

REPORT

of the Supervisory Board of "STALPROFIL" S.A. on the evaluation of the following documents presented by the Management Board:

- financial statement of the Company for 2008,
- Management Board's report on the Company's activity in 2008,
- motion on appropriation of net profit for 2008,

with the evaluation of the Company's standing in 2008.

- The Supervisory Board evaluated the financial statement of the Company, comprising among others balance sheet, profit and loss account and cash flow statement for 2008 and read the report and opinion of the chartered auditor (Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek sp. z o.o.) auditing the Company's financial statement for this period.

On this basis, the Supervisory Board states that the balance sheet (closed with the balance sheet amount of PLN 234,155,822,79 as on 31.12.2008), profit and loss account (showing a net profit for 2008 in the amount of PLN 2,093,593.34) and cash flow statement (showing an increase in cash by the amount of PLN 10,739,252.22) comply with the books and documents, were prepared in line with the effective regulations regarding accounting policy, and in this situation, they reflect correctly and reliably the performance in 2008, as well as the Company's standing as on 31.12.2008.

- Moreover, the Supervisory Board made a thorough analysis of the Management Board's report on the Company's activity in 2008, and stated that the figures and facts shown therein reflected the actual condition and were a reliable reflection of the Company's situation in the business year 2008.

The Supervisory Board read the proposal for the appropriation of the net profit for 2008, which — in line with the motion for the Supervisory Board - will be presented by the Management Board for approval by the Annual General Shareholders' Meeting. The Supervisory Board not approved the Management Board's proposal regarding the appropriation of the net profit for 2008, making a recommendation to the Annual General Shareholders' Meeting of the Company that the profit for the business year 2008 in the

amount of PLN 2,093,593.34 (two million ninety-three thousand five hundred and ninety-three zlotys 34/100) be appropriated in the following manner:

- Company's spare capital: PLN 1,568,593.34 (one million five hundred and sixty-eight thousand five hundred and ninety-three zlotys 34/100)
- payment of dividend for Company shareholders in the amount of: PLN 525,000.00 (five hundred twenty-five thousand zlotys 00/100), which makes PLN 0.03 (three grosz) of the dividend per share.

The dates of the right to the dividend falling on 18.09.2009, and of dividend payment falling on 08.10.2009 were accepted by the Supervisory Board without any reservations.

Moreover, as a result of the carried out analyzes, the Supervisory Board adopted a resolution with the request to the Annual General Shareholders' Meeting for the approval of the following documents produced by the Company's Management Board:

1. financial statement for 2008, including: balance sheet prepared as on 31.12.2008, profit and loss account prepared for the period from 01.01.2008 to 31.12.2008 and cash flow statement for the period from 01.01.2008 to 31.12.2008.
2. Management Board's report on the Company's activity in the business year 2008.

Brief evaluation of the Company's situation

2008 was characterized by extraordinary changeability in the steel market. This year can be divided in two periods, characterized by completely different market conditions, in which the company had to function. The first period until July 2008 was the period of raw materials boom and good market for steel products. Additionally, an increasing demand for steel, in particular for construction and structural steel, led to a tendency of growing steel products prices.

In August 2008, the first signs of the worse market situation could be seen, which resulted in lower demand from final customers, waiting for the adjustment of the hiking steel prices. However, the real collapse in the market took place in autumn, which was the climax of the global financial crisis. Steel prices continued to go down till the end of 2008.

The Supervisory Board comes to the conclusion, that in the conditions of the deepening crisis, the Company's situation and results of the previous year, although deviating from the results of 2007 especially in terms of the actual profit, can be considered satisfactory in comparison with

other entities from the sector. The Company responded flexibly to the market signals, adapting properly its marketing strategy and resources to the actual unnatural market fluctuations.

In 2008 Stalprofil recorded the total sales revenues of PLN 492,860 thousand, i.e. 0.5% more than in 2007, functioning mainly on the basis of its core activity, which is the wholesale of goods in steel market.

Undoubtedly, the Company succeeded in strengthening its position in the export market. Despite the crisis visible also in the European steel market, Stalprofil reported the record export sales revenues of PLN 158,952 thousand, which translates into a 42% increase against 2007. The export share in goods sales revenues was 32% in the reporting period.

