

REPORT
ON OPERATIONS OF THE SUPERVISORY BOARD OF IZOSTAL S.A.
IN THE YEAR 2017

1. MEMBERS OF THE SUPERVISORY BOARD IN 2017:

In its 8th term, the Supervisory Board of Izostal S.A. functioned in unchanged composition, which - as on 31.12.2017 - was as follows:

Jerzy Bernhard	- President of the Supervisory Board
Andrzej Baranek	- Vice-President 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

The Supervisory Board of Izostal S.A. includes, among others, a single Audit Committee which is composed of three members appointed by the Supervisory Board from among its members. In 2017, the Audit Committee of the 8th term Supervisory Board functioned in unchanged composition, which - as for 31.12.2017 - was as follows:

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

In 2017, after the entry into force of the May 11, 2017 Act on Expert Auditors, Audit Companies and Public Supervision, Members of the Audit Committee of Izostal S.A. Supervisory Board, on its meeting of 31.08.2017, submitted statements on the independence of member of Audit Committee of Izostal S.A. In the Supervisory Board's judgment, and based on the declarations of the Audit Committee, the two Audit Committee members, i.e. Chairman of the Audit Committee and Deputy Chairman of the Audit Committee satisfy the criteria of independence mentioned in art. 129 of the Act of May 11, 2017 on Expert Auditors, Audit Companies and Public Supervision, and satisfy the criteria specified in Appendix II to Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Pursuant to art. 129 of the May 11, 2017 Act on Expert Auditors, Audit Companies and Public Supervision, Chairman of the Audit Committee holds knowledge and skills in the field of accounting or auditing financial statements, and the two members of the Audit Committee hold knowledge and skills in the field of the Company's field of operations.

In the Supervisory Board of Izostal S.A., according to the submitted declarations of the Supervisory Board members, four out of six members of the Supervisory Board satisfy the criteria of independence mentioned in rule II.Z.4 of the document "Good Practices of WSE Listed Companies 2016" and in art. 129 of the May 11, 2017 Act on Expert Auditors, Audit Companies and Public Supervision.

2. ACTIONS AND SELF-ASSESSMENT OF THE WORK OF SUPERVISORY BOARD

Members of the Supervisory Board of Izostal S.A. have been discharging their duties based on the provisions of the Commercial Companies Code, Company Articles of Association, Supervisory Board Rules and "Good Practices of WSE Listed Companies 2016". The Supervisory Board has been performing on-going supervision over current operations of the company, taking part in preparing and supervising the performance of strategic goals of the Company, and performing assessment of the manner of managing risk crucial to the Company and to the internal control system. In 2017, the Board has been performing its duties in the course of four meetings and as part of the works of Audit Committee, of which there were three sessions. Members of the Supervisory Board participated in the sessions of the Audit Committee. In

2017, the Supervisory Board has been performing on-going supervision and control over the current operating and financial activity of the Company, making decisions in the form of resolutions, recommendations and arrangements, and by issuing respective opinions.

The main subject of the on-going control and supervision actions carried out by the Supervisory Board in the reporting period was analysis of the current economic and financial standing of the Company, and the key decisions taken by the Company in the field of its business for year 2017. The Supervisory Board has been monitoring the fulfillment of the assumptions made by the Company for performing the Company Plan and investment plans in quarterly, semi-annual and annual perspective. The Supervisory Board has been reviewing the Company's documents and obligating the Management to submit explanations and draw up current analyses and reports. In accordance with its competences, the Supervisory Board has approved changes in the Organizational Rules of the Company, Supervisory Board Rules, Audit Committee Rules, and has accepted the Policy for selecting audit company for performance of financial statement audit, and the Policy for providing supporting services by audit company. Within the reporting period, the Company's Supervisory Board consented to the procuring from the Parent Entity Stalprofil S.A. of a portfolio of shares in Kolb Sp. z o.o. with registered office in Kolonowskie. The transaction of purchasing shares in Kolb Sp. z o.o. constitutes a continuation of the development of Izostal S.A. and of Stalprofil S.A. Capital Group, and is aimed at improving the effectiveness of managing assets and optimizing the financing structure. Performing its statutory duties, the Supervisory Board approved the Company's report on operations in year 2016 and Financial statement for the financial year 2016, as well as the Company's motion for appropriation of profit, requesting the Extraordinary Meeting to approve it. In the approved "Report of the Supervisory Board from the results of audit of the financial statement for year 2016", the Supervisory Board positively assessed the work of the Management, which constituted grounds for putting forward a motion for discharging the Board Members. The Supervisory Board has been reviewing and making opinions on the subjects of resolutions of the Ordinary General Meeting. The Supervisory Board has been controlling the financial reporting process at the Company and the auditor's independence via the Audit Committee which regularly collaborates with the external auditor performing the audit and review of the financial statements for year 2017. Following the entry into force of the May 11, 2017 Act on Expert Auditors, Audit Companies and Public Supervision that introduces the solutions set forth in the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Supervisory Board was informed on the potential necessity of terminating the agreement with Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o. (Financial and Accounting Advisory Office) with main registered office in Katowice, being an entity authorized to audit and review financial statements of the Company for years 2016-2018, along with a half-yearly review of the financial statement as for June 30, 2016, and June 30, 2017 and 2018 respectively, half-yearly review of the financial statement as for June 30, 2018, in accordance with the adopted accounting rules resulting from the IFRS, and audit of the annual financial statement drawn up as for December 31, 2018, in accordance with the adopted accounting rules resulting from the IFRS.

