izostal sa
Grupa kapitałowa Stalprofil S.A.

Annual Report of Izostal S.A. for 2010

prepared in line with
International Financial Reporting Standards

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INTRODUCTION TO FINANCIAL STATEMENT

I. NAME (BUSINESS NAME) AND SEAT, BASIC OBJECTS AND COURT OF REGISTRATION

Izostal Spółka Akcyjna (Izostal S.A.) seated in Zawadzkie was established by notarized deed on July 14, 1993. The company was registered by the Business Court in Opole on August 3, 1993, under the number RHB 1899. On April 23, 2001 the Company was entered into the National Court Register under the number 0000008917 by the District Court, 8th Business Division of the National Court Register in Opole.

Company's objects include production and commercial activity, specifically:

- Processing of metals and coating of metals (25.61.Z.)
- Wholesale of metal products and equipment and additional hydraulic and heating equipment (46.74.Z)
- Production of other plastic products (22.29.Z)
- Production of plastic boards, sheets, pipes and sections (22.21.Z)
- Recycling of sorted materials (38.32.Z)
- Works related to the construction of transmission pipelines and distribution networks (42.21.Z)
- Other financial service activity not classified elsewhere, exclusive of insurance and pension funds (64.99.Z)
- Other business support activity, not classified elsewhere (82.99.Z).
- Other technical research and analyzes (71.20.B)
- Scientific research and development works in biotechnology (72.11.Z)
- Scientific research and development works in other natural and technical sciences (72.19.Z)

Composition of the Supervisory Board as on December 31, 2010:

- Jerzy Bernhard, Supervisory Board President
- Zdzisław Mendelak - Supervisory Board Vice President
- Jan Chebda - Supervisory Board Secretary
- Lech Majchrzak - Supervisory Board Member
- Jan Kruczak - Supervisory Board Member
- Adam Matkowski - Supervisory Board Member

Composition of the Management Board as on December 31, 2010:

- Władysław Mrzygłód – Management Board President, General Director
- Marek Mazurek - Management Board Vice President, Financial Director
- Jacek Podwiński – Management Board Vice-President, Commercial Director

On February 21, 2011 Mr. Władysław Mrzygłód submitted his resignation from the function of the Company Management Board President.
By virtue of the resolution of the Supervisory Board no. 23/VII/2011 of 28.02.2011 the function of the Management Board President of Izostal S.A. was taken over by Mr. Marek Mazurek.

II. COMPANY DURATION

Izostal S.A. started its activity on August 3, 1993.
The Company was established for an unlimited period.

III. PERIOD COVERED BY THE FINANCIAL STATEMENT

The annual financial statement covers the period from 01.01.2010 to 31.12.2010 and in its significant items it presents comparative data for the period from 01.01.2009 to 31.12.2009.

IV. INFORMATION ABOUT THE FINANCIAL STATEMENT COVERING INDIVIDUAL UNITS PREPARING SEPARATE FINANCIAL STATEMENTS

Izostal S.A. does not have any internal organizational units that would prepare standalone financial statements.

V. INFORMATION ABOUT THE FINANCIAL STATEMENT PREPARED ON THE BASIS OF A GOING CONCERN ASSUMPTION WITH INDICATION OF THE CIRCUMSTANCES THAT COULD POSE A SERIOUS RISK TO CONTINUATION OF ACTIVITY

The financial statement as on December 31, 2010 was prepared based on a going concern assumption.

VI. INFORMATION ABOUT THE FINANCIAL STATEMENT PREPARED FOR THE PERIOD DURING WHICH THE COMPANIES MERGED

In the reporting period, no merger of the Companies was effected.

VII. DESCRIPTION OF THE MOST IMPORTANT ACCOUNTING POLICY PRINCIPLES

The financial statement of Izostal S.A. was prepared in line with the International Financial Reporting Standards (IFRS) adopted by the EU and in the scope required by the Ordinance of the Minister of Finance of February 19, 2009 on current and periodic information provided by the issuers of commercial papers (Journal of Laws no. 33 item 259 as amended) and covers the period from January 1, 2010 to December 31, 2010 and the respective period from January 1, 2009 to December 31, 2009 used for comparison.
The presented financial statement meets all the requirements of the IFRS adopted by the EU and reflects reliably the Company financial and material situation as on December 31, 2010 and December 31, 2009, its results and cash flow for the year closed on December 31, 2010 and December 31, 2009.

Application of the new and amended IFRS
Standards and interpretations used for the first time in 2010.
In the current year the Company adopted the following new and amended standards and interpretations issued by the Council of International Accounting Standards and Committee for Interpretation of International Accounting Standards and approved by the EU, applicable for the conducted activity and effective in annual reporting periods as of January 1, 2010.

- IFRS 1 (amended) "First-time adoption of International Financial Reporting Standards" approved by the EU on November 25, 2009 (effective for annual periods starting from January 1, 2010 or after this date),
- IFRS 3 (amended) "Business combinations" approved by the EU on June 3, 2009 (effective for annual periods starting from July 1, 2009 or after this date),
- Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards" - additional exceptions to first-time adopters, approved by the EU on June 23, 2010 (effective for annual periods starting from January 1, 2010 or after this date),
- Amendments to IFRS 2 "Share-based payment" - Group cash-settled transactions, approved by the EU on March 23, 2010 (effective for annual periods starting from January 1, 2010 or after this date),
- IAS 27 (amended) "Consolidated and separate financial statements" approved by the EU on June 3, 2009 (effective for annual periods starting from July 1, 2009 or after this date),
- Amendments to IAS 39 "Financial instruments: recognition and measurements" - eligible hedged items, approved by the EU on September 15, 2009 (effective for annual periods starting from July 1, 2009 or after this date),
- Amendments to different standard and interpretations "Amendments to IFRS (2009)"- changes effected as a result of annual amendments to IFRS, published on April 16, 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) oriented mainly towards clarification of inconsistencies and specification of terminology, approved by the EU on March 23, 2010 (effective as to annual periods starting on January 1, 2010 or after this date),
- Interpretation of IFRIC 12 "Service concession arrangements" approved by the EU on March 25, 2009 (effective for annual periods starting from March 30, 2009 or after this date),
- Interpretation of IFRIC 15 "Agreement for the construction of real estate" approved by the EU on July 22, 2009 (effective for annual periods starting from January 01, 2010 or after this date),

- Interpretation of IFRIC 16 "Hedges of a net investment in a foreign operation" approved by the EU on June 4, 2009 (effective for annual periods starting from July 01, 2009 or after this date),
- Interpretation of IFRIC 17 "Distribution of non-cash assets to owners" approved by the EU on November 26, 2009 (effective for annual periods starting from November 1, 2009 or after this date),
- Interpretation of IFRIC 18 "Distribution of non-cash assets to owners" approved by the EU on November 27, 2009 (effective for annual periods starting from November 1, 2009 or after this date),

Adoption of the above standards and interpretations has not caused any significant differences in the accounting policy of the Company or the presentation of the financial statements.

Standards and interpretations that have already been published and approved for application within the EU, but not yet effective

On preparing this financial statement, the Company did not follow the following standards, amendments to the standards or interpretations, already published and approved for application within the EU but not yet effective:

- Amendments to IAS 32 "Financial instruments: presentation" - classification of subscription rights issues, approved by the EU on December 23, 2009 (effective for annual periods starting from February 1, 2010 or after this date),
- Amendments to IAS 24 "Related party disclosures" - Simplification of requirements regarding disclosures by related parties and specification of the definition of the term related parties, approved by the EU on July 19, 2010 (effective for annual periods starting January 1, 2011 or after this date).
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" - limited exception to first-time IFRS adopters as to disclosure of comparative information, approved by the EU on June 30, 2010 (effective for annual periods starting from July 1, 2010 or after this date),
- Amendments to IAS 14 "IAS 19 - Limit on a defined benefit asset, minimum funding requirements and their interaction" - prepayments under minimum funding requirements, approved by the EU on July 19, 2010 (effective for annual periods starting January 1, 2011 or after this date).
- Interpretation of IFRIC 19 "Extinguishing financial liabilities with equity instruments" approved by the EU on July 23, 2010 (effective for annual periods starting from July 1, 2010 or after this date),

Standards and interpretations adopted by the International Accounting Standards Board, not yet approved by the EU

The IFRS in the form approved by the EU do not differ much from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to the standards and interpretations, which, as on December 31, 2010, have not yet been approved for application:

- IFRS 9 "Financial instruments" (effective for annual periods starting on January 1, 2013 or after this date),
- Amendments to IFRS 1 "First-time adoption of IFRS" - Severe hyper-inflation and removal of fixed terms for first-time adopters of IFRS (effective for the annual periods starting on July 1, 2011 or after this date),
- Amendments to IFRS 7 "Financial instruments: disclosures" - transfers of financial assets (effective for annual periods starting on July 1, 2011 or after this date),
- Amendments to IAS 12 "Income taxes" - Deferred taxes: recovery of underlying assets (effective for annual periods starting on January 1, 2012 or after this date),
- Amendments to different standards and interpretations "Amendments to IFRS (2010)"- amendments effected as a result of annual amendments to IFRS, published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 7, IAS 27, IAS 34 and IFRIC 13) oriented mainly towards clarification of inconsistencies and specification of terminology, approved by the EU on March 23, 2010 (effective as to annual periods starting on January 1, 2011 or after this date),

According to the Company estimates, the aforementioned standards, interpretations and amendments to the standards would not have had any significant impact on the financial statement, had they been used by the entity as on the balance sheet date.

Furthermore, hedge accounting for the portfolio of assets or financial liabilities, for which the rules have not been approved for application in the EU is still outside the regulations adopted by the EU.

According to the Company estimates, the use of hedge accounting for the portfolio of financial assets or liabilities according to IAS 39 "Financial instruments: recognition and measurement" would not have had any significant impact on the financial statement, had it been approved by the EU for application as on the balance sheet date.

Description of the adopted accounting principles
Measurement of foreign currency positions

Functional currency and presentation currency
Positions of the financial statement are measured at the functional currency.
The Company's functional currency as well as its presentation currency is PLN.
The amounts in this financial statement are presented in PLN thousand unless stated otherwise.

Transactions and balances
The transactions expressed in foreign currencies are converted into the functional currency according to the exchange rate effective on the transaction day, and the balances of settlements and cash as on the balance sheet day are measured at the closing exchange rate of the leading bank (assets at the purchasing rate, liabilities at the selling rate). Exchange rate differences due to the measurement are recognized in profit and loss.

Tangible fixed assets
Tangible fixed assets are shown at their purchasing price or production costs less aggregate depreciation.
The rights of perpetual usufruct to land are shown as land and are not subject to depreciation.
Fixed assets of the unit value not higher than PLN 3.5 thousand are depreciated one time in the month they are transferred for use.
Fixed assets are capitalized according to the rates that reflect the foreseen period of their use. Linear depreciation method is used for depreciation of fixed assets. Use periods for specific fixed assets are as follows:

Buildings and structures	from 10 to 50 years
Machinery and plant	from 3 to 33 years
Means of transport	from 5 to 14 years
Other fixed assets	from 5 to 40 years

The applied depreciation rates are reviewed every year, as on December 31 of a specific year.
The financial lease agreements are activated as tangible fixed assets as on the day of the lease start.

Intangible assets
Acquired intangible assets are shown at their purchasing price. The use period for intangible assets is from 2 to 5 years.
Intangible assets are capitalized according to the rates that reflect the foreseen period of their use. For depreciation of intangible assets of a specific period of use the linear depreciation method is used.

Leasing
The financial lease agreements, which transfer the entire risk and all the benefits under the lease object, are activated as on the date of the lease start, in the current value of the minimum lease charges.
The lease charges are split in the financing costs and the principal, reducing the lease liabilities balances.
The financial costs are booked based on an accrual basis once they are charged to profit and loss.

Investments
All the investments are originally recognized at their purchasing price corresponding to the fair value of the payment made, covering the costs related to the acquisition of the investment.
After initial recognition, investments classified as "held for trading" and "available for sale" are measured at fair value. Gains or losses on investments held for trading and available for sale are recognized in profit and loss.
Long-term financial assets are recognized at purchasing price corresponding to the fair value of the payment made comprising the costs related to the purchase of the investment less impairment loss .

Inventory

Inventory is measured at purchasing prices or production cost, not higher than net selling prices as on the balance sheet date.

The amount of any inventory write-downs to the level of a net value that can be obtained and any inventory losses are recognized as cost of the period when the write-down or loss took place.

Cost is determined on the basis of the "first in first out" method (FIFO).

Receivables related to deliveries and services and other receivables

Receivables related to deliveries and services with a maturity term of 30 to 120 days as typical in the sector are recognized and shown at the originally invoiced amounts, taking into consideration write-downs for uncertain or uncollectible receivables. Write-downs for uncertain receivables are estimated when it is not likely that the entire receivable amount can be obtained. Uncollectible receivables are written off as losses once they are stated uncollectible.

Cash and cash equivalents

Cash and short-term deposits shown in the balance sheet comprise cash in bank and at hand as well as short-term deposits with the original maturity term not longer than 3 months.

The balance of cash and cash equivalents shown in the cash flow comprises aforesaid cash and cash equivalents less unpaid overdrafts.

An overdraft is shown in the balance sheet as part of short-term credits and loans under short-term liabilities.

Cash shown in the balance sheet and in the cash flow statement does not comprise the funds in the separate account of the Company Social Benefit Fund.

Provisions

Provisions are established when the entity has an obligation (either legal or usually expected) resulting from past events and when it is likely that fulfillment of this obligation will result in the outflow of funds embodying economic benefits and it is possible to estimate the amount of this obligation in a reliable way.

The Company establishes provisions for retirement benefits and service anniversary awards. The amount of the provisions established for this purpose is revalued as on the balance sheet date (December 31 of a given year).

Impairment

On each balance sheet date the Company reviews the balance sheet value of its fixed assets to determine whether or not there are any reasons indicating their possible impairment. When the existence of such reasons is confirmed, the value of an asset that can be recovered is estimated in order to determine a possible write-down on this account. The recoverable value is determined as the higher of fair value less costs of sales or value in use, which corresponds to the current value of the estimate future discounted cash flows, with discount rate allowing for the current market value of cash over time and a specific risk, if any, for a given asset. If recoverable value is lower than the net book value of an asset, then book value is reduced to the recoverable value. Respective loss is recognized as cost in the period when impairment takes place.

For reversed impairment, net value of an asset is increased to the new estimate recoverable value, yet no larger than the net value of this asset that would be determined if impairment had not been recognized in previous periods. Impairment reversal is recognized as adjustment of the costs in the period where the reasons contributing to impairment no longer exist.

Revenues

Sales revenues are recognized at fair value of payments received or due and they represent receivables for products, goods and services delivered within normal business, less discounts, VAT and other sales-related taxes.

Sales revenues are recognized if the following conditions have been met:

- the acquiring party has been transferred significant risk and benefits arising from the title to goods and products,
- The Company stops being permanently engaged in the management of the products sold to the extent this function is usually realized for the goods for which one holds a title, and the Company has no effective control over the goods.
- revenues amount can be measured in a reliable way,
- it is probable that the transaction will bring economic benefits, and the costs already incurred or likely to be incurred in connection with the transaction can be measured in a reliable way.

Revenues are recognized only if economic benefits connected with the transaction are likely to be obtained. Products, goods and materials are sold once the title to them is transferred upon the customer. The services are sold once they are provided and accepted by the customer. If there is any uncertainty as to collectability of an amount due which has already been classified as revenues, then this uncollectible amount, as to which the recovery no longer seems probable, is recognized as costs and not as the adjustment of the originally recognized revenues amount.

The amount of revenues resulting from a transaction is defined by agreement. Its value is defined as per fair value of the payment, allowing for the amounts of commercial discounts.

Fair value of the payment is defined by discounting of all future inflows based on the calculation percentage.

A difference between the payment's fair value and face value is recognized as revenues from interest. Revenues from interest are recognized year to date in respect to the principal amount due, according to the effective interest rate method.

Dividends

Payments of dividends to Company shareholders are recognized as a liability in the entity's financial statement in the period they are approved by Company shareholders.

Income tax

For financial reporting purposes, provision for income tax is established for all temporary differences as on the balance sheet date between the tax value of assets and liabilities and their balance sheet value shown in the financial statement. Provisions for deferred income tax are established in the income tax amount that is required to be paid in the future in relation with the occurrence of positive temporary differences, that is the differences that will increase the income tax base in the future.

Assets on account of deferred income tax are determined in the amount foreseen in the future as income tax refund due to temporary differences that in the future will reduce the income tax base. The balance sheet value of an asset of account of deferred income tax is reviewed on each balance sheet date and is reduced respectively to the extent it is no longer probable that a taxable income will be generated, sufficient to recover an asset on account of deferred income tax in part or in full. The balance sheet value of an asset of account of deferred income tax is reviewed on each balance sheet date and is reduced respectively to the extent it is no longer probable that a taxable income will be generated, sufficient to recover an asset on account of deferred income tax in part or in full.

External borrowing costs

External borrowing costs that can be assigned directly to acquisition, construction or production of an adapted asset are recognized as part of the purchasing price or production costs in line with the alternative approach under IAS no. 23.

Principles of measuring work in process

Work in process is measured at actual cost of charge material consumption, that is cost of black pipes consumption.

Principles of finished goods measurement

Finished goods are measured at their planned production cost defined for specific product mixes. After end of each month, actual production costs are determined for actual orders. Resultant deviations are booked in separate accounts. Over the month, finished goods on hand are measured at the planned production cost of outgoing material. After the month end, deviations are settled and the value of finished products is adjusted to actual costs.

Equity

Equity is recognized in the breakup into types and according to the principles specified in legal regulations and provisions of Company Articles.

Share capital is shown at its face value, in the amount corresponding to the Company Articles and entry in a relevant Court Register.

Declared but unpaid capital contributions are recognized as prepayments due for capital. Treasury shares and prepayments due for share capital reduce equity's value.

Capital on the issue of shares above their face value is established as the surplus of the shares’ issue price above their face value less the issue's costs.

Costs of shares' issue, incurred while increasing the share capital, decrease the shares issue capital above their face value to the amount of the surplus of the issues value above the shares face value.

Reporting for segments

Company does not keep separate detailed reporting for segments of operations. Company's reporting segment is production, sales and services related to anti-corrosion coating for steel pipes and delivery of pipes for gas and oil industries. Internal and external coating is a complementary product. This segment is the strategic object of Company business, other activity is not significant.

The issuer operates in a single geographical segment. Majority of export sales go to the EC countries, that is the countries of the same economic environment and similar political conditions.

Specific types are not assigned any specific elements or resources.

Zawadzkie, April 15, 2011

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Chief Accountant	Management Board President	Management Board Vice-President
Marek Matheja	Marek Mazurek	Jacek Podwiński

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Grupa kapitałowa Stalprofil S.A.

FINANCIAL STATEMENT FOR THE BUSINESS YEAR 2010

I. SELECTED FINANCIAL DATA AND CONVERSION INTO EURO

Selected financial data	PLN thousand		EUR thousand	
	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Net revenues from sale of products, goods and materials	90 209	138 329	20 783	34 544
Operating profit (loss)	7 062	11 131	1 627	2 780
Gross profit (loss)	6 439	8 538	1 483	2 132
Net profit (loss)	5 071	7 438	1 168	1 857
Cash flow - operating activity	15 669	-9 332	3 610	-2 330
Cash flow - investment activity	-52 951	-479	-12 199	-120
Cash flow - financial activity	34 496	49 040	7 947	12 247
Change in cash and cash equivalents	-2 786	39 229	-642	9 797
Total assets	154 198	203 466	37 534	51 376
Long-term liabilities	42 569	40 793	10 362	10 300
Short-term liabilities	60 100	41 327	14 629	10 435
Share capital	51 529	121 346	12 543	30 641
Number of shares	14 974 137	20 744 000	14 974 137	20 744 000
Profit (loss) per one ordinary share (PLN / EUR)	0,34	0,36	0,08	0,09
Diluted number of shares	26 974 137	32 744 000	26 974 137	32 744 000
Diluted profit (loss) per one ordinary share (PLN / EUR)	0,19	0,23	0,04	0,06

Selected financial data presented in the financial statement have been converted to EUR as follows: items of comprehensive income statement and cash flow statement for 2010 (2009) 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 the year. This rate was EUR 1 = PLN 4.0044 (EUR 1 = 4,3406). Items of the financial position report were converted based on the mean exchange rate announced by the National Bank of Poland effective on the balance sheet date. This exchange rate as on December 31, 2010 was: EUR 1 = PLN 3.9603 (as on December 31, 2009 - EUR 1 = PLN 4.1082). Annualized profit per share was converted according to the exchange rate being an arithmetic mean of the exchange rates announced by the National Bank of Poland effective as on the last day of each month of the year. This rate was EUR 1 = PLN 4.0044 (EUR 1 = PLN 4.3406 for 2009).

