

## REPORT

### on the activity of the Supervisory Board of STALPROFIL S.A. in 2009

One change was made to the composition of the Supervisory Board in 2009. On September 24, 2009, the Extraordinary General Meeting of Stalprofil S.A. appointed Mr. Stefan Dzienniak a Supervisory Board Member replacing Mr. Jerzy Podsiadło who resigned from the function held. Mr. Stefan Dzienniak has been the Supervisory Board Chairman of Stalprofil S.A. since September 28, 2009.

Supervisory Board composition as on December 31, 2009 was as follows:

1. Stefan Dzienniak - 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

The Supervisory Board of STALPROFIL SA acts in line with its Regulations available at the Company's website. According to Board Regulations, an Audit Committee has functioned within the Supervisory Board since 2009; Committee members are appointed by the Supervisory Board from among its members. The Committee has the following three members appointed by the Supervisory Board on September 28, 2009:

1. Tomasz Ślęzak - Audit Committee Chairman
2. Gaetan Stiers - Audit Committee Member
3. Jacek Zub - Audit Committee Member

While analyzing its activity in 2009, the Supervisory Board of STALPROFIL S.A reviewed the accuracy and effectiveness of its activities related to constant supervision over the Company's functioning, performed within its competence and in line with its obligations including in particular:

- fulfillment of special obligations arising from internal and external legal acts,
- control and supervision over the Company's day-to-day operating activity,
- participation in the development and implementation of Company's strategic targets,
- evaluation of the manner of managing risks significant for the Company, and the internal control system,

Supervisory Board was actively involved in the implementation of good corporate practices by supporting the introduction of the corporate governance principles approved for use in public companies by the Board of the Stock Exchange in Warszawa.

**I. Supervisory Board's fulfillment of particular obligations arising from internal and external legal acts, including those related to the summary of the previous reporting period.**

Fulfilling its obligations arising from the code, the Supervisory Board positively evaluated financial statements of the Company and the Group for the previous financial year, and presented the General Meeting with annual written report from the results of the evaluation, requesting the General Meeting to approve the statements.

The report prepared by the Supervisory Board presenting also the results from the evaluation of the Management Board's report on the Company's activity, positively assessed the activity of the Management Board and was a basis for filing a request for granting the vote of approval to the Members of the Company's Management Board.

In the reporting period the Supervisory Board exercised its statutory rights and approved amendments to the Company's internal legal acts, including Supervisory Board Regulations, Management Board Regulations and the Organizational Regulations. Supervisory Board expressed its opinion on the planned amendments to the Company's Statute and the General Meeting Regulations, it also approved for use the consolidated text of the Company's Statute and new Regulations of the Audit Committee.

2009 was another year during which uniform management standards were being implemented for all entities belonging to STALPROFIL S.A. Group. Thus, during its meetings held in 2009, the Supervisory Board, in line with its statutory rights, expressed its opinion on amendments to internal legal acts of the subsidiary companies, establishing at the same time the manner of voting of the representative of STALPROFIL S.A. at the General Meetings of those subsidiaries.

Supervisory Board was also actively involved in the internal dialogue between all Company bodies as regards the implementation and strengthening of corporate governance principles in the Company, adopted by the Board of the Stock Exchange in Warszawa by virtue of a document entitled "Good practices of listed companies".

**II. Exercising rights related to the control and supervision over the Company's day-to-day operating activity,**

Regular control and supervision covered current financial results, Company's organization, and key decisions made as to the business activity run by the Company in 2009.

In the reporting period in question, the Supervisory Board focused on issues related to the control and supervision over the Company's financial and commercial activity, with particular attention being paid to:

- analysis of the Company's periodic financial statements and reports from the fulfillment of effective plans and tasks.
- analysis of periodic financial statements and reports from the fulfillment of budgets in subsidiaries: ZRUG Zabrze sp. z o.o. Izostal S.A. and KOLB sp. z o.o.
- analysis of profitability and approval of current investment projects, including investments in tangible and financial fixed assets,

To perform the duties referred to above, the Supervisory Board examined the Company's documents and requested the Management Board to provide explanations and to prepare analyses and reports regularly. While supervising the day-to-day Company's activity, the Supervisory Board Members also offered advice to the Company's Management.

### **III. Participation in the development and supervision over the implementation of Company's strategic targets,**

In the previous reporting period, the Supervisory Board supervised implementation of strategic plans set for the Company by expressing opinions and approving current financial budgets, including investment expenditure. 2010 financial plan parameters proposed by the Company's Management Board were examined by the Supervisory Board, particularly with respect to the compliance of adopted market and economic assumptions with strategic targets set for the Company.

Analysis of the performance of individual parameters of the financial plan for 2009, made during each Supervisory Board meeting held last year, both for the dominant company and the subsidiaries, was aimed mainly at ensuring direct supervision over the implementation of economic targets set for the Company in the face of risks connected with the slowdown of the global economy and bad economic situation on the steel market.

In 2009 the Supervisory Board also supported the fulfillment of one of the Company's strategic targets i.e. the development of new attractive markets and new products within the broadly understood steel sector. Thus it expressed a positive opinion on projects aimed at launching modern Anticorrosion Insulation Center in subsidiary company Izostal SA. One of the Supervisory Board meetings was held in Kolonowskie to visit the site and check the progress of works.

Positive results of this investment were reflected in the results of Stalprofil S.A Group, already in 2009.

### **IV. Evaluation of the manner of managing risks significant for the Company, and the internal control system**

Supervisory Board confirms that the process of managing corporate risk is run correctly by the Management Board, managers and other employees. Risk areas significant for the Company:

- operating risk connected with the Company's commercial activity,
- financial risk, including risks related to foreign exchange and interest rates,
- risk connected with managing fixed assets (tangible and financial)
- risk connected with reporting, IT security and protection of confidential information.

are identified by persons correctly managing the Company, and taken into account at the stage of developing the strategy and creating the Company's current plans.

Supervisory Board is of the opinion that the Management Board's response to existing risk is correct. It is characterized by acting in a way which makes it possible to avoid or mitigate risk in the above-mentioned areas, among others by following procedures effective in the Company.

Supervisory Board is of the opinion that the internal control function is fulfilled mainly by the Management Board and the Company's executives ensures compliance of activities performed with legal regulations and adopted internal procedures, and is in line with effective accounting principles with respect to financial reporting.

Control activities are performed on a regular basis within the scope of duties and responsibilities set for individual employees of the Company, and potential irregularities are removed through corrective actions. An important role in the control process is played by the Audit Committee functioning in the Company.

Dąbrowa Górnicza May 18, 2010.

### **Signatures of Supervisory Board Members**

- |                     |                                   |       |
|---------------------|-----------------------------------|-------|
| 1. Stefan Dzienniak | - Supervisory Board Chairman      | _____ |
| 2. Jacek Zub        | - Supervisory Board Vice-Chairman | _____ |
| 3. Marcin Gamrot    | - Supervisory Board Member        | _____ |
| 4. Jerzy Goinski    | - Supervisory Board Member        | _____ |
| 5. Jarosław Kuna    | - Supervisory Board Member        | _____ |
| 4. Gaetan Stiers    | - Supervisory Board Member        | _____ |
| 5. Tomasz Ślęzak    | - Supervisory Board Member        | _____ |