

REPORT

ON THE ACTIVITY OF THE SUPERVISORY BOARD OF IZOSTAL S.A. in 2010

I. THE COMPOSITION OF THE SUPERVISORY BOARD IN 2010:

The 6th term of the Supervisory Board of IZOSTAL S.A. expired during the financial year 2010, and therefore the Annual General Meeting of IZOSTAL S.A. passed a resolution on the appointment of Supervisory Board members for the 7th term.

From January 1, 2010 to May 11, 2010 the Supervisory Board of the 6th term functioned based on the following composition:

Jerzy Bernhard	<i>Supervisory Board President</i>
Zdzisław Mendelak	<i>Supervisory Board Vice-President</i>
Jan Chebda	<i>Supervisory Board Secretary</i>
Jan Kruczak	<i>Supervisory Board Member</i>
Lech Majchrzak	<i>Supervisory Board Member</i>
Adam Matkowski	<i>Supervisory Board Member</i>

On May 12, 2010, the Annual General Meeting appointed Supervisory Board for the 7th term which was constituted on May 24, 2010. Supervisory Board of the 7th term functioned based on the following composition:

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

II. SUPERVISORY BOARD ACTIVITY

Supervisory Board Members of IZOSTAL S.A. of the 6th and 7th term performed their duties based on provisions of the Commercial Companies Code, the Company's articles and Supervisory Board Regulations, published on the Company's website.

The Supervisory Board of IZOSTAL S.A., assessing its own actions taken in 2010 under authorities and duties held, focused on accuracy and effectiveness of said actions in respect of constant supervision over Company's functioning, making decisions in form of resolutions, recommendations and arrangements, issuing opinions related to the day-to-day functioning of the Company, and its strategy. Supervisory Board also actively participated in the process of launching shares of IZOSTAL S.A. on the Warsaw Stock Exchange, and in the process of implementing good corporate practices in the Company, adopted for implementation in public companies by the Board of Warsaw Stock Exchange.

Six Supervisory Board meetings were held in the period from January 1, 2010 to December 31, 2010 - two meetings during the 6th term and four meetings during the 7th term.

While performing its duties arising from the Commercial Companies Code, the Supervisory Board focused in particular on the following issues:

- review and approval of the Management Board's report on the Company's activity and financial statement for 2009 financial year
- issuing opinions on the Management Board's motions on:
 - granting the vote of approval to Management Board members
 - distribution of profit for 2009
 - granting consent to changes in the organizational chart
 - granting consent for PE department to cease its production activity
 - granting consent to the sale of real properties
 - further existence of the Company
 - granting consent to the acquisition of real properties by the Company
- accepting Supervisory Board's report on the results of the evaluation of the financial statement for 2009.
- accepting the report on activity of the Supervisory Board in 2009,
- approving Company's Financial Plan for 2011
- approving the corrected Company's plan for 2010
- granting consent to take out credits
- approving amendments to Management Board's Regulations, Organizational By-laws and Supervisory Board Regulations
- issuing opinions on agenda and resolutions to be discussed at the General Meeting.

Regular control and supervision covered current financial results, Company's organization, key decisions made as to the business activity run by the Company in 2010, incl.:

- analysis of the Company's current economic and financial situation
- analysis of the performance of the Company's Plan in particular quarters of 2010.
- review of the status of the Company's preparations for the debut on the Stock Exchange.

While performing the duties referred to above, the Supervisory Board examined the Company's documents and requested the Management Board to provide explanations and to prepare analyses and reports regularly. As part of supervision over ongoing operations of the Company, the Supervisory Board Members provided advice and consulting to Company Management.

In the reporting period the Supervisory Board passed 33 resolutions and thus fulfilled the activities referred to above.

Other important issues not requiring resolutions were included in motions and recommendations included in minutes of Supervisory Board meetings.

Opinion of the Supervisory Board of IZOSTAL S.A. on the results of assessment of the following documents submitted by the Management Board:

- financial statement of IZOSTAL S.A. for 2010,
- Management Board's report on activity of the Company in 2010,
- Management Board's motion on the distribution of net profit for 2010

was presented in relevant resolutions of the Supervisory Board of April 20, 2011, and report of the Supervisory Board of IZOSTAL S.A. on the results of the assessment of the financial statement in which the Supervisory Board expressed a positive opinion on the Management Board's activity, which justifies the motion on granting a vote of approval for the Company's Management Board members.

The Supervisory Board presents this Report and requests the General Meeting to accept it and grant the vote of approval to Supervisory Board members.

Signatures of Supervisory Board Members

Jerzy Bernhard, SB President

Zdzisław Mendelak, SB Vice-President

Jan Chebda, SB Secretary

Jan Kruczak, SB Member

Lech Majchrzak, SB Member

Adam Matkowski, SB Member