



## QUARTERLY CONDENSED FINANCIAL STATEMENT FOR Q4 2010

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prepared based on

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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**I. Selected financial data**

	in PLN thou.		in EUR thou.	
	4 quarters ytd/2010 period from 2010-01-01 to 2010-12-31	4 quarters ytd/2009 period from 2009-01-01 to 2009-12-31	4 quarters ytd/2010 period from 2010-01-01 to 2010-12-31	4 quarters ytd/2009 period from 2009-01-01 to 2009-12-31
Net income from the sales of products, goods and materials	138 329	90 209	34 544	20 783
Profit (loss) on operating activity	11 131	7 062	2 780	1 627
Gross profit (loss)	8 538	6 439	2 132	1 483
Net profit (loss)	7 438	5 071	1 857	1 168
Net cash flow from operating activity	-8 789	15 669	-2 195	3 610
Net cash flow from investment activity	-479	-52 951	-120	-12 199
Net cash flow from financial activity	48 497	34 496	12 111	7 947
Change in cash and cash equivalents	39 229	-2 786	9 797	-642
Total assets	203 466	154 198	51 376	37 534
Long-term liabilities	40 793	42 569	10 300	10 362
Short-term liabilities	41 327	60 100	10 435	14 629
Share capital	121 346	51 529	30 641	12 543
No. of shares	20 744 000	14 974 137	20 744 000	14 974 137
Profit (loss) per one ordinary share (in PLN / EUR)	0,36	0,34	0,09	0,08
Diluted number of shares	32 744 000	26 974 137	32 744 000	26 974 137
Diluted profit (loss) per one ordinary share (in PLN / EUR)	0,23	0,19	0,06	0,04

Selected financial data presented in the financial statement was converted to Euro in the following way: items related to statement of total income and cash flow statement for four quarters of 2010 (four quarters of 2009), were calculated based on a rate being the arithmetic mean of average exchange rates quoted by the National Bank of Poland effective on the last day of each month in a year. The rate was 1 EURO = PLN 4,0044 (1 EURO = 4,3406 ). Items in the report on the financial situation were calculated based on an average exchange rate quoted by the National Bank of Poland effective on the balance-sheet day. The exchange rate on December 31, 2010 - 1 EURO = PLN 3,9603 (as on December 31, 2009 - 1 EURO = 4,1082 ). Balance-sheet data for the previous period are presented at the end of 2009 financial year. Annualized profit per one share was calculated based on an exchange rate being an arithmetic mean of average exchange rates quoted by the National Bank of Poland on the last day of each month in a year. The rate was 1 EURO = PLN 4,0044 for 2010 (1 EURO = 4,3406 for 2009 ).

**II. Statement of financial position (PLN thousand)**

ASSETS	As on 31.12.2010	As on 30.09.2010	As on 31.12.2007
<b>Fixed assets (long-term)</b>	<b>99 568</b>	<b>98 576</b>	<b>99 625</b>
Tangible fixed assets	98 947	98 177	99 105
Other intangible assets	177	99	152
Investments available for sale	0	0	0
Long-term financial assets	0	0	0
Assets on account of deferred income tax	319	223	321
Long-term receivables and prepayments	125	77	47
<b>Current assets (short-term)</b>	<b>103 898</b>	<b>62 028</b>	<b>54 573</b>
Inventories	20 062	16 315	22 897
Short-term receivables and prepayments	54 450	45 187	28 868
Receivables on account of income tax	455	0	0
Short-term financial assets	0	0	0
Currency derivatives	0	0	0
Cash and cash equivalents	28 931	526	2 808
<b>Total assets</b>	<b>203 466</b>	<b>160 604</b>	<b>154 198</b>

