

REPORT

on Activities of the Supervisory Board of "STALPROFIL" S.A. in 2008

In the business year 2008, the Supervisory Board composition changed twice. On May 9, 2008 the Annual General Meeting of Stalprofil S.A. changed composition of the Company's Supervisory Board appointing the new Board with the following members: Marcin Gamrot, Jerzy Goinski, Jerzy Podsiadło, Tomasz Ślęzak, Jacek Zub. On July 17, 2008, the General Meeting of STALPROFIL SA adopted a resolution on appointing two new members of the Supervisory Board: Jarosław Kuna, Gaetan Stiers, thus extending the number of the Supervisory Board members to seven.

As on December 31, 2008 the Supervisory Board members were:

- | | |
|--------------------|-----------------------------------|
| 1. Jerzy Podsiadło | - 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 |

In its activities, the Supervisory Board of STALPROFIL S.A. followed its regulations, available at the Company's website. The Supervisory Board Regulations do not provide for the internal distribution of duties of its members and as a consequence, there were no committees functioning within the Supervisory Board, whereas the committee tasks were fulfilled by all Board members.

When evaluating its activities in 2008, the Supervisory Board of STALPROFIL S.A. analyzed accuracy and effectiveness of its actions related to ongoing supervision over the Company's operation within its rights and obligations, in particular:

- performing special duties provided for in the internal and external legal acts,
- controlling and supervising the daily business of the Company,
- participation in preparing and supervising of the Company's strategic targets,
- assessing the principal risk management method and the internal control system,

The Supervisory Board was actively involved in adopting best corporate practices in the Company, supporting the process of implementing the corporate governance principles adopted for public companies limited by shares by the Supervisory Board of the Warsaw Stock Exchange.

I. The Supervisory Board's performance of special duties resulting from the internal and external legal acts, including duties related to the summary of the reporting period for the previous year.

In scope of its statutory duties, the Supervisory Board issued a positive opinion on the financial statements of the Company and the Group for the previous business year and as a consequence applied to the Company's General Meeting for approval of the said statements, presenting the annual reports on the results of their evaluation in writing to the General Meeting.

The report prepared by the Supervisory Board, including among others the results of evaluation of the Management Board's report on the Company's activity, expressed a positive opinion on the Management Board's work and was a basis for the motion for the vote of approval for the Company's Management Board members.

In the reporting period, the Supervisory Board exercised its statutory rights by appointing the Company's Management Board for the next term. In accordance with the Company's Statute, the Supervisory Board also selected the company Moore Stephens Katowice sp. z o.o. as its chartered auditor to audit its individual and consolidated financial statements for 2009, and adopted a new consolidated text of the Company's Statute.

The year of 2008 was the next year of establishing STALPROFIL S.A. Group and implementation of uniform management standards for all the entities associated in the Group. To achieve it, during its meetings held in 2008, the Supervisory Board within its authority issued opinions on amendments in internal legal acts of the Subsidiaries, simultaneously determining the manner of voting by STALPROFIL S.A. representative at their General Meetings.

The Supervisory Board took an active part in the internal communication between all the Company bodies with respect to the process of implementation of the corporate governance principles in the Company, adopted by the Supervisory Board of the Warsaw Stock Exchange in the document *Code of Best Practice for WSE Listed Companies*.

The Supervisory Board's approval of the new provisions in its Regulations allowing for the amendments to the code of best practices proposed by the Supervisory Board of the Warsaw Stock Exchange is a part of the Supervisory Board's effort to support implementation of best corporate practices in the Company.

II. Exercising the rights related to control and supervision over the daily business of the Company,

Continuous control and supervision concerned the current financial results, the Company's organizational status, key decisions made with regard to the Company's business in 2008.

In the reporting period discussed, the Supervisory Board focused in particular on issues related to control and supervision over financial and organizational activities of the Company, including:

- analysis of periodic financial statements of the Company and reports on performance of the effective plans and tasks.
- analysis of periodic financial statements of the Subsidiaries ZRUG Zabrze sp. z o.o., Izostal S.A. and the company KOLB sp. z o.o. acquired in 2008
- profitability analysis and approval of investment projects, including investments in tangible and financial fixed assets,
- financial risk analysis, including foreign exchange and interest rate risk.

To execute duties referred to above, the Supervisory Board audited the Company's documents and obligated the Management Board to provide explanations and prepare analyses and reports as required.

In scope of its supervision over the Company's daily business, the Supervisory Board members also provided guidance and consultations to the Company's Management.

III. Participation in preparing and supervising of the Company's strategic targets

In the past reporting period, the Supervisory Board supervised implementation of the long-term strategy outlined for the Company by means of opening and approving the current financial plans, including capital expenditure plans. The Supervisory Board analyzed parameters of the Financial Plan for 2009 proposed by the Management Board especially in terms of compliance of the adopted market and economic assumptions with the strategic targets set for the Company.

In the past business year, at each of its meetings the Supervisory Board carried out analysis of performance of the respective parameters of the financial plan for 2008 both by the dominant entity and the subsidiaries mainly to ensure direct supervision over the business targets adopted for the Company in the face of continuing slump in the steel market.

In 2008, the Supervisory Board supported implementation of one of the core strategic targets for the Company, namely exploring attractive new markets and products in the broadly understood steel industry. In scope of the above activities, the Supervisory Board issued a positive opinion on the Management Board's efforts to acquire one more

subsidiary - KOLB sp. z o.o. and to increase capital in the subsidiary ZRUG Zabrze sp. z o.o.

Positive impact of the investments in question was reflected in the results of Stalprofil S.A. Group still in 2008.

IV. Assessment of the principal risk management method and the internal control system

The Supervisory Board acknowledges that the process of the corporate risk management is implemented correctly by the Management Board, executives and other employees. The elements of the principal enterprise risk such as:

- operating risk related to the Company's business activity,
- financial risk, including foreign exchange and interest rate risk,
- risk related to reporting and compliance of activities with the regulations of the law that keeps changing,

are correctly identified by persons in charge of the Company's management and they are taken into account already at the stage of creating the strategy and day-to-day plans of the entity.

Furthermore, the Supervisory Board holds the view that the Management Board and the executives give an adequate response to the existing risk. It is characterized by taking actions making it possible to avoid or mitigate the risk in the above areas among others by: special procedures for granting merchant credit, insuring receivables (operating activity), natural hedging and foreign exchange futures minimizing the exposure to the foreign exchange and interest rate risk (financial activity).

The Company's achievement of goals related to mitigating the risk related with interpretation of the provisions of the law and the external financial reporting is supported by the internal procedures effective in the Company as well as external advisors and auditors who provide the Company's executives and the Management Board with professional, independent and objective opinion.

In the opinion of the Supervisory Board, the internal control system implemented by the Management Board, executives and other employees is adequate. Control ensures compliance of the actions with legal standards and adopted internal procedures, whereas in scope of the financial reporting, additional compliance with the effective accounting principles. Control activities are conducted on a day-to-day basis within the scopes of duties and responsibilities of the Company employees concerned, while the irregularities that are identified are remedied by using corrective actions.

The Company's Management Board also duly fulfills the obligation of exercising the internal control over the process of preparing and providing current reports and financial statements in compliance with the provisions of the Regulation of the Minister

of Finance dated February 19, 2009 on current and periodical information submitted by the issuers of securities.

Dąbrowa Górnicza May 27, 2009

Signatures of the Supervisory Board members

- | | | |
|--------------------|-----------------------------------|-------|
| 1. Jerzy Podsiadło | - 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 | _____ |