Stalprodukt S.A.

R E P O R T

OF

the Stalprodukt S.A.

SUPERVISORY BOARD

for the period

from 1 January 2012 to 31 December 2012

Bochnia, May 2013

Contents:

I. Activities and decisions of the Stalprodukt S.A. Supervisory Board.

In the period from 1 January 2012 to 31 December 2012 the Supervisory Board acted pursuant to the provisions of the Code of Commercial Companies, Company's Articles of Association, Rules of the Stalprodukt S.A. Supervisory Board as well as in compliance with the corporate governance rules adopted by the Company, provided for in the Code of Best Practice for WSE Listed Companies, exercising constant supervision over the Company's activities in all the areas of its activities and also considering the issues and motions filed during the Supervisory Board's meetings by the Company's Management Board.

Composition of the Supervisory Board in the reporting period:

In the period from 1 January 2012 to 31 December 2012 the composition of the Stalprodukt S.A. Supervisory Board was not changed.
The Supervisory Board discharged its duties in the following composition:

Stanisław Kurnik	-	Chairman
Maria Sierpińska	-	Vice-Chairman
Kazimierz Szydłowski	-	Secretary
Janusz Bodek	-	Member
Tomasz Plaskura	-	Member
Augustine Kochuparampil	-	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 economic and business standing, passed the Stalprodukt S.A Company Plan for 2012, submitted by the Management Board.

In the reporting period the Supervisory Board pursued its activities in the mode of meetings convened by the Chairman of the Board.
The members of the company's Management Board were present at all the Supervisory Board's meetings and presented to the Supervisory Board information concerning the Company's activities, informed about the on-going operating activities and Company's current financial standing.
During the Board's meetings the Company's investment projects were discussed in detail and analyzed as well as the Company's Management Board submitted comprehensive information on the decisions taken on the matters discussed.
The Company's Management Board informed the Supervisory Board in detail on all the essential issues and risks connected with the pursued activities and risk handling methods.
Inspection and supervision exercised over the Company's ongoing activities in all the areas of its activity.

In 2012, among others, the Supervisory Board:

- analyzed the Company's quarterly financial results as well as fixed the level of the quarterly bonus for the Company's Management Board,
- passed the Stalprodukt S.A. Company Plan for 2012,
- assessed the Report on Management Board's Activities and Company's Financial Report for the reporting year from 1 January to 31 December 2011, and also the Management Board's motion concerning the net profit distribution for the reporting year from 1 January to 31 December 2011 and recommended that the Ordinary General Meeting should adopt a resolution in accordance with the motion concerned,
- assessed the Consolidated Financial Report of the Stalprodukt S.A. Capital Group and the Management Board's Report on the Activities of the Stalprodukt S.A. Capital Group for the reporting year from 1 January to 31 December 2011

and recommended that the Ordinary General Meeting should adopt a resolution in accordance with the motion concerned,

- prepared and approved the report concerning the Supervisory Board's activities in the year 2011,
- prepared and made an assessment of the Company's activities in the year 2011,
- adopted resolutions regarding the consent to be granted in respect of particular activities to be performed by the Company.

At the meeting dated 26 January 2012, the Supervisory Board expressed its consent to the Management Board for the acquisition, by Stalprodukt S.A., from the State Treasury, of 10,961,600 shares belonging to Zakłady Górniczo – Hutnicze „Bolesław" S.A. / mining and metallurgical company based in Bukowno, accounting for 86.92% of the company's share capital.

The supervisory Board's activities have been documented in the minutes drawn up during the Board's meetings.

Audit Committee

The Supervisory Board was supported in its activities by the Audit Committee, operating as an advisory and opinion-forming body, acting within the structure of the Supervisory Board and appointed from among its members.

In the period from 1 January do 31 December 2012 the composition of the Stalprodukt S.A. Supervisory Board's Audit Committee did not undergo any changes and acted in the following composition:

- Maria Sierpińska – Chairman
- Kazimierz Szydłowski – Member
- Tomasz Plaskura – Member

II. Assesment of the Stalprodukt S.A. economic and financial standing for the period from 1 January 2012 to 31 December 2012.

