



QUARTERLY CONDENSED FINANCIAL STATEMENT FOR Q3 OF 2012

prepared in line with

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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I. Selected financial data

	(PLN thousand)		(EUR EUR)	
	Three quarters to date/ 2012 for the period from 2012-01-01 to 2012-09-30	Three quarters to date/ 2011 for the period from 2011-01-01 to 2011-09-30	Three quarters to date/ 2012 for the period from 2012-01-01 to 2012-09-30	Three quarters to date/ 2011 for the period from 2011-01-01 to 2011-09-30
Net revenues from sale of products, goods and materials	336 640	180 431	80 251	44 646
Operating profit (loss)	22 512	18 424	5 367	4 559
Gross profit (loss)	19 191	18 127	4 575	4 485
Net profit (loss)	15 449	14 636	3 683	3 622
Operating net cash flow	-13 401	138	-3 195	34
Investment net cash flow	-14 119	-20 448	-3 366	-5 060
Financial net cash flow	-17 098	7 183	-4 076	1 777
Change in cash and cash equivalents	-44 618	-13 127	-10 636	-3 248
Number of shares	32 744 000	31 544 000	32 744 000	31 544 000
Profit (loss) per one ordinary share (PLN / EUR)	0,47	0,46	0,11	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)	0,47	0,45	0,11	0,11
	As on 30.09.2012	As on 31.12.2011	As on 30.09.2012	As on 31.12.2011
Total assets	296 267	272 426	72 018	61 679
Long-term liabilities	43 302	46 292	10 526	10 481
Short-term liabilities	102 807	85 858	24 991	19 439
Equity	150 158	140 276	36 501	31 760

Selected financial figures presented in the financial statement were 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 2012 (three quarters of 2011) were converted according to the exchange rate being an arithmetic mean of 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 4.1948 (EUR 1 = PLN 4.0413). Items of 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 September 30, 2012 was EUR 1 = PLN 4.1138 (as on December 31, 2011 - EUR 1 = PLN 4.4168).

II. Financial position report (PLN thousand)

ASSETS	As on 30.09.2012	As on 30.06.2012	As on 31.12.2011	As on 30.09.2011
A. Non-current assets (long-term)	140 545	141 461	132 200	121 026
1. Tangible fixed assets	136 099	136 899	131 407	120 450
2. Other intangible assets	157	168	199	159
3. Investments available for sale	0	0	0	0
4. Long-term financial assets	3 772	3 820	0	0
5. Deferred income tax assets	142	155	345	186
6. Long-term receivables and prepayments	375	419	249	231
B. Current assets (short-term)	155 722	109 594	140 226	101 496
1. Inventory	61 312	34 212	45 909	24 004
2. Long-term receivables and prepayments including for deliveries and services	93 605	63 786	57 757	61 688
	90 440	60 253	53 725	59 450
3. Receivables on account of income tax	0	0	336	0
4. Long-term financial assets	13	12	0	0
5. Currency derivatives	158	208	541	0
6. Cash and cash equivalents	634	11 376	35 683	15 804
Total assets	296 267	251 055	272 426	222 522
LIABILITIES	As on 30.09.2012	As on 30.06.2012	As on 31.12.2011	As on 30.09.2011
A. Equity	150 158	145 438	140 276	135 778
1. Share capital	65 488	65 488	65 488	65 488
2. Share premium	38 175	38 175	38 175	38 175
3. Spare and reserve capital	31 046	31 046	17 479	17 479
4. Retained and current profit/loss	15 449	10 729	19 134	14 636
B. Long-term liabilities	43 302	41 582	46 292	45 296
1. Provisions	224	224	224	171
2. Provision for deferred income tax	202	208	128	133
3. Long-term bank loans and credits	15 151	14 172	19 214	21 735
4. Other long-term financial liabilities	2 685	2 929	3 425	3 667
5. Long-term liabilities and accruals	25 040	24 049	23 301	19 590
C. Short-term liabilities	102 807	64 035	85 858	41 448
1. Provisions	8	13	181	149
2. Short-term bank loans and credits	12 826	0	9 389	48
3. Short-term part of long-term bank loans and credits	10 185	10 200	10 212	8 601
4. Other short-term financial liabilities	982	975	942	926
5. Short-term liabilities and accruals including for deliveries and services	78 308	52 543	65 134	31 349
	68 201	39 984	60 540	26 997
6. Liabilities on account of income tax	498	304	0	375
Total liabilities	296 267	251 055	272 426	222 522