LIABILITIES	As on 31.12.2010	As on 30.09.2010	As on 31.12.2007
<b>Equity</b>	<b>121 346</b>	<b>55 317</b>	<b>51 529</b>
Share capital	41 488	41 488	41 488
Surplus from the sale of shares above their face value	38 379	0	0
Spare and reserve capital	34 041	10 041	4 970
Retained and current profit/loss	7 438	3 788	5 071
<b>Long-term liabilities</b>	<b>40 793</b>	<b>50 249</b>	<b>42 569</b>
Provisions	171	114	114
Provision on account of deferred income tax	213	231	268
Long-term bank loans and credits	16 688	25 852	21 344
Other long-term financial liabilities	4 464	4 642	5 134
Long-term liabilities and accruals	19 257	19 410	15 709
<b>Short-term liabilities</b>	<b>41 327</b>	<b>55 038</b>	<b>60 100</b>
Provisions	238	0	241
Short-term bank loans and credits	16	7 384	19 107
Short-term part of long-term bank loans and credits	4 656	4 656	4 656
Other short-term financial liabilities	962	856	868
Short-term liabilities and accruals	35 455	41 831	35 150
Liabilities on account of income tax	0	311	78
<b>Total liabilities</b>	<b>203 466</b>	<b>160 604</b>	<b>154 198</b>

### III. Statement of comprehensive income - calculation basis (PLN thousand)

CALCULATION VARIANT	For the period from 01.10 to 31.12.2010	For the period from 01.01 to 31.12.2010	For the period from 01.10 to 31.12.2009	For the period from 01.01 to 31.12.2009
Income from the sales of products, goods and materials	43 221	138 329	33 275	90 209
Costs of products, goods and materials sold	35 616	117 810	27 106	73 162
Gross profit/loss on sales	7 605	20 519	6 169	17 047
Costs of sale	495	1 791	505	1 541
Overheads	2 608	8 953	2 493	7 995
Other income	121	1 787	939	1 375
Other costs	323	431	1 395	1 824
Operating profit/loss	4 300	11 131	2 715	7 062
Financial income	533	684	491	1 351
Financial costs	920	3 277	840	1 974
Gross profit (loss)	3 913	8 538	2 366	6 439
Income tax	263	1 100	489	1 368
Net profit (loss) on business activity	3 650	7 438	1 877	5 071
Net profit/loss for a business year	3 650	7 438	1 877	5 071
Other total income	0	0	0	0
- profit/loss on the revaluation of tangible fixed assets	0	0	0	0
-profit/loss on the valuation of investments available for sale translated into equity	0	0	0	0
-profit/loss on securing cash flow (effective part)	0	0	0	0
-Foreign exchange rate differences from the valuation of entities operating abroad	0	0	0	0
- Income tax related to items presented in other total income	0	0	0	0
Other income total	3 650	7 438	1 877	5 071

	For the period from 01.10 to 31.12.2010	For the period from 01.01 to 31.12.2010	For the period from 01.10 to 31.12.2009	For the period from 01.01 to 31.12.2009
Profit per share: (in PLN)				
- basic based on the financial result of continued activity		0,36		0,34
- basic based of the financial result for the business year		0,36		0,34
- diluted based on the financial result of continued activity		0,23		0,19
- diluted based of the financial result for the business year		0,23		0,19

