

REPORT

of the Supervisory Board of "STALPROFIL" S.A. on evaluation of the following documents submitted by the Management Board:

- Company's financial statement for 2009,
- Management Board's report on activity of the Company in 2009,
- request for appropriation of net profit for 2009,

with evaluation of Company's situation in 2009.

The Supervisory Board evaluated the Company's financial statement for 2009 and analyzed the report of the Audit Committee, as well as the report and opinion of the chartered auditor (company REVISION Katowice Sp. z o.o.) examining Company's financial statement for this period.

On this basis the Supervisory Board state that the financial statement of Stalprofil S.A. for 2009, comprising:

- introduction to financial statement,
- statement of financial position prepared as on December 31, 2009, showing PLN 248,264,669.31 under assets and liabilities (two hundred and forty-eight million two hundred and sixty-four thousand sixty nine zlotys and 31/100),
- statement of comprehensive income for business year from January 1, 2009 to December 31, 2009, showing total comprehensive income of PLN 6,404,556.84 (six million four hundred and four thousand five hundred and fifty-six zlotys and 84/100),
- statement of changes in equity for business year from January 1, 2009 to December 31, 2009 showing an increase in equity by PLN 4,479,556.84 (four million four hundred and seventy-nine thousand five hundred and fifty-six zlotys and 84/100),
- cash flow statement for business year from January 1, 2009 to December 31, 2009 showing an increase in cash by PLN 25,746,417.45 (twenty-five million seven hundred and forty-six thousand four hundred and seventeen zlotys and 45/100),
- notes and explanations,

complies with the books and documents, has been prepared in line with the effective accounting regulations in this scope and therefore reflects the results of business activity in 2009 as well as Company and Group assets and financials as on 31.12.2009 in a correct and reliable manner.

The Supervisory Board did also review in detail the Management Board's report on activity of the Company in 2009, and concluded that the figures and fact-based information presented therein reflected the actual situation of the Company and Group in 2009 in a true and reliable manner.

Given the results of the analyzes, the Supervisory Board adopted a resolution with a request to the Annual General Shareholders' Meeting for approval of the following documents submitted by the Company's Management Board:

- financial statement for 2009,
- Management Board's report on activity of the Company in business year 2009.

The Supervisory Board did also analyze the proposal regarding appropriation of net profit for 2009, which is going to be presented for approval of the Annual General Shareholders' Meeting by the Management Board. The Supervisory Board not accepted the proposal of the Management Board concerning appropriation of profit for 2009 in the amount of PLN 6,404,556.84. (six million four hundred and four thousand five hundred and fifty-six zlotys and 84/100), as follows:

- appropriate the amount of PLN 4,479,556.84 (four million four hundred and seventy-nine thousand five hundred and fifty-six zlotys and 84/100) to Company's share capital,
- pay a dividend of PLN 1,925,000.00 (one million nine hundred and twenty-five thousand zlotys and 00/100) to Company shareholders which makes PLN 0.11 (eleven grosh) of dividend per share.

The Supervisory Board do not have any objections to the dividend right date (20.09.2010) and dividend payment date (08.10.2010) proposed by the Management Board.

Summary evaluation of Company's situation.

2009 was characterized by exceptionally bad market for steel products that started in autumn of 2008. In 2009, steel prices and demand for steel were still going down, which forced steel products distributors, including Stalprofil, to be active market players in order to secure sales margins; they also had to be flexible in operations and respond to the changing conditions quickly.

Bad market situation was the reason for a significant decrease in demand for steel in Poland and in the world (apparent steel consumption in Poland was by 29% lower than in 2009) and, predominantly, for a drastic price adjustment (according to the information of Steel Business Briefing, an average price of sections in the European market in 2009 was by 41% lower than in 2008). Such spectacular drops in the above-mentioned market parameters had negative impact on the level of revenues and financial result of steel distributors' sector in 2009, therefore, in the opinion of the Supervisory Board, the results achieved by Stalprofil S.A. in 2009 should be considered satisfactory when compared with the other market players.

In the reporting period Stalprofil S.A. sold goods, i.e. steel products and semi products at the level of 176,002 tons, i.e. only by 2.5 % lower than in 2008.

In comparison with 2008, the Company recorded a 27.6% decrease in sales revenues. For a relatively small decrease in the volume sold, the revenues dropped in a much more significant way due to the lower average market prices of steel products than in 2008. The nominal revenues amounted to PLN 356,611 thousand, yet cost of goods sold was PLN 327,137 thousand.

According to the Supervisory Board, lower revenues of the Company were also connected with conservative commercial policy of the Company in the reporting period. In the age of the economic slowdown and problems with companies' solvency in 2009, which affected also customers of the Company, it was a priority to ensure safe transactions at the expense of the sales value.