III. Comprehensive income statement – functional table (PLN thousand)

FUNCTIONAL TABLE	For the period from 01.07 to 30.09.2012	For the period from 01.01 to 30.09.2012	For the period from 01.07 to 30.09.2011	For the period from 01.01 to 30.09.2011
A. Revenues from sale of products, goods and materials	102 671	336 640	58 288	180 431
B. Costs of products, goods and materials sold	89 808	302 142	50 240	153 263
C. Gross sales profit/loss	12 863	34 498	8 048	27 168
D. Costs of sales	2 071	4 152	840	2 309
E. Overheads	2 970	8 806	2 325	7 263
F. Other revenues	305	1 020	192	1 016
G. Other costs	27	48	15	188
H. Operating profit/loss	8 100	22 512	5 060	18 424
I. Financial income	185	1 359	581	1 071
J. Financial expenses	2 396	4 680	42	1 368
K. Gross profit/loss	5 889	19 191	5 599	18 127
L. Income tax	1 169	3 742	1 082	3 491
M. Net operating profit/loss	4 720	15 449	4 517	14 636
N. Other comprehensive 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 comprehensive income	4 720	15 449	4 517	14 636

	For the period from 01.01 to 30.09.2012	For the period from 01.01 to 30.09.2011
Profit per share: (PLN thousand)		
- basic profit based on financial result of a going concern	0,47	0,46
- basic profit based on financial result for the business year	0,47	0,46
- diluted profit based on financial result of a going concern	0,47	0,45
- diluted profit based on financial result for the business year	0,47	0,45

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

	For the period from 01.07 to 30.09.2012	For the period from 01.01 to 30.09.2012	For the period from 01.07 to 30.09.2011	For the period from 01.01 to 30.09.2011
Operating cash flow				
Profit/loss before taxation	5 881	18 913	5 592	18 073
Item adjustments:	-24 341	-32 314	12 387	-17 935
Depreciation of fixed assets	1 154	3 341	891	2 608
Depreciation of intangible assets	15	46	18	53
Foreign exchange gains/losses	54	115	0	0
Interest costs and income	523	1 153	273	1 048
Investment profit/loss	-29	-64	0	-29
Change in provisions	-11	-99	0	-169
Change in inventory	-27 100	-15 403	12 077	-3 942
Change in receivables and prepayments	-28 981	-35 104	12 917	-7 411
Change in liabilities and accruals	32 272	18 931	-11 985	-6 695
Paid/refunded income tax	-967	-2 630	-1 013	-2 607
Other adjustments	-1 271	-2 600	-791	-791
Net operating cash flow	-18 460	-13 401	17 979	138
Investment cash flow				
Earnings from the sale of fixed assets and intangible assets	1 920	2 102	0	247
Earnings from the sale of financial assets		0	0	0
Earnings from interest		0	0	0
Other investment earnings - received subsidies	1 271	2 600	791	791
Expenses on the purchase of tangible fixed assets and intangible assets	2 994	14 809	10 230	21 649
Net expenditure on the purchase of subsidiaries and associated entities		0	0	0
Loans granted	-47	3 772	0	0
Other	-76	- 240	129	163
Net investment cash flow	168	-14 119	-9 310	-20 448
Financial cash flow				
Receipts from loans and credits	3 500	3 500	4 996	12 358
Net receipts from the issue of shares, bonds, bills of exchange and vouchers			0	0
Repayment of credits and loans	2 521	13 419	1 038	3 366
Repayment of liabilities under financial lease contracts	237	700	224	834
Dividends paid to Company shareholders	5 566	5 566	0	0
Interest paid	447	913	182	771
Other			0	-204
Net financial cash flow	-5 271	-17 098	3 552	7 183
Increase/decrease in cash and cash equivalents	-23 563	-44 618	12 221	-13 127
Cash, cash equivalents and overdrafts at the beginning of the period	11 386	32 441	3 583	28 931
Gains/losses on exchange rate differences related to valuation of cash, cash equivalents and overdrafts	-4	-14	0	0
Cash, cash equivalents and overdrafts at the end of the period	-12 177	-12 177	15 804	15 804

