



QUARTERLY CONDENSED FINANCIAL STATEMENT FOR Q1 OF 2013

prepared in line with

THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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I. Selected financial data

	in thou. PLN		w thou. EUR	
	Q1 to date/ 2013 for the period from 2013-01-01 to 2013-03-31	Q1 to date/ 2012 for the period from 2012-01-01 to 2012-03-31	Q1 to date/ 2013 for the period from 2013-01-01 to 2013-03-31	Q1 to date/ 2012 for the period from 2012-01-01 to 2012-03-31
Net revenues from sale of products, goods and materials	107 988	128 285	25 873	30 727
Operating profit (loss)	6 459	6 729	1 548	1 612
Gross profit (loss)	6 087	7 211	1 458	1 727
Net profit (loss)	4 881	5 822	1 169	1 394
Operating cash flow	-37 842	-2 789	-9 067	-668
Investment net cash flow	6 288	-9 350	1 507	-2 240
Financial activity net cash flow	1 479	-9 033	354	-2 164
Change in cash and cash equivalents	-30 075	-21 172	-7 206	-5 071
Number of shares	32 744 000	32 744 000	32 744 000	32 744 000
Profit (loss) per one ordinary share (PLN/EUR)	0,15	0,18	0,04	0,04
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)	0,15	0,18	0,04	0,04
	As on 31.03.2013	As on 31.12.2012	As on 31.03.2013	As on 31.12.2012
Total assets	307 691	280 803	73 656	68 686
Long-term liabilities	44 814	42 309	10 728	10 349
Short-term liabilities	102 981	83 479	24 652	20 420
Equity	159 896	155 015	38 276	37 918

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 2013 (Q1 of 2012) 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 4.1738 (EUR 1 = PLN 4,1750). 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 31.03.2013 was EUR 1 = PLN 4.1774 (as on 31.12.2012 - EUR 1 = PLN 4.0882).

II. Financial position report (PLN thousand)

ASSETS	As on 31.03.2013	As on 31.12.2012	As on 31.03.2012
A. Fixed assets (long-term)	137 503	137 731	138 498
1. Tangible fixed assets	136 212	136 256	137 431
2. Other intangible assets	171	185	179
3. Investments available for sale	0	0	0
4. Long-term financial assets	0	0	0
5. Deferred income tax assets	793	925	652
6. Long-term receivables and prepayments	327	365	236
B. Current assets (short-term)	170 188	143 072	163 896
1. Inventory	74 355	59 972	36 301
2. Long-term receivables and prepayments	94 363	51 851	107 078
including for deliveries and services	90 218	47 787	103 316
3. Receivables on account of income tax	0	0	336
4. Long-term financial assets	0	7 376	0
5. Currency derivatives	473	0	0
6. Cash and cash equivalents	997	23 873	20 181
Total assets	307 691	280 803	302 394

LIABILITIES	As on 31.03.2013	As on 31.12.2012	As on 31.03.2012
A. Equity	159 896	155 015	146 098
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	31 046	31 046	17 479
4. Retained and current profit/loss	25 187	20 306	24 956
B. Long-term liabilities	44 814	42 309	44 469
1. Provisions	294	294	224
2. Provision on account of deferred income tax	103	112	123
3. Long-term bank loans and credits	17 598	14 630	16 693
4. Other long-term financial liabilities	2 205	2 446	3 179
5. Long-term liabilities and accruals	24 614	24 827	24 250
C. Short-term liabilities	102 981	83 479	111 827
1. Provisions	285	307	13
2. Short-term bank loans and credits	14 969	7 905	9 062
3. Short-term part of long-term bank loans and credits	9 160	10 112	10 084
4. Other short-term financial liabilities	1 065	1 265	959
5. Short-term liabilities and accruals	77 502	63 640	91 527
including for deliveries and services	70 928	56 677	84 240
6. Liabilities on account of income tax	0	250	182
Total liabilities	307 691	280 803	302 394