Any significant matters being the subject of discussion of the Supervisory Board and not requiring the passing of resolutions were included in the minutes from the Board's session, assuming the form of recommendations and guidelines.

In the Supervisory Board's judgment, it has been performing its duties with due diligence, fulfilling its statutory competences. The Supervisory Board has been performing on-going supervision of the Company's operations, reviewing matters submitted by the Management as important and required for the effective functioning of the Company and for effecting its development.

3. ASSESSMENT OF THE MANNER OF THE COMPANY'S FULFILLMENT OF REPORTING DUTIES CONCERNING THE APPLICATION OF CORPORATE GOVERNANCE SET FORTH IN THE EXCHANGE RULES AND REGULATIONS CONCERNING CURRENT AND PERIODICAL INFORMATION SUBMITTED BY ISSUERS OF SECURITIES

Since 2016, the Company has been applying a new set of corporate governance rules adopted by the Stock Exchange Supervisory Board through resolution dated October 13, 2015 under the name "Good Practices of WSE listed Companies" (hereinafter: Good Practices). Pursuant to § 29 section 3 of the Exchange Rules, in January 1, 2016 the Company published its current report 1/2016 in EBI system. Therein, the Company indicated which rules are not applied, along with a comment pointing out to the reason of non-applicability. In accordance with the Detailed Rule of Good Practices no. I.Z.1.13, the entire content of the published report was included as appendix to report 1/2016 and shared on the Company's website under Reports, and under Corporate Governance.

In 2017, no changes regarding application of the corporate governance rules by Izostal S.A. took place. According to the information provided by the Company in report 1/2016 of January 1, 2016, Izostal S.A. resigned from implementing a single recommendation: IV.R.2. and two detailed rules: I.Z.1.20., IV.Z.2. indicated in "Good Practices of WSE Listed Companies 2016"

There are rules and procedures in place at the company concerning the fulfillment of reporting duties, which are adapted to domestic regulations related to the functioning of the Polish capital market; these are:

- Rules of Circulation of Confidential Information,
- Procedure for restrictions in purchasing and selling securities of Izostal S.A. by persons discharging managerial duties as well as persons closely related to them,
- Procedure for drawing up and publication of current reports at Izostal S.A.,
- Procedure for drawing up and publication of annual reports at Izostal S.A.
- Procedure for drawing up and publication of semi-annual reports at Izostal S.A.
- Procedure for drawing up and publication of quarterly reports at Izostal S.A.,

The above Rules and Procedures apply to all employees of the Company, as well as to those persons and entities providing services to Izostal S.A. who have access to the confidential information relating to the assigned tasks.

Having analyzed the above actions and reviewed the Management Report, in accordance with the Company Management Declaration on the application of corporate governance rules, the Supervisory Board gave positive opinion on the manner of the Company's fulfillment of reporting duties concerning the application of corporate governance and regulations concerning current and periodical information submitted by issuers of securities.

4. ASSESSMENT OF RATIONALITY OF THE POLICY ON SPONSORSHIP, CHARITY OR OTHER SIMILAR ACTIVITY APPLIED BY THE COMPANY.

The Company, feeling part of the local community, supports the region where it performs its activities and realizes social objectives through its commitment to initiatives aiming at support of education, sport and culture, as well as aid to those in need.

The Company's objectives regarding its charity and sponsorship activities are the following:

- building strong relations with the community which help the Company to win trust and recognition as both the company responsible for the local community and a reliable employer;
- creating best possible learning conditions for children and youths from Kolonowskie and neighbouring areas;
- support of lonely and disabled persons.

The Supervisory Board claims that Company's commitment in social matters and ethical way of its activity is beneficial to both the society and the Company. Therefore the Supervisory Board issued a positive opinion on rationality of the policy on sponsorship and charity activity applied by the company.

Signatures of IZOSTAL S.A. Supervisory Board members

Jerzy Bernhard	- Chairman of the Supervisory Board
Andrzej Baranek	- Deputy Chairman of the Supervisory Board
Jan Chebda	- Registrar 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