Other factors which had significant impact on the profitability of steel trading in 2008 were declining prices, limited demand and, in addition to that, an extremely unstable situation in the currency market, starting from the strong appreciation of Polish zloty in the period from January 2008 to August 2008, and then a dramatic change of the appreciation trend into depreciation in Q4 2008. Therefore, a big challenge for the Company was to manage stocks in a reasonable way and implement the strategy for hedging the currency risk.

A flexible approach to the processes in the currency and steel markets was demonstrated by the following decisions:

- decision to close the CIRS transaction before the planned date, said transaction opened by the Company in 2004, which originally was to be settled in monthly cycles in 2009.
- revaluation of the book value of Company stocks with reference to the current market prices.

Those two extraordinary events of a one-off nature had significant impact on the results of 2008, decreasing the net profit of Stalprofil S.A. by a total amount of PLN 16,426 thousand, i.e. to the amount of PLN 2,094 thousand

According to the Supervisory Board, in the period of the observed economic slowdown and continuing high currency risk, the closing of the CIRS transaction and adapting the stocks value to the market increased significantly the level of the financial security of the Company, mainly in view of the further economic collapse forecast for 2009.

In 2008 the company implemented the investments in line with the Investment Plan approved by the Board. In 2008 STALPROFIL S.A. spent a total amount of PLN 15,987 thousand for investments, including PLN 3,505 thousand on investments in tangible fixed assets and PLN 12,482 thousand on capital investments.

In 2008, the main capital investment was the take-over of 100% control of the company from the steel structures sector, Kolb Sp. z o.o. seated in Kolonowskie. The transaction was finalized in January 2008, and a total cost of purchasing the block of shares in Kolb was PLN 9,906

thousand. According to the adopted strategy, through this new company Stalprofil got an opportunity to enter the new, dynamically developing market of steel structures.

Another capital investment of Stalprofil in 2008 was an increase in the share capital of ZRUG Zabrze Sp. z o.o. by a total amount of PLN 2,500 thousand, which increased the shareholding in this subsidiary to 88.6%. The funds obtained by ZRUG were used mainly for investments in equipment and technical machinery used for the installation of pipelines. Improvement in the equipment of ZRUG will let this company enter the new profitable market segments of specialist works related to infrastructural investments.

The expenditure on investments was financed from the Company's own funds. According to the Board, these investments should have significant influence on an increase in the value of Stalprofil SA and extension of the business within the Group, which can be regarded a kind of an antidote to market fluctuations observed in the steel market.

Analyzing the changes in the structure of Company assets it can be seen that there was a significant increase of over 38% in fixed assets against the previous year, combined with almost 34% decrease in current assets.

The decrease in the current assets was reported mainly due to a decrease in the value of inventory by over 32% against the level as at the end of 2007, which was caused not only by a significant decrease in the prices of steel products, especially in the second half-year of 2008, but also by adapting the warehouse stock levels to the difficult situation in the steel market due to the collapse of steel product prices and demand. Almost 30% reduction in the steel products stocks kept by the company made in 2008 considerably reduced the influence of dropping prices on the financial result.

The fact that the company maintains the rotation ratios at the level typical of the sector indicates that the level of current assets corresponds to the generated turnover.

In 2008 equities of Stalprofil slightly decreased in value to the level of PLN 145,318 thousand, i.e. by 1.8% against the previous year. Lower equity in 2008 results from the payment of a higher dividend from the profit for 2007 in comparison with the net profit generated in 2008.

In 2008, the Company recorded a decrease in short-term liabilities by 38% against 2007. An important element that influenced this decrease in short-liabilities level was considerable reduction of Company loan debt to the level of PLN 49,170 thousand, i.e. by over 53% against 2007. The decreased level of the loans had impact on the better security of operations in the age of the global financial crisis and recession in the steel market visible in the second half-year of 2008. The level of bank loans is limited also by an increase in the level of trade credits negotiated by the Company with the suppliers of goods and services. Lack of any

outstanding liabilities demonstrates company's ability to pay its obligations on time as well as security of the business.

Given the positive financial results obtained by the Company in 2008, which demonstrate that the Management Board, in the period of the worse steel market, showed high commitment to ongoing management of the company and to development processes in order to enter the new and promising markets of transmission networks infrastructure and steel structures, the Supervisory Board requests the Annual General Shareholders' Meeting to grant a vote of approval to all Management Board Members for the fulfillment of their duties in 2008.

Dąbrowa Górnicza 27.05.2009

Signatures of Supervisory Board Members

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|--------------------|-----------------------------------|-------|
| 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 | _____ |