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

	From 01.01 to 31.03.2013	From 01.01 to 31.03.2012
A. Revenues from sale of products, goods and materials	107 988	128 285
B. Costs of products, goods and materials sold	97 250	116 756
C. Gross sales profit/loss	10 738	11 529
D. Costs of sales	1 823	1 694
E. Overheads	2 872	3 090
F. Other revenues	582	436
G. Other costs	166	452
H. Operating profit/loss	6 459	6 729
I. Financial income	166	854
J. Financial expenses	538	372
K. Gross profit/loss	6 087	7 211
L. Income tax	1 206	1 389
M. Net profit/loss on business activity	4 881	5 822
N. Total other income	0	0
- 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
O. Total income	4 881	5 822

Profit per share: (PLN thousand)	From 01.01 to 31.03.2013	From 01.01 to 31.03.2012
- basic profit based on financial result of a going concern	0,15	0,18
- basic profit based on the financial result for the business year	0,15	0,18
- diluted profit based on financial result of a going concern	0,15	0,18
- diluted profit based on the financial result for the business year	0,15	0,18

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

	From 01.01 to 31.03.2013	From 01.01 to 31.03.2012
Operating cash flow		
Profit/loss before taxation	5 964	7 524
Item adjustments:	-43 806	-10 313
Depreciation of fixed assets	1 200	1 017
Amortization of intangible assets	15	16
Foreign exchange gains/losses	-1 103	656
Interest costs and income	286	134
Profit/loss on investment activity	-41	-34
Change in provisions	-31	-173
Change in inventory	-14 382	9 609
Change in receivables and prepayments	-42 766	-49 716
Change in liabilities and accruals	14 349	31 026
Paid/refunded income tax	-1 333	-1 519
Other adjustments	0	-1 329
Net cash flow from operating activity	-37 842	-2 789
Cash flow from investment activity		
Earnings from the sale of fixed assets and intangible assets	484	180
Earnings from the sale of financial assets	0	0
Earnings from interest	32	0
Other investment earnings – obtained subsidies	0	1 329
Loan repayments	7 574	0
Expenditures on the purchase of tangible fixed assets and intangible assets	1 738	10 775
Net expenditure on the purchase of subsidiaries and associated entities	0	0
Granted loans	0	0
Other	-64	-84
Net cash flow from investment activity	6 288	-9 350
Cash flow from financial activity		
Earning from loans and credits	10 000	0
Net earning from the issue of shares, bonds, bills of exchange and vouchers	0	0
Repayment of credits and loans	8 021	8 753
Repayments of liabilities under financial lease contracts	246	230
Dividends paid to Company shareholders	0	0
Interest paid	254	50
Other	0	0
Net cash flow from financial activity	1 479	-9 033
Increase/decrease in cash and cash equivalents	-30 075	-21 172
Cash, cash equivalents and credit lines in the current account at the beginning of the period	16 057	32 441
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and credit lines in the current account	59	-20
Cash, cash equivalents and credit lines in the current account at the end of the period	-14 018	11 269

V. Statement of changes in equity (PLN thousand)

	Share capital	Share premium	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of shares	Retained and current profit/loss	Total
As on 01.01.2013	65 488	38 175	0	31 046	0	20 306	155 015
Changes in equity in Q1 2013	0	0	0	0	0	4 881	4 881
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	4 881	4 881
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 2013	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
Balance as on 31.03.2013	65 488	38 175	0	31 046	0	25 187	159 896

	Share capital	Share premium	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of shares	Retained and current profit/loss	Total
As on 01.01.2012	65 488	38 175	0	17 479	0	19 134	140 276
Changes in equity in Q1 2012	0	0	0	13 567	0	6 739	20 306
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	20 306	20 306
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	-5 567	-5 567
Dividends	0	0	0	0	0	-5 567	-5 567
Balance as on 31.12.2012	65 488	38 175	0	31 046	0	20 306	155 015

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

VI. Notes to the quarterly condensed financial statement for Q1 of 2013**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 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 future financial results.

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.

3. Information about significant changes in estimates.

Table of changes in estimate provisions (PLN thousand):

	As on 31.03.2013	As on 31.12.2012	Delta
Provision on account of deferred income tax	103	112	-9
Provision for retirement and similar benefits	579	601	-22
Other provisions	0	0	0

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

	As on 31.03.2013	As on 31.12.2012	Delta
Deferred income tax assets	793	925	-132

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

	As on 31.03.2013	As on 31.12.2012	Delta
Revaluation write-offs of principal receivables	275	276	-1
Inventory revaluation write-offs	2 014	3 377	-1 363

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-offs as on 31.12.2012	Reversal of revaluation write-offs recognized in the period of I Quarter of 2013 as a decrease in these write-offs	Revaluation write-offs recognized in the period of I Quarter 2013 as a cost	Revaluation write-offs as on 31.03.2013
Core materials	2 711	1 229	0	1 482
Auxiliary materials	0	0	0	0
Goods	0	0	0	0
Work in process	0	0	0	0
Finished products	666	134	0	532
Total	3 377	1 363	0	2 014

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 31.03.2013.

