

REPORT

on the activity of the Supervisory Board of STALPROFIL S.A. in 2010

In 2010 the composition of the Supervisory Board did not change. On June 23, 2010, the Annual General Shareholders' Meeting of Stalprofil S.A. appointed the same members to the next term of the Supervisory Board.

Composition of the Supervisory Board as on December 31, 2010:

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

The Supervisory Board of STALPROFIL SA acted in line with its Regulations available at the Company's website. Since 2009 the Supervisory Board Regulations have provided for the functioning of the Audit Committee within the Supervisory Board, with its members selected from among SB members. There are 3 members of the Audit Committee, appointed by the Supervisory Board for the next term of office on July 13, 2010, as follows:

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| 1. Tomasz Ślęzak | - Audit Committee Chairman |
| 2. Gaetan Stiers | - Audit Committee Member |
| 3. Jacek Zub | - Audit Committee Member |

The Supervisory Board of Stalprofil 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, including in particular actions such as:

- I. control and supervision over current operations of the Company,
- II. participation in preparation of and supervision over strategic objectives of the Company,
- III. assessment of risk management strategies adopted by the Company for significant risk, and assessment of internal audit system,

The Supervisory Board was also active in internal dialogue between all Company authorities on implementation and sustainability of corporate governance principles in

the Company, as recommended by the Council of the Warsaw Stock Exchange in its document "Good practices for companies listed in the Warsaw Stock Exchange".

I. Performance of obligations and rights related to control and supervision over current operating and financial activity of the Company,

The regular control and supervisory activity focused on the current financials, Company organization and key decisions regarding business activity of the Company in 2010. In order to exercise these obligations, the Supervisory Board examined Company documents and obligated the Management Board to provide explanations and prepare up-to-date analyzes and reports. As part of supervision over ongoing operations of the Company, the Supervisory Board Members provided advice and consulting to Company Management.

In the discussed period the Supervisory Board focused on the topics related to control and supervision over financial and commercial activity of the Company, among others:

- analysis of periodic financial statements of the Company and reports on performance of budgets and tasks effective for the Company.
- analysis of periodic financial statements and reports on forecasts performance by subsidiaries: Izostal S.A., ZRUG Zabrze sp. z o.o. and KOLB sp. z o.o.
- analysis of profitability and validation of current investment projects, including investments in tangible and financial fixed assets,

As part of the obligations arising from the Commercial Companies Code, the Supervisory Board assessed positively the financial statements of the Company and the Group regarding the previous business year, and applied to the General Shareholders' Meeting for approval of the statements, producing the annual written report on the results of this assessment to the General Meeting. The report prepared by the Supervisory Board with the results of the assessment of the Management Board's report on the activity of the Company was positive about the work performed by the Management Board and was the basis for granting a vote of approval to Company Management Board Members.

The Supervisory Board, through its Audit Committee, is in touch with an external auditor and supports them in the performance of the above mentioned tasks. In 2010, having analyzed the offers for review and examination of financial statements of the Company and the Group, the Supervisory Board decided to select REVISION Katowice sp. z o.o. to provide the company with financial review services in respect of examination and review of financial statements (standalone and consolidated) for years 2010 and 2012.

II. Participation in development of a long-term strategy for the Company and supervision over implementation of objectives,

In the recent reporting period, the Supervisory Board exercised supervision over the long-term strategic plans for the Company by providing opinions and approving annual financial budgets, including investment expenditure plan. The parameters of the Financial Plan proposed by the Company Management Board for 2011 were examined by the Supervisory Board first and foremost in respect of market and business assumptions' alignment with Company strategic objectives.

The analysis by the Supervisory Board of specific business plan performance indicators for 2010, carried out at each SB meeting for the dominant company and for subsidiaries was mainly supposed to ensure supervision over the performance of the business objectives for the company in the context of risks caused by significant steel market fluctuations.

In 2010 the Supervisory Board supported also implementation of one of the key strategic objectives of the Company, that is development of the new attractive market and new products within the broadly understood steel sector. As part of these actions, the Board expressed positive opinions on the development projects of Izostal S.A. including an increase of its share capital by public offering of shares. The funds obtained from the stock exchange (PLN 66 million gross) will be allocated by Izostal for the construction of the Research and Development Center for steel technologies and projects and for intensification of the current business activity. Positive results of these actions will be visible in the results of Stalprofil S.A. Group as soon as in 2011.

III. Assessment of risk management strategies adopted by the Company for significant risk and assessment of internal audit system,

Supervisory Board concludes that the process of managing corporate risk is controlled by the Management Board, managers and other employees in a correct manner. The risk areas relevant for the Company, such as:

- operational risk related to commercial activity of the Company,
- financial risk, including currency risk and interest rate risk,
- risk related to management of fixed assets (tangible and financial)
- risk related to reporting, IT security and protection of privileged information

are identified by persons managing the Company in a correct manner and taken into consideration at the stage of building the strategy and relevant company business plans.

According to the Supervisory Board, the Management Board and managers respond correctly to the occurring risks. This correct response, among others, is characterized by taking actions which make it possible to prevent or mitigate risk in the above-mentioned areas through application of the procedures effective in the Company (but not limited to).

Due to the postponed payment terms, the Company is exposed to the risk of the merchant loan. In order to mitigate the risk, the Company analyzes reliability of its customers on a current basis and uses different forms of securities, also in cooperation with external insurance companies. According to the Supervisory Board, the Company is cautious in its commercial policy thanks to which it had not incurred any significant losses due to uncollectable receivables even though the crisis mode prevailed in the sector in years 2008-2009.

In connection with the realized export sales and purchases of import product in foreign currencies (mainly in EUR), the Company is exposed to the foreign exchange risk that may have negative impact on the realized sales margins. In order to reduce this risk, the Company secures its currency transactions using natural hedging and forward transactions, as accepted by the Supervisory Board.

Using bank loans the Company is exposed to the risk of changeable interest rates. Currently, the Company does not use any instruments to secure itself against the change in interest rates, however, the Company monitors the market on an ongoing basis and diversifies the funding sources.

In the opinion of the Supervisory Board, the internal audit function performed mainly by the Management Board and managers makes the actions taken comply with legal standards and effective internal procedures, and, for financial reporting, with effective accounting policy.

Audit actions are taken on an ongoing basis, as part of jobs and authorities specified for particular Company employees, and the irregularities found are eliminated by corrective actions. Control is also exercised by the Audit Committee functioning in the Company.

Dąbrowa Górnicza, May 23, 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 | _____ |
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