R E P O R T

of the

Stalprodukt S.A. SUPERVISORY BOARD

for the period

from 1 January 2013 to 31 December 2013

Bochnia, May 2014

Contents:

I. Stalprodukt S.A Supervisory Board's Activities and Decisions.

In the period from 1 January 2013 to 31 December 2013 the Supervisory Board acted pursuant to the regulations of the Code of Commercial Companies, provisions of the Company's Articles of Association, Stalprodukt S.A. Supervisory Board's Rules as well as in compliance with the corporate governance rules adopted by the Company, as defined in the Code of Best Practice for WSE-Listed Companies, exercising permanent supervision over the Company's Activities in all activity areas and, also, considering the issues brought forward and motions filed by the Company's Management Board during the Supervisory Board's meetings .

Supervisory Board Composition in the Reporting Period:

In the period from 1 January 2013 to 31 December 2013, the Supervisory Board consisted of:

- in the period from 1 January to 21 June 2013

Stanisław Kurnik	-	Chairman
Maria Sierpińska	-	Vice-Chairman
Kazimierz Szydłowski	-	Secretary
Janusz Bodek	-	Member
Tomasz Plaskura	-	Member
Augustine Kochuparampil	-	Member
Sanjay Samaddar	-	Member

- in connection with the expiration of terms of the heretofore Supervisory Board's members, as of 21 June 2013 the Stalprodukt S.A. Ordinary General Meeting of Shareholders appointed, for the next term of office, the Supervisory Board consisting of:

Stanisław Kurnik	-	Chairman
Maria Sierpińska	-	Vice-Chairman
Kazimierz Szydłowski	-	Secretary

Janusz Bodek	-	Member
Tomasz Plaskura	-	Member
Tomasz Ślęzak	-	Member
Sanjay Samaddar	-	Member

Activities Defined in the Articles of Association

In the period concerned, the Supervisory Board analyzed the Company's financial results, assessed the Company's business and economic operating conditions, adopted the Stalprodukt S.A. Company's Plan presented by the Management Board for the year 2013.

In the reporting period, the Supervisory Board pursued its activities in the mode of meetings convened by the Supervisory Board's Chairman. The Supervisory Board performed its activities collectively.

During the meetings, the Management Board Members presented extensive information on the Company's economic and financial standing, Company's functioning, planned activities and events potentially essential to its functioning.

The Company's Management Board informed the Supervisory Board in detail about all the essential issues connected with the on-going activities and about the risks related thereto and ways of the risks management.

During each meeting, the Supervisory Board precisely analyzed the Company's economic and financial results against the Plan assumptions and the Company's updated standing.

The control and supervision over the Company's on-going activities in all areas of its activity was the object of the Supervisory Board's control and supervision.

In 2013, the Supervisory Board, among others:

- analyzed the Company' quarterly financial results as well as determined the amounts of the Company's Management Board's quarterly bonuses,
- adopted the Stalprodukt S.A. Plan for the year 2013 ,

- assessed the Management Board's Report on Company's Activities and the Company's Financial Report for the reporting year from 1 January to 31 December 2012 and, also, the Management Board's motion regarding the net profit distribution in respect of the reporting year from 1 January to 31 December 2012 and recommended that the Ordinary General Meeting should adopt resolutions in accordance with the motions concerned,
- assessed the Stalprodukt S.A. Capital Group's Consolidated Financial Report and Management Board's Report on the Activities of the Stalprodukt S.A. Capital Group for the reporting year from 1 January to 31 December 2012 and recommended that the Ordinary General Meeting should adopt resolutions in accordance with the motions concerned,
- prepared and adopted the report on the Supervisory Board's activities in the period from 1 January to 31 December 2012,
- prepared and made the assessment of the Company's activities in 2012,
- expressed its consent to the conclusion of the credit agreement with the Bank PKO Bank Polski S.A.,
- adopted resolutions regarding the consent to be given to the Company to perform definite activities.