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
As on 01.07.2012	65 488	38 175	0	31 046	0	10 729	145 438
Statement of changes in equity. In Q3 of 2012	0	0	0	0	0	4 720	4 720
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	4 720	4 720
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 2012	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
Balance as on 30.09.2012	65 488	38 175	0	31 046	0	15 449	150 158

	Share capital	Share premium	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
As on 01.01.2012	65 488	38 175	0	17 479	0	19 134	140 276
Statement of changes in equity. in the period of 9 months of 2012	0	0	0	13 567	0	1 882	15 449
Appropriation of net profit	0	0	0	13 567	0	-13 567	0
Issue of share capital	0	0	0	0	0	0	0
Profit/loss for business year	0	0	0	0	0	15 449	15 449
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 2012	0	0	0	0	0	-5 567	-5 567
Dividends	0	0	0	0	0	-5 567	-5 567
Balance as on 30.09.2012	65 488	38 175	0	31 046	0	15 449	150 158

	Share capital	Share premium	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 in 2011	24 000	-204	0	-16 562	0	11 696	18 930
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
As on 31.12.2011	65 488	38 175	0	17 479	0	19 134	140 276

	Share capital	Share premium	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

VI. Notes to the quarterly condensed financial statement for Q3 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 principles were described in the periodic report for H1 of 2012.

No changes in the method of fair value determination for financial instruments were implemented in the period covered by this report.

There were no changes in the classification of financial assets related to changes in their purpose or usage either in the period covered by this report.

Previous periods' errors were not adjusted in the period covered by the report.

In the period covered by this report there were no changes in the economic situation and operating conditions having a significant impact on the fair value of financial assets and the entity's financial liabilities.

2. 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 the future financial results.

There were no events that followed the day on which the condensed quarterly financial statement was prepared, which were not included in this report but which might influence the future financial results in a significant way.

3. Information about significant changes in estimates.

Table of changes in estimate provisions (PLN thousand):

	As on 30.09.2012	As on 31.12.2011	Delta
Provision for deferred income tax	202	128	74
Provision for retirement and similar benefits	232	405	-173
Other provisions	0	0	0

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

	As on 30.09.2012	As on 31.12.2011	Delta
Deferred income tax assets	142	345	-203

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

	As on 30.09.2012	As on 31.12.2011	Delta
Revaluation write-downs of principal receivables	36	64	-28
Inventory revaluation write-downs	2	551	-549

4. Information about revaluation of inventory to realizable net value and reversal of respective write-offs.

Table of changes in revaluation write-downs of inventory to realizable net value (PLN thousand):

	Revaluation write-off as on 30.09.2012	Reversal of revaluation write-offs recognized in the	Revaluation write-offs recognized in the period of three	Revaluation write-off 31.12.2012

		period of three quarters of 2012 as a decrease in these write-offs	quarters of 2012 as a cost	
Core materials	0	400	0	400
Auxiliary materials	0	0	0	0
Goods	0	149	0	149
Work in process	0	0	0	0
Finished products	2	0	0	2
Total	2	549	0	551

5. Information on revaluation write-offs of financial assets, property plant and equipment, intangible assets or other assets and respective reversals thereof.

As for aforesaid revaluation write-offs, in addition to the revaluation of inventory defined in item 4 of this report, the Company showed some revaluation write-downs of receivables as on September 30, 2012.

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

	As on 30.09.2012
Impairment write-offs at the beginning of the period	1 199
Recognition in the period of impairment losses	236
Reversal in the period of impairment losses	1 047
Impairment write downs at the end of the period, including:	388
receivables for deliveries and services:, including:	388
principle receivables	36
interest receivables	352

As on September 30, 2012, the Company revalued all the receivables at risk.