II. FINANCIAL POSITION REPORT AS ON 31.12.2010.

ASSETS	Note	As on 31.12.2009	As on 31.12.2010
A. Fixed assets (long-term)		**99 625**	**99 568**
1. Tangible fixed assets	1	99 105	98 947
2. Other intangible assets	2	152	177
3. Investments available for sale		0	0
4. Long-term financial assets	5	0	0
5. Deferred income tax assets	35	321	319
6. Long-term receivables and prepayments		47	125
B. Current assets (short-term)		**54 573**	**103 898**
1. Inventory	6	22 897	20 062
2. Long-term receivables and prepayments	7	28 868	54 450
3. Receivables on account of income tax		0	455
4. Long-term financial assets		0	0
5. Currency derivatives		0	0
6. Cash and cash equivalents	39	2 808	28 931
Total assets		**154 198**	**203 466**

LIABILITIES	Note	As on 31.12.2009	As on 31.12.2010
A. Equity		**51 529**	**121 346**
1. Share capital	21	41 488	41 488
2. Surplus from the sale of shares above their face value		0	38 379
3. Spare and reserve capital	23	4 970	34 041
4. Retained and current profit/loss		5 071	7 438
B. Long-term liabilities		**42 569**	**40 793**
1. Provisions	14	114	171
2. Provision for deferred income tax	35	268	213
3. Long-term bank loans and credits	11	21 344	16 688
4. Other long-term financial liabilities		5 134	4 464
5. Long-term liabilities and accruals	24	15 709	19 257
C. Short-term liabilities		**60 100**	**41 327**
1. Provisions	14	241	238
2. Short-term bank loans and credits	11	19 107	16
3. Short-term part of long-term bank loans and credits	11	4 656	4 656
4. Other short-term financial liabilities	12	868	962
5. Short-term liabilities and accruals	10	35 150	35 455
6. Liabilities on account of income tax		78	0
Total liabilities		**154 198**	**203 466**

Zawadzkie, April 15, 2011

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Chief Accountant	Management Board President	Management Board Vice-President
Marek Matheja	Marek Mazurek	Jacek Podwiński

III. COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD FROM 1.01.2010 TO 31.12.2010 (CALCULATION BASIS)

CALCULATION BASIS	Note number	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
A. Revenues on sale of products, goods and materials	**29**	**90 209**	**138 329**
B. Costs of products, goods and materials sold	**30**	**73 162**	**117 810**
C. Gross sales profit (loss) (A-B)		**17 047**	**20 519**
D. Costs of sales	30	1 541	1 791
E. Overheads	30	7 995	8 953
F. Other revenues	34	1 375	1 787
G. Other costs	34	1 824	431
H. Operating profit (loss) (C-D-E+F-G)		**7 062**	**11 131**
I. Financial income	32	1 351	684
J. Financial expenses	32	1 974	3 277
K. Gross profit/loss (H+I-J)		**6 439**	**8 538**
L. Income tax	35	1 368	1 100
M. Net profit/loss on business activity (K-L)		**5 071**	**7 438**
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 (M+N)		**5 071**	**7 438**

Earnings per share:		For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
- basic earnings based on financial result of a going concern		0,34	0,36
- basic earnings based of the financial result for the business year		0,34	0,36
- diluted earnings based on financial result of a going concern (PLN)		0,19	0,23
- diluted earnings based of the financial result for the business year (PLN)		0,19	0,23

Zawadzkie, April 15, 2011

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Chief Accountant	Management Board President	Management Board Vice-President
Marek Matheja	Marek Mazurek	Jacek Podwiński

IV. STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM JANUARY 1, 2010 TO DECEMBER 31, 2010

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

	Share capital	Surplus from the sale of shares above their face value	Treasury shares	Spare and reserve capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
As on 01.01.2009	**29 488**	**0**	**0**	**0**	**0**	**4 970**	**34 458**
Changes in equity in 2009	**12 000**	**0**	**0**	**4 970**	**0**	**101**	**17 071**
Appropriation of net profit	0	0	0	4 970	0	-4 970	**0**
Issue of share capital	12 000	0	0	0	0	0	**12 000**
Profit/loss for business year	0	0	0	0	0	5 071	**5 071**
Total revenues and costs shown in 2009	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Dividends	0	0	0	0	0	0	**0**
As on 31.12.2007	**41 488**	**0**	**0**	**4 970**	**0**	**5 071**	**51 529**

Zawadzkie, April 15, 2011

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Chief Accountant
Marek Matheja

Management Board President
Marek Mazurek

Management Board Vice-President
Jacek Podwiński

V. CASH FLOW STATEMENT FOR THE PERIOD FROM 1.01.2010 TO 31.12.2010 (INDIRECT METHOD)

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Cash flow from operating activity		
Profit/loss before taxation	**6 388**	**8 590**
Item adjustments:	**9 281**	**-17 922**
Depreciation of fixed assets	2 110	3 656
Depreciation of intangible assets	52	50
Foreign exchange gains/losses	0	0
Interest costs and income	1 256	2 762
Profit/loss on investment activity	0	-470
Change in provisions	-79	-1
Change in inventory	-302	2 835
Change in receivables and prepayments	1 971	-24 360
Change in liabilities and accruals	21 297	4 504
Paid/refunded income tax	-1 254	-1 687
Other adjustments	-15 770	-5 211
Net cash flow from operating activity	**15 669**	**-9 332**
Cash flow from investment activity		
Earnings from the sale of fixed assets and intangible assets	6 598	40
Earnings from the sale of financial assets	0	0
Earnings from interest	0	0
Other investment earnings - obtained subsidies	15 770	4 668
Expenditure on the purchase of tangible fixed assets and intangible assets	75 049	4 783
Net expenditure on the purchase of subsidiaries and associated entities	0	0
Other	-270	-404
Net cash flow from investment activity	**-52 951**	**-479**
Cash flow from financial activity		
Earnings from loans and credits	60 270	8 000
Net earnings from the issue of shares, bonds, bills of exchange and vouchers	12 000	66 000
Repayment of credits and loans	35 588	18 656
Repayments of liabilities under financial lease contracts	1 200	868
Dividends paid to Company shareholders	0	0
Interest paid	986	2 358
Other	0	-3 078
Net cash flow from financial activity	**34 496**	**49 040**
Increase/reduction in cash and cash equivalents	**-2 786**	**39 229**
Cash, cash equivalents and overdrafts at the beginning of the period	**-7 512**	**-10 298**
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and credit lines in the current account	0	0
Cash, cash equivalents and overdrafts at the end of the period	**-10 298**	**28 931**

Zawadzkie, April 15, 2011

………………………………	………………………………	………………………………
Chief Accountant	Management Board President	Management Board Vice-President
Marek Matheja	Marek Mazurek	Jacek Podwiński

VI. NOTES TO FINANCIAL STATEMENT PREPARED AS ON DECEMBER 31, 2010

1. Tangible fixed assets

The following table shows the scope of changes to the value of tangible fixed assets in 2010:

Specification	Land, including perpetual usufruct right to land	Buildings, premises and civil engineering structures	Means of transport	Technical plant and machinery	Other fixed assets	Total
Gross value at the beginning of the period	**1 387**	**58 886**	**1 488**	**59 360**	**3 296**	**124 417**
Increases, incl.:	**0**	**1 944**	**380**	**1 768**	**475**	**4 567**
– acquisition	0	2 464	19	1 036	465	3 984
– internal transfer	0	-520	0	530	10	20
– other	0	0	361	202	0	563
Reductions, including: (-)	**0**	**-578**	**-183**	**-4 736**	**-552**	**-6 049**
– liquidation	0	0	-1	-17	-5	-23
– revaluation	0	0	0	0	0	0
– sale	0	-451	-182	-4 572	-547	-5 752
– internal transfer	0	0	0	0	0	0
– other	0	-127	0	-147	0	-274
Gross value at the end of the period	**1 387**	**60 252**	**1 685**	**56 392**	**3 219**	**122 935**
Depreciation at the beginning of the period	**0**	**1 859**	**762**	**21 045**	**1 646**	**25 312**
Current depreciation - increases (including amendments to IAS)	0	987	193	2 242	234	3 656
Reductions, including: (-)	0	-257	-183	-4 094	-446	-4 980
– liquidation	0	0	-1	-17	-5	-23
– sale	0	-201	-182	-4 061	-441	-4 885
– internal transfer	0	0	0	0	0	0
– other	0	-56	0	-16	0	-72
Depreciation at the end of the period	**0**	**2 589**	**772**	**19 193**	**1 434**	**23 988**
Net book value at the beginning of the period	**1 387**	**57 027**	**726**	**38 315**	**1 650**	**99 105**
Revaluation at the beginning of the period	**0**	**0**	**0**	**0**	**0**	**0**
Net value at the beginning of the period including revaluation	**1 387**	**57 027**	**726**	**38 315**	**1 650**	**99 105**
Net book value at the end of the period	**1 387**	**57 663**	**913**	**37 199**	**1 785**	**98 947**
Revaluation at the end of the period	**0**	**0**	**0**	**0**	**0**	**0**
Net value at the end of the period including revaluation	**1 387**	**57 663**	**913**	**37 199**	**1 785**	**98 947**

The following table shows the scope of changes to the value of tangible fixed assets in 2009:

Specification	Land, including perpetual usufruct right to land	Buildings, premises and civil engineering structures	Means of transport	Technical plant and machinery	Other fixed assets	Total
Gross value at the beginning of the period	**1 387**	**22 479**	**1 043**	**31 079**	**1 634**	**57 622**
Increases, incl.:	0	36 407	448	34 924	1 690	73 469
– acquisition		36 323	11	28 400	1 700	66 434
– internal transfer	0	84	0	-83	0	1
– other	0	0	437	6 607	-10	7 034
Reductions, including: (-)	0	0	-3	-6 643	-28	-6 674
– liquidation	0	0	-3	-45	-27	-75
– revaluation	0	0	0	0	0	0
– sale	0	0	0	-6 598	-1	-6 599
– internal transfer	0	0	0	0	0	0
– other	0	0	0	0	0	0
Gross value at the end of the period	**1 387**	**58 886**	**1 488**	**59 360**	**3 296**	**124 417**
Depreciation at the beginning of the period	**0**	**1 684**	**587**	**19 634**	**1 374**	**23 279**
Current depreciation - increases (including amendments to IAS)	0	175	178	1 457	300	2 110
Reductions, including: (-)	0	0	-3	-46	-28	-77
– liquidation	0	0	-3	-45	-27	-75
– sale	0	0	0	-1	-1	-2
– internal transfer	0	0	0	0	0	0
– other	0	0	0	0	0	0
Depreciation at the end of the period	**0**	**1 859**	**762**	**21 045**	**1 646**	**25 312**
Net book value at the beginning of the period	1 387	20 796	456	11 445	260	34 344
Revaluation at the beginning of the period	0	0	0	0	0	0
Net value at the beginning of the period including revaluation	**1 387**	**20 796**	**456**	**11 445**	**260**	**34 344**
Net book value at the end of the period	1 387	57 028	726	38 315	1 650	99 106
Revaluation at the end of the period	0	0	0	0	0	0
Net value at the end of the period including revaluation	**1 387**	**57 027**	**726**	**38 315**	**1 650**	**99 105**

The Company does not have any obligations towards the State Treasury on account of the transfer of title to real properties. Land shown under assets comprises perpetual usufruct right to land, which is not capitalized.

The following table shows the ownership structure of tangible fixed assets:

Specification	As on 31.12.2009	As on 31.12.2010
1. Company's own	90 506	90 531
2. Rented, leased or used under another agreement, including lease agreements	8 599	8 416
Total tangible fixed assets	**99 105**	**98 947**

Tangible fixes assets include fixed assets used by the Company on the basis of the financial leasing agreements. Net value thereof as on December 31, 2010 was:

- means of transport - PLN 782 thousand.
- technical plant, machinery- PLN 7,634 thousand

Contractual obligations for leasing of fixed assets as on December 31, 2010 - PLN 5,426 thousand.

Investment purchasing in 2010 was focused on the extension of tangible fixed assets and was financed from the Company's own funds.

The following table shows the main investments of the Company in 2010 (including expenditure on intangible assets):

Specification	From 01.01 to 31.12.2010
Extension of the production plant in Kolonowskie, including:	**3 809**
- construction of the storage yard	1 251
- purchase of the external coating line	912
- completion of the construction of the Anti-Corrosion Coating Center	781
- other	865
Other	**632**
Total	**4 441**

In 2009, the investment expenditure amounted to PLN 66,452 thousand.

The expenditure for fixed assets in construction, not yet commissioned as on 31.12.2010 comprised:

- extension of the production plant in Kolonowskie - PLN 1,715 thousand
- other - PLN 31 thousand

The following fixed assets secured the loans taken by the Company as on 31.12.2010.

- coating production line (large diameters), of a net value as on 31.12.2010 of PLN 19,069 thousand (pledge)

The following table shows fixed assets securing the repayment of Company obligations:

Specification	As on 31.12.2009	As on 31.12.2010
Security value (amount up to which security was established)		
Mortgage	42 400	59 400
Pledge and transfer of ownership in respect of tangible fixed assets	1 048	19 069
Total	**43 448**	**78 469**
Net balance sheet value	**0**	**0**
Land, including perpetual usufruct right to land	1 385	1 385
buildings and structures	57 028	55 893
technical plant and machinery	1 048	19 069
Other fixed assets	0	0
Total	**59 461**	**76 347**

The following table shows tangible fixed assets:

Specification	As on 31.12.2009	As on 31.12.2010
Land, including perpetual usufruct right to land	1 387	1 387
Buildings, premises and civil engineering structures	57 027	57 663
Technical plant and machinery	38 315	37 199
Means of transport	726	913
Other fixed assets	1 650	1 785
Total tangible fixed assets	**99 105**	**98 947**

Perpetual usufruct right refers to the land located in:

- Zawadzkie, ul. Polna 3 (KW41822)
- Zawadzkie, ul. Ks. Wajdy 1 (KW48794, KW57525, KW59207)
- Kolonowskie, ul. Opolska (KW40617)

Valuation of perpetual usufruct right to land is at purchasing prices. Land purchased after 1997 (hyperinflation period).

2. Other intangible assets

The following table shows the scope of changes to other tangible fixed assets in 2010:

Specification	Internally produced intangible assets		Other intangible assets			
	Patents, trademarks, development works	Other	Patents, trademarks, development works	Other	Prepayments for fixed assets under construction	Total
Gross value at the beginning of the period			**20**	**1 027**	**0**	**1 047**
Amendment to IAS			0	0	0	**0**
Increases, incl.:			4	92	0	**96**
− acquisition			4	92	0	**96**
− internal transfer			0	0	0	**0**
− other			0	0	0	**0**
Reductions, including: (-)			-20	-1	0	**-21**
− liquidation			0	-1	0	**-1**
− revaluation			0	0	0	**0**
− sale			0	0	0	**0**
− internal transfer			-20	0	0	**-20**
− other			0	0	0	**0**
Gross value at the end of the period			**4**	**1 118**	**0**	**1 122**
Depreciation at the beginning of the period			**0**	**895**	**0**	**895**
Current depreciation - increases (including amendments to IAS)			0	51	0	**51**
Reductions, including: (-)			0	-1	0	**-1**
− liquidation			0	-1	0	**-1**
− sale			0	0	0	**0**
− internal transfer			0	0	0	**0**
− other			0	0	0	**0**
Depreciation at the end of the period			**0**	**945**	**0**	**945**
Net book value at the beginning of the period			20	132	0	**152**
Revaluation at the beginning of the period			0	0	0	**0**
Net value at the beginning of the period including revaluation			**20**	**132**	**0**	**152**
Net book value at the end of the period			4	173	0	**177**
Revaluation at the end of the period			0	0	0	**0**
Net value at the end of the period including revaluation			**4**	**173**	**0**	**177**

The following table shows the scope of changes to other tangible fixed assets in 2009:

Specification	Internally produced intangible assets		Other intangible assets			
	Patents, trademarks, development works	Other	Patents, trademarks, development works	Other	Prepayments for fixed assets under construction	Total
Gross value at the beginning of the period			**20**	**1 075**	**0**	**1 095**
Amendment to IAS						0
Increases, incl.:			0	17	0	17
– acquisition				17	0	17
– internal transfer						0
– other						0
Reductions, including: (-)			0	-65	0	-65
– liquidation				-65		-65
– revaluation						0
– sale						0
– internal transfer						0
– other						0
Gross value at the end of the period			**20**	**1 027**	**0**	**1 047**
Depreciation at the beginning of the period			**0**	**909**	**0**	**909**
Current depreciation - increases (including amendments to IAS)			0	51	0	51
Reductions, including: (-)				-65		-65
– liquidation				-65		-65
– sale						0
– internal transfer						0
– other						0
Depreciation at the end of the period			**0**	**895**	**0**	**895**
Net book value at the beginning of the period			20	166	0	186
Revaluation at the beginning of the period			0			0
Net value at the beginning of the period including revaluation			**20**	**166**	**0**	**186**
Net book value at the end of the period			20	132	0	152
Revaluation at the end of the period			0			0
Net value at the end of the period including revaluation			**20**	**132**	**0**	**152**

As on December 31, 2010, the main intangible assets comprise software.

3. Investment real properties

As on December 31, 2010, the Company did not have any investment real properties.

4. Goodwill

There is no goodwill.

5. Long-term financial assets

The Company does not have any long-term financial assets.

6. Inventory

The following table shows the list of stocks as on 31.12.2010:

Specification	Valuation based on the purchasing price/ production cost	Valuation based on the net value possible to obtain	Amount of inventory write-downs at the beginning of the period	Costs of inventory revaluation write-downs reversal recognized as write-downs reduction in the period	Amounts of inventory revaluation write-downs recognized as cost in the period	Amount of inventory write-downs at the end of the period	Value of inventory recognized as cost in the period	Balance sheet value at the end of the period	Value of inventory used to secure liabilities
Core materials	12 391	0	184	183	0	1	56 240	12 390	
Auxiliary materials	1 064	0	0	0	0	0	1 036	1 064	
Work in process	0	0	0	0	0	0	0	0	16 500
Finished products	2 828	0	37	36	46	47	0	2 781	
Goods	3 827	0	10	10	0	0	49 919	3 827	
TOTAL	20 110	0	231	229	46	48	107 195	20 062	

The following table shows the list of stocks as on 31.12.2009:

Specification	Valuation based on the purchasing price/ production cost	Valuation based on the net value possible to obtain	Amount of inventory write-downs at the beginning of the period	Costs of inventory revaluation write-downs reversal recognized as write-downs reduction in the period	Amounts of inventory revaluation write-downs recognized as cost in the period	Amount of inventory write-downs at the end of the period	Value of inventory recognized as cost in the period	Balance sheet value at the end of the period	Value of obligations securing inventory
Core materials	13 060	0	97	204	291	184	55 665	12 876	
Auxiliary materials	1 164	0	0	0	0	0	934	1 164	
Work in process	0	0	0	0	0	0	0	0	15 000
Finished products	5 414	0	75	74	36	37	0	5 377	
Goods	3 490	0	8	8	10	10	12 501	3 480	
TOTAL	23 128	0	180	286	338	231	69 100	22 897	

As on December 31, 2010, inventory at the total amount of PLN 16,500 thousand secured the loan taken by the Company under the loan agreement, in the form of multi-purpose credit limit granted by Powszechna Kasa Oszczędności Bank Polski S.A.
Write-downs are carried to operating costs (finished goods) or other costs (other inventory items). Reversed revaluation write-downs are carried to operating activity costs or other income.