Pursuant to par. 28 subpar. 13 of the Company's Articles of Association, as of 21 June 2013, by the Resolution No 94/VIII/2013, the Supervisory Board selected the certified auditor, the Company: Biegły.pl Kancelaria Biegłych Rewidentów Spółka z o.o. *[limited liability company]* based in Wrocław, which carried out the audit of the Company's Financial Report for the year 2013 and Capital Group's Consolidated Financial Report for the year 2013.

The Supervisory Board's activities were documented in the minutes drawn up during the Supervisory Board's meetings.

Audit Committee

In pursuing its activities the Supervisory Board was assisted by the Audit Committee , an advisory and opinion-forming body, acting within the structures of the Supervisory Board, appointed from among its members.

In the period from 1 January to 31 December 2013 the Stalprodukt S.A. Supervisory Board's Audit Committee discharged its duties consisting of:

- from 1 January 2013 to 21 June 2013 :
  - Maria Sierpińska – Chairman
  - Kazimierz Szydłowski – Member
  - Tomasz Plaskura – Member
- at the meeting held on 15 November 2013, the Supervisory Board appointed the Audit Committee, consisting of:
  - Maria Sierpińska - Chairman
  - Kazimierz Szydłowski - Member
  - Tomasz Ślęzak – Member

The Audit Committee was monitoring the financial reports' preparation process and submitted with the Supervisory Board the report on the Committee's activities along with the recommendation regarding the assessment of the financial reports.

Personal Matters

During the meeting held as of 21 June 2013, in connection with the expiring term of office, the Stalprodukt S.A. Supervisory Board appointed Mr. Piotr Janeczek to the Stalprodukt S.A. President's position, for another 3-year term of office as well as adopted a resolution regarding the employment contract and its terms and conditions with the so appointed President of Company's Management Board.

II. Assessment of the Company's Economic and Financial Standing for the Period from 1 January 2013 to 31 December 2013.

On the basis of the Financial Report, Management Board's Report and Certified Auditor's Report, the Supervisory Board assesses the Company's financial standing as good.

In this assessment the following areas were taken into consideration:

- ✓ the structure of assets and their financing sources
- ✓ level of financial liquidity and indebtedness,
- ✓ Company's profitability and factors determining it.

Structure of Assets and their Financing Sources

In 2013, the Company's total assets decreased by 1.1% compared to the previous year. The fixed assets increased by 3.4 % whereas the current assets were reduced by 10.7% in connection with the declining sales, since such current assets components as inventories or receivables, considering the given financial policy, are linearly correlated with the turnover (sales) level. In the current assets group the receivables decreased to the greatest degree by as much as 28.5% compared to the previous year. Because of the market conditions, concerned with the declining steel demand and necessity to ensure the availability of products, the level of inventories grew by 14.8 %. The short-term financial assets also decreased by almost 20% and cash by 28 %, in relation to the previous year.

In 2013, the Company maintained the average inventory cycle at the level of almost 77 days, in the previous year the cycle totaled 54 days and in 2011 - almost 49 days. The average receivables cycle totaled 79 days in 2013 and was maintained at an almost unchanged level of 78 days, whereas in 2011 the cycle totaled 72 days. This indicates that the Company pursues a stable trade credit policy, which, under the conditions of declining demand, reduces the risk of bad debts. The level of cash decreased from PLN 52.3 million at the beginning of the year to PLN 37.7 million at the end of the year. This improved the Company's cash balance as the excessive level of free cash generates the costs of lost opportunities. The cash remaining on the account towards the end of the year shall be appropriated for the on-going expenses, related to the operating activities, and for investments. The average cycle of liabilities towards suppliers totaled 54 days in 2012 while in 2013 it was higher and reached over 75 days.