6. Information about establishment, increase, utilization or reversal of provisions.

At the beginning of the business year, the amount of the established provisions was PLN 533 thousand and comprised:

- provision for old-age severance pays and service anniversary awards in the amount of PLN 239 thousand, out of which PLN 224 thousand is a long-term provision, and PLN 15 thousand is a short-term provision.
- long-term provision for deferred income tax in the amount of PLN 128 thousand.
- short-term provision for salaries in the amount of PLN 166 thousand

As on September 30, 2012 the amount of the established provisions was PLN 434 thousand and comprised:

- provision for old-age severance pays and service anniversary awards in the amount of PLN 232 thousand, out of which PLN 224 thousand is a long-term provision, and PLN 8 thousand is a short-term provision.
- long-term provision for deferred income tax in the amount of PLN 202 thousand.

Table of provisions as on September 30, 2012 (PLN thousand):

Specification	Provisions for warranty repairs	Restructuring provisions	Provisions for retirement and similar benefits:	Other provisions	Total
Value at the beginning of the business year, including:	0	0	405	128	533
- short-term at the beginning of the period	0	0	181	0	181
- long-term at the beginning of the period	0	0	224	128	352
Increases	0	0	57	74	131
- established in the period and increase in the existing ones	0	0	57	74	131
-acquired due to merger of business entities	0	0	0	0	0
Reductions	0	0	230	0	230
-utilized over the year	0	0	230	0	230
-reversed but non-utilized	0	0	0	0	0
Adjustment by net foreign exchange rate differences after conversion	0	0	0	0	0
Discount rate adjustment	0	0	0	0	0
Value on September 30, 2012, including:	0	0	232	202	434
- short-term at the end of the period	0	0	8	0	8
- long-term at the end of the period	0	0	224	202	426

7. Information about provisions and assets for deferred income tax.

Table of deferred income tax shown in the financial position report and comprehensive income statement (PLN thousand):

	Financial position report as on 30.09.2012	Comprehensive income statement for the period from 01.01.2012 to 30.09.2012
Provision for deferred income tax		
Exchange rate differences	0	0
Valuation of fixed assets	65	0
Fixed assets under lease	47	-16
Other	90	90
Gross provision - deferred income tax	202	74
Deferred income tax assets		
Receivables write-off	7	5
Impairment of financial assets	0	0
Exchange rate differences	0	0
Accrued interest	19	29
Provisions for employee benefits	44	41
Provision for interest	0	0
Lease liabilities	23	12
Unpaid salaries	4	6
Un-invoiced costs	0	0
Unpaid social security (ZUS)	44	3
Other	1	107
Deductible tax loss	0	0
Gross assets - deferred income tax	142	203
Deferred income tax debits/credits		277

8. Brief description of what went well or what went wrong in Q3 of 2012 including the list of the most important events.

In Q3 of 2012 the Company succeeded in generating high sales revenues and good level of earnings. Sales revenues amounted to PLN 102,671 thousand and net profit amounted to PLN 4,720 thousand.

On August 3, 2012 the Company was notified that its bid had won the public procurement procedure of PGNiG for the "Pipeline to Odazotownia Grodzisk (nitrogen removal facility) – construction of the high-pressure gas pipeline DN300 from Terminal Ekspedycyjny Wierzbno (dispatch terminal in Wierzbno) to KGZ Paproć (natural gas mine) – purchase of pipes." The order is for the deliveries of steel pipes with external tri-layer anti-corrosion coating and internal coating for the total net amount of PLN 19,956 thousand, payment term: 84 days from the date of concluding the contract. The contract was concluded on August 20, 2012.

In Q3 the Company supplied steel pipes to OGP Gaz-System S.A. for the following gas pipeline sections:

- Gustorzyn - Odolanów
- Szczecin – Gdańsk
- Płoty - Karlino
- Rembelszczyzna - Gustorzyn

All the deliveries followed according to the schedule required by the Customer. The coated pipes supplied by Izostal are well appreciated due to the high quality of their production which complies with respective standards and contract specification.