7. Receivables and prepayments

Write-downs apply to receivables from debtors in liquidation or bankruptcy, from the ones that question receivables as well as in other cases where the assessment of economic and financial situation of the entity indicates that payment of receivables by them in the nearest future does not seem probable. Receivables claimed at court are covered by 100% write-down.
As of December 31, 2010, the Company wrote down all the receivables at risk.
As to its receivables, in case the debtor defaults in payment, the Company has the right to charge interest on terms and conditions specified in legal regulations and according to the interest rate specified therein.
For export receivables, the Company applies 30-120-day payment term, and for domestic sales it is 30-90 days. In 2010 no major deviations from these payment terms occurred.

The following table shows the details of Company receivables:

Specification	As on 31.12.2009	As on 31.12.2010
Receivables for deliveries and services:	**27 483**	**53 535**
- long-term part	0	0
- short-term part	27 483	53 535
Receivables from subsidiary entities, including:	**0**	**0**
receivables for deliveries and services	**0**	**0**
- long-term part	0	0
- short-term part	0	0
other receivables	**0**	**0**
- long-term part	0	0
- short-term part	0	0
Receivables from affiliated entities, including:	**1 407**	**4 618**
receivables for deliveries and services	**1 407**	**4 618**
- long-term part	0	0
- short-term part	1 407	4 618
other receivables	**0**	**0**
- long-term part	0	0
- short-term part	0	0
Prepayments:	**0**	**0**
- long-term part	0	0
- short-term part	0	0
Other receivables:	**2 434**	**2 621**
- long-term part	0	0
- short-term part	2 434	2 621
Prepaid expenses:	**738**	**229**
- long-term part	47	125
- short-term part	691	104
Impairment write-downs at the beginning of the period	**491**	**1 740**
Recognition of impairment losses in the period	**1 414**	**308**
Reversal of impairment losses in the period	**165**	**693**
Impairment write-downs at the end of the period	**1 740**	**1 355**
TOTAL	**28 915**	**55 030**

Receivables and prepayments - currency structure

Specification	As on 31.12.2009	As on 31.12.2010
a) PLN	26 907	53 780
b) foreign currencies (in currencies and converted in PLN)	2 008	1 250
b1. EUR	499	324
converted to PLN	2 008	1 250
Total short-term receivables	**28 915**	**55 030**

Gross receivables for deliveries and services with repayment term remaining as of the balance sheet date:

Specification	As on 31.12.2009	As on 31.12.2010
a) up to 1 month	4 046	17 473
b) from above 1 month to 3 months	16 976	24 687
c) from above 3 months to 6 months	0	244
d) over 1 year	0	0
e) overdue receivables	6 461	11 131
Total (gross) receivables for deliveries and services	**27 483**	**53 535**
f) write-down of receivables for deliveries and services	702	667
Total (net) receivables for deliveries and services	**26 781**	**52 868**

Receivables for deliveries and services, overdue, in the breakup into unpaid receivables in the period:

Specification	As on 31.12.2009	As on 31.12.2010
a) up to 1 month	4 249	1 832
b) from above 1 month to 3 months	862	8 759
c) from above 3 months to 6 months	793	55
d) over 6 months to 1 year	480	212
e) over 1 year	77	273
Total (gross) overdue receivables for deliveries and services	**6 461**	**11 131**
f) revaluation write-down of receivables for deliveries and services, overdue	381	667
Total (net) overdue receivables for deliveries and services	**6 080**	**10 464**

Long-term prepaid expenses refer to the costs of obtained certificates mainly.

As on 31.12.2010 and 31.12.2009 there were no long-term receivables.
Short-term prepaid expenses as on 31.12.2010 refer mainly to the costs of the obtained certificates (PLN 26 thousand), insurance (PLN 45 thousand) and costs related to the settlement of prepayments (PLN 14 thousand).
The amount of the remaining receivables shown as on 31.12.2010, that is PLN 2,621 thousand concerns mainly VAT and CIT amounts due (PLN 1.581 thousand) and penalty for delayed performance of the contract (PLN 679 thousand). For the other receivables, write-downs were established for the total value of PLN 688 thousand.

8. Income tax receivables

As on December 31, 2010, receivables on account of income tax amounted to PLN 455 thousand. As on December 31, 2009, there were no income tax receivables.

9. Long-term financial assets

As on December 31, 2010, the Company did not have any short-term financial assets..

10. Liabilities and accruals

Entity's liabilities related to deliveries and services bear an interest rate in line with the principles specified in relevant legal regulations. The exception is liabilities related to leasing agreements, where the contracts provide for other interest rates for default. Except for the aforesaid interest rate, there is no interest on liabilities related to deliveries and services. As for foreign liabilities, Company obtains payment terms of 30 to 60 days of the invoice's date. As for domestic liabilities, Company obtains payments terms of 7 to 90 days of the invoice's date. The exceptions comprise prepayments or payments at receipt for new customers.
Company's tax liabilities (if there is a delay in their payment) bear an interest rate as specified in tax regulations.
Tax and insurance liabilities as on 31.12.2010 and 31.12.2009 amounted to PLN 3,618 thousand and PLN 667 thousand, respectively.
Salary payment liabilities as on 31.12.2010 and 31.12.2009 amounted to PLN 505 thousand and PLN 445 thousand, respectively.
The following table shows the details of Company liabilities:

Specification	As on 31.12.2009	As on 31.12.2010
Liabilities related to deliveries and services:	**33 762**	**30 638**
- long-term part	0	0
- short-term part	33 762	30 638
Liabilities towards subsidiary entities, including:	**0**	**0**
liabilities related to deliveries and services	**0**	**0**
- long-term part	0	0
- short-term part	0	0
other liabilities	**0**	**0**
- long-term part	0	0
- short-term part	0	0
Liabilities to affiliated entities, including:	**15 243**	**19 483**
liabilities related to deliveries and services	**15 243**	**19 483**
- long-term part	0	0
- short-term part	**15 243**	19 483
other liabilities	**0**	**0**
- long-term part	0	0
- short-term part	0	0
Prepayments:	**0**	**0**
- long-term part	0	0
- short-term part	0	0
Other liabilities:	**1 189**	**4 165**
- long-term part	0	0
- short-term part	1 189	4 165
Accruals:	**15 752**	**19 868**
- long-term part	15 709	19 257
- short-term part	43	611
Prepayments	**234**	**41**
- long-term part	**0**	0
- short-term part	**234**	41
TOTAL	**50 937**	**54 712**

All accruals shown in the above table refer to the subsidy for the purchase of fixed assets settled over time, for activity 4.4. (New investments of high innovative potential). The subsidy was granted for the establishment of the innovative Anti-Corrosion Coating Center for Steel Pipes. PLN 20,438 thousand - obtained as the subsidy.

Short-term liabilities - currency structure

Specification	As on 31.12.2009	As on 31.12.2010
a) PLN	54 659	38 146
b) foreign currencies (in currencies and converted in PLN)	5 200	2 943
b1. EUR	1 228	726
converted to PLN	5 200	2 943
Total short-term liabilities	**59 859**	**41 089**

11. Loans and credits

As on December 31, 2010, the Company did not grant any loans to any beneficiaries.

As on December 31, 2010, the Company had the following loans:

- Multi-purpose credit limit with Powszechna Kasa Oszczędności Bank Polski S.A. for PLN 22,000 thousand. Valid till September 8, 2013. The interest rate is WIBOR 1M plus bank's margin. The credit is secured by the blank bill of exchange guaranteed by Stalprofil S.A., registered pledge on inventory of PLN 16,500 thousand with assignment of rights under the insurance policy, and clause for deduction of debt from the accounts managed by PKO BP S.A.
- Investment loan taken at Powszechna Kasa Oszczędności Bank Polski S.A. for the amount of PLN 26,000 thousand. The loan is used for the financing of the construction at the Anti-Corrosion Coating Center for Steel Pipes. The loan granted till July 18, 2015. The loan will be repaid in equal monthly installments, starting from January 2010 till July 2015. The loan's interest rate is WIBOR 3M plus bank's margin. The loan is secured by the blank bill of exchange, cap mortgage of PLN 26,000 thousand and principal mortgage of up to PLN 10,400 thousand on the real properties with land and mortgage registers no. OP1S/00040617/8, KW57525, KW41822, registered pledge on the external coating line for a diameter of up to 1220 with assignment of rights under the insurance policy, assignment of commercial amounts due, assignment of cash receivables under insurance contracts for the property being the security.

The following table shows the credits and loans on 31.12.2010:

Specification	Repayment term	As on 31.12.2009	As on 31.12.2010		
			Total	including short-term	including long-term
Overdraft at PKO BP	09.10.2010	13 107	0	0	0
Multi-purpose credit limit at PKO BP	08.09.2013	0	16	16	0
Investment loan at PKO BP	18.07.2015	26 000	21 344	4 656	16 688
Investment loan at PKO BP	30.07.2010	6 000	0	0	0
Total		**45 107**	**21 360**	**4 672**	**16 688**

12. Other financial liabilities

The amount of other short-term financial liabilities shown in the balance sheet as on December 31, 2010 is PLN 962 thousand and concerns leasing liabilities with specific installment payment terms. Long-term financial liabilities as on December 31, 2010 amounted to PLN 4,464 thousand and were also leasing liabilities.

13. Income tax liabilities

As on 31.12.2010 the Company did not have any income tax liabilities. As on 31.12.2009 income tax liabilities amounted to PLN 78 thousand.

14. Provisions

The note included also a provision for deferred income tax.

At the beginning of the business year, the amount of the established provisions was PLN 62 thousand and comprised:

- provision for retirement severance pays and service anniversary bonuses of PLN 128 thousand. The amount of the provision was estimated as on December 31, 2009. Out of that, the amount of PLN 114 thousand is a long-term provision, and PLN 14 thousand is a short-term provision.

- short-term provision established in 2009 in the amount of PLN 227 thousand for remuneration (including employer's fees) in the form of bonus for Management Board Members.
- long-term provision for deferred income tax in the amount of PLN 268 thousand.

Provisions for retirement severance pays and service anniversary bonuses were established in line with IAS 19. At the end of each business year, provisions are revalued.

As on 31.12.2010 the amount of the established provisions was PLN 62 thousand and comprised:

- provision for retirement severance pays and service anniversary bonuses of PLN 175 thousand. This amount was estimated as on December 31, 2010. Out of that, PLN 171 thousand is a long-term provision, and PLN 4 thousand is a short-term provision.
- Long-term provision for deferred income tax in the amount of PLN 213 thousand.
- Short-term provision for bonus remuneration to Management Board members in the amount of PLN 234 thousand.

The following table shows the list of provisions as on 31.12.2010:

Specification	Provisions for warranty repairs	Restructuring provisions	Provisions for retirement and similar benefits:	Other provisions	Total
Value at the beginning of the period, including:	**0**	**0**	**355**	**268**	**623**
- short-term at the beginning of the period	0	0	241	0	241
- long-term at the beginning of the period	0	0	114	268	382
Increases	0	0	473	106	579
- established in the period and increase in the existing ones	0	0	473	106	579
-acquired as merger of business entities	0	0	0	0	0
Reductions	0	0	419	161	580
-utilized over the year	0	0	419	161	580
-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 at the end of the period, including:	**0**	**0**	**409**	**213**	**622**
- short-term at the end of the period	0	0	238	0	238
- long-term at the end of the period	0	0	171	213	384

The following table shows the list of provisions as on 31.12.2009:

Specification	Provisions for warranty repairs	Restructuring provisions	Provisions for retirement and similar benefits:	Other provisions	Total
Value at the beginning of the period, including:	**0**	**0**	**304**	**398**	**702**
- short-term at the beginning of the period	0	0	207	159	366
- long-term at the beginning of the period	0	0	97	239	336
Increases	0	0	581	89	670
- established in the period and increase in the existing ones	0	0	581	89	670
-acquired as merger of business entities	0	0	0	0	0
Reductions	0	0	530	219	749
-utilized over the year	0	0	512	219	731
-reversed but non-utilized	0	0	18	0	18
Adjustment by net foreign exchange rate differences after conversion	0	0	0	0	0
Discount rate adjustment	0	0	0	0	0
Value at the end of the period, including:	**0**	**0**	**355**	**268**	**623**
- short-term at the end of the period	0	0	241	0	241
- long-term at the end of the period	0	0	114	268	382

15. Provisions for retirement and similar benefits

According to the remuneration principles effective in the Company, employees are entitled to discretionary bonuses, retirement or disability severance pays and service anniversary bonuses.

Provisions for retirement severance pays and service anniversary bonuses are estimated by an actuary.

The results of the estimates have been included in the statement, in the amounts as follows:

Specification	As on 31.12.2009	As on 31.12.2010
Retirement severance pays	17	31
Service anniversary bonuses	111	144
Total	**128**	**175**

Provisions for retirement severance pays and service anniversary bonuses are revalued at the end of each calendar year.

Provision as on December 31, 2010 was estimated on the basis of the data as on this day. Over the business year, the value of provisions is reduced by the severances paid.

To estimate the provision as on December 31, 2010, an actuary took the following assumptions:

- pay increase rate - the Company expects pay increases in 2011 to be at the level of the inflation rate
- probability of employees retiring or receiving disability pension - estimated on the basis of the following metrics for specific employees: sex, age, information on retirement age (age when a Company employee becomes entitled to retirement pension) and information on rotation in the personnel of the Company in at least recent 3 years. The latter includes information on the causes for employees' leaving the Company, including among others natural causes, such as death.
- mobility - relative mobility rates were estimated on the basis of the Company personnel's mobility seen in recent years;
- technical interest rate - as per IAS 19 - the applied discount rate for future payments should be taken at a nominal value (item 76 of IAS 19). In line with IAS 19.78 "the rate to discount post-employment benefit obligations (...) shall be determined by reference to market yields at the end of the reporting period on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds shall be used". The term of the corporate bonds or government bonds shall be consistent with the estimated term of the post-employment benefit obligation. The obligations analyzed for the estimate cover the period of around 40 years. Yet, the long-time bonds market in the Warsaw Stock exchange is not deep.

An actuary took the market yield of multi-year government bonds to discount future payments as on December 31, 2010.

- retirement age - 65 for men, 60 for women (for all of them it was taken that this was the age of them becoming entitled to retire).

The valuation method taken by an actuary is as follows:

- in line with IAS 19, to define the provision the forecast individual entitlements were used. The provision was determined on the basis of the information provided and whether or not it is correct depends on the accuracy of the information,
- for all the benefits the assumption was taken of linear entitlement to benefits starting from the moment of being hired to the moment of benefit award,
- the provision for future obligations was calculated on the basis of the headcount of Company employees as on the balance sheet date. The provision does not include the people to be hired after the balance sheet date or changes to the benefit payment principles that can become effective in the future.

16. Warranties

The Company gives an unlimited warranty for its products and services for the period specified in the contract (e.g. 24 or36months starting from the date on which the customer accepts the goods. "Unlimited" does not mean an unlimited period, but "unlimited" in the scope of delivery and performance by IZOSTAL S.A. or in line with the building law (24 months). Warranty covers:

- use of appropriate materials designed for this purpose,
- delivery of goods characterized by relevant quality and parameters,
- observance of statutory regulations,
- replacement of a batch of goods or provision of a new service in case of default evidence - contractor's default.

In recent years, due to the high quality of the products offered, the Company has not recorded any warranty repairs of its products, therefore the provisions for them have not been established.

17. Off-balance sheet items, including: contingent liabilities

The following table shows the details of Company's contingent liabilities:

Specification	As on 31.12.2009	As on 31.12.2010
1. Contingent liabilities	**0**	**12 058**
1.1. To affiliates	0	0
- sureties and guarantees provided	0	0
1.2. To other entities	0	12 058
- sureties and guarantees provided	0	12 058
- bills of exchange	0	0
- transfer of receivables under commercial contracts securing the loans	0	0
2. Other	**58 448**	**94 969**
- refused claims for which a contractor has initiated a court proceeding	0	0
- property encumbrances (mortgage, pledge, transfer of ownership as security)	58 448	94 969
including pledge on fixed assets	1 048	19 069
including pledge on inventory	15 000	16 500
including mortgage	42 400	59 400
Total off-balance sheet items	**58 448**	**107 027**

The main items encumbering Company's property is liabilities related to bank credits and loans. The Company does not utilize any discount loans. The Company has not granted any sureties.

The Company has provided the following guarantees:

- to OGP Gaz - system S.A.

- bid bond guarantee of PLN 10,000 thousand for the limited tender procedure for conclusion of the framework contract for the delivery of coated steel pipes DN 700 and DN 800. Izostal S.A. signed the framework contract on January 26, 2011.
- performance bond and rectification guarantee. The guarantee has been granted up to PLN 431 thousand for non-performance or undue performance of the contract (till 28.03.2011) including up to PLN 129 thousand for failure to rectify or undue rectification (till 28.03. 2016),
- performance bond and rectification guarantee. The guarantee has been granted up to PLN 530 thousand for non-performance or undue performance of the contract (till 10.03.2011) including up to PLN 159 thousand for failure to rectify or undue rectification (till 20.03.2016)

- to ZRUG Sp z o.o. seated in Pogórska Wola

- performance bond. The bond has been granted for up to PLN 1,097 thousand for non-performance or undue performance of the contract (till 31.05.2011)

18. Operating lease agreements

On March 1, 1996 the Company concluded the agreement on the lease of the production bay of a total area of 5,400 m², machine house rooms of an area of 429 m² and social facility rooms of an area of 251 m². The agreement was concluded till December 31, 2023. Rent is paid on a monthly basis by the 7th day of each month.
On April 11, 2005 the Company concluded the agreement on the lease of the production bay of a total area of 2,500 m² and some machinery and plant. The agreement was concluded for an unlimited period. Rent is paid on a monthly basis by the 14th day of each month.
On December 1, 2005, the Company concluded the agreement on the lease of electric transmission and switching equipment. The agreement was concluded for an unlimited period. Rent is paid on a monthly basis by the 10th day of each month.
On June 29, 2010, the Company concluded the agreement on the lease of the production bay premises of an area of 1440 m², and the premises beyond the bay of an area of 234.5 m². The agreement was concluded till May 31, 2011. Rent is paid on a monthly basis by the 10th day of invoice's date.

19. Financial lease obligations

As on 31.12.2010 Izostal S.A. is party to 9 financial lease agreements (Company as the beneficiary):
3 agreements concluded on July 4, 2008. 3 motor cars are leased. Last installment payment term is June 2011. The lessee has the right to acquire the object of the agreement for the buyback price. Net monthly installment for each agreement is PLN 1.7 thousand. The agreements provide for the issue of a bill of exchange by the lessee upon lessor's demand, and the lessor may fill in the bill of exchange if the lessee defaults with payment of lease fees or violates the agreement otherwise.
The agreement concluded on January 6, 2009 on the lease of the internal coating line for steel pipes. Last installment payment term is May 2016. Net monthly installment is PLN 89 thousand. The agreement is secured by the blank bill of exchange and cap mortgage in the land and mortgage register no. KW 40617.
The agreement concluded on March 26, 2009 on the lease of a forklift truck. Last installment payment term is March 2014. Net monthly installment is PLN 5 thousand. The agreement is secured by 2 blank bills of exchange.
The agreement concluded on June 22, 2009 on the lease of a lorry. Last installment payment term is June 2013. Net monthly installment is PLN 1.9 thousand. The agreement is secured by a blank bill of exchange.
2 agreements concluded on 27.07.10. 2 motor cars are leased. Last installment payment term is August 2013. Net monthly installment for each agreement is PLN 2.3 thousand. The agreements are secured by blank bills of exchange with the endorsement "without protest" and with the bill of exchange agreement.
The agreement concluded on October 18, 2010 on the lease of a motor car. Last installment payment term is October 2013. Net monthly installment for each agreement is PLN 3.8 thousand. The agreement is secured by a blank bill of exchange with the endorsement "without protest" and with the bill of exchange agreement.