The structure of assets was subject to a slight change. The fixed assets share in the total assets increased to 71.2% in 2013, in the previous year it amounted to 68.1%. This has been caused by the increase of the fixed assets due to the investments carried out mainly in the segment of steel sheets and simultaneous value decrease of the current assets attributed to the decline in sales. Changes were also present in the internal structure of the current assets. The inventories share in this assets group increased to 50.2%, in 2012 the share concerned amounted to 39.0%. The receivables share dropped from the 2012 level of 50.4% down to 40.5% in the analyzed period while the share of short-term investments decreased, respectively, from 9.6% to 8.6% in 2013. In the analyzed reporting period no essential changes occurred in the structure of the financing sources. The equity share in the total financing sources did not significantly change, in 2013 it amounted to 78.5% while in the previous year it was 77.6%. The book value per share remained at an almost unchanged level, it amounted to PLN 226.74, in 2012 it totaled PLN 226.41.

Financial Liquidity and Indebtedness

Under the conditions of economic slowdown, financial liquidity becomes an important indicator of the company's financial standing. It is not only the object of interest for the suppliers or the state budget, but also for the employees and other company's stakeholders since it indicates the company's capacity to settle its liabilities punctually. The measurement of financial liquidity was made on the basis of the volume of the Company's current assets, the level of operating cash and current liabilities, whose rate of return is shorter than the reporting year.

Financial liquidity ratios in five consecutive years - breakdown:

Itemization	*2009*	*2010*	*2011*	*2012*	*2013*
Current financial liquidity ratios	*3.0*	*2.5*	*2.7*	*2.1*	*1.9*
Quick financial liquidity ratios	*2.0*	*1.4*	*1.7*	*1.2*	*0.92*
Short-term investments ratios	*0.5*	*0.1*	*0.2*	*0.2*	*0.16*
Cash liquidity ratios	*1.56*	*0.47*	*0.42*	*0.85*	*0.36*

In 2013, the Company's financial liquidity was maintained at a satisfactory level. Despite the fact that the current liquidity ratio decreased from 2.1 in 2012 down to 1.9 in 2013, and the quick ratio also dropped from 1.2 down to 0.92 in the analyzed year. The cash liquidity ratio decreased from the level of 0.85 down to 0.36, which means that 1 *zloty* of the current liabilities corresponded to 37 *groszy* of the generated operational cash. The Company financed its investments and repaid its credits, loans and financial leasing instalments out of this cash and also disbursed the dividend to the shareholders totalling PLN 7.6 million.

The Company enjoyed sufficient financial liquidity throughout the entire reporting period, punctually settled its liabilities both towards its employees, the state's budget, banks and suppliers. The high level of credit capacity deserves to be underlined as the effect of the generated financial results and generated operational cash. The equity share in the financing of the Company's assets amounts to almost 79%. The transparent assets and ownership standing allow the Company to obtain various forms of market financing. The maintenance of the capital-cash balance, both the short-term and long-term one, was the object of the Management Board's constant concern.

Also the cash flow statement was used to assess the Company's financial standing. It shows in which areas funds were generated and which areas absorbed them.

Cash flow in successive years - breakdown:

(PLN thousand)

	2009	2010	2011	2012	2013
- net cash flow from operating activities	+261 249	+108 918	+104 339	+259 218	+106 477
- net cash flow in the investments area	- 163 370	-91 418	-51965	-346 909	- 87 926
- net cash flow from financial activities	- 67 624	-65 991	- 31 623	+96 977	- 33 138
- balance sheet net cash flow	+30 255	- 48 491	+20 751	+9 286	- 14 587
- cash at the end of the year	+ 70 790	+ 22 299	+ 43 050	+59 926	+37 749

Comparing the levels of cash generated in particular areas of the Company's activity, one should notice that the relation of the funds appropriated for investment activities to the funds generated from the operating activities equals 82.6%. Yet, comparing the level of depreciation, amounting to PLN 42 968 thousand, and the level of investment expenses, amounting to PLN 87 926 thousand, one may notice that the Company not only provided itself with a simple reproduction of assets, but it also carried out developmental investments. The financial activities absorbed PLN 33 138 thousand, including PLN 20 million appropriated for the credit repayment, PLN 7 672 thousand for the dividend disbursement and PLN 5 466 thousand for the repayment of leasing instalments. In 2013, the Company had at its disposal the total of PLN 158 813 thousand (PLN 106 477 thousand of generated funds and PLN 52 336 thousand brought over from the previous year) out of which the Company appropriated 55.4% for investments, 20.9% for financial activities and retained 23.7% on the account to cover the 2014 expenses. Such a way of operational cash management resulted from the necessity of to pursue the on-going financing of the Company's operating activities aimed at the maintenance of the financial liquidity and implementation of the Company's development plans to be carried out in 2014.