On the basis of the Financial Report, Management Board's Report as well as certified auditor's opinion and report, the Supervisory Board assesses the Company's financial standing as good.

In the assessment concerned the following areas were examined:

- ✓ structure of assets and their financing sources
- ✓ level of financial liquidity and debt,
- ✓ company's profitability and factors affecting it.

Structure of assets and their financing sources

In 2012, the Company's balance sheet total was increased by 14.5% compared to 2011. There was an increase of fixed assets by 29.7 % especially in the position 'Long-Term Financial Assets' (by 218.3%) resulting from the purchase of the shares of ZGH „Bolesław" S.A.. The decrease of the current assets by 8.4% was mainly caused by the 18.7%. decline in receivables. The increase of the short-term financial assets totaled 24.2%.

The receivables decreased mainly due to the decline in sales by almost 8 %. In 2012, the company maintained an average inventory cycle of 54 days, in 2011 it was 48.7 days, and in 2010 the cycle embraced 47 days. In 2012, the average receivables turnover ratio (average collection period) was 78 days, in 2011 almost 72 days, while in 2010 it was lower and equaled 65 days. The increase of the average receivables turnover ratio (average collection period) was mainly caused by a fast 34% increase of receivables on account of taxes and customs. The trade receivables cycle, reflecting the credit policy towards recipients, calculated at the end of the year fell from 73.6 days in 2011 to 61.6 days in 2012. The average liabilities cycle equaled 54 days in 2012 and was longer by ten days compared to the previous year.

The level of cash increased from PLN 48.2 million at the beginning of the year to PLN 59.9 million at the end of the year. This improved the Company's cash balance and the funds accumulated towards the end of the year formed a basis for the maintenance of the Company's financial liquidity at the beginning of 2013.

Due to the uneven growth of particular asset groups, their structure changed. The fixed assets share in the total assets increased from 60.2% in 2011 to 68.1% in the analyzed year. The current assets share in the total assets decreased, which caused a change in the internal structure of these assets. The inventories share in this asset group increased from 35.4% in 2011 to 39.0% in the year under analysis. The receivables share decreased from 56.8% to 50.4%, while the share of short-term investments increased, respectively, from 7.1% in 2011 to 9.6% in 2012.

In the reporting year under analysis, also the structure of the financing sources was subject to changes. The equity share in the total financing sources reached the level of 85 % in 2011 and decreased to the level of 77.5%. This is a favorable direction of changes in the liabilities structure, allowing for a broader application of the financial leverage effects.

Long-term credits, aimed at the partial financing of the purchase of shares of Zakłady Górniczo-Hutnicze „Bolesław" S.A., appeared in the liabilities structure

Financial liquidity and debt

The assessment of financial liquidity is the object of interest for the employees, government and business partners. It is an indicator of the Company's short-term financial standing, more important than the capital rate of return. Many companies go bankrupt not because they generate periodic losses, but because they lose the ability to settle their liabilities on time. The level of financial liquidity is especially important under the conditions of economic slowdown, decreasing financial results and limited credit capacity on the debt market.

The measurement of the financial liquidity was based on the level of the Company's current assets, operational cash and current liabilities, whose payback time does not exceed one year.

Financial liquidity ratios within five consecutive years :

Itemization	2008	2009	2010	2011	2012
Current liquidity ratios	2.6	3.0	2.5	2.7	**2.1**
Quick liquidity ratios	1.6	2.0	1.4	1.7	**1.2**
Short-term investments ratios	0.26	0.5	0.1	0.2	**0.2**
Cash ratios	1.47	1.56	0.47	0.42	**0.85**

In 2012, the Company's financial standing was sustained at a high level. Although the current liquidity ratio dropped from 2.7 in 2011 to 2.1 in 2012, yet this did not increase the risk from the loss of capacity of timely settlement of liabilities. The current assets more than doubled the short-term liabilities due and payable within a year. The liquid assets embracing the receivables and short-term investments were by 20% higher than short-term liabilities. The cash ratio increased from the level of 0.42 to 0.85, which means, PLN 1.0 of short-term investments corresponded to PLN 0.85 of the generated operational cash. The Company financed its investments out of this cash. In connection with the take-over of the ZGH Bolesław S.A. company, Stalprodukt did not disburse dividends, retaining the thus generated cash to finance its investments. Towards the end of 2012 almost PLN 60 million still remained on the Company's account.