Another factor of significant influence on profitability of steel sales in 2009 was also significant changeability in the currency market, starting from major deprecation of Polish zloty over January and February of 2009, and then a sudden change of this depreciation trend and a gradual appreciation of Polish zloty. The difference between boundary levels of EUR/PLN exchange rate in 2009 amounted to about PLN 1. Therefore it was a big challenge for the Company to implement the strategy for hedging foreign exchange transactions, yet Stalprofil succeeded in achieving a positive balance of exchange rate differences in 2009.

The Supervisory Board come to the conclusion that in the conditions of the continuing recession in the steel market, the Company's situation and results of 2009 are satisfactory. In 2009 the Company reported a net profit of PLN 6,404 thousand, which was more than three fold higher than in 2008. What should be noted, is that the profit is reported on a conservative basis - it allows for the revaluation write-offs in respect of the current assets.

According to the Supervisory Board the Company was flexible in its responses to market signals, and adapted its marketing strategy and resources properly in the context of the occurring unnatural market fluctuations.

In 2009, the Company implemented the investments in line with the investment plan approved by the Supervisory Board. In 2009 STALPROFIL S.A. spent a total amount of PLN 12,246 thousand on investments, including PLN 246 thousand on investments in tangible fixed assets and PLN 12,000 thousand on capital investments.

In 2009, the main capital investment of Stalprofil S.A. was the increase of capital in its subsidiary Izostal S.A. For this purpose, Stalprofil spent a total amount of PLN 12,000 thousand, thereby increasing its share in the capital of this subsidiary to over 95%. It was another stage of capital injection for the company, and the funds obtained in this way by Izostal SA were used for repayment of the long-term loan granted by Stalprofil for partial funding of the project involving the construction of the modern Center for Anti-corrosion Insulation of steel pipes.

The investments were financed from the Company's own funds. In the opinion of the Supervisory Board the investments should have material impact on an increase in the value of Stalprofil SA and extension of its activity within the Group, which can be considered an antidote to market fluctuations observed in the steel sector.

In 2009 the assets of Stalprofil S.A. increased by 6% against the level as at the end of 2008 which proves an increase in the scale of Company operations despite the slowdown in the macroeconomic environment.

2009 did not bring any significant changes in the general structure of Company assets - current assets made up almost 67.3% of the assets, and fixed assets 32.7%. A tendency can be seen for a systematic increase in the share of fixed assets in Company assets, including mainly long-term financial assets. In 2009, an increase in the level of these assets was caused by subscription for the new issue of shares in the subsidiary Izostal SA of the value of PLN 12,000 thousand.

As for the working capital structure, the stock levels dropped by 15% against the level at the end of 2009, which was not only a consequence of a considerable decrease in the prices of steel products, especially in the first half-year of 2000, but also of decreasing stock levels in

order to adapt them to the actual demand for steel products. According to the Supervisory Board, the optimized stocks level mitigates business risk in the period of unstable market situation. DSO and DIO kept by the Company at the level characteristic of the sector indicates that the level of working capital is adequate to the generated turnover.

In 2009, equity of Stalprofil increased by 3% against 2008. Increase in equities resulted from the generation of net profit in 2009, that was higher than the level of the dividend paid for 2008.

In 2009, the Company increased its long-term debt in a significant manner, from the level of PLN 1,185 thousand at the end of 2008, to the level of PLN 26,123 thousand at the end of 2009. Stalprofil's attempts to improve security of the business in the age of the crisis were visible through the company's success in ensuring access to external borrowing sources in the horizon of over 1 year.

The Company recorded a decrease in short-term liabilities by 17.5% against 2008. This decrease in short-term liabilities was influenced by significant reduction in the level of trade liabilities (decrease by over 40% against 2008) and short-term loans taken by the company to the level of PLN 47,762 thousand, i.e. by approx. 3% against 2008. The decreasing tendency in respect of short-term loans was caused mainly by a decrease in goods' purchasing prices and decrease in the level of steel products purchased in the last quarter of 2009, as a result of reduced market demand.

Lack of any outstanding liabilities demonstrates company's ability to pay its obligations on time as well as security of the business.

In the context of the positive financial results of the Company in 2009, proving the involvement of the Management Board in ongoing business and development processes aimed at extension of the prospective infrastructural market of transmission networks in the period of recession in the steel market, the Supervisory Board request the Annual General Shareholders' Meeting to grant a vote of approval to all the Management Board Members for fulfilling their duties in 2009.

Dąbrowa Górnicza, May 18, 2010

Signatures of Supervisory Board Members

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|---------------------|-----------------------------------|-------|
| 1. Stefan Dzienniak | - Supervisory Board Chairman | _____ |
| 2. Jacek Zub | - Supervisory Board Vice-Chairman | _____ |
| 3. Marcin Gamrot | - Supervisory Board Member | _____ |
| 4. Jerzy Goinski | - Supervisory Board Member | _____ |
| 5. Jarosław Kuna | - Supervisory Board Member | _____ |
| 4. Gaetan Stiers | - Supervisory Board Member | _____ |
| 5. Tomasz Ślęzak | - Supervisory Board Member | _____ |