The Management Board's strategy in the area of operating activities is illustrated with the simplified operational cash structure, presented in the following breakdown (PLN thousand):

	2009	2010	2011	2012	2013
- net profit	274 035	145 294	122 451	67 785	9 938
- depreciation	24 207	33 318	41 326	44 740	42 968
- profit adjustments	-3 685	- 354	3 953	-682	+ 8 333
- generated operational cash	294 587	178 258	167 730	111 843	+61 239
- change in net working capital needs	- 33 338	- 69 340	- 63 391	147 375	45 238
- net cash flow from operating activities	261 249	108 918	104 339	259 218	106 477

In 2013, the Company generated PLN 61 239 thousand from the net profit, depreciation and adjustments relating to operations other than operating activities, i.e. almost 100% funds less than in the previous year. However, the amount of PLN 45 238 thousand was released mainly due to the decrease of receivables.

Thus, the Company could appropriate PLN 106 477 thousand for the financing of its investments and expenses in the financial area, yet this was much less than in the previous year, mainly because of the drastic profit decline. In 2013, the depreciation accounted for 40.3% in the total operational cash and net profit accounted for only 9.3%.

Assessment of Company's Profitability

While the employees, state budget and contractors are interested in the assessment of the financial liquidity, for the Company's shareholders it is the rate of return on capital employed (ROCE) that is the basic indicator of the Company's financial standing .

Since the shareholders' investment decisions are determined by the rate of return on capital employed compared to the alternative business opportunities

In the analyzed reporting year the return on sales fluctuated at particular levels, as follows:

	2009	2010	2011	2012	2013
- return on sales [%]	23.1	11.6	8.5	4.9	1.24
- operating profit margin [%]	23.0	11.3	8.3	4.8	1.18
- gross profit margin [%]	23.3	11.5	8.4	5.0	1.28
- net profit margin [%]	18.8	9.3	6.8	4.1	0.79

The year 2013 saw a decline both in the return on sales, operating profit margin and gross and net profit margins compared to the previous year.

The net profit accounted for 64.2% in relation to the sales profit, the remaining profit from basic activities was lost at the level of other operating activities, financial and taxes level.

Considering the decline in the sales of products, goods and materials by 24.2% compared to 2012, the Company had its sales profits reduced by over 80%, and the net profit was by over 85% lower than in the previous year. It should be underlined that the Company flexibly responded to the environment changes and price reductions introduced in respect of finished products in order to maintain its position on the competitive market.

In 2013, the transformer sheets sales volume decreased by as much as 14% compared to 2012. The value of steel sheets dropped by 30%, which had been caused by the massive decline in their prices, reaching almost 20%. It should be added that the transformer sheets prices were subject to reductions all around the world due to the excessive production capacity and strong competition leading to the „price war" between manufacturers.

The Company also recorded a significant decrease of sales in the cold formed profiles group. The decrease amounted to 14% and resulted from the decline in the sales volumes by 8% and decline in the product prices, attributable to the increased imports, which were, not always, characterized with high quality, but which were competitive in terms of the prices. Yet, the decrease of domestic sales was even higher than in the case of export sales which account for 36% of the total sales value in respect of cold formed profiles. The declining demand and overcapacity are intensifying the price competition on the profiles market.