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

	For the period from 01.10 to 31.12.2010	For the period from 01.01 to 31.12.2010	For the period from 01.10 to 31.12.2009	For the period from 01.01 to 31.12.2009
<b>Cash flow from operating activity</b>				
Profit/loss before taxation	4 026	8 590	2 465	6 388
Item adjustments:	-19 621	-17 379	2 783	9 281
Fixed assets depreciation	951	3 656	753	2 110
Depreciation of intangible assets	13	50	13	52
Foreign exchange gains/losses	0	0	0	0
Interest costs and income	835	2 762	399	1 256
Profit/loss on investment activity	0	-470	0	0
Change in provisions	277	-2	225	-79
Change in inventory	-3 748	2 834	-6 759	-302
Change in receivables and prepayments	-9 410	-24 359	-3 883	1 971
Change in liabilities and accruals	-7 397	4 503	18 346	21 297
Paid/refunded income tax	-1 142	-1 685	-811	-1 254
Other adjustments	0	-4 668	-5 500	-15 770
<b>Net cash flow from operating activity</b>	<b>-15 595</b>	<b>-8 789</b>	<b>5 248</b>	<b>15 669</b>
<b>Cash flow from investment activity</b>				
Earnings from the sale of fixed assets and intangible assets	3	40	0	6 598
Earnings from the sale of financial assets	0	0	0	0
Earnings from interest	0	0	0	0
Other income from investments - subsidies received	0	4 668	5 500	15 770
Expenditure on the purchase of tangible fixed assets and intangible assets	790	4 783	16 005	75 049
Net expenditure on the purchase of subsidiaries and associated entities	0	0	0	0
Other	-97	-404	-109	-270
<b>Net cash flow from investment activity</b>	<b>-884</b>	<b>-479</b>	<b>-10 614</b>	<b>-52 951</b>
<b>Cash flow from financial activity</b>				
Earnings from loans and credits	0	8 000	6 055	60 270
Net earnings from the issue of shares, bonds, bills of exchange and vouchers	62 379	62 379	12 000	12 000
Repayments of loans and credits	9 164	18 656	12 000	35 588
Finance lease payments	250	869	196	1 200
Dividends paid to Company shareholders	0	0	0	0
Interest paid	738	2 357	290	986
<b>Net cash flow from financial activity</b>	<b>52 227</b>	<b>48 497</b>	<b>5 569</b>	<b>34 496</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>35 748</b>	<b>39 229</b>	<b>203</b>	<b>-2 786</b>
<b>Cash, cash equivalents and overdraft facilities at the beginning of the period</b>	<b>-6 817</b>	<b>-10 298</b>	<b>-10 501</b>	<b>-7 512</b>
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and overdraft facilities	0	0	0	0
<b>Cash, cash equivalents and overdraft facilities at the end of the period</b>	<b>28 931</b>	<b>28 931</b>	<b>-10 298</b>	<b>-10 298</b>

**V. Statement of changes in equity (PLN thou.)**

	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
Balance as on 01.10.2010	41 488	0	0	10 041	0	3 788	55 317
Changes in equity in Q4 2010	0	38 379	0	24 000	0	3 650	66 029
Appropriation of net profit	0	0	0	0	0	0	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	3 650	3 650
Total revenues and costs shown in Q4 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
Balance 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
Balance 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
Balance as on 31.12.2009	41 488	0	0	4 970	0	5 071	51 529



## VI. Notes to quarterly condensed financial statement for Q4 2010

### 1. Information on accounting principles adopted for the preparation of the report, including information on modifications of principles applied.

The report was prepared in a manner that ensures comparability of financial data. Accounting principles followed by the Company were not changed in the reporting period. Accounting principles were described in detail in the Prospectus approved by the Financial Supervision Authority on December 8, 2010. The prospectus is available on the Issuer's website at [www.izostal.com.pl](http://www.izostal.com.pl).

There were no changes against financial statements published in the aforementioned Prospectus.

### 2. Information on significant changes in estimated values

Table of changes in the estimated value of provisions (in PLN thou.):

	Status as on 31.12.2010	Status as on 01.01.2010	Change
Provision on account of deferred income tax	213	268	-55
Provision for retirement benefits and similar benefits	409	355	54
Other provisions	0	0	0

Table of changes in the estimated value of assets on account of deferred income tax (in PLN thou.):

	Status as on 31.12.2010	Status as on 01.01.2010	Change
Assets on account of deferred income tax	319	321	-2

Table of changes in the estimated value of revaluation write-offs (in PLN thou.):

	Status as on 31.12.2010	Status as on 01.01.2010	Change
Revaluation write-offs of principal receivables	737	1.109	-372
Inventory revaluation write-offs	48	232	-184

### 3. Brief description of achievements or failures in Q4 2010, including information on the most important events related thereto.