The Company enjoyed a high level of financial liquidity during the en tire reporting period, punctually settled its liabilities both towards its employees, government, banks and towards its suppliers. The financial result generated and rational management during the crisis hitting the metallurgical industry, appreciated by the financial institutions, enables the Company to obtain various forms of financing. The Company could conveniently incur a credit to finance an investment project aimed at the diversification of its activities.

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

Cash flow in PLN thousand in consecutive years:

	2008	2009	2010	2011	2012
net cash flow from operating activities	+233 184	+261 249	+108 918	+104 339	**+259 218**
net cash flow in the investment area	-280 565	- 163 370	-91 418	- 51 965	**- 346 909**
net cash flow from financial activities	- 92 856	- 67 624	-65 991	- 31 623	**+ 96 977**
net change in cash	- 140 237	+30 255	- 48 491	+20 751	**+ 9 286**
cash at the end of the reporting period	+ 40 535	+ 70 790	+ 22 299	+ 43 050	**+ 59 926**

Comparing the levels of cash generated in the particular areas of the Company's activities, one should note that the Company appropriated PLN 347 million for investments, which exceeds the receipts generated from the operating activities by 34% . The remaining investment funds originated from the area of financial activities. Such a cash-management model resulted from the Company's development plans. In 2012, the investment projects implemented were aimed at the introduction of new production technologies and diversification of the Company's activities.

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

	2008	2009	2010	2011	2012
net profit	333 698	274 035	145 294	122 451	**67 785**
depreciation	17 494	24 207	33 318	41 326	**44 740**
profit adjustments	- 3 115	-3 685	- 354	3 953	**- 682**
generated operational cash	348 077	294 587	178 258	167 730	**111 843**

net working capital needs	-114 893	- 33 338	- 69 340	- 63 391	**147 375**
net cash flow from operating activities	233 184	261 249	108 918	104 339	**259 218**

In 2012 the Company generated PLN 111.8 million of operational cash, i.e. 33% less than in the previous year, which was caused by the decrease of net profit.

Over PLN 147 million in cash was released from the operating area due to the decrease of receivables by PLN 72.4 million and increase of short-term liabilities by PLN 78.4 million. PLN 259.2 million was left for investment financing. Thus, the operational cash flow was 2.5 times higher than in the previous year. In the total amount of the above cash flows - depreciation accounted for 17.2% in 2012 and net profit for 26.1%, which means that the cash released from the operating activities accounted for 56.7% of the total cash. The released cash covered 67% of the funds spent on the purchase of the ZGH Bolesław S.A. company.

Assessment of the Company's Profitability

Return on sales, return on equity and return on assets ratios testify to the Company's market position as shareholders are guided by the rate on capital employed and compare it to its alternative management options. For shareholders the rate of return is the basic indicator of the company's financial standing. It shows the rate of return on the capital invested by them.

In the reporting year under analysis the return on sales developed follows:

	2008	2009	2010	2011	2012
return on sales (%)	25.8	23.1	11.6	8.4	**4.9**
operating profit margin (%)	25.8	23.0	11.3	8.3	**4.8**
gross profit margin (%)	25.9	23.3	11.5	8.4	**5.0**
net profit margin (%)	21.0	18.8	9.3	6.8	**4.1**

In 2012, both the return on sales, operating profit margin as well as gross and net profit margins were decreased.

Net profit accounted for 84% compared to the return on sales, the remaining part of the profit was lost by the Company at the level of other operating activities, financial activities and taxes.

Considering the 7.93% decline affecting the sales of products, goods and materials by compared 2011, the Company decreased its return on sales by 46.6%, operating profit by 47.4% and net profit by 45.7%. Both the decrease of the return on sales and net profit were markedly higher than in the previous year. The downward trend in the area of the generated profit and, thus, also in the profitability has been sustained since 2007, that is since the beginning of the global economic crisis. The profit decline has been sustained despite our flexible response to the environment changes, aimed at the maintenance of the Company's market share and systematic cost rationalization.

