

Dear Shareholders,

On behalf of the Management Board of Izostal S.A. and my own, I would like to present the Annual Report for 2011.

I have the pleasure to inform you that year 2011 was the best year in the history of Izostal S.A. The Management Board is of the opinion that economic results recorded last year are extraordinarily positive.

Sales results recorded by the Company (income from the sales of products, goods and services) reached the level of PLN 259.732 thou. thus exceeding the forecast in the Prospectus by 35%. Net profit was PLN 19.134 thou. and was in line with the forecast and by 258% higher than last year.

Following successful public offering of shares of series K at the issue price of PLN 5.50 per share, on January 11 the rights to shares debuted on Warsaw Stock Exchange. The debut was a big success for shareholders; the price reached by the rights to shares was 23.64% higher than the issue price. Such a successful debut on the stock exchange being a proof of shareholders' trust and belief in the adopted strategic targets is a huge challenge for us but also an appreciation. Despite the fact that the previous year was not good for stock exchange investors (in 2011 Warsaw Stock Exchange Index fell by 26%), quotations of Izostal S.A. shares did not fall below their issue price, and their level was better than the market.

The previous year was also a time of intense growth of production and sales of the Company's products. I believe it is worth mentioning that sales increase was achieved with a similar employment level. Modern production and logistic infrastructure available makes it possible for us to increase efficiency of our actions, and to offer products and services of the highest quality thus meeting customer expectations. All this brings material benefits to the Company itself but also to its Shareholders.

In 2011, in line with one of the targets of the public offering of shares presented in the Prospectus, we started the Construction of a Research and Development Center for steel products and technologies, and we financed it with funds obtained from the public offering of shares, a grant from the Ministry of Economy (sub-action 4.5.2 - Operational Program Innovative Economy), and an investment loan. This investment (commissioned in February 2012) will allow our company to conduct research on the quality of steel products, improve our anticorrosive coating products, and launch new types of coating to be used in the broadly understood gas and petrochemical industry.

I believe that the prospects of Izostal, which operates mainly in the gas and petrochemical industries, are promising for the following year which is the most important information for the main shareholder i.e. Stalprofil S.A. and minority shareholders.

The construction of the Gas Port in Świnoujście together with infrastructural gas network, search for slate gas, and plans to construct gas and power units will increase the demand for the Company's products and services.

Nevertheless, the Management Board of Izostal S.A. would like to express their thanks to all Shareholders who believe in the Company's strategy and have invested their funds in the Company's development.

Regards,

Marek Mazurek
Management Board Chairman, Izostal S.A.