The Company also achieved lower road barriers sales results compared to 2012. The road barriers sales decreased in terms of volume by 46% and to almost the same level in terms of value. Such a large decrease had, primarily, been caused by the very high base result achieved in 2012, when numerous road investments connected with EURO 2012 were being completed or by the prolonged winter period, postponing some of the project works to the next reporting year. The steel service centers did not manage to maintain the previous year's sales levels in respect of steel sheets and strips either. The sales decreased by 25% in terms of volume and the value decrease was even higher reaching 31%. This decrease resulted from the overcapacity referring to the steel sheet slitting and cutting-to-length services. The production capacity doubles the market demand in this area.

In connection with the diversified changes in the Company's products prices and the decrease of sales volumes, the sales structure was slightly changed. The shares of transformer sheets and toroidal cores in the total sales structure were decreased in favor of the profiles and road barriers shares.

The further rationalisation of costs, both the fixed and variable ones, had an essential significance for the financial results. The costs of outsourced services decreased by 28%, remuneration costs dropped by 13%, mainly due to the absence of efficiency-based bonuses and rationalisation of the staffing policy, and the overall manufacturing costs decreased by 23% accompanied by a 24%-sales decrease. The costs of general administration were significantly reduced by as much as PLN 9 million as a result of reduced remunerations for the managerial staff and employees' retirements. The credit interest costs increased from PLN 1.2 million to PLN 5.5 million, which expanded the costs share in the sales.

The return on assets and return on equity decreased in 2013.

The above facts are illustrated, as follows:

Itemization	2009	2010	2011	2012	2013
- return on assets (ROA) [%]	19.0	9.5	7.4	3.5	0.51
- return on equity (ROE) [%]	21.5	11.0	8.9	4.5	0.65
- capital multiplier (assets/equity), (multiplication)	1.13	1.18	1.17	1.29	1.28
- rotation of assets, (multiplication)	1.01	1.02	1.08	0.84	0.64

In 2013, the rate of return on equity stood at a very low level, only slightly higher than the rate of return on assets. The rate of return on equity decreased from 4.5% to 0.65%. However, it should be added that the metallurgical industry was very strongly affected by the global economic crisis. It was the net profit decline that caused the decrease of return on assets and on equity. The higher levels of return on sales, equity and assets in the previous years resulted from relatively good market conditions in respect of demand for transformer sheets. The decrease of sheet steel sales due to the carried out investment and temporary switch-offs of production lines had caused the decrease of net profit and rates of return based thereon. At the same time, a fast development of production capacity in the steel sheets segments of a few countries brought about the overcapacity, aggravated competition and prices decline. It should be added that the Company has been developing the production of transformer sheets of highest HiB grades, which will improve its market position as indicated by the recipients' interest in such sheets in connection with the increasing energy requirements.

Apart from the return on equity, the level of benefits generated in favor of the shareholders may also be expressed with the shareholder value, which is illustrated by the breakdown below:

Itemization	2009	2010	2011	2012	2013
Number of shares, thousand items.	6 725	6725	6725	6725	6725
Share prices (last quotation in December)	594.00	276.10	230.00	184.0	183.0

MV PLN thousand	3 994 650	1 856 772	1 546 750	1237 400	1 230675
Equity, PLN thousand	1 271 720	1 359 661	1 456 639	1 522 587	1 524 853
MVA, PLN thousand	2 722 930	497 111	90 111	- 285 187	- 294 178

It is evident from the breakdown that the capital market valuated the Company below its book value. This valuation is slightly lower than in 2012 when the shares were market-valuated at the level 19% lower than their book value, alike 2013. However, it should be added that shares act as an instrument for long-term free funds investments. During the recent several years, the Company has not issued any shares, has not benefitted from additional shareholder capital and its financial development has mainly been financed from the profits retained after the dividend disbursement. Considering the dividends disbursed, it is worth underlining that, in the long run, Stalprodukt generated to its shareholders a satisfactory total return from equity.

III. Assessment of the Company's Management Board's Activities for the Period from 1 January to 31 December 2013.

The Supervisory Board favorably evaluates the work of the Company's Management Board in 2013. Under the conditions of economic slowdown, payment backlogs and very difficult steel market conditions the Company managed to maintain financial liquidity and generate a positive financial result.