The Company succeeds in competing as a supplier for OGP Gaz-System S.A. In January 2011 OGP Gaz-System S.A. chose the company as the pre-qualified supplier of coated pipes DN 700 for 814 km of pipeline; until the end of Q3 of 2012, contracts were awarded for the supply of around 700 km of pipes. Izostal S.A. was awarded 43% of this cake outperforming the other consortiums participating in the tender.

On August 28, 2012 OGP Gaz-System S.A. informed the Company that its bid had been selected as the most favorable one in the public procurement procedure for the deliveries of coated steel pipes DIN 700 for the construction of the Rembelszczyzna – Gustorzyn gas pipeline. The contract is for the deliveries of steel pipes with external tri-layer anti-corrosion coating and internal coating for the total net amount of PLN 30,975 thousand. Deliveries will take place from February 18, 2013 to August 31, 2013. The contract was concluded on September 18, 2012.

In order to secure the Company's working capital requirement related to the fulfillment of the contracts for deliveries of steel pipes, on August 31, 2012 the company concluded a revolving loan agreement with BRE Bank S.A. for the amount of PLN 10,000 thousand. The loan was taken till August 28, 2014, and is secured by a blank promissory note and a registered pledge on the inventory of goods, materials for production and finished products in the form of coated steel pipes, in the amount of PLN 10,000 thousand. The loan bears an interest rate based on WIBOR for 1-month deposits plus bank's margin.

On September 3, 2012 the Company, in line with the resolution of the General Meeting paid a dividend from the profit generated in 2011. The dividend right date was August 10, 2012. The Company paid a total dividend of PLN 5,567 thousand, that is PLN 0.17 per share.

On August 25, 2012, the Company received the final tranche (PLN 1,271 thousand) of the subsidy awarded for the construction of the Research and Development Center for steel technologies and products, as part of the Operational 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 tranche was transferred to the Company following the acceptance by the Ministry of Economy of the final application for payment. The total subsidy received by the Company amounted to PLN 7,261 thousand.

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

In Q3 the Company generated sales revenues of PLN 102,671 thousand, that is by 76.1% higher than in Q3 of 2011. The increase was reported both for the sale of Company products and for the sale of goods. Lower gross profitability (12.5% in Q3 of 2012 against 13.8%) in Q3 of 2011 is related to a higher share of goods in sales revenues.

Due to increased sales volumes, selling costs in Q3 of 2012 increased by 146.5% against the corresponding period of the previous year. Increase in selling costs is related to increased expenses on the purchase of transport services required to execute orders for OGP Gaz-System S.A. All these expenses constitute variable costs.

The Company's financial activity result was PLN (-) 2,211 thousand against PLN (+) 539 thousand in Q3 of 2011. This was mainly due to exchange rate differences; in Q3 of 2012 the Company recorded a respective loss of PLN 1,788 thousand, whereas in the same quarter of 2011 the Company earned PLN 746 thousand. Negative balance of exchange rate differences in the presented period is due to balance sheet valuation as on 30.09.2012, which means unrealized negative exchange rate differences. As a significant percentage of purchasing is settled in EUR, the Company uses hedging instruments to secure itself against foreign exchange risks. On September 30, 2012 the Company hedged its currency risk for all the actual liabilities. On the balance sheet date a mean exchange rate for hedging transactions was much lower than the exchange rate adopted for valuation of liabilities.

Moreover, as the Company engaged more cash in the financing of inventory and receivables, the actual earnings on cash deposits were lower.

In H1 of 2011 the Company generated net profit of PLN 4,720 thousand, that is by 4.5% more than in the corresponding period of the previous year.

Fulfillment of the contracts for deliveries to OGP Gaz-System S.A. of coated steel pipes in Q3 resulted in an increase in the value of inventory by PLN 27,100 thousand, and receivables for deliveries and services by PLN 30,187 thousand.

As the Company increased the scale of its operations it had to use some external funds in the form of bank loans, which (in addition to internal funds) were engaged in the financing of inventory and receivables. Therefore, in Q3 of 2012 cash decreased by PLN 10,742 thousand and working capital loans were utilized at the level of PLN 12,826 thousand. The Company has credit lines of a total value of PLN 60 million, securing its working capital requirement.

In Q3 Company's equity increased by the value of the actual net profit (PLN 4,720 thousand).