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

	As on 31.03.2013
Impairment write-offs at the beginning of the period	732
Recognition in the period of impairment losses	23
Reversal in the period of impairment losses	71
Impairment write downs at the end of the period, including:	684
receivables for deliveries and services, including:	684
principle receivables	275
interest receivables	409

As on 31.03.2013, the Company revalued all the receivables at risk. In case the receivable is insured, the Company performs a write-off for the value of own share in the damage.

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 713 thousand and comprised:

- provision for old-age severance pays and service anniversary awards in the amount of PLN 314 thousand, out of which PLN 294 thousand is a long-term provision, and PLN 20 thousand in a short-term provision.
- long-term provision for deferred income tax in the amount of PLN 112 thousand.
- short-term provision for salaries in the amount of PLN 287 thousand.

As on 31.03.2013 the amount of the established provisions was PLN 682 thousand and comprised:

- provision for old-age severance pays and service anniversary awards in the amount of PLN 311 thousand, out of which PLN 294 thousand is a long-term provision, and PLN 17 thousand is a short-term provision.
- long-term provision for deferred income tax in the amount of PLN 103 thousand.

- short-term provision for remunerations in the amount of PLN 268 thousand.

Table of provisions as on 31.03.2013 (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	601	112	713
- short-term at the beginning of the period	0	0	307	0	307
- long-term at the beginning of the period	0	0	294	112	406
Increases	0	0	152	0	152
- established in the period and increase in the existing ones	0	0	152	0	152
- acquired due to merger of business entities	0	0	0	0	0
Reductions	0	0	174	9	183
- utilized over the year	0	0	174	9	183
- 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 31.03.2013, including:	0	0	579	103	682
- short term at the end of the period	0	0	285	0	285
- long-term at the end of the period	0	0	294	103	397

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 31.03.2013	Comprehensive income statement for the period from 01.01. to 31.03.2013
Provision for deferred income tax		
Exchange rate differences		
Valuation of fixed assets	65	0
Fixed assets under lease	38	-4
Other	0	-5
Gross provision – deferred income tax	103	-9
Deferred income tax assets		
Receivables write-off	52	0
Impairment of financial assets	0	0
Exchange rate differences	0	0
Accrued interest	15	9
Provisions for employee benefits	110	-4
Provisions for interest	0	0
Lease liabilities	15	-4
Unpaid salaries	5	0
Un-invoiced costs	0	0
Unpaid social security (ZUS)	50	-2
Other	546	-131
Deductible tax loss	0	0
Gross assets – deferred income tax	793	-132
Deferred income tax debits/credits		123

8. Brief description of what went well or what went wrong in Q1 of 2013 including the list of the most important events.

In Q1, The Company produced a profit of PLN 107 988, being 84.2% of income as compared to the previous year's analogous period. The Company holds a number of orders for the months to come, however the performance schedule causes that the majority of them is to be accomplished in the next months of this year.

Long-term execution schedules for investments strategic for the gas sector safety adopted by the main investors in the gas market include plans for making further public offers for steel coated pipe supplies in Autumn 2013. In Q1 2013, the Company was performing deliveries resulting from agreements entered in 2012. Contractors that have won tenders, are now constructing gas pipelines using pipes supplied by Izostal S.A. To the best of Company's knowledge, the works are to end in Q1 2014.

In Q1 the Company supplied steel pipes to OGP Gaz-System S.A. for the following gas pipeline sections:

- Gustorzyn - Odolanów
- Szczecin – Gdańsk
- Gorzów - Lwówek
- Rembelszczyna - 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.

For its financial operations, the Company has signed an annex to contract on 31.01.2013 with BRE Bank S.A. for a multi-currency overdraft amounting in PLN 10.000 thousand. The annex has extended the period of utilizing credit from 31.01.2013 to 31.01.2014. The credit constitutes security on operating, financial needs of the Company.