In 2012, the sales of transformer sheets and strip decreased by almost one-fifth in terms of tonnage, compared to 2011. The decrease of exports reached 19%. The average price stood at the 2011 price level. The decrease of our domestic sales reached 6%. The decrease of the sales volume in the cold formed profiles group reached 10%. Also the prices and sales value recorded a decrease. However, the Company reached a high level of sales dynamics in the group of road safety barriers. This group's sales result was by 56% higher than in the previous year. The Company also recorded a sales decline in respect of the products offered to the recipients by steel service centers, despite the fact that the volume of the products sold increased by 4% in relation to the previous year. This decline resulted from the excessive production capacity in the areas of steel slitting and cut-to-length services. Moreover, additional processing capacity was provided by steel distributors. Also the further rationalization of both the fixed and variable costs was of essential importance to the financial result. The Company's return on assets and return on equity decreased in 2012.

The above statements are illustrated with the following data:

Itemization	2008	2009	2010	2011	2012
return on assets (ROA) , (%)	27.1	19.0	9.5	7.4	**3.5**
return on equity (ROE), (%)	31.6	21.5	11.0	8.9	**4.5**
equity multiplier (assets/equity),(multiplexing)	1.17	1.13	1.18	1.17	**1.29**
assets rotation, (multiplexing)	1.38	1.01	1.02	1.08	**0.84**

In 2012, the return on equity was only slightly higher than the return on assets. The return on equity came down from 8.9% to 4.5%. The period under analysis was yet another year in succession marked by the Company's profitability. This situation resulted from a combination of numerous internal and external factors. The decrease of the Company's sales, caused by the falling demand for metallurgical products, resulting from the prolonged period of unfavorable market conditions, excessive production capacity, competition intensifying year after year and falling prices for metallurgical products, resulted in a decrease of net profit. At the same time, the level of assets was increased as a result of the Company's development and equity from the generated net profit, which caused a significant decline in the return on assets and return on equity. The Company assumes that the increase of steel sheets profitability will be achieved after the completion of the investment project and start-up of production of highest-grade transformer sheets.

The following compilation shows the Company's capital market valuation:

Itemization	2008	2009	2010	2011	2012
Number of shares, thousand items	6725	6725	6725	6725	**6725**
price per share (last quotation in December)	295.10	594.00	276.10	230.00	**184.00**
MV PLN thousand	1 984 547	3 994 650	1 856 772	1 546 750	**1 237 400**
Equity PLN thousand	1 055 709	1 271 720	1 359 661	1 456 639	**1 522 587**
MVA, PLN thousand	928 838	2 722 930	497 111	90 111	**- 285 187**

It is apparent from the above compilation that the capital market valuated the Company 18.7% below its book value. In 2012, the minimum price per share amounted to PLN 155, whereas the maximum one reached PLN 295. The Company's valuation is significantly lower than in 2011. At the end of 2011 the price per share amounted to PLN 230, so it was by 20% higher from the price recorded at the end of 2012.

The book value per share recorded at the end of the analyzed year amounted to PLN 226.41, and at the end of 2011 it was PLN 216.60. In 2012, the capital market did not guarantee a satisfactory level of return on equity and in quite a number of companies share prices stood well below the book value. The average market value to book value ratio on the primary market reached the value of 0.93 in Poland, while for Stalprodukt it was 0.80. Assessing long-term investments, Stalprodukt generated a satisfactory total return on equity, considering the fluctuating prices of shares and the aggregate of the dividends disbursed.

III. Assessment of the Management Board's activities for the period from 1 January 2012 do 31 December 2012.

The Supervisory Board highly appreciates the work of The Company's Management Board throughout the year 2012.

Among its fundamental achievements there are:

Maintenance of a strong capital base aimed at the preservation of the investors' and creditors'confidence. A big share of equity in the structure of the financing sources limits the risk from the occurrence of financial problems on the capital market. The Company enjoys a full access to external financing sources and high debt-repayment capacity.

Securing the Company's development through the technological investments in the transformer sheets area and take-overs aimed the diversification of activities, which guarantees "smoothing" of financial results under the conditions of industry-specific business cycles. Although the transformer sheets sales declined, the decrease merely resulted from the investment projects affecting the technological lines concerned. The investment projects in the transformer sheets segment are aimed at providing the market with highest-quality sheets and securing the market-expected technical parameters.