In Q3 the final tranche of the subsidy (PLN 1,270 thousand) was received for the Company's program; as a consequence long-term liabilities and accruals increased.

10. 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 influenced 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.

Since 2011, due to the project plans approved by Company customers beforehand and relatively soft winters, the situation has been different, therefore while analyzing the data since 2011 no seasonality of the previous years can be noticed.

11. 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 out or repay any no-shareholding or capital commercial papers.

12. Information about major transactions involving purchase or sale of property, plant and equipment and information about major liabilities related to the purchase of property, plant and equipment.

In the reporting period Izostal S.A. did not enter into any major purchase or sale transaction involving property, plant and equipment.

As on 30.09.2012 Izostal S.A. did not have any major liabilities related to the purchase of property, plant and equipment.

13. Information about non-repayment of a credit or a loan or about a violation of significant terms of a credit or loan agreement as to which no countermeasures were taken till the end of the reporting period.

No cases of non-repayment of a credit or a loan or violations of significant terms of credit or loan agreement in the reporting period.

14. Information about paid or declared dividend.

In the reporting period the Company paid a dividend from net profit generated in 2011. On May 10, 2012 the General Meeting resolved to pay a dividend of PLN 5,567 thousand, that is PLN 0.17 per share. The dividend right date was August 10, 2012, and the dividend

payment date was September 3, 2012. The Company did not issue any privileged shares. The Company paid a dividend according to the resolution of the General Meeting.

15. 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.

Izostal S.A. did not record any events that followed the day on which the quarterly financial statement was prepared and not included in this report, which might influence future financial results of the Company in a significant way.

16. 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 30.09.2012 is as follows:

1. Change in guarantees (PLN thousand):

Beneficiary	Guarantee type	Validity date	As on 30.09.2012	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 guarantee	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 guarantee	10.05.2012	0	4 688	-4 688
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
OGP Gaz-System S.A.	performance guarantee	30.04.2014	2 374	0	2 374
OGP Gaz-System S.A.	defects and faults removal	from 01.05.2014 to 15.02.2017	712	0	712
OGP Gaz-System S.A.	performance guarantee	30.01.2013	4 676	0	4 676
OGP Gaz-System S.A.	defects and faults removal	from 31.01.2013 to 15.01.2016	1 403	0	1 403
OGP Gaz-System S.A.	performance guarantee	27.01.2013	6 829	0	6 829
OGP Gaz-System S.A.	defects and faults removal	from 28.01.2013 to 12.01.2016	2 049	0	2 049
OGP Gaz-System S.A.	performance guarantee	15.11.2012	1 321	0	1 321
OGP Gaz-System S.A.	defects and faults removal	from 16.11.2012 to 01.12.2015	396	0	396
OGP Gaz-System S.A.	performance guarantee	30.11.2012	1 245	0	1 245
OGP Gaz-System S.A.	defects and faults removal	from 01.12.2012 to 15.11.2015	373	0	373
OGP Gaz-System S.A.	performance	30.11.2012	2 942	0	2 942

	guarantee defects and faults removal	from 01.12.2012 to 15.11.2015	883	0	883
Polskie Górnictwo Naftowe i Gazownictwo S.A.	performance guarantee	06.11.2012	1 227	0	1 227
	defects and faults removal	from 07.11.2012 to 07.11.2015	368	0	368
OGP Gaz-System S.A.	performance guarantee	30.09.2013	3 097	0	3 097
	defects and faults removal	from 01.10.2013 to 15.09.2016	929	0	929

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

Type	As on 30.09.2012	As on 31.12.2011	Delta
Pledge on fixed assets	27.510	18.280	9.230
Pledge on inventory	32.500	26.500	6.000
Mortgage	60.936	60.936	0

17. 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 S.A. seated in Zabrze
- Stalprofil Finanse Sp. z o.o. seated in Dąbrowa Górnicza

18. 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 changes were recorded in the Company structure in the period covered by the report. All production activities are now run in the plant in Kolonowskie. The Company's seat is located in Zawadzkie.

19. The Management Board's opinion on a possibility of realizing the previously published results forecasts.

The Company did not publish any results forecasts for 2012.

