas pipelines. By end of 2014, this company's investment expenditure will have reached PLN 8 billion.

The most important networks will be constructed (or are already constructed) in the west and central Poland. These will be among others Szczecin-Lwówek pipeline (construction permit already granted - construction to be completed by February 2014), Świnoujście – Szczecin pipeline, Szczecin – Gdańsk pipeline, Rembelszczyzna – Gustorzyn pipeline,

Gustorzyn – Odolanów pipeline. According to the plans of O.G.P. Gaz -System S.A. the extension of the pipeline networks 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. This project's implementation's plan is confirmed by the agreement signed by O.G.P. Gaz-System S.A. and Slovak transmission operator, Eustream a.s., where they agree to have the feasibility study prepared to assess the potential of constructing the inter-system line between Poland and Slovakia. The interconnector project between Poland and Slovakia assumes the construction of a new trans-border pipeline connecting the transmission systems of both countries. The Poland-Slovakia pipeline fits into the concept of the North-South corridor that will lead to higher diversification of gas supplies, assure better liquidity on the gas market, guarantee stability of supplies at competitive prices and will significantly improve energy safety in the entire EU.

What is also considered is the construction of Poland-Lithuania pipeline, the decision is to be taken in 2013.

The strategic investments in the gas sector will require the construction of the system of lower-pressure distribution pipelines, which also generates demand for Group products. Demand for gas and consequent necessity to extend gas distribution infrastructure are also determined by the plans to construct gas-fired power and heat and power plants which are rather a clean source of energy. The construction of gas CHP is already a fact – on March 13, 2012 Elektrownia Stalowa Wola signed a contract for the construction of the gas block.

Thanks to the implementation of these investments the situation in the market of construction materials for gas networks will continue to be good.

Izostal S.A. will participate in all the tenders for the products it offers, competing with other domestic and foreign companies. The Company's advantage is, among others, access to the state-of-the-art. Coating Technologies (the Company is the only one in Poland producing internal coating, LAYTEC®, on an industrial scale), high quality of products offered, flexible purchasing of steel pipes, developed pipes storage potential.

As Poland has shale gas resources, and it will be necessary to make a number of extraction drilling, the Company succeeds in getting involved in the supplies of drilling pipes used for gas extraction drillings. The development of this market segment offers an opportunity of further expansion for the Company.



A risk factor which might influence the investments in the sector is business situation in the EU. Macroeconomic situation leads to the significant instability of PLN against EUR which is not favorable for the Company that imports steel pipes and settles its payments in EUR. In the period of PLN exchange rate fluctuations, the Company hedges its currency risk with derivatives and, temporarily, uses currency loans.

The completion of the 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 was extended by a possibility to carry out analyses and tests of input materials for production, to develop new structural and technological solutions and to introduce new products and services not yet offered by the Company (DFBE coating among others). Gains from the Center's operation will be visible as early as in 2012.