Both the sheets and profiles market conditions are still difficult, which is manifested by: a massive oversupply of these products, limiting the producers' utilization of the their production capacities, as well as low prices. The Company flexibly adapted itself to the new market conditions.

Skilfull management of the net working capital reducing the risk from cash shortage. The net working capital share in the financing of the operating activities came down from 63.7 % in 2011 to 51.1 % in 2012, which resulted in the decrease of the average capital costs and improved the effectiveness of the implemented investment projects.

Rational inventories management, the level of inventories slightly increased in relation to the previous year. The inventories share in the current assets increased from 35.4% in 2011 to 39.0% in the year under analysis. The materials inventories increased by 11% while the finished products inventories by 13.2%. The level of the materials inventories resulted from the conditions present on the technological charge market. The Management Board cares for the diversification of the Company's technological charge supply markets to reduce the risk from disrupted deliveries.

A slight increase of the average inventories cycle resulted from the market conditions and not from the absence of rational decisions in this area. The level of the total inventories cycle is affected by the finished products inventories cycle. Under the difficult market conditions, caring for the full availability of the products to recipients, the Management Board maintained the products inventories at the level matching the recipients' needs and market expectations.

Risk-tailored management of receivables. The year 2012 saw a decrease of trade receivables by 23% in relation to the previous year, accompanied be the 8%. sales decrease. Due to the economic growth, especially in the construction sector, and presence of payment backlogs, the overdue receivables share in the total receivables was increased. However, this did not result in the growth of risk from debt non-recovery thanks to the security measures applied. In the receivables management process the Management Board uses a number of instruments, such as: customer credit risk assessment, determination of credit limits, security measures, monitoring of receivables and potential debt-collection following the applicable procedures.

Securing the cash balance. The Company kept cash on its bank accounts, placing safe short-term deposits. The maintenance of an appropriate cash level was aimed at securing the settlement of the ongoing payables due in connection with the operating activities and planned investment expenses.

Pursuing accurate disclosures policy to satisfy the needs of the capital market. Towards the end of 2012, the capital market valuated the Company below its book value as in the case of numerous WSE listed primary market companies. This was caused by the prolonged financial crisis.

As of 7 November 2012, **the Company's Management Board,** fulfilling the objetives defined in the Stalprodukt S.A. Capital Group's development policy, concluded an agreement wherby the Stalprodukt S.A. Company acquired from the State Treasury 10,961,600 registered shares of Zakłady Górniczo-Hutnicze „Bolesław" S.A (mining and metallurgical company) based in Bukowno, accounting for 86.92% of its share capital. The take-over of the ZGH „Bolesław" S.A. company will allow the Stalprodukt S.A Capital Group for an almost twofold increase of sales and significant diversification of the pursued activities.

As the supplier of road barriers and assembly services, **Stalprodukt S.A.** fully used the 2012 favorable road construction market conditions. In the period concerned, the Company reached a record-high level of the road barriers sales increase both in terms of volume and value. This resulted from the previous efforts undertaken by the Management Board aimed at the expansion of the production capacity and strengthening of the Company's market position.

IV. Supervisory Board's Report on the Stalprodukt S.A. Financial Report assessment result for the reporting year from 1 January to 31 December 2012.

Fulfilling the tasks provided for in Article 382 § 3 of the Code of Commercial Companies and § 28 subpar. 2 of the Company's Articles of Association, the Supervisory Board assesses the Stalprodukt SA. Financial Report drawn up for the period embracing the reporting year from 1 January to 31 December 2012, consisting of:

1) **balance sheet** drawn up as of 31 December 2012, with total assets and liabilities amounting to: **PLN 1 963 546 thousand,**
2) **profit and loss account** for the period from 1 January 2012 to 31 December 2012 showing a net profit of: **PLN 67 785 thousand,**
3) **statement of comprehensive income** for the period from 1 January 2012 to 31 December 2012 showing a total income of: **PLN 67 785 thousand,**
4) **statement of changes in equity** for the period from 1 January 2012 to 31 December 2012 showing an increase in equity by an amount of: **PLN 65 948 thousand,**
5) **cash flow statement** for the period from 1 January 2012 to 31 December 2012 showing an increase in cash by an amount of : **PLN 9 286 thousand,**
6) **explanatory notes** appended to the balance sheet and profit and loss statement items,
7) **additional and explanatory information**