Among the Management Board's basic achievements there are:

Correct management of the sales and procurement systems. The Management Board cares for the diversification of the Company's charge supplier markets in order to limit the risk from the discontinued supplies of charge materials. One should underline the Management Board's efforts concerned with the expansion to new supply and sales markets.

The Management Board flexibly responded to the increasingly complex market needs, through the changes in the product range, quality improvements, care for timely deliveries, launching new products, changes of market prices. The company-owned sales network makes responding to the recipients' needs easier.

Maintenance of financial liquidity. The liquidity was maintained at a high level, which is confirmed by the financial liquidity ratios and timely settlement of all the liabilities, both towards the employees and suppliers as well as the state budget and financial institutions. The Company engaged higher funds in the inventories to ensure the products' market availability.

Correct management of receivables, the Management Board uses a number of instruments to manage the receivables, among others: assessment of customer crediting risk, determination of credit limits, security measures, monitoring of receivables accompanied with potential debt collection pursued in compliance with the applicable procedures. In spite of the growing risk from the non-recovery of receivables, increasing risk from payment backlogs, especially in the construction sector, the level of outstanding receivables did not change in relation to the total receivables.

Ensuring the capital-cash balance. Considering the necessity of timely settlement of liabilities resulting from the operating activities as well as from planned investment expenses, the Company allocated its, temporarily, free cash into secure short-term deposit accounts, ensuring the possibility of their flexible use and timely settlement of liabilities. To ensure risk dispersion and external capital cost reduction, the Management Board signed a few agreements with banks, diversifying the potential providers of short-term credits to secure the deliveries and letters of credit.

Maintenance of a strong capital base to ensure the investors', creditors' and the market's confidence and the Company's capacity to develop both by carrying out some internal investment projects and continuing external development. In the structure of financing sources equity accounts for 79%.

Continuation of the Company's development. The Company carried out the planned investments, financing them from the generated operational cash. The Management Board continued to carry out the investment projects concerned with the state-of-the-art HiB technology in the transformer sheets segment in order to provide the highest-quality sheets and technological parameters anticipated by the market. This certifies to the correctly demarcated direction of the product development.

Pursuing a rational information capital market policy. The Management Board went to great efforts to provide the investors with accurate information. Towards the end of 2013, the market valuated the Company at the level 19% below its net book value alike many other stock exchange-listed companies which were valuated below their book value.

IV. Assessment of the Stalprodukt S.A. Financial Report for the Reporting Year from 1 January 2013 to 31 December 2013.

Fulfilling the tasks under art. 382 par. 3 of the Code of Commercial Companies and par. § 28, subpar. 2 of the Company's Articles of Association, the Supervisory Board made the assessment of the Stalprodukt S.A. Financial Report in respect of the reporting year from 1 January to 31 December 2013, including:

1) balance sheet drawn up as of 31 December 2013 showing the assets, liabilities and equity totalling PLN 1 941 798 thousand,
2) profit and loss account and comprehensive income statement for the period from 1 January 2013 to 31 December 2013, showing the comprehensive income and net profit totalling PLN 9 938 thousand,
3) statement of changes in equity for the period from 1 January 2013 to 31 December 2013, showing the equity increase amounting to PLN 2 266 thousand,
4) cash flow statement for the period from 1 January 2013 to 31 December 2013 showing a cash decrease amounting to PLN 14 587 thousand,
5) additional information on the adopted accounting principles and other explanatory information.

The audit of the Stalprodukt SA Financial Report was carried out by the entity entitled to carry out financial report audits – the company: Biegły.pl Kancelaria Biegłych Rewidentów Spółka z o.o. *[limited liability company]* based in Wrocław, recorded as 3771 in the register of the entities entitled to audit financial reports, kept by the National Chamber of Statutory Auditors, which had been selected by the Supervisory Board to carry out the audit.