The following table shows the future minimum lease fees and their current value:

Specification	As on 31.12.2009		As on 31.12.2010	
	Current value of minimum fees	Minimum fees	Current value of minimum fees	Minimum fees
in the period of up to 1 year	827	1 227	962	1 312
in the period from 1 year to 5 years	3 637	4 604	3 962	4 675
in the period of over 5 years	1 497	1 581	502	512
Total	**5 961**	**7 412**	**5 426**	**6 499**

20. Bonds convertible to shares

In 2010 the Company did not issue any bonds convertible to shares.

21. Share capital

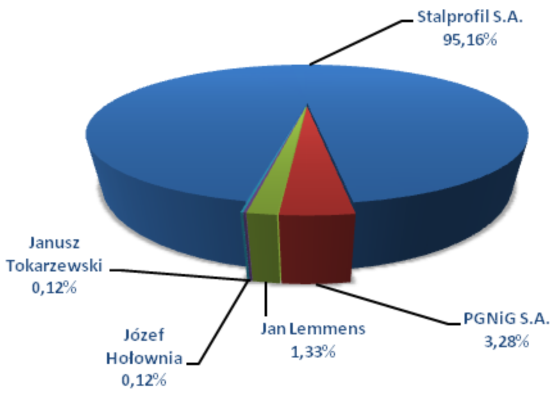
Company share capital (in line with the entries in the National Court Register) as on December 31, 2010 was PLN 41,488 thousand and comprised 20,744,000 ordinary bearer shares of a face value of PLN 2 per share and comprised the following issues of shares:

	Type of shares	Type of shares' privilege	Type of limitation on rights to shares	Number of shares	Face value of a single share	Series / issue value as per face value (PLN thousand)	Manner of capital payment	Registration date	Right do dividend (from the date)
A series	bearer shares	none	none	50 000	PLN 2.00	100	cash contributions	1993-08-03	-
B series	bearer shares	none	none	1 150 000	PLN 2.00	2 300	21 850 - cash contributions, 1 150 – non-cash contributions	1994-02-28	1993-11-30
C series	bearer shares	none	none	150 000	PLN 2.00	300	cash contributions	1995-03-07	-
D series	bearer shares	none	none	225 000	PLN 2.00	450	cash contributions	1999-09-19	-
E series	bearer shares	none	none	1 025 000	PLN 2.00	2 050	cash contributions	2003-03-24	2003-03-24
F series	bearer shares	none	none	1 950 000	PLN 2.00	3 900	conversion of bonds to shares	2004-02-19	-
G series	bearer shares	none	none	3 412 500	PLN 2.00	6 825	conversion of bonds to shares	2005-03-21	2005-01-01
H series	bearer shares	none	none	3 281 500	PLN 2.00	6 563	conversion of bonds to shares	2005-03-21	2005-01-01
I series	bearer shares	none	none	3 500 000	PLN 2.00	7 000	cash contribution	2007-08-22	2008-01-01
J series	bearer shares	none	none	6 000 000	PLN 2.00	12 000	cash contribution	2009-12-18	2010-01-01
Total number of shares:				**20 744 000**					
Total share capital						**41 488**			

In Q4 of 2010 Izostal made a public offering of 12,000,000 ordinary bearer shares, new issue, K series, of a face value of PLN 2,00 each. Under the public offering, 12,000,000 of shares were subscribed for and paid in, and they were allocated by the Management Board on 29.12.2010.

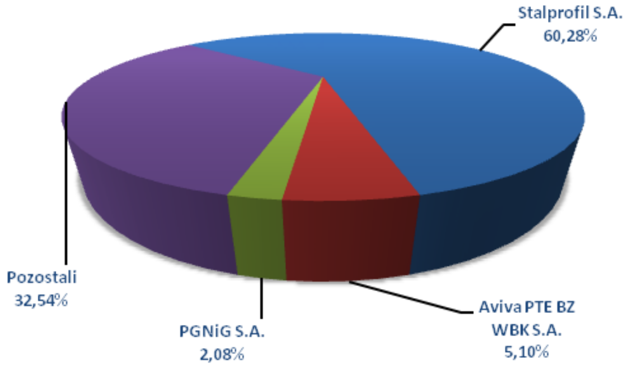
Consequently, the Company's share capital was increased to PLN 65,488 thousand. On 28.01.2011 the increase in the share capital was registered by the District Court in Opole, 8th Business Division of the National Court Register (information on that was provided by the Issuer in the current report no. 11/2011), and consequently, the financial position report prepared as on 31.12.2010 includes an increase capital amount under "spare and reserve capitals”.

The Company shareholding structure as on December 31, 2010 (before the registration of K series shares - to the knowledge of the Management Board) is shown in the following table and chart.



Shareholders	Number of shares held	Shareholding [%]
Stalprofil S.A.	19 739 000	95,16%
PGNiG S.A.	680 000	3,28%
Jan Lemans	275 000	1,33%
Janusz Tokarzewski	25 000	0,12%
Józef Hołownia	25 000	0,12%
Total	**20 744 000**	**100,00%**

Company's shareholding structure as on January 28, 2011, that is on the date of K series shares' registration is shown in the below table and chart.



Shareholders	Number of shares held	Shareholding [%]
Stalprofil S.A.	19 739 000	60,28%
Aviva PTE BZ WBK S.A.	1 669 877	5,10%
PGNiG S.A.	680 000	2,08%
Other	10 655 123	32,54%
Total	**32 744 000**	100,00%

22. Spare capital from the sale of shares above their face value

In 2010, 12,000,000 K series shares were sold, of a face value of PLN 2 per share. Issue price of the shares: PLN 5.50. The issue let the Company obtain PLN 42,000 thousand of surplus from the sale of shares above their face value. The issue's cost incurred in 2010: PLN 3,621 thousand.

23. Reserve and spare capital

In 2010 spare capital was increase by PLN 29,071 thousand, using the following sources;

I. appropriation of profit for the business year 2009 - PLN 5,071 thousand,
II. issue of 12,000,000 shares, series K (registration on 28.01.2011) - PLN 24,000 thousand.

24. Treasury shares

In 2010 the Company did not hold any treasury shares.

25. Proposals regarding appropriation of profit for the business year

In the period from January 1, 2010 to December 31, 2010 the Company generated a net profit of PLN 7,438 thousand. The Management Board suggests that the profit be allocated to Company's spare capital.

26. Dividends

Payments of dividends to Company shareholders are recognized as a liability in the financial statement in the period they are approved by Company shareholders.
As on December 31, 2010 and December 31, 2009 no dividends from ordinary shares existed (not recognized as liabilities) that would be presented for approval by the General Meeting.
In 2009-2010 the Company did not pay any dividend.

27. Going concern uncertainty

The Company does not know about any reasons that would indicate any going concern uncertainty.

28. Merger of business entities

In 2010, no merger of the Companies was effected.

29. Revenues from sale of products, goods and materials

The following table shows sales revenues in the breakup into basic product groups:

Specification	For the period from 01.01 to 31.12.2009		For the period from 01.01 to 31.12.2010	
	Amount	Structure	Amount	Structure
Coated pipes	65 682	72,8%	76 517	55,3%
including export sales	6 423	*72,4%*	13 076	*73,5%*
Coating services	2 365	2,6%	5 204	3,8%
including export sales	594	*6,7%*	2 618	*14,7%*
Polyethylene pipes	7 755	8,6%	1 611	1,2%
including export sales	44	*0,5%*	0	*0,0%*
Goods, materials	14 049	15,6%	54 157	39,2%
including export sales	1 756	*19,8%*	1 901	*10,7%*
Other sales	358	0,4%	840	0,6%
including export sales	54	*0,6%*	206	*1,2%*
			0	
Total	**90 209**	**100,0%**	**138 329**	**100,0%**
including export sales	**8 871**	***100,0%***	**17 801**	***100,0%***
Specification	**For the period from 01.01 to 31.12.2009**		**For the period from 01.01 to 31.12.2010**	
			Amount	**Structure**
Sales revenues - products	73 494	81,5%	78 172	56,5%
Sales revenues - services	2 568	2,8%	5 879	4,2%
Sales revenues - materials	7	0,0%	6	0,0%
Sales revenues - goods	14 049	15,6%	54 151	39,1%
Sales revenues - lease services	91	0,1%	121	0,1%
	0		0	
Total	**90 209**	**100,0%**	**138 329**	**100,0%**
including non-cash revenues - barter of goods or services	***0***		0	

In 2010 export revenues constituted 12.87% of total revenues of the Company.

The main customers for services and goods exported in 2010 were the EU countries. The largest sales value: Slovakia (55.47% of exports), Germany (13.25% of exports) and Romania (10.74% of exports)

Prices of products and services are covered by the trade secret and are individually agreed with customers (except for small-value orders).

30. Information on prime costs and employment costs

Basic information about prime costs and their comparison to the costs shown on a calculation basis in profit and loss are shown in the following table:

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Depreciation of fixed assets	2 110	3 656
Depreciation of intangible assets	52	50
Costs of employee benefits	7 585	8 009
Raw materials, auxiliary materials and energy consumption	58 369	59 487
Costs of external services	2 706	3 626
Costs of taxes and charges	374	419
Other costs	479	526
Marketing costs	281	279
Change in products portfolio	-1 756	2 584
Own work capitalized	-3	-1
Costs of products, goods and materials sold	12 501	49 919
TOTAL	**82 698**	**128 554**
Costs of products, goods and materials sold	73 162	117 810
Costs of goods sold	1 541	1 791
Overheads	7 995	8 953
TOTAL	**82 698**	**128 554**

Employee costs shown in the above table comprise the following items:

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Salaries costs	6 386	6 703
Social security costs	978	1 066
Company Social Benefit Fund	110	122
Other	111	118
TOTAL	**7 585**	**8 009**

Costs of salaries cover salaries paid on terms and conditions of contracts of employment concluded with specific employees. Costs of social security cover old age pension, disability pension benefits and contributions to the Guaranteed Employee Benefit Fund and Labor Fund.

The Company is obligated to have the Company Social Benefit Fund (ZFŚS). Contributions to the fund are charged to Company operating costs and require that funds be frozen in a separate bank account. The financial statement shows assets and liabilities of the fund in net values.

Provisions for retirement severance pays and service anniversary bonuses are specified in detail in the item on provisions.

31. Basic employment information

The following table shows the information on average employment during the business year, in the breakup into occupational groups.

Specification	As on 31.12.2009	As on 31.12.2010
Blue-collars	65	69
White-collars	46	51
including Management Board Members	3	3
Students	0	0
Total employment	111	120

32. Financial costs and income

The following table shows the main items of financial costs and income:

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Financial costs		
Interest costs , including:	1 270	2 642
- bank loans	603	2 184
- liabilities	217	37
- loans	180	17
- leasing	270	404
- budgetary liabilities	0	0
Costs of shares' issue - rounded and charged to result	70	0
Costs of sureties obtained	0	116
Costs of bills of exchange discount	0	0
Foreign exchange losses	0	0
Write-downs - impairment of financial assets, including:	0	0
- financial assets and liabilities measured at fair value through profit & loss	0	0
Losses due to revaluation of fair value of financial instruments, including:	0	0
- hedging instruments	0	0
	0	0
Factoring costs	244	173
Write-downs of interest	325	295
Bank commissions	61	44
Other	4	7
TOTAL	**1 974**	**3 277**
Financial income	**0**	**0**
Earnings from interest	325	304
Cancellation of obtained interest	0	4
Bills of exchange discount	0	0
Foreign exchange gains	976	210
Reversal of write-downs - impairment of financial assets, including:	0	0
- financial assets and liabilities measured at fair value through profit & loss	0	0
Gains from change of fair value of financial instruments	0	0
- financial assets and liabilities measured at fair value through profit & loss	0	0
Reversal of write-downs for interest	50	166
Other	0	0
TOTAL	**1 351**	**684**
	0	0
Financial activity result	**-623**	**-2 593**

Financial income includes income on interest reversal of write-downs for interest and reversal of financial provisions.

Financial costs include costs of external borrowing, interest paid under financial lease agreements, write-downs for interest receivables and foreign exchange losses.
Financial costs under financial lease agreements include interest under the agreement.
Foreign exchange differences are recognized under financial costs or income depending on the balance of foreign exchange gains and losses in a given business year.

33. Government subsidies

On December 30,2008 the Company concluded the agreement no. UDA-POIG.04.04.00-16-002/08-00 as part of activity 4.4 New investments of high innovative potential. The agreement refers to the subsidy for the project involving the construction of the innovative Anti-Corrosion Coating Center for Steel Pipes. The amount of the subsidy foreseen in the agreement (including the appendices) is PLN 21,258 thousand. The project was completed in December 2009. The Company submitted a final application for payment. The Company obtained the funds of PLN 20,438 thousand.
The contract was concluded between Polska Agencja Rozwoju Przedsiębiorczości (Polish Agency for Enterprise Development) and Izostal S.A.
On August 16, 2010, the Ministry of Economy awarded a subsidy to Izostal in the amount of PLN 7,263 thousand 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.

34. Other operating costs and income

The following table shows the main items of other operating costs and income:

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Other operating costs		
Write-downs - impairment of receivables	1 089	4
Refused claims	0	67
Stock-taking shortages	0	0
Donations	4	4
Court fees	33	38
Costs of remedies in case of acts of God	61	8
Voluntary subscription fees to organizations	4	3
Provision for future operating costs	258	294
Compensations, penalties, fines	178	12
Inventory revaluation write-downs	195	0
Other	2	1
TOTAL	**1 824**	**431**
Other operating income	**0**	**0**
Earnings from the sale of tangible fixed assets	0	470
Reversal of write-downs - impairment of receivables	1	373
Refund of court fees	9	3
Damages and compensations received	933	83
Subsidies	18	551
Reversal of provisions	366	241
Assets received free of charge	31	49
Write-down of overdue liabilities	1	0
Other	16	17
TOTAL	**1 375**	**1 787**
	0	
Other operating result	**-449**	**1 356**

Other costs include costs and losses which are not directly related to operating activity. This category comprises mainly provisions established for the costs of operating activity, provisions for the risk of lost court cases, revaluation write-downs in respect of non-financial assets and costs of unpaid compensations.
Other income includes income and gains which are not directly related to operating activity. This category includes mainly revenues from reversal of receivables write-downs, received government subsidies, compensations and liquidated damages and reversed provisions.
Write-downs were created once the risk of the contractor's failing to pay the receivables occurred. Reversal of receivables write-downs took place once the customer paid their receivables or by enforcement of receivables by a debt collector.

35. Income tax

The below table shows the main items of tax burden/benefits in profit and loss:

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2007
Current income tax	**1 317**	**1 152**
- current charges on account of income tax	1 317	1 152
- retained corrections of current income tax	0	0
Deferred income tax	51	-52
- burden/benefit related to deferred tax - establishment and reversal of temporary differences	51	-52
- burden/benefit related to deferred tax – change in tax rates	0	0
Tax burden/benefit shown in profit and loss, including:	**1 368**	**1 100**
- assigned to going concern	1 368	1 100
- assigned to discontinued concern	0	0

Current income tax

Current tax charges are calculated on the basis of effective tax regulations. Application of these regulations differentiates tax profit (loss) from net book profit (loss), exclusive of non-taxable income and tax deductible expenses, as well as costs and items never to be subject to taxation are excluded. Tax charges are calculated on the basis of tax rates effective in a given business year.

The following table shows the settlement of main items that differentiate taxable income (CIT) from gross financial result:

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2007
Gross financial result before going concern taxation	6 439	8 538
Profit/loss before taxation - discontinued concern	0	0
Gross financial result before taxation	6 439	8 538
Non-deductible expenses, including:	**3 328**	**2 383**
- provisions for future costs	310	350
- receivables write-downs	1 414	299
- inventories revaluation write-downs	232	33
- PFRON (National Fund for Rehabilitation of the Disabled)	98	110
- interest	50	16
- unpaid social security (ZUS)	198	263
- entertainment costs	200	128
- unpaid salaries	150	247
- depreciation of fixed assets covered by the subsidy	18	551
- other	658	386
Additions to costs	**1 233**	**3 573**
- interest paid in previous years	379	50
- principal lease installments	138	144
- addition of exchange rate differences (change in the CIT law)	0	0
- previous year salaries paid in the period	393	150
- previous year social security contributions paid in the period	106	197
- costs of financial assets sold	0	0
- issue costs	0	2 763
- other	216	269
Non-taxable income	**1 600**	**1 484**
- valuation exchange rate differences	0	0
- cancellation of bank interest	0	0
- reversal of provisions	366	242
- unpaid interest	320	295
- reversal of write-downs (previously non-deductible)	0	373
- unpaid liquidated damages	879	0
- subsidies received	18	551
- other	16	23
Additions to income	**0**	**200**
- interest	0	0
- damages received	0	200
- exchange rate differences (change in the CIT law)	0	0
Result after deductions	**6 934**	**6 064**
Income deductions - retained losses	0	0
Result after deductions	**6 934**	**6 064**
CIT rate (%)	0	0
Tax burden/benefit shown in profit & loss	**1 317**	**1 152**

Deferred income tax

The below table shows deferred tax shown in the balance sheet and in profit and loss:

Specification	Financial position report as on 31.12.2009.	Comprehensive income statement for the period from 01.01.2010 to 31.12.2010.	Financial position report as on 31.12.2010.	Comprehensive income statement for the period from 01.01.2010 to 31.12.2010.
Provision on account of deferred income tax				
Exchange rate differences	0	0	0	0
Valuation of fixed assets	161	-29	68	-93
Fixed assets under lease	107	58	117	10
Interest not covered by revaluation/penalties	0	0	28	28
Gross provision - deferred income tax	268	29	213	-55
Deferred income tax assets				
Receivables write-down	44	41	39	-5
Impairment of financial assets	0	0	0	0
Exchange rate differences	0	0	0	0
Accrued interest	8	-72	3	-5
Provisions for employee benefits	68	47	41	-27
Provision for interest	0	0	0	0
Lease liabilities	80	56	85	5
Unpaid salaries	35	-34	47	12
Un-invoiced costs	3	0	0	-3
Unpaid social security (ZUS)	37	17	48	10
Other	46	-77	56	10
Deductible tax loss	0	0	0	0
Gross assets - deferred income tax	**321**	**-22**	**319**	**-3**
Burden/benefit - deferred income tax		51		-52

36. Contracts for construction

In 2009 and 2010 the Company did not perform any contracts for construction

37. Transactions with affiliates

The entity preparing the consolidated financial statement:

Stalprofil S.A.

41-308 Dąbrowa Górnicza; ul. Roździeńskiego 11a

In the period covered by this financial statement, Izostal S.A. did not grant any loans or any similar allowances to Management Board Members or Supervisory Board Members.

The following table shows the data on the salaries of Management Board Members:

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Short-term employee benefits paid in the business year in this year	1 561	1 385
Retained short-term employee benefits paid in the business year	61	63
Provisions for salaries established at the end of the period	190	195
Unpaid salaries	63	263
Other long-term benefits	0	0
Benefits for termination of employment relationship	0	0
Employee benefits in the form of treasury shares	0	0

The following table shows the data on the salaries of Supervisory Board Members:

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Short-term employee benefits paid in the business year in this year	219	234
Retained short-term employee benefits paid in the business year	19	20
Provisions for salaries established at the end of the period	0	0
Unpaid salaries	20	21
Other long-term benefits	0	0
Benefits for termination of employment relationship	0	0
Employee benefits in the form of treasury shares	0	0

The following tables show the basic values of transactions with affiliated entities (net values):

Affiliated entity	Sale to affiliated entities		Purchasing from affiliated entities		Obtained loans/transfer of receivables		Inventory as on	
	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Parent entity	3 233	114	12 649	41 805	7 221	3 000	2 502	2 662
Entities having significant impact	0	0	0	0	0	0	0	0
Subsidiary entities	0	0	0	0	0	0	0	0
Associated entities	4 442	10 275	12 572	6 405	0	0	0	1 567
Other affiliated entities	0	0	0	0	0	0	0	0

Settlements with affiliated entities (gross values)

Affiliated entity	Receivables from affiliated entities as on		Liabilities to affiliated entities	
	31.12.2009	31.12.2010	31.12.2009	31.12.2010
Parent entity	0	0	14 118	19 476
Entities having significant impact	0	0	0	0
Subsidiary entities	0	0	0	0
Associated entities	1 407	4 618	1 125	7
Other affiliated entities	0	0	0	0

Transactions with parent entity

The parent entity is Stalprofil S.A.