The Stalprodukt S.A Financial Report audit was carried out by an entity authorized to carry out financial report audits - „Accord'ab" Biegli Rewidenci Spółka z o.o. based in Wrocław, recorded as 262 in the register of companies authorized to carry out financial report audits kept by the National Council of Certified Auditors, which was selected by the Supervisory Board to carry out the audit concerned.

It is evident from the submitted Independent Certified Auditor’s Opinion that, że:

a) The audited Stalprodukt S.A. Financial Report presents accurately and clearly the Company’s assets and financial standing as of 31 December 2012, its financial result and cash flow statement, for the reporting year concluded on the day concerned and has been drawn up, in all of its essential aspects, in accordance with the International Financial Reporting Standards, approved by the European Union and stands in accordance with the legal regulations and provisions of the Company Articles of Association, affecting the content thereof, and has been drawn up on the basis of the books of account, kept properly in all their essential aspects,

b) The Report on the Company’s Activities includes, in all of its essential aspects, the information referred to in Article 49 of the Accountancy Act and Regulation of the Minister of Finance as of 19 February 2009 on the current and periodic information to be disclosed by the issuers of securities and the conditions for recognizing as equivalent the information required under the legal provisions of a non-member state and the same stand in accordance with the information contained in the individual financial report.

Having analyzed the Stalprodukt S.A. Financial Report concerned, drawn up for the reporting year from 1 January 2012 to 31 December 2012, and having reviewed the Certified Auditor’s opinion and report, Audit Committee recommendation as well as on the basis of the conducted independent analyses, the Supervisory Board states, that in its assessment the Stalprodukt S.A. Financial Report, drawn up for the reporting year from 1 January to 31 December 2012 – as of 31 December 2012 – has been drawn up correctly, stands in accordance with the applicable legal provisions, books of accounts and documents as well as with the factual status and it presents accurately and clearly all the information essential for the assessment of the Company’s assets and financial standing.

V. Assessment of the Stalprodukt S.A. Capital Group's Financial Report for the reporting year from 1 January to 31 December 2012 and Management Board's Report on the Stalprodukt S.A. Capital Group's Activities for the year 2012.

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 2012, consisting of:

1) **consolidated balance sheet** drawn up as of 31 December 2012, with total assets and liabilities amounting to: **PLN 2 076 316 thousand**
2) **consolidated profit and loss account** for the period from 1 January 2012 to 31 December 2012 showing a net profit of: **PLN 60 089 thousand**
3) **statement of consolidated comprehensive income** for the period from 1 January 2012 to 31 December 2012 showing a comprehensive income of: **PLN 60 089 thousand.**
4) **statement of changes in the consolidated equity** for the reporting year from 1 January 2012 to 31 December 2012 showing the increase of equity by an amount of: **PLN 58 072 thousand**
5) **consolidated cash flow statement** for the reporting year from 1 January 2011 to 31 December 2011 showing the decrease in cash by an amount of: **PLN 52 thousand**
6) **explanatory notes** appended to the balance sheet and profit and loss statement items
7) **additional and explanatory information**

Having analyzed the Stalprodukt S.A. Capital Group's Consolidated Financial Report as well as the Management Board's Report on the Stalprodukt S.A. Capital Group's Activities for the reporting year from 1 January 2012 to 31 December 2012, and having reviewed the Certified Auditor's opinion and report, Audit Committee recommendation, the Supervisory Board assesses, that the reports concerned contain all the required elements, have been drawn up correctly, stand in accordance with the applicable legal provisions, books of accounts and documents as well as with the factual status and present accurately and clearly all the information essential for the assessment of the Stalprodukt S.A. Capital Group's assets and financial standing.

VI. Assessment of the Management Board's Report on Stalprodukt S.A. Activities for the period from 1 January to 31 December 2012.