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

In Q1 the Company worked a profit of PLN 107.988 thousand, i.e. by 15,8% less than in Q1 2012. Factors leading to the decrease were described in point 8 to this report.

Despite lower level of sales, profitability on the level of gross profit from sales equaled 9,9% as compared to 9,0% in Q1 2012.

Sales costs increased by 7,6% as compared to Q1 2012, which was related to delivery locations for the contracts performed.

The Company has worked a result of PLN (-) 372 thousand, as compared to (-) 482 thousand in Q1 2012. This was mostly influenced by exchange rate differences, from which a profit was worked in Q1 2013 that equaled PLN 69 thousand, as compared to PLN 537 thousand of profit in the analogous quarter of 2012. In Q1 2013, the Company reached a significant level of profit on exchange rate differences, which was diminished

by valuation of exchange settlements on 31.03.2013. The Company, due to a significant number of purchases made in EURO, applies securities for currency risk.

As on 31.03.2013 Izostal S.A. was in possession of exchange rate hedging transactions for the entirety of liabilities presented. Mean rate of hedging transactions for the balance sheet date was significantly smaller than rate adopted for the valuation of liabilities.

As more bank credits were utilized in Q1 2013, the Company noted PLN 141 thousand more costs of operating them as compared to the analogous period of 2012.

Having in consideration the above, in Q1 2013 the Company worked a net profit of PLN 4 811 thousand zł, which is 16,2% less compared to the analogous period in the previous year.

Delivery schedules resulting from the signed agreements obliged the Company to increase its level of inventory, which increased by 24% in Q1 up to a level of PLN 74 355. In the recent weeks of the quarter, the Company has been preparing for performance of further agreements, which lead to an increase in the level of inventory and increase in trade liability turnover cycle from 44,4 days in 2012 to 59,1 days in Q1 2013.

The following effected in high level of trade receivables in relation to income from sale:

- sale to O.G.P. Gaz-System S.A. for a gross amount of PLN 38 mil.
- sales to other companies with a payment term of 45-60 days.

The Company in Q1 utilized credits financing the operating activity on a larger scale. Total engagement of credits in Q1 2013 increased by PLN 9 080 thousand.

The worked financial result was calculated maintaining prudence principle.

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 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.

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 back or repay any no-shareholding and 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 31.03.2013 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 did not pay any dividend. As stipulated in the resolution of 20.03.2013, the Management Board submitted the motion to the Annual General Shareholders' Meeting with a proposal that PLN 0.18 per share be paid as a dividend from the net profit generated in 2012 in the total amount of PLN 5 589 920.00. 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 14.08.2013 and the date of the dividend payment fall on 02.09.2013. This proposal got a positive opinion of the Supervisory Board of Izostal S.A. on 10.04.2013.

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

Change in the off-balance sheet liabilities from 31.12.2012 to 31.03.2013 is as follows:

1. Change in guarantees (PLN thousand):

Beneficiary	Guarantee type	Validity date	As on 31.03.2013	As on 31.12.2012	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.	defects and faults removal	03.02.2015	1 247	1 247	0
OGP Gaz-System S.A.	defects and faults removal	10.05.2015	1 407	1 407	0
OGP Gaz-System S.A.	perform. bond	30.04.2014	2 374	2 374	0
OGP Gaz-System S.A.	defects and faults removal	from 01.05.2014 to 15.02.2017	712	712	0
OGP Gaz-System S.A.	perform. bond	12.03.2013	0	4 676	-4 676
OGP Gaz-System S.A.	defects and faults removal	from 13.03.2013 to 25.02.2016	1 403	1 403	0
OGP Gaz-System S.A.	perform. bond	14.02.2013	0	6 829	-6 829
OGP Gaz-System S.A.	defects and faults removal	from 15.02.2013 to 31.01.2016	2 049	2 049	0
OGP Gaz-System S.A.	defects and faults removal	01.12.2015	396	396	0
OGP Gaz-System S.A.	defects and faults removal	15.11.2015	373	373	0
OGP Gaz-System S.A.	defects and faults removal	15.11.2015	883	883	0
Polskie Górnictwo Naftowe i Gazownictwo S.A.	defects and faults removal	07.11.2015	368	368	0
OGP Gaz-System S.A.	perform. bond	30.09.2013	3 097	3 097	0
OGP Gaz-System S.A.	defects and faults removal	from 01.10.2013 to 15.09.2016	929	929	0
OGP Gaz-System S.A.	perform. bond	30.05.2013	5 434	5 434	0
OGP Gaz-System S.A.	defects and faults removal	from 01.06.2013 to 15.05.2016	1 630	1 630	0
AB Lietuvos Dujos	bid guarantee	05.06.2013	62	0	62