It is evident from the presented Certified Auditor's Opinion that the audited Financial Report, in all essential aspects:

a) presents accurately and clearly all the information essential for the assessment of the assets and financial standing of the audited Company as of 31 December 2013, as well as its financial results for the reporting year from 1 January 2013 to 31 December 2013 in compliance with the International Financial Reporting Standards approved by the European Union,
b) is compliant, in respect of its form and content, with the legal provisions applicable to the Company and with the Company's Articles of Association,
c) has been prepared on the basis of correctly kept books of accounts and in compliance with the required accounting principles (policy).

Having analyzed the Stalprodukt S.A. Financial Report, drawn up for the reporting period from 1 January 2013 to 31 December 2013 and having been advised on the Certified Auditor's Opinion and Report, Audit Committee's recommendations, as well as on the basis of its own, independently conducted analyses, the Supervisory Board finds that in its opinion the Stalprodukt S.A. Financial Report, drawn up for the reporting period from 1 January to 31 December 2013 – as of 31 December 2013 – has been prepared correctly, in compliance with the applicable law provisions, in accordance with the books of accounts and documents as well as with the factual status and it accurately and clearly presents all the information essential to the assessment of the Company's assets and financial standing.

V. Assessment of the Stalprodukt S.A. Capital Group's Consolidated Financial Report for the Reporting Year from 1 January 2013 to 31 December 2013 and Management Board's Report on the Activities of the Stalprodukt Capital Group for the Year 2013.

The Supervisory Board assessed the Management Board's Report on the Stalprodukt S.A. Capital Group's Activities and the Consolidated Financial Report for the reporting year from 1 January to 31 December 2013, including:

1) consolidated balance sheet drawn up as of 31 December 2013 with the assets, liabilities and equity totalling PLN 2 992 412 thousand,
2) consolidated profit and loss account for the period from 1 January 2013 to 31 December 2013 showing a net profit amounting to PLN 77 445 thousand,
3) consolidated comprehensive income statement for the period from 1 January 2013 to 31 December 2013 showing the total comprehensive income amounting to PLN 77 445 thousand,
4) consolidated statement of changes in equity, consolidated cash flow statement for the year concerned in the additional information sheet on the adopted accounting policy and other explanatory information .

Having analyzed the Stalprodukt S.A. Capital Group's Consolidated Financial Report as well as Management Board's Report on the Stalprodukt S.A. Capital Group's Activities for the period from 1 January 2013 to 31 December 2013, having been advised on the Certified Auditor's Opinion and Report, by the Audit Committee's recommendation, the Supervisory Board assesses that the reports concerned contain all the required elements, have been drawn up correctly in compliance with the applicable law provisions, in accordance with the books of accounts, documents and factual status and accurately and clearly present the information essential to the assessment of the Stalprodukt S.A Capital Group's assets and financial standing.

VI. Assessment of the Management Board's Report on the Stalprodukt S.A. Company's Activities for the Period from 1 January 2013 to 31 December 2013

Fulfilling the tasks pursuant to art. 382 par. 3 of the Code of Commercial Companies and par. 28, subpar. of the Company's Articles of Association, the Supervisory Board assessed the Management Board's Report on Stalprodukt S.A. Company's Activities drawn up in respect of the period from 1 January 2013 to 31 December 2013.

<u>In the reporting period the Company's Management Board consisted of:</u>

- from 1 January 2013 to 21 June 2013 :
  - Piotr Janeczek - President of the Board
  - Antoni Noszkowski - Member of the Board
  - Józef Ryszka - Member of the Board
- from 22 June 2013 to 31 December 2013:
  - Piotr Janeczek - President of the Board
  - Józef Ryszka - Member of the Board

Having analyzed the Management Board's Report on the Stalprodukt S.A. Company's Activities drawn upon in respect of the period from 1 January to 31 December 2013 , the Supervisory Board finds that, in its assessment, the report concerned has been drawn up correctly, contains all the required elements, stands in accordance with the books of account, documents and the factual status and it accurately and clearly presents the Company's standing in the reporting period. The Management Board duly points to the threats and risks facing the pursued activities and describes the course of events likely to affect the Company's activities.