The Company purchased mainly steel pipes and steel products from the parent entity.

The Company sold mainly the pipe shot blasting service to the parent entity.

In 2010 Izostal S.A. concluded transactions with the parent entity on arm's length conditions.

Moreover, on 28.07.2010 the Company concluded the loan agreement on PLN 3,000 thousand with the parent entity. The loan was repaid on 03.09.2010.

Associated entities

The information presented under "associated entities" refers to the transactions between the Company and ZRUG Zabrze Sp. z o.o. seated in Zabrze, and KOLB Sp. z o.o. seated in Kolonowskie, which, together with the Company, form part of Stalprofil S.A. Group.

The Company sold to ZRUG Zabrze Sp. z o.o. mainly coated pipes; the Company purchased pipes and extension of the production plant in Kolonowskie.

Izostal S.A. purchased from KOLB Sp. z o.o. the services related to Company's ongoing activity and materials for extension of the production plant in Kolonowskie.

Transactions with the other affiliated entities are concluded on arm's length conditions.

38. Earnings per share

Information necessary to calculate earnings per share and diluted earnings are shown in the tables below.

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Net operating profit/loss - going concern	5 071	7 438
Profit (loss) - discontinued concern	-	-
Net profit/loss	5 071	7 438
Net profit/loss applied for calculation of diluted earnings/losses per share	5 071	7 438

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Weighted average number of ordinary shares issued applied for calculation of basic earnings/losses per share	14 974 137	20 744 000
Dilution effect	12 000 000	12 000 000
Corrected weighted average number of ordinary shares issued applied for calculation of basic earnings/losses per share	26 974 137	32 744 000

Specification	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
Calculation of basic earnings/losses per share (PLN)	0,34	0,36
Calculation of diluted earnings/losses per share (PLN)	0,19	0,23

Earnings per share are calculated by dividing net profit of a given business year assigned to ordinary shareholders by a weighted average number of ordinary shares issued for a given business year.
Diluted earnings per share are calculated by dividing net profit of a given business year assigned to ordinary shareholders by the total of weighted average number of ordinary shares issued for a given business year and the maximum number of shares offered to the public.
For calculation of basic profit per share, weighted average number of ordinary shares in specific reporting period was taken, allowing for the changes in the number of ordinary shares in specific years.

39. Cash and cash equivalents

The following table shows the data on cash and cash equivalents held by the Company:

Specification	As on 31.12.2009	As on 31.12.2010
Cash at bank and in hand	2 799	2 922
Short-term deposits	9	26 009
Other	0	0
Total, including:	2 808	28 931
- cash at bank and in hand assigned to discontinued concern	0	0

The following table shows the information about cash and cash equivalents shown in the cash flow statement:

Specification	As on 31.12.2009	As on 31.12.2010
Cash at bank and in hand	2 808	28 931
Overdrafts	-13 106	0
Total	-10 298	28 931

The cash flows shown in this statement do not show the transactions excluded from investment and financial activity.
As on 31.12.2010 no cash was restricted for use.
Cash at bank bears a variable interest rate.
The Company has a multi-purpose credit limit with a sublimit in the form of an overdraft at Powszechna Kasa Oszczędności Bank Polski S.A. for the amount of PLN 14,000 thousand. As on 31.12.2010 the credit was not utilized at all.
Fair value of cash and cash equivalents is equal to their balance sheet value.

40. Risk management policy

The main financial instruments used by the Company include bank loans, cash and financial lease. The main purpose of utilizing the instruments is to ensure sufficient financial means for entity's operation. The Company has also other financial instruments, comprising receivables and liabilities related to deliveries and services, yet these are generated directly in the course of the Company's business. The main risks caused by the financial instruments of the Company comprise interest rate risk, currency risk and credit risk.
Financial risks related to financial instruments:

- Company's export activity makes it exposed mainly to the currency (exchange rate) risk. Foreign currency funds obtained by the Company and coming from the export sales balance the needs related to the spending of foreign currencies. Therefore, the Company Management Board does not consider it necessary to use any hedging instruments.
- other financial risks, that is risks related to loans and cash flows, the Company may be exposed to due to the type of its business, are limited by the effective policy of cooperation with domestic and foreign customers. In general, receivables are covered by the insurance of Coface Poland (as of 01.01.2011—KUKE). For cooperation with new customers, contractual provisions stipulate prepayments or payments at receipt, and some securities are used. The Company is not exposed to the high concentration of credit risk or cash flow risk.
- interest rate risk occurs mainly due to the bank credits, loans and financial lease agreements. The Company does not use any instruments to secure the interest rate risk due to small fluctuations in this scope (interest rate stability), and at the same time, when there are significant fluctuations in interest rates, the Company may use appropriate instruments to secure the risk.

41. Financial instruments

The following table shows the analysis of financial instruments depending on the interest rate risk:

As on 31.12.2010	Balance sheet value	Increase/ reduction by percentage points	Impact on gross financial result
Financial assets	28 414		71
Cash	28 414	0,25%	71
Financial assets available for sale	-		-
Other financial assets	-		-
Short-term deposits	-		-
Financial liabilities	26 238		65
Bank loans and credits	21 344	0,25%	53
Lease liabilities	4 894	0,25%	12

As on 31.12.2009	Balance sheet value	Increase/ reduction by percentage points	Impact on gross financial result
Financial assets	176		-
Cash	176	0,25%	-
Financial assets available for sale	-		-
Other financial assets	-		-
Short-term deposits	-		-
Financial liabilities	50 718		127
Bank loans and credits	45 107	0,25%	113
Lease liabilities	5 611	0,25%	14

The following table shows the analysis of financial instruments' sensitivity depending on the interest rate risk:

As on 31.12.2010	Balance sheet value	Increase/ reduction of the rate (per cent)	Impact on gross financial result
Financial assets	**1 509**		**15**
Cash in EUR	259	1,00%	3
Receivables related to deliveries and services and other in EUR	1 250	1,00%	12
FORWARD	-		-
Financial liabilities	**2 943**		**29**
Overdrafts in EUR	-		-
Short-term loans in EUR	-		-
Liabilities related to deliveries and services and other in EUR	2 943	1,00%	29

As on 31.12.2009	Balance sheet value	Increase/ reduction of the rate (per cent)	Impact on gross financial result
Financial assets	**2 179**		**22**
Cash in EUR	171	1,00%	2
Receivables related to deliveries and services and other in EUR	2 008	1,00%	20
FORWARD	-		-
Financial liabilities	**5 200**		**52**
Overdrafts in EUR	-		-
Short-term loans in EUR	-		-
Liabilities related to deliveries and services in EUR	5 200	1,00%	52

The following table shows fair values of financial instruments:

	Category in line with IAS 39	Balance sheet value		Fair value	
		As on 31.12.2007	As on 31.12.2010	As on 31.12.2007	As on 31.12.2010
Financial assets		**30 985**	**83 732**	**30 985**	**83 732**
Cash	Measured at fair value through profit and loss	2 808	28 931	2 808	28 931
Receivables related to deliveries and services and other receivables	Loans and receivables	28 177	54 801	28 177	54 801
Receivables on account of loans granted	Loans and receivables	-	-	-	-
Financial assets available for sale	Available for sale	-	-	-	-
Currency derivatives		-	-	-	-
Short-term deposits		-	-	-	-
Financial liabilities		**86 060**	**61 573**	**86 060**	**61 573**
Financial lease obligations	financial liabilities at amortized cost	5 961	5 426	5 961	5 426
Liabilities related to deliveries and services and other liabilities	financial liabilities at amortized cost	34 992	34 803	34 992	34 803
Bank loans and credits	financial liabilities at amortized cost	45 107	21 344	45 107	21 344

Financial instruments - income, costs, gains and losses:

For the period from 01.01 to 31.12.2010	**Category in line with IAS 39**	**Gains/losses on interest**	**Foreign exchange gains/losses**	**Reversal/establishment of revaluation write-downs**	**Gains/losses on the sale of financial instruments**
Financial assets		**175**	**-411**	**385**	**-**
Cash	Measured at fair value through profit and loss	0	0	-	-
Receivables related to deliveries and services and other receivables	Loans and receivables	175	-411	385	-
Receivables on account of loans granted	Loans and receivables	0	0	-	-
Financial assets available for sale	Available for sale	0	0	-	-
Currency derivatives		0	0	-	-
Financial liabilities		-2 642	621	-	-
Financial lease obligations	financial liabilities at amortized cost	-404	0	-	-
Liabilities related to deliveries and services and other liabilities	financial liabilities at amortized cost	-37	621	-	-
Bank loans and credits	financial liabilities at amortized cost	-2 201	0	-	-

For the period from 01.01 to 31.12.2009	**Category in line with IAS 39**	**Gains/losses on interest**	**Foreign exchange**	**Reversal/establishment of**	**Gains/losses on the sale of**

			gains/losses	revaluation write-downs	financial instruments
Financial assets		55	186	-1 249	0
Cash	Measured at fair value through profit and loss	4	-4	0	0
Receivables related to deliveries and services and other receivables	Loans and receivables	51	190	-1 249	0
Receivables on account of loans granted	Loans and receivables	0	0	0	0
Financial assets available for sale	Available for sale	0	0	0	0
Currency derivatives		0	0	0	0
Financial liabilities		-1 270	790	0	0
Financial lease obligations	financial liabilities at amortized cost	-270	0	0	0
Liabilities related to deliveries and services and other liabilities	financial liabilities at amortized cost	-217	790	0	0
Bank loans and credits	financial liabilities at amortized cost	-783	0	0	0

The difference in the values of reversal/establishment of write-downs shown in the tables above and the balance of these write-downs shown in the notes regarding financial costs and income and other operating income and costs results from the cancelled receivables, for which revaluation write-downs were established in the previous period. Their value on 31.12.2010: PLN 145,000 thousand, and on 31.12.2009 - PLN 114 thousand.

42. Explanations on the application of International Financial Reporting Standards and information on the comparability of the presented data.

Since 2005, based on the resolution of the General Meeting of Izostal S.A., the Company has kept the books in line with the International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission's directives, and in the scope not regulated by IAS - in line with the relevant provisions of the Accounting Act of September 1994 with executive regulations thereto.

43. Events following the balance sheet date

After the balance sheet date no events took place that could have been reflected in the financial statement for 2010.

44. Remuneration of the chartered auditor

In the business year, the entity authorized to audit the Company financial statements was the company Kancelaria Porad Finansowo - Księgowych dr Piotr Rojek Sp. z o.o. The contract with this company was concluded on 21.06.2010 and covers the audit of the financial statement for 2010 and review of the mid-year financial statement prepared as on 30.06.2010. The remuneration of the entity authorized to audit the financial statements, paid or due for the business year 2010, amounted to, respectively:

Type of a financial statement	For the period from 01.01 to 31.12.2009	For the period from 01.01 to 31.12.2010
review of the midyear financial statement of Izostal S.A.	13	13
review of the annual financial statement of IZOSTAL S.A.	17	18
TOTAL	**30**	**31**

Net remuneration paid to the chartered auditor for services related to the preparation of the prospectus in 2010 amounted to PLN 67 thousand.

45. Approval of the financial statement for publication

This financial statement was approved by the Management Board of Izostal S.A. for publication on 15.04.2011.

Zawadzkie, April 15, 2011

………………………………	………………………………	………………………………
Chief Accountant	Management Board President	Management Board Vice-President
Marek Matheja	Marek Mazurek	Jacek Podwiński

MANAGEMENT BOARD'S REPORT ON THE ACTIVITY OF IZOSTAL S.A. IN 2010

I. OVERVIEW OF KEY BUSINESS AND FINANCIAL VALUES SHOWN IN THE ANNUAL FINANCIAL STATEMENT

Assessment of factors and extraordinary events influencing financial results of Izostal S.A.

For the Company, 2010 was another year of development and sales growth. The effective marketing campaign for the new Company product, that is internal coating LAYTEC ® resulted in an increase in the sale of this product group by 145.9% against 2009.

In Q1 of 2010, the Company completed the construction of the Anti-Corrosion Coating Center in Kolonowskie. The Company obtained the production plant with logistic infrastructure. In addition to the production bay, also the 10 thou. m2 storage yard was built, provided with cranes and bay, and railway siding connected to the railway junction in Fosowskie. In the plant premises, one can find the state-of-the-art production lines for production of internal coating LAYTEC® and for external coating of the pipes of diameters ranging from 219 mm to 1220 mm. Moreover, the new social building with office space for technical supervisors and R&D Department was built.

Implementation of the investment was one of the key elements of the Company's strategy, thanks to which Izostal S.A. is in possession of the production and logistics infrastructure enabling it to continue its expansion.

In August 2010 the Issuer signed the framework agreement with OGP Gaz-System S.A. on the provision of orders for the delivery of internally and externally coated steel pipes of the diameter of 508 mm. The value of partial contracts under the framework agreement will not be higher than PLN 62,962 thousand. The agreement was concluded for 24 months. On the basis of the agreement, in October 2010 the Company signed the partial contract on the delivery of 7 km of pipes of the net value of PLN 3,535 thousand, and in November 2010, the contract on the delivery of 8 km of pipes of the net value of PLN 4,344 thousand. The contracts will be performed in March-April 2011.

On August 16, 2010, the Ministry of Economy awarded a subsidy to Izostal in the amount of PLN 7,263 thousand for the construction of the Research and Development Center for steel technologies and products, as part of the Operational Program Innovative Economy, activity 4.5, sub-activity 4.5.2

In December 2010, the Issuer (leader of the consortium) as one of the four contractors was selected by OGP Gaz - System S.A. to deliver steel pipes of a diameter of 700 mm. On January 26, 2011, the Company signed the framework agreement in this scope. The value of partial contracts under the framework agreement will not be higher than PLN 787,042 thousand. The contract was concluded for 24 months.

Another factor influencing the actual results was the successful issue of K series shares in the number of 12 million shares. The issue price was set at PLN 5.50 per share. From the issue, in 2010 the Company obtained PLN 62,379 thousand. The funds credited the Company's account in December 2010, and as a consequence:

- equities increased from PLN 51,529 thousand (status at the end of 2009) to PLN 121,346 thousand at the end of 2010,
- overdraft of PLN 14,000 thousand and working capital loan of PLN 8,000 thou. were repaid. The loans will be utilized again depending on the need to engage financial means in operating activity.
- the remaining issue amount was deposited in the time account.

Analysis of the comprehensive income statement

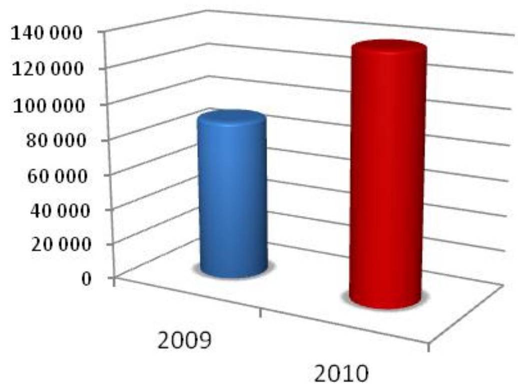
In 2010, the Company generated sales revenues of PLN 138,329 thousand, that is by 53.3% higher than in 2009. This fact was largely influenced by an increase in the sale of internal coating LAYTEC®. In 2010 the Company sold 124 thou. m^2 of this coating against 50 thou. m^2 in 2009. As for external coating, in 2010 the sales level was 306 thou. m^2, that is by 11% higher than in 2009. Revenues increased also due to the export sales (increase by 100.7%). The share of products, goods and materials sold in sales revenues increased slightly, from 81.1% in 2009 to 85.2% in 2010. It was influenced by a higher shares of goods sales in 2010. Increase in the costs of sales by 16.2% was connected with the value of realized sales. Increase in overheads was mostly influenced by costs (depreciation, utilities) related to the commissioning of the warehouse infrastructure in the Anti-Corrosion Coating Center at the beginning of 2010.

As for other operating activity, the Company generated profit of PLN 1,356 thousand. This value was influenced mostly by the obtained subsidy (Operational Program Innovative Economy) for the construction of the Anti-Corrosion Coating Center and reversal of receivables write-downs. The subsidy influences other operating income proportionately over the entire period when subsidized fixed assets are capitalized.

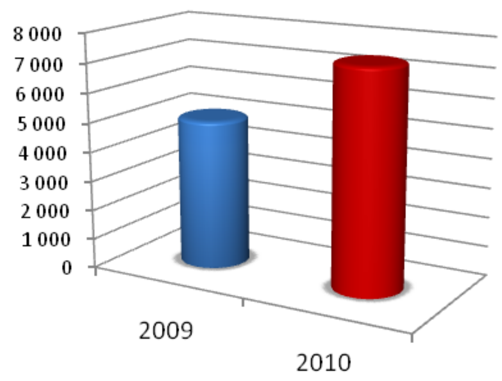
As for the financial activity, the Company recorded a loss of PLN 2,593 thousand, which was mostly influenced by interest on the investment loan taken for the construction of the Anti-Corrosion Coating Center.

In 2010, the Company generated a net profit of PLN 7,438 thousand, that is by 46.7% higher than in 2009.

Sales revenues



Net profit



Analysis of selected items of the financial position statement - assets

In 2010, the Company assets increased to 32%, to the level of PLN 203,466 thousand.

As for long-term assets, a slight decrease (0.1%) was recorded. Reductions due to write-downs were compensated by investments, the largest of which comprised the construction of the storage yard (warehouse) for steel pipes in the premises of the Anti-Corrosion Coating Center in Kolonowskie.

Current assets increased by 90.4%, mostly due to the following:

- increase in receivables by 88.6% due to increase in sales level against 2009, mainly in the last months of the year, and due to extended payment terms.
- cash at the end of 2010 in the amount of PLN 28,931 thousand (increase by 930,3% against 2010) due to the inflow of funds from the public offering of K series shares.

Analysis of selected items of the financial position statement - liabilities

As for the Company equity, an increase by 135.5% against 2009 was recorded, following the inflow of PLN 62,379 thousand as a result of the public offering of K series shares and profit of PLN 7,438 thousand generated in 2010.

Long-term liabilities decreased by PLN 1,776 thousand, and this was mainly due to the following:

- repayment of the investment loan at PKO BP S.A. for the construction of the Anti-Corrosion Coating Center (PLN 4,656 thousand)
- repayment of financial liabilities - lease (PLN 670 thousand).
- increase in prepaid expenses due to the subsidy obtained under the Program 4.4. (PLN 3,548 thousand) which was mainly due to the inflow of financial means after the final settlement (August 2010).

Short-term liabilities at the end of 2010 amounted to PLN 41,327 thousand. Their level was reduced against 2009 by PLN 18,773 thou. which was related to the inflow of public offering funds (K series shares) and temporary repayment of working capital loans.

Slight change (increase by PLN 305 thou. in 2010) in short-term liabilities and accruals with higher sales revenues in 2010 resulted from the purchasing effected in Q4 of 2009, but paid up in 2010.

II. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS

1. Risk of getting dependent on customers

Due to the structural characteristics of the Polish gas market, the Issuer indirectly depends on: PGNiG S.A. (prospecting for, extraction, sale and distribution of gas) and OGP Gaz-System S.A. (operator of transmission system), as well as on the investments implemented by these companies. Due to the change in the pipes purchasing policy by selected entities, the Company sells part of its products directly to these companies. In addition to direct sales, mainly to OGP Gaz-System S.A., the Company provides services to the companies being contractors or subcontractors of investments.
To minimize the risk, the Issuer searches for additional sales markets, both in Poland (private gas companies) and abroad. As an example one may use the petroleum market and cooperation with Euroflow Zrt. seated in Erd (Hungary).