The above presented guarantees were issued by banks and insurance offices and secure Izostal S.A.'s liability from performed contracts and bids in which the Company takes part. In case of guarantee payments, the issuer has a right to recourse to Izostal S.A.

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

Type	As on 31.03.2013	As on 31.12.2012	Delta
Pledge on fixed assets	27 189	27 489	-300
Pledge on inventories	32 500	32 500	0
Mortgages	60 936	60 936	0

16. 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

17. 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.

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

The Company did not publish any results forecasts for 2013.

19. 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 2013, 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 data is based on information received from shareholders in line with art. 69 para 1 of the Public Offerings Act of 29.07.2005 with later amendments

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 %
OTHERS	11 335 123	34,62 %	11 335 123	34,62 %
TOTAL	32 744 000	100 %	32 744 000	100 %

Since the date of presenting the annual report, a change in propriety structure of significant number of shares took part; BPH Towarzystwo Funduszy Inwestycyjnych decreased its number of votes in Izostal S.A. to a level below 5.00%. On 19.02.2013 the Company received a note pursuant to art. 69 item 1 and art. 89 item 1 point 2 and art. 87 item 1 point 3b of 29.06.2005 act on public offerings and conditions for implementing

financial instruments to organized trading system and on public companies (Journal of Laws of 2009 No. 185 item 1439 with later amendments) that due to the fact of selling Izostal S.A. shares by BPH Fundusz Inwestycyjny Otwarty Parasolowy and within the actions undertaken described in art. 69 item 2 point 4 of Financial Instruments Trade Act (management of portfolios containing one or more financial instruments), BPH Towarzystwo Funduszy Inwestycyjnych S.A. is in possession, on behalf of its employers and the Fund, of less than 5% of general votes at the Annual General Meeting of the Company.

20. 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 2013 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.

21. 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.

As on 31.03.2013, no vital settlements on account of court proceedings took place.

22. 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 concluded in Q1 2013 between the Issuer and other companies of the capital group related mainly to purchase of steel products from Stalprofil S.A. and sale of Company's products to ZRUG Zabrze S.A. The transactions were typical and routine.

23. 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 total amount of performance guarantees granted by the Company to OGP Gaz-System S.A. as on 31.03.2013 amounted to PLN 18 951 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 15.

24. 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 31.03.2013 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 31.03.2013 was PLN 15 322 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 31.03.2013 amounted to PLN 204 thousand,
- multi-purpose credit limit at BNP PARIBAS BANK POLSKA S.A. for PLN 5,000 thousand. The balance amount for utilization as on 31.03.2013 amounted to PLN 999 thousand,
- revolving credit in EUR at BNP Paribas Bank Polska S.A for EUR 3 000 thousand for financing trade operations. As on 31.03.2013 the credit was not utilized.
- revolving credit in PLN at BRE Bank S.A. for EUR 10 000 thousand for financing current operations. As on 31.03.2013 the credit was not utilized in whole.

Moreover, as on 31.03.2013 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 16 693 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 in KUKE. Due to the worsening of payment situation in the constructions branch, the Company performs sales up to the insurance limit, or after receiving other solid assurance from the client. The exception is sale to OGP Gaz-System S.A. which resigned of insurance thanks to its positive financial position. The solution allowed to decrease the insurance costs.

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.

The Company effectively secures the exchange rate risk resulting from purchases. The Company uses the periods of high PLN value to secure the foreseeable currency transactions.

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

The most important factor influencing the development forecasts of Izostal S.A. is the situation on the gas grids market. The forecasts in the gas market for the years to come are very promising. Decisions made by Poland and the European Union lead to significant changes on the national gas market, which are related to the globalization of the EU economy and creation of a common gas market. These changes initiated in 2011 and the future years will be continued.