20. Information on shareholders holding at least 5% of the total number of votes at the general meeting, directly or indirectly through subsidiaries, as on the day of presenting the quarterly report.

To the best of the Company's knowledge on the date of transferring the report for Q3 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 Art. 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 Finanse Sp. z o.o.	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 %
Other	9 691 102	29,60 %	9 691 102	29,60 %
TOTAL	32 744 000	100 %	32 744 000	100 %

In the period following the announcement of the previous quarterly report of Izostal S.A. there were some changes to the ownership structure. According to the notice sent to the Company on September 7, 12 under Art. 69 of the public offering act, Stalprofil S.A. informed about the transfer of ownership to 19,739,000 shares of Izostal S.A. on its subsidiary, Stalprofil Finanse Sp. z o.o. As a consequence Stalprofil Finanse Sp. z o.o. holds 19,739,000 shares (same as votes assigned to shares at the general meeting), which makes up 60.28% of share capital of Izostal S.A. As Stalprofil S.A. holds 100% of shares in Stalprofil Finanse Sp. z o.o., after this transaction Stalprofil S.A. became a parent entity for Izostal S.A., as - through its subsidiary, Stalprofil Finanse Sp. z o.o. - it got a share of 60.28% in the total number of votes at Izostal S.A.

21. Information on the issuer's shares or the rights to the shares held by persons managing and supervising the issuer as on the day of presenting 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 publicizing the report for Q3 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 following 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 occurred.

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

In the reporting period Izostal S.A. was not covered by any proceedings at court, arbitration body or public administration authority where the aggregate value was at least 10% of the issuer's equity

As on 30.09.2012 there were no major settlements in the reporting period related to court cases.

23. 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, mainly in connection with the investments in the scope of the services provided by these entities. Transactions were of a typical and routine character.

24. 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 or credit sureties.

The total amount of performance guarantees granted by the Company to OGP Gaz-System S.A. as on 30.09.2012 amounted to PLN 25,426 thousand. These include performance bonds and defects and faults removal guarantee, which are granted by the Company based on the contracts for the deliveries of steel pipes. The details of the guarantees are specified in item 16.

25. 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 further development. In addition to the available internal funds, the business sustainability is ensured by bank loans. As on 30.09.2012 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 this credit limit was utilized for contract performance bonds, the remaining balance as on 31.09.2012 was PLN 13,218 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 remaining balance as on 30.09.2012 amounts to PLN 423 thousand.
- multi-purpose credit limit at BNP PARIBAS Bank Polska S.A. for PLN 5,000 thousand. The remaining balance as on 31.03.2012 amounts to PLN 1,751 thousand.
- revolving working capital loan at BNP PARIBAS BANK POLSKA S.A. in the amount of EUR 3,000 thousand. As on 30.09.2012 the loan was not used.
- revolving working capital loan in PLN at BRE Bank S.A. in the amount of PLN 10,000 thousand. The remaining balance as on 30.09.2012 amounts to PLN 6,500 thousand.

Moreover, as on 30.09.2012 the Company had some investment loans for the construction of the Anti-Corrosion Coating Center and R&D Center for Steel Technologies and Products in the total amount of PLN 21,735 thousand.

The Company insures its tangible assets against the risks they are exposed to. Izostal S.A. has also got third party liability insurance for its business. As for the risks related to customer's insolvency, the Company insures its receivables with KUKI.

Since the value of imports in the Company's purchases increased, the Company has a treasury limit for forward transaction with BRE Bank S.A., BNP Paribas Bank Polska S.A. and PKO BP S.A.

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

The actual results continue to be mostly influenced by the situation in the gas networks market, shaped by the infrastructural projects for the development of transmission, distribution, storage and extraction of gas.

Development of the industry is supported by the strategy of diversifying gas supply sources in Poland, necessary increase of gas share in the production of energy as a result of CO2 emission reduction limitations imposed on Poland, and projects for the revamping of the existing transmission networks.

The Company's portfolio includes the contracts concluded with OGP Gaz-System S.A. which guarantee significant production and sales levels in the horizon of H1 of 2013. To the Company's knowledge, contracts for the delivery of 117 km of coated pipes, for which the Company submitted a bid, will be awarded in Q4.

