

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 2010,
- Management Board's report on activity of the Company in 2010,
- request for appropriation of net profit for 2010,

with evaluation of Company's situation in 2010.

The Supervisory Board evaluated the Company's financial statement for 2010 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 states that the financial statement of Stalprofil S.A. for 2010, comprising:

- introduction to financial statement,
- statement of financial position prepared as on December 31, 2010, showing PLN 291,066,727.19 under assets and liabilities. (two hundred and ninety-one million sixty-six thousand seven hundred and twenty-seven zlotys and 19/100),
- statement of comprehensive income for business year from January 1, 2009 to December 31, 2010, showing total comprehensive income of PLN 22,802,833.65. (twenty-two million eight hundred and two thousand eight hundred and thirty-three zlotys and 65/100),
- statement of changes in equity for business year from January 1, 2009 to December 31, 2010 showing an increase in equity by PLN 20,877,833.65 (twenty million eight hundred and seventy-seven thousand eight hundred and thirty-three zlotys and 65/100),
- cash flow statement for the period from January 1, 2010 to December 31, 2010 showing a decrease in net cash by PLN (9,932,039.92), (nine million nine hundred and thirty-two thousand thirty-nine zlotys and 92/100),
- 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 2010 as well as Company assets and financials as on 31.12.2010 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 2010, and concluded that the figures and fact-based information presented therein reflected the actual situation of the Company in 2010 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 2010,
- Management Board's report on activity of the Company in business year 2010.

The Supervisory Board did also analyze the proposal regarding appropriation of net profit for 2010, which is going to be presented for approval of the Annual General Shareholders' Meeting by the Management Board. The Supervisory Board accepted the proposal of the Management Board concerning appropriation of profit for 2010 in the amount of PLN 22,802,833.65. (twenty-two million eight hundred and two thousand eight hundred and thirty-three zlotys and 65/100), as follows:

- Company spare capital: 18,427,833.65 (eighteen million four hundred and twenty-seven thousand eight hundred and thirty-three zlotys and 65/100)
- dividend to Company shareholders of PLN 4,375,000.00 (four million three hundred and seventy-five thousand 00/100), which makes PLN 0.25 (twenty-five grosz) of dividend per share.

The Supervisory Board does not object to the dividend right date (24.08.2011) and dividend payment date (13.09.2010) proposed by the Management Board.

Summary evaluation of Company's situation.

2010 was characterized by a much better situation in the steel market compared to 2009 and brought a dynamic recovery after the crisis years 2008-2009. In 2009, after the 1.5-year deep recession, steel production in the world increased by 15%, in the EU by 25% and in Poland by 12%. Steel prices and demand for steel in 2010 did also show an upward trend. Recovering demand for steel, stimulated additionally by price increases, had a positive influence on the level of the revenues and the financial result of the Company in 2010.

According to the Supervisory Board, the results obtained by Stalprofil S.A. in 2010 should be considered satisfactory compared to other market participants.

In 2010, Stalprofil S.A. recorded total sales revenues of PLN 503,882 thousand, that is by 41% higher than in 2009. It was mainly due to significant increase in sales volume. In the reporting period Stalprofil S.A. realized the sale of goods, i.e. finished and semi-finished steel products at the level of 229,951 t, that is by 31% more than in 2009.

In the reporting period Stalprofil S.A. recorded domestic sales revenues of PLN 420,881 thousand, i.e. by 49% higher than in 2009. In 2010 the Company recorded an 11% increase in export revenues against 2009. Share of export sales in sales revenues was 16.5% in the reporting period.

The Supervisory Board is of the opinion that Stalprofil S.A. took full advantage of the good market situation in the steel distribution market in 2010, generating good results as compared to other entities from the sector. Operating profit amounted to PLN 31,582 thousand, and EBITDA : PLN 33,758. Eventually, in 2010 the Company generated a net profit of PLN 22,803 thousand in 2010, which was more than 3.5 fold higher than in 2009. What should be noted, is that profit is reported on a conservative basis - it was made realistic by 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 major market fluctuations.

In 2010 the Company significantly improved its return on sales against 2009, mainly by taking advantage of the good market situation in the steel distribution sector. ROE and ROA ratios increased dynamically to the following levels, respectively: 14.2% and 8.5%.

According to the Supervisory Board, profitability of steel trading is influenced significantly by exchange rate differences. In 2010 the currency market still fluctuated due to changeable moods in the financial markets being a consequence of high debt level in European countries among others. The spread between boundary levels of EUR/PLN exchange rate in 2010 amounted to over PLN 0.42. The strategy adopted by the Company and approved by the Supervisory Board for securing foreign exchange risk in 2010 had a desired effect as it neutralized the influence of exchange rate differences on the result of the financial year 2010.

In 2010, both current ratio and quick ratio remained at a safe level from the Supervisory Board's perspective. The company settled its payables on time and for years it had had a reputation of a reliable payer in the market. As on 31.12.2010 Stalprofil did not have any outstanding liabilities. According to the Supervisory Board, the Company keeps an appropriate net working capital level, monitors and optimizes its receivables on an ongoing basis.

In 2010, the following indicators' were reduced in the Company: days sales outstanding for deliveries and services and days inventory outstanding respectively by: 8 and 23 days. Rotation of trade payables increased slightly - by 1 day. As a consequence the net cycle got shorter by 32 days, reaching the level of 106 days in 2010.

What is specific of the Company is that the trade receivables cycle is longer than trade payables cycle. It is due to the fact that the market payment terms applied by the suppliers of goods, mainly manufacturers, are much shorter than the payment terms for Company customers dictated by the market.

What should be noted in the Supervisory Board's opinion is the fact that the Company, as a consequence of the cautious commercial policy, did not incur any significant losses on account of uncollected receivables, despite the crisis in the sector in years 2008-2009.

In 2010, the Company implemented the investments in line with the investment plan approved by the Supervisory Board. In 2010 STALPROFIL S.A. spent a total amount of PLN 3,106 thousand on investments in tangible fixed assets. In 2010 the Company did not invest in capital. The main investment made by Stalprofil in 2010 was the purchase of the plot of land neighboring the warehouse in Katowice-Panewniki with existing structures. Thanks to this investment the storage capacity of the warehouse in Panewniki will be increased significantly, which will have impact on selling capacities for the steel products from this warehouse. The investments were financed from the Company's own funds. According to the Supervisory Board, the investments implemented by the Company should have significant impact on improvement of competitive advantage of Stalprofil S.A..

In the context of the positive financial results of the Company in 2010, proving the involvement of the Management Board in ongoing business and development processes, the Supervisory Board requests the Annual General Shareholders' Meeting for a vote of approval to all the Management Board Members for performing their duties in 2010.

Dąbrowa Górnicza, May 23, 2010

Signatures of Supervisory Board Members

- | | | |
|---------------------|-----------------------------------|-------|
| 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 | _____ |
| 6. Gaetan Stiers | - Supervisory Board Member | _____ |
| 7. Tomasz Ślęzak | - Supervisory Board Member | _____ |