An important factor determining the industry's development is Poland's struggle for diversification of gas sources. Moreover, the climatic policy adopted by EU forces Poland to increase the share of gas in the country's energetic balance. In the nearest years, Poland is planning to spend over 100 bn PLN for the development of gas sector. New power blocks and transmission grids, gas terminal in Świnoujście and oil terminal in Gdańsk will be built for 60 bn. Nuclear plants investments total for another 40 bn PLN.

Gas branch in Poland is seeing strategic investments for energy safety, in the Board's opinion, the positive situation is to last in the future years, which is confirmed by information obtained from key branch investors - OGP Gaz-System S.A. and PGNiG S.A. PLN 18 bn is to be directed for the gas industry. Investments totaling for PLN 9.9 bn have already started, completion planned for 2014. Investments scheduled for years 2014-2017 worth around 8,9 bn PLN are: construction of gas storage plants, 1300 km of new pipelines and Poland - Lithuania interconnector (560 km). 1,6 bn is to be directed for construction of oil infrastructure and oil terminal in Gdańsk up to 2015.

According to recent information, OGP Gaz-System S.A. is to spend around 8 bn PLN for investments in years 2011-2014, and another 5 bn PLN in 2015-2018.

LNG terminal construction in Świnoujście, to be commissioned in the second half of 2014, proves that the branch is to further develop. In relation to the construction of the terminal, a transmitting line North - South is to be constructed that apart from distributing gas around the country, is to enable transmission to the Czech Republic, Hungary and Slovakia, and assure connection with the scheduled Adria LNG terminal and Northern Gas Corridor projects, using internal transmitting infrastructure of the Middle Europe. 880 km of pipelines will need to be constructed to commission the corridor, for which a total of 5 bn PLN is to be spent. The construction may end in late 2016 / yearly 2017.

OGP Gaz-System S.A. is also planning to construct a gas link between Poland and Lithuania, which is to enable broader access of the Baltic states to gas and Lithuanian storage facilities. The project aims at further integration of the European gas system and creation of a liberated gas market in north-eastern part of Europe. The system connection

may be created in 2017/2018. The total length will equal 560 km. The decision is to be made in 2013, but it is already enjoying broad support in the EU.

The requirement to further develop the distributing infrastructure is also determined by plans of constructing low-emission power plants and gas plants, being a relatively clean source of energy. Increase of energy output in Poland is necessary due to the fact that the outdated power plants are to be decommissioned in the years to come, with an increasing demand for electric energy.

Another positive information confirming further investments in the gas branch is awareness of the EU politicians of the necessity to further integrate the European power market, including gas market. It is one of the more important aims that is being considered in the EU budget for years 2014-2020. Access to safe, integrated and competitive source of energy is one of the basic conditions for stable growth of the European economy, but to achieve this, trans-national bandwidth of the gas lines must be increased.

Another stage of implementation of strategic investments on the gas transmission market will be construction of a low-pressure distribution gas line system, which also creates demand for products offered by the Company.

In the short-term perspective it is to be expected that another significant offers for deliveries of coated pipes will be announced in Autumn 2013. This results from schedules of performance of strategic investments in the branch. In Q1 2013 Izostal was supplying pipes under agreements signed back in 2012. A similar situation is to come in the following months. The Company holds a number of orders guaranteeing a significant increase of sale in the next 4 months.

Also, a significant increase in expenditures for gas (both shell and conventional) production well investments is noted. The Company successfully partakes in drill pipe deliveries. Development of this market segment also creates possibility of further expansion of the Company.

When assessing prospects for the branch, an important factor having influence on the investments should also be considered, which is the economic condition of the European Union and its budget for years 2014-2020.

Macroeconomic situation has also its influence on PLN - EUR exchange rate variations. The PLN-EUR exchange rate is a crucial factor having influence on results achieved by the Company, as major part of its purchases is settled in EUR. The Company effectively secures exchange rate risk.

In the Management's opinion, considering all the above mentioned factors, a significant increase in demand for the Company's products is to be expected.

Izostal S.A.
ul. Polna 3,
47-120 Zawadzkie

tel.: +48 77 40 56 500
fax: +48 77 40 56 501
gieluda@izostal.com.pl
www.izostal.com.pl

NIP 756-00-10-641

SHARE CAPITAL PLN 65 488 000

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