#### Public offer of Izostal S.A:

On December 8, 2010, the Financial Supervision Authority approved the Prospectus of Izostal S.A., prepared in connection with the public offering of 12.000.000 K series Shares of Company Izostal S.A., and application for admission to trading in a regulated market managed by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange), of shares series A, B, C, D, E, F, G, H, I, J and K, and rights to shares of series K to trade on the regulated market managed by Giełda Papierów Wartościowych w Warszawie S.A. The prospectus was published on the websites of Izostal S.A. ([www.izostal.pl](http://www.izostal.pl)) and Brokerage house BDM S.A. ([www.bdm.pl](http://www.bdm.pl)) on the same day.

On December 20, 2010 after the completion of the book building process among Institutional Investors, the Management Board of Izotal S.A. set the issue price of shares, series K at PLN 5.50 for each share offered to Institutional Investors, and Individual Investors, and the final number of shares of series K offered: Individual Investors - 1.000.000 Shares Offered and Institutional Investors - 11.000.000 Shares Offered.

Public Subscription to shares of series K was held from December 21-23, 2010, and subscriptions for Institutional and Individual Investors were accepted.

On December 29, 2010, the Management Board of Izotal S.A. passed a resolution on allocating shares of series K of the nominal value of PLN 2,00 and issue price of PLN 5.50, offered under public offering.

The number of correctly placed and paid subscriptions in the Individual Tranche, with 1.000.00 shares of series K offered, was 645 for the total of 6.775.486 Shares of the total value of 37.265.173.

The number of correctly placed and paid subscriptions in the Institutional Tranche, with 11.000.00 shares of series K offered, was 60 for the total of 11.000.000 Shares of the total value of PLN 60.500.000.

The total of 12.000.000 K series shares i.e. all shares offered publicly, were allocated to investors.

The value of the subscription was PLN 66.000 thou. net (amount which does not include the costs of the public offering).

Total costs incurred by the Company in 2010 in connection with the Offer (the so-called issue costs) amounted to PLN 3.621 thou.

Izotal S.A. obtained PLN 62,379 thou. net on account of the public offer. According to the Prospectus, the funds will be used to subsidize the construction of Research and Development Center for steel technologies and projects (PLN 12.658 thou.), and increase of the working capital (PLN 49.721 thou.).

**Important contracts signed by Izotal S.A. in Q4 2010:**

**1. Contract concluded in Warszawa on 11.10.2010 between Operator Gazociągów Przesyłowych Gaz-System S.A. ("Orderer") and Izotal S.A. ("Contractor")**

- Subject of the order: supply of 7.000 m of steel pipes Ø508x8 .
- Contract value: PLN 3,535 thou. net.
- Delivery date: 4 successive business days indicated by the Orderer in the period from February 15 to 28, 2011 (later changed by the Orderer to 4 successive business days in the period from March 5 to 28, 2011).
- Delivery place: Items ordered should be delivered to the building site of Jeleniów-Dziwiszów gas pipeline.

**2. Contract concluded on 24.11.2010 between Operator Gazociągów Przesyłowych Gaz-System S.A. ("Orderer") and Izotal S.A. ("Contractor")**

- Subject of the order: supply of 8,000 m of steel pipes Ø508x8 .
- Contract value: PLN 4,344 thou. net.

- Delivery date: 4 successive business days indicated by the Orderer in the period from March 01 to 10, 2011. (later changed by the Orderer to 4 successive business days in the period from March 14 to April 1, 2011).
- Delivery place: Items ordered should be delivered to the building site of Jeleniów-Dziwiszów gas pipeline.

**Other significant events:**

**Offer for the supply of insulated steel pipes placed by Izostal S.A. (Leader of the Consortium) as one of the four Contractors selected by Operator Gazociągów Przesyłowych Gaz-System S.A.**

On December 9, 2010 as a result of the restricted tender procedure for the conclusion of a frame contract for the supply of insulated steel pipes DN 700 and DN 800 for investment tasks performed by Operator Gazociągów Przesyłowych Gaz-System S.A. seated in Warszawa, the offer of Izostal S.A., the leader of the Consortium, was selected as the most advantageous. Deliveries will be done by Izostal S.A. consortium and three other entities invited to sign frame contracts, based on partial orders. On January 26, 2011 the Company, being the leader of the consortium, signed a frame contract with Operator Gazociągów Przesyłowych Gaz-System S.A. The contract is further described in item 19 of this Report.