2. Risk related to assuring the quality of services offered

The customers for the products and services offered by the Issuer are the entities operating in the gas and petroleum sectors, which are characterized by high quality requirements.
The quality of services offered by the Company is assured by the implemented and followed principles underlying the Quality Management System according to ISO 9001-2000 and compliance certificates for the products admitted for use in the construction industry, issued and supervised by the authorized certification authorities who confirm the observance of requirements. The Company has also started actions to implement ISO 14001.

3. Risk of general macroeconomic situation in Poland

Company's financial standing is correlated with the macroeconomic situation of Poland. The financial results obtained by the Issuer are influenced by such general factors as GDP growth rate, investments growth rate, changes in inflation level, changes in exchange rates, unemployment rates and personal income of people, fiscal and monetary policy of the state. There is a risk that in case the economic growth rate goes down in Poland or globally, or some protectionist instruments are used that can have negative impact on the Issuer's functioning, the financial results obtained by the Issuer may change. What can be especially detrimental to the operations of IZOSTAL S.A. is the reduction in investment expenditure in economy, slowdown in GDP growth dynamics, uncontrolled inflation increase, more restrictive fiscal and monetary policy of the state.
Yet, this risk is mitigated by the strategy of diversifying gas supply sources adopted by Poland and by restrictive regulations imposed by the EU and regarding environment protection and CO2 emissions. These factors somehow enforce the commencement of large gas and petroleum sector investments in Poland, which makes it possible for the Issuer to increase the level of products sold. Additionally, this risk is limited by a necessity to utilize the aid funds timely, said funds coming from different sources, e.g. European Energy Programme for Recovery (EEPR, the so-called Recovery Plan), Operational Program: Infrastructure and Environment 2007-2013, Trans-European Networks – Energy (TEN-E) and Operational Program Innovative Economy.

4. Risk of changeable prices of production resources

Profitability of anti-corrosion coating services provided by the Issuer depends on the changes in the prices of production resources, including mainly parts of chemical components, mainly polyethylene and polypropylene. Share of these resources in the cost structure is around 20%. Prices of chemical raw materials are highly correlated with oil prices in global markets, which due to the current political and economic situation may be subject to significant fluctuations. Aforesaid cost factors may contribute to periodic deterioration of the Issuer's financial results and profitability levels.
To mitigate the risk of changeable prices of production resources, the Issuer follows the sources diversification strategy by way of cooperation with several entities at each production stage.

5. Risk of changeable prices of steel pipes

Steel pipe price in the product "coated steel pipe" is even up to 70% of the product's value. The recent fluctuations in steel pipes market have influence on company margins and results. The Issuer, in order to avoid the risk of changeable prices of steel pipes, optimizes its stock levels adapting them to the scope of operations.
In special cases, steel pipes are purchased at current prices for restocking purposes in the volumes that let the Company sell goods with profit.
As for the purchasing of pipes for large projects, the Issuer negotiates the prices with customers and conclude the contracts that make it possible to maintain the negotiated price irrespective of the situation in the steel market.
Changes in pipes' prices can influence Company's revenues and profitability, both in the core coating segment and in the sale of goods. The Company secures itself against changeable prices in specific contracts and on a short term, fluctuations in pipes' prices have limited impact on the profitability of specific contracts. Nevertheless, on a long-term basis, it is favorable for the Company to have high pipes' prices (at the income and margins level), and on the other hand, reduction in pipes' prices may lead to lower income and profit on the sale of pipes.

6. Risk of changeable exchange rates

Due to the export and import activity, the Company is exposed to the risk of changeable exchange rates. Both exports and imports are settled in EUR. The ratio of income in EUR to total income in 2010 was at the level of 12.9%. The foreign currency funds obtained by the Issuer do more or less balance the Company's needs related to import purchasing. Therefore, the Company's exposure to currency risk is mitigated.

III. INFORMATION ON PROCEEDINGS PENDING BEFORE A COURT, A BODY COMPETENT TO CONDUCT ARBITRATION OR A PUBLIC ADMINISTRATION BODY, THE TOTAL VALUE OF WHICH CONSTITUTES AT LEAST 10 % OF THE ISSUER'S EQUITY

The company hereby informs that it is not a party to any proceedings before a court, a body competent to conduct arbitration or a public administration body regarding payables or receivables, the total value of which (unit or aggregate) would exceed 10% of the Company's equity or could have significant impact on the deterioration of its financial standing.

IV. INFORMATION ON BASIC PRODUCTS, GOODS OR SERVICES, WITH VALUES AND QUANTITIES

The Company's basic products are anti-corrosion coatings for steel pipes of the following types:

- external coating:
- three-layer polyethylene coating 3LPE
- three-layer polypropylene coating 3LPP
- single-layer epoxy coating
- internal coating LAYTEC®

The Company applies said coatings to the purchased pipes and provides the customers with the finished product – coated steel pipe, or provides the service for the pipe delivered by the customer.
Moreover, to have the order-book of products, the Company sells steel products.
Table – quantities of anti-corrosion coating sold

	2009		2010	
	m2	share	m2	share
External coating	275.549	84,5%	305.758	71,2%
Internal coating	50.415	15,5%	123.972	28,8%
Total	325.964	100,0%	429.730	100,0%

The sale of external coating in 2010 increased by 30,209 m2, (i.e. 11%) against 2009. A significant increase in sales was recorded for internal coating. The sales level went up by 73,557 m2, i.e. by 145.9% against 2009, which demonstrates the effectiveness of the marketing campaign to promote the product.

Sales revenues in 2010 amounted to PLN 138,329 thousand, i.e. by 53.3% more than in 2009. The sales level of coated pipes in 2010 increased by PLN 10,835 thousand (16.5%) due to an increase in the quantities of the coating sold (mainly LAYTEC®).
Sales revenues on the sale of goods in 2010 increased by PLN 40,108 thousand (185.5%). The increase was related to the realization of orders for the products from outside the Company's product offer and necessary completion.
As for the other product groups, the sales level went down by PLN 5,662 thousand.

	2009		2010	
	value	share	value	Percentage
Coated pipes	65 682	72,8%	76 517	55,3%
Coating services	2 365	2,6%	5 204	3,8%
Goods, materials	14 049	15,6%	54 157	39,2%
Polyethylene pipes	7 755	8,6%	1 611	1,2%
Other sales	358	0,4%	840	0,6%
Total	90 209	100,0%	138 329	100,0%

V. INFORMATION ON SALES MARKETS, ALLOWING FOR THE SPLIT BETWEEN DOMESTIC AND EXPORT MARKETS AND INFORMATION ABOUT PROCUREMENT SOURCES FOR PRODUCTION MATERIALS, GOODS AND SERVICES

Export revenues of the Company in2010 amounted to PLKN 17,801 thousand and increased against 2009 by 100.7%. The Company exported its products to the EU countries. The main directions: Slovakia (55.5% of exports), Germany (13.3% of exports) and Romania (10.7% of exports). As for 2010 exports some signals of European countries' recovery from the crisis that started in 2008 could be seen.
The share of Company sales revenues in domestic market in 2010 was 87.1% and the value increased by PLN 39,190 thousand against 2009 thousand.

Table – Sales revenues in the breakup in domestic and export.

	2009		2010	
	value	share	value	share
Domestic	81 338	90.2%	120 528	87.1%
Export	8 871	9.8%	17 801	12,9%
Total	90 209	100,0%	138 329	100.0%

The only customer of the Issuer, whose share in total sales exceeded 10% was BUG Gazobudowa Sp. z o.o. (10.2% of share in sales).
The risk of the Company getting dependent on suppliers is described in sub-item 1 of item II of this report under the respective title.

As for purchasing, the biggest suppliers of the Company are the companies offering steel products. Izostal S.A. purchases steel products from Polish and foreign suppliers. In 2010, foreign suppliers comprised EU entities.

Main Company suppliers in 2010:

- Stalprofil S.A. (34.7% of share in sales)
- ArcelorMittal Tubular Products Ostrava a.s. (16.3% of share in sales)

Out of aforesaid suppliers, Izostal S.A. has capital relationship with Stalprofil S.A. being a parent entity (60.28% of shareholding after registration of K series shares).

VI. INFORMATION ON THE CONCLUDED AGREEMENTS, SIGNIFICANT FOR THE ISSUER'S BUSINESS.

Commercial contracts and transactions.

1. Contracts concluded with Budownictwo Urządzeń Gazowniczych Gazobudowa Sp. z o.o. for the supply by Izostal S.A. of pipes with internal and external coating, to the total amount of PLN 25 930 thousand net. Total value of Izostal S.A. sales to the above mentioned company in 2010 amounted to PLN 14 091 thousand.
2. Sales contracts concluded in January and February 2010 with General Trading Gate s.r.o. with its registered seat in Bratislava (Slovakia), for the supply of internally coated pipes, to the amount of EUR 2 110 thousand. Delivery deadline: 31.12.2010.
3. Purchase contract concluded in August 2010 with Ferrum S.A. for the supply of black pipes for the construction of transmission grids, to the total amount of EUR 1 372 thousand. The supplier declared to start the supplies in 32 week 2010, 2 500 m of pipes each week.
4. Supply contract concluded on 14.12.2010 with Zakład Remontowy Urządzeń Gazowniczych Sp. z o.o., with its registered seat in Pogórska Wola, for the supply - by Izostal S.A. – of coated steel pipes to the total amount of PLN 17 983 thousand. Deadline for the contract: May 2011.
5. Framework contract as on August 2010, concluded with OGP Gaz-System S.A. The subject of the contract was to specify the terms of the partial orders placed by the ordering party (OGP Gaz-System S.A.) for the supply of externally and internally coated steel pipes fi 508 mm. The total value of orders would not exceed the amount

of PLN 62 962 thousand. Time of the contract: 24 months. Within this contract the issuer concluded in October 2010 a partial contract for the supply of 7 km of steel pipes, to the total amount of PLN 3 535 thousand, to be delivered in Q1 2011; in November 2010 a partial contract was concluded for the supply of 8 km of steel pipes, to the amount of PLN 4 344 thousand, delivery date: March - April 2011.

Financial contracts

1. Credit agreement in a form of a multi-purpose credit line, concluded with PKO BP S.A. in September 2010. The bank granted the Company a multi-purpose credit line to the amount of PLN 22 000 thousand, to be used as a current account credit, renewable working capital loan, bank guaranties and documentary letters of credit. The credit was granted till September 8, 2013. The existing credit on a current account, granted on July 2009, was included in the agreement. Significant terms of the agreement have been described in a comment No.11 to the notes to the Financial Statement.
2. A guarantee agreement was concluded with Bank PKO BP S.A. in October 2010. Within the agreement the Bank offered a deposit bank guarantee to the amount of PLN 10 000 thousand in favor of OGP Gaz-System S.A., to secure the consortium offer, with Izostal S.A. as a leader. The proceeding was in a form of a limited tender, in order to conclude a framework contract for the supply of coated steel pipes fi 700 mm. In December 2010 the Issuer was informed that his offer was chosen as one of the most advantageous. The contract was secured with a blank promissory note, capped mortgage to the amount of PLN 17 000 thousand encumbering the built-up property in Kolonowskie (KW OP1S/00040617/8), transfer of rights under the real property insurance policy.

Insurance agreements

The Company is a party to significant insurance agreements concluded with STU Ergo Hestia S.A. covering the property owned and the risk connected with running a business activity.

<table>
<tr><th>Policy no.</th><th>Subject and scope of insurance</th><th>Total amount of insurance</th></tr>
<tr><td>901004658103</td><td>Insurance of property against fire and other random events</td><td>PLN 106,134,038.00</td></tr>
<tr><td rowspan="2">901004658087</td><td>Insurance of machines and devices against damage</td><td>PLN 39,262,688.93</td></tr>
<tr><td>Insurance of machines and devices belonging to Walcownia Rur Andrzej Sp. z o.o. and devices installed in the Anticorrosion Insulation Center in Kolonowskie against electrical damage</td><td>PLN 5,000,000.00</td></tr>
<tr><td rowspan="2">901004658104</td><td>Insurance of stationary equipment, not older than 7 years</td><td>PLN 634,007.77</td></tr>
<tr><td>Insurance of portable electronic equipment, not older than 7 years</td><td>PLN 166,948.71</td></tr>
<tr><td rowspan="2">901004658106</td><td>Insurance of data recovery costs</td><td>PLN 200,000.00</td></tr>
<tr><td>Insurance of additional costs incurred in order to avoid or reduce interruption of business activity</td><td>PLN 210,000.00</td></tr>
<tr><td>901004658088</td><td>Liability insurance connected with running business activity or using property, including liability insurance for a product
(Companies co-insured under this agreement: Stalprofil S.A., Izostal S.A., Kolb Sp. z o.o.)</td><td>PLN 18,000,000.00</td></tr>
<tr><td rowspan="5">901004658098</td><td>Insurance of machines, devices and equipment (except for vehicles subject to registration) against burglary, robbery and vandalism</td><td>PLN 200,000.00</td></tr>
<tr><td>Insurance of the Company's own and external working assets against burglary, robbery and vandalism</td><td>PLN 200,000.00</td></tr>
<tr><td>Insurance of cash against burglary</td><td>PLN 50,000.00</td></tr>
<tr><td>Insurance of cash against robbery at premises</td><td>PLN 50,000.00</td></tr>
<tr><td>Insurance of cash in transit</td><td>PLN 50,000.00</td></tr>
</table>

Furthermore, the Company is a party to an agreement on the insurance of receivables. Company sales are insured up to the amounts of credit limits granted by an insurance company to individual customers. Till December 31, 2010 the Company's receivables were insured by Coface.
Transactions with affiliated entities were described in note no. 37 of Notes to the Financial Statement for financial year 2010.

Zawadzkie, 15.04.2011

VII. INFORMATION ON THE ISSUER'S ORGANIZATIONAL AND CAPITAL RELATIONS WITH OTHER ENTITIES, AND THE ISSUER'S MAIN DOMESTIC AND FOREIGN INVESTMENTS

The Company is a part of Stalprofil S.A. Group which apart from the Issuer also comprises the following companies:

- 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

The dominant entity of the capital group - Stalprofil S.A. - held 95.16% shares in the Company's share capital as on December 31, 2010. As a result of the public offering of shares of series K held in December 2010, the share of Stalprofil S.A. in the Company's share capital dropped to 60.28% as on January 28, 2010 i.e. the day of registering the increase of capital.
In 2010 the Company did not invest in securities, financial instruments, intangible assets or real property.

VIII. INFORMATION ON SIGNIFICANT TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY ON CONDITIONS OTHER THAN ARM'S LENGTH BASIS

Information on significant transactions concluded with affiliated entities was presented in note 37 of the Notes to the Financial Statement.

IX. INFORMATION ON CREDIT AND LOAN AGREEMENTS CONCLUDED AND TERMINATED IN A GIVEN FINANCIAL YEAR

In the financial year the Company was a party to the following credit and loan agreements:

1. Investment credit of November 25, 2009 taken out in bank PKO BP S.A. in PLN in the amount of PLN 6.000 thou. Credit bearing interest based on WIBOR 3M rate increased with the bank margin. Credit was granted till July 30, 2010 and repaid within this time limit.
2. Investment credit of July 10, 2009 taken out in bank PKO BP S.A. in PLN in the amount of PLN 26,000 thou. Credit bearing interest based on WIBOR 3M rate increased with the bank margin. Credit granted till July 18, 2015.
3. Overdraft of July 10, 2009 taken out in bank PKO BP S.A. in PLN, in the amount of PLN 14,000 thou. Credit bearing interest based on WIBOR 1M rate increased with the bank margin. Credit granted till October 9, 2010. Agreement was terminated on September 8, 2010 as the Company signed an agreement on a credit in form of a multi-purpose credit limit referred to in the next item.
4. Credit of September 8, 2010 in form of a multi-purpose credit limit taken out in bank PKO BP S.A. in PLN in the amount of PLN 22,000 thou. The following sub-limits function under the agreement:
   - PLN 14,000 - overdraft,
   - PLN 8,000 thousand - revolving working capital credit,
   - PLN 2,000 thousand - bank guarantees,
   - PLN 2,000 thousand - documentary letters of credit,

   Credit bearing interest based on WIBOR 1M rate increased with bank margin. Credit granted till September 8, 2013.
5. Loan of July 28, 2010 granted by Stalprofil S.A. in PLN, in the amount of PLN 3,000 thou. Loan bearing interest based on WIBOR 3M rate increased with margin. Loan was granted till September 3, 2010 and repaid within this time limit.

Bank credits as on December 31, 2010.

	Credit amount under the agreement (PLN thou.)	Utilization as on December 31, 2010 (PLN thou.)
Credit in form of a multi-purpose credit limit in PKO BP	22 000	16

Zawadzkie, 15.04.2011

Investment credit, PKO BP	26 000	21 344
Investment credit, PKO BP	6 000	0

Detailed information on credit security as on December 31, 2010 was presented in note 11 of the Notes to the Financial Statement.

X. INFORMATION ON LOANS GRANTED IN A GIVEN FINANCIAL YEAR

The Company did not grant loans in the financial year.

XI. INFORMATION ON GUARANTEES GRANTED AND RECEIVED IN A GIVEN FINANCIAL YEAR

The Company granted the following guarantees in the financial year:

1. bid guarantee granted in favor of OGP Gaz - System S.A. in the amount of PLN 10.000 thou in connection with the announced limited tender in order to conclude a frame contract for the supply of insulated steel pipes of diameter 700 and 800 mm.
2. performance bond and a guarantee of defects removal granted to OGP Gaz- System S.A. Guarantee granted up to the amount of PLN 431 thou. for failure to perform or undue performance of the contract (till 28.03.2011), including a guarantee in the amount of up to PLN 129 thou. in the event of a failure to remove or undue removal of defects (till 28.03.2016)
3. performance bond and defects rectification guarantee granted to OGP Gaz System S.A. Guarantee granted up to the amount of PLN 530 thou. in the event of a failure to perform or improper performance of the contract (till 10.03.2011), and up to the amount of PLN 159 thou. in the event of a failure to rectify or improper rectification of defects (till 01.04.2016)
4. performance bond granted to ZRUG Sp. z o.o. Guarantee granted up to the amount of PLN 1.097 thou. in the event of a failure to perform or improper performance of contract (till 31.05.2011)

Moreover, as on 31.12.2010 the dominant entity - Stalprofil S.A. – provided the Company with a guarantee of PLN 22.000 thou. on account of the multi-purpose credit in the amount of PLN 22.000 thou. taken out from bank PKO BP S.A. on September 8, 2010.

XII. INFORMATION ON THE USE OF FUNDS OBTAINED BY THE ISSUER FROM THE ISSUE OF SHARES TILL THE PREPARATION OF THE REPORT

The Company obtained PLN 66.000 thou. from the issue of 12.000.000 shares of series K in 2010 at the issue price of PLN 5.50 per share. Till the preparation of the report, the costs of issue amounted to PLN 3.825 thou. (including PLN 3.621 thou. incurred in 2010). Net income from the issue of shares amounted to PLN 62.175 thou. According to the Prospectus approved by the Financial Supervision Authority on December 8, 2010, the Company intends to allocate the funds obtained for working capital (PLN 50.539 thou.) and for the construction of the Research and Development Center for steel technologies and projects (PLN12.658 thou.). Till the day of preparing this report, the Company used the funds obtained in the following way:

- for the construction of the Research and Development Center for steel technologies and projects - PLN 1.131 thou.
- for working capital - PLN 21.979 thou.

Remaining funds will be used on an as-needed basis.
Before the funds obtained are utilized, they will be invested in safe financial instruments i.e. bank deposits.

XIII. EXPLANATION OF DIFFERENCES BETWEEN FINANCIAL RESULTS PRESENTED IN THE ANNUAL REPORT AND PREVIOUSLY PUBLISHED ANNUAL FORECASTS

The Company presented forecast for 2010 and 2011 in the Prospectus approved by the Financial Supervision Authority on December 8, 2010.

On February 10, 2011, following the analysis of financial results recorded in 2010, the Company's Management Board corrected the Company's forecast results for 2010.
Information was published in regular report no. 15/2011.