Fulfilling the tasks provided for in Article 382 § 3 of the Code of Commercial Companies and § 28 subpar. 2 of the Company's Articles of Association, the Supervisory Board assessed the Management Board's Report on the Stalprodukt S.A. Company's Activities drawn up for the period from 1 January 2012 to 31 December 2012.

<u>In the reporting period the Management Board worked in the following composition:</u>

- Piotr Janeczek - President of the Board
- Antoni Noszkowski - Member of the Board
- Józef Ryszka - Member of the Board

Having analyzed the Management Board's Report on the Stalprodukt S.A. Company's Activities for the reporting year from 1 January 2012 to 31 December 2012, the Supervisory Board states, that in its assessment, the report concerned has been drawn up correctly, contains all the required elements, stands in accordance with the books of accounts and documents as well as with the factual status and it presents accurately and clearly the Company's standing in the reporting period. The Company's Management Board duly indicates the threats and risks of the activities pursued and describes the course of events likely to affect the Company's activities.

The Supervisory Board states that the Management Board's Report on the Company's Activities for the reporting year from 1 January to 31 December 2012 contains the information required by the provisions of the Accountancy Act, and, in particular, the ones contained in Article 49 thereof. The financial data presented in the Management Board's Report on the Company's Activities stand in accordance with the information contained in the audited Financial Report drawn up for the period from 1 January 2012 to 31 December 2012.

The Management Board appended a Statement regarding the Corporate Governance Rules Application to the submitted Report.

Considering the above, the Supervisory Board assesses the submitted Management Board's Report on the Company's Activities for the period from 1 January 2012 to 31 December 2012 as complete and highly appreciated the Management Board's activities throughout the reporting period.

Consequently, the Supervisory Board recommends that the Ordinary Meeting of Shareholders should approve of the Management Board's Report of the Stalprodukt S.A. Company's Activities for the period from 1 January 2012 to 31 December 2012 and the Stalprodukt S.A. Financial Report for the reporting year from 1 January to 31 December 2012 as well as the Stalprodukt S.A. Capital Group's Consolidated Financial Report and Management Board's Report the Stalprodukt S.A Capital Group's Activities for the reporting year from 1 January to 31 December 2012, adopting the appropriate resolutions.

The Supervisory Board, herewith, places a motion with the Ordinary General Meeting of Stalprodukt S.A. Shareholders to grant a vote of absolute acceptance to the following members of the Company's Management Board:

- Piotrowi Janeczkowi - President of the Board
- Antoniemu Noszkowskiemu - Member of the Board
- Józefowi Ryszce - Member of the Board

for the discharge of their duties in 2012.

VII. Assessment of the Management Board's motion regarding the net profit distribution for the year 2012

The Supervisory Board has reviewed the Resolution No 5/2013 of the Stalprodukt S.A. Management Board as of 15 May 2013, wherein the Company's Management Board contained a suggested distribution of net profit for the period from 1 January 2012 to 31 December 2012 amounting to **PLN 67,784,700.05 .**

Distribution of net profit for 2012 as suggested by the Company's Management Board :

- Bonus for the Management Board PLN 542,278.00
- Bonus for the Supervisory Board PLN 474,493.00
- Reserve capital PLN 66,767,929.05

Having reviewed the Audit Committee's recommendation, the Supervisory Board favorably assessed the Management Board's motion regarding the net profit distribution and stated that this proposition stands in accordance with the Company's interests, its development plans and that it reduces potential external risks.
The Supervisory Board recommends that the Ordinary General Meeting of Shareholders should adopt a resolution on the distribution of net profit for 2012 in the wording presented by the Management Board.

This Report has been examined and adopted by resolution at the meeting of the Supervisory Board as of 24 May 2013, to be submitted with the Ordinary General Meeting of Shareholders of Stalprodukt SA.

Signatures:

Stanisław Kurnik	Maria Sierpińska	Kazimierz Szydłowski
(Chairman of Supervisory Board)	*(Vice-Chairman of Supervisory Board)*	*(Secretary of Supervisory Board)*
Janusz Bodek	Tomasz Plaskura	Augustine Kochuparampil
(Member of Supervisory Board)	*(Member of Supervisory Board)*	*(Member of Supervisory Board)*
Sanjay Samaddar		
(Member of Supervisory Board)		