**4. Description of factors and events, in particular the untypical ones with significant impact on the financial results achieved.**

Increased demand for the Company's products and services was observed in Q4. As a result, the Company managed to achieve income from sales in the amount of PLN 43.221 thou. for the quarter i.e. 30% more than in the corresponding period of the previous year.

Sales of insulated products in Q4 2010 amounted to 162 thou. m<sup>2</sup>, i.e. 25% more than in Q4 2009.

The sales level recorded enabled the Company to achieve net income from sales in the amount of PLN 3.650 thou. i.e. 94% more than in the corresponding period of the previous year.

Untypical factor, which had impact on the results achieved, was the successful issue of shares series K in the amount of PLN 12 million. Issue price per share was PLN 5.50. In 2010 the Company obtained PLN 62.379 thou. from the issue of shares. The funds were credited to the Company's account in December 2010, and therefore:

- the equity level increased from PLN 55.317 thou. recorded at the end of Q3 2010 to PLN 121.346 thou. at the end of 2010
- overdraft facility in the amount of PLN 14.000 thou. was paid off, as well as the working capital loan in the amount of PLN 8.000 thou. The loan will be used again if necessary to engage financial means in business activity.

- the remaining amount obtained from the issue of shares was placed on a time deposit account.

**5. Explanations concerning the seasonal and cyclical character of business activity in the period presented.**

Similarly to most entities acting as suppliers and service providers on the investment goods market, Izostal S.A. records seasonality of sales with bigger part of income generated in Q2, Q3 and Q4. Seasonal character depends on weather conditions and works schedules of particular contracts based on technological conditions which are a reason why most customers of Izostal S.A. perform their investment tasks in the period from April to December.

Due to the seasonal character of the business activity run by Izostal S.A., the correct assessment of the Company's financial situation is possible only if the analysis of financial data is complete and covers an entire business year.

**6. >>Information on the issue, buyout and repayment of non-equity and equity securities**

In Q4 2010 Izostal S.A. held a public offering of 12.000.000 ordinary bearer shares, new issue of shares of series K of the nominal value of PLN 2,00 each. 12.000.000 shares allocated by the Management Board on 29.12.2010 were subscribed to and duly paid for under the public offering.

As a result of the above the Company's share capital was raised to PLN 65.488.000,00. The increase of capital was registered on 28.01.2011 by the District Court in Opole, 8th Business Division of the National Court Register (relevant information was provided by the Issuer in regular report no. 11/2011), in consequence the amount of increased capital was recognized under the item "reserve and spare capitals" in the report on the financial situation prepared as on 31.12.2010.

**7. Information on dividend paid (or declared).**

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

**8. List of events that followed the day on which the quarterly condensed financial statement was prepared, not included in this report, which may have a considerable influence on future financial results.**

Izostal S.A. did not record any events after the day on which the quarterly condensed financial statement was prepared, which could have a considerable influence on future financial results of the Company.

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

Changes in off-balance liabilities in the period from 01.01.2010 to 31.12.2010 are as follows:

## 1. Change in guarantees (PLN thousand):

Beneficiary	Guarantee type	Validity date	Status as on 31.12.2010	Status as on 01.01.2010	Change
OGP Gaz-System S.A.	bid guarantee	28.02.2011	10.000	0	10.000
OGP Gaz-System S.A.	service	10.03.2011	530	0	530
	performance				
	removal of defects	10.03.2016	159	0	159
OGP Gaz-System S.A.	service	28.03.2011	431	0	431
	performance				
	removal of defects	28.03.2016	129	0	129
ZRUG Sp. z o.o.	service	31.05.2011	1.097	0	1.097
	performance				

## 2. Change in security established on the Company's fixed and working assets (PLN thousand):

Type	Status as on 31.12.2010	Status as on 01.01.2010	Change
Pledge on fixed assets	19.069	1.048	18.021
Pledge on inventory	16.500	15.000	1.500
Mortgages	42.400	42.400	0

**10. Description of the Issuer's capital group, with information on entities subject to consolidation.**

Izostal S.A. does not form a capital group and does not prepare consolidated statements.