The Supervisory Board finds that, Management Board's Report on the Stalprodukt S.A. Company's Activities drawn upon respect of the reporting period from 1 January to 31 December 2013 contains the information required by the Accountancy Act provisions and, in particular, the ones provided for in art. 49 par. 2 of the Act

concerned. The financial data presented in the Management Board's Report on the Company's Activities are consistent with the ones contained in the audited Financial Report drawn up for the period from 1 January 2013 to 31 December 2013.
The Company's Management Board attached the Statement on the Company's Use of Corporate Governance Rules to the submitted report.
Considering the assessment made, the Supervisory Board assesses the submitted Management Board's Report on the Company's Activities in respect of the period from 1 January to 31 December 2013 as complete and evaluates very well the Management Board's activities throughout the entire reporting period.

As a result of the present assessment, the Supervisory Board recommends that the Ordinary General Meeting of Shareholders should adopt resolutions approving the Management Board's Report on the Stalprodukt S.A. Company's Activities in respect of the period from 1 January to 31 December 2013 and the Stalprodukt S.A. Financial Report for the reporting year from 1 January to 31 December 2013 as well as the Consolidated Financial Report and the Management Board's Report on the Stalprodukt S.A. Capital Group's Activities for the reporting year from 1 January to 31 December 2013 passing the appropriate resolutions.

The Supervisory Board motions with the Stalprodukt S.A Ordinary General Meeting of Shareholders to grant:

- Mr. Piotr Janeczek the vote of absolute approval for the discharge of his duties in 2013 in connection with his acting as the President of the Management Board in the period from 1 January to 31 December 2013,
- Mr. Józef Ryszka the vote of absolute approval for the discharge of his duties in 2013 in connection with his acting as the Member of the Management Board in the period from 1 January to 31 December 2013,
- Mr. Antoni Noszkowski the vote of absolute approval for the discharge of his duties in 2013 in connection with his acting as the Member of the Board in the period from 1 January 2013 to 21 June 2013.

VII. Assessment of the Management Board's Motion Regarding the Net Profit Distribution for the Year 2013.

Acting pursuant to art. 382 par. 3 of the Code of Commercial Companies and par. 28 subpar. 2 of the Company's Articles of Association, having been advised on the Audit Committee's recommendation, the Supervisory Board, positively assessed the Management Board's motion regarding the distribution of net profit achieved by Stalprodukt S.A. in 2013 amounting to **PLN 9,938,254.62** as follows:

- dividend - PLN 3,993,160.20
- bonus for the Management Board - PLN 79,506.03
- bonus for the Supervisory Board - PLN 69,567.78
- reserve capital - PLN 5,796,020.61

The Supervisory Board expressed an opinion that the motion filed by the Stalprodukt S.A. Management Board regarding the profit distribution stands in accordance with the Company's policy and its objectives.

Conclusion:

The present report presents the main directions of the Stalprodukt S.A Supervisory Board in the period from 1 January to 31 December 2013. All the Supervisory Board's Members discharged their duties with due diligence, applying with involvement the best of their knowledge and experience pertaining to the occupied positions.

This report has been examined and adopted by way of the resolution at the Supervisory Board's meeting held on 16 May 2014 to be submitted to the Stalprodukt S.A. Ordinary General Meeting of Shareholders

<u>Signatures:</u>

Stanisław Kurnik	Maria Sierpińska	Kazimierz Szydłowski
____________________	____________________	____________________
Chairman of the	*Vice-Chairman of the*	*Secretary of the*

Supervisory Board *Supervisory Board* *Supervisory Board*

Janusz Bodek

____

Member of the Supervisory Board

Tomasz Plaskura

____

Member of the Supervisory Board

Tomasz Ślęzak

____

Member of the Supervisory Board

Sanjay Samaddar

____

Member of the Supervisory Board