The table below presents a forecast of previously published financial results, corrections (presented in regular report no. 15/2011), and financial results presented in the annual report.

	2010 forecast before correction	2010 forecast corrected	Financial results presented in the annual report
Income from sales	122.505	138.329	138.329
Costs of operating activity*	111.654	128.554	128.554
Gross profit from sales	21.219	20.520	20.519
Depreciation	3.460	3.706	3.706
EBITDA	16.008	14.836	14.837
Operating profit	12.548	11.130	11.131
Net profit	7.045	7.438	7.438

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

There were no significant differences between financial results presented in the annual report and the previously published corrected forecast (regular report no. 15/2011).

Differences between 2010 forecasts presented in the Prospectus, approved by the Financial Supervision Authority on December 8, 2010, and corrected forecast presented in regular report no. 15/2011 arise from bigger than expected income from sales resulting from the fulfillment of some orders before the deadline (earlier completion date resulted from the need to purchase reported by customers). Increased income from sales led to an increase of costs of operating activity Lower than expected operating profit is a result of creating provisions for costs.

XIV. ASSESSMENT OF FINANCIAL MEANS MANAGEMENT, WITH JUSTIFICATION

Debt ratios

Specification	2009	2010
Total debt ratio	56,4%	30,6%
Long-term debt	17,3%	10,4%
Debt to equity ratio	199,2%	67,7%
Equity to total assets ratio	33,4%	59,6%

Rules for calculating ratios:

7. total debt ratio - the ratio of short and long-term liabilities (without accruals) plus provisions for liabilities to total assets,
8. Long-term debt – ratio of long-term liabilities (without accruals) to total assets,
9. debt to equity ratio – ratio of total liabilities (including provisions for liabilities and accruals) to equity,
10. equity to total assets ratio - ratio of equity to total assets.

Company's debt ratios for 2010 improved significantly against 2009.
The improvement resulted mostly from the public offering of 12.000.000 shares of series K. Funds obtained on this account were transferred to the Company in December 2010 and as a result the equity increased by PLN 62.379 thou.
Company's equity in 2010 increased by PLN 69.817 thou. Apart from the income on account of the public offering, the equity was also increased by net profit of 7.438 thou. achieved in 2010.
Total debt ratio dropped from 56.4% in 2009 to 30.6% in 2010.
Long-term debt was reduced as a result of the repayment of the investment credit taken out for the construction of the Anticorrosion Coating Center, as well as the increase of assets by PLN 49.268 thou.
Debt to equity ratio also improved. In 2009 the ratio was 199.2%, and in 2010 it dropped to 67.7%. Equity to total assets ratio increased in 2010 to 59.6%.

Increase of the equity to total assets ratio improved the safety of business activity thus enabling the Company to record much higher income than in the previous years. Short-term debt to equity ratio was also reduced.

Liquidity ratios

Specification	2009	2010
Current ratio	0,91	2,57
Quick liquidity ratio	0,53	2,07

Rules for calculating ratios:

- current liquidity – ratio of working assets to total current liabilities at the end of a given period; shows a company's ability to settle current liabilities based on current assets,
- quick liquidity ratio – ratio of working assets less inventory to current liabilities at the end of the period; shows the ability to accumulate cash in a short time to settle short-term obligations as and when they become due.

Public offering of shares of series K had the biggest impact on the significant improvement of current and quick liquidity ratios.

In 2010 the value of working assets increased by PLN 49.325 thou. The increase of working assets was mostly influenced by the increase of the Company's receivables by PLN 25.582 thou., and increase of cash by PLN 26.123 thou. Short-term liabilities dropped by PLN 18.773 thou. in this period, mainly as a result of a temporary repayment of working-capital credit.

Current liquidity increased from 0.91 in 2009 to 2.57 at the end of 2010. Fixed assets are no longer financed with short-term liabilities, and the Company's ability to settle current liabilities is not threatened.
Lower value of the quick liquidity ratio is a consequence of a considerable drop in inventory required for running business activity. Inventory value dropped slightly from PLN 22.897 thou. in 2009 to PLN 20.062 thou. in 2010.

Working capital management efficiency

Specification	2009	2010
DIO	91,4	52,2
DSO - supplies and services	106,9	137,6
DPO - supplies and services	134,7	79,7
Operating cycle	198,2	189,8
Cash conversion cycle	63,5	110,1

Rules for calculating ratios:

- DIO - ratio of inventory at the end of a given period to net income from sales for a given period multiples by a number of days in a period,
- DSO - ratio of receivables on account of supplies and services at the end of a given period to net income from sales for a given period multiples by a number of days in a period,
- DPO - ratio of short-term liabilities on account of supplies and services at the end of a given period to net income from sales for a given period multiples by a number of days in a period,
- operating cycle – the total of DIO and DSO,
- cash conversion cycle – difference between operating cycle and DPO on account of supplies and services.

DIO decreased at the end of 2010 to 52.2 days. DIO at the end of 2009 was considerably higher than average due to the performance of a major contract at the turn of 2009 and 2010 for the delivery of insulated pipes, and the necessity to purchase materials required for contract performance.

DSO at the end of 2010 was 137.6 days and increased by 30.7 days against 2009. The above is the result of higher sales level in the last months of 2010 against 2009, and the necessity to extend payment dates for some customers. DSO above 100 days is typical for the sector in which the Company operates and is related to lead time, collection and payment by the investor for the section of the gas pipeline constructed by the Company's customers. The Company allows for high DSO in working capital requirement. Furthermore, most of the Company's receivables are insured by Coface (since January 1, 2011 receivables are insured by KUKE).

DPO on account of supplies and services dropped from 134.7 days to 79.7 days in 2010. DPO at the end of 2009 differed considerably from the average level in the Company (107.2 days in 2008 and 101,0 in 2007), due to purchases made in Q4 of 2009 and their settlement in 2010. Moreover such a high DPO on account of supplies and services in 2009 was related to the investment in progress (Anticorrosion Coating Center).

Operating cycle was slightly reduced from 198.2 days in 2009 to 189.8 days. Cash conversion cycle was extended against 2009, however its 2009 level resulted from a high DPO ratio on account of supplies and services.

XV. EVALUATION OF INVESTMENT PROJECTS FEASIBILITY

The Company does not plan any capital investment.
In the scope of investment in the tangible fixed assets, the Company BP 2011 reveals the sum of PLN 22 385 thousand. The most significant point is the construction of the Research and Development Center for technologies and steel products. As per current prices, the investment outlays will total PLN 20 109 thousand. The investment has been described in detail in the item XVI of the present report. The Company also intends to spend PLN 1 690 thousand to improve the logistic infrastructure. The remaining investment outlays in 2011 are for the reconstruction activity.

As the Issuer leveraged the financial means from the public issue as well as from the company profit, the execution of the investment plan is not challenged. The Company has been granted a subsidy by the Ministry of Economy, to the amount of PLN 7 263 thousand, within the Operational Program Innovative Economy. The remaining outlays will be financed with the Company own means and investment credits.

XVI. CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS VITAL FOR THE ISSUER'S COMPANY DEVELOPMENT. DESCRIPTION OF THE ISSUER'S BUSINESS DEVELOPMENT AT LEAST TILL THE END OF A BUSINESS YEAR FOLLOWING THE PREVIOUS BUSINESS YEAR.

An important factor for the company development was commissioning of the Anti-Corrosion Coating Center in Kolonowskie, at the beginning of 2010. The Company acquired a modern production facility, a logistic infrastructure and a store yard. In the area of the Anti-Corrosion Coating Center the production line for external coating of pipes fi 700mm-1220 mm and the internal pipe coating line were situated. The newly constructed plant enables the Company to offer new products and to increase the production capacity.

Another significant factor was a successful public issue of 12.000.000 shares, series K, PLN 5.50 for each share. The Company gained PLN 66 000 thousand gross, whereas the cost of issue in 2010 was PLN 3 621 thousand. The leveraged means will be used for the working capital and for building the Research and Development Center of technologies and steel products.

The Company intends to take advantage of the approaching rise in demand for its products. The increased demand is the result of projects towards the development of a gas transmission system, storage and mining infrastructure, which is the effect of the strategy adopted by Poland to become independent of the gas supplies from the "east countries", the necessity to increase the gas share in the production of electrical energy, in order to comply with the restrictions imposed on Poland to reduce CO_2 emission, as well as the projects on shale gas prospecting.

The increase in the expenditures for the gas network development has been reflected in the number of tenders for the supply of insulated pipes asked by OGP Gaz – System S.A. On August 17, 2010 the Company concluded a framework agreement with OGP Gaz – System S.A. for getting the orders for the supply of internally and externally coated steel pipes, fi 508 mm. The value of partial contracts, in connection with the above mentioned agreement, will not exceed PLN 62 962 thousand. In the following bid announced by OGP Gaz-System S.A. on December 9, 2010, Izostal S.A.

(consortium leader) was chosen as one of the four suppliers of coated steel pipes fi 700 mm. On January 26, 2011 the Company signed a framework agreement in this scope. The value of partial contracts within the said framework agreement will not exceed PLN 787 042 thousand. Both framework agreements were signed for the period of 24 months.

As the Company evaluates, an important factor, which will have an impact upon the Company effects, will be the range of partial contracts within the framework agreement, as well as the delivery times.
The Company investment goal in 2011 is the construction of the Research and Development Center for technologies and steel products. The main target of the project is own R&D Center, which will carry out the projects so far contracted to external organizations. The project will effect in starting a formal and centralized R&D activity in the Company (so far only lab tests and quality tests have been done). Additionally, a new R&D Center will provide research and development services for Grupa Kapitałowa Stalprofil S.A.

A new Research and Development Center will affect the current Company activity by not only optimizing the R&D processes, but also by diversifying the production process. Diversification will enable the Company to make the research and perform analyses of raw materials used for production, in order to optimize the product parameters and to develop new constructional and operational solutions (among others, product prototypes). A new R&D Center will allow the Company to launch new products and services, which have not been offered so far (e.g. DFBE coating).

The R&D Center will advance the Company development by extending the offer in the EU markets. In result of a new investment Izostal S.A. - by running numerous specialized R&D works - will launch a new product on their target domestic and European markets: a two-layer epoxy coating DFBE.

XVII. CHANGES IN THE BASIC PRINCIPLES OF MANAGING IZOSTAL S.A.

No significant changes were recorded in the basic management principles in the period covered by the present annual report.
Company's organizational structure is based on four organizational divisions grouping Company's organizational units as per their scope of activity. According to the Management Board Regulations, Management Board members, being the Company's Directors, report directly to the Management Board President, General Director, and - based on the internal distribution of responsibilities - manage and directly supervise the functioning of the following divisions.
The following functions report to the Management Board President, General Director:

- Production and Technical Director Division,
- Management Board Representative for Quality Management,
- Research and Development Department,
- Management Board Support and HR Office,
- OH&S Inspector.

The following functions report to the Management Board Vice President, Financial Director:

- Financial Accounting Office,
- Financial Settlement Office.

The following functions report to the Management Board Vice President, Commercial Director:

- Home Sales Office,
- Export Sales Office,
- Logistics Office,
- Marketing.

On December 31, 2010 the Company employment level was 120.

The employment structure in IZOSTAL S.A. split into organizational divisions.

Specification	31.12.2010	
	Number of employees	Percentage
Management Board	3	3%
General Director Division	12	10%
Financial Director Division	8	7%
Commercial Director Division	11	9%
Production and Technical Director Division	86	72%
TOTAL	120	100%

The employment structure of IZOSTAL S.A. according to the type of performed job

Specification	**31.12.2010**	
	Number of employees	Percentage
White-collar employees	51	43%
Blue-collar employees	69	58%
Total	120	100,00%

XVIII. ALL AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND THE MANAGEMENT, WHICH ALLOW FOR COMPENSATION IN THE EVENT OF RESIGNATION OR DISMISSAL FROM THE POST.

The issuer is a party to agreements with the following Management Board Members: Marek Mazurek, Jacek Podwiński, Władysław Mrzygłód on non-competition during the employment period and after the work contract termination. The agreements stipulate that the Management Board Members are not allowed during the period of their employment in the Company and during the period of 6 months after termination of the work contract to be engaged in activities in competition with IZOSTAL S.A., nor can they render the work under the work contract or any other legal relationship to any subject operating in the same line of business or in business similar to the issuer's business. By way of compensation for non-competition within the contractual period of 6 months after the work contract termination the Management Board members are entitled to a monthly compensation paid by the Company, to the amount of 50% of their last monthly basic gross remuneration.

XIX. SALARIES, BONUSES OR BENEFITS OF THE ISSUER'S MANAGEMENT AND SUPERVISORY STAFF.

Remunerations of the Company Management Board members performing their functions in 2010 have been presented in the Table below (PLN).

	Total	**Salaries - fixed part**	**Salaries - variable part**	**Other benefits**
WŁADYSŁAW MRZYGŁÓD, incl.:				
Benefits paid in this business year	512 322,61	256 593,89	242 506,31	13 222,41
Employee benefits paid in this business year, covering previous years	23 346,26	23 346,26		
Provisions for salaries at the end of the period	71 803,83		71 803,83	
Unpaid salaries	98 461,82	23 934,61	71 337,21	3 190,00
JACEK PODWIŃSKI, incl.:				
Benefits paid in this business year	436 875,35	219 937,62	207 719,69	9 218,04
Employee benefits paid in this business year, covering previous years	20 011,08	20 011,08		
Provisions for salaries at the end of the period	61 546,14		61 546,14	
Unpaid salaries	82 407,82	20 515,38	61 146,18	746,26
MAREK MAZUREK, incl.:				
Benefits paid in this business year	435 515,70	219 937,62	207 719,69	7 858,39
Employee benefits paid in this business year, but referring to previous years	20 011,08	20 011,08		
Provisions for salaries at the end of the period	61 546,14		61 546,14	
Unpaid salaries	82 531,56	20 515,38	61 146,18	870,00
TOTAL, incl.:				
Benefits paid in this business year	1 384 713,66	696 469,13	657 945,69	30 298,84
Employee benefits paid in this business year, but referring to previous years	63 368,42	63 368,42		

Provisions for salaries at the end of the period	194 896,11		194 896,11	
Unpaid salaries	263 401,20	64 965,37	193 629,57	4 806,26

The Company does not offer incentive or bonus schemes based on the issuer's capital, including the schemes based on senior bonds, convertible bonds, subscription warrants (benefits in cash, in kind or any others).

Remunerations of the Company Supervisory Board members performing their functions in 2010 have been presented in the Table below (PLN).

	Total
JERZY BERNHARD, including:	
Benefits paid in this business year	38 000,38
Employee benefits paid in this business year, but referring to the previous years	3 319,78
Provisions for salaries at the end of the period	
Unpaid salaries	3 454,58
ZDZISŁAW MENDELAK, including:	
Benefits paid in this business year	38 000,38
Employee benefits paid in this business year, but referring to the previous years	3 319,78
Provisions for salaries at the end of the period	
Unpaid salaries	3 454,58
JAN KRUCZAK, including:	
Benefits paid in this business year	39 409,52
Employee benefits paid in this business year, but referring to the previous years	3 319,78
Provisions for salaries at the end of the period	
Unpaid salaries	3 454,58
JAN CHEBDA, including:	
Benefits paid in this business year	39 409,52
Employee benefits paid in this business year, but referring to the previous years	3 319,78
Provisions for salaries at the end of the period	
Unpaid salaries	3 454,58
LECH MAJCHRZAK, including:	
Benefits paid in this business year	39 409,52
Employee benefits paid in this business year, but referring to the previous years	3 319,78
Provisions for salaries at the end of the period	
Unpaid salaries	3 454,58
ADAM MATKOWSKI, including:	
Benefits paid in this business year	39 409,52
Employee benefits paid in this business year, but referring to the previous years	3 319,78
Provisions for salaries at the end of the period	
Unpaid salaries	3 454,58
TOTAL, incl.:	
Benefits paid in this business year	233 638,84
Employee benefits paid in this business year, but referring to the previous years	19 918,68
Provisions for salaries at the end of the period	
Unpaid salaries	20 727,48

In the reporting period, the Company did not grant any loans or any other sureties or guarantees to the management or supervisory board members.

XX. ASSESSMENT OF A TOTAL NUMBER AND NOMINAL VALUE OF ALL ISSUER'S SHARES AND SHARES POSSESSED BY THE ISSUER'S MANAGEMENT AND SUPERVISORY STAFF

Based on the information provided by the Company, on December 31, 2010 the Management Board and Supervisory Board members did not possess any Company shares.

Zawadzkie, 15.04.2011

However, particular members of the Management Board and Supervisory Board signed subscription forms in the public issue, series K shares, and on December 29, 2010, on the grounds of the Management Board resolution, the shares were allotted to them.
On January 28, 2011, the date of registering the increase in the Company initial capital in result of the shares series K issue, the members of Management Board and Supervisory Board held the Izostal S.A. shares, to the amount and number presented in the Table below:

Management Board	Total number of all shares of Izostal SA held by persons responsible for management and supervision.	Nominal value of all shares of Izostal S.A. held by persons responsible for management and supervision.
Marek Mazurek	5 314	10.628,00
Jacek Podwiński	738	1.476,00
Supervisory Board		
Zdzisław Mendelak	3 489	6.978,00

Moreover, as provided by the Management Board, on 28.01.2011 5314 shares to the total nominal value of PLN 10 628,00 thousand were held by Mr. Władysław Mrzygłód, the President of the Company Management Board till February 21, 2011.

XXI. LIST OF SHAREHOLDERS HOLDING AT LEAST 5% VOTES AT GENERAL MEETING OF SHAREHOLDERS.

Company shareholders structure as on 31.12.2010 (before registering the series K shares), information provided by the Management Board.

Shareholder	Number of shares held	Shareholding (%)	Number of votes at the General Meeting of Shareholders.	Share in the total number of votes at the General Meeting of Shareholders (%)
Stalprofil S.A.	19 739 000	95,16 %	19 739 000	95,16 %
Others	1 005 000	4,84 %	1 005 000	4,84 %
Total	20 744 000	100 %	20 744 000	100 %

Following the public issue of 12,000,000 series K shares in December 2010 as well as registering of the Company share capital increase by the Court of Registration in Opole, VIII Business Division at the National Court Register on 28.01.2011, the Management Board is hereby presenting the shareholder structure of Izostal S.A., as on the day of the capital increase registration:

Shareholder	Number of shares held	Shareholding (%)	Number of votes at the General Meeting of Shareholders.	Share in the total number of votes at the General Meeting of Shareholders (%)
Stalprofil S.A.	19 739 000	60,28 %	19 739 000	60,28 %
Aviva OFE Aviva BZ WBK	1 669 877	5,10 %	1 669 877	5,10 %
Others	11 335 123	34,62 %	11 335 123	34,62 %
Total	32 744 000	100 %	32 744 000	100 %

XXII. INFORMATION ON CONTRACTS THE ISSUER IS AWARE OF, WHICH MAY IN FUTURE TRIGGER OFF THE CHANGES IN THE PROPORTION OF SHARES HELD BY THE CURRENT SHAREHOLDERS.

As of the date of the present annual report, the Company was not aware of any other contracts, which may in future trigger off the changes in the proportion of the shares held.
The main Company shareholder, Stalprofil S.A., undertook in a "lock-up" contract (described in item XXVII letter F of this report) not to sell the Company shares within 12 months since the first listing of the issuer's shares.

XXIII. INFORMATION ON THE CONTROL SYSTEM OF EMPLOYEE SHARE SCHEMES.

The Company did not implement an employee share scheme, thus there is no control system in place.

XXIV. INFORMATION ON THE CONTRACT WITH THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS.

Information on the contract with the entity authorized to audit financial statements is included in a comment No.44 of a note to the Financial Statement.

Zawadzkie, April 15, 2011

………………………………	………………………………
Management Board President	Management Board Vice President
Marek Mazurek	Jacek Podwiński

XXV. MANAGEMENT BOARD STATEMENT

(made in line with §91 cl. 1 item 5 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information submitted by issuers of securities, and conditions of recognizing information required by law of a non-EU state as equivalent.

