REPORT OF THE SUPERVISORY BOARD OF IZOSTAL SA IN 2013

1. COMPOSITION OF THE SUPERVISORY BOARD IN 2013:

Since the beginning of 2013, the Supervisory Board of the seventh term was composed of:

Jerzy Bernhard	- Chairman of the Supervisory Board
Zdzisław Mendelak	- Vice-Chairman of the Supervisory Board
Jan Chebda	- Secretary of the Supervisory Board
Jan Kruczak	- Member of the Supervisory Board
Lech Majchrzak	- Member of the Supervisory Board
Adam Matkowski	- Member of the Supervisory Board

On 16 May 2013 the Annual General Meeting Izostal S.A. made changes in the composition of the Supervisory Board in connection with the resignation of Mr. Zdzislaw Mendelak a member of the Supervisory Board. By Resolution of the Annual General Meeting of the Company Izostal S.A. on 16 May 2013 was appointed a member of the Supervisory Board Mr. Andrzej Baranek, and the Supervisory Board has appointed Mr. Andrzej Baranek for the Deputy Chairman of the Supervisory Board and appointed to the Audit Committee.

On 31 December 2013, the composition of the Supervisory Board was as follows:

Jerzy Bernhard	- Chairman of the Supervisory Board
Andrzej Baranek	- Vice-Chairman of the Supervisory Board
Jan Chebda	- Secretary of the Supervisory Board
Jan Kruczak	- Member of the Supervisory Board
Lech Majchrzak	- Member of the Supervisory Board
Adam Matkowski	- Member of the Supervisory Board

2. ACTIVITIES OF THE SUPERVISORY BOARD:

Members of the Supervisory Board IZOSTAL SA performed their duties based on the principles of Corporate Governance, the provisions of the Commercial Companies Code, Articles of Association and the Rules of the Supervisory Board, exercising continuous supervision over the activities of the company in all areas of its operations.

According to these documents, from the moment of obtaining the status of a public company, under the Supervisory Board functions the Audit Committee that the Board has chosen from among its members. Composition of the Audit Committee during the financial year 2013 has changed. From 1 January 2013, the composition of the Audit Committee comprised the following members of the Supervisory Board:

Jan Kruczak	– Chairman of the Audit Committee
Adam Matkowski	– Deputy Chairman of the Audit Committee
Zdzisław Mendelak	– Secretary of the Audit Committee

On 25 July 2013 the Supervisory Board appointed to the Audit Committee Mr. Andrzej Baranek in connection with the resignation of Mr. Zdzislaw Mendelak.

The Audit Committee of the Supervisory Board Izostal S.A. till the end of 2013 has worked in the following composition:

Jan Kruczak	– Chairman of the Audit Committee
Adam Matkowski	– Deputy Chairman of the Audit Committee
Andrzej Baranek	– Secretary of the Audit Committee.

The Supervisory Board IZOSTAL SA exercised constant supervision and control of the current operating and financial policies of the Company, taking decisions in the form of resolutions, recommendations and findings and issuing opinions concerned.

In the period from 01.01.2013 to 31.12.2013, the Supervisory Board held four meetings. The main theme and subject of constant control and surveillance measures considered by the Supervisory Board in the reporting period was to analyze the current economic situation - financial standing. The Supervisory Board also oversaw the implementation of the adopted assumptions for the Company, approved for the implementation Plan of the Company in each quarter of 2013 including investment

plans. The Supervisory Board examined the documents of the Company and obliged the Board to provide explanations and draw current analyzes and reports. In the reporting period, the Supervisory Board appointed an entity authorized to audit and review financial statements of Izostal S.A. At the meeting on 04.10.2013, in connection with the expiration of the date of the Annual General Meeting of Shareholders of the term of office of the Board, the Supervisory Board passed a resolution to appoint the Board in the composition unchanged for another three-year term. On 08.11.2013, Mr. Jacek Podwiński resigned from the Management Board. The Supervisory Board on 13.11.2013 has appointed Mr. Michael Pietrek to be a Member of the Management Board, to the position of Vice President, Sales Director.

In carrying out its code obligations, the Supervisory Board approved the Management Report of the Company for the year 2012 and the Financial statements for the fiscal year 2012 and the proposal of the Board regarding the distribution of profits by bringing to the General Meeting for their approval.
In 2013, the Supervisory Board also adopted a "Report of the Supervisory Board of the results of the evaluation report for the year 2012", which was presented to the General Meeting, and in addition to the positive assessment of the work of the Board it formed the basis for the request to grant discharge to the Members of the Board.

The Supervisory Board through the Audit Committee works closely with the external auditor, which performed the audit and review of financial statements in 2013.

The Supervisory Board in assessing the risk management significant for the Company and internal control states that the actions of the Board consisting of the periodic inspection of the principles of risk management and compliance of the process with accepted standards, as well as solid analysis of the Risk Management opportunities for improvement in this area are appropriate and serve to develop mechanisms that eliminate or minimize the risk arising. Identified the main risk factors concerning the Company are continuously monitored in order to determine whether their identification and the measures taken to minimize individual risk areas is proceeding correctly and whether appropriate measures and solutions are applied.

Based on performed analysis, the Supervisory Board considers that the risk management process of the Company filed by the Board in its operating activities, together with the management of the Company participating in the process of risk identification and prevention of its effects is filled correctly. In addition, the Supervisory Board has also made a positive assessment of the functioning of the internal control in the Company. In Izostal S.A. internal control is filled by the Board of Directors, management and other employees within the scope of their duties. Mechanisms of internal controls ensure that its activities are compliant with the principles and procedures developed for particular areas.

All the important issues of the meeting of the Supervisory Board, which does not require adoption of resolutions were placed in the minutes of the Board meeting taking the form of conclusions and recommendations.

Zawadzkie 03.04.2014

Signatures of the members of the Supervisory Board IZOSTAL SA.

Jerzy Bernhard	- Chairman of the Board	…….
Andrzej Baranek	- Vice Chairman of the Board	…….
Jan Chebda	- Secretary of the Board	…….
Jan Kruczak	- Member of the Board	…….
Lech Majchrzak	- Member of the Board	…….
Adam Matkowski	- Member of the Board	…….