As expected, the gas sector in Poland is completing investments of key importance for the energy security; the Management Board is of the opinion that this situation will remain unchanged in the following years which has been confirmed by the information received from the major investors in this sector, that is OGP Gaz-System S.A. and PGNiG S.A.

One of the key investments in the sector is the construction of LNG terminal in Świnoujście to be completed in mid 2014. The construction of the terminal is accompanied by the construction of the North-South gas corridor which is to distribute gas domestically and also to facilitate its transmission to the Czech Republic, Austria, Hungary and Slovakia, and to provide a connection with the planned Adria LNG terminal and projects in scope of the South gas corridor through the internal transmission infrastructure of Central European countries. OGP Gaz-System S.A., as the major investor in the domestic market, confirms that by 2014 over 1000 km of transmission pipelines should be built, and according to the latest news, further 1000 km of gas pipelines are to be laid in the years 2015-2017. OGP Gaz-System S.A. is also planning to establish a gas connection between Poland and Lithuania. This project is supposed to further integrate European gas system and to shape a liberalized gas market in the north-eastern of Europe. Documentation concerning the gas pipeline is being developed now, it is estimated that it will be 562 km long.

As far as investments in transmission networks are concerned, the following gas pipelines will be constructed in the coming future: Szczecin - Gdańsk (265 km long, estimated cost of the investment PLN 930 million.), Gustorzyn – Odolanów (168 km long , estimated cost of the investment PLN 638 million), Szczecin – Lwówek (188 km long). Izostal will supply O.G.P. Gaz-System with pipes for the construction of the aforementioned gas pipelines. Reserve projects list of O.G.P. Gaz System SA under the Infrastructure and Environment Program includes the following projects: Zdieszowice-Wrocław (130 km long, estimated cost of the investment PLN 335 million,) Polkowice-Żary (66 km long, cost of the investment PLN 81 million,) Hermanowice - Strachocina (72 km long, cost of the investment PLN 372 million,) Strachocina-Pogórska Wola (98 km long, cost of the investment PLN 455 million,)

A necessity to develop the distribution infrastructure is also a result of the plans to construct low emission power plants and gas heat and power plants which are a relatively clean source of energy. The first contracts have already been concluded. It is necessary to increase the potential in scope of energy generation in Poland due to the fact that old power plants will be shut down in the coming years, and at the same time the demand for electricity will increase.

The next stage in the completion of the strategic investments in the gas sector will be the construction of lower-pressure gas distribution pipelines which also generate demand for the Company's products.

A positive signal confirming further investments in the sector is the awareness of EU politicians concerning common energy market - including a considerable role played by gas. It is one of the major targets taken into account during works on EU budget for the years 2014-2020. Access to safe, integrated and competitive energy market is one of the basic conditions facilitating stable development of the European economy, however at present the development of this market is blocked by insufficient capacity of transborder

connections. European Commission estimates that the development of electricity and gas networks will require investment expenditure of approximately EUR 200 billion by 2020.

The above makes it reasonable to expect a considerable demand for pipes with anti-corrosion coating used for the construction of gas pipelines in the coming years.

Izostal S.A. will participate in all tenders for the products it has in its offer and will compete against domestic and foreign companies. The Company's advantage arises from access the state-of-art pipe coating technologies (The Company is the only domestic producer of LAYTEC[®] internal coating), high-quality products offered, flexibility in purchasing steel pipes, developed warehouse facilities for pipes storage.

The Company succeeds in delivering drilling pipes used for gas extraction drillings and for prospecting for shale gas. The development of this market segment will also facilitate the Company's expansion, especially once it is confirmed that gas extraction is profitable and once it becomes necessary to build infrastructure for its transmission. According to the update from the Ministry of Environment, till October 15, 2012 there had been 31 prospecting drillings for shale gas, and 309 drillings will have been completed by 2012.

Investments in the sector may be affected by EU economic situation. Macroeconomic situation is reflected in PLN/EUR exchange rate fluctuations, which is not favorable for the Company as it currently 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.