The Management Board of Izostal S.A. declares that to the best of its knowledge, the annual financial statement of Izostal S.A. and comparative data were prepared in line with effective accounting regulations and truly, reliably and clearly present the Company's property and financial situation, as well as its financial results; it also declares that the annual report on the issuer's activity reliably reflects the issuer's business development, achievements and situation, including basic risks and threats.

Zawadzkie, April 15, 2011

……………………………	……………………………
Management Board President	Management Board Vice President
Marek Mazurek	Jacek Podwiński

XXVI. MANAGEMENT BOARD STATEMENT

(made in line with §91 cl. 1 item 6 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information submitted by issuers of securities, and conditions of recognizing information required by law of a non-EU state as equivalent.

The Management Board of Izostal S.A. declares that the entity authorized to examine financial statements i.e. Kancelaria Porad Finansowo–Księgowych dr. Piotr Rojek Sp. z o.o., which examined the annual financial statement, was selected in line with legal regulations. Both the entity and the auditors, who performed the audit, met the conditions necessary to prepare an independent opinion on the examined consolidated financial statement in line with relevant professional regulations.

Zawadzkie, April 15, 2011

……………………………	……………………………
Management Board President	Management Board Vice President
Marek Mazurek	Jacek Podwiński

XXVII. CORPORATE GOVERNANCE

A. Statement on observing corporate governance principles

The Company's Management Board declares that since the introduction of the Company's shares for trade on the Stock Exchange, they intend to observe all corporate governance principles specified in the document entitled "Dobre Praktyki Spółek Notowanych na GPW" [Good practices of listed companies], (adopted on May 19, 2010 by the Supervisory Board of Giełda Papierów Wartościowych SA in Warszawa, by resolution no. 17/1249/2010, available to the public at the Exchange website: www.corp-gov.gpw.pl), except for the principle under no. III.6. The wording of principle no. III.6 is as follows:

- **Principle specified in Section III item 6**

PRINCIPLE: "6. At least two members of the supervisory board should be independent of the company and entities related to the company. Enclosure II to the Recommendation of the European Commission of February 15, 2005 on the role of non-executive directors, or supervisory directors of listed companies and on the (supervisory) board committee applies to independence criteria to be met by supervisory board members. Irrespective of the provisions of item b) of the above-mentioned Enclosure, a person being an employee of the Company, a subsidiary or an associated entity may not be seen as a person who meets the independence criteria referred to in the Enclosure. Moreover, in the meaning of this principle, a connection with a shareholder, excluding the independence of a supervisory board member, is understood as actual and significant connection with a shareholder with a right to exercise at least 5% of the total number of votes at a general meeting".

The majority shareholder decided that no independent members would be appointed Supervisory Board members.

B. Information on the main characteristics of internal control and risk management systems applied in the Issuer's enterprise with respect to the process of preparing financial statements

Internal control system and obligations related to risk management in the Company are fulfilled by the Management Board, managers and other employees within their scope of duties.

The Company's Management Board regularly identifies risk and monitors the areas of activity exposed to risk in order to provide security measures reducing the risk level.

Internal control mechanisms cover the manner in which Company employees perform their duties, in particular: qualifications, competences and compliance of the tasks performed with principles and procedures developed for individual areas in which the Company functions. The mechanisms are a control measure and are incorporated both in internal normative acts, procedures and integrated IT system for company management.

As for risk management covering the process of preparing financial statements, the Company regularly monitors changes in rules and external regulations concerning the preparation of statements. Internal regulations effective in the Company are also updated on a regular basis in order to adjust them to changing regulations.

Internal control system applying to the process of preparing financial statements is fulfilled by the Management Board, Chief Accountant and other competent employees. The purpose of the internal control is to ensure compliance of the prepared statements with books, documents and effective accounting regulations, and regulations for presenting results of business activity and the property and financial situation of the Company in line with the actuality. The controls include, among others, an analytical review of important balances and their comparison to previous periods, monitoring of whether or not activities necessary to close the reporting period are complete and performed on time.
Control activities are conducted on a day-to-day basis as part of responsibilities and obligations of individual employees of the Company, and when the management checks the correctness of tasks performed by subordinate employees, or while formulating internal procedures by paying special attention to ensuring adequate control mechanisms. Potential identified irregularities are corrected on a day-to-day basis by authorized employees of the Company.

Financial statements, including Company's periodic reports, are prepared in line with effective law regulations and the Accounting Policy adopted by the Company, including among others:

- general principles of keeping accounting books,

- methods of recording, evaluation, settlement and reporting,
- list of general ledger accounts and principles of recording business transactions,
- principles of keeping auxiliary books, and linking them to general ledger accounts,
- list of documents being accounting books on computer data carriers,
- approved software with information on its intended use, principles of data protection, and a description of the data processing system.

Finished financial statements are verified by the Management Board which accepts them based on the adopted internal regulations.
On February 16, 2011 an Audit Committee was appointed as a part of the Supervisory Board. The Committee will play an important part in the internal control process functioning in the Company. The tasks of the Audit Committee include among others the monitoring of the financial reporting system, performing financial audits and monitoring the efficiency of internal control systems, internal audit and risk management.
The Company's Management Board is of the opinion that the division of tasks connected with the preparation of financial statements in the Company, auditor's verification of the prepared statements, as well as the monitoring of the preparation and verification of statements by the Audit Committee, and Supervisory Board's assessment of the statements ensure that the information presented in financial statements is reliable and correct.

C. List of shareholders holding significant blocks of shares either directly or indirectly.

The Company's shareholding structure as on December 31, 2010 (prior to the registration of shares of series K), based on the Management Board's information, was as follows:

Shareholder	No. of shares held	Share in the initial capital (%)	Number of votes at the General Meeting	Share in the general number of votes at a general meeting (%)
Stalprofil S.A.	19 739 000	95,16 %	19 739 000	95,16 %
Other	1 005 000	4,84 %	1 005 000	4,84 %
Total	20 744 000	100 %	20 744 000	100 %

Following the public offering of 12 million shares of series K in December 2010, and registration of the increase of the Company's share capital by the Court of Registration in Opole, 8th Business Division of the National Court Register on January 28, 2011, the Management Board presents the following shareholding structure of Izostal S.A. as on the day of registering the increase:

Shareholder	No. of shares held	Share in the initial capital (%)	Number of votes at the General Meeting	Share in the general number of votes at a general meeting (%)
Stalprofil S.A.	19 739 000	60,28 %	19 739 000	60,28 %
Aviva OFE Aviva BZ WBK	1 669 877	5,10 %	1 669 877	5,10 %
Other	11 335 123	34,62 %	11 335 123	34,62 %
Total	32 744 000	100 %	32 744 000	100 %

D. List of holders of all securities offering special control rights and information on those rights.

The Company did not issue securities offering special control rights.

E. Information on any and all limitations as to exercising the voting right.

No limitations are imposed on securities issued by the Company as to exercising the voting right such as limited exercise of the voting right by shareholders holding a specific part or a number of votes, time limitations as to exercising the voting right or regulations according to which equity rights related to securities are separated from the holding of securities, subject to co-operation on the part of the Company.

F. Limitations concerning the transfer of the ownership title to issuer's securities.

On September 9, 2010 Stalprofil S.A., Izostal S.A., and Dom Maklerski BDM S.A. [Brokerage House] concluded a "lock-up" agreement on a ban on selling the shares of Izostal S.A. The shareholder (Stalprofil S.A.) committed itself not to sell, transfer, encumber or dispose of any shares held within full 12 months counting from the day on which the Issuer's shares were first listed on Giełda Papierów Wartościowych w Warszawie S.A. In view of the above, the Shareholder undertook to impose the required lock-up on shares.
As on the day of preparing this annual report, the Company did not have information on other limitations concerning the transfer of the ownership title to the Issuer's securities.

G. Description of principles of appointing and recalling managers, and their powers.

The Management Board is composed of two to four persons appointed for a joint term of office of three years. The Management Board is appointed by the Supervisory Board by absolute majority of votes. One of the appointed Management Board Members is entrusted by the Supervisory Board with the function of a Management Board President, and at least one of the Management Board Members is entrusted with the function of Management Board Vice-President. The number of Management Board members of a given term is defined by the Supervisory Board which may increase or decrease the number of Management Board members during the term. Two Management Board members jointly, or one Management Board member together with a proxy, are authorized to represent the Company, make statements of intent and sign documents, including an authorization to incur obligations on behalf of the Company. A Management Board resolution is required in case of issues exceeding the ordinary scope of the Company's activities related to managing its business.

The Supervisory Board consists of five to seven members appointed by the General Meeting for a joint term of office lasting five years. The General Meeting determines the number of Supervisory Board members. The General Meeting may change the number of Supervisory Board Members during their term of office, yet only in relation to the change in the composition of the Supervisory Board during its term of office. At the first meeting of the new term, the Supervisory Board appoints, in a secret ballot, the President, Vice President and Secretary from among its members, by absolute majority of votes cast in the presence of at least half of the Supervisory Board members. Supervisory Board supervises the Company's activity, and its specific powers are defined by the Commercial Companies Code, Company's articles and the Regulations of the Supervisory Board of Izostal S.A.
The Management Board and the Supervisory Board act in line with provisions of the act Commercial Companies Code, the Company's Articles and its Regulations publicly available on the Company's website (www.izostal.com.pl).
As for the right of the managing persons to make a decision on the issue or buy-out of shares, the Company follows relevant provisions of the act Commercial Companies Code, and other commonly effective law regulations applicable in this scope. It must be noted that the General Meeting may, by virtue of a resolution on the increase of the Company's share capital, authorize the Company's Management Board to take all actual and legal action necessary to increase the Company's share capital based on and in a scope defined by a relevant resolution passed by the General Meeting.

H. Description of amendments to the articles or the issuer's articles of association

Supervisory Board expresses its opinion on amendments to the Issuer's articles which are then approved by a resolution of the General Meeting. The Company does not follow any specific principles concerning amendments to the statute that would differ from the principles specified in the commercial companies code.

I. Information on the functioning of the General Meeting, its basic powers, shareholders' rights, and the manner of exercising those rights.

General Meeting functions based on the Regulations of the General Meeting of Izostal S.A., seated in Zawadzkie, which define the principles of the functioning of the General Meeting i.e.: principles of convening and canceling a general meeting, shareholders' rights to information, rights to participate in the General Meeting, principles of registering General Meeting participants, participation of persons other than Shareholders in the General Meeting, principles of opening the Meeting and appointing a President of the General Meeting, agenda and course of the meeting, principles of appointing a Supervisory Board and principles of keeping minutes of a General Meeting. General Meeting regulations are published on the Company's website (www.izostal.com.pl). Provisions of the Commercial Companies Code and other legal acts, as well as the provisions of the Company's Articles apply in issues not governed by the present Regulations.

A General Meeting may be convened by bodies or persons entitled so in line with the legal regulations or the Articles. A shareholder may demand that copies of the motions on the issues covered by the agenda of the meeting be issued to them one week prior to the General Meeting. Company Shareholders entitled under registered shares and provisional certificates, as well as pledgees and users with a voting right are entitled to participate in the General Meeting provided that they were entered into the shares ledger at least one week before the General Meeting, as well as persons holding bearer shares who provided the Company with certificates issued as a proof of depositing shares or registered deposit certificates at least one week before the date of the General Meeting. As of the day on which the Company obtains the status of a public company, the right of participation in a General Meeting shall be ascribed to the persons being Shareholders sixteen days prior to the General Meeting, and who demand participation in the Meeting, with reservations specified in the regulations of the General Meeting of Izostal S.A. available on the Issuer's website. Any participant of the General Meeting has a right to apply for the function of the General Shareholders' Meeting President, as well as to submit one candidate for the function of the General Meeting President. Any Shareholder has the right to ask questions on any matter covered by the agenda of the meeting. During the session participants of the General Meeting have the right to ask questions related to a given item of the agenda to the current members of the Company bodies present in the room.

The General Meeting is in particular authorized to adopt resolutions on:

- reviewing and approving the Company's financial statement and the Management Board report on the Company's activity for the previous financial year,
- distributing profit or covering loss,
- granting a vote of approval to members of the Company bodies for the performance of their duties,
- establishing and reversing reserve capital, special funds and defining their purpose,
- decisions regarding claims for rectification of damage while establishing, supervising or managing the Company,
- appointing and recalling Company Supervisory Board members,
- appointing and recalling liquidators,
- determining remuneration for Company Supervisory Board members,
- adopting regulations for the sessions of the General Meeting,
- marketing Company shares in an organized system for securities trading.

J. Composition of the Issuer's managing, supervisory and administration bodies, and their committees and changes which occurred over the last business year and description of their functioning

Management Board

The sixth term of the Company's Management Board expired in 2010. Till May 11, 2010 the Management Board functioned with the following members:

Władysław Mrzygłód	Management Board President
Marek Mazurek	Management Board Vice-President
Jacek Podwiński	Management Board Vice-President

Composition of the Management Board of the 7th term appointed by Supervisory Board resolution of May 12, 2010 was not changed and functioned with the following members:

Władysław Mrzygłód	Management Board President
Marek Mazurek	Management Board Vice-President
Jacek Podwiński	Management Board Vice-President

Composition of the Management Board of Izostal S.A. was changed on February 21, 2011 due to the resignation of Mr. Władysław Mrzygłód from the function of Management Board President and acceptance of the resignation by the Supervisory Board President. At the meeting held on February 28, 2011, the Supervisory Board resolved that following the resignation of Mr. Władysław Mrzygłód, the Company's Management Board is composed of two persons as per §7 item 1 of the Company's Articles, and the function of the Management Board President is entrusted to Mr. Marek Mazurek.

Since February 28, 2011 the Company's Management Board has functioned with the following members:

Marek Mazurek	Management Board President
Jacek Podwiński	Management Board Vice-President

The Management Board functions based on the provisions of the Commercial Companies Code, Company Articles, Regulations of the Management Board of Izostal S.A., good practices of companies listed on the Warsaw Stock Exchange and effective legal regulations. The Company Management Board manages Company activity and represents it in relations with the outside world. The Management Board's scope of activities includes all matters connected with managing the Company, whereas those that are not restricted by commonly effective law regulations and the Company's Articles fall within the powers of the General Meeting or the Supervisory Board. Management Board President manages the works of the Management Board, specifically coordinates, supervises and organizes the work of the other Management Board Members. For ordinary management matters each Management Board Member may run Company affairs on their own. A Management Board resolution is required in case of issues exceeding the ordinary scope of the Company's activities involving the management of its business. The Management Board takes decisions in form of a resolution also if even one Management Board member so requires. Resolutions are passed by ordinary majority of shares and are passed at Management Board meetings held on dates agreed on an ongoing basis, as necessary. Management Board meetings may be held at the Company's seat or outside and are convened by the President of the Management Board at their own initiative, or at the request of another Management Board member. Management Board resolutions may also be adopted: through direct remote communication means or by circulation (written procedure). Resolutions adopted by circulation (in written form) or via means of remote communication are valid if all the Management Board members have been informed on the adoption and content of the resolution. Management Board members' participation in Management Board meetings is obligatory, and any absence should be excused appropriately. Minutes are kept to record the course of Management Board meetings. While taking decisions on Company matters, Management Board members act within the limits of reasonable business risk, that is after examination of all the information, analyses and opinions which in the assessment of the Management Board shall be considered in a given case to the best interest of the Company. On determining Company's interest, the Management Board takes into account the long-term interest of shareholders, creditors, Company employees and other entities and persons co-operating with the Company as regards its business activity, as well as the interest of local communities. While effecting transactions with shareholders and other persons, whose interest may have influence on the Company's interest, the Company Management Board exercises due care to have the transactions realized on arm's length conditions.

Supervisory Board

The sixth term of the Supervisory Board of Izostal S.A. expired on May 11, 2010. The Supervisory Board functioned with the following members since January 1, 2010:

Jerzy Bernhard	Supervisory Board President
Zdzisław Mendelak	Supervisory Board Vice President
Jan Chebda	Supervisory Board Secretary
Jan Kruczak	Supervisory Board Member
Lech Majchrzak	Supervisory Board Member
Adam Matkowski	Supervisory Board Member

On May 12, 2010 the Annual General Meeting of IZOSTAL S.A. appointed Supervisory Board members for the 7th term of office. The Supervisory Board was constituted and had the following composition in the period from May 24, 2010 to December 31, 2010:

Jerzy Bernhard	Supervisory Board President
Zdzisław Mendelak	Supervisory Board Vice President
Jan Chebda	Supervisory Board Secretary
Jan Kruczak	Supervisory Board Member
Lech Majchrzak	Supervisory Board Member
Adam Matkowski	Supervisory Board Member

The Supervisory Board is a collective body and consists of five to seven members appointed by the General Meeting for a joint term of office lasting five years.
Supervisory Board supervises Company operations. Each Supervisory Board member should act in line with the Company's interests, and follow independent opinions, in particular: should not demand or accept unjustified benefits that could have a negative impact on the assessment of the independence of its opinions and judgments, should object clearly and express a dissenting opinion if they believe that a decision of the Supervisory Board is in conflict with the Company's interests. At the first meeting of the new term the Supervisory Board appoints, in a secret ballot, the President, Vice President and Secretary of the Supervisory Board from among its members, by absolute majority of votes cast in the presence of at least half of the Supervisory Board members. Supervisory Board may replace the person holding the position of the Supervisory Board President, Vice President and the Secretary during the term of office. A motion on recalling a Supervisory Board member from the position held must be combined with appointing a Supervisory Board member who will replace the person recalled from the position. The appointment is made through a secret ballot, by absolute majority of votes cast in the presence of at least half of the Supervisory Board members. The President's powers include: managing the works of the Supervisory Board and coordinating those works, convening Supervisory Board meetings and chairing them, opening a General Meeting or indicating a person authorized to open and chair the meeting until the President of the General Meeting is appointed. Vice President replaces the Supervisory Board President and chairs Supervisory Board meetings when the Supervisory Board President is not able to perform their duties, or does not wish to chair a Supervisory Board meeting. Secretary's duties include: exercising regular

supervision over keeping the Supervisory Board minutes book, maintaining regular contact with the Company's Management Board, informing the Supervisory Board on the manner of implementing its resolutions, signing the Supervisory Board outgoing correspondence. Supervisory Board meetings are convened as necessary, yet at least 3 times in a business year. First meeting of the newly appointed Supervisory Board is convened by the President of the Supervisory Board of the previous term of office to be held at the latest on a day falling two weeks from the appointment of Supervisory Board of the new term of office. Should the Supervisory Board President of the previous term fail to convene the meeting, the first Supervisory Board meeting is convened by the Company's Management Board. Meetings of the Supervisory Board are convened by the President of the Supervisory Board. Supervisory Board meetings are convened based on a written invitation including among others the suggested agenda prepared by the Supervisory Board President to be effectively distributed to all Board members at least seven days before the date of the meeting. Supervisory Board resolutions are adopted by an absolute majority of votes in the presence of at least half of the Supervisory Board members. Minutes are kept to record Supervisory Board meetings. The Supervisory Board performs its obligations collectively, however it may delegate its members to individually perform certain supervisory activities. For contracts concluded between the Company and Management Board members, the Supervisory Board may, by virtue of a resolution, authorize one or more of its members to perform such legal activities. Members of the Supervisory Board exercise their rights and duties personally.

One committee functions within the Supervisory Board of Izostal SA i.e. the Audit Committee, appointed by the Supervisory Board on February 16, 2011. The following persons were appointed Audit Committee members:

Jan Kruczak	President of the Audit Committee,
Adam Matkowski	Vice President of the Audit Committee,
Zdzisław Mendelak	Secretary of the Audit Committee,

Audit Committee functions based on regulations of the Audit Committee approved by the Supervisory Board of IZOSTAL S.A. and a Schedule of regular meetings of the Audit Committee in 2011. Tasks of the Audit Committee include among others the monitoring of the financial reporting process, performing financial audit activities, and monitoring the efficiency of internal control systems, internal audit and risk management.

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Zawadzkie, April 15, 2011

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Management Board President	Management Board President
Marek Mazurek	Jacek Podwiński

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

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

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