The Company is a part of Stalprofil S.A. Group which also comprises:

- Stalprofil S.A. seated in Dąbrowa Górnicza – dominant entity
- Kolb Sp. z o.o. seated in Kolonowskie
- ZRUG Zabrze Sp. z o.o. seated in Zabrze
- 

**11. Information on the consequences of changes in the structure of a business entity, including those resulting from a merger of business entities, takeover or sale of entities belonging to the Issuer's capital group, long-term investments, division, restructuring and termination of business activity.**

No significant changes occurred in the structure of Izostal S.A. in the reporting period.

**12. The Management Board's opinion on a possibility of realizing the previously published forecast results.**

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.

As for 2011 results, the Management Board sustains the forecast set forth in the prospectus approved by the Financial Supervision Authority on December 8, 2010.

The following table presents the corrected forecast of the Company's results for 2010, and a forecast for 2011.

	2010 forecast corrected	2011 forecast
Income from sales (PLN thou.)	138.329	193.028
Dynamics	153,3%	139,5%
Costs of operating activity (PLN thou.)*	128.554	166.675
Dynamics	155,4%	129,7%
Gross profit from sales (PLN thou.)	20.520	38.215
Depreciation (PLN thousand)	3.706	3.540
EBITDA (PLN thousand)	14.836	30.467
Operating profit (PLN thou.)	11.130	26.927
Net profit (PLN thou.)	7.438	19.003
Dynamics	146,7%	255,5%

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

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

As on the day of presenting the report for Q4 2010 the Company had the following shareholders holding at least 5% of the total number of votes at the general meeting, directly or indirectly through subsidiaries:

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

In the previous periods Izostal S.A. did not come under the obligation to publish information concerning shareholders holding at least 5% of votes at a general meeting, directly or indirectly through subsidiaries, as on the day of presenting the quarterly report, including details on the number of shares held by those entities, their percentage share in the initial capital, the resulting number of votes and their percentage share in the general number of votes at the Company's general meeting.

### 14. Information on the ownership of the issuer's shares or rights to shares by persons managing and supervising the issuer as on the day of presenting the quarterly report.

Shares of Izostal S.A. held by Management Board and Supervisory Board members as on the day of presenting the report for Q4 2010:

Management Board	Shares ownership as on the day of presenting the report for Q4 2010
Władysław Mrzygłód*	5 314
Marek Mazurek	5 314
Jacek Podwiński	738
Supervisory Board	Shares ownership as on the day of presenting the report for Q4 2010
Zdzisław Mendelak	3 489

\* - on February 21, 2011 Mr. Władysław Mrzygłód resigned from the function of the Management Board President effective as of February 21, 2011.

In the previous periods Izostal S.A. was not obligated to publish information on shares and rights held by persons supervising and managing the Company.

**15. Information on proceedings pending before a court, body competent to conduct arbitration proceedings, or a public administration body, the total value of which made up at least 10% of the issuer's equity**

No proceedings before a court, a body competent to conduct arbitration proceedings, or a public administration body were initiated by Izostal S.A. or against it in the reporting period, the total value of which made up at least 10% of the issuer's equity

**16. Information on one or a number of transactions concluded by the issuer or its subsidiary with affiliated entities if they are significant, either individually or jointly, and were concluded on conditions other than market conditions.**

Transactions concluded by the Company with affiliated entities were concluded on conditions similar to market conditions.

Transactions between Stalprofil S.A., ZRUG Zabrze sp. z o.o. and KOLB sp. z o.o. involved mainly the supply of steel products and the Company's products. Izostal S.A. also purchased service from affiliated entities involved in investments. Transactions were of typical and routine character.

**17. Information on credit and loan guarantees granted by the issuer or its subsidiary, or guarantees granted jointly to one entity or a subsidiary of that entity, being the equivalent of at least 10% of the issuer's equity.**

Izostal S.A. did not grant any guarantee on a credit or loan.

The Company granted the following guarantees to OGP Gaz-System S.A.:

- bid guarantee 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 DN700 and DN 800. Izostal S.A. signed a frame contract on January 26, 2011.
- contract performance and defects rectification guarantee. Guarantee granted up to the amount of PLN 431 thou. on a failure to perform or undue performance of the contract (till 28.03.2011), and up to the amount of PLN 129 thou. on a failure to rectify or improper rectification of defects (till 28.03.2016)
- contract performance and defects removal guarantee. Guarantee granted up to the amount of PLN 530 thou. on a failure to perform or undue performance of the contract (till 10.03.2011), and up to the amount of PLN 159 thou. on a failure to rectify or improper rectification of defects (till 10.03.2016)

**18. Other information which the issuer deems important for the assessment of their HR, property and financial situation, financial result and changes in those areas, as well as information important for the assessment of the issuer's ability to fulfill their obligations.**

On December 29, 2011 the Management Board of Izostal S.A. allocated 12 million shares series K of the nominal value of PLN 2,00 per share and issue price of PLN 5.50 under public offering. The Company obtained PLN 66 million gross in connection with the offer. The funds were transferred to the Company's account in December 2010. Detailed information on the shares issue was presented in item 3 of the notes.

The Company received a subsidy of PLN 7,263 thou. from the Ministry of Economy under Operating Program Innovative Economy for the pending investment involving the construction of the Research and Development Center for steel technologies and projects, priority axis: Investments in innovative undertaking, action 4.5.: Support for investments of considerable importance for the economy, sub-action 4.5.2: Support for investments in the modern services sector.

The Company filed documents required to sign the subsidy agreement with the Ministry of Economy. Verification of documents is in progress.

On December 28, 2010 the Company obtained a building permit for the investment in question.

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

Situation on the transmission networks market has the most impact on the results achieved. The issuer believes that the situation will be shaped by the following elements:

- projects involving the development of transmission, warehouse and gas extraction infrastructure connected with the strategy adopted by Poland which assumes independence from gas supplies from the East.
- necessity to increase the share of gas in the production of energy arising from CO2 emission limits imposed on Poland
- projects involving the renewal of existing transmission networks.

On January 26 the Company, being the leader of the Consortium, signed a frame contract with Operator Gazociągów Przesyłowych Gaz-System S.A. for the supply of steel transmission pipes DN 700 with internal and external insulation, for flammable utilities. The Contract stipulates that the Company, being one of the contractors, will receive partial orders for the supply of pipes. Partial contracts will be concluded separately for each offer. Total amount for the performance of partial contracts will not be higher than



PLN 787.042 thou. The frame contract was concluded for the period of 24 months from its conclusion.

The Issuer is of the opinion that the scope of partial contracts performed by them and the delivery date will have a considerable impact on the results achieved.

Moreover, in March 2011 the Company launched the deliveries of 7.000 m of steel pipes Ø508x8 based on the contract concluded on 11.10.2010 and deliveries of 8.000 m of steel pipes Ø508x8 based on a contract concluded on 24.11.2010. Both contracts were concluded with OGP Gaz-System S.A.

The Company is fulfilling its investment project involving the construction of the Research and Development Center for steel technologies and projects. The Issuer concluded a contract for the performance of construction works for part 1. Discussions are pending with potential suppliers of machines and equipment for the Center. The Company expects to complete the investment by the end of 2011. The completion of the investment will have impact on the Company's day-to-day business by optimizing Research and Development processes and diversifying production. Company's potential will be increased with research and analyses of raw materials used for production, development of new construction and technological solutions, and introduction of new products and services outside the Company's offer up till now (e.g. DFBE coating).

A significant factor which will influence results achieved by the Company is the issue of 12.000.000 shares of series K. Details of the shares issue process were described in item 3 of the Report. Funds obtained from the issue of shares will enable the Company